

**ONE ACRE FUND, INC.
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Acre Fund, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Knuttle & Associates, P.C.

ONE ACRE FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	\$ 4,653,848	\$ 6,461,458
Restricted Cash - Less than One Year	375,000	0
Investments	24,972	0
Grants Receivable (Net of Valuation Allowance of \$0, Respectively)	4,944,192	4,483,575
Farmer Repayment Receivables (Net of Valuation Allowance of \$194,979 and \$177,250, Respectively)	2,532,777	1,429,534
Voucher Receivables (Net of Valuation Allowance of \$0, Respectively)	1,412,305	2,656,413
Employee Advances (Net of Valuation Allowance of \$69,605 and \$34,946, Respectively)	412,174	208,806
Other Receivables (Net of Valuation Allowance of \$0, Respectively)	219,111	259,394
Inventory	8,879,791	7,974,263
Prepaid Expenses	1,853,080	2,369,072
Security Deposits - Less than One Year	1,925	0
TOTAL CURRENT ASSETS	25,309,175	25,842,515
FIXED ASSETS		
Land	282,202	137,090
Buildings	1,138,004	714,531
Construction in Process	466,461	272,657
Vehicles	817,658	636,198
Equipment	507,764	152,739
	3,212,089	1,913,215
Less -- Accumulated Depreciation	778,418	544,685
TOTAL FIXED ASSETS	2,433,671	1,368,530
OTHER ASSETS		
Restricted Cash - More than One Year	79,616	0
Security Deposits - More than One Year	27,708	27,708
Long Term Grants Receivable (Net of Valuation Allowance of \$0, Respectively)	2,121,180	1,906,745
TOTAL OTHER ASSETS	2,228,504	1,934,453
TOTAL ASSETS	\$29,971,350	\$29,145,498

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 3,165,350	\$ 5,592,345
Derivatives Payable	0	2,796
Deferred Revenue	2,227,162	899,776
Line of Credit	259,875	133,704
Note Payable	1,500,000	1,250,000
Guarantee of Indebtedness	6,228	0
TOTAL CURRENT LIABILITIES	<u>7,158,615</u>	<u>7,878,621</u>
TOTAL LIABILITIES	<u>7,158,615</u>	<u>7,878,621</u>
NET ASSETS		
Unrestricted		
Undesignated	10,564,407	11,216,459
Designated	99,000	144,000
Total Unrestricted	<u>10,663,407</u>	<u>11,360,459</u>
Temporarily Restricted	<u>12,149,328</u>	<u>9,906,418</u>
TOTAL NET ASSETS	<u>22,812,735</u>	<u>21,266,877</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$29,971,350</u>	<u>\$29,145,498</u>
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See the Accompany Notes to the Financial Statements.

ONE ACRE FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT, REVENUES AND GAINS				
Grants and Donations	\$ 5,249,520	\$ 17,339,781	\$ 0	\$ 22,589,301
Program Fees	14,280,781	0	0	14,280,781
Seed and Fertilizer Sales	5,262,740	0	0	5,262,740
Special Events (Net of Direct Benefits to Donors of \$72,329)	1,325,976	0	0	1,325,976
Remeasurement Gain	88,796	0	0	88,796
Miscellaneous	74,733	0	0	74,733
Donated Investments	62,379	0	0	62,379
Interest	28,895	0	0	28,895
Realized Gain on Redemption of Derivatives	2,796	0	0	2,796
Realized Gain on Sale of Investments	147	0	0	147
Loss on Direct Inventory Sales (Net of Cost of Goods Sold of \$666,126)	(300,756)	0	0	(300,756)
Loss on Weather Based Crop Insurance (Net of Cost of Insurance of \$571,919 and Farmer Credit Forgiveness of \$354,689)	(684,218)	0	0	(684,218)
Net Assets Released from Restrictions	15,096,871	(15,096,871)	0	0
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	<u>40,488,660</u>	<u>2,242,910</u>	<u>0</u>	<u>42,731,570</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services	37,237,096	0	0	37,237,096
Management and General	2,669,276	0	0	2,669,276
Fundraising	1,277,109	0	0	1,277,109
Total Functional Expenses	41,183,481	0	0	41,183,481
Loss on Sale of Fixed Assets	2,231	0	0	2,231
TOTAL EXPENSES AND LOSSES	<u>41,185,712</u>	<u>0</u>	<u>0</u>	<u>41,185,712</u>
CHANGE IN NET ASSETS	(697,052)	2,242,910	0	1,545,858
NET ASSETS,				
BEGINNING OF YEAR	<u>11,360,459</u>	<u>9,906,418</u>	<u>0</u>	<u>21,266,877</u>
END OF YEAR	<u>\$ 10,663,407</u>	<u>\$ 12,149,328</u>	<u>\$ 0</u>	<u>\$ 22,812,735</u>

