One Acre Fund Semi-Annual Performance Report
November 2006 – April 2007

Jambo Sana (Hello very much!) from Kenya!

"Excitement.* You can read it on the faces of these One Acre Fund children. This same childish excitement is exactly what we feel here at our first birthday!

After one year, we have pioneered a new program model for self-empowerment that is successfully changing the lives of hundreds of families, and more than one thousand children. Although there have been many setbacks along the way, our direction is unmistakably forward, and we have our sights set high for the next year. We are ready to start spreading some excitement!

This is our second six-month report, which offers a frank look at hard metrics, which we use to guide every step of our operations. From November 2006 – April 2007, we:

- Tripled program size to 350 farm families, serving 1,500 children
- Had our second harvest, increasing take-home farm income by 100%, with 95% of farmers repaying program fees
- Covered 10% of our costs through farmer repayments, which will improve over time

Not everything went perfectly and we want to share this, as we strive for total transparency to our supporters. We had a disappointing second harvest due to rainfall. This report discusses the performance problem, the innovations we have made to solve the problem and furthermore, how these innovations create a much stronger long-term program.

This report also concludes with our fully audited 2006 financial statements and our vision for the future, which is what we are truly excited about. Momentum is building at a terrific pace, and we have a realistic dream of creating total life-change for 30,000 families in the next five years. This momentum is largely due to you, our loudest supporters. On behalf of the children and families that we serve:

Thank You.

Andrew Youn
Founder, One Acre Fund

Matthew Forti
Board Chair, One Acre Fund

Board Members
Chris Ashley, Kellogg School of Management
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Paul Worley, Hadley Capital
John Yi, Crowson Technology LLC
One Acre Fund: Core Values and Program Model

The core values that drive us forward, and how our program works

**Our mission:** We empower chronically hungry farm families in East Africa to permanently lift themselves out of hunger and poverty.

**Core values:**

- We don't give handouts - we empower permanent life-change. Lasting change must rely on the poor themselves.
- We provide a solution that is realistic for the extreme poor - our solution includes tools, training, and market access - making it realistic for someone starting from nothing to grow for high-value markets.
- We must dream big – limitless human need demands an ambitious response. 80% of the extreme poor in the world are farmers, and we must aggressively scale to meet demanding milestones.
- We must remain 100% accountable to both our biggest donors and our littlest children, measured by hard operational metrics that are reported, good and bad, to stakeholders. If we are not improving the lives of children, we are failing, and must find a way to improve.

One Acre Fund’s “Investment Bundle”

1) **Producer groups:** We typically convert existing women’s self-help groups into crop producer groups (in poor households, women do most of the farming). Women’s groups are common grassroots associations in Africa, are already stable, and have well-organized leadership. We attach a One Acre Fund field officer to the producer group, who is the key contact point between our “central office” and the producer group.

2) **Farm inputs:** One Acre Fund’s central office bulk-purchases inputs from private companies. By purchasing in bulk, we obtain inputs that would otherwise be inaccessible to farmers. We provide these inputs to farmers free, in exchange for a portion of their harvest.

3) **Extension:** Equally important, we build a central body of knowledge on how to use these inputs, advised by technical experts such as the Kenya Horticultural Development Programme. Our field officers pass this knowledge on to our farmers.

4) **Output Market:** One Acre Fund arranges to bulk-sell the farmers’ harvest to buyers. Without One Acre Fund, it would be prohibitively expensive for our farmers to try to transport their tiny harvest, obtain the proper certifications for export, and even meet the buyers that control high-value markets.

None of the individual pieces of our model is particularly new – but the combination of them is extremely unique. We have packaged together a holistic service that we can take to the poorest of farms—households starting with absolutely nothing. Our goal is to innovate a new program model that will be a new tool in the world’s fight against hunger and poverty among the rural poor.
# Review of Program Metrics: November 2006 – April 2007

<table>
<thead>
<tr>
<th>Scalability</th>
<th>Previous May 06-Oct 06</th>
<th>Goal: Nov 06 - Apr 07</th>
<th>Actual: Nov 06 - Apr 07</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td># Families Reached</td>
<td>125</td>
<td>300</td>
<td>350</td>
<td>Green</td>
<td>- Tripled program size to 350 farm families, above target</td>
</tr>
<tr>
<td># Children Enrolled</td>
<td>470</td>
<td>1200</td>
<td>1500</td>
<td>Red</td>
<td>- Tripled program coverage to 1,500 children, above target</td>
</tr>
<tr>
<td># Acres under Cultivation</td>
<td>53</td>
<td>100</td>
<td>100</td>
<td>Green</td>
<td>- Placed 100 acres under cultivation</td>
</tr>
</tbody>
</table>

## Future Actions:
- Continue controlled growth in demonstration phase to 500 farmers in next six months.
- We are increasing our target from reaching 5,000 to 30,000 families in the next five years.

