

**ONE ACRE FUND, INC.
REPORT ON THE AUDIT
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

ONE ACRE FUND, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	2 - 3
Statements of Financial Position	4
Statement of Activities	
For the Year Ended December 31, 2012	5
For the Year Ended December 31, 2011	6
Statement of Functional Expenses	
For the Year Ended December 31, 2012	7
For the Year Ended December 31, 2011	8
Statements of Cash Flows	9 - 10
Notes to the Financial Statements	11 - 20



KNUTTE & ASSOCIATES, P.C.

Certified Public Accountants
7900 S. Cass Avenue
Darien, Illinois 60561
(630) 960-3317
FAX (630) 960-9960
www.knutte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
One Acre Fund, Inc.

We have audited the accompanying financial statements of One Acre Fund, Inc. (an Illinois nonprofit corporation), which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

We did not observe the physical inventory taken as of December 31, 2012 and December 31, 2011 to verify the quantity of inventory items.

In our opinion, except for the effects on the financial statements of any adjustments that might have resulted had we been able to observe the physical inventory at December 31, 2012 and 2011, or to otherwise satisfy ourselves as to quantities at those dates, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of One Acre Fund, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Knuttle & Associates, P.C.

June 25, 2013
Darien, Illinois

ONE ACRE FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash	\$ 3,295,756	\$ 2,539,994
Derivatives	7,476	0
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	3,865,593	3,491,016
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$247,233 and \$55,000, Respectively)	1,701,692	803,071
Employee Advances (Net of Allowance for Doubtful Accounts of \$27,743 and \$15,171, Respectively)	158,396	85,152
Other Receivables (Net of Allowance for Doubtful Accounts of \$0, Respectively)	18,907	0
Inventory	2,816,612	3,473,531
Prepaid Expenses	2,216,851	568,188
TOTAL CURRENT ASSETS	14,081,283	10,960,952
FIXED ASSETS		
Land	128,361	115,093
Buildings	618,963	551,363
Construction in Process	32,272	0
Vehicles	547,028	460,777
Equipment	50,755	31,022
	1,377,380	1,158,255
Less -- Accumulated Depreciation	370,348	223,591
TOTAL FIXED ASSETS	1,007,032	934,664
OTHER ASSETS		
Long Term Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	1,653,846	2,420,975
TOTAL OTHER ASSETS	1,653,846	2,420,975
TOTAL ASSETS	\$ 16,742,161	\$ 14,316,591

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 1,833,314	\$ 541,945
Grants Payable	50,000	0
Deferred Revenue	346,970	981,439
Notes Payable	0	1,000,000
Line of Credit	34,475	293,575
	<u>2,264,759</u>	<u>2,816,959</u>
TOTAL CURRENT LIABILITIES	<u>2,264,759</u>	<u>2,816,959</u>
TOTAL LIABILITIES	<u>2,264,759</u>	<u>2,816,959</u>
NET ASSETS		
Unrestricted		
Undesignated	11,946,646	8,681,176
Designated	176,500	172,000
Total Unrestricted	<u>12,123,146</u>	<u>8,853,176</u>
Temporarily Restricted	2,354,256	2,646,456
	<u>14,477,402</u>	<u>11,499,632</u>
TOTAL NET ASSETS	<u>14,477,402</u>	<u>11,499,632</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$16,742,161</u>	<u>\$14,316,591</u>

See Accompanying Notes To The Financial Statements.

