Landesa

Consolidated Financial Statements
and Single Audit Reports

For the Year Ended June 30, 2023 and 2022

Table of Contents

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, 2023 and 2022, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), and related ASUs, for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

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.

CN

T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Clark Nuber PS

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.

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 November 9, 2023 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 PS

Certified Public Accountants
November 9, 2023

LANDESA

Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	$ 3,773,258	$ 7,314,671
Pledges and grants receivable, current (Note 2)	2,500,000	3,910,000
Contracts receivable	339,798	267,000
Employee retention credit receivable (Note 10)	846,692	
Prepaid expenses, employee advances and other	683,335	503,631
Total Current Assets	**8,143,083**	**$ 11,995,302**
Investments (Note 5)	21,621,640	20,103,137
Long-term pledges and grants receivable, less discount (Note 2)	2,089,362	4,242,090
Property and equipment, net (Note 4)	19,172	30,183
Right of use assets (Note 8)	400,479	
Security deposits	144,576	52,576
Total Assets	**$ 32,418,312**	**$ 36,423,288**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 90,948	$ 192,760
Accrued payroll and related expenses	540,991	486,842
Accrued expenses	197,601	192,539
Deferred revenue	297,867	72,470
Operating lease liabilities, current (Note 8)	118,063	
Deferred rent, current		18,341
Total Current Liabilities	**1,245,470**	**962,952**
Operating lease liabilities, long-term (Note 8)	307,604	
Deferred rent, long-term		11,741
India termination benefits	78,524	77,373
Total Liabilities	**1,631,598**	**1,052,066**
Net Assets:		
Without donor restrictions (Note 6)	18,739,255	19,300,338
With donor restrictions (Note 7)	12,047,459	16,070,884
Total Net Assets	**30,786,714**	**35,371,222**
Total Liabilities and Net Assets	**$ 32,418,312**	**$ 36,423,288**

See accompanying notes.

LANDESA

Consolidated Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and contributions	$ 2,101,270	$ 5,805,302	$ 7,906,572	$ 21,760,927	$ 13,550,811	$ 35,311,738
Contract revenue	1,019,534		1,019,534	1,281,513		1,281,513
In-kind contributions (Note 1)				68,209		68,209
Special events revenue, net of expenses of $86,257 ($98,369 - 2022)	13,743		13,743	59,529		59,529
Investment return, net	610,069		610,069	28,991		28,991
Employee retention credit revenue	846,692		846,692	224,000		
Other (losses)				(53,047)		(53,047)
Net assets released from restrictions	9,828,727	(9,828,727)		7,375,015	(7,375,015)	
Total Support and Revenue	**14,420,035**	**(4,023,425)**	**10,396,610**	**30,745,137**	**6,175,796**	**36,696,933**
Expenses:						
Land rights activities (program)	12,092,739		12,092,739	9,571,094		9,571,094
Supporting services-						
Management and general	1,614,676		1,614,676	1,425,539		1,425,539
Fundraising	1,273,703		1,273,703	946,784		946,784
Total support services	2,888,379		2,888,379	2,372,323		2,372,323
Total Expenses	**14,981,118**		**14,981,118**	**11,943,417**		**11,943,417**
Change in Net Assets	**(561,083)**	**(4,023,425)**	**(4,584,508)**	**18,801,720**	**6,175,796**	**24,977,516**
Net assets, beginning of year	19,300,338	16,070,884	35,371,222	498,618	9,895,088	10,393,706
Net Assets, End of Year	**$ 18,739,255**	**$ 12,047,459**	**$ 30,786,714**	**$ 19,300,338**	**$ 16,070,884**	**$ 35,371,222**

See accompanying notes.

