

One Acre Fund

Hungry Farm Families Growing Their Way Out of Poverty



Spring 2010 Performance Report

One Acre Fund Semi-Annual Performance Report

November 2009 – April 2010

Friends – Greetings from the One Acre Fund family!

I wanted you to meet Gorette (left), one of Rwandan field officers, and Bernadette (right), one of her farmers. We first met Gorette as a farmer, two years back. We immediately recognized her as a leader in her community, and hired her as a field officer. She quickly became one of our star field officers—she establishes close ties with her farmers, including Bernadette, and is respected by her fellow field officers for her ability to share what she learns in the field and coach her peers. Gorette understands the many challenges that her farmers face because she is one of them.



Gorette is a story of human potential. We firmly believe that all of the people that we serve have the human potential to achieve far more in their lives – but unfortunately they are stunted by poverty. One Acre Fund makes a big effort to make sure that we recruit true local people – our field staff are actual farmers who come from the very communities that they serve.

Our program continues to grow rapidly, with your generous support. This is our seventh 6-monthly report, which offers a frank look at hard metrics, which we use to guide every step of our operations. From November 2009 – April 2010, we:

- Grew program size from 12,000 farm families to 23,000 farm families, serving more than 92,000 children
- Had our seventh harvest, increasing take-home farm income by 100% per acre, with 99% of farmers repaying program fees
- Covered 60% of our field costs through farmer repayments, which will continue to improve over time

This report briefly concludes with our vision for the future, which we are truly excited about. Our momentum continues to build at a terrific pace, and we are on track to create life change for 85,000 families in the next 36 months. This growth is largely due to you, our loudest supporters. On behalf of the children and families that we serve: **Thank You.**

Andrew Youn
Founder, One Acre Fund

Matt Forti
Board Chair, One Acre Fund

Governing Board Members: Joel Ackerman, Anne Marie Burgoyne, Jason Maga, John Wood
Fundraising Board Members: Chris Addy, Chris Ashley, John Brothers, Taira Hall, Amy Hsiao, Diana Lee, Brieahan Lynch, Jason Maga, Jason Miller, Bhavan Suri, James Wesner, Meredith Wilson, Paul Wormley, John Yi

One Acre Fund: Core Values and Program Model

Our mission: We empower hungry farm families to grow their own way out of poverty.

Core values:

- **Empower, don't give** – we empower our farmers to change their own lives.
- **Serve the poorest of the poor** – our solution includes tools, training, and market access – making it realistic for someone starting from nothing to grow enough to feed her family.
- **Provide measurable impact** – we rigorously measure our exact client impact. We make it realistic for someone starting from nothing to double their farm profit per acre.
- **Dream big** – limitless human need demands an ambitious response. 75% of the extreme poor in the world are farmers, and we must aggressively scale to meet demanding milestones.
- **Remain 100% accountable** – we openly discuss both the good and the bad. If we are not improving the lives of children, we are failing, and must find a way to improve.

One Acre Fund's "Market Bundle"

1) Group formation: One Acre Fund meets existing women's self-help groups, and organizes them into a producer group.

2) Farm inputs: One Acre Fund finances and delivers all of the planting materials that our farmers need to increase their yields.



3) Education: One Acre Fund field officers deliver trainings on planting, weeding, and fertilizer application to groups in their fields.

4) Market access: One Acre Fund offers a harvest buyback program to its farmers, and trains them on crop storage.



None of the individual pieces of our model is particularly new – but the *combination* of them is extremely unique. Our "market bundle" is an innovative new tool in the world's fight against hunger and poverty among the rural poor.