See Accompanying Notes To The Financial Statements.

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>
PUBLIC SUPPORT, REVENUES AND GAINS				
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
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	<u>28,097,422</u>	<u>7,552,162</u>	<u>0</u>	<u>35,649,584</u>
EXPENSES AND LOSSES				
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	28,382,521	0	0	28,382,521
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
TOTAL EXPENSES AND LOSSES	<u>28,860,109</u>	<u>0</u>	<u>0</u>	<u>28,860,109</u>
CHANGE IN NET ASSETS	(762,687)	7,552,162	0	6,789,475
NET ASSETS,				
BEGINNING OF YEAR	<u>12,123,146</u>	<u>2,354,256</u>	<u>0</u>	<u>14,477,402</u>
END OF YEAR	<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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Airtime	\$ 624,265	\$ 9,340	\$ 8,174	\$ 641,779
Bad Debts	233,737	0	0	233,737
Bank Fees	0	162,227	0	162,227
Casual Labor	976,252	0	0	976,252
Client Incentives	496,948	0	0	496,948
Cost of Goods Sold - Seed and Fertilizer Sales	3,988,056	0	0	3,988,056
Depreciation	231,547	25,728	0	257,275
Distribution Supplies and Trial Purchases	557,922	0	0	557,922
Employee Benefits	667,508	82,137	71,869	821,514
Farming Supplies	9,442,897	0	0	9,442,897
Farming Transportation	1,517,041	0	0	1,517,041
Farming Warehouse Costs	585,432	0	0	585,432
Grants	296	0	0	296
Insurance	465,064	38,525	19,262	522,851
Interest	0	55,401	0	55,401
Marketing and Promotions	115,660	0	20,410	136,070
Occupancy				
Rent	508,935	93,202	46,601	648,738
Security	415,289	10,503	5,252	431,044
Utilities and Maintenance	386,866	7,737	3,868	398,471
Payroll Taxes	744,872	52,102	52,102	849,076
Postage and Shipping	37,171	11,678	4,647	53,496
Printing and Publications	550,074	17,582	15,720	583,376
Professional and Consultancy Fees	0	505,990	47,962	553,952
Recruiting and Training	517,579	274,935	5,537	798,051
Retention Incentives	295,944	27,854	24,371	348,169
Salaries and Wages	8,398,533	788,732	788,732	9,975,997
Supplies	933,007	285,567	0	1,218,574
Travel and Field Staff Transport	4,546,201	220,036	162,602	4,928,839
	<u>\$ 37,237,096</u>	<u>\$ 2,669,276</u>	<u>\$ 1,277,109</u>	<u>\$ 41,183,481</u>

See Accompanying Notes To The Financial Statements.

