

**ONE ACRE FUND, INC.  
REPORT ON THE AUDIT OF THE  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2016 AND 2015**

**ONE ACRE FUND, INC.**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
Independent Auditors' Report	2 - 3
Consolidated Statements of Financial Position	4
Consolidated Statement of Activities	
For the Year Ended December 31, 2016	5
For the Year Ended December 31, 2015	6
Consolidated Statement of Functional Expenses	
For the Year Ended December 31, 2016	7
For the Year Ended December 31, 2015	8
Consolidated Statements of Cash Flows	9 - 10
Notes to the Consolidated Financial Statements	11 - 21



## 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, 2016 and 2015 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, 2016 and 2015, 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, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$10,061,461	\$12,098,306
Restricted Cash - Less than One Year	80,195	40,612
Investments	46,963	16,632
Grants Receivable (Net of Valuation Allowance of \$0, Respectively)	5,082,452	5,616,389
Farmer Repayment Receivables (Net of Valuation Allowance of \$212,048 and \$222,420, Respectively)	6,639,409	4,309,580
Voucher Receivables (Net of Valuation Allowance of \$0, Respectively)	1,223,110	1,550,537
Employee Advances (Net of Valuation Allowance of \$108,576 and \$81,302, Respectively)	885,422	481,585
Other Receivables (Net of Valuation Allowance of \$0, Respectively)	470,648	165,342
Fertilizer and Seed Inventory (Net of Valuation Allowance of \$76,718 and \$0, Respectively)	11,559,247	11,966,842
Solar Inventory	4,202,855	2,991,544
Other Inventory	1,353,956	830,312
Prepaid Expenses	4,577,947	2,752,609
<b>TOTAL CURRENT ASSETS</b>	<b>46,183,665</b>	<b>42,820,290</b>
<b>FIXED ASSETS</b>		
Land	962,074	671,550
Buildings	1,957,437	1,163,478
Construction in Process	3,768,905	1,634,745
Vehicles	1,181,166	771,582
Equipment	969,628	918,123
	8,839,210	5,159,478
Less -- Accumulated Depreciation	1,285,164	857,348
<b>TOTAL FIXED ASSETS</b>	<b>7,554,046</b>	<b>4,302,130</b>
<b>OTHER ASSETS</b>		
Restricted Cash - More than One Year	0	79,957
Other Investments	73,520	0
Security Deposits - More than One Year	0	27,708
Long Term Grants Receivable (Net of Valuation Allowance of \$0, Respectively)	1,014,673	4,198,864
<b>TOTAL OTHER ASSETS</b>	<b>1,088,193</b>	<b>4,306,529</b>
<b>TOTAL ASSETS</b>	<b>\$54,825,904</b>	<b>\$51,428,949</b>

## LIABILITIES AND NET ASSETS

	2016	2015
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$11,440,769	\$ 8,969,703
Accrued Interest	71,714	14,401
Deferred Revenue	2,207,572	1,831,727
Lines of Credit	86,450	5,957,632
Note Payable	50,000	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>13,856,505</u>	<u>16,773,463</u>
<b>NON-CURRENT LIABILITIES</b>		
Notes Payable	5,950,000	0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>5,950,000</u>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>19,806,505</u>	<u>16,773,463</u>
<b>NET ASSETS</b>		
Unrestricted	17,535,696	20,408,729
Temporarily Restricted	17,483,703	14,246,757
<b>TOTAL NET ASSETS</b>	<u>35,019,399</u>	<u>34,655,486</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$54,825,904</u>	<u>\$ 51,428,949</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, 2016**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT, REVENUES AND GAINS</b>				
Grants and Donations	\$ 17,700,902	\$ 18,439,460	\$ 0	\$ 36,140,362
Core Program Revenue	34,056,114	0	0	34,056,114
Donated Investments	5,046,159	0	0	5,046,159
Farm Product Sales to 3 <sup>rd</sup> Parties	3,917,293	0	0	3,917,293
Special Events (Net of Direct Benefits to Donors of \$132,380)	2,039,094	0	0	2,039,094
Donated Services	501,521	0	0	501,521
Miscellaneous	76,965	0	0	76,965
Interest	50,297	0	0	50,297
Gain on Disposition of Fixed Assets	17,616	0	0	17,616
Loss on Direct Inventory Sales (Net of Cost of Goods Sold of \$42,054)	(1,370)	0	0	(1,370)
Loss on Weather Based Crop Insurance (Net of Cost of Insurance of \$736,790 and Farmer Credit Forgiveness of \$711,811)	(710,955)	0	0	(710,955)
Net Assets Released from Restrictions	15,202,514	(15,202,514)	0	0
<b>TOTAL PUBLIC SUPPORT, REVENUES AND GAINS</b>	<u>77,896,150</u>	<u>3,236,946</u>	<u>0</u>	<u>81,133,096</u>
<b>EXPENSES AND LOSSES</b>				
Functional Expenses				
Program Services	74,019,032	0	0	74,019,032
Management and General	2,959,576	0	0	2,959,576
Fundraising	3,118,042	0	0	3,118,042
Total Functional Expenses	80,096,650	0	0	80,096,650
Remeasurement Loss	672,533	0	0	672,533
<b>TOTAL EXPENSES AND LOSSES</b>	<u>80,769,183</u>	<u>0</u>	<u>0</u>	<u>80,769,183</u>
<b>CHANGE IN NET ASSETS</b>	(2,873,033)	3,236,946	0	363,913
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>20,408,729</u>	<u>14,246,757</u>	<u>0</u>	<u>34,655,486</u>
<b>END OF YEAR</b>	<u>\$ 17,535,696</u>	<u>\$ 17,483,703</u>	<u>\$ 0</u>	<u>\$ 35,019,399</u>