LANDESA

Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2023 and 2022

	2023				2022			
	Land Rights Activities	Management and General	Fundraising	Total	Land Rights Activities	Management and General	Fundraising	Total
Salaries and related payroll costs	$ 5,318,398	$ 1,518,681	$ 684,394	$ 7,521,473	$ 4,405,161	$ 1,237,887	$ 686,791	$ 6,329,839
Program consulting	5,147,739		39,402	5,187,141	3,567,500		11,117	3,578,617
Project operations cost	943,219	6,591	168,502	1,118,312	773,968	4,424	89,465	867,857
Rent and other occupancy costs	265,679	26,713	12,037	304,429	240,064	22,297	12,988	275,349
Other expenses	112,069	11,668	144,906	268,643	106,499	25,615	112,398	244,512
Consulting and professional fees	69,407	12,015	248,709	330,131	108,770	92,409	80,810	281,989
Information technology	170,526	35,036	48,776	254,338	165,147	36,893	35,583	237,623
Media, online and print material	47,206	718	11,768	59,692	100,929	319	9,076	110,324
In-kind expenses					68,312			68,312
Telecommunications	10,067	1,474	664	12,205	15,106	1,642	1,127	17,875
Depreciation	8,429	1,780	802	11,011	19,638	4,053	5,798	29,489
Total expenses	12,092,739	1,614,676	1,359,960	15,067,375	9,571,094	1,425,539	1,045,153	12,041,786
Less special event expenses netted with revenue			(86,257)	(86,257)			(98,369)	(98,369)
Total Functional Expenses	**$12,092,739**	**$ 1,614,676**	**$ 1,273,703**	**$ 14,981,118**	**$ 9,571,094**	**$ 1,425,539**	**$ 946,784**	**$ 11,943,417**

See accompanying notes.

LANDESA

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Total change in net assets	$ (4,584,508)	$ 24,977,516
Adjustments to reconcile change in net assets to		
net cash flows (used in) provided by operating activities-		
Depreciation	11,011	29,489
Loss on disposal		53,047
Realized and unrealized gain on investments	(64,530)	
Changes in operating assets and liabilities:		
Pledges and grants receivable	3,562,728	(1,047,529)
Contracts receivable	(72,798)	304,132
Employee retention credit receivable	(846,692)	
Prepaid expenses, employee advances and other	(179,704)	(253,968)
Security deposits	(92,000)	28,095
Accounts payable	(101,812)	100,154
Accrued payroll and related expenses	54,149	38,086
Accrued expenses	5,062	111,044
Deferred revenue	225,397	(19,588)
Deferred rent	(30,082)	(126,893)
Lease liability, net of right-of-use assets	25,188	
India termination benefits	1,151	11,531
Net Cash (Used in) Provided by Operating Activities	**(2,087,440)**	**24,205,116**
Cash Flows From Investing Activities:		
Purchase of investments	(23,463,331)	(20,037,604)
Sale of investments	22,009,358	
Purchase of property and equipment		(31,317)
Net Cash Used in Investing Activities	**(1,453,973)**	**(20,068,921)**
Net Change in Cash and Cash Equivalents	**(3,541,413)**	**4,136,195**
Cash and cash equivalents balance, beginning of year	7,314,671	3,178,476
Cash and Cash Equivalents Balance, End of Year	**$ 3,773,258**	**$ 7,314,671**

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, 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. The Organization has offices in:

- Seattle, Washington, United States
- Beijing, China
- Bangalore, Kolkata, and New Delhi, India
- Monrovia, Liberia
- Yangon, Pathein, and Dawei, Myanmar (Burma) - through December 31, 2022
- Dar es Salaam, Tanzania

The Organization does not hold significant amounts of assets or liabilities denominated in non-United States currency at June 30, 2023 and 2022. During the years ended June 30, 2023 and 2022, $1,971,165 and $4,079,728, 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.

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 $15,945,371 and $20,511,079 in conditional grants and contributions outstanding at June 30, 2023 and 2022 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.

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 $0 and $68,209 for the years ended June 30, 2023 and 2022, 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 in bank deposit 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, 2023 and 2022, 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 - Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (*Topic 842*) (*ASC Topic 842*) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Organization did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity’s right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 (a) a lease liability of $570,240, (b) a right-of-use asset of $540,158, and (c) removal of deferred rent liabilities of $30,082.

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.

Note 1 - Continued

Deferred Rent - The Organization recognized through June 30, 2022 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. This accounting treatment was superseded by ASC Topic 842 effective July 1, 2022.

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 June 30, 2023 and 2022 of $78,524 and $77,373 respectively.

Vulnerability From Certain Concentrations - For the years ended June 30, 2023 and 2022, 39% and 75% of the Organization's revenue was from two entities. At June 30, 2023 and 2022, 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.

