

**ONE ACRE FUND, INC.
REPORT ON THE AUDIT OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

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 consolidated financial statements of One Acre Fund, Inc. (an Illinois not-for-profit corporation), which comprise the consolidated statements of financial position as of December 31, 2015 and 2014 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of One Acre Fund, Inc. as of December 31, 2015 and 2014, 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.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	\$ 12,098,306	\$ 4,653,848
Restricted Cash - Less than One Year	40,612	375,000
Investments	16,632	24,972
Grants Receivable (Net of Valuation Allowance of \$0, Respectively)	5,616,389	4,944,192
Farmer Repayment Receivables (Net of Valuation Allowance of \$222,420 and \$194,979, Respectively)	4,309,580	2,532,777
Voucher Receivables (Net of Valuation Allowance of \$0, Respectively)	1,550,537	1,412,305
Employee Advances (Net of Valuation Allowance of \$81,302 and \$69,605, Respectively)	481,585	412,174
Other Receivables (Net of Valuation Allowance of \$0, Respectively)	165,342	219,111
Fertilizer and Seed Inventory	11,966,842	8,265,972
Solar Inventory	2,991,544	499,995
Other Inventory	830,312	113,824
Prepaid Expenses	2,752,609	1,853,080
Security Deposits - Less than One Year	0	1,925
TOTAL CURRENT ASSETS	42,820,290	25,309,175
FIXED ASSETS		
Land	671,550	282,202
Buildings	1,163,478	1,138,004
Construction in Process	1,634,745	466,461
Vehicles	771,582	817,658
Equipment	918,123	507,764
	5,159,478	3,212,089
Less -- Accumulated Depreciation	857,348	778,418
TOTAL FIXED ASSETS	4,302,130	2,433,671
OTHER ASSETS		
Restricted Cash - More than One Year	79,957	79,616
Security Deposits - More than One Year	27,708	27,708
Long Term Grants Receivable (Net of Valuation Allowance of \$0, Respectively)	4,198,864	2,121,180
TOTAL OTHER ASSETS	4,306,529	2,228,504
TOTAL ASSETS	\$51,428,949	\$29,971,350

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 8,984,104	\$ 3,165,350
Deferred Revenue	1,831,727	2,227,162
Line of Credit	5,957,632	259,875
Note Payable	0	1,500,000
Guarantee of Indebtedness	0	6,228
TOTAL CURRENT LIABILITIES	<u>16,773,463</u>	<u>7,158,615</u>
TOTAL LIABILITIES	<u>16,773,463</u>	<u>7,158,615</u>
NET ASSETS		
Unrestricted		
Undesignated	20,408,729	10,564,407
Designated	0	99,000
Total Unrestricted	<u>20,408,729</u>	<u>10,663,407</u>
Temporarily Restricted	14,246,757	12,149,328
TOTAL NET ASSETS	<u>34,655,486</u>	<u>22,812,735</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$51,428,949</u>	<u>\$29,971,350</u>
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See Accompanying Notes To The Consolidated Financial Statements.

ONE ACRE FUND, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
PUBLIC SUPPORT, REVENUES AND GAINS				
Grants and Donations	\$ 16,067,848	\$ 19,009,268	\$ 0	\$ 35,077,116
Core Program Revenue	23,092,007	0	0	23,092,007
Farm Product Sales to 3 rd Parties	6,876,501	0	0	6,876,501
Donated Investments	4,580,772	0	0	4,580,772
Special Events (Net of Direct Benefits to Donors of \$120,983)	2,507,689	0	0	2,507,689
Donated Services	123,860	0	0	123,860
Interest	44,907	0	0	44,907
Gain on Disposition of Fixed Assets	13,671	0	0	13,671
Miscellaneous	13,330	0	0	13,330
Realized Gain on Sale of Investments	26	0	0	26
Loss on Weather Based Crop Insurance (Net of Cost of Insurance of \$718,136 and Farmer Credit Forgiveness of \$59,223)	(738,066)	0	0	(738,066)
Loss on Direct Inventory Sales (Net of Cost of Goods Sold of \$276,908)	(109,818)	0	0	(109,818)
Net Assets Released from Restrictions	16,911,839	(16,911,839)	0	0
TOTAL PUBLIC SUPPORT, REVENUES AND GAINS	<u>69,384,566</u>	<u>2,097,429</u>	<u>0</u>	<u>71,481,995</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services	55,019,648	0	0	55,019,648
Management and General Fundraising	2,521,502	0	0	2,521,502
	1,654,397	0	0	1,654,397
Total Functional Expenses	59,195,547	0	0	59,195,547
Remeasurement Loss	443,697	0	0	443,697
TOTAL EXPENSES AND LOSSES	<u>59,639,244</u>	<u>0</u>	<u>0</u>	<u>59,639,244</u>
CHANGE IN NET ASSETS	9,745,322	2,097,429	0	11,842,751
NET ASSETS,				
BEGINNING OF YEAR	<u>10,663,407</u>	<u>12,149,328</u>	<u>0</u>	<u>22,812,735</u>
END OF YEAR	<u>\$ 20,408,729</u>	<u>\$ 14,246,757</u>	<u>\$ 0</u>	<u>\$ 34,655,486</u>