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>
<b>PUBLIC SUPPORT, REVENUES AND GAINS</b>				
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 <sup>rd</sup> 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
<b>TOTAL PUBLIC SUPPORT, REVENUES AND GAINS</b>	<u>69,384,566</u>	<u>2,097,429</u>	<u>0</u>	<u>71,481,995</u>
<b>EXPENSES AND LOSSES</b>				
Functional Expenses				
Program Services	55,019,648	0	0	55,019,648
Management and General	2,521,502	0	0	2,521,502
Fundraising	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
<b>TOTAL EXPENSES AND LOSSES</b>	<u>59,639,244</u>	<u>0</u>	<u>0</u>	<u>59,639,244</u>
<b>CHANGE IN NET ASSETS</b>	9,745,322	2,097,429	0	11,842,751
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>10,663,407</u>	<u>12,149,328</u>	<u>0</u>	<u>22,812,735</u>
<b>END OF YEAR</b>	<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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Airtime	\$ 787,043	\$ 23,385	\$ 18,086	\$ 828,514
Bad Debts	987,423	0	0	987,423
Bank Fees	309,806	89,795	0	399,601
Casual Labor	1,391,498	20,683	0	1,412,181
Client Incentives	974,417	0	0	974,417
Cost of Goods Sold - Core Seed and Fertilizer Distributed	17,847,999	0	0	17,847,999
Cost of Goods Sold - Core Solar Lights Distributed	4,158,163	0	0	4,158,163
Cost of Goods Sold - Core Other Products Distributed	2,941,030	0	0	2,941,030
Cost of Goods Sold - Farm Products Sold to 3 <sup>rd</sup> Parties	3,284,608	0	0	3,284,608
Depreciation	443,972	60,059	0	504,031
Distribution Supplies and Travel Purchases	966,587	0	0	966,587
Employee Benefits	1,896,755	146,042	185,846	2,228,643
Farming Transportation	1,883,486	0	0	1,883,486
Farming Warehouse Costs	578,437	0	0	578,437
Grant to Other Tax-Exempt Organization	50,000	0	0	50,000
Insurance	994,090	127,275	131,769	1,253,134
Interest	513,134	0	0	513,134
Marketing and Promotions	207,062	0	10,848	217,910
Occupancy				
Rent	794,607	154,434	132,024	1,081,065
Security	681,667	47,947	0	729,614
Utilities & Maintenance	620,458	116,285	10,882	747,625
Payroll Taxes	3,681,027	229,798	326,765	4,237,590
Postage and Shipping	33,153	2,878	4,459	40,490
Printing and Publications	709,777	2,457	0	712,234
Professional and Consultancy Fees	1,601,689	231,224	304,164	2,137,077
Recruiting and Training	1,458,418	74,720	40,747	1,573,885
Retention Incentives	418,407	3,972	6,500	428,879
Salaries and Wages	15,998,260	1,302,872	1,670,192	18,971,324
Supplies	1,744,613	130,272	50,821	1,925,706
Travel and Field Staff Transport	6,061,446	195,478	224,939	6,481,863
	<u>\$ 74,019,032</u>	<u>\$ 2,959,576</u>	<u>\$ 3,118,042</u>	<u>\$ 80,096,650</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**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUNDRAISING</b>	<b>TOTAL</b>
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 <sup>rd</sup> 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 STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Farmers and Grants	\$ 82,477,851	\$ 66,919,103
Interest Received	50,297	44,907
Paid to Suppliers and Employees	(79,867,500)	(61,006,372)
Interest Paid	(455,821)	(346,329)
Income Taxes Paid	0	0
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,204,827</b>	<b>5,611,309</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Purchase of Property	(3,762,124)	(2,337,014)
Proceeds from Sale of Fixed Assets	23,793	82,056
Payments for Purchase of Derivatives	(78,070)	(21,000)
Payments for Redemption of Derivatives	78,070	21,000
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,738,331)</b>	<b>(2,254,958)</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Issuance of Note Payable	6,000,000	6,500,000
Principal Payments on Note Payable	0	(8,000,000)
Advances on Line of Credit	14,835,500	7,263,100
Principal Payments on Line of Credit	(20,706,682)	(1,565,343)
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>128,818</b>	<b>4,197,757</b>
	<hr/>	<hr/>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<b>(672,533)</b>	<b>(443,697)</b>
	<hr/>	<hr/>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,077,219)</b>	<b>7,110,411</b>
<b>CASH AND CASH EQUIVALENTS,</b>		
<b>BEGINNING OF YEAR</b>	<b>12,218,875</b>	<b>5,108,464</b>
	<hr/>	<hr/>
<b>END OF YEAR</b>	<b>\$ 10,141,656</b>	<b>\$ 12,218,875</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>NON-CASH OPERATING ACTIVITIES</b>		
Donated Services	\$ 501,521	\$ 123,860