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 at the 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, 2023 and 2022, 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.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to conform to the presentation in the current year consolidated financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

Subsequent Events - The Organization has evaluated subsequent events with respect to the consolidated financial statements for the year ended June 30, 2023 through November 9, 2023, 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:

	2023	2022
Amounts due in one to five years	$ 2,200,000	$ 4,600,000
Less unamortized discount to present value (0.66% - 3.51%)	(110,638)	(357,910)
Net long-term pledges and grants receivable	2,089,362	4,242,090
Amounts due in less than one year	2,500,000	3,910,000
Total Pledges and Grants Receivable	**$ 4,589,362**	**$ 8,152,090**

Note 3 - Conditional Awards

Conditional promises to give are as follows at June 30:

	2023	2022
Conditional promises to give (project deliverables)	$ 24,050,295	$ 24,646,541
Less cumulative amount recognized	(8,104,924)	(4,190,462)
	15,945,371	20,456,079
Conditional promises to give (matching contributions)	113,500	113,500
Less cumulative amount recognized	(113,500)	(58,500)
		55,000
Total Conditional Awards	**$ 15,945,371**	**$ 20,511,079**

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:

	2023	2022
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	(333,280)	(322,269)
Property and Equipment, Net	**$ 19,172**	**$ 30,183**

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).

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, 2023 and 2022.

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:

	2023	2022
U.S. Government Securities	$ 7,313,226	$ -
Money market funds	6,547,309	91,334
Mutual funds	5,983,448	20,011,803
Corporate bonds	1,777,657	
	$ 21,621,640	**$ 20,103,137**

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, 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**

	Fair Value Measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 20,011,803	$ -	$ -	$ 20,011,803
Total Investments at Fair Value	**$ 20,011,803**	**$ -**	**$ -**	**$ 20,011,803**
Money market funds at cost				91,334
Total Investments				**$ 20,103,137**

Note 6 - Net Assets Without Donor Restrictions

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

	2023	2022
Board designated operating reserves	$ 4,366,397	$ 1,365,983
Undesignated	14,372,858	17,934,355
Total Net Assets Without Donor Restrictions	**$ 18,739,255**	**$ 19,300,338**

During the year ended June 30, 2023, the board designated an additional $4 million money market funds to the board designated operating reserves.

Note 7 - Net Assets With Donor Restrictions

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

	2023	2022
Specific purpose-		
Program expenses:		
Southeast Asia	$ 8,002,643	$ 10,947,356
Africa	2,025,118	3,552,582
China	63,914	243,348
Global Projects	1,756,233	1,019,561
Landesa Center for Women's Land Rights		45,287
India	35,830	143,021
Passage of time-		
General support in future years	163,721	119,729
	$ 12,047,459	**$ 16,070,884**

Net assets released from restriction totaled $9,828,727 (including $38,058 released for passage of time) and $7,375,015 for program activities at June 30, 2023 and 2022, respectively.

Note 8 - Leases

The Organization leases office space and equipment under long-term, noncancelable lease agreements which expire at various dates through 2026. 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 expires on August 31, 2023.
- The copier lease is a noncancelable operating lease that expires September 30, 2026.

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**

Note 8 - Continued

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 years
Weighted-average discount rate - operating lease		3%

Future minimum payments required under operating leases as of June 30, 2023 are as follows:

For the Year Ending June 30,		Operating
2024	$	129,171
2025		125,780
2026		129,393
2027		64,521
Total undiscounted cash flows		448,865
Less present value discount		(23,198)
Total Lease Liabilities	**$**	**425,667**

Future minimum lease payments under noncancelable lease agreements as of June 30, 2022 are as follows:

For the Year Ending June 30,		
2023	$	158,799
2024		165,977
2025		128,740
2026		124,053
	$	**577,569**

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 $148,138 and $123,281 for the years ended June 30, 2023 and 2022, respectively.

Note 10 - Employee Retention Tax Credit

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 at June 30, 2023 and 2022 was $846,692 and $224,000, respectively.

Note 11 - Related-Party Transactions

The Organization received contributions of $151,758 and $176,990 from members of the Board of Directors during the years ended June 30, 2023 and 2022, respectively.

The Organization received $153,032 and $900,110 of total revenue from related parties for the years ended June 30, 2023 and 2022, 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, 2023 and 2022 was $366,397 and $1,365,983, respectively (Note 6).

Note 12 - Continued

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, 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.

