2023 FINANCIAL PERFORMANCE

This financial year, we faced a challenging macroeconomic environment characterized by high inflation, depreciating local currencies, and spillover effects from the ongoing conflict in Eastern Europe. These conditions resulted in an increase in our average input costs. This, along with worsening climate conditions, continues to pose a significant threat to food security and farmer household incomes. In response to some of these challenges, governments implemented various measures, such as rolling out fertilizer subsidy programs, instituting price caps, and devaluing currencies, which impacted some of our country programs negatively. In Kenya and Tanzania, in response to regulatory changes, shifts in consumer preferences and macroeconomic volatility, we had to make a significant adjustment to our programs to ensure long term sustainability. In Rwanda, the government set lower fertilizer prices relative to 2022, while the governments of Nigeria, Burundi, and Malawi devalued their currencies. Despite these challenges, we are committed to strengthening food security for our clients. We distributed agricultural inputs to approximately 1.5 million farmers through our Core Program and approximately 4.8 million farmers overall (including partnership efforts), reflecting strong demand for our products and services. This means we are almost halfway to our 2030 vision of serving 10 million families, equivalent to ~20% of all African smallholders and ~10% of the global population living in extreme poverty. One Acre Fund remains dedicated to delivering services to farmers that will boost harvests, build resilience, and improve food security.

CORE PROGRAM

Core Program - Direct Services	2022	2023	Variance	%Variance
# Core Farmers served*	**1,587,925**	**1,554,387**	**-33,538**	***-2.1%***
Farmer revenue	$109,737,386	$85,589,126	-$24,148,260	*-22.0%*
Inputs (seed, fertilizer, solar lamps, etc.)	-$90,917,190	-$75,134,141	$15,783,049	*-17.4%*
Bad debt expense	-$6,948,915	-$4,426,476	$2,522,439	*-36.3%*
Associated costs (crop insurance, transport, storage)	-$13,588,232	-$10,398,392	$3,189,840	*-23.5%*
Interest Expense	-$1,979,978	-$2,764,199	-$784,221	*39.6%*
Field operations costs (primarily salaries)	-$27,284,292	-$29,676,853	-$2,392,561	*8.8%*
Program support (primarily HQ costs and overhead)	-$17,119,306	-$17,714,194	-$594,888	*3.5%*
Core Program Overhead allocation	-$2,015,645	-$2,834,508	-$818,863	*40.6%*
Core Program Deficit	**-$50,116,172**	**-$57,359,637**	**-$7,243,465**	***14.5%***
*Deficit per farmer**	*-$32*	*-$37*	*-$5*	*16.9%*
*Impact**	*$197,131,204*	*$223,356,163*	*$26,224,959*	*13.3%*
*Impact per farmer**	*$124*	*$144*	*$20*	*15.7%*
*SROI**	*$3.9*	*$3.9*	*$0.0*	*-1.0%*

Scale

- After three years of constrained growth due to an uncertain environment, we resumed our strong growth rate in Rwanda, Burundi, Malawi, and Nigeria by serving more farmers per field officer in existing sites, expanding to new sites, and retaining more farmers due to improved repayment in the 2022 seasons. However, this growth was offset by lower enrollment in Kenya, impacted by the government's fertilizer subsidy program, and a strategic decision to pivot away from the Core program in Tanzania. As a result, we served 2% fewer farmers in 2023 than in 2022.

Core Program Deficit

- The Core Program net deficit was $7.2 million higher than 2022, at -$57.4 million (2022: -$50.1 million). This translated to an additional -$5 required to serve each core farmer compared to the prior year. This higher deficit was mainly due to lower erenrollment in Kenya and Tanzania, smaller transaction sizes across multiple countries, and reduced gross margins.
- Transaction sizes were lower across multiple countries due to the depreciation of local currencies against the US Dollar and lower loan sizes per farmer, following the impact of the macroeconomic environment on farmer household incomes.
- Gross margin was 5 percentage points