See Accompanying Notes To The Consolidated Financial Statements.

ONE ACRE FUND, INC.
CONSOLIDATED 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
Core Program Revenue	14,280,781	0	0	14,280,781
Farm Product Sales to 3 rd Parties	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 Consolidated Financial Statements.

ONE ACRE FUND, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Airtime	\$ 722,632	\$ 24,251	\$ 11,802	\$ 758,685
Bad Debts	488,051	0	0	488,051
Bank Fees	263,331	39,085	6,742	309,158
Casual Labor	1,271,571	40,729	0	1,312,300
Client Incentives	350,330	0	0	350,330
Cost of Goods Sold - Core Seed and Fertilizer Distributed	11,406,954	0	0	11,406,954
Cost of Goods Sold - Core Solar Lights Distributed	3,342,231	0	0	3,342,231
Cost of Goods Sold - Core Other Products Distributed	1,313,954	0	0	1,313,954
Cost of Goods Sold - Farm Products Sold to 3 rd Parties	5,509,889	0	0	5,509,889
Depreciation	400,170	0	0	400,170
Distribution Supplies and Travel Purchases	631,050	0	0	631,050
Employee Benefits	1,232,909	126,957	81,471	1,441,337
Farming Transportation	1,366,649	0	0	1,366,649
Farming Warehouse Costs	606,728	0	0	606,728
Insurance	713,899	88,746	68,887	871,532
Interest	346,329	0	0	346,329
Marketing and Promotions	101,479	0	0	101,479
Occupancy				
Rent	708,556	79,550	87,548	875,654
Security	624,821	0	0	624,821
Utilities & Maintenance	276,011	32,520	6,403	314,934
Payroll Taxes	1,848,044	350,182	93,478	2,291,704
Postage and Shipping	35,878	3,175	4,623	43,676
Printing and Publications	874,587	6,145	2,694	883,426
Professional and Consultancy Fees	728,930	225,004	146,133	1,100,067
Recruiting and Training	940,467	44,050	6,169	990,686
Retention Incentives	253,000	0	0	253,000
Salaries and Wages	12,137,030	1,127,523	985,141	14,249,694
Supplies	1,474,119	129,347	31,135	1,634,601
Travel and Field Staff Transport	5,050,049	204,238	122,171	5,376,458
	<u>\$ 55,019,648</u>	<u>\$ 2,521,502</u>	<u>\$ 1,654,397</u>	<u>\$ 59,195,547</u>

See Accompanying Notes To The Consolidated Financial Statements.

ONE ACRE FUND, INC.
CONSOLIDATED 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 - Core Seed and Fertilizer Distributed	7,272,531	0	0	7,272,531
Cost of Goods Sold - Core Solar Lights Distributed	1,857,851	0	0	1,857,851
Cost of Goods Sold - Core Other Products Distributed	312,515	0	0	312,515
Cost of Goods Sold - Farm Products Sold to 3 rd Parties	3,988,056	0	0	3,988,056
Depreciation	231,547	25,728	0	257,275
Distribution Supplies and Travel Purchases	557,922	0	0	557,922
Employee Benefits	667,508	82,137	71,869	821,514
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 & 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 & 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 Consolidated Financial Statements.

