

One Acre Fund and Subsidiaries

Consolidated Financial Statements
Year Ended December 31, 2017

One Acre Fund and Subsidiaries

Consolidated Financial Statements
Year Ended December 31, 2017

One Acre Fund and Subsidiaries

Contents

Independent Auditor's Report	3-4
Consolidated Financial Statements:	
Statement of Financial Position as of December 31, 2017	5
Statement of Activities for the Year Ended December 31, 2017	6
Statement of Functional Expenses for the Year Ended December 31, 2017	7
Statement of Cash Flows for the Year Ended December 31, 2017	8
Notes to Consolidated Financial Statements	9-21



Independent Auditor's Report

To the Board of Directors
One Acre Fund and Subsidiaries
New York, New York

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of One Acre Fund (an Illinois not-for-profit corporation), and Subsidiaries which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of One Acre Fund and Subsidiaries as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements as of and for the year ended December 31, 2016 were audited by other auditors whose report, dated April 14, 2017, expressed an unmodified opinion on those statements.

BDO USA, LLP
April 27, 2018

One Acre Fund and Subsidiaries
Consolidated Statement of Financial Position
(with comparative totals for 2016)

<i>December 31,</i>	2017	2016
Assets		
Current:		
Cash and cash equivalents	\$ 9,575,003	\$10,061,461
Cash - restricted	-	80,195
Grants receivable, current portion	8,707,663	5,082,452
Farmer repayment receivables, net of valuation allowance of \$482,633 and \$212,047, respectively	10,249,463	6,639,409
Voucher receivables, net of valuation allowance of \$182,834 and \$134,030 for 2017 and 2016, respectively	3,629,797	1,223,110
Employee receivables, net of valuation allowance of \$54,995 and \$108,576, respectively	1,251,720	885,422
Other current assets	801,040	517,611
Farm inputs inventory, net of valuation allowance of \$153,440 and \$76,718, respectively	19,376,457	11,559,247
Solar inventory	4,732,966	4,202,855
Other inventory	1,051,414	1,353,956
Prepaid expenses	7,490,737	4,577,947
Total Current Assets	66,866,260	46,183,665
Long-Term Grants Receivable, Net	9,367,719	1,014,673
Other Investments	175,910	73,520
Fixed Assets, Net	10,597,908	7,554,046
Total Assets	\$87,007,797	\$54,825,904
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$16,688,186	\$11,440,769
Deferred revenue from farmers	4,484,190	2,207,572
Notes payable and lines of credit, current portion	17,167,101	136,450
Total Current Liabilities	38,339,477	13,784,791
Notes Payable and Lines of Credit, Less Current Portion	13,050,000	6,021,714
Total Liabilities	51,389,477	19,806,505
Commitments and Contingencies		
Net Assets:		
Unrestricted	11,586,269	17,535,696
Temporarily restricted	24,032,051	17,483,703
Total Net Assets	35,618,320	35,019,399
Total Liabilities and Net Assets	\$87,007,797	\$54,825,904

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Activities (with comparative totals for 2016)

Year ended December 31,

	Unrestricted	Temporarily Restricted	Total	
			2017	2016
Public Support, Revenues, Gains and Losses:				
Contributions	\$27,838,467	\$27,776,501	\$ 55,614,968	\$43,727,136
Revenue from sales to farmers and third parties	45,864,274	-	45,864,274	37,972,037
Miscellaneous gains and losses	(1,066,602)	-	(1,066,602)	(616,374)
Interest income	29,550	-	29,550	50,297
Net assets released from restrictions	21,228,153	(21,228,153)	-	-
Total Public Support, Revenues, Gains and Losses	93,893,842	6,548,348	100,442,190	81,133,096
Expenses:				
Program services	91,837,196	-	91,837,196	73,722,110
Management and general	3,738,929	-	3,738,929	3,205,760
Fundraising	3,446,396	-	3,446,396	3,168,780
Total Expenses	99,022,521	-	99,022,521	80,096,650
Change in Net Assets Before Remeasurement Loss	(5,128,679)	6,548,348	1,419,669	1,036,446
Remeasurement Loss	(820,748)	-	(820,748)	(672,533)
Change in Net Assets	(5,949,427)	6,548,348	598,921	363,913
Net Assets, Beginning of Year	17,535,696	17,483,703	35,019,399	34,655,486
Net Assets, End of Year	\$11,586,269	\$24,032,051	\$35,618,320	\$35,019,399

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Functional Expenses (with comparative totals for 2016)