## What was our Quality of Impact?

### Fam income doubles

<table>
<thead>
<tr>
<th>Impact</th>
<th>Prev.</th>
<th>Goal</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-One Acre Fund Poverty: child death rate</td>
<td>10%</td>
<td>10%</td>
<td>9%</td>
<td>Yellow</td>
<td>Key baseline poverty indicators are on track: 9% 0-2 mortality, 40% child physical stunting rate</td>
</tr>
<tr>
<td>Increased size of Harvest (year-on-year)</td>
<td>4.3x</td>
<td>4x</td>
<td>3x</td>
<td>Red</td>
<td>Raw harvest increased by 3x (estimate). Well below target; improvement possible</td>
</tr>
<tr>
<td>Increase in Farm Income (year-on-year)</td>
<td>3x</td>
<td>3x</td>
<td>2x</td>
<td>Red</td>
<td>- Farm income increased by 2x, after program repayment. Well below target</td>
</tr>
<tr>
<td>Post-One Acre Fund: child death rate</td>
<td>TBD</td>
<td>5%</td>
<td>3%</td>
<td>Green</td>
<td>- We had one child death (instead of four expected deaths, based on historical statistics)</td>
</tr>
</tbody>
</table>

## Future Actions:
- See management discussion on next page.
- We are keeping our targeted life impact at 4x fam income.

## How Much Did It Cost?

### Program remains at 10% sustainability

<table>
<thead>
<tr>
<th>Financial Return</th>
<th>Prev.</th>
<th>Goal</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment Rate</td>
<td>98%</td>
<td>85%</td>
<td>95%</td>
<td>Green</td>
<td>- 95% of farmers repaid, well above target of 85%</td>
</tr>
<tr>
<td>Cost per Family</td>
<td>$450</td>
<td>$340</td>
<td>$330</td>
<td>Green</td>
<td>- We spent $330 per family (annualized) including staff and field admin. Will continue to decline.</td>
</tr>
<tr>
<td>% of Donations to Program Services</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>Green</td>
<td>- 100% of individual donations went to program services; overhead covered by foundation grants</td>
</tr>
<tr>
<td>Program Sustainability</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>Yellow</td>
<td>- Farmer repayments covered 10% of program costs</td>
</tr>
</tbody>
</table>

## Future Actions:
- Continue aggressive cost control and targeted investment.
- We are on track to increase farmer repayments (sustainability) to cover 100% of costs in five years.

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Brief Discussion of Performance: A New Strategic Direction

Problem
One Acre Fund had a low program impact this past six months. Although we did double farm income for our families relative to the prior year, this is below what we are capable of achieving, and it took a heroic effort from our staff.

This was largely due to a disappointing second harvest, owing to an unusual rainfall. This caused the maize crop (the primary subsistence food here in Kenya) to have very poor yields in our area.

Solution
We are proactively shifting our program away from increasing maize harvests, and towards planting small amounts of ultra-high-value, export crops with our farmers.

- Instead of planting an acre of maize with a farm family...
- ... we instead started planting a tenth-acre of cash crop with the farm family (the small portion limits their risk)

The benefits are:
- Increased impact on farm income.
- Less prone to rainfall risk (the farmer can hand-water their small cash crop planting)

Looking ahead
While our field officers will continue to offer educational assistance to help our families improve their yields on subsistence crops, we are shifting the focus of our full investment bundle towards cash crops. We believe that we can create larger impact on income for our farmers, while achieving a better risk profile for them as well. This is in line with our goal of not only bringing our farm families out of hunger, but also out of poverty altogether.
Picture Gallery: Meet our Families

\[ \text{Getrude is one of our first farmers, and her family is profiled on our website.} \]

\[ \text{Her family and children are so desperate for money that they use small hammers to break huge rocks up into gravel, earning up to 5 cents per hour.} \]

\[ \text{Getrude is now enjoying steady chili pepper harvests through her One Acre Fund planting.} \]

\[ \text{Group Power. One Acre Fund trains farm families to work together in groups, to enjoy harvest success together as in groups, and to dream together in groups.} \]

\[ \text{These women woke up at sunrise to begin a day of hard manual labor. They can’t afford a tractor, they can’t even afford an ox-plow. They plough their field by hand.} \]

\[ \text{It’s a simple meal. A little staple crop for calories, and a little beef in a bowl. But every day, the majority of our children go without even this. We believe that this is unacceptable.} \]

\[ \text{Instead, we believe in child development and full meals. Children + Food = Healthy Families!} \]
Picture Gallery: Meet our Families

Mobile Health: One Acre Fund is focused on increasing farm income, but also links our families with health providers.