Review of Program Metrics: November 2009 – April 2010

++ = Met/Exceeded Goal **+** = Additional Opportunity **-** = Did not meet goal

HOW MANY PEOPLE DID WE REACH? Program grows to 23,000 farmers (92,500 children)

Scalability	Previous May 09- Oct 09	New goal Nov 09- Apr 10	Actual Nov 09- Apr 10	Rating	Rationale
- # Families Reached	12428	20000	23126	++	- Nearly doubled program size to 23,126 farm families
- # Children Enrolled	49712	80000	92504	++	- Increased program coverage to 92,504 children
- # Acres under Cultivation	5812	10000	11563	++	- Placed 11,563 acres under cultivation

FUTURE ACTIONS:

- Continue a sustained scale-up phase over the next two years
- We are on track to meet or exceed our target of 50,000 families in the next 12 months

WHAT WAS OUR QUALITY OF IMPACT? Farm income doubles

Impact	Previous	New goal	Actual	Rating	Rationale
- Increased Size of Harvest (year-on-year)	3x	3x	3x	++	- Raw harvest increased by 3x (estimate)
- Increase in Farm Income (year-on-year)	2x	2x	2x	++	- Farm income increased by 2x, after program repayment (estimate)
- Reduction in child death rate	50%	50%	45%	+	- We estimate a 45% reduction in child deaths, based on a sample survey

FUTURE ACTIONS:

- Farm income targets are on track. We plan to have district-level impact data by the end of 2010.

HOW MUCH DID IT COST? Program improves to 63% sustainability

Financial Return	Previous	New goal	Actual	Rating	Rationale
- Repayment Rate	98%	95%	98%	++	- 98% of farmers repaid, well above target of 95%.
- Field cost Per Family	\$120	\$110	\$120	+	- We were slightly high on field staff transport, and will improve
- Infrastructure investment	\$800k	\$1.1mil	\$1.1mil	+	- Strong donations allowed us to invest more
- % of Donations to Program Services	100%	100%	100%	++	- 100% of individual donations went directly to program; overhead covered by foundation grants
- Program Sustainability	45%	60%	63%	+	- Farmer repayments covered 63% of field costs

FUTURE ACTIONS:

- Our target is to cover 70% of our field expenses through farmer repayments by the end of this year.

Management Discussion

1. Reaching Operational Sustainability

At One Acre Fund, we have set an ambitious yet achievable goal of reaching 1 million farm families in the next ten years. That will require a significant financial investment, and we are working hard to earn as much as possible from our field operations. We have already made big steps forward – in 2008 and 2009, we made an impressive jump from 30 percent to 50 percent financial sustainability of our field operations.

Going forward, we expect to continue rapid progress on this front. Over the next 24 months, we are engaged in a variety of operating initiatives to make that happen. For example, we are hoping to increase the number of farmers served by each of our field officers – making them far more productive. To do this without sacrificing program quality, we are a) doing more to empower volunteer leaders among our farmers with specific tools and small incentives, b) improving group cohesion amongst our farmers so that they can teach each other more, and c) creating a new performance-based salary structure for our field officers, to motivate the top performers. These initiatives will take time to roll out over hundreds of staff, but we have already started making strong progress!



2. What is U.S. Policy on Global Agriculture and Food Security?

After two decades of neglect, the global aid community is expressing renewed interest in agriculture development and food security. Following the spike in global food prices in 2008, in July 2009, U.S. President Barack Obama spearheaded a new global food security and agriculture initiative at the L'Aquila G-8 Summit. Countries pledged \$20 billion to support the initiative, with the United States pledging \$3.5 billion over the next three years.

Since then, policymakers across the U.S. government have been busy formulating the details of the new initiative. It promises to focus on smallholder farmers, the importance of women in agriculture, the use of science and technology to improve crop yields, and increasing access to financial services in rural areas. The United States will disperse funding through USAID, as well as through a World Bank administered "multidonor trust fund." In sub-Saharan Africa, the first countries to receive bilateral funding will be Ghana, Mali, Rwanda, Senegal, and Tanzania. According to the top State Department official on Africa, global agriculture and food security is the "signature initiative" of Obama's Africa policy. Here at One Acre Fund, we are thrilled to see U.S. policymakers realizing the importance of boosting agriculture yields in Africa.

Meet Our Farmers in Lutacho Village



< Input Delivery

The last week in February, all our Kenyan farmers received their seed and fertilizer at market points less than 2 kilometers from their homes. In Lutacho Village, over 130 farmers showed up to pick up their inputs. Before handing out seed and fertilizer, the farmers prayed together for a good harvest.