Year ended December 31,

	Program Services	Management and General	Fundraising	Total	
				2017	2016
COGS - Farm inputs to farmers	\$25,705,870	\$ -	\$ -	\$25,705,870	\$17,848,000
COGS - solar products	5,078,283	-	-	5,078,283	4,158,163
COGS - other AG related products	3,081,563	-	-	3,081,563	2,941,030
COGS - Farm inputs to third parties	846,007	-	-	846,007	3,284,608
Salaries and benefits/ compensation costs	27,906,497	2,606,147	2,906,548	33,419,192	25,866,437
Farmer related operating expenses	9,860,388	-	-	9,860,388	7,284,824
Recruiting, training and travel	8,209,033	348,268	215,852	8,773,153	8,055,749
Office and general expenses	4,425,448	368,066	83,221	4,876,735	5,425,258
Professional and consultancy fees	1,624,918	196,759	166,333	1,988,010	2,110,805
Occupancy costs	1,024,830	70,243	64,803	1,159,876	1,080,766
Transaction fees	527,883	149,446	9,639	686,968	399,602
Depreciation	904,484	-	-	904,484	504,031
Interest expense	978,999	-	-	978,999	513,134
Bad debt expense	1,662,993	-	-	1,662,993	573,644
Grants to outside organization/ subrecipient	-	-	-	-	50,000
Total Functional Expenses	\$91,837,196	\$3,738,929	\$3,446,396	\$99,022,521	\$80,096,051

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Cash Flows (with comparative totals for 2016)

Year ended December 31,	2017	2016
Cash Flows From Operating Activities:		
Change in net assets	\$ 598,921	\$ 363,913
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	904,484	504,031
Gain on sale of fixed assets	(5,457)	(17,616)
Provision for bad debt	1,662,993	573,644
Donated investments	(2,603,915)	(5,046,159)
Proceeds from sale of donated investments	2,642,008	4,942,308
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(13,641,250)	3,144,484
Farmer repayment receivables	(3,610,054)	(2,329,829)
Voucher receivables	(2,406,687)	327,427
Employee receivables	(366,298)	(403,837)
Other current assets	(283,429)	(305,306)
Farm inputs inventory	(7,817,210)	407,595
Solar inventory	(530,111)	(1,211,311)
Other inventory	302,542	(523,644)
Prepaid expenses	(2,912,790)	(1,825,338)
Security deposits	-	27,708
Restricted cash	80,195	40,374
Increase (decrease) in:		
Accounts payable and accrued expenses	5,247,417	2,471,066
Accrued interest	(109,807)	57,313
Deferred revenue from farmers	2,276,618	375,845
Net Cash (Used In) Provided By Operating Activities	(20,571,830)	1,572,668
Cash Flows From Investing Activities:		
Purchases of fixed assets	(3,976,721)	(3,762,124)
Proceeds from sale of fixed assets	33,832	23,793
Purchases of investments	(102,390)	-
Net Cash Used In Investing Activities	(4,045,279)	(3,738,331)
Cash Flows From Financing Activities:		
Proceeds from notes payable and lines of credit	41,342,782	20,835,500
Principal payments on notes payable and lines of credit	(17,212,131)	(20,706,682)
Net Cash Provided By Financing Activities	24,130,651	128,818
Net Decrease in Cash and Cash Equivalents	(486,458)	(2,036,845)
Cash and Cash Equivalents, Beginning of Year	10,061,461	12,098,306
Cash and Cash Equivalents, End of Year	\$ 9,575,003	\$ 10,061,461
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 978,999	\$ 346,329
Donated services	604,493	501,521

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

1. Nature of Organization

One Acre Fund 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 One Acre Fund conducts trial activities. Currently, the primary countries of operations are Kenya, Rwanda, Burundi, and Tanzania. The mission of One Acre Fund is to empower chronically-hungry farm families in Africa to lift themselves out of hunger and poverty. One Acre Fund achieves its mission by working with self-help groups in rural villages to deliberately reach the most severely hunger-affected.

2. Principles of Consolidation

The consolidated financial statements include One Acre Fund and subsidiaries that are required to be consolidated and are related through identical management and directors. For the year ended December 31, 2017, One Acre Fund and Subsidiaries include One Acre Stichting (Netherlands), One Acre UK Limited (United Kingdom), One Acre Uganda, Ltd., a company without share capital and limited by guarantee, One Acre Fund, a trust/charity in Malawi and One Acre Fund Limited, a private company incorporated in Myanmar (collectively the “Organization”). All significant intercompany transactions are eliminated in consolidation.

3. Summary of Significant Accounting Policies

(a) *Basis of Presentation*

The consolidated financial statements have been prepared on an accrual basis. In the statement of financial position, assets are presented in order of liquidity or conversion to cash. Liabilities are presented in order of their maturity resulting in the use of cash, respectively.