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

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Supporters and Other Sources	\$ 44,609,997	\$ 32,976,423
Interest Received	28,895	15,737
Paid to Suppliers and Employees	(45,114,359)	(30,212,809)
Interest Paid	(55,401)	(19,271)
Income Taxes Paid	0	0
	<u>(530,868)</u>	<u>2,760,080</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Purchase of Property	(1,326,030)	(572,924)
Proceeds from Sale of Fixed Assets	1,383	16,930
Payments for Purchase of Derivatives	0	(62,500)
Payments for Redemption of Derivatives	0	(7,692)
Proceeds from the Sale of Investments	37,554	72,712
	<u>(1,287,093)</u>	<u>(553,474)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	2,750,000	2,250,000
Principal Payments on Long-Term Debt	(2,500,000)	(1,000,000)
Advances on Line of Credit	1,331,975	591,975
Principal Payments on Line of Credit	(1,205,804)	(492,746)
	<u>376,171</u>	<u>1,349,229</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>88,796</u>	<u>(390,133)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,352,994)</u>	<u>3,165,702</u>
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>6,461,458</u>	<u>3,295,756</u>
END OF YEAR	<u>\$ 5,108,464</u>	<u>\$ 6,461,458</u>
NON-CASH INVESTING ACTIVITIES		
Donated Investments	<u>\$ 62,379</u>	<u>\$ 71,749</u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 1,545,858</u>	<u>\$ 6,789,475</u>
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Remeasurement (Gain) Loss	(88,796)	390,133
Depreciation	257,275	187,505
Valuation Allowance	52,388	(62,780)
Loss on Sale of Fixed Assets	2,231	6,991
Donated Investments	(62,379)	(71,749)
Realized Gain on Sale of Investments	(147)	(963)
Realized (Gain) Loss on Redemption of Derivatives	(2,796)	15,168
Unrealized Loss on Derivatives	0	65,296
Changes in Certain Assets and Liabilities:		
Grants Receivable	(675,052)	(870,881)
Farmer Repayment Receivables	(1,120,972)	342,141
Voucher Receivables	1,244,108	(2,656,413)
Employee Advances	(238,027)	(57,613)
Other Receivables	40,283	(240,487)
Inventory	(905,528)	(5,157,651)
Prepaid Expenses	515,992	(179,929)
Security Deposits	(1,925)	0
Accounts Payable and Accrued Expenses	(2,426,995)	3,759,031
Deferred Revenue	1,327,386	552,806
Guarantee of Indebtedness	6,228	0
Grants Payable	0	(50,000)
Total Adjustments	<u>(2,076,726)</u>	<u>(4,029,395)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (530,868)</u></u>	<u><u>\$ 2,760,080</u></u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 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. 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 - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. Unrealized and realized gains and losses are included in the change in net assets.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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 valuation allowance for farmer repayment receivables at December 31, 2014 and 2013 is \$194,979 and \$177,250, respectively. The valuation allowance for grants receivable, voucher receivables and other receivables at December 31, 2014 and 2013 is \$0, respectively. The valuation allowance for employee advances receivable at December 31, 2014 and 2013 is \$69,605 and \$34,946, 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, 2014 and 2013 amounts to \$257,275 and \$187,505, 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, 2014 AND 2013

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, 2014 and 2013, 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 \$2,970,000 and \$2,890,000 at December 31, 2014 and 2013, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits of approximately \$1,160,000 and \$2,860,000 at December 31, 2014 and 2013, 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, 2014 AND 2013

NOTE 3 - RESTRICTED CASH

During the year ended December 31, 2014, the Organization entered into two standby letters of credit with Citibank, N.A. The corresponding restricted cash held to support the standby letters of credit are shown on the statements of financial position as restricted cash. Restricted cash is held for the following purposes at December 31, 2014:

Guarantee of Indebtedness of Ethiopia Seed Producers:

