

**ONE ACRE FUND, INC.
REPORT ON THE EXAMINATION
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010**

ONE ACRE FUND, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
One Acre Fund, Inc.

We have audited the accompanying statements of financial position of One Acre Fund, Inc. (an Illinois not-for-profit corporation) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of One Acre Fund, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We did not observe the physical inventory taken as of December 31, 2011 and December 31, 2010 to verify the quantity of inventory items.

In our opinion, except for the effects on the financial statements of any adjustments that might have resulted had we been able to observe the physical inventory at December 31, 2011 and 2010, or to otherwise satisfy ourselves as to quantities at those dates, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of One Acre Fund as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Knutte & Associates, P.C.

ONE ACRE FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash	\$ 2,539,994	\$ 616,776
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	3,491,016	553,230
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$55,000 and \$19,651, Respectively)	803,071	176,863
Employee Advances (Net of Allowance for Doubtful Accounts of \$15,171 and \$5,833, Respectively)	85,152	33,051
Inventory	3,473,531	738,144
Prepaid Expenses	568,188	592,819
	10,960,952	2,710,883
FIXED ASSETS		
Land	115,093	114,053
Buildings	551,363	293,688
Construction in Process	0	123,689
Vehicles	460,777	380,814
Equipment	31,022	30,001
	1,158,255	942,245
Less -- Accumulated Depreciation	223,591	122,974
	934,664	819,271
OTHER ASSETS		
Long Term Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	2,420,975	0
	2,420,975	0
TOTAL ASSETS	\$14,316,591	\$ 3,530,154

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 541,945	\$ 58,911
Deferred Revenue	981,439	109,005
Notes Payable	1,000,000	0
Line of Credit	293,575	0
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	2,816,959	167,916
	<hr/>	<hr/>
TOTAL LIABILITIES	2,816,959	167,916
	<hr/>	<hr/>
NET ASSETS		
Unrestricted		
Undesignated	8,681,176	2,544,008
Designated	172,000	100,000
Total Unrestricted	<hr/> 8,853,176	<hr/> 2,644,008
Temporarily Restricted	2,646,456	718,230
	<hr/>	<hr/>
TOTAL NET ASSETS	11,499,632	3,362,238
	<hr/>	<hr/>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$14,316,591</u>	 <u>\$ 3,530,154</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Donations	\$ 9,207,060	\$ 3,560,224	\$ 0	\$ 12,767,284
Program Fees	4,967,221	0	0	4,967,221
Special Events (Net of Direct Benefits to Donors of \$13,038)	188,682	0	0	188,682
Seed and Fertilizer Sales (Net of Cost of Goods Sold of \$230,206)	123,957	0	0	123,957
Donated Services	13,405	0	0	13,405
Interest	7,778	0	0	7,778
Donated Investments	4,954	0	0	4,954
Gain on Sale of Fixed Assets	274	0	0	274
Net Assets Released from Restrictions	1,631,998	(1,631,998)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	16,145,329	1,928,226	0	18,073,555
EXPENSES AND LOSSES				
Functional Expenses				
Program Services	8,855,376	0	0	8,855,376
Management and General	618,282	0	0	618,282
Fundraising	264,497	0	0	264,497
Total Functional Expenses	9,738,155	0	0	9,738,155
Remeasurement Loss	197,913	0	0	197,913
Loss on Sale of Investments	93	0	0	93
TOTAL EXPENSES AND LOSSES	9,936,161	0	0	9,936,161
CHANGE IN NET ASSETS	6,209,168	1,928,226	0	8,137,394
NET ASSETS,				
BEGINNING OF YEAR	2,644,008	718,230	0	3,362,238
END OF YEAR	\$ 8,853,176	\$ 2,646,456	\$ 0	\$ 11,499,632