ONE ACRE FUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Farmers and Grants	\$ 66,919,103	\$ 44,647,551
Interest Received	44,907	28,895
Paid to Suppliers and Employees	(61,006,372)	(45,114,359)
Interest Paid	(346,329)	(55,401)
Income Taxes Paid	0	0
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	5,611,309	(493,314)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Purchase of Property	(2,337,014)	(1,326,030)
Proceeds from Sale of Fixed Assets	82,056	1,383
Payments for Purchase of Derivatives	(21,000)	0
Payments for Redemption of Derivatives	21,000	0
	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,254,958)	(1,324,647)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Note Payable	6,500,000	2,750,000
Principal Payments on Note Payable	(8,000,000)	(2,500,000)
Advances on Line of Credit	7,263,100	1,331,975
Principal Payments on Line of Credit	(1,565,343)	(1,205,804)
	<hr/>	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,197,757	376,171
	<hr/>	<hr/>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(443,697)	88,796
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	7,110,411	(1,352,994)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,108,464	6,461,458
	<hr/>	<hr/>
END OF YEAR	\$ 12,218,875	\$ 5,108,464
	<hr/>	<hr/>
NON-CASH OPERATING AND INVESTING ACTIVITIES		
Donated Services	\$ 123,860	\$ 0

See Accompanying Notes To The Consolidated Financial Statements.

ONE ACRE FUND, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 11,842,751</u>	<u>\$ 1,545,858</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Remeasurement (Gain) Loss	443,697	(88,796)
Depreciation	400,170	257,275
Valuation Allowance	39,138	52,388
(Gain) Loss on Sale of Fixed Assets	(13,671)	2,231
Donated Investments	(4,580,772)	(62,379)
Sale of Donated Investments	4,589,138	37,554
Realized Gain on Sale of Investments	(26)	(147)
Realized Gain on Redemption of Derivatives	0	(2,796)
Changes in Certain Assets and Liabilities:		
Grants Receivable	(2,749,881)	(675,052)
Farmer Repayment Receivables	(1,804,244)	(1,120,972)
Voucher Receivables	(138,232)	1,244,108
Employee Advances	(81,108)	(238,027)
Other Receivables	53,769	40,283
Fertilizer and Seed Inventory	(3,700,870)	(848,287)
Solar Inventory	(2,491,549)	56,583
Other Inventory	(716,488)	(113,824)
Prepaid Expenses	(899,529)	515,992
Security Deposits	1,925	(1,925)
Accounts Payable and Accrued Expenses	5,818,754	(2,426,995)
Deferred Revenue	(395,435)	1,327,386
Guarantee of Indebtedness	(6,228)	6,228
Total Adjustments	<u>(6,231,442)</u>	<u>(2,039,172)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 5,611,309</u></u>	<u><u>\$ (493,314)</u></u>

See Accompanying Notes To The Consolidated Financial Statements.

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1 - NATURE OF ORGANIZATION AND 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 is registered to operate in its program countries, including those where the Organization conducts trial activities. Currently, the primary countries of operations are 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) Principles of Consolidation

The consolidated financial statements include all entities that are required to be consolidated. These entities include One Acre Stichting (Netherlands) and One Acre UK Limited (United Kingdom). In addition, the consolidated financial statements include small-scale trial activities conducted by One Acre Uganda, Ltd., a company without share capital and limited by guarantee, and One Acre Fund, a trust/charity in Malawi. All significant intercompany transactions are eliminated in consolidation.

C) 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.

D) 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.

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

D) Accounting Policies (Continued)

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.

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, 2015 and 2014 is \$222,420 and \$194,979, respectively. The valuation allowance for grants receivable, voucher receivables and other receivables at December 31, 2015 and 2014 is \$0, respectively. The valuation allowance for employee advances receivable at December 31, 2015 and 2014 is \$81,302 and \$69,605, 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 and solar 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, 2015 and 2014 amounts to \$400,170 and \$257,275, 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

D) 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 consolidated 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 consolidated 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, 2015 and 2014, and therefore, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for the years ended December 31, 2012 and prior. The Organization had no income tax expense for the years ended December 31, 2015 and 2014.

Use of Estimates - The preparation of consolidated 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 consolidated 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 \$4,580,000 and \$2,970,000 at December 31, 2015 and 2014, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits of approximately \$7,080,000 and \$1,160,000 at December 31, 2015 and 2014, 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 is shown on the consolidated statements of financial position as restricted cash. Restricted cash is held for the following purposes at December 31, 2015:

Guarantee of Indebtedness of Ethiopia Seed Producers:

In 2014, the Organization 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. As of December 31, 2015 and 2014, the amount of borrowing through the program was \$40,612 and \$0, respectively, which was maintained in the Citibank certificate of deposit account at the one year expiration of the original certificate of deposit agreement. The guarantee agreement with CBE expired on September 30, 2015. At December 31, 2015, \$40,612 remains restricted in the Citibank certificate of deposit account. The amount will be withdrawn at the term expiration of the certificate of deposit.