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

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

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Donations	\$ 9,207,060	\$ 3,560,224	\$ 0	\$ 12,767,284
Program Fees	4,967,221	0	0	4,967,221
Special Events (Net of Direct Benefits to Donors of \$13,038)	188,682	0	0	188,682
Seed and Fertilizer Sales (Net of Cost of Goods Sold of \$230,206)	123,957	0	0	123,957
Donated Services	13,405	0	0	13,405
Interest	7,778	0	0	7,778
Donated Investments	4,954	0	0	4,954
Gain on Sale of Fixed Assets	274	0	0	274
Net Assets Released from Restrictions	1,631,998	(1,631,998)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	<u>16,145,329</u>	<u>1,928,226</u>	<u>0</u>	<u>18,073,555</u>
EXPENSES AND LOSSES				
Functional Expenses				
Program Services	8,855,376	0	0	8,855,376
Management and General	618,282	0	0	618,282
Fundraising	264,497	0	0	264,497
Total Functional Expenses	<u>9,738,155</u>	<u>0</u>	<u>0</u>	<u>9,738,155</u>
Remeasurement Loss	197,913	0	0	197,913
Loss on Sale of Investments	93	0	0	93
TOTAL EXPENSES AND LOSSES	<u>9,936,161</u>	<u>0</u>	<u>0</u>	<u>9,936,161</u>
CHANGE IN NET ASSETS	6,209,168	1,928,226	0	8,137,394
NET ASSETS,				
BEGINNING OF YEAR	<u>2,644,008</u>	<u>718,230</u>	<u>0</u>	<u>3,362,238</u>
END OF YEAR	<u>\$ 8,853,176</u>	<u>\$ 2,646,456</u>	<u>\$ 0</u>	<u>\$ 11,499,632</u>

See Accompanying Notes To The Financial Statements.

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

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

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Accounting	\$ 0	\$ 68,720	\$ 0	\$ 68,720
Bad Debts	0	89,196	0	89,196
Bank and Credit Card Fees	0	39,191	0	39,191
Business Development	487,531	25,968	0	513,499
Casual Labor	166,239	0	0	166,239
Depreciation	111,043	12,339	0	123,382
Employee Benefits	125,848	8,266	7,234	141,348
Farming Supplies	4,281,401	0	0	4,281,401
Farming Transportation	4,603	0	0	4,603
Farming Warehouse Costs	224,670	0	0	224,670
Insurance	91,710	8,901	4,451	105,062
Marketing and Promotions	0	91,640	1,894	93,534
Miscellaneous	30,150	4,134	10,370	44,654
Monitoring and Evaluation	216,933	0	0	216,933
Occupancy	163,251	7,192	6,094	176,537
Payroll Taxes	86,052	9,558	12,464	108,074
Postage and Shipping	17,471	2,184	2,184	21,839
Printing and Publications	104,449	6,001	5,803	116,253
Recruiting and Training	89,340	59,560	0	148,900
Salaries and Wages	1,423,647	153,404	194,482	1,771,533
Supplies	125,506	2,082	242	127,830
Travel and Field Staff Transport	1,105,532	29,946	19,279	1,154,757
	<u>\$ 8,855,376</u>	<u>\$ 618,282</u>	<u>\$ 264,497</u>	<u>\$ 9,738,155</u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Supporters and Other Sources	\$ 24,060,220	\$ 13,142,504
Interest Received	16,954	7,778
Paid to Suppliers and Employees	(21,742,935)	(12,089,086)
Interest Paid	(7,740)	0
Income Taxes Paid	0	0
	<u>2,326,499</u>	<u>1,061,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Purchase of Property	(221,577)	(264,726)
Proceeds from Sale of Fixed Assets	220	26,225
Payments for Purchase of Derivatives	(80,000)	0
Proceeds from the Sale of Investments	11,360	4,861
	<u>(289,997)</u>	<u>(233,640)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	0	1,000,000
Principal Payments on Long-Term Debt	(1,000,000)	0
Advances on Line of Credit	342,650	293,575
Principal Payments on Line of Credit	(601,750)	0
	<u>(1,259,100)</u>	<u>1,293,575</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	<u>(1,259,100)</u>	<u>1,293,575</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	<u>(21,640)</u>	<u>(197,913)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>755,762</u>	<u>1,923,218</u>
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	<u>2,539,994</u>	<u>616,776</u>
END OF YEAR	<u>\$ 3,295,756</u>	<u>\$ 2,539,994</u>
NON-CASH INVESTING ACTIVITIES		
Donated Investments	<u>11,557</u>	<u>4,954</u>
TOTAL NON-CASH INVESTING ACTIVITIES	<u>\$ 11,557</u>	<u>\$ 4,954</u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 2,977,770</u>	<u>\$ 8,137,394</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Remeasurement Loss	21,640	197,913
Depreciation	147,959	123,382
Allowance for Doubtful Accounts	204,805	44,687
Loss (Gain) on Disposal of Fixed Assets	1,030	(274)
Donated Investments	(11,557)	(4,954)
Loss on Sale of Investments	197	93
Unrealized Loss on Derivatives	72,524	0
Changes in Certain Assets and Liabilities:		
Grants Receivable	392,552	(5,358,761)
Accounts Receivable	(1,090,854)	(661,557)
Employee Advances	(85,816)	(61,439)
Other Receivables	(18,907)	0
Inventory	656,919	(2,735,387)
Prepaid Expenses	(1,648,663)	24,631
Accounts Payable and Accrued Expenses	1,291,369	483,034
Grants Payable	50,000	0
Deferred Revenue	(634,469)	872,434
Total Adjustments	<u>(651,271)</u>	<u>(7,076,198)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 2,326,499</u></u>	<u><u>\$ 1,061,196</u></u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Organization and Nature of Activities

