

**ONE ACRE FUND, INC.  
REPORT ON THE AUDIT  
OF THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2013 AND 2012**

**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 financial statements of One Acre Fund, Inc. (an Illinois not-for-profit corporation), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

We did not observe the physical inventory taken to verify the quantity of inventory items as of December 31, 2013 and 2012.

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, 2013 and 2012, 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, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Kuntle & Associates, P.C.*

**ONE ACRE FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<b>2013</b>	<b>2012</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 6,461,458	\$ 3,295,756
Derivatives	0	7,476
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	4,483,575	3,865,593
Farmer Repayment Receivables (Net of Allowance for Doubtful Accounts of \$177,250 and \$247,233, Respectively)	1,429,534	1,701,692
Voucher Receivables (Net of Allowance for Doubtful Accounts of \$0, Respectively)	2,656,413	0
Employee Advances (Net of Allowance for Doubtful Accounts of \$34,946 and \$27,743, Respectively)	208,806	158,396
Other Receivables (Net of Allowance for Doubtful Accounts of \$0, Respectively)	259,394	18,907
Inventory	7,974,263	2,816,612
Prepaid Expenses	2,396,780	2,216,851
<b>TOTAL CURRENT ASSETS</b>	<b>25,870,223</b>	<b>14,081,283</b>
<b>FIXED ASSETS</b>		
Land	137,090	128,361
Buildings	714,531	618,963
Construction in Process	272,657	32,272
Vehicles	636,198	547,029
Equipment	152,739	50,755
	1,913,215	1,377,380
Less -- Accumulated Depreciation	544,685	370,348
<b>TOTAL FIXED ASSETS</b>	<b>1,368,530</b>	<b>1,007,032</b>
<b>OTHER ASSETS</b>		
Long Term Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	1,906,745	1,653,846
<b>TOTAL OTHER ASSETS</b>	<b>1,906,745</b>	<b>1,653,846</b>
<b>TOTAL ASSETS</b>	<b>\$29,145,498</b>	<b>\$16,742,161</b>



**ONE ACRE FUND, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT, REVENUES AND GAINS</b>				
Grants and Donations	\$ 6,482,597	\$ 13,242,812	\$ 0	\$ 19,725,409
Program Fees	9,503,620	0	0	9,503,620
Seed and Fertilizer Sales	5,605,914	0	0	5,605,914
Special Events (Net of Direct Benefits to Donors of \$81,820)	977,924	0	0	977,924
Donated Investments	71,749	0	0	71,749
Interest	15,737	0	0	15,737
Realized Gain on Sale of Investments	963	0	0	963
Loss on Weather Based Crop Insurance (Net of Cost of Insurance of \$559,073)	(251,732)	0	0	(251,732)
Net Assets Released from Restrictions	5,690,650	(5,690,650)	0	0
<b>TOTAL PUBLIC SUPPORT, REVENUES AND GAINS</b>	<u>28,097,422</u>	<u>7,552,162</u>	<u>0</u>	<u>35,649,584</u>
<b>EXPENSES AND LOSSES</b>				
Functional Expenses				
Program Services	25,911,501	0	0	25,911,501
Management and General	1,429,758	0	0	1,429,758
Fundraising	1,041,262	0	0	1,041,262
Total Functional Expenses	<u>28,382,521</u>	<u>0</u>	<u>0</u>	<u>28,382,521</u>
Remeasurement Loss	390,133	0	0	390,133
Unrealized Loss on Derivatives	65,296	0	0	65,296
Realized Loss on Redemption of Derivatives	15,168	0	0	15,168
Loss on Sale of Fixed Assets	6,991	0	0	6,991
<b>TOTAL EXPENSES AND LOSSES</b>	<u>28,860,109</u>	<u>0</u>	<u>0</u>	<u>28,860,109</u>
<b>CHANGE IN NET ASSETS</b>	(762,687)	7,552,162	0	6,789,475
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>12,123,146</u>	<u>2,354,256</u>	<u>0</u>	<u>14,477,402</u>
<b>END OF YEAR</b>	<u>\$ 11,360,459</u>	<u>\$ 9,906,418</u>	<u>\$ 0</u>	<u>\$ 21,266,877</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT, REVENUES AND GAINS</b>				
Program Fees	\$ 12,945,126	\$ 0	\$ 0	\$ 12,945,126
Grants and Donations	5,560,286	5,036,483	0	10,596,769
Special Events (Net of Direct Benefits to Donors of \$16,586)	310,746	0	0	310,746
Gain on Weather Based Crop Insurance (Net of Cost of Insurance of \$199,576)	234,373	0	0	234,373
Seed and Fertilizer Sales (Net of Cost of Goods Sold of \$925,265)	183,457	0	0	183,457
Interest	16,954	0	0	16,954
Donated Investments	11,557	0	0	11,557
Net Assets Released from Restrictions	5,328,683	(5,328,683)	0	0
<b>TOTAL PUBLIC SUPPORT, REVENUES AND GAINS</b>	<u>24,591,182</u>	<u>(292,200)</u>	<u>0</u>	<u>24,298,982</u>
<b>EXPENSES AND LOSSES</b>				
Functional Expenses				
Program Services	19,084,792	0	0	19,084,792
Management and General	1,600,770	0	0	1,600,770
Fundraising	540,259	0	0	540,259
Total Functional Expenses	21,225,821	0	0	21,225,821
Unrealized Loss on Derivatives	72,524	0	0	72,524
Remeasurement Loss	21,640	0	0	21,640
Loss on Sale of Fixed Assets	1,030	0	0	1,030
Realized Loss on Sale of Investments	197	0	0	197
<b>TOTAL EXPENSES AND LOSSES</b>	<u>21,321,212</u>	<u>0</u>	<u>0</u>	<u>21,321,212</u>
<b>CHANGE IN NET ASSETS</b>	3,269,970	(292,200)	0	2,977,770
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>8,853,176</u>	<u>2,646,456</u>	<u>0</u>	<u>11,499,632</u>
<b>END OF YEAR</b>	<u>\$ 12,123,146</u>	<u>\$ 2,354,256</u>	<u>\$ 0</u>	<u>\$ 14,477,402</u>