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Donations	\$ 1,522,080	\$ 1,494,300	\$ 0	\$ 3,016,380
Program Fees	1,665,778	0	0	1,665,778
Special Events (Net of Direct Benefits to Donors of \$12,524)	123,316	0	0	123,316
Donated Property	70,000	0	0	70,000
Miscellaneous	14,871	0	0	14,871
Interest	9,401	0	0	9,401
Donated Investments	2,936	0	0	2,936
Net Assets Released from Restrictions	1,026,070	(1,026,070)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>4,434,452</u>	<u>468,230</u>	<u>0</u>	<u>4,902,682</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services	3,978,177	0	0	3,978,177
Management and General	314,111	0	0	314,111
Fundraising	249,261	0	0	249,261
Total Functional Expenses	4,541,549	0	0	4,541,549
Remeasurement Loss	152,978	0	0	152,978
Loss on Disposal of Fixed Assets	14,340	0	0	14,340
Loss on Sale of Investments	21	0	0	21
TOTAL EXPENSES AND LOSSES	<u>4,708,888</u>	<u>0</u>	<u>0</u>	<u>4,708,888</u>
CHANGE IN NET ASSETS	(274,436)	468,230	0	193,794
NET ASSETS,				
BEGINNING OF YEAR	<u>2,918,444</u>	<u>250,000</u>	<u>0</u>	<u>3,168,444</u>
END OF YEAR	<u>\$ 2,644,008</u>	<u>\$ 718,230</u>	<u>\$ 0</u>	<u>\$ 3,362,238</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Accounting	\$ 0	\$ 68,720	\$ 0	\$ 68,720
Bad Debts	0	89,196	0	89,196
Bank and Credit Card Fees	0	39,191	0	39,191
Business Development	487,531	25,968	0	513,499
Casual Labor	166,239	0	0	166,239
Depreciation	111,043	12,339	0	123,382
Employee Benefits	125,848	8,266	7,234	141,348
Farming Supplies	4,281,401	0	0	4,281,401
Farming Transportation	4,603	0	0	4,603
Farming Warehouse Costs	224,670	0	0	224,670
Insurance	91,710	8,901	4,451	105,062
Marketing and Promotions	0	91,640	1,894	93,534
Miscellaneous	30,150	4,134	10,370	44,654
Monitoring and Evaluation	216,933	0	0	216,933
Occupancy	163,251	7,192	6,094	176,537
Payroll Taxes	86,052	9,558	12,464	108,074
Postage and Shipping	17,471	2,184	2,184	21,839
Printing and Publications	104,449	6,001	5,803	116,253
Recruiting and Training	89,340	59,560	0	148,900
Salaries and Wages	1,423,647	153,404	194,482	1,771,533
Supplies	125,506	2,082	242	127,830
Travel and Field Staff Transport	1,105,532	29,946	19,279	1,154,757
	<u>\$ 8,855,376</u>	<u>\$ 618,282</u>	<u>\$ 264,497</u>	<u>\$ 9,738,155</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Accounting	\$ 0	\$ 20,200	\$ 0	\$ 20,200
Bad Debts	0	85,055	0	85,055
Bank and Credit Card Fees	0	15,753	0	15,753
Business Development	245,505	35,928	0	281,433
Casual Labor	106,119	0	0	106,119
Depreciation	73,359	3,861	0	77,220
Employee Benefits	46,705	3,737	9,703	60,145
Farming Supplies	1,375,195	0	0	1,375,195
Farming Transportation	12,042	0	0	12,042
Farming Warehouse Costs	99,154	0	0	99,154
Fundraising Costs	0	0	5,072	5,072
Insurance	71,791	12,669	0	84,460
Interest	0	434	0	434
Marketing and Promotions	0	27,787	6,947	34,734
Miscellaneous	26,192	11,225	0	37,417
Monitoring and Evaluation	118,394	0	0	118,394
Occupancy	110,858	6,159	6,159	123,176
Payroll Taxes	75,035	6,003	15,589	96,627
Postage and Shipping	1,529	3,567	0	5,096
Printing and Publications	65,809	3,656	3,656	73,121
Recruiting and Training	124,794	0	0	124,794
Salaries and Wages	830,321	66,430	172,500	1,069,251
Supplies	38,139	4,238	0	42,377
Travel and Field Staff				
Transport	557,236	7,409	29,635	594,280
	<u>\$ 3,978,177</u>	<u>\$ 314,111</u>	<u>\$ 249,261</u>	<u>\$ 4,541,549</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Supporters and Other Sources	\$ 13,142,504	\$ 5,267,130
Interest Received	7,778	9,401
Paid to Suppliers and Employees	(12,089,086)	(5,458,222)
Interest Paid	0	(434)
Income Taxes Paid	0	0
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,061,196	(182,125)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Purchase of Property	(264,726)	(503,439)
Proceeds from Sale of Fixed Assets	26,225	1,193
Proceeds from the Sale of Investments	4,861	2,915
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(233,640)	(499,331)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	1,000,000	0
Advances on a Line of Credit	293,575	0
Principal Payments on Long-Term Debt	0	(100,000)
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,293,575	(100,000)
	<hr/>	<hr/>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(197,913)	(152,978)
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,923,218	(934,434)
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	616,776	1,551,210
	<hr/>	<hr/>
END OF YEAR	\$ 2,539,994	\$ 616,776
	<hr/> <hr/>	<hr/> <hr/>
NON-CASH INVESTING ACTIVITIES		
Donated Property	\$ 0	\$ 70,000
Donated Investments	4,954	2,936
	<hr/>	<hr/>
TOTAL NON-CASH INVESTING ACTIVITIES	\$ 4,954	\$ 72,936
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See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 8,137,394</u>	<u>\$ 193,794</u>
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Remeasurement Loss	197,913	152,978
Depreciation	123,382	77,220
Allowance for Doubtful Accounts	44,687	19,270
(Gain) Loss on Disposal of Fixed Assets	(274)	14,340
Donated Property	0	(70,000)
Donated Investments	(4,954)	(2,936)
Loss on Sale of Investments	93	21
Changes in Certain Assets and Liabilities:		
Grants Receivable	(5,358,761)	521,770
Accounts Receivable	(661,557)	(196,514)
Employee Advances	(61,439)	5,243
Inventory	(2,735,387)	21,748
Prepaid Expenses	24,631	(570,944)
Accounts Payable and Accrued Expenses	483,034	42,880
Deferred Revenue	872,434	109,005
Refundable Crop Insurance Funds	0	(500,000)
Total Adjustments	<u>(7,076,198)</u>	<u>(375,919)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 1,061,196</u></u>	<u><u>\$ (182,125)</u></u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Nature of Activities

