Landesa

Consolidated Financial Statements and Single Audit Reports

For the Years Ended June 30, 2024 and 2023

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Clark Nuber PS

Independent Auditor's Report

To the Board of Directors
Landesa
Seattle, Washington

Opinion

We have audited the consolidated financial statements of Landesa and its subsidiaries (collectively the Organization), which comprise the consolidated statements financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* ,will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations *Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
December 12, 2024

LANDESA

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,014,555	$ 3,773,258
Pledges and grants receivable, current (Note 2)	2,241,286	2,500,000
Contracts receivable	161,016	339,798
Employee Retention Tax Credit receivable (Note 10)	570,763	846,692
Prepaid expenses, employee advances and other	644,636	683,335
Total Current Assets	**6,632,256**	**8,143,083**
Investments (Note 5)	17,199,764	21,621,640
Long-term pledges and grants receivable, less discount (Note 2)	1,050,721	2,089,362
Property and equipment, net (Note 4)	13,100	19,172
Right-of-use assets (Note 8)	524,595	400,479
Security deposits	77,046	144,576
Total Assets	**$ 25,497,482**	**$ 32,418,312**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 201,658	$ 90,948
Accrued payroll and related expenses	612,938	540,991
Accrued expenses	204,499	197,601
Deferred revenue	311,448	297,867
Operating lease liabilities, current (Note 8)	215,054	118,063
Total Current Liabilities	**1,545,597**	**1,245,470**
Operating lease liabilities, long-term (Note 8)	337,560	307,604
India termination benefits	78,524	78,524
Total Liabilities	**1,961,681**	**1,631,598**
Net Assets:		
Without donor restrictions (Note 6)	15,558,213	18,739,255
With donor restrictions (Note 7)	7,977,588	12,047,459
Total Net Assets	**23,535,801**	**30,786,714**
Total Liabilities and Net Assets	**$ 25,497,482**	**$ 32,418,312**

See accompanying notes.

LANDESA

Consolidated Statements of Activities
For the Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	$ 2,120,758	$ 7,106,906	$ 9,227,664	$ 2,101,270	$ 5,805,302	$ 7,906,572
Contract revenue	358,956		358,956	1,019,534		1,019,534
In-kind contributions (Note 1)	1,640		1,640			
Special events revenue, net of expenses of $104,489 ($86,257 - 2023)	5,810		5,810	13,743		13,743
Investment return, net	1,107,725		1,107,725	610,069		610,069
Employee Retention Tax Credit revenue (Note 10)				846,692		846,692
Net assets released from restrictions	11,176,777	(11,176,777)		9,828,727	(9,828,727)	
Total Support and Revenue	**14,771,666**	**(4,069,871)**	**10,701,795**	**14,420,035**	**(4,023,425)**	**10,396,610**
Expenses:						
Land rights activities (program)	14,591,268		14,591,268	12,092,739		12,092,739
Supporting services-						
Management and general	1,942,132		1,942,132	1,614,676		1,614,676
Fundraising	1,419,308		1,419,308	1,273,703		1,273,703
Total support services	3,361,440		3,361,440	2,888,379		2,888,379
Total Expenses	**17,952,708**		**17,952,708**	**14,981,118**		**14,981,118**
Change in Net Assets	**(3,181,042)**	**(4,069,871)**	**(7,250,913)**	**(561,083)**	**(4,023,425)**	**(4,584,508)**
Net assets, beginning of year	18,739,255	12,047,459	30,786,714	19,300,338	16,070,884	35,371,222
Net Assets, End of Year	**$ 15,558,213**	**$ 7,977,588**	**$ 23,535,801**	**$ 18,739,255**	**$ 12,047,459**	**$ 30,786,714**

See accompanying notes.