	2023	2022
Cash and cash equivalents	$ 3,773,258	$ 7,314,671
Pledges and grants receivable	4,589,362	8,152,090
Investments	21,621,640	20,103,137
Contracts receivable	339,798	267,000
Employee retention credit receivable	846,692	
Total financial assets	31,170,750	35,836,898
Less amounts not available to be used within one year-		
Net assets with donor restrictions	(12,047,459)	(16,070,884)
Plus net assets with restrictions to be met in less than a year	8,141,723	6,864,778
Board-designated funds for future use	(4,366,397)	(1,365,983)
Investments subject to investment policy statement restrictions	(15,628,114)	
	(23,900,247)	(10,572,089)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	**$ 7,270,503**	**$ 25,264,809**

During the year ended June 30, 2023, the board adopted an investment policy statement that requires approval of investment withdrawals by the finance committee for a portion of the Organization's investments.

SUPPLEMENTARY INFORMATION

LANDESA AND SUBSIDIARIES

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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	$ 260,022	$ 618,368
Bureau of South and Central Asian Affairs	19.108	SAQMIP22GR0333		245,238
Total United States Department of State			**260,022**	**863,606**
Agency for International Development:				
USAID Foreign Assistance for Programs Overseas	98.001	VHLHREH8Y7R4		108,140
Total Agency for International Development				**108,140**
Total Expenditures of Federal Awards			**$ 260,022**	**$ 971,746**

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

LANDESA AND SUBSIDIARIES

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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, 2023. 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 to use the 10-percent de minims indirect cost rate as allowed under the Uniform Guidance through December 31, 2022 after which the Organization applied a Federal indirect cost rate with the United States Department of the Interior.

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 and Subsidiaries
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, the financial statements of Landesa and Subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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 November 9, 2023.

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 an opinion 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 Organization'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.

CN

T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

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*.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on the response.

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 result of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark Nuber P.S.

Certified Public Accountants
November 9, 2023

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 and Subsidiaries
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, 2023. 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, 2023.

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.

CN

T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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.

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 numbers 2023-003 for procurement, 2023-004 for cash management and 2023-005 for subrecipient monitoring.

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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-004 and 2023-005.

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 material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-004 and 2024-005 to be material weaknesses.

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 items 2023-001 and 2023-002 to be significant deficiencies.

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 the Organization's response to the internal control over compliance 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.

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 PS

Certified Public Accountants
November 9, 2023

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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>

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
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

Finding 2023-001
Significant deficiency in internal control over financial reporting relating to recognition of revenue.

Criteria
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of in ternal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Accounting principles generally accepted in the United States of America requires: revenue from contracts with customers to be recorded when performance obligations have been met; unconditional promises to give to be recognized when the promise to give is made; and conditional promises to give be recognized when the conditions upon which they depend are met.

Condition/Context
During testing performed in the financial statement audit, we noted that the Finance and Program teams were not aware of the revenue recognition criteria for contract revenue (exchange revenues). There were a few instances where contract revenues were recognized upon signing of the contract instead of when the related performance obligations (cost incurred) were fulfilled. We also note one instances of unconditional contributions recognized as conditional contribution.

Cause
The Organization’s employees did not receive sufficient training on the revenue recognition standards that became effective for fiscal years June 30, 2020 and 2021 for contributed revenue and contracts with customers, respectively.

Effect
The financial statements were immaterially misstated in the current year, but there is potential for material adjustments in the future.

Questioned Costs
None.

Recommendation
We recommend the Organization puts in place measures to enhance the internal team’s knowledge and skill set regarding revenue recognition standards in the form of trainings and other continued education methods. The Organization should also develop/update its revenue recognition policies to ensure that there is a guide for teams to follow consistently.

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

Section II - Federal Award Findings and Questioned Costs

Finding 2023-002
Significant deficiency in internal control over compliance for allowable costs related to timesheet approvals.

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
Internal control requirements contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,* Subpart E - Cost Principles, Section 200.400, *policy guide,* require that a non-Federal entity ensure that charges to federal awards for salaries and wages be based on records that accurately reflect the work performed and must include among other things: be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-federal entity and reasonably reflect the total activity for which the employee is compensated, not exceeding 100% of compensated activities.

Condition/Context
The Organization's internal controls require review and approval of costs charged to the Federal awards by a knowledgeable and authorized individual to ensure that costs are accurately charged.

During our direct and indirect payroll testing, we noted multiple cases in which the hours charged to grants were not appropriately approved by the authorized personnel. This was noted in 20 of the total 71 payroll transactions tested.

Additionally, 4 out of the total 31 indirect payroll costs tested were missing evidence of pay rate authorizations or approvals.