One Acre Fund, Inc. (the Organization) is an Illinois not-for-profit organization that was incorporated in December 2005 and operates primarily in Kenya and Rwanda. The mission of One Acre Fund is to empower chronically hungry farm families in East Africa to lift themselves out of hunger and poverty. The Organization's method is to work through self-help groups in rural villages to deliberately reach the most severely hunger affected.

B) Method of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded when incurred.

The Organization has adopted FASB *Accounting Standards Codification* (ASC) 958, *Not For Profit Entities*. Under ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

C) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Accounting Policies (Continued)

Grants Receivable, Accounts Receivable, and Employee Advances - Grants receivable, accounts receivable, and employee advances are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from farmers, employees, grants, contracts, etc. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account. The allowance for doubtful accounts receivable at December 31, 2011 and 2010 is 55,000 and \$19,651, respectively. The allowance for doubtful grants receivable at December 31, 2011 and 2010 is \$0, respectively. The allowance for doubtful employee advances receivable at December 31, 2011 and 2010 is 15,171 and \$5,833, respectively.

Inventory - Inventory is valued at the lower of cost or market with cost determined on a weighted average basis. Inventories consist of seed and fertilizer for use in the Organization's programs, and maize kept for sale.

Fixed Assets - Property and equipment are recorded at cost when purchased, while donated fixed assets are recorded at their estimated fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense for the years ended December 31, 2011 and 2010 amounts to \$123,382 and \$77,220, respectively.

Deferred Revenue - The Organization and its program participants enter into a contract for the Organization to provide its program for a fee. The Organization earns these fees as it provides seeds, fertilizer, training and other services to the program participants over the span of the contract period. That portion of the Organization's program services, which it has not yet provided to the participants is recorded in the financial statements as deferred revenue.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been made on the financial statements. It is also classified as other than a private foundation.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C) Accounting Policies (Continued)

Income Taxes (Continued) - The Organization has no unrelated business income during the years ended December 31, 2011 and 2010, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

FASB Accounting Standards Codification (ASC) 740, Income Taxes clarifies the accounting uncertainty in income taxes recognized in a company's financial statements. ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. Income tax positions must be a more likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization adopted ASC 740 for the year ended December 31, 2009. The adoption of ASC 740 had no impact on the Company's financial position or results of operations. The only tax years subject to examination by major tax jurisdictions are those within the statutory limits.