See Accompanying Notes To The Consolidated Financial Statements.

**ONE ACRE FUND, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in Net Assets	<u>\$ 363,913</u>	<u>\$ 11,842,751</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Remeasurement Loss	672,533	443,697
Depreciation	504,031	400,170
Receivable Valuation Allowance	16,902	39,138
Inventory Valuation Allowance	76,718	0
Gain on Sale of Fixed Assets	(17,616)	(13,671)
Donated Investments	(5,046,159)	(4,580,772)
Sale of Donated Investments	4,942,308	4,589,138
Realized Gain on Sale of Investments	0	(26)
Changes in Certain Assets and Liabilities:		
Grants Receivable	3,718,128	(2,749,881)
Farmer Repayment Receivables	(2,319,457)	(1,804,244)
Voucher Receivables	327,427	(138,232)
Employee Advances	(431,111)	(81,108)
Other Receivables	(305,306)	53,769
Fertilizer and Seed Inventory	330,877	(3,700,870)
Solar Inventory	(1,211,311)	(2,491,549)
Other Inventory	(523,644)	(716,488)
Prepaid Expenses	(1,825,338)	(899,529)
Security Deposits	27,708	1,925
Accounts Payable and Accrued Expenses	2,471,066	5,804,353
Accrued Interest	57,313	14,401
Deferred Revenue	375,845	(395,435)
Guarantee of Indebtedness	0	(6,228)
Total Adjustments	<u>1,840,914</u>	<u>(6,231,442)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 2,204,827</u></u>	<u><u>\$ 5,611,309</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, 2016 AND 2015**

**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. For the years ended December 31, 2016 and 2015, these entities include One Acre Stichting (Netherlands) and One Acre UK Limited (United Kingdom). In addition, for the years ended December 31, 2016 and 2015, 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. Effective September 2016 and for the year ended December 31, 2016, the consolidated financial statements include One Acre Fund Limited, a private company incorporated in Myanmar. 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, 2016 AND 2015**

**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.

Other Investments - Investments in private entities are reported on the cost-method approach. The amount is tested for impairment annually.

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, 2016 and 2015 is \$212,048 and \$222,420, respectively. The valuation allowance for grants receivable, voucher receivables and other receivables at December 31, 2016 and 2015 is \$0, respectively. The valuation allowance for employee advances receivable at December 31, 2016 and 2015 is \$108,576 and \$81,302, 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. The valuation allowance for inventory at December 31, 2016 and 2015 is \$76,718 and \$0, respectively.

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, 2016 and 2015 amounts to \$504,031 and \$400,170, respectively.

**ONE ACRE FUND, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

D) Accounting Policies (Continued)

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.

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, 2016 and 2015, 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, 2013 and prior. The Organization had no income tax expense for the years ended December 31, 2016 and 2015.