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 \$79,957 and \$79,616 at December 31, 2015 and 2014, respectively, 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 consolidated statements of financial position.

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, 2015 and 2014, donated professional services amount to \$123,860 and \$0, respectively. For the years ended December 31, 2015 and 2014 the Organization received a significant amount of other donated services from volunteers who assist with the operations.

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4 - IN-KIND DONATIONS (CONTINUED)

Donated Services (Continued) - No amounts have been recognized in the accompanying consolidated 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, 2015 and 2014 the Organization received donations of stocks and mutual funds valued at \$4,580,772 and \$62,379, 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 \$26 and \$147 for the years ended December 31, 2015 and 2014, respectively.

NOTE 5 - DERIVATIVES AND INVESTMENTS

The Organization utilizes derivatives as a hedging instrument against volatile exchange rates. The Organization enters into foreign exchange hedging contracts with financially sound and reputable companies in respect of select, identifiable, forecasted cash flows deriving from its operations in countries where such hedging contracts are commercially available and cost effective. At December 31, 2015 and 2014 the Organization had no foreign exchange hedging contracts outstanding.

The Organization also typically receives donated investments during the course of a year.

At December 31, 2015, investments are stated at fair value and consist of corporate stocks as follows:

	Balance at 12/31/15	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Accumulated Unrealized Gain
Corporate Stocks	\$ 16,632	\$ 16,632	\$ 16,632	\$ 0

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

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, grantors to the Organization have made unconditional promises to give totaling \$10,054,204 and \$7,215,417, 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:

	2015	2014
Less than one year	\$ 5,616,466	\$ 4,944,192
One to five years	4,437,738	2,271,225
Total	10,054,204	7,215,417
Less - Allowance to Discount Balance to Present Value	<u>(238,951)</u>	<u>(150,045)</u>
Grants Receivable	<u><u>\$ 9,815,253</u></u>	<u><u>\$ 7,065,372</u></u>

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 consolidated 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 \$45,456,729 and \$13,259,092 as of December 31, 2015 and 2014, respectively.

NOTE 8 - LINE OF CREDIT

The organization uses lines of credit to provide working capital for its farmer program activities. The Organization has a revolving line of credit with a Trust for \$10,000,000, from which \$5,700,000 has been drawn as of December 31, 2015. The line of credit is unsecured and bears interest at 6% per annum with interest payable quarterly. The line of credit may be drawn or repaid with a ten business-day notice period, and matures on November 15, 2016. The Organization has agreed to pay the lenders a minimum return equal to 4% of the \$10,000,000 line of credit. The balance on the line of credit as of December 31, 2015 is \$5,700,000. The line of credit consists of two financial covenants at December 31, 2015. The first covenant requires that the Organization maintain net assets above \$12,300,000 on a quarterly basis, and the second requires that the Organization maintain a current ratio of more than 1.0. The Organization met both covenants at December 31, 2015 with net assets of \$34,655,486 and a current ratio of 2.55.

On December 29, 2015, the Organization notified the Trust of its intent to repay \$4,000,000 of the \$5,700,000 outstanding as of December 31, 2015. Subsequent to December 31, 2015, the Organization made the \$4,000,000 payment on January 13, 2016 and the amount remained available for future borrowing in accordance with the terms of the note.

The Organization has a revolving line of credit with Kiva for \$2,800,000 as of December 31, 2015 and 2014, respectively. The line of credit is unsecured and non-interest bearing, and is non-recourse to the Organization. The balance on the line of credit as of December 31, 2015 and 2014 is \$257,632 and \$259,875, respectively.

NOTE 9 - NOTES PAYABLE

At December 31, 2014, the Organization had one note payable outstanding with Marty and Dorothy Silverman Foundation ("MDSF") totaling \$1,500,000. During 2015, the Organization increased the amount outstanding on the note to \$2,000,000 and borrowed an additional \$4,000,000 from FJC. Both notes were fully repaid and cancelled as of December 31, 2015.

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 9 - NOTES PAYABLE (CONTINUED)

In August 2015, the Organization enter into a note payable for \$3,600,000 with a non-profit impact investing firm. The note has tiered interest rates based on the amount outstanding and all disbursements under the note must be repaid by May 2019. No amounts were drawn on this loan at December 31, 2015.

Notes payable consist of the following at December 31:

	2015	2014
\$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. The note was paid in full during 2015.	\$ 0	\$ 1,500,000
Total Debt	0	1,500,000
Less - Current Portion	0	1,500,000
Total Long-Term Portion	\$ 0	\$ 0

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.