See Accompanying Notes To The Financial Statements.



**ONE ACRE FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
Accounting	\$ 0	\$ 228,784	\$ 0	\$ 228,784
Airtime	556,495	5,918	3,945	566,358
Bad Debts	232,378	0	0	232,378
Bank Fees	0	15,889	0	15,889
Casual Labor	451,433	0	0	451,433
Cost of Goods Sold - Seed and Fertilizer Sales	4,530,383	0	0	4,530,383
Depreciation	168,755	18,750	0	187,505
Employee Benefits	328,957	79,071	79,071	487,099
Farming Supplies	7,365,980	0	0	7,365,980
Farming Transportation	884,494	0	0	884,494
Farming Warehouse Costs	359,747	0	0	359,747
Grants	100,000	0	0	100,000
Insurance	229,901	27,725	13,863	271,489
Interest	0	19,271	0	19,271
Marketing and Promotions	65,029	0	11,912	76,941
Miscellaneous	25,248	34,538	0	59,786
Occupancy	859,432	146,283	73,142	1,078,857
Payroll Taxes	332,643	20,780	31,170	384,593
Postage and Shipping	30,048	7,335	3,756	41,139
Printing and Publications	313,411	30,275	17,412	361,098
Recruiting and Training	353,092	34,772	0	387,864
Retention Incentives	77,700	16,650	16,650	111,000
Salaries and Wages	4,505,664	603,843	603,842	5,713,349
Supplies	960,203	0	0	960,203
Travel and Field Staff Transport	3,180,508	139,874	186,499	3,506,881
	<u>\$ 25,911,501</u>	<u>\$ 1,429,758</u>	<u>\$ 1,041,262</u>	<u>\$ 28,382,521</u>

**See Accompanying Notes To The Financial Statements.**

**ONE ACRE FUND, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
Accounting	\$ 0	\$ 42,228	\$ 0	\$ 42,228
Bad Debts	0	339,017	0	339,017
Bank Fees	0	100,626	0	100,626
Business Development	856,674	190,529	0	1,047,203
Casual Labor	224,246	0	0	224,246
Depreciation	133,163	14,796	0	147,959
Employee Benefits	185,903	18,326	18,326	222,555
Farming Supplies	10,068,269	0	0	10,068,269
Farming Transportation	16,897	0	0	16,897
Farming Warehouse Costs	962,108	0	0	962,108
Grants	131,000	0	0	131,000
Insurance	233,005	2,343	1,172	236,520
Interest	7,740	0	0	7,740
Marketing and Promotions	0	22,166	88,828	110,994
Miscellaneous	15,626	4,386	0	20,012
Monitoring and Evaluation	260,471	111,631	0	372,102
Occupancy	426,707	28,389	14,194	469,290
Payroll Taxes	216,640	21,356	21,356	259,352
Postage and Shipping	27,871	3,743	3,484	35,098
Printing and Publications	139,096	11,320	7,728	158,144
Recruiting and Training	194,106	215,673	21,567	431,346
Retention Incentives	76,500	76,500	0	153,000
Salaries and Wages	2,983,636	294,119	294,119	3,571,874
Supplies	257,606	30,150	10,050	297,806
Travel and Field Staff Transport	1,667,528	73,472	59,435	1,800,435
	<u>\$ 19,084,792</u>	<u>\$ 1,600,770</u>	<u>\$ 540,259</u>	<u>\$ 21,225,821</u>

