



CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2014

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	2
CONSOLIDATED STATEMENTS OF ACTIVITIES	3
CONSOLIDATED STATEMENTS OF CASH FLOWS	4
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	5 - 11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Landesa
Seattle, Washington

We have audited the accompanying consolidated financial statements of Landesa, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Landesa as of June 30, 2014 and 2013, 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.

Peterson Sullivan LLP

November 14, 2014

LANDESA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 6,833,009	\$ 3,874,775
Pledges and grants receivable (Note 2)	672,548	2,168,920
Contracts receivable	444,442	263,320
Prepaid expenses and other	<u>278,123</u>	<u>251,835</u>
Total current assets	8,228,122	6,558,850
Long-term Pledges and Grants Receivable, less discount (Note 2)	375,315	516,748
Property and Equipment, at cost, less accumulated depreciation (Note 4)	<u>63,217</u>	<u>148,949</u>
Total assets	<u>\$ 8,666,654</u>	<u>\$ 7,224,547</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 188,896	\$ 74,740
Accrued payroll and related expenses	424,239	468,777
Accrued expenses	155,938	42,496
Deferred rent, current portion	<u>41,081</u>	<u>32,255</u>
Total current liabilities	810,154	618,268
Deferred rent, net of current portion	<u>139,896</u>	<u>180,883</u>
Total liabilities	950,050	799,151
Net Assets		
Unrestricted	1,998,741	1,155,951
Temporarily restricted (Note 5)	<u>5,717,863</u>	<u>5,269,445</u>
Total net assets	<u>7,716,604</u>	<u>6,425,396</u>
Total liabilities and net assets	<u>\$ 8,666,654</u>	<u>\$ 7,224,547</u>

See Notes to Consolidated Financial Statements

LANDESA

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and Revenue						
Grants and contributions	\$ 3,666,000	\$ 5,615,238	\$ 9,281,238	\$ 4,718,014	\$ 5,375,056	\$ 10,093,070
Contract revenue	1,464,153		1,464,153	813,866		813,866
In-kind contributions (Note 1)	158,816		158,816	131,598		131,598
Special events revenue	161,195		161,195	97,922		97,922
Special events expenses	(43,690)		(43,690)	(32,151)		(32,151)
Interest and other revenue	4,997		4,997	21,147		21,147
Loss on disposal of property and equipment	(26,806)		(26,806)	(3,405)		(3,405)
Net assets released from restrictions	5,166,820	(5,166,820)		4,496,487	(4,496,487)	
Total support and revenue	10,551,485	448,418	10,999,903	10,243,478	878,569	11,122,047
Expenses						
Salaries and related payroll costs	6,617,129		6,617,129	7,335,569		7,335,569
Project operations cost	1,077,136		1,077,136	1,265,628		1,265,628
Program consulting	735,559		735,559	856,724		856,724
Occupancy and related costs	585,664		585,664	700,471		700,471
Consulting and professional fees	171,650		171,650	190,524		190,524
In-kind expenses	158,816		158,816	131,598		131,598
Other office expenses	123,601		123,601	100,603		100,603
Information technology	92,287		92,287	120,661		120,661
Depreciation	58,926		58,926	87,169		87,169
Telecommunications	40,896		40,896	59,899		59,899
Media, online, and print material	25,614		25,614	63,166		63,166
Domestic and international human resource costs	21,417		21,417	25,497		25,497
Total expenses	9,708,695		9,708,695	10,937,509		10,937,509
Change in net assets	842,790	448,418	1,291,208	(694,031)	878,569	184,538
Net Assets, beginning of year	1,155,951	5,269,445	6,425,396	1,849,982	4,390,876	6,240,858
Net Assets, end of year	\$ 1,998,741	\$ 5,717,863	\$ 7,716,604	\$ 1,155,951	\$ 5,269,445	\$ 6,425,396

See Notes to Consolidated Financial Statements

LANDESA

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 1,291,208	\$ 184,538
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	58,926	87,169
Loss on disposal of property and equipment	26,806	3,405
Change in discounts on pledges and grants receivable	5,605	(13,261)
Change in operating assets and liabilities		
Pledges and grants receivable	1,632,200	(927,235)
Contracts receivable	(181,122)	46,165
Prepaid expenses and other	(26,288)	18,016
Accounts payable	114,156	(46,771)
Accrued payroll and related expenses	(44,538)	(23,887)
Accrued expenses	113,442	(88,136)
Deferred rent	(32,161)	50,719
	2,958,234	(709,278)
Net cash flows from operating activities		
Cash Flows from Investing Activities		
Proceeds from sale of investments		1,100,000
Purchase of property and equipment		(64,468)
		1,035,532
Net cash flows from investing activities		
	2,958,234	326,254
Net change in cash and cash equivalents		
Cash and Cash Equivalents, beginning of year	3,874,775	3,548,521
Cash and Cash Equivalents, end of year	\$ 6,833,009	\$ 3,874,775

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Summary of Significant Accounting Policies

Landesa is a Washington nonprofit corporation founded in 1981. Landesa is an international organization working to secure land rights for the world's poorest people. Landesa professionals have worked in over 40 developing countries in partnership with governments, non-governmental 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.