LANDESA

Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2024 and 2023

	2024				2023			
	Land Rights Activities	Management and General	Fundraising	Total	Land Rights Activities	Management and General	Fundraising	Total
Salaries and related payroll costs	$ 5,898,101	$ 1,746,910	$ 880,320	$ 8,525,331	$ 5,318,398	$ 1,518,681	$ 684,394	$ 7,521,473
Program consulting	5,969,305	16,931	9,047	5,995,283	5,147,739		39,402	5,187,141
Project operations cost	1,683,223	27,217	123,588	1,834,028	943,219	6,591	168,502	1,118,312
Rent and other occupancy costs	296,566	25,120	12,646	334,332	265,679	26,713	12,037	304,429
Other expenses	189,367	19,165	154,808	363,340	112,069	11,668	144,906	268,643
Consulting and professional fees	170,510	37,863	252,939	461,312	69,407	12,015	248,709	330,131
Information technology	232,933	50,846	61,266	345,045	170,526	35,036	48,776	254,338
Media, online and print material	70,496	254	12,172	82,922	47,206	718	11,768	59,692
In-kind expenses			1,640	1,640				
Telecommunications	6,861	1,470	740	9,071	10,067	1,474	664	12,205
Domestic and international human resource costs	69,705	15,112	14,005	98,822				
Depreciation	4,201	1,244	626	6,071	8,429	1,780	802	11,011
Total expenses	14,591,268	1,942,132	1,523,797	18,057,197	12,092,739	1,614,676	1,359,960	15,067,375
Less special event expenses netted with revenue			(104,489)	(104,489)			(86,257)	(86,257)
Total Functional Expenses	**$14,591,268**	**$ 1,942,132**	**$ 1,419,308**	**$17,952,708**	**$12,092,739**	**$ 1,614,676**	**$ 1,273,703**	**$14,981,118**

See accompanying notes.

LANDESA

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities:		
Total change in net assets	$ (7,250,913)	$ (4,584,508)
Adjustments to reconcile change in net assets to net cash flows used in operating activities-		
Depreciation	6,071	11,011
Realized and unrealized gain on investments	(457,316)	(64,530)
Changes in operating assets and liabilities:		
Pledges and grants receivable	1,297,356	3,562,728
Contracts receivable	178,782	(72,798)
Employee Retention Tax Credit receivable	275,929	(846,692)
Prepaid expenses, employee advances and other	38,699	(179,704)
Security deposits	67,530	(92,000)
Accounts payable	110,710	(101,812)
Accrued payroll and related expenses	71,947	54,149
Accrued expenses	6,898	5,062
Deferred revenue	13,581	225,397
Deferred rent		(30,082)
Lease liabilities, net of right-of-use assets	2,831	25,188
India termination benefits		1,151
Net Cash Used in Operating Activities	**(5,637,895)**	**(2,087,440)**
Cash Flows From Investing Activities:		
Purchase of investments	(755,960)	(23,463,331)
Sale of investments	5,635,152	22,009,358
Net Cash Provided by (Used in) Investing Activities	**4,879,192**	**(1,453,973)**
Net Change in Cash and Cash Equivalents	**(758,703)**	**(3,541,413)**
Cash and cash equivalents balance, beginning of year	3,773,258	7,314,671
Cash and Cash Equivalents Balance, End of Year	**$ 3,014,555**	**$ 3,773,258**

See accompanying notes.

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Landesa (the Organization) is a Washington nonprofit corporation founded 1981. Landesa is an international organization working to secure land rights for the world's poorest people. The Organization's professionals have worked in over 40 developing countries in partnership with governments, nongovernmental organizations, numerous foreign aid agencies, and other partners to design and implement laws, policies, and programs that provide opportunity, further economic growth, and promote social justice. The Organization has offices in:

- Seattle, Washington, United States
- Beijing, China
- Bangalore, Kolkata and New Delhi, India
- Monrovia, Liberia
- Dar es Salaam, Tanzania
- Nairobi, Kenya
- Jakarta, Indonesia
- Kigali, Rwanda

The Organization does not hold significant amounts of assets or liabilities denominated in non-United States currency at June 30, 2024 and 2023. During the years ended June 30, 2024 and 2023, $5,744,556 and $1,971,165, respectively, of expenses were incurred outside of the United States of America.

The Organization receives significant revenue from multi-year grants. If the grant award is not contingent upon future actions, accounting principles generally accepted in the United States of America (U.S. GAAP) require the Organization to recognize the entire grant as revenue in the year the grant was awarded. This accounting requirement may account for large annual increases or decreases in total revenue and support, and the annual change in the net assets.