One Acre Fund, Inc. (the Organization) is an Illinois not-for-profit organization that was incorporated in December 2005 and operates primarily in Kenya, Rwanda, Burundi, Ghana, and Tanzania. The mission of One Acre Fund is to empower chronically hungry farm families in Africa to lift themselves out of hunger and poverty. The Organization's method is to work through self-help groups in rural villages to deliberately reach the most severely hunger affected.

B) Method of Accounting

The Organization's accounts are maintained on the accrual basis of accounting. Grants and other contributions are reported as temporarily restricted support if they are received with stipulations that limit the use of the funding. When the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are recorded when incurred.

The Organization has adopted FASB *Accounting Standards Codification (ASC) 958, Not For Profit Entities*. Under ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

C) Accounting Policies

Cash and Cash Equivalents - For purposes of reporting cash flows, cash is defined as cash on hand, amounts held at financial institutions, and short-term highly liquid investments that are readily convertible to known amounts of cash. Investments with an original maturity of three months or less are considered short-term for these purposes.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

C) Accounting Policies (Continued)

Grants Receivable, Accounts Receivable, Other Receivables, and Employee Advances - Grants receivable, accounts receivable, other receivables, and employee advances are stated at the amount management expects to collect from outstanding balances. Long-term grants receivable are discounted to their net present value using a market rate. Management provides for probable uncollectible amounts through bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from farmers, employees, grants, contracts, etc. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account. The allowance for doubtful accounts receivable at December 31, 2012 and 2011 is \$247,233 and \$55,000, respectively. The allowance for doubtful grants receivable, and the allowance for other receivables at December 31, 2012 and 2011 is \$0, respectively. The allowance for doubtful employee advances receivable at December 31, 2012 and 2011 is \$27,743 and \$15,171, respectively.

Inventory - Inventory is valued at the lower of cost or market with cost determined on a weighted average basis. Inventories consist of seed and fertilizer for use in the Organization's programs, or kept for sale.

Fixed Assets - Property and equipment are recorded at cost when purchased, while donated fixed assets are recorded at their estimated fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of fixed assets are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense for the years ended December 31, 2012 and 2011 amounts to \$147,959 and \$123,382, 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.

Deferred Revenue - The Organization and its program participants enter into a contract for the Organization to provide its program for a fee. The Organization earns these fees as it provides seeds, fertilizer, training and other services to the program participants over the span of the contract period. That portion of the Organization's program services, which it has not yet provided to the participants is recorded in the financial statements as deferred revenue.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

C) Accounting Policies (Continued)

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been made on the financial statements. It is also classified as other than a private foundation. The Organization has no unrelated business income during the years ended December 31, 2012 and 2011, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization has deposits in foreign financial institutions not covered by U.S. federal deposit insurance of approximately \$850,000 and \$1,200,000 at December 31, 2012 and 2011, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits of approximately \$0 and \$3,000 at December 31, 2012 and 2011, 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.