Cause
The Organization's internal controls failed to prevent, or detect and timely correct, these payroll errors from occurring.

Effect
Payroll charges to the federal awards could result in questioned costs as errors would not have been identified by the employee's supervisor.

Questioned Costs
Not determinable.

Repeat Finding
No.

Recommendation
We recommend the Organization implement measures to ensure that all employee timesheets are reviewed and approved by authorized personnel.

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

Finding 2023-002

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

Finding 2023-003
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
Internal controls requirements 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 200.318 through 200.326 *Internal Controls,* require that a non-Federal entity use their own documented procurement procedures, which reflect applicable state and local laws and regulations, provided that the procurements conform to applicable federal statutes and the procurement requirement identified in 2 CFR Part 200. A nonfederal entity among others must:

- Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a) (1) and (2). Under the micro-purchase method, the aggregate dollar amount does not exceed $10,000 ($2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold ($250,000). Micro-purchases may be awarded without soliciting competitive quotations if the non-federal entity considers the price to be reasonable (2 CFR section 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)).

- For acquisitions exceeding the simplified acquisition threshold, the non-federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(b); the competitive proposals method under the conditions specified in 2 CFR section 200.320((b) (2); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(c)).

Condition/Context
Although the Organization has a procurement policy, and the procedures include the use of a micro purchase threshold of $3,500, small purchases and simplified acquisition thresholds are not clearly identified. As such, the policy does not fully incorporate the procurement standards of the Uniform Guidance including sealed bids, cost or price analysis etc.

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

Finding 2023-003

Cause
The Organization's management was not aware that all components including procurement methods of 2 CFR section 200.320 are required to be included in the Organization's procurement policy even if the Organization's procurements would not typically include all procurement methods.

Effect
The Organization did not ensure that its procurement policy follows the procurement standards set out at 2 CFR Part 200.

Questioned Costs
Not determinable.

Repeat Finding
No.

Recommendation
We recommend the Organization implement measures to ensure that its procurement policy reflect applicable state and local laws and regulations and conform to applicable federal statutes and requirements in 2 CFR Part 200.

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

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

Finding 2023-004
Material weakness in internal control over compliance for cash management related to cash advances

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
Internal control requirements contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,* Subpart D - Post Federal Award Requirements, Section 200.305(b), *Internal Controls,* require that a non-Federal entity minimize the time elapsing between the transfer of funds from the US Treasury or pass-through entity and disbursement by the non-federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. Advance payments to non-Federal entity must be limited to the minimum amounts needed and be time to be in accordance with the actual, immediate cash requirement of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.

The Federal Payment Management Services system payment program further clarifies that cash must be drawn solely to accommodate immediate needs on an "As Needed Basis Only" and must not be held in excess of three working days.

Condition/Context
Out of the cash drawdown of $792,012 requested on December 9, 2022, $565,193 was for forecasted costs through June of 2023. This draw was made in excess of three business days before disbursing the funds.

Cause
The Organization's internal controls were not properly designed and implemented to ensure compliance with the cash management requirements.

Effect
Cash advances were drawn in excess of the immediate cash requirements of the Organization.

Questioned Costs
$565,193

Repeat Finding
No.

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

Finding 2023-004

Recommendation
We recommend the Organization implement a cash management policy to ensure that the time elapsing between the transfer of funds from US Treasury and disbursement for direct program is minimized. The time between draw and disbursement should be no longer than three business days.

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

Finding 2023-005
Material weakness in internal control over compliance for subrecipient monitoring

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
Internal control requirements contained in Title 2 U.S. *Code of Federal Regulations Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,* Subpart F - Section 200.332(d) through (f), *policy guide,* require that a non-Federal entity monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals. In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must among others include the following:

- Reviewing financial and programmatic (performance and special reports) required by the Pass Through Entity (PTE).
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

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

Finding 2023-005

Condition/Context
The Organization’s internal controls require review of quarterly financial and programmatic reports for all sub recipients.

During our subrecipient monitoring testing, we note that one of the subrecipient’s ceased to provide the Organization with quarterly financial reports since January 2023 and through the year ended June 30, 2023.

Cause
The Organization’s did not enforce its policies per the subrecipient agreement to ensure that the quarterly reports are provided and reviewed.

Effect
The Organization’s subrecipient monitoring does not provide reasonable assurance that the subrecipient used the subaward for authorized purposed purposes in compliance with federal regulations.