(b) *Financial Statement Presentation*

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Income from investment gains and losses, including unrealized gains and losses, dividends, interest and other investments should be reported as increases (or decreases) in unrestricted net assets unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

- (i) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. There were no permanently restricted net assets during the year ended December 31, 2017.
- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities. Temporarily restricted contributions and grants, the requirements of which are met in the year of donation, are reported as unrestricted.

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

(iii) **Unrestricted** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed stipulations.

(c) **Cash and Cash Equivalents**

The Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

(d) **Provision for Doubtful Accounts**

The Organization provides an allowance for doubtful accounts for various receivables which are specifically identified by management as to their uncertainty in regards to collectability. There was no allowance provided for grants receivable at December 31, 2017 and 2016.

(e) **Investments at Fair Value**

Accounting Standards Codification (“ASC”) 820, “Fair Value Measurement,” defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. ASC 820 established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability, and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Organization classifies fair value balances based on the fair value hierarchy defined by ASC 820 as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investment income is recognized when earned and consists of interest and dividends. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(f) **Grants Receivable, Farmer Repayment Receivables, Voucher Receivables, and Employee Receivables**

Grants receivable, farmer repayment receivables, voucher receivables, and employee receivables 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

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

receivables amounted to \$482,633 and \$212,047 at December 31, 2017 and 2016, respectively. The valuation allowance for voucher receivables amounted to \$182,834 and \$134,030 at December 31, 2017 and 2016, respectively. Employee receivables consist primarily of loans to employees. The valuation allowance for employee receivables amounted to \$54,995 and \$108,576 at December 31, 2017 and 2016, respectively.

(g) Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Revenue from government grants and other contracts is recognized as revenue in unrestricted revenue when expenditures have been incurred in compliance with the grantor's restrictions or when applicable performance-based milestones are reached, and as requisitions for payments are submitted. Grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions.

(h) 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 amounted to \$153,440 and \$76,718 at December 31, 2017 and 2016, respectively.

(i) Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

	Years
Buildings	15
Vehicles	2-5
Equipment	2-5

(j) Impairment of Fixed Assets

The Organization reviews fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2017 and 2016, there have been no such losses.

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

(k) 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. There were no grant expenditures for the year ended December 31, 2017.

(l) Deferred Revenue From Farmers

The Organization and farmers enter into a contract for the Organization to provide its program for a fee and the farmers pay a cash deposit on enrollment to the program. The Organization earns these fees as it provides seeds, fertilizer, training and other services to the farmers over the span of the contract period. Cash received from farmers in advance of the Organization providing goods and services is recorded in the consolidated statement of financial position as deferred revenue from farmers.

(m) 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 in 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, 2017 and 2016 and, therefore, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements. The Organization is no longer subject to examinations by major tax jurisdictions for the year ended December 31, 2014 and prior. The Organization had no income tax expense for the years ended December 31, 2017 and 2016.

(n) Allocation Methodology

Common costs incurred for the administration of various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management.

(o) Reclassifications

Certain prior year balances have been reclassified to be consistent with the current year financial presentation.

(p) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

(q) Accounting Pronouncements Issued But Not Yet Adopted

(i) Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

only two classes of net assets now titled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization’s consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

(ii) *Revenue From Contracts With Customers (Topic 606)*

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

(iii) *Leases (Topic 842)*

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (“ROU”) model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Organization’s fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

4. Concentration of Credit Risk

The Organization has deposits in foreign financial institutions not covered by U.S. federal deposit insurance amounted to approximately \$5,450,000 and \$5,120,000 at December 31, 2017 and 2016, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits amounting to approximately \$3,565,000 and \$4,730,000 at December 31, 2017 and

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

2016, 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.

5. Other Investments and Restricted Cash

(a) The Organization has provided a standby letter of credit through Citibank to Educational Network, Inc. as cash collateral to secure a security deposit for its New York administrative office. The letter of credit amounted to \$102,390 and \$80,195 at December 31, 2017 and 2016, expiring on December 1, 2020 and October 31, 2017, respectively.

(b) At December 31, 2017 and 2016, the Organization has an investment in a private entity that does not have a readily determined fair value. In accordance with U.S. GAAP, 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 years ended December 31, 2017 and 2016.

6. 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, 2017 and 2016, donated professional services amount to \$604,493 and \$501,521, respectively. For the years ended December 31, 2017 and 2016, 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 consolidated statement 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, 2017 and 2016, the Organization received donations of stocks and mutual funds valued at \$2,603,915 and \$5,046,159, 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- for the years ended December 31, 2017 and 2016.