Principles of Consolidation - These consolidated financial statements include the accounts of Landesa and Landesa's subsidiaries and controlled entities, including:

- Landesa Consulting, LLC, a Washington limited liability corporation whose sole member is Landesa.
- Rural Development Institute, a nonprofit trust organized under the laws of India.
- Landesa Private Limited Company, a private limited company organized under the laws of India.
- Kenya Limited LLC, a private limited liability company organized under the laws of Kenya.

All intra-entity balances and transactions have been eliminated. All amounts in these consolidated financial statements are stated in United States dollars.

Basis of Presentation - Net assets and revenues, along with gains, and losses are classified based on the existence or absence of donor-imposed restrictions and include the Organization's foreign and domestic activities. Accordingly, the net assets of Organization and changes therein are classified, and report as follows:

Net Assets Without Donor Restriction - Net assets that are not subject to externally imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to externally imposed restrictions that will be met either by action of Landesa or the passage of time.

Note 1 - Continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition -

Contributions and Grants - Unconditional grants and contributions are recognized in the period received. A grant or contribution is considered conditional when it has a right of return/release and barriers to entitlement. Conditional grants and contributions are recognized in the period in which the conditions are met. All grants and contributions are available for general use unless specifically restricted by the donor. Conditional grants include cost-reimbursement grants for which the Organization recognizes revenue in the period in which eligible costs are incurred. Payments received in advance for conditional contributions before the conditions are satisfied are recorded as deferred revenue. The Organization had $11,582,182 and $15,945,371 in conditional grants and contributions outstanding at June 30, 2024 and 2023 respectively as described in Note 3.

Contract Receivables/Revenue - Contract revenue is recognized as services are provided. Revenue from time and materials contracts is recognized when eligible costs are incurred. Revenue from performance-based contracts is recognized when performance is completed. If revenue recognized exceed cash advances received, then a receivable is recorded. If cash advances exceed revenue recognized, then a liability, deferred revenue, is recorded. The Organization has contracts receivable of $161,016, $339,798 and $267,000 outstanding at June 30, 2024, 2023 and 2022, respectively. In addition, the Organization reported deferred contract revenue of $301,536 at June 30, 2024.

In-Kind Contributions - In-kind contributions represent contributed website services and legal services which are used in operations. These services were recorded at fair value and amounted to $1,640 and $0 for the years ended June 30, 2024 and 2023, respectively. In-kind services are only recognized if the services require a specialized skill that would otherwise be purchased by the Organization.

Cash and Cash Equivalents - The Organization considers highly liquid investments within original maturities of three months or less to be cash equivalents except cash balances held in investments. The Organization maintains its cash and cash equivalents and investments in bank deposit and brokerage accounts and interest-bearing money market funds, which, at times, may exceed federally insured limits.

Investments - Investments in debt and equity securities with readily determinable market values are recorded at fair value.

The fair value of investments in securities traded on national securities exchanges are stated at the closing price on the last business day of the fiscal year. Net realized and unrealized gains and losses on investments is presented on the consolidated statements of activities, with respect to any donor restrictions. Investment return is presented net of related investment fees.

Note 1 - Continued

Pledges and Grant Receivable - Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. The Organization records an estimated allowance for uncollectible pledges and grants receivable based on its assessment of possible uncollectible amounts. The Organization charges off receivables against the allowance when management determines that a receivable is not collectible. No allowance has been recorded for the years ended June 30, 2024 and 2023, based on historical collection trends.

Pledges and grants receivable that are expected to be collected within one year are recorded at net realizable value. Pledges and grants receivable that are expected to be collected in future years are initially recorded at fair value, which is measured at the present value of expected future cash flows. The discounts on those amounts are computed using donor-specific risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contributions revenue in the consolidated statements of activities.

Property and Equipment - Property and equipment purchases greater than $5,000 are capitalized and are recorded at cost or, in the case of donated fixed assets, at estimated fair value at the time of donation. Depreciation of fixed assets is provided for over the estimated useful lives of the assets for three to seven years on a straight-line basis.

Leases - The Organization determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the consolidated statements of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's leases do not provide an implicit rate of return; thus, the organization uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than $5,000.