**See Accompanying Notes To The Financial Statements.**

**ONE ACRE FUND, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Supporters and Other Sources	\$ 32,976,423	\$ 24,060,220
Interest Received	15,737	16,954
Paid to Suppliers and Employees	(30,212,809)	(21,742,935)
Interest Paid	(19,271)	(7,740)
Income Taxes Paid	0	0
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,760,080</b>	<b>2,326,499</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Purchase of Property	(572,924)	(221,577)
Proceeds from Sale of Fixed Assets	16,930	220
Payments for Purchase of Derivatives	(62,500)	(80,000)
Payments for Redemption of Derivatives	(7,692)	0
Proceeds from the Sale of Investments	72,712	11,360
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(553,474)</b>	<b>(289,997)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Long-Term Debt	2,250,000	0
Principal Payments on Long-Term Debt	(1,000,000)	(1,000,000)
Advances on Line of Credit	591,975	342,650
Principal Payments on Line of Credit	(492,746)	(601,750)
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>1,349,229</b>	<b>(1,259,100)</b>
	<hr/>	<hr/>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(390,133)</b>	<b>(21,640)</b>
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,165,702</b>	<b>755,762</b>
<b>CASH AND CASH EQUIVALENTS,</b>		
<b>BEGINNING OF YEAR</b>	<b>3,295,756</b>	<b>2,539,994</b>
	<hr/>	<hr/>
<b>END OF YEAR</b>	<b>\$ 6,461,458</b>	<b>\$ 3,295,756</b>
	<hr/>	<hr/>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Donated Investments	<b>\$ 71,749</b>	<b>\$ 11,557</b>
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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, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 6,789,475</u>	<u>\$ 2,977,770</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Remeasurement Loss	390,133	21,640
Depreciation	187,505	147,959
Allowance for Doubtful Accounts	(62,780)	204,805
Loss on Disposal of Fixed Assets	6,991	1,030
Donated Investments	(71,749)	(11,557)
Realized (Gain) Loss on Sale of Investments	(963)	197
Realized Loss on Redemption of Derivatives	15,168	0
Unrealized Loss on Derivatives	65,296	72,524
Changes in Certain Assets and Liabilities:		
Grants Receivable	(870,881)	392,552
Farmer Repayment Receivables	342,141	(1,090,854)
Voucher Receivables	(2,656,413)	0
Employee Advances	(57,613)	(85,816)
Other Receivables	(240,487)	(18,907)
Inventory	(5,157,651)	656,919
Prepaid Expenses	(179,929)	(1,648,663)
Accounts Payable and Accrued Expenses	3,759,031	1,291,369
Deferred Revenue	552,806	(634,469)
Grants Payable	(50,000)	50,000
Total Adjustments	<u>(4,029,395)</u>	<u>(651,271)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 2,760,080</u></u>	<u><u>\$ 2,326,499</u></u>

**See Accompanying Notes To The Financial Statements.**

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**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, Rwanda, Burundi, Ghana, and Tanzania. The mission of the Organization is to empower chronically hungry farm families in Africa to lift themselves out of hunger and poverty. The Organization achieves its mission by working with 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 reports 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, 2013 AND 2012**

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

C) Accounting Policies (Continued)

Grants Receivable, Farmer Repayment Receivables, Voucher Receivables, Other Receivables, and Employee Advances - Grants receivable, farmer repayment receivables, voucher receivables, other receivables, and employee advances are stated at the amount management expects to collect from outstanding balances. Long-term grants receivable are discounted to their net present value using a market rate. 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 for farmer repayment receivables at December 31, 2013 and 2012 is \$177,250 and \$247,233, respectively. The allowance for doubtful for grants receivable, voucher receivables and other receivables at December 31, 2013 and 2012 is \$0, respectively. The allowance for doubtful for employee advances receivable at December 31, 2013 and 2012 is \$34,946 and \$27,743, 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, or 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, 2013 and 2012 amounts to \$187,505 and \$147,959, respectively.