NOTE 3 - IN-KIND DONATIONS

Donated Services - Donated services are recognized as revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated. For the years ended December 31, 2012 and 2011, donated professional services consist of legal services with an estimated fair value of \$0 and \$13,405, respectively. This amount is reflected as donated services revenue and general and administrative expense on the statement of activities for the year ended December 31, 2011.

**ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 3 - IN-KIND DONATIONS (CONTINUED)

For the years ended December 31, 2012 and 2011 the Organization received a significant amount of other donated services from volunteers who assist with the operations. No amounts have been recognized in the accompanying statements of activities for these volunteer services because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

Donated Investments - During 2012 and 2011 the Organization received donations of stocks and mutual funds valued at \$11,557 and \$4,954, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. The Organization realized a net loss on the sale of its donated investments of \$197 and \$93 for the years ending December 31, 2012 and 2011, respectively.

NOTE 4 - DERIVATIVES

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

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

FASB Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. 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 quoted market prices of the currency options held by the Organization at year-end.

**ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 - GRANTS RECEIVABLE

As of December 31, 2012, grantors to the Organization have made unconditional promises to give totaling \$5,519,439. 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, 2012:

Less than one year	\$ 3,865,593
One to five years	1,741,300
	<hr/>
Total	5,606,893
Less - Allowance to Discount Balance to Present Value	<u>(87,454)</u>
Grants Receivable	<u><u>\$ 5,519,439</u></u>

NOTE 6 - CONDITIONAL GRANTS RECEIVABLE

Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization has the following conditional grants receivable totaling \$2,589,825, which are not recognized on the financial statements as their conditions have not been met as of December 31, 2012:

The Organization has conditional receivables under two grants from USAID for a total of \$1,706,925, conditional on Organization's incurring qualifying expenditures under the two programs.

The Organization has a \$600,000 conditional receivable from the David Weekley Family Foundation. The grant is conditional on Organization's reaching predetermined scale targets.

The Organization has \$254,900 in two conditional receivables from The Whole Planet Foundation for expansion of the Organization's programs in Kenya and Burundi. The two grants are conditional on Organization's reaching predetermined milestones.

The Organization has a \$25,000 conditional receivable from Newman's Own Foundation, conditional on satisfactory progress to be evaluated in June 2013.

The Organization was awarded a grant of up to \$20,000 under the Raising Awareness and Mobilizing Support Through a Powerful Story-Telling Platform. The final \$3,000 of the grant is conditional on the Organization submitting satisfactory deliverables under the program, along with a final report.

**ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 7 - GRANTS PAYABLE

Grants payable total \$50,000 and \$0, as of December 31, 2012 and 2011, respectively and consist of an approved unconditional grant commitment. The entire amount payable as of December 31, 2012 is expected to be paid during 2013.

NOTE 8 - LINE OF CREDIT

The Organization has a revolving line of credit with Kiva for \$600,000. It is unsecured and non-interest bearing. The balance on the line of credit as of December 31, 2012 and 2011 is \$34,475 and \$293,575, respectively.

NOTE 9 - NOTES PAYABLE

Notes payable consist of the following at December 31:

	2012	2011
\$500,000 note payable to Jasmine Foundation, dated June 9, 2011, unsecured, non-interest bearing, and repaid in full during 2012.	\$ 0	\$ 500,000
\$500,000 note payable to FJC, dated October 12, 2011, secured by the balance of farmer accounts receivable funded from the loan, with floating interest of prime plus three percent in quarterly interest-only payments starting December 23, 2011. The principal and accrued interest were repaid in full during 2012.	0	500,000
Total Debt	0	1,000,000
Less - Current Portion	0	1,000,000
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 nonmonetary assets and liabilities are remeasured using historical exchange rates.

**ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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

Most revenues and expenses that occur during a period are remeasured for practical purposes using a weighted average exchange rate for the period. However, revenues and expenses that represent the allocations of historical balances, such as depreciation expense, are remeasured using the same historical exchange rates, as the ones used for remeasuring the underlying items on the balance sheet.