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

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization has deposits in foreign financial institutions not covered by U.S. federal deposit insurance of approximately \$1,200,000 and \$225,000 at December 31, 2011 and 2010, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits of approximately \$3,000 and \$0 at December 31, 2011 and 2010, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 3 - IN-KIND DONATIONS

Donated Property - During 2011 and 2010 the Organization received donations of property valued at \$0 and \$70,000, respectively.

Donated Services - Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For the years ended December 31, 2011 and 2010, donated professional services consist of legal services with an estimated fair value of \$13,405 and \$0, respectively. This amount is reflected as donated services revenue and general and administrative expense on the statement of activities for the year ended December 31, 2011.

For the years ended December 31, 2011 and 2010 the Organization received a significant amount of other donated services from volunteers who assist with the operations. No amounts have been recognized in the accompanying statements of activities for these volunteer services because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

Donated Investments - During 2011 and 2010 the Organization received donations of stocks and mutual funds valued at \$4,954 and 2,936, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. The Organization realized a net loss on these sales of \$93 and \$21 for the years ending December 31, 2011 and 2010, respectively.

NOTE 4 - CASH RECEIVED FOR CROP INSURANCE FUND

In December, 2008 the Organization received \$500,000 of refundable advances for the establishment of an endowment fund for the Organization's harvest self-insurance program. The entity providing these funds had placed certain restrictions and had reserved the right to withdraw these funds from One Acre Fund and redirect them to another charitable organization. The term endowment agreement mandated that the principal, along with all premiums received under the Organization's harvest insurance programs be invested in a designated fund account, from which disbursements could be made upon the occurrence of specified insurance events. No such events occurred during the year ended December 31, 2010.

During the year ended December 31, 2010, the Organization repaid these advances in full and terminated its self-insurance program, replacing it with a third-party harvest insurance policy.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 5 - GRANTS RECEIVABLE

As of December 31, 2011, grantors to the Organization have made unconditional promises to give totaling \$5,911,991. Grants due in more than one year have been recorded at the present value of the estimated cash flows using a discount rate of 5%. Grants are due as follows at December 31, 2011:

Less than one year	\$ 3,491,016
One to five years	2,527,500
	<hr/>
Total	6,018,516
Less - Allowance to Discount Balance to Present Value	(106,525)
	<hr/>
Grants Receivable	<u>\$ 5,911,991</u>

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Conditional promises to give totaling \$1,823,308 have not been recognized as revenue and receivable as their conditions have not been met as of December 31, 2011.

NOTE 6 - LINES OF CREDIT

The Organization has a revolving line of credit with Kiva for \$600,000. It is unsecured and non-interest bearing. The balance on the line of credit as of December 31, 2011 and 2010 is \$293,575 and \$0, respectively.

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following at December 31:

	2011	2011
\$500,000 note payable to Jasmine Foundation, dated June 9, 2011. It is unsecured and non-interest bearing. The principal is due on June 13, 2012.	\$ 500,000	\$ 0
\$500,000 note payable to FJC, dated October 12, 2011, secured by the balance of farmer accounts receivable funded from the loan, with floating interest of prime plus three percent in quarterly interest-only payments starting December 23, 2011. The principal and accrued interest was repaid by its due date of April 18, 2012.	500,000	0
	<hr/>	<hr/>
Total Debt	1,000,000	0
Less - Current Portion	1,000,000	0
	<hr/>	<hr/>
Total Long-Term Portion	<u>\$ 0</u>	<u>\$ 0</u>

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 8 - CONCENTRATION OF FUNDING SOURCES

The Organization receives a major portion of its revenues from foundation grants. The level of services available in the future could be severely impacted if the Organization were to lose a major grant.