The Organization has provided a standby letter of credit through Citibank, N.A. to Commercial Bank of Ethiopia (“CBE”) as cash collateral to guarantee CBE working capital loans to eligible seed producers in the Amhara region of Ethiopia. The goal of the lending program is to increase production and sales of improved seed for maize, tef, and wheat in the region, helping to address supply shortages. The maximum amount of borrowing approved is \$500,000, of which the maximum amount of the standby letter of credit guarantee provided by the Organization is \$375,000 or 75%. At December 31, 2014, three Ethiopian seed producers qualified for the lending program and a total of \$82,612 was approved for disbursement. The term of the loan is set at one year from disbursement. In the event of a seed producer default on the loan the Organization will be liable for 75% of the disbursed amount. As of December 31, 2014, no repayments from seed producers have been made to the CBE and the maximum amount payable under the guarantee as a result of defaulted loans is \$0. The guarantee of indebtedness liability shown on the statements of financial position reflects the estimated value for an external organization to assume the guarantee. The Organization has estimated the value of a guarantee transfer at 7.5% of the outstanding loans. At December 31, 2014, the guarantee of indebtedness liability amounts to \$6,228.

Security Deposit - More than One Year:

The Organization has provided a standby letter of credit through Citibank, N.A. to Educational Network, Inc. as cash collateral to secure a security deposit for its New York administrative office. The letter of credit amounts to \$79,616 at December 31, 2014 and expires October 31, 2017. As the letter of credit expires in more than one year, the corresponding restricted cash held to support the letter of credit is shown as non-current on the statements on financial position.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4 - 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, 2014 and 2013, donated professional services amount to \$0, respectively. For the years ended December 31, 2014 and 2013 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, 2014 and 2013 the Organization received donations of stocks and mutual funds valued at \$62,379 and \$71,749, 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 \$147 and \$963 for the years ended December 31, 2014 and 2013, respectively.

NOTE 5 - DERIVATIVES AND INVESTMENTS

The Organization utilizes derivatives as a hedging instrument against volatile exchange rate changes. At December 31, 2014, the Organization did not invest in 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	Accumulated Unrealized Loss
Currency Options	\$ (2,796)	\$ (2,796)	\$ 62,500	\$ (65,296)

The Organization also typically receives donated investments during the course of a year. At December 31, 2014, investments are stated at fair value and consist of corporate stocks as follows:

	Balance at 12/31/14	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Accumulated Unrealized Gain
Corporate Stocks	\$ 24,972	\$ 24,972	\$ 24,972	\$ 0

At December 31, 2013, the Organization did not have an investments balance.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5 - DERIVATIVES AND INVESTMENTS (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. The fair value of corporate stocks is based on unadjusted quoted market prices in active markets for identical assets.

NOTE 6 - GRANTS RECEIVABLE

As of December 31, 2014 and 2013, grantors to the Organization have made unconditional promises to give totaling \$7,065,372 and \$6,390,320, 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:

	2014	2013
Less than one year	\$ 4,944,192	\$ 4,483,575
One to five years	<u>2,271,225</u>	<u>2,002,085</u>
Total	7,215,417	6,485,660
Less - Allowance to Discount Balance to Present Value	<u>(150,045)</u>	<u>(95,340)</u>
Grants Receivable	<u><u>\$ 7,065,372</u></u>	<u><u>\$ 6,390,320</u></u>

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7 - 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 \$13,259,092 and \$20,436,713 as of December 31, 2014 and 2013, respectively.

NOTE 8 - LINE OF CREDIT

The Organization has a revolving line of credit with Kiva for \$2,800,000 as of December 31, 2014 and 2013, respectively. The line of credit is unsecured and non-interest bearing. The balance on the line of credit as of December 31, 2014 and 2013 is \$259,875 and \$133,704, respectively.

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following at December 31:

	2014	2013
\$1,500,000 note payable to Mary and Dorothy Silverman Foundation, dated December 17, 2014, secured by assets of the Organization, with a floating interest of prime plus three percent in monthly interest-only payments until maturity on March 31, 2015.	\$ 1,500,000	\$ 0
\$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.	0	1,250,000
Total Debt	1,500,000	1,250,000
Less - Current Portion	1,500,000	1,250,000
Total Long-Term Portion	\$ 0	\$ 0

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, Uganda, Malawi, Ethiopia 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 year ended December 31, 2014, the Organization recognized a remeasurement gain of \$88,796. For the year ended December 31, 2013, the Organization recognized a remeasurement loss of \$390,133.