The Organization regularly transfers cash from its domestic accounts to its foreign accounts to cover expenses, translating its foreign transactions into U.S. dollars using a weighted average exchange rate. The Organization has remaining significant deposits in foreign financial institutions and petty cash held in the local currencies of Kenya, Rwanda, Burundi, Ghana, and Tanzania. The Organization has other assets and liabilities originally denominated in foreign currencies. This results in an exposure to currency exchange gains and losses at the time assets are disposed of and liabilities are settled, as well as during year-end foreign currency translation into U.S. dollars. In any particular year, currency exchange rate fluctuations may have a significant impact on the Organization's financial results.

The foreign currency translation gains and losses are recorded on the Organization's statements of activities as a net remeasurement gain or loss. For the years ended December 31, 2012 and 2011, the Organization recognized remeasurement losses of \$21,640 and \$197,913, respectively.

NOTE 11 - LEASE COMMITMENTS

The Organization leases office, warehouse space, trial plots of land, and housing for its workforce in Africa under multiple operating leases expiring on various dates through November, 2017. Total rent expense under all leases is \$133,098 and \$53,553, for the years ended December 31, 2012 and 2011, respectively.

Minimum future rental payments are as follows:

For the year ended December 31, 2013	\$	147,173
2014		12,383
2015		1,533
2016		783
2017		718
	<u>\$</u>	<u>162,590</u>

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 12 - NET ASSET RESTRICTIONS AND DESIGNATIONS

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

	2012	2011
Purpose Restriction Accomplished		
Program Expansion in Kenya	\$ 1,678,163	\$ 406,724
Program Services	925,000	125,000
Program Expansion in Rwanda	503,237	303,339
Environmental Projects in Kenya	455,970	132,030
Farm Input, Finance and Market Facilitation in Western Kenya	299,946	0
Burundi Expansion	292,095	73,905
General Research	225,000	0
Maize Storage	200,000	76,000
Growing Systems	164,000	0
Kenya and Rwanda New Districts Expansion	155,000	310,000
Salaries of a Business Manager and a Grant Writer	155,000	0
Seed and Fertilizer	98,000	150,000
Work in connection with the outbreak of the Maize Lethal Necrosis Disease in Kenya	50,000	0
Presentation Engagements	40,000	0
Central Stock Construction in Rwanda	32,272	0
Women's Farm Groups	30,000	30,000
Program Services - Kenya and Rwanda	25,000	0
Training and Capacity Building - Rwanda	0	25,000
Total Restrictions Released	<u>\$ 5,328,683</u>	<u>\$ 1,631,998</u>

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 13 - NET ASSET RESTRICTIONS AND DESIGNATIONS (CONTINUED)

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

Purpose or Time Restriction	2012	2011
Program Expansion in Burundi	\$ 583,592	\$ 576,095
Program Expansion in Rwanda	575,232	329,391
Environmental Projects in Kenya	456,000	911,970
Program Expansion in Kenya	286,324	310,000
Program Services	125,000	0
Central Stock Construction in Rwanda	98,608	0
Salaries of a Business Manager and a Grant Writer	87,500	0
Seed for farmers in Western Kenya	75,000	0
Seed and Fertilizer	50,000	0
Raising Awareness & Mobilizing Support Through a Powerful Story-Telling Platform	17,000	0
Maize Storage	0	200,000
Growing Systems	0	164,000
Program Expansion in Kenya and Rwanda	0	155,000
Total Temporarily Restricted Net Assets	<u>\$ 2,354,256</u>	<u>\$ 2,646,456</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, 2012 and 2011 \$176,500 and \$172,000, 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.

NOTE 14 - CONCENTRATION OF FUNDING SOURCES

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

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

NOTE 15 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

The Organization files its tax returns with the U.S. federal and various state and local tax jurisdictions. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for the years prior to 2009.

The Organization includes accrued interest and penalties related to unrecognized tax benefits in operating expenses. The expense for interest and penalties related to unrecognized tax benefits amount to \$0 for the years ended December 31, 2012 and 2011, respectively.

NOTE 16 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 25, 2013 the date the financial statements were available to be issued.