Grant Expenditures - Grant expenditures are recognized in the period the grant is approved, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as a grant payable in the period in which the grantee meets the terms of the conditions.

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

C) Accounting Policies (Continued)

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. The Organization has no unrelated business income during the years ended December 31, 2013 and 2012, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

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 \$2,890,000 and \$850,000 at December 31, 2013 and 2012, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits of approximately \$2,860,000 and \$0 at December 31, 2013 and 2012, 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, 2013 AND 2012**

**NOTE 3 - IN-KIND DONATIONS**

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, 2013 and 2012, donated professional services amount to \$0, respectively. For the years ended December 31, 2013 and 2012 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 have not been satisfied.

Donated Investments - During the years ended December 31, 2013 and 2012 the Organization received donations of stocks and mutual funds valued at \$71,749 and \$11,557, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. The Organization realized a gain on the sale of its donated investments of \$963 for the year ended December 31, 2013. The Organization realized a loss on the sale of its donated investments of \$197 for the year ended December 31, 2012.

**NOTE 4 - DERIVATIVES**

At December 31, 2013, derivatives are stated at fair value and consist of foreign currency put and call options for Kenyan Shillings, with various expiration dates through June 18, 2014, as follows:

	Balance at 12/31/13	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Unrealized Loss
Currency Options	\$ (2,796)	\$ (2,796)	\$ 62,500	\$ (65,296)

At December 31, 2012, derivatives are stated at fair value and consist of foreign currency put and call options for Kenyan Shillings, with various expiration dates through July 29, 2013, as follows:

	Balance at 12/31/12	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Unrealized Loss
Currency Options	\$ 7,476	\$ 7,476	\$ 80,000	\$ (72,524)



**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 4 - DERIVATIVES (CONTINUED)**

Generally accepted accounting principles provide the definition of fair value for financial reporting, establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and require disclosure about the use of fair value measurements. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were used.

Level 1 Fair Value Measurements

The fair value of derivatives is based on unadjusted quoted market prices of the currency options held by the Organization at year-end.

**NOTE 5 - GRANTS RECEIVABLE**

As of December 31, 2013 and 2012, grantors to the Organization have made unconditional promises to give totaling \$6,390,320 and \$5,519,439, respectively. 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:

	<b>2013</b>	<b>2012</b>
Less than one year	\$ 4,483,575	\$ 3,865,593
One to five years	2,002,085	1,741,300
Total	<u>6,485,660</u>	<u>5,606,893</u>
Less - Allowance to Discount Balance to Present Value	<u>(95,340)</u>	<u>(87,454)</u>
Grants Receivable	<u><u>\$ 6,390,320</u></u>	<u><u>\$ 5,519,439</u></u>

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 6 - CONDITIONAL GRANTS RECEIVABLE**

The Organization has grant agreements with several donors and foundations that consist of providing conditional funding in future years. A corresponding grants receivable has not been recorded on the statements of financial position as the conditional grants are contingent upon incurring qualifying expenditures and fulfilling milestones. Conditional promises to give are recognized when the conditions on which they depend upon are substantially met. Conditional grants receivable amount to \$20,436,713 and \$2,589,825 as of December 31, 2013 and 2012, respectively.

**NOTE 7 - GRANTS PAYABLE**

Grants payable total \$0 and \$50,000, as of December 31, 2013 and 2012, respectively and consist of an approved unconditional grant commitment.

**NOTE 8 - LINE OF CREDIT**

The Organization has a revolving line of credit with Kiva for \$2,800,000 and \$600,000 as of December 31, 2013 and 2012, respectively. The line of credit is unsecured and non-interest bearing. The balance on the line of credit as of December 31, 2013 and 2012 is \$133,704 and \$34,475, respectively.

**NOTE 9 - NOTES PAYABLE**

Notes payable consist of the following at December 31:

	<b>2013</b>	<b>2012</b>
\$1,250,000 note payable to Calvert Foundation, dated December 18, 2013, secured by assets of the Organization, with a floating interest of prime plus three percent in monthly interest-only payments until maturity on December 18, 2014.	\$ 1,250,000	\$ 0
Total Debt	1,250,000	0
Less - Current Portion	1,250,000	0
Total Long-Term Portion	\$ 0	\$ 0

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 10 - 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 non-monetary 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, 2013 and 2012, the Organization recognized remeasurement losses of \$390,133 and \$21,640, respectively.