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 \$5,120,000 and \$4,580,000 at December 31, 2016 and 2015, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits of approximately \$4,730,000 and \$7,080,000 at December 31, 2016 and 2015, 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, 2016 AND 2015**

**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:

*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 was 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, the amount of borrowing through the program was \$40,612, 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 remained restricted in the Citibank certificate of deposit account. During the year ended December 31, 2016, the amount was 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 \$80,195 and \$79,957 at December 31, 2016 and 2015, respectively, and expires October 31, 2017. At December 31, 2015, 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, 2016 and 2015, donated professional services amount to \$501,521 and \$123,860, respectively. For the years ended December 31, 2016 and 2015 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, 2016 AND 2015**

**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, 2016 and 2015 the Organization received donations of stocks and mutual funds valued at \$5,046,159 and \$4,580,772, 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 \$0 and \$26 for the years ended December 31, 2016 and 2015, 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, 2016 and 2015 the Organization had no foreign exchange hedging contracts outstanding.

At December 31, 2016, investments are stated at fair value and consist of corporate stocks as follows:

	Balance at 12/31/16	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Accumulated Unrealized Gain
Corporate Stocks	\$ 46,963	\$ 46,963	\$ 46,963	\$ 0

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

**ONE ACRE FUND, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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.

At December 31, 2016, the Organization has an investment in a private entity that does not have a readily determined fair value. In accordance with generally accepted accounting principles, the Organization has elected to measure the private entity investment using the cost method of valuation. As such, other investments have not been adjusted to fair value, and are recorded at their original contributed value of \$73,520. No impairment is deemed to have occurred during the year ended December 31, 2016.

**NOTE 6 - GRANTS RECEIVABLE**

As of December 31, 2016 and 2015, grantors to the Organization have made unconditional promises to give totaling \$6,150,062 and \$10,054,204, 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>2016</b>	<b>2015</b>
Less than one year	\$ 5,082,452	\$ 5,616,389
One to five years	1,067,610	4,437,815
Total	<u>6,150,062</u>	<u>10,054,204</u>
Less - Allowance to Discount Balance to Present Value	<u>(52,937)</u>	<u>(238,951)</u>
Grants Receivable	<u><u>\$ 6,097,125</u></u>	<u><u>\$ 9,815,253</u></u>

**ONE ACRE FUND, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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. Short-term and long-term conditional grants receivable, with long-term conditional grants receivable discounted for future cash flows at 5%, amount to \$68,662,052 and \$45,456,729 as of December 31, 2016 and 2015, respectively.

**NOTE 8 - LINES OF CREDITS AND NOTES PAYABLE**

The Organization uses lines of credit and notes payable to provide working capital for its farmer program activities. For the years ended December 31, 2016 and 2015, lines of credit and notes payable consist of the following:

*December 31, 2016:*

Debt Instrument	Interest Rate	2016 Amount Available	2016 Outstanding Principal	2016 Current Portion
Non-recourse Line of Credit	0.00%	\$ 2,800,000	\$ 86,450	\$ 86,450
Line of Credit	6.00%	15,000,000	0	0
Note Payable	3.71%	10,000,000	3,000,000	0
Note Payable	2.00%	2,000,000	2,000,000	0
Note Payable	6.53%	3,600,000	1,000,000	50,000
		<u>\$ 33,400,000</u>	<u>\$ 6,086,450</u>	<u>\$ 136,450</u>

*December 31, 2015:*

Debt Instrument	Interest Rate	2015 Amount Available	2015 Outstanding Principal	2015 Current Portion
Non-recourse Line of Credit	0.00%	\$ 2,800,000	\$ 257,632	\$ 257,632
Line of Credit	6.00%	15,000,000	5,700,000	5,700,000
		<u>\$ 17,800,000</u>	<u>\$ 5,957,632</u>	<u>\$ 5,957,632</u>

**ONE ACRE FUND, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 8 - LINES OF CREDITS AND NOTES PAYABLE (CONTINUED)**

The non-recourse line of credit is unsecured and has no covenants. The line of credit and notes payable are unsecured and have covenants, the most significant of which are a limitation on debt, maintenance of a minimum cash balance or positive operating cash flow, and maintenance of a minimum current ratio and net worth. The Organization complied with these covenants at December 31, 2016. The Organization also complied with the line of credit covenant at December 31, 2015.

At December 31, 2016, maturities on the lines of credit and notes payable were as follows:

For the Year Ended December 31, 2017	\$	136,450
2018		900,000
2019		2,050,000
2020		0
2021		545,455
Thereafter		<u>2,454,545</u>
	\$	<u>6,086,450</u>

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

Based on several factors, including the dominant role of the U.S. currency in the funding of the Organization's programs, management considers the U.S. dollar to be the Organization's functional currency. As such, the Organization's monetary assets and liabilities held in foreign currencies are remeasured using the current rate at the balance sheet date, while 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 consolidated statements of activities as a net remeasurement gain or loss. For the year ended December 31, 2016 and 2015, the Organization recognized a remeasurement loss of \$672,533 and \$443,697, respectively.