Landesa has offices in:

- Seattle, United States
- Beijing, China
- Bangalore, India
- Hyderabad, India
- Kolkata, India
- New Delhi, India
- Bhubaneswar, India

Landesa does not hold significant amounts of assets or liabilities denominated in non-United States currency at June 30, 2014 and 2013. During the years ended June 30, 2014 and 2013, \$2,659,646 and \$3,483,488, respectively, of expenses were incurred outside the United States.

Landesa receives significant revenues from multi-year grants. If the grant award is not contingent upon future actions, accounting principles generally accepted in the United States ("GAAP") require Landesa to recognize the entire grant (all years) in the year the grant was awarded. This accounting requirement may account for large annual increases or decreases in total revenue and support, and net assets. Landesa's operations generally reflect the multi-year nature of the grant (only expending a year's portion at a time) regardless of the particular revenue recognition principle.

During the year ended June 30, 2014, Landesa received significant contributions from the following organizations:

- Omidyar Network
- Stichting IKEA Foundation
- Ford Foundation
- River Star Foundation
- Google Foundation
- The Bill and Melinda Gates Foundation

Landesa operates significant Indian program activities through an organization called the RDI India Trust. The RDI India Trust is a public charitable trust recognized by the government of India. Landesa is the majority financial supporter of the RDI India Trust. The mission of the RDI India Trust is to undertake the Indian program activities of Landesa. All activities of the RDI India Trust are included in these consolidated financial statements.

Landesa is the sole member of a limited liability corporation called Landesa Consulting LLC ("the LLC"). As an LLC, the liability of the members is generally limited to amounts invested. The LLC was incorporated for the purpose of continuing current operations in China and does not have a termination date. As of June 2014, Landesa registered in China as a wholly foreign owned enterprise under the name Landesa (Beijing) Agriculture Consulting Co. Ltd. For the year ended June 30, 2014, no activity occurred under the new wholly foreign owned enterprise.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions and include Landesa's foreign and domestic activities. Accordingly, the net assets of Landesa and changes therein are classified and reported as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by actions of Landesa or the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by Landesa. Landesa had no permanently restricted net assets at June 30, 2014 or 2013.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Basis of Consolidation

These consolidated financial statements include the accounts of Landesa, RDI India Trust, Landesa Consulting LLC, and Landesa (Beijing) Agriculture Consulting Co. Ltd. All intra-entity balances and transactions have been eliminated. All amounts in these consolidated financial statements are stated in United States dollars.

Cash and Cash Equivalents

Landesa considers highly liquid investments with original maturities of three months or less to be cash equivalents. Landesa maintains its cash and cash equivalents in bank deposit accounts and interest-bearing money market funds which, at times, may exceed federally insured limits.

Contract Receivables/Revenue

Support from cost-reimbursable contracts is recognized when eligible costs are incurred. Support from performance-based contracts is recognized when performance is completed. If support recognized exceeds cash advances received, then a receivable is recorded. However, if cash advances exceed support recognized, then a liability, unearned contract support, is recorded. Landesa has received grants for specific purposes that are open to review and audit by the grantor agencies.

Pledge and Grant Receivable/Revenue

Pledges and grants receivable consist primarily of unconditional promises to give. Unconditional promises to give are recognized as revenues and support in the period the promise is made. Landesa records an estimated allowance for uncollectible pledges and grants receivable based on its assessment of possible uncollectible amounts. Landesa 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, 2014 or 2013, 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 as the present value of expected future cash flows. The discounts on those amounts are computed using 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. Conditional promises to give are not included as support until the conditions are substantially met.

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. For leasehold improvements, depreciation is calculated using the shorter of the lease term or the useful life of the asset, also on the straight-line basis.

Deferred Rent

Landesa recognizes lease expense on a straight-line basis over the life of the lease, with the deferred rent reported as a liability on the consolidated statements of financial position for the difference between recognized expense and the contractual payments stipulated in the lease agreement.

In-Kind Contributions

In-kind contributions represent contributed website services and legal services. These services were valued at fair value and amounted to \$158,816 and \$131,598 during fiscal years 2014 and 2013, respectively. In-kind services are only recognized if the services require a specialized skill that would otherwise be purchased by Landesa.

Vulnerability from Certain Concentrations

For the year ended June 30, 2014, 27% of Landesa's revenue was from one donor. For the year ended June 30, 2013, 58% of Landesa's revenue was from three private foundations or donors. At June 30, 2014, 55% of total receivables were due from three private foundations and donors. At June 30, 2013, 64% of total receivables were due from four private foundations and donors.

Management of Landesa is aware of the related vulnerability, but does not anticipate any losses in connection with these concentrations.