Questioned Costs
$90,000

Repeat Finding
No.

Recommendation
We recommend the Organization implement measures to ensure that all subrecipients comply with reporting and other terms and conditions of the subrecipient agreements.

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

1424 Fourth Ave. Suite 430
Seattle, WA 98101 USA

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F: 206.528.5881

LANDESA

Corrective Action Plan
For the Year Ended June 30, 2023

Finding Number 2023-001

Contact Person(s): Director of Finance

Recommendation:

We recommend the Organization puts in place measures to enhance the internal team's knowledge and skill set regarding revenue recognition standards in the form of trainings and other continued education methods. The Organization should also develop/update its revenue recognition policies to ensure that there is a guide for teams to follow consistently.

Corrective action planned:

Landesa will work to train programmatic and finance staff on new revenue recognition standards. New staff will receive training during onboarding and trainings will be conducted annually. Additionally, management will revise it's procedures to review and document project milestones and recognize revenue in accordance with programmatic activity.

Anticipated completion date: January 2024

Landesa

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LANDESA

Corrective Action Plan
For the Year Ended June 30, 2023

Finding Number 2023-002

Recommendation
We recommend the Organization implement measures to ensure that all employee timesheets are reviewed and approved by authorized personnel.

Corrective action planned:
Landesa has changed it's timesheet approval process so now all employee timecards are approved prior to payroll being paid. Additionally, the approval process was changed from being a manual process to an electronic system that is integrated with other payroll and timekeeping processes.

Contact Person(s): Director of Finance

Anticipated completion date: November 2023

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LANDESA

Corrective Action Plan
For the Year Ended June 30, 2023

Finding Number 2023-003

Recommendation:
We recommend the Organization implement measures to ensure that its procurement policy reflects applicable state and local laws and regulations and conform to applicable federal statutes and requirements in 2 CFR Part 200.

Contact Person(s): Director of Program Effectiveness

Corrective action planned:
Landesa will revise it's Procurement Policy to meet the standards of the United States Federal Government and all components of 2 CFR Section 200.320. Landesa will revise the Procurement Policy to include clear thresholds for small purchases and simplified acquisitions and clearly address the topics of sealed bids, price analysis, and acquisition costs. Landesa will revise existing procurement forms, such as the third-party due diligence form, to ensure compliance with the revised policy.

Landesa will provide training to all relevant staff on the revisions to the Procurement Policy by March 2024. The Director of Program Effectiveness will monitor staff implementation of the revised policy and procedures to ensure compliance with the revised policy.

Anticipated completion date: March 2024

Landesa

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LANDESA

Corrective Action Plan
For the Year Ended June 30, 2023

Finding Number 2023-004

Recommendation:
We recommend the Organization implement a cash management policy to ensure that the time elapsing between the transfer of funds from US Treasury and disbursement for direct program is minimized. The time between draw and disbursement should be no longer than three business days.

Contact Person(s Director of Finance

Corrective action planned:
Landesa has revised it's cash management policy to base cash requests from the United States Treasury on a lookback of one month to determine that total cash on hand is a negative amount, and a disbursement request can be triggered. Advances, if any will be kept to a maximum period of 3 days, per US regulations.

Anticipated completion date: November 2023

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LANDESA

Corrective Action Plan
For the Year Ended June 30, 2023

Finding Number 2023-005

Recommendation:
We recommend the Organization implement measures to ensure that all subrecipients comply with reporting and other terms and conditions of the subrecipient agreements.

Contact Person(s): Director, Program Effectiveness

Corrective action planned:
Landesa will revise its internal controls on subrecipient financial and programmatic monitoring by clarifying required documentation and recordkeeping procedures for all subrecipients on federal awards and the supervisory review process on compliance with subrecipient reporting requirements in the Subrecipient Monitoring Policy and the Engaging Third Parties guidance.

Landesa will also clarify the procedures and appropriate timelines for resolving instances of significant non-compliance with the terms and conditions of a subaward by a subrecipient on federal awards. In the event a subrecipient does not comply with programmatic and financial reporting requirements, Landesa will seek resolution in a timely manner to either correct instances of non-compliance of subrecipient or terminate subaward if there is a failure to correct on part of the subrecipient.

Landesa will provide training on revisions to the policy to all relevant staff by March 2024. The Director of Program Effectiveness will monitor staff implementation of the revised policy and procedures to ensure compliance with the revised policy.

Anticipated completion date: March 2024