< Kennedy and Anne >

Kennedy is the field officer in Lutacho. Before he was hired, he was the leader of an OAF group. When he became a field officer, his wife Anne took his place in the group. Many of our field officers were once OAF farmers.



Planting >

Kennedy was incredibly busy in early March walking all over Lutacho and monitoring his farmer groups to see if they were planting correctly. Aggrey Muliro, the owner of this farm, is wearing the yellow shirt. Members of his group, including Pentitah Kubati, helped him plant. Digging holes for maize seeds with the jembe blade is the hardest part of planting.



Meet Our Farmers in Lutacho Village



< Germination

A few weeks after planting, Kennedy visited his farmers to check their maize germination rates. He counted germination in three different parts of their fields, and then took the average. If germination was below 70 percent, Kennedy advised transplanting maize from the small nurseries each farmer was taught to make.

< Dorcas and Judas >



Dorcas Chosoli and Judas Kisiangani are two of the star farmers in Lutacho. They both finished repaying their loans by the middle of March, a full six months early. They were the first farmers to finish repayment in the entire district! Flexible repayment is an important part of our program.



Weeding >

We advise our farmers to weed at least twice during the season. The dark soil in the photo has been weeded, while the light soil has not. This farm belongs to Joseph Namikoye, a new farmer. Last year he only received 4 bags of maize from ½ acre of land; a good harvest is 12-16 bags. If Joseph follows the OAF method, he should double to triple his harvest this year.



Vision for the Future

Can our model be scaled into a major force against world hunger?

We have proven our program model, and we need to reach as many needy people as possible!

We have set an ambitious goal ...

We have set an extremely ambitious goal for the next 36 months: to begin expanding a program model that we have proven. Our milestones in the next three years are to:

- 1 Create a 100% gain in farm income and a 50% reduction in child deaths
- 2 For 85,000 families
- 3 At 80%+ financial sustainability (farmer repayments covering 80% of field expenses)

We believe that if we can create a program model that achieves all of these goals, we will be in a position to grow to serve millions of lives in the coming decades. Millions of hungry farm families, feeding themselves – the hungry feeding the hungry.

We have a realistic plan ...

These are not idealistic words – they are carefully constructed milestones, supported by our current field experience, and the advice of dozens of prominent advisers.

Annual milestones

	2009	2010	2011	2012
Scale	12,000 families	30,000+ families	50,000+ families	85,000+ families
Impact	100% average gain in farm income	100% average gain in farm income	100% average gain in farm income	100% average gain in farm income
Financial sustainability	50% cost recovery on field programs	65% cost recovery on field programs	75% cost recovery on field programs	80% cost recovery on field programs

... And your support makes it happen

Your support makes this possible! We need to raise a total of \$8.0 million dollars over the next three years to execute this plan, and every dollar matters. Maybe you are donating \$240 a year to support two families in our program. Those families matter. Maybe you are donating \$10,000 a year to help support an entire village of farm families. That village matters. Maybe you are donating \$50,000 a year to help us make key infrastructure investments. These investments matter.

Your donation matters for real people. Every dollar empowers a hungry person to feed her own family, and every dollar helps us invest for the future. We will continue to strive to report exactly how much social impact your investments are making for our families, and please, never hesitate to write to us with questions and comments.

On behalf of our children and families: THANK YOU.

2009 Financial Results and Management Discussion

To our Donors, Stakeholders, and Colleagues:

2009 was a year of growth One Acre Fund, thanks in large part to your support. We started to scale our program, tripling our program size from 4,000 to 12,000 farm families, while maintaining program quality and effectiveness.

Your generous support not only enabled us to grow – you enabled us to invest in our future. We have increased our next year's projection (2010) from 25,000 farm families to 30,000 farm families, based on our strong operating results and a transformative grant from the Pershing Square Foundation.

Revenue: Despite uncertain economic times, our supporters increased their generosity by 50% in 2009, growing from \$2 million in 2008 to \$3.1 million in 2009. In addition to this, our farmer revenues nearly tripled in size, from \$160,000 in 2008 to \$440,000 in 2009 – a number we expect will continue to grow quickly.