India Termination Benefits - In compliance with the Payment of Gratuity Act, 1971, employees located in India that have over five years of service are entitled to a lump-sum payment when they leave a company. The payment is based on a calculation that factors in length of service and most recent salary. The Organization has accrued a benefit for each eligible employee as of both June 30, 2024 and 2023 of $78,524.

Vulnerability From Certain Concentrations - For the year ended June 30, 2024, 42% of the Organization’s revenues were from three entities. For the year ended June 30, 2023, 39% of the Organization’s revenue was from two entities. At June 30, 2024 and 2023, 56% and 94% of receivables were due from two and one entity, respectively. Management of the Organization is aware of the related vulnerability but does not anticipate any losses in connection with these concentrations, based on historical collections.

Note 1 - Continued

Income Tax Status - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. RDI India Trust and Landesa Foundation for Innovations in Development Management are exempt from income taxes under Section 12AA(1)(b)(i) of the Indian Income Tax Act. Landesa Consulting Private Limited is subject to income tax in India with a maximum rate of 30%. Landesa Consulting LLC is subject to income tax in the People's Republic of China at a rate of 25%. No income tax expenses were incurred in India or China during the years ended June 30, 2024 and 2023, respectively.

Functional Allocation of Expenses - The cost of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, cost benefiting one category are directly charged. Other costs (rent and other occupancy, depreciation, telecommunications, information technology, consulting and professional fees, and other expenses) have been allocated among the categories benefited using the relative payroll and benefits for each area.

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - The Organization has evaluated subsequent events with respect to the consolidated financial statements for the year ended June 30, 2024 through December 12, 2024, the date the consolidated financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements, nor have any events occurred, the nature of which would require disclosure.

Note 2 - Pledges and Grants Receivable

Included in pledges and grants receivable are the following unconditional promises to give at June 30:

	2024	2023
Amounts due in one to five years	$ 1,100,000	$ 2,200,000
Less unamortized discount to present value (0.66% - 3.51%)	(49,279)	(110,638)
Net long-term pledges and grants receivable	1,050,721	2,089,362
Amounts due in less than one year	2,241,286	2,500,000
Total Pledges and Grants Receivable	**$ 3,292,007**	**$ 4,589,362**

Note 3 - Conditional Awards

Conditional promises to give are as follows at June 30:

	2024	2023
Conditional promises to give (project deliverables)	$ 24,050,295	$ 24,050,295
Less cumulative amount recognized	(12,468,113)	(8,104,924)
	11,582,182	15,945,371
Conditional promises to give (matching contributions)	113,500	113,500
Less cumulative amount recognized	(113,500)	(113,500)
Total Conditional Awards	**$ 11,582,182**	**$ 15,945,371**

The Organization expects to satisfy the conditions contained in these grants over the next three years.

Note 4 - Property and Equipment

Property and equipment consist of the following at June 30:

	2024	2023
Furniture and equipment	$ 184,845	$ 184,845
Software	153,274	153,274
Leasehold improvements	14,333	14,333
Property and equipment	352,452	352,452
Less accumulated depreciation	(339,352)	(333,280)
Property and Equipment, Net	**$ 13,100**	**$ 19,172**

Note 5 - Investments and Fair Value Measurements

U.S. GAAP defines fair value and establishes a framework to measuring fair value and requires disclosures about fair value measurement. To increase consistency and comparability in fair value measurements, U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation approaches on three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to an unobservable input (Level 3).

Note 5 - Continued

Valuation Techniques - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's judgment about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for the Organization's investments measured at fair value. There have been no changes in methodologies used at June 30, 2024 and 2023.

U.S. Government Securities - Valued at the closing price reported on the active market on which the securities are traded.

Mutual Funds - Valued using the market approach based on quoted market prices in active markets, which represent the net asset value (NAV) of shares held by the Organization.

Corporate Bonds - Valued at the closing price reported on the active market on which the securities are traded.