NOTE 9 - FUNCTIONAL CURRENCY, FOREIGN CURRENCY TRANSLATION AND CURRENCY EXCHANGE RATE EXPOSURE

Based on several factors, including the dominant role of the U.S. currency in the funding of the Organization's programs, management considers the U.S. dollar to be the Organization's functional currency. As such, the Organization's monetary assets and liabilities held in foreign currencies are remeasured using the current rate at the balance sheet date, while nonmonetary assets and liabilities are remeasured using historical exchange rates.

Most revenues and expenses that occur during a period are remeasured for practical purposes using a weighted average exchange rate for the period. However, revenues and expenses that represent the allocations of historical balances, such as depreciation expense, are remeasured using the same historical exchange rates, as the ones used for remeasuring the underlying items on the balance sheet.

The Organization regularly transfers cash from its domestic accounts to its foreign accounts to cover expenses, translating its foreign transactions into U.S. dollars using a weighted average exchange rate. The Organization has remaining significant deposits in foreign financial institutions and petty cash held in the local currencies of Kenya, Rwanda, Burundi, Ghana, and Tanzania. The Organization has other assets and liabilities originally denominated in foreign currencies. This results in an exposure to currency exchange gains and losses at the time assets are disposed of and liabilities are settled, as well as during year-end foreign currency translation into U.S. dollars. In any particular year, currency exchange rate fluctuations may have a significant impact on the Organization's financial results.

The foreign currency translation gains and losses are recorded on the Organization's statements of activities as a net remeasurement gain or loss. For the years ended December 31, 2011 and 2010, the Organization recognized remeasurement losses of \$197,913 and \$152,978, respectively.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 10 - LEASE COMMITMENTS

The Organization leases office, warehouse space, trial plots of land, and housing for its workforce in Africa under multiple operating leases expiring on various dates through June, 2013. Total rent expense under all leases is \$53,553 and \$41,086, for the years ended December 31, 2011 and 2010, respectively.

Minimum future rental payments are as follows:

For the year ended December 31, 2012	\$	27,616
2013		1,248
	\$	28,864

NOTE 11 - NET ASSET RESTRICTIONS AND DESIGNATIONS

Net assets are temporarily restricted for the following purposes at December 31:

Purpose or Time Restriction	2011	2010
Environmental Projects in Kenya	\$ 911,970	\$ 0
Program Expansion in Burundi	576,095	0
Program Expansion in Rwanda	329,391	593,230
Program Expansion in Kenya	310,000	0
Maize Storage	200,000	0
Growing Systems	164,000	0
Program Expansion in Kenya and Rwanda	155,000	0
Program Services	0	125,000
Total Temporarily Restricted Net Assets	\$ 2,646,456	\$ 718,230

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

NOTE 11 - NET ASSET RESTRICTIONS AND DESIGNATIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended December 31:

	2011	2010
Purpose Restriction Accomplished		
Program Expansion in Kenya	\$ 406,724	\$ 0
Kenya and Rwanda New Districts Expansion	310,000	0
Program Expansion in Rwanda	303,339	266,070
Seed and Fertilizer Fund	150,000	0
Environmental Projects in Kenya	132,030	
Program Services	125,000	265,000
Maize Storage	76,000	
Burundi Expansion	73,905	0
Women's Farm Groups	30,000	30,000
Training and Capacity Building - Rwanda	25,000	0
General Research	0	200,000
Taking Prototype District to Scale	0	150,000
Webuye District	0	50,000
Seed and Fertilizer Purchases	0	30,000
Beans Growing	0	25,000
Crop Insurance Fund	0	10,000
Total Restrictions Released	<u>\$ 1,631,998</u>	<u>\$ 1,026,070</u>

The Organization has a talent retention program that offers eligible staff a bonus for meeting certain length-of-service based criteria. At December 31, 2011 and 2010, \$172,000 and \$100,000, respectively, of unrestricted net assets are designated by the Organization's Board of Directors as a talent retention reserve fund for probable future payments to vesting employees. During the years ending December 31, 2011 and 2010, no payments have been made out of the talent retention reserve fund.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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NOTE 12 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 26, 2012, which is the date on which the financial statements were available to be issued.