Expenses: Although we tripled our number of farmers served, our expenses grew less than double, as we kept a constant eye on cost-effectiveness. Expenses grew from \$1 million in 2008, to \$1.95 million in 2009. As with last year, the bulk of our expenditures were for purchase and delivery of life-changing farm inputs (35%) and for staff (37%).

The Future: As we grow, we will continue to balance cost-effectiveness together with making aggressive investments in our future. Those investments are paying off. Our growth projection for 2010 has increased from 25,000 to 30,000 farm families. As we continue to build our organization's capacity, we will continue to look for opportunities to serve more farmers, and to serve them more effectively.

In a time of financial uncertainty, our supporters rallied together to build a solid financial foundation for enormous growth in the coming years. Thank You. We increasingly feel that we have only begun to grow – there are about 100 million subsistence farm families in the world, and our ambition is to serve as many as we can.

Together, we serve!



Andrew Youn

**ONE ACRE FUND, INC.
REPORT ON THE EXAMINATION
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

ONE ACRE FUND, INC.
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INDEPENDENT AUDITORS' REPORT

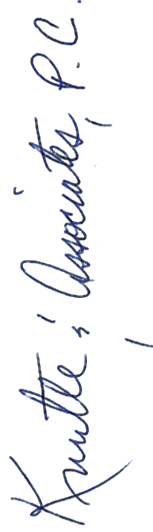
To the Board of Directors
One Acre Fund, Inc.

We have audited the accompanying statements of financial position of One Acre Fund, Inc. (an Illinois not-for-profit corporation) as of December 31, 2009 and 2008 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of One Acre Fund, Inc.'s management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

We did not observe the physical inventory taken as of December 31, 2009 and December 31, 2008 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, 2009 and 2008, 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 as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



ONE ACRE FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS

	2009	2008
CURRENT ASSETS		
Cash	\$ 1,010,918	\$ 756,720
Cash Reserved for Crop Insurance Fund	540,292	500,000
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	1,075,000	500,000
Employee Advances (Net of Allowance for Doubtful Accounts of \$6,214 and \$0, Respectively)	37,913	0
Inventory	759,892	302,590
Prepaid Expenses	21,875	24,840
TOTAL CURRENT ASSETS	3,445,890	2,084,150
FIXED ASSETS		
Vehicles	291,815	146,773
Land	59,875	4,952
Buildings	26,815	0
Equipment	21,985	13,323
	400,490	165,048
Less -- Accumulated Depreciation	61,905	19,902
TOTAL FIXED ASSETS	338,585	145,146
 TOTAL ASSETS	 \$ 3,784,475	 \$ 2,229,296

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES		
Accounts Payable	\$ 16,031	\$ 7,265
Note Payable	100,000	0
TOTAL CURRENT LIABILITIES	<u>116,031</u>	<u>7,265</u>
LONG TERM LIABILITIES		
Refundable Crop Insurance Funds	500,000	500,000
Note Payable	0	100,000
TOTAL LONG TERM LIABILITIES	<u>500,000</u>	<u>600,000</u>
TOTAL LIABILITIES	<u>616,031</u>	<u>607,265</u>
NET ASSETS		
Unrestricted	2,918,444	1,093,031
Temporarily Restricted	250,000	529,000
TOTAL NET ASSETS	<u>3,168,444</u>	<u>1,622,031</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,784,475</u></u>	<u><u>\$ 2,229,296</u></u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Donations	\$ 2,582,519	\$ 590,000	\$ 0	\$ 3,172,519
Program Fees	435,667	0	0	435,667
Donated Services	49,071	0	0	49,071
Interest	15,066	0	0	15,066
Miscellaneous	6,806	0	0	6,806
Donated Investments	3,683	0	0	3,683
Special Events (Net of Direct Benefits to Donors of \$713)	470	0	0	470
Net Assets Released from Restrictions	869,000	(869,000)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	3,962,282	(279,000)	0	3,683,282
FUNCTIONAL EXPENSES				
Functional Expenses				
Program Services	1,745,847	0	0	1,745,847
Management and General	218,497	0	0	218,497
Fundraising	35,839	0	0	35,839
Total Functional Expenses	2,000,183	0	0	2,000,183
Remeasurement Loss	135,114	0	0	135,114
Loss on Disposal of Fixed Assets	1,532	0	0	1,532
Loss on Sale of Investments	40	0	0	40
TOTAL FUNCTIONAL EXPENSES AND LOSSES	2,136,869	0	0	2,136,869
CHANGE IN NET ASSETS	1,825,413	(279,000)	0	1,546,413
NET ASSETS,				
BEGINNING OF YEAR	1,093,031	529,000	0	1,622,031
END OF YEAR	\$ 2,918,444	\$ 250,000	\$ 0	\$ 3,168,444