The fair values of investments measured on a recurring basis consist of the following as of June 30:

	2024	2023
U.S. Government securities	$ 6,950,774	$ 7,313,226
Money market funds	384,648	6,547,309
Mutual funds	677,076	5,983,448
Corporate bonds	9,187,266	1,777,657
	$ 17,199,764	**$ 21,621,640**

Note 5 - Continued

Fair values of the Organization's investments measured on a recurring basis are as follows at June 30:

	Fair Value Measurements at June 30, 2024			
	Level 1	Level 2	Level 3	Total
U.S. Government securities	$ 6,950,774	$ -	$ -	$ 6,950,774
Mutual funds	677,076			677,076
Corporate bonds		9,187,266		9,187,266
Total Investments at Fair Value	**$ 7,627,850**	**$ 9,187,266**	**$ -**	16,815,116
Money market funds at cost				384,648
Total Investments				**$ 17,199,764**

	Fair Value Measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
U.S. Government securities	$ 6,817,356	$ 495,870	$ -	$ 7,313,226
Mutual funds	5,983,448			5,983,448
Corporate bonds		1,777,657		1,777,657
Total Investments at Fair Value	**$ 12,800,804**	**$ 2,273,527**	**$ -**	15,074,331
Money market funds at cost				6,547,309
Total Investments				**$ 21,621,640**

Note 6 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at June 30:

	2024	2023
Board designated operating reserves	$ 367,135	$ 366,397
Undesignated	15,191,078	18,372,858
Total Net Assets Without Donor Restrictions	**$ 15,558,213**	**$ 18,739,255**

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	2024	2023
Specific purpose-		
Program expenses:		
Southeast Asia	$ 4,729,512	$ 8,002,643
Africa	594,681	2,025,118
China		63,914
Global Projects	938,263	1,756,233
Landesa Center for Women's Land Rights	878,278	
India	82,124	35,830
Passage of time-		
General support in future years	754,730	163,721
	$ 7,977,588	**$ 12,047,459**

Net assets released from restriction totaled $11,176,777 (including $500,000 released for passage of time) and $9,828,727 (including $38,058 released for passage of time) for program activities at June 30, 2024 and 2023, respectively.

Note 8 - Leases

The Organization leases office space and equipment under long-term, noncancelable lease agreements which expire at various dates through 2028. Additionally, the leases include payments for common area maintenance that are considered variable lease payments and are excluded from determining the lease liability. The details of each lease are as follows:

- The Seattle lease is a noncancelable operating lease that expires December 31, 2026.
- The New Delhi lease is a five-year operating lease agreement with the first three years being noncancelable; the lease expired on August 31, 2023 and was renewed until August 31, 2028.
- The copier lease is a noncancelable operating lease that expires September 30, 2026.
- The Rwanda lease is two-year operating lease that expires that expires December 31, 2026.

The components of lease expense for the year ended June 30, 2024 are as follows:

Operating lease cost	$ 200,014
Short-term and other lease costs	97,356
Total Leasing Expense	**$ 297,370**

Note 8 - Continued

The components of lease expense for the year ended June 30, 2023 are as follows:

Operating lease cost	$	154,836
Variable lease cost		2,320
Short-term and other lease costs		115,898
Total Leasing Expense	**$**	**273,054**

Supplemental cash flow information related to leases as of June 30, 2024 is as follows:

Cash paid for amounts included in the measurement of lease liabilities- Operating cash flows from operating leases	$	197,237
Weighted-average remaining lease term - operating lease		2.9
Weighted-average discount rate - operating lease		3%

Supplemental cash flow information related to leases as of June 30, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities- Operating cash flows from operating leases due to implementation of 842	$	159,636
Weighted-average remaining lease term - operating lease		3.4
Weighted-average discount rate - operating lease		3%

Future minimum payments required under operating leases as of June 30, 2024 are as follows:

For the Year Ending June 30,		Operating
2025	$	221,235
2026		199,374
2027		123,232
2028		30,001
Total undiscounted cash flows		581,987
Less present value discount		(29,373)
Total Lease Liabilities	**$**	**552,614**

Note 9 - Retirement Plan

The Organization has a 401(k)-retirement plan (the Plan) for its employees. Participants elect to make contributions to the Plan, and Landesa contributes 3% of an employee's gross wages to the Plan regardless of any employee contribution. Total employer contributions related to the Plan were $173,044 and $148,138 for the years ended June 30, 2024 and 2023, respectively.