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10 - FUNCTIONAL CURRENCY, FOREIGN CURRENCY TRANSLATION AND CURRENCY EXCHANGE RATE EXPOSURE (CONTINUED)

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 consolidated statements of activities as a net remeasurement gain or loss. For the year ended December 31, 2015, the Organization recognized a remeasurement loss of \$443,697. For the year ended December 31, 2014, the Organization recognized a remeasurement gain of \$88,796.

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 \$875,654 and \$648,738, for the years ended December 31, 2015 and 2014, respectively. Minimum future rental payments are as follows:

For the year ended December 31, 2016	\$	614,841
2017		312,644
2018		98,190
2019		<u>63,226</u>
	\$	<u><u>1,088,901</u></u>

NOTE 12 - 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 substantially impacted if the Organization were to lose a major grant.

NOTE 13 - CONCENTRATION OF FOREIGN OPERATIONS RISK

Contributions are raised globally, with a majority within the U.S. The nature of the Organizations' program activities is to supply agricultural inputs, training, and credit in foreign countries. While foreign operations risk is somewhat diversified across countries, and is actively managed by the Organization, it remains reasonably possible that operations outside the U.S. could be disrupted due to political, economic, or natural events, impacting the normal functioning of these programs. The Organization has assets outside the U.S. with a carrying value of \$28,583,049 primarily across four countries in East Africa, with the largest concentration in Kenya which contains \$12,305,054 of the Organization's assets.

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 14 - 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:

	2015	2014
Purpose Restriction Accomplished:		
Farmer Adoption of Existing and Impactful Technologies	\$ 4,519,186	\$ 3,942,984
Program Expansion in Kenya	2,655,605	127,726
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	2,185,593	1,812,867
Environmental Projects in Kenya	1,790,141	1,536,549
Government Partnerships and Services Funding	1,600,000	2,450,000
Pilot Operations in Malawi and Uganda	921,105	226,720
Program Expansion in Burundi	855,020	1,289,340
Program Expansion in Tanzania	735,730	819,772
Staffing Costs	501,979	441,979
Program Expansion in Rwanda	385,001	382,200
Kenya and Rwanda New Districts Expansion	310,000	155,000
Growing Systems	199,979	399,958
Scale Innovations Department in Kenya	140,000	0
Field Staff Kenya	100,000	0
Staff Development in Kenya and Rwanda	12,500	0
Program Services	0	675,358
10,000 New Farm Families in Districts of Teso and Lugari in Western Kenya	0	350,000
Salaries of a Business Manager and a Grant Writer	0	175,000
Seed for farmers in Western Kenya	0	175,000
Program Expansion in Malawi	0	84,689
Burundi Operations	0	30,388
Training in Kenya and Rwanda	0	18,676
Scouting for New Country Expansion	0	2,665
	<hr/>	<hr/>
Total Restrictions Released	<u>\$ 16,911,839</u>	<u>\$ 15,096,871</u>

ONE ACRE FUND, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 14 - NET ASSET RESTRICTIONS AND DESIGNATIONS (CONTINUED)

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

	2015	2014
Purpose or Time Restriction		
Program Expansion in Kenya	\$ 5,364,200	\$ 1,092,524
Farmer Adoption of Existing and Impactful Technologies	2,529,622	1,989,564
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	2,207,802	1,667,938
Rwanda Farmer Promoter Program	1,052,592	0
Government Partnerships and Services Funding	1,050,000	2,600,000
Pilot Operations in Malawi and Uganda	954,001	1,383,209
Program Expansion in Rwanda	384,570	117,800
Program Expansion in Tanzania	279,970	202,155
Scale Innovations Department in Kenya	274,000	0
Program Expansion in Burundi	100,000	0
Environmental Projects in Kenya	50,000	1,840,141
10,000 New Farm Families in Districts of Teso and Lugari in Western Kenya	0	450,000
Program Services	0	412,871
Burundi Operations	0	225,626
Kenya and Rwanda New Districts Expansion	0	155,000
Training in Kenya and Rwanda	0	12,500
Total Temporarily Restricted Net Assets	<u>\$ 14,246,757</u>	<u>\$ 12,149,328</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, 2015 and 2014 \$0 and \$99,000, 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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 15 - RECLASSIFICATIONS

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

NOTE 16 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is April 25, 2016, the date the consolidated financial statements were available to be issued.