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Donations	\$ 1,503,786	\$ 535,000	\$ 0	\$ 2,038,786
Program Fees	158,149	0	0	158,149
Donated Services	60,500	0	0	60,500
Special Events (Net of Direct Benefits to Donors of \$19,886)	31,925	0	0	31,925
Interest	7,852	0	0	7,852
Miscellaneous	3,599	0	0	3,599
Net Assets Released from Restrictions	8,000	(8,000)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	1,773,811	527,000	0	2,300,811
FUNCTIONAL EXPENSES				
Functional Expenses				
Program Services	1,019,079	0	0	1,019,079
Management and General	100,087	0	0	100,087
Fundraising	34,367	0	0	34,367
Total Functional Expenses	1,153,533	0	0	1,153,533
Remeasurement Loss	18,462	0	0	18,462
TOTAL FUNCTIONAL EXPENSES AND LOSSES	1,171,995	0	0	1,171,995
CHANGE IN NET ASSETS	601,816	527,000	0	1,128,816
NET ASSETS,				
BEGINNING OF YEAR	491,215	2,000	0	493,215
END OF YEAR	\$ 1,093,031	\$ 529,000	\$ 0	\$ 1,622,031

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Accounting	\$ 0	\$ 4,723	\$ 0	\$ 4,723
Bad Debts	0	6,214	0	6,214
Bank and Credit Card Fees	0	12,834	0	12,834
Business Development	77,973	19,494	0	97,467
Consulting	22,737	7,579	0	30,316
Crop Insurance Fees	0	5,453	0	5,453
Depreciation	39,033	3,636	0	42,669
Employee Benefits	7,898	878	0	8,776
Farming Supplies	503,149	0	0	503,149
Farming Transportation	173,562	0	0	173,562
Farming Warehouse Costs	13,384	0	0	13,384
Insurance	3,351	3,351	0	6,702
Interest	0	4,992	0	4,992
Legal Fees	0	27,277	0	27,277
Marketing and Promotions	0	16,625	4,156	20,781
Miscellaneous	16,054	11,891	0	27,945
Occupancy	16,259	761	761	17,781
Payroll Taxes	26,117	2,902	0	29,019
Postage and Shipping	798	1,863	0	2,661
Printing and Publications	27,541	1,530	1,530	30,601
Recruiting and Training	27,522	9,791	0	37,313
Salaries and Wages	626,148	63,688	2,974	692,810
Supplies	25,627	2,848	0	28,475
Technology and Internet	15,922	1,447	724	18,093
Telephone	26,420	2,297	0	28,717
Travel	96,352	6,423	25,694	128,469
	<u>\$ 1,745,847</u>	<u>\$ 218,497</u>	<u>\$ 35,839</u>	<u>\$ 2,000,183</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Accounting	\$ 0	\$ 2,000	\$ 0	\$ 2,000
Bank and Credit Card Fees	0	14,482	0	14,482
Business Development	38,737	0	0	38,737
Consulting	14,400	0	0	14,400
Depreciation	17,127	0	0	17,127
Employee Benefits	21,380	2,375	0	23,755
Farming Supplies	295,541	0	0	295,541
Farming Transportation	121,462	0	0	121,462
Farming Warehouse Costs	2,345	0	0	2,345
Insurance	4,307	0	0	4,307
Interest	0	1,777	0	1,777
Legal Fees	0	17,632	0	17,632
Marketing and Promotions	0	0	5,219	5,219
Miscellaneous	1,532	12,260	1,532	15,324
Occupancy	8,980	0	0	8,980
Payroll Taxes	34,394	3,822	0	38,216
Postage and Shipping	0	2,040	0	2,040
Printing and Publications	10,557	0	0	10,557
Recruiting and Training	10,618	0	0	10,618
Salaries and Wages	353,814	39,313	0	393,127
Supplies	10,904	2,726	0	13,630
Technology and Internet	11,845	623	0	12,468
Telephone	19,711	1,037	0	20,748
Travel	41,425	0	27,616	69,041
	<u>\$ 1,019,079</u>	<u>\$ 100,087</u>	<u>\$ 34,367</u>	<u>\$ 1,153,533</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Donors and Grantors	\$ 3,041,175	\$ 2,252,345
Interest Received	15,066	7,852
Paid to Suppliers and Employees	(2,387,648)	(1,438,983)
Interest Paid	(4,992)	(1,777)
Income Taxes Paid	0	0
	<hr/>	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	663,601	819,437
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Purchase of Property	(237,640)	(123,295)
Proceeds from the Sale of Investments	3,643	0
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(233,997)	(123,295)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	0	100,000