Note 10 - Employee Retention Tax Credit (ERTC)

In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the ERTC to encourage businesses and not-for-profit organizations impacted by COVID-19 to keep employees on their payroll. The ERTC is a refundable tax credit computed based on wages paid by the Organization. The Organization’s accounting policy for the ERTC is to record revenue at the time management approves the calculation necessary to file the claim for the credits with the Internal Revenue Service. Total ERTC revenue recognized for the year ended June 30, 2023 was $846,692.

Note 11 - Related-Party Transactions

The Organization received contributions of $83,500 and $151,758 from members of the Board of Directors during the years ended June 30, 2024 and 2023, respectively.

The Organization received $83,500 and $153,032 of total revenue from related parties for the years ended June 30, 2024 and 2023, respectively. Related parties include a private foundation where a member of Organization's Board of Directors is a key member of management.

Note 12 - Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets in excess of the operating reserve at all times. A cash flow forecast projecting domestic cash at least twelve months into the future is updated on a monthly basis. Financial assets in excess of daily cash requirements are invested in savings accounts and money market funds.

In accordance with a board resolution adopted in 2010, the Organization maintains an operating reserve equal to at least three months of budgeted unsecured operating expenses. The operating reserve balance as of June 30, 2024 and 2023 was $367,135 and $366,397, respectively (Note 6).

Note 12 - Continued

The following table reflects the Organization's financial assets as of June 30, 2024 and 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. In the event the need arises to utilize the operating reserve for liquidity purposes, it could be drawn upon through Executive Committee resolution.

	2024	2023
Cash and cash equivalents	$ 3,014,555	$ 3,773,258
Pledges and grants receivable, current	2,241,286	2,500,000
Investments	17,199,764	21,621,640
Contracts receivable	161,016	339,798
Employee retention credit receivable	570,763	846,692
Total financial assets	23,187,384	29,081,388
Less amounts not available to be used within one year-		
Net assets with donor restrictions	(7,977,588)	(12,047,459)
Plus net assets with restrictions to be met in less than a year	7,436,898	8,141,723
Board-designated funds for future use	(367,135)	(366,397)
	(907,825)	(4,272,133)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	**$ 22,279,559**	**$ 24,809,255**

SUPPLEMENTARY INFORMATION

LANDESA AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Award/ Pass-Through Number	Pass-Through to Subrecipients	Total Federal Expenditures
United States Department of State:				
Office of Global Women's Issues	19.801	SLMAQM21CA3275	$ 289,433	$ 550,792
Bureau of South and Central Asian Affairs	19.108	SAQMIP22GR0333		470,860
Total United States Department of State			**289,433**	**1,021,652**
Agency for International Development:				
USAID Foreign Assistance for Programs Overseas	98.001	VHLHREH8Y7R4		6,909
Total Agency for International Development				**6,909**
Total Expenditures of Federal Awards			**$ 289,433**	**$ 1,028,561**

See notes to schedule of expenditures of federal awards and independent auditor’s report.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Landesa and Subsidiaries (collectively, the Organization) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Expenses incurred under federal programs are subject to audit by the awarding agencies. If, as a result of such an audit, certain expenses incurred are determined to be nonreimbursable, the Organization may be liable for repayment of disallowed expenses previously claimed or received.

Note 3 - Indirect Cost Rate

The Organization has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

SINGLE AUDIT REPORTS

Clark Nuber PS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Board of Directors
Landesa
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Landesa and its Subsidiaries (collectively, the Organization) which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
December 12, 2024

Clark Nuber PS

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
Landesa
Seattle, Washington

Report of Compliance for Major Federal Program

Qualified Opinion

We have audited Landesa and Subsidiaries (collectively, the Organization's) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2024. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Office of Global Women's Issues Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, The Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Office of Global Women's Issues program for the year ended June 30, 2024.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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Matters Giving Rise to Qualified Opinion on the Office of Global Women's Issues Program

As described in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding the Office of Global Women's Issues program as described in finding number 2024-001 for procurement.

Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

Clark Nuber PS

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
December 12, 2024

LANDESA AND SUBSIDIARIES

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

Section I - Summary of Auditor's Results

<u>Financial Statements</u>

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
- Material weaknesses identified?	☐ Yes	☒ No
- Significant deficiencies identified?	☐ Yes	☒ None reported.
Noncompliance material to financial statements noted?	☐ Yes	☒ No

<u>Federal Awards</u>

Internal control over major programs:		
- Material weaknesses identified?	☒ Yes	☐ No
- Significant deficiencies identified?	☐ Yes	☒ None reported.
Type of auditor's report issued on compliance for major programs:	Qualified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☒ Yes	☐ No

<u>Identification of Major Federal Programs</u>

Assistance Listing Number	Name of Federal Program or Cluster
19.801	Office of Global Women's Issues

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	☐ Yes	☒ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2024-001
Material weakness in internal control over compliance with procurement procedures meeting the requirements of 2 CFR Part 200.

Federal Agency:	United States Department of State
Program Titles:	Office of Global Women's Issues
Assistance Listing Number:	19.801
Pass-Through Entity:	N/A
Award Numbers:	SLMAQM21CA3275
Award Periods:	September 30, 2021 through September 30, 2025

Criteria
Procurement standards contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the Uniform Guidance)* , Subpart D - Post Federal Award Requirements, Section 200.320 through 200.321 require that procurements of goods and services charges to Federal awards be conducted to provide full and open competition including the meeting of criteria for the use of the noncompetitive procurement method.

Condition/Context
During our testing of 1 of 2 material procurement transactions, we identified the Organization lacked written justification for the use of the noncompetitive procurement method as required by 2 CFR Part 200.320(c).

Cause
The Organization's internal controls over procurement were not sufficient to ensure that appropriate justification be determined and documented when the noncompetitive procurement method is used.

Effect
The Organization did not comply the procurement standards set out at 2 CFR Part 200 as it related to the selected procurement transaction.

Questioned Costs
None

Repeat Finding
No

Recommendation
Subsequent to June 30, 2024, we noted the Organization requested and received explicit approval from the United States Department of State to use the noncompetitive procurement method for the procurement transaction tested.

Section III - Federal Award Findings and Questioned Costs (Continued)

We recommend the Organization implement measures to ensure that proper justification be determined and documented when utilizing the noncompetitive procurement method.

Views of Responsible Individual and Corrective Action Plan
Management agrees with the finding and has provided the accompanying corrective action plan.

Landesa

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LANDESA

Corrective Action Plan
For the Year Ended June 30, 2024

Finding Number 2024-001

Contact Person(s): Director of Finance

Recommendation:

Subsequent to June 30, 2024, we noted the Organization requested and received explicit approval from the United States Department of State to use the noncompetitive procurement method for the procurement transaction tested.

We recommend that the Organization implement measures to ensure that proper justification be determined and documented when utilizing the noncompetitive procurement method for the procurement transaction tested.

Corrective action planned:

Landesa will work to train program staff on non-competitive procurement use cases, and the documentation required to support these type of transactions. Additionally, Landesa will implement procurement software to automate workflows and approval processes for non-competitive procurement.

Anticipated completion date: January 2025

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

Prior Year Financial Statement Findings

Finding 2023-001

Status: Corrective action taken

Management has configured their general ledger to allow for better matching and coding to better identify unallowable costs during the billing process. Additionally, necessary staff were trained on the new revenue recognition standards for application on future grants and fee for service revenue recognition.

Prior Year Federal Award Findings and Questioned Costs

Finding 2023-002

Status: Corrective action taken

In October 2023, a new electronic timekeeping system was implemented to track employee time allocated to funded projects and programs. Timesheet approvals are now electronic and are directly integrated with our general ledger.

Finding 2023-003

Status: Corrective action taken

Management has revised its procurement policy to be in compliance with 2 CFR section 200.320 effective June 2024. The revised policy includes clear thresholds for micro-purchase, simplified acquisition, and amounts above the simplified acquisition threshold.

Finding 2023-004

Status: Corrective action taken

Management has corrected it's cash management policy and requests funds from the federal government based on a look back of prior month's spending. Advances, if requested, are done so with the prior approval of the federal government funding agency.

Finding 2023-005

Status: Corrective action taken

Management has revised its internal policies and procedures regarding subrecipient monitoring. Reviews are conducted quarterly, and all necessary documentation is collected and reviewed.