<< Our child health manager Eva gives a de-worming pill to 7-year-old Titus.

Phero, 9 months >> old, gets a measles immunization. He’s not too happy about it!

Opportunity >

One of the most exciting moments in One Acre Fund’s program is “graduation,” when members finish their initial education sessions and begin the One Acre Fund program.

These women, part of the Bulondo women’s group, are celebrating the beginning of opportunity. And they aren’t afraid to show their excitement! This hopeful spirit that they are so proud to share is the same spirit that gives all of us hope for the future.

< Full sacks of harvest. It’s becoming a regular sight in the homes of One Acre Fund farmers, and we have actually had trouble keeping up with the demand for harvest bags!

Child and mother >

Although we work directly with farmers, One Acre Fund’s mission is to pull entire families out of poverty. “Top-dressing” (pictured) is a boring farming term – but it means more meals and a brighter future for children.
Vision for the Future

Can a promising experiment be scaled into a major force against world hunger?

We have a promising experiment, and we need to reach as many people in need as possible!

We have set an ambitious goal ...
We have set an extremely ambitious goal for the next five years: to prove a program model that creates total life-change, for a lot of people, for free (a field program that operates without donor subsidy). Specifically we hope to:

1. Create a 300% gain in farm income and a 50% reduction in child deaths
2. For 30,000 families
3. At 100% financial sustainability (a field program run completely by farmer repayments)

We believe that if we can create a program model that achieves all of these things, we will be in a position to grow to serve millions of lives in the coming decades. Millions of hungry farm families, feeding themselves—the hungry feeding the hungry.

We have a realistic plan ...
These are not idealistic words—they are carefully-constructed milestones, supported by thorough research and the field experience of dozens of prominent advisors. We are launching this plan in four phases, with careful review of milestones at each phase.

**P1: Pilot**
- Refine program model
- Grow to at least 500 families
- Now - Dec ‘07 (1 yr)
  - $300k donor funds
  - $50k debt financing

**P2: Setup**
- Grow to 2,500 families
- Lay infrastructure for the future
- Jan ‘08 - Dec ‘08 (1yr)
  - $400k donor funds
  - $250k debt financing

**P3: Launch**
- Grow to 10,000 families
- Jan 09 - July ‘10 (1.5 yrs)
  - $1,200k donor funds
  - $1,200k debt financing

**P4: Scale**
- Grow to 30,000 families
- July ‘10 – Dec ‘11 (1.5 yrs)
  - $1,500k donor funds
  - $5,000k debt financing

... And your support makes it happen
Your support makes this possible! We need to raise a total of $3.4 million dollars over the next five years to execute this plan, and every dollar matters. Maybe you are donating $240 a year, to support one family on the program. That family matters. Maybe you are donating $10,000 a year, to help support an entire women’s group of farm families. That group matters. Maybe you are donating $50,000 a year, to help us make key infrastructure investments. These investments matter.

Your donation matters for real people. Every dollar empowers a hungry person to feed her own family, and every dollar helps us invest for the future. We hope to continue to strive to report exactly how much social impact your investments are making for our families, and please: never hesitate to write to us with questions and comments.

On behalf of our children and families: THANK YOU.
One Acre Fund By The Numbers

Although we don’t expect to replicate the extraordinary growth shown below, which is driven by our low starting base, we intend to work as hard as possible in our efforts to raise more funds and serve more families.

<table>
<thead>
<tr>
<th>Metrics</th>
<th>As of 11-01-06</th>
<th>As of 04-30-07</th>
<th>Percent growth</th>
</tr>
</thead>
<tbody>
<tr>
<td># Unique Donors</td>
<td>189</td>
<td>868</td>
<td>359%</td>
</tr>
<tr>
<td># Investment Council Members</td>
<td>139</td>
<td>444</td>
<td>219%</td>
</tr>
<tr>
<td># Staff Members</td>
<td>10</td>
<td>20</td>
<td>100%</td>
</tr>
</tbody>
</table>

Donors (for the twelve months ending 04-30-2007)

One Acre Fund measures its success not only by the impact we have on the ground in Africa, but also by our ability to attract and retain donors. The extraordinary individuals who donate to One Acre Fund represent a group committed to ending hunger through empowerment. We can’t thank you enough for your support!