7. 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, 2017, the Organization had no foreign exchange hedging contracts outstanding. These amounts are included in other current assets on the statement of financial position.

At December 31, 2017 and 2016, investments are stated at fair value and consist of corporate stocks as follows:

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

	Balance at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Accumulated Unrealized Gain
Corporate stocks	\$8,870	\$8,870	\$8,870	\$-

	Balance at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cost	Accumulated Unrealized Gain
Corporate stocks	\$46,963	\$46,963	\$46,963	\$-

These investments were sold shortly after year end and U.S. GAAP provides the definition of fair value for financial reporting, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and requires 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.

8. Grants Receivable

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, 2017 and 2016:

<i>December 31,</i>	2017	2016
Less than one year	\$ 8,707,663	\$5,082,452
One to five years	9,836,105	1,067,610
	18,543,768	6,150,062
Less: Discount balance to present value	(468,386)	(52,937)
Grants receivable	\$18,075,382	\$6,097,125

As of December 31, 2017 and 2016, grantors to the Organization have made unconditional promises to give totaling \$18,543,768 and \$6,150,062, respectively.

9. Conditional Grants Receivable

The Organization has grant agreements with several donors and foundations that consist of providing conditional funding in future years. A corresponding grant receivable has not been recorded on the

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

consolidated statement 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%, amounted to \$51,786,989 and \$68,662,052 as of December 31, 2017 and 2016, respectively.

10. Fixed Assets, Net

Fixed assets, net consist of the following at December 31, 2017 and 2016:

<i>December 31,</i>	2017	2016
Land	\$ 1,665,099	\$ 962,074
Buildings	7,856,434	1,957,437
Equipment	1,179,750	969,628
Vehicles	1,417,061	1,181,166
	12,118,344	5,070,305
Less: Accumulated depreciation and amortization	(2,110,221)	(1,285,164)
Construction-in-progress	589,785	3,768,905
	\$10,597,908	\$ 7,554,046

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$904,484 and \$504,031, respectively. The estimated cost to complete the construction-in-progress is approximately \$3,498,000.

11. Notes Payable and Lines of Credit

The Organization uses notes payable and lines of credit to provide working capital for its farmer program activities. For the years ended December 31, 2017 and 2016, lines of credit and notes payable consist of the following:

December 31, 2017

Debt Instrument	Interest Rate	Amount Available	Outstanding Principal	Current Portion
Non-recourse line of credit	-%	\$ 2,800,000	\$ 267,101	\$ 267,101
Note payable	2.00	3,000,000	3,000,000	-
Note payable	3.93	10,000,000	10,000,000	-
Note payable	4.00	16,000,000	16,000,000	16,000,000
Note payable	6.53	950,000	950,000	900,000
		\$32,750,000	\$30,217,101	\$17,167,101

December 31, 2016

Debt Instrument	Interest Rate	Amount Available	Outstanding Principal	Current Portion
Non-recourse line of credit	-%	\$ 2,800,000	\$ 86,450	\$ 86,450

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

Line of credit	6.00	15,000,000	-	-
Note payable	3.71	10,000,000	3,000,000	-
Note payable	2.00	2,000,000	2,000,000	-
Note payable	6.53	3,600,000	1,000,000	50,000
		\$33,400,000	\$6,086,450	\$136,450

At December 31, 2017 and 2016, notes payable include accrued interest of \$213,134 and \$71,711, respectively.

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, 2017.

At December 31, 2017, maturities on the lines of credit and notes payable are as follows:

Year ending December 31,

2018	\$17,167,101
2019	2,050,000
2020	400,000
2021	2,600,000
2022	2,000,000
Thereafter	6,000,000
	<u>\$30,217,101</u>

12. 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. Cash 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

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

the Organization's consolidated statement of activities as a net remeasurement gain or loss. For the years ended December 31, 2017 and 2016, the Organization recognized a remeasurement loss of \$820,748 and \$672,533, respectively.

13. 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 2022. Total rent expense under all leases amounted to \$1,159,876 and \$1,080,766 for the years ended December 31, 2017 and 2016, respectively. Minimum future rental payments are as follows:

Year ending December 31,

2018	\$ 587,632
2019	428,604
2020	263,943
2021	17,801
2022	9,927
Thereafter	-
	<hr/>
	\$1,307,907

14. Concentration of Foreign Operations Risk

Contributions are raised globally, with a majority within the U.S. The nature of the Organization's 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, 2017 and 2016, the Organization has assets outside the U.S. with a carrying value of \$50,003,352 and \$32,854,697, respectively, primarily across four countries in East Africa, with the largest concentration in Kenya which contains \$18,894,527 and \$13,272,496 of the Organization's assets as of December 31, 2017 and 2016, respectively.