**ONE ACRE FUND, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 10 - LEASE COMMITMENTS**

The Organization leases office, warehouse space, trial plots of land, and housing for its workforce in Africa under multiple operating leases expiring on various dates through July 2034. Total rent expense under all leases is \$1,081,065 and \$875,654, for the years ended December 31, 2016 and 2015, respectively. Minimum future rental payments are as follows:

For the Year Ended December 31, 2017	\$	658,695
2018		122,854
2019		74,092
2020		2,753
2021		2,753
Thereafter		35,793
	\$	896,940

**NOTE 11 - 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 12 - 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. As of December 31, 2016 and 2015, the Organization has assets outside the U.S. with a carrying value of \$32,854,697 and \$28,583,049, respectively, primarily across four countries in East Africa, with the largest concentration in Kenya which contains \$13,272,496 and \$12,305,054 of the Organization's assets as of December 31, 2016 and 2015, respectively.

**NOTE 13 - EMPLOYEE BENEFIT PLAN**

The Organization has a 401(k) plan for employees that are U.S. Citizens, to which employees may contribute up to the maximum amount allowable by federal regulation, with the Organization matching contributions at the discretion of the Organization. The Organization's discretionary matching contributions to the plan are \$0 for the years ended December 31, 2016 and 2015, respectively.

**ONE ACRE FUND, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 14 - NET ASSET RESTRICTIONS**

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

	<b>2016</b>	<b>2015</b>
Purpose Restriction Accomplished:		
Program Expansion in Kenya	\$ 4,041,097	\$ 2,655,605
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	2,656,819	2,185,593
Farmer Adoption of Existing and Impactful Technologies	2,529,622	4,519,186
Government Partnerships and Services Funding	1,200,000	1,600,000
Rwanda Farmer Promoter Program	1,144,743	0
Program Expansion in Rwanda	977,294	385,001
Program Expansion in Burundi	700,000	855,020
Pilot Operations in Malawi and Uganda	491,135	921,105
Program Expansion in Tanzania	396,359	735,730
Scale Innovations Department in Kenya	274,000	140,000
Training and Resources for Young Farmers	200,000	0
Maize, Bean, and Sukuma Wiki in Kenya, and Maize and Bean in Rwanda	199,979	0
Longitudinal Quality of Life Survey in Rwanda and Kenya	110,000	0
Program Expansion in Uganda	71,220	0
Pilot Program in Zambia	64,741	0
Environmental Projects in Kenya	50,000	1,790,141
In-field Innovation Trial on Farmer Mindset	46,750	0
In-field Program Implementation or Research	27,678	0
Program Expansion in Malawi	21,077	0
Staffing Costs	0	501,979
Kenya and Rwanda New Districts Expansion	0	310,000
Growing Systems	0	199,979
Field Staff Kenya	0	100,000
Staff Development in Kenya and Rwanda	0	12,500
Total Restrictions Released	<u>\$ 15,202,514</u>	<u>\$ 16,911,839</u>

**ONE ACRE FUND, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 14 - NET ASSET RESTRICTIONS AND DESIGNATIONS (CONTINUED)**

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

	<b>2016</b>	<b>2015</b>
Purpose or Time Restriction		
Improvement to Agricultural Systems	\$ 5,564,922	\$ 0
Program Expansion in Kenya	2,792,652	5,364,200
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	2,783,838	2,207,802
Farmer Adoption of Existing and Impactful Technologies	2,597,893	2,529,622
Nutrition and Scale-up of Innovations in Kenya, Rwanda, Burundi and Tanzania	1,269,272	0
Pilot Operations in Malawi and Uganda	573,708	954,001
Program Expansion in Malawi	520,513	0
Program Expansion in Rwanda	291,961	384,570
Rwanda Farmer Promoter Program	268,208	1,052,592
Government Partnerships and Services Funding	200,000	1,050,000
Program Expansion in Uganda	178,755	0
In-field Program Implementation or Research	172,322	0
Program Expansion in Tanzania	145,409	279,970
In-field Innovation Trial on Farmer Mindset	124,250	0
Scale Innovations Department in Kenya	0	274,000
Program Expansion in Burundi	0	100,000
Environmental Projects in Kenya	0	50,000
Total Temporarily Restricted Net Assets	<u>\$ 17,483,703</u>	<u>\$ 14,246,757</u>

No unrestricted designated net assets or permanently restricted net assets exist as of December 31, 2016 and 2015.

**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, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the consolidated financial statements or disclosure is April 14, 2017, the date the consolidated financial statements were available to be issued.