**NOTE 11 - 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 November, 2019. Total rent expense under all leases is \$355,037 and \$133,098, for the years ended December 31, 2013 and 2012, respectively. Minimum future rental payments are as follows:

For the year ended December 31, 2014	\$	176,617
2015		117,806
2016		106,478
2017		112,017
2018		117,972
Thereafter		86,313
		<hr/>
	\$	<u>717,203</u>

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 - NET ASSET RESTRICTIONS AND DESIGNATIONS**

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

	<b>2013</b>	<b>2012</b>
Purpose Restriction Accomplished:		
Program Expansion in Rwanda	\$ 857,291	\$ 503,237
Environmental Projects in Kenya	779,310	455,970
Farmer Adoption of Existing and Impactful Technologies	651,140	0
Program Expansion in Kenya	561,200	1,678,163
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	552,303	0
Seed and Fertilizer	403,872	98,000
Program Expansion in Tanzania	356,470	0
Growing Systems	332,979	164,000
Program Expansion in Burundi	299,592	292,095
General Research	225,000	225,000
Solar Lights	170,441	0
Program Services	164,255	925,000
Central Stock Construction in Rwanda	98,608	32,272
Salaries of a Business Manager and a Grant Writer	87,500	155,000
Seed for farmers in Western Kenya	75,000	0
Women's Farm Groups	30,000	30,000
Scouting for New Country Expansion	22,953	0
Raising Awareness & Mobilizing Support Through a Powerful Story-Telling Platform	17,000	0
Training in Kenya	5,736	0
Farm Input, Finance and Market Facilitation in Western Kenya	0	299,946
Maize Storage	0	200,000
Kenya and Rwanda New Districts Expansion	0	155,000
Work in connection with the outbreak of the Maize Lethal Necrosis Disease in Kenya	0	50,000
Program Services - Kenya and Rwanda	0	25,000
Presentation Engagements	0	40,000
Total Restrictions Released	<u>\$ 5,690,650</u>	<u>\$ 5,328,683</u>

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 - NET ASSET RESTRICTIONS AND DESIGNATIONS (CONTINUED)**

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

	<b>2013</b>	<b>2012</b>
Purpose or Time Restriction		
Environmental Projects in Kenya	\$ 3,293,357	\$ 456,000
Farmer Adoption of Existing and Impactful Technologies	1,953,420	0
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	1,182,635	0
Program Expansion in Tanzania	887,857	0
10,000 New Farm Families in Districts of Teso and Lugari in Western Kenya	800,000	0
Program Expansion in Rwanda	495,238	575,232
Program Expansion in Burundi	374,352	583,592
Program Expansion in Kenya	200,000	286,324
Growing Systems	199,979	0
Salaries of a Business Manager and a Grant Writer	175,000	87,500
Kenya and Rwanda New Districts Expansion	155,000	0
Program Expansion in District of Migori in Kenya	100,000	0
Seed for farmers in Western Kenya	75,000	75,000
Training in Kenya	10,313	0
Scouting for New Country Expansion	4,267	0
Program Services	0	125,000
Central Stock Construction in Rwanda	0	98,608
Seed and Fertilizer	0	50,000
Raising Awareness & Mobilizing Support Through a Powerful Story-Telling Platform	0	17,000
Total Temporarily Restricted Net Assets	<u>\$ 9,906,418</u>	<u>\$ 2,354,256</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, 2013 and 2012 \$144,000 and \$176,500, respectively, of unrestricted net assets are designated by the Organization's Board of Directors as a talent retention reserve for probable future payments to vesting employees.

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 13 - CONCENTRATION OF FUNDING SOURCES**

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

**NOTE 14 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS**

The Organization files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for the years ended December 31, 2010 and prior. The Organization had no income tax expense for the years ended December 31, 2013 and 2012.

The Organization includes accrued interest and penalties related to unrecognized tax benefits in operating expenses. The expense for interest and penalties related to unrecognized tax benefits amount to \$0 for the years ended December 31, 2013 and 2012, respectively.

**NOTE 15 - SUBSEQUENT EVENTS**

The date to which events occurring after December 31, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 21, 2014 the date the financial statements were available to be issued.