15. 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 amounted to \$-0- for the years ended December 31, 2017 and 2016.

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

16. Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors during the years ended December 31, 2017 and 2016.

<i>Year ended December 31,</i>	2017	2016
Purpose restrictions accomplished:		
Improvement of Agricultural Systems	\$ 3,564,925	\$ -
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	2,565,790	2,656,819
Nutrition and Scale-up of Innovations in Kenya, Rwanda, Burundi and Tanzania	2,538,543	-
Program Expansion in Kenya	2,407,790	4,041,097
Program Expansion in Rwanda	2,368,860	977,294
Farmer Adoption of Existing and Impactful Technologies	2,080,853	2,529,622
Rwanda Farmer Promoter Program	1,206,601	1,144,743
Pilot Operations in Malawi and Uganda	1,080,911	491,135
Program Expansion in Burundi	624,518	700,000
Program Expansion in Tanzania	605,714	396,359
Program Expansion in Malawi	588,547	21,077
System change in Rwanda & Ethiopia	326,500	-
Research & Development for Scale Innovations in Kenya and Tanzania	291,752	-
Government Partnerships and Services Funding	200,000	1,200,000
Maize, Bean, and Sukuma Wiki in Kenya, and Maize and Bean in Rwanda	186,107	199,979
In-field Program Implementation or Research	172,322	27,678
Working capital for trials in Asia	150,000	-
Program Expansion in Uganda	144,170	71,220
In-field Innovation Trial on Farmer Mindset	124,250	46,750
Scale Innovations Department in Kenya	-	274,000
Training and Resources for Young Farmers	-	200,000
Longitudinal Quality of Life Survey in Rwanda and Kenya	-	110,000
Pilot Program in Zambia	-	64,741
Environmental Projects in Kenya	-	50,000
Total restrictions released	\$21,228,153	\$15,202,514

One Acre Fund and Subsidiaries
Notes to Consolidated Financial Statements

Temporarily restricted net assets at December 31, 2017 and 2016 are as follows:

<i>December 31,</i>	2017	2016
Purpose or time restrictions:		
Program growth in Kenya, Uganda and Rwanda	\$ 9,623,113	\$ -
Pilot Operations in Malawi and Uganda	3,835,731	573,708
Program Expansion in Rwanda	3,299,293	291,961
Program Expansion in Kenya	2,083,175	2,792,652
Improvement to Agricultural Systems	2,000,000	5,564,922
Rwanda Farmer Promoter Program	768,385	268,208
Program Expansion in Tanzania	695,677	145,409
Farmer Adoption of Existing and Impactful Technologies	517,040	2,597,893
Working Capital Kenya and Uganda	400,000	-
Program Expansion in Burundi	196,764	-
Program Expansion in Malawi	181,034	520,513
Program Expansion in Uganda	134,582	178,755
Working capital for trials in Asia	100,000	-
System change in Rwanda & Ethiopia	100,000	-
In-field Program Implementation or Research	97,257	172,322
Program Growth and Knowledge Dissemination in Kenya, Rwanda and Burundi	-	2,783,838
Nutrition and Scale-up of Innovations in Kenya, Rwanda, Burundi and Tanzania	-	1,269,272
In-field Innovation Trial on Farmer Mindset	-	124,250
Government Partnerships and Services Funding	-	200,000
Total temporarily restricted net assets	\$24,032,051	\$17,483,703

17. Miscellaneous Gains and Losses

Miscellaneous gains and losses for the years ended December 31, 2017 and 2016 consisted of the following:

<i>Year ended December 31,</i>	2017	2016
Gain from sale of fixed assets	\$ 5,457	\$ -
Gain from other sales	111,868	-
Loss on farmers crop insurance (net of insurance cost of \$927,293 and farmer forgiveness of \$418,930, respectively)	(1,183,927)	(616,374)
	\$(1,066,602)	\$(616,374)

One Acre Fund and Subsidiaries

Notes to Consolidated Financial Statements

18. Related Party Transactions

There is a Board member who is a related party of a vendor of the Organization. Management believes this transaction was developed at arm's length and all amounts paid to this vendor are at fair market value.

The Organization grants permanent staff and staff members on fixed term contracts of more than twelve months in good standing the ability to take out a cash loan, salary advance or non-cash loans of input or equipment. Management believes these transactions are conducted at arm's length.

19. Subsequent Events

The Organization's management has performed subsequent events procedures through April 27, 2018, which is the date the consolidated financial statements were available to be issued and there were no subsequent events requiring adjustment to the consolidated financial statements or disclosures as stated herein.