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 \$648,738 and \$355,037, for the years ended December 31, 2014 and 2013, respectively. Minimum future rental payments are as follows:

For the year ended December 31, 2015	\$	326,792
2016		327,836
2017		269,205
2018		95,706
2019		69,344
	\$	<u>1,088,883</u>

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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:

	2014	2013
Purpose Restriction Accomplished:		
Farmer Adoption of Existing and Impactful Technologies	\$ 3,942,984	\$ 651,140
Government Partnerships and Services Funding	2,450,000	0
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	1,812,867	552,303
Environmental Projects in Kenya	1,536,549	779,310
Program Expansion in Burundi	1,289,340	299,592
Program Expansion in Tanzania	819,772	356,470
Program Services	675,358	164,255
Staffing Costs	441,979	0
Growing Systems	399,958	332,979
Program Expansion in Rwanda	382,200	857,291
10,000 New Farm Families in Districts of Teso and Lugari in Western Kenya	350,000	0
Pilot Operations in Malawi and Uganda	226,720	0
Salaries of a Business Manager and a Grant Writer	175,000	87,500
Seed for farmers in Western Kenya	175,000	75,000
Kenya and Rwanda New Districts Expansion	155,000	0
Program Expansion in Kenya	127,726	561,200
Program Expansion in Malawi	84,689	0
Burundi Operations	30,388	0
Training in Kenya and Rwanda	18,676	5,736
Scouting for New Country Expansion	2,665	22,953
Seed and Fertilizer	0	403,872
General Research	0	225,000
Solar Lights	0	170,441
Central Stock Construction in Rwanda	0	98,608
Women's Farm Groups	0	30,000
Raising Awareness & Mobilizing Support Through a Powerful Story-Telling Platform	0	17,000
Total Restrictions Released	<u>\$ 15,096,871</u>	<u>\$ 5,690,650</u>

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 12 - NET ASSET RESTRICTIONS AND DESIGNATIONS (CONTINUED)

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

Purpose or Time Restriction	2014	2013
Government Partnerships and Services Funding	\$ 2,600,000	\$ 0
Farmer Adoption of Existing and Impactful Technologies	1,989,564	1,953,420
Environmental Projects in Kenya	1,840,141	3,293,357
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	1,667,938	1,182,635
Pilot Operations in Malawi and Uganda	1,383,209	0
Program Expansion in Kenya	1,092,524	200,000
10,000 New Farm Families in Districts of Teso and Lugari in Western Kenya	450,000	800,000
Program Services	412,871	0
Burundi Operations	225,626	0
Program Expansion in Tanzania	202,155	887,857
Kenya and Rwanda New Districts Expansion	155,000	255,000
Program Expansion in Rwanda	117,800	495,238
Training in Kenya and Rwanda	12,500	0
Program Expansion in Burundi	0	374,352
Growing Systems	0	199,979
Salaries of a Business Manager and a Grant Writer	0	175,000
Seed for farmers in Western Kenya		75,000
Training in Kenya		10,313
Scouting for New Country Expansion		4,267
Total Temporarily Restricted Net Assets	<u>\$ 12,149,328</u>	<u>\$ 9,906,418</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, 2014 and 2013 \$99,000 and \$144,000, 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, 2014 AND 2013

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 - RECLASSIFICATIONS

Certain prior period amounts have been reclassified to conform to current year presentation.

NOTE 15 - 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, 2011 and prior. The Organization had no income tax expense for the years ended December 31, 2014 and 2013.

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, 2014 and 2013, respectively.

NOTE 16 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is March 20, 2015 the date the financial statements were available to be issued.