Income Tax Status

Landesa is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Tax returns for the years ended June 30, 2011 through 2014, are open to examination by the Internal Revenue Service.

RDI India Trust is exempt from income taxes under Section 12AA(1)(b)(i) of the Indian Income Tax Act. Tax returns for the years ended March 31, 2011 through 2014, are open to examination by the Indian taxing authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain balances in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications have no impact on the net assets and the changes in net assets as previously reported.

Subsequent Events

Landesa has evaluated subsequent events through the date these financial statements were available to be issued, which was the same date as the independent auditors' report.

Note 2. Pledges and Grants Receivable

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

	<u>2014</u>	<u>2013</u>
Amounts due in:		
One to five years	\$ 356,250	\$ 528,126
More than five years	30,000	
Less unamortized discount to present value	<u>(10,935)</u>	<u>(11,378)</u>
Net long-term pledges and grants receivable	375,315	516,748
Amounts due in:		
Less than one year	<u>672,548</u>	<u>2,168,920</u>
Total pledges and grants receivable	<u><u>\$ 1,047,863</u></u>	<u><u>\$ 2,685,668</u></u>

The effective interest rate used to discount pledges and grants receivable was 1.00% and 0.75% for amounts pledged in fiscal year 2014 and 2013, respectively.

Note 3. Conditional Awards

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Conditional promises to give for which payment is conditional upon satisfactorily meeting certain project deliverables are as follows at June 30:

	<u>2014</u>	<u>2013</u>
Conditional promises to give	\$ 2,657,127	\$ 575,763
Less: cumulative amount recognized	<u>(561,823)</u>	<u>(287,882)</u>
	<u>\$ 2,095,304</u>	<u>\$ 287,881</u>

Conditional promises to give for which payment is conditional upon receiving certain matching contributions are as follows at June 30:

	<u>2014</u>	<u>2013</u>
Conditional promises to give	\$ 5,060,000	\$ 4,560,000
Less: cumulative amount recognized	<u>(3,500,000)</u>	<u> </u>
	<u>\$ 1,560,000</u>	<u>\$ 4,560,000</u>

Note 4. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 239,602	\$ 239,602
Software	70,278	61,938
Leasehold improvements		38,991
Construction in progress		8,340
	<u>309,880</u>	<u>348,871</u>
Less: accumulated depreciation	<u>(246,663)</u>	<u>(199,922)</u>
	<u>\$ 63,217</u>	<u>\$ 148,949</u>

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Program expenses in India	\$ 3,063,475	\$ 2,633,656
Program expenses, Global Projects	437,998	210,397
Program expenses for Landesa Center for Women's Land Rights	572,677	861,476
Program expenses, Global Advocacy	922,995	159,407
Program expenses in China	320,475	177,415
General support in future years	266,937	1,118,952
Program expenses in Africa	68,306	108,142
Program expenses in Southeast Asia	65,000	
	<u>\$ 5,717,863</u>	<u>\$ 5,269,445</u>

Note 6. Functional Allocation of Expenses

The cost of providing the various programs and other activities has been allocated to the program and supporting services benefited as follows at June 30:

	<u>2014</u>	<u>2013</u>
Program services	\$ 7,505,486	\$ 8,558,274
Management and general	1,227,938	1,579,939
Fundraising	975,271	799,296
	<u>\$ 9,708,695</u>	<u>\$ 10,937,509</u>

Note 7. Leases

Landesa leases one office space in Seattle, Washington, one in Beijing, China, and one in New Delhi, India. The Seattle lease is a seven-year non-cancelable operating lease agreement which expires December 31, 2017. The Beijing lease is a two-year operating lease agreement which expires August 31, 2015. The New Delhi lease is a three-year lease agreement with the first 18 months being non-cancelable, which expires August 30, 2015. Total rent expense for the fiscal years ended June 30, 2014 and 2013, was \$552,956 and \$667,024, respectively.

Future minimum lease payments for the offices under non-cancelable operating leases are as follows for the years ending June 30:

2015	\$	433,436
2016		329,557
2017		319,266
2018		161,838
		<hr/>
	\$	1,244,097
		<hr/> <hr/>

Note 8. Retirement Plan

Landesa 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 expenses related to the Plan were \$129,685 and \$141,242 for the years ended June 30, 2014 and 2013, respectively.

Note 9. Related Party Transactions

Landesa received contributions of \$282,352 and \$1,776,000 from members of Landesa's Board of Directors during the years ended June 30, 2014 and 2013, respectively.

Four board members have outstanding pledges receivable totaling \$369,734 as of June 30, 2014. Three board members had outstanding pledges receivable totaling \$894,000 as of June 30, 2013.

Landesa received \$3 million and \$3.5 million of total revenue for each of the years ended June 30, 2014 and 2013, respectively, from a private foundation. A member of Landesa's Board of Directors is a key member of management at this private foundation.