	<hr/>	<hr/>
NET CASH PROVIDED BY FINANCING ACTIVITIES	0	100,000
	<hr/>	<hr/>
Effect of Exchange Rate Changes on Cash	(135,114)	(18,462)
	<hr/>	<hr/>
NET INCREASE IN CASH AND CASH EQUIVALENTS	294,490	777,680
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	1,256,720	479,040
	<hr/>	<hr/>
END OF YEAR	\$1,551,210	\$ 1,256,720
	<hr/> <hr/>	<hr/> <hr/>
NON-CASH INVESTING ACTIVITIES		
Donated Investments	\$ 3,683	\$ 0
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See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 1,546,413</u>	<u>\$ 1,128,816</u>
Adjustments to Reconcile Net Cash Provided by Operating Activities:		
Remeasurement Loss	135,114	18,462
Depreciation	42,669	17,127
Allowance for Doubtful Accounts	6,214	0
Donated Investments	(3,683)	0
Loss on Disposal of Fixed Assets	1,532	
Loss on Sale of Investments	40	0
Changes in Certain Assets and Liabilities:		
Grants Receivable	(575,000)	(500,000)
Employee Advances	(44,127)	0
Inventory	(457,302)	(302,590)
Prepaid Expenses	2,965	(24,840)
Accounts Payable	8,766	(17,538)
Refundable Crop Insurance Funds	0	500,000
Total Adjustments	<u>(882,812)</u>	<u>(309,379)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 663,601</u></u>	<u><u>\$ 819,437</u></u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 - NATURE OF BUSINESS 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 and Rwanda. The mission of One Acre Fund is to empower chronically hungry farm families in East 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, 2009 AND 2008

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

C) Accounting Policies (Continued)

Grants Receivable and Employee Advances - Grants receivable and employee advances are stated at the amount management expects to collect from outstanding balances. 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 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 employee or grants receivable account. The allowance for doubtful employee advances receivable at December 31, 2009 and 2008 is \$6,214 and \$0, respectively. The allowance for doubtful grants receivable at December 31, 2009 and 2008 is \$0, 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 and maize 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, 2009 and 2008 amounts to \$42,669 and 17,127, respectively.

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, 2009 and 2008, donated professional services consist of legal, accounting, and program-related services with estimated fair value of \$49,071 and \$60,500, respectively. These amounts are reflected in the statements of activities as donated services revenue and in the statements of functional expenses as salaries and wages, and legal expenses. For the year ended December 31, 2009 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 statement of activities for these volunteer services because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 - NATURE OF BUSINESS 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, 2009 and 2008, and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

In June 2006, the FASB issued Financial Interpretation 48, "Accounting for Uncertainty in Income Taxes" (FASB *Accounting Standard Codification (ASC) 740, Income Taxes*) which clarifies the accounting uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. Income tax positions must be a more likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization adopted ASC 740 for the year ended December 31, 2009. The adoption of ASC 740 had no impact on the Organization's financial position or results of operations.