"Honorary Advisory Board* Major Donors (greater than $25,000)
- Casten Family Foundation
- Draper Richards Foundation
- Echoing Green Foundation
- Horace W. Goldsmith Foundation / Chuck Saughter
- Larry and Carol Levy
- Michael Krasny / Circle of Service Foundation
- Mulago Foundation
- Keith and Katie Boissicat/Rock Paper Scissors Foundation
- Satter Foundation

Major Supporters ($5,000 - $25,000)
- Anonymous
- Barbara and Walter Scott Charitable Fund
- Greg and Rita Bustamante
- Nirav and Juhi Dagli
- Brent Dibner
- Woo Lee
- Charles and Sarah McGarrah
- Knight Family Foundation
- La Casa de Cristo
- Sheila Lyons
- Mercer Management Consulting
- Stanley and Dorothy Winter Fund/Art Winter

Investment Council Members
Investment Council members are $20 or more per month recurring donors or $240 or more one-time donors

Chris Addy  
Tonya Agent  
Femi Akinrebiyo  
Eric and Nancy Alquist  
Michael Amshen  
Stephen Anderson  
Mark Anderson  
Christopher Ashley  
Catherine Baker  
Max Barry  
Barbara Bauer  
John and Anita Bauer  
Kenneth Baumann  
Dorothy Baumgartner  
Alan Becker  
Bhan Bellamy  
Claudia Belmont  
William Bennett  
Thomas Bergstrom  
Sharad Bhargava  
John Bgda  
Christina Boddett  
Joyce Blume  
Mary Bolton  
Jessica Bonomi  
Antoine Borde  
Ben Bove  
Leah Bradford  

Gloria and Benjamin Brainsby  
Shanna Branciforte  
John Brand  
Jacob Brauner  
Jake Brauner  
Tiffany Brooks  
Scott Browne  
Maureen Budzinski  
Steven Bull  
Greg & Rita Bustamante  
Aaron Butler  
Tim Caikins  
Lynda Carpenter  
Greg Casagrande  

Barbara Case  
David Cavanaugh  
Melanie Chan  
Hui Wen Chan  
M Yvonne Chao  
Haiping Chen  
Stephanie Choong  
Angela Chou  
Serena Chu  
Benjamin J Chuba  
Reech Combe  
Courtney B Combe  
Jan Conlin  
Tracie Conn
Special Acknowledgements

A special thank you to the following people who have graciously given their time to One Acre Fund:

- Amit Bouri
- Kate Duffin
- Sarah Forti
- Dev Ghosh
- Liz Howard
- Ben Jones
- Shrutijha
- Miles Lasater
- Pauline Lee
- Van Tang
- Barry Merkin
- Steve Rogers
- Wally Scott
- Van Tang
- Scott Whitaker
- Paul Youn
- Paul Youn
- Scott Whitaker

Your Feedback

Your candid feedback matters immensely to us. Please contact us at matthewf@oneacrefund.org with your comments, questions, or suggestions.
2006 Financial Results and Management Discussion

To our Donors, Stakeholders, and Colleagues:

I am excited to present to you One Acre Fund’s 2006 audited financial statements. The successful audit of our first financial statements is a testament to the hard work of Andrew and our Kenyan staff.

Our first year of operation was marked by rapid growth in donor revenue and cash reserves, leaving One Acre Fund in a strong financial position to support our growth plans in 2007 and beyond.

Revenues totaled $226,890, nearly all coming from donations. Farmer repayments (Program Fees) were not yet a major revenue source. Repayments were limited by poor rainfall-driven maize yields, and by the still-early stage of most of our farmers’ crops. Going forward, we expect farmer repayments to constitute an increasing share of revenue as we transition to cash crops and as our farmers’ crops mature. We expect farmer repayments to cover 100% of program costs within 5 years, allowing us to channel our donor revenues toward even faster program growth.

Expenses totaled $67,703, with 75% going to program services.

Fundraising expenses (13% of total) were primarily international travel for fundraising events and donor meetings (65% of fundraising expense), and credit card fees on individual donations (22% of fundraising expense). Our high share of fundraising expenses relative to total expenses is a “cost of success” in our fundraising, as donation revenue increased much faster than total expenses. As program expenses catch up with revenue in 2007, fundraising expenses will make up a smaller share of total expenses.

Management & General expenses (11% of total) are high as a portion of total expenses. This is driven primarily by our small scale and by our extensive R&D work to refine our program model and identify new locations for growth. Management & General expenses are likely to increase in 2007 as we continue to experiment with our program services. This experimentation is covered by foundation grants, allowing 100% of individual donations to go directly to program services.

Our cash balance of $159,700 positions us well for rapid growth in 2007, when expenses are expected to grow to roughly $0.5 million. To allow for rapid growth, we intend to keep approximately four months’ reserves on hand to avoid cash shortfalls. Thus, our cash balance will continue to seem large relative to expenses.

Our key financial statements are below, and you can view the full report online at www.oneacrefund.org/2006FnStatements.pdf.

Achieving our goal to reach 30,000 families in five years will require new funding sources and aggressive approaches to growth. As One Acre Fund plans for this growth, we start from a strong financial position thanks to the generous support of our donors, and to the hard work of Andrew, our US volunteers, and our Kenyan staff.

Jason Maga
Treasurer, One Acre Fund