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.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization has deposits in foreign financial institutions not covered by federal insurance of approximately \$311,000 and \$229,000 at December 31, 2009 and 2008, respectively. The Organization also has deposits in domestic financial institutions in excess of FDIC insurance limits of approximately \$623,000 and \$656,000 at December 31, 2009 and 2008, 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 - CASH RECEIVED FOR CROP INSURANCE FUND

In December, 2008 the Organization received \$500,000 of refundable advances for the establishment of an endowment fund for the Organization's harvest insurance programs. The entity providing these funds has placed certain restrictions and has reserved the right to withdraw these funds from One Acre Fund and redirect them to another charitable organization after five years. The term endowment agreement provides that the principal, along with all premiums received under the Organization's harvest insurance programs be invested in a designated fund account, from which disbursements can be made upon the occurrence of specified insurance events. No such events occurred during the years ended December 31, 2009 and 2008.

During the year ended December 31, 2009, the Organization received a temporarily restricted grant of \$10,000 for the Crop Insurance Fund. The Organization also made voluntary transfers to the fund totaling \$31,971. As of December 31, 2009 and 2008 the fund's balance is \$540,292 and \$500,000, respectively and is fully invested in a money market account.

NOTE 4 - NOTE PAYABLE

Notes payable consist of the following at December 31:

	2009	2008
Note payable of \$100,000 to FJC, secured by the balance in the crop insurance fund account, with floating interest of prime plus three percent, payable semi-annually, starting July 31, 2009. The principal was due February 28, 2010 and was repaid in full when due.	100,000	100,000
Total Debt	100,000	100,000
Less - Current Portion	100,000	0
Total Long-Term Portion	\$ 0	\$ 100,000

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 - CONCENTRATION OF FUNDING SOURCES

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

NOTE 6 - 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. 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, are remeasured using the same historical exchange rates as used for 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. During the year ended December 31, 2009 all operations and all cash accounts in Uganda were closed. However, the Organization has remaining significant deposits in foreign financial institutions and petty cash held in the local currencies of Kenya and Rwanda. 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, 2009 and 2008, the Organization recognized remeasurement loss of \$135,114 and \$18,462, respectively.

NOTE 7 - DONATED INVESTMENTS

During 2009 the Organization received donations of stocks and mutual funds valued at \$3,683. It is the Organization's policy to liquidate donated securities immediately upon their receipt. The Organization sold these donated investments during 2009 for a total of \$3,643, recognizing a loss of \$40.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 8 - NET ASSET RESTRICTIONS

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

Purpose	2009	2008
Taking Prototype District to Scale	150,000	0
Webuye District	50,000	23,000
Program Support	40,000	0
Crop Insurance Fund	10,000	0
Farm Input Loans	0	500,000
Children Health Program	0	6,000
Total Temporarily Restricted Net Assets	<u>\$ 250,000</u>	<u>\$ 529,000</u>

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

Purpose Restriction Accomplished	2009	2008
Program Expansion in Rwanda	\$ 300,000	\$ 0
Support for Women's Farm Groups	30,000	0
Program Support	10,000	0
Children Health Program	6,000	6,000
Webuye District	23,000	2,000
Total Restrictions Released	<u>\$ 369,000</u>	<u>\$ 8,000</u>

In addition, \$500,000 of net assets, temporarily restricted for farm input loans as of December 31, 2008 were released for unrestricted use during 2009 with the donor's consent.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 9 - LEASE COMMITMENTS

The Organization leases office and warehouse space and housing for its workforce in Africa under multiple operating leases expiring on various dates through October, 2014. The Organization also leases trial plots of land used for testing of new crops, fertilizer, seeds and betterment of farming practices under multiple operating leases expiring on various dates through October, 2011. Total rent expense under all leases is \$17,781 and \$8,980, for the years ended December 31, 2009 and 2008, respectively.

Minimum future rental payments are as follows:

For the year ended December 31, 2010	\$	5,462
2011		4,926
2012		4,850
2013		3,941
2014		2,697
		<hr/>
	\$	<u>21,876</u>

NOTE 10 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2009, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is August 30, 2010, which is the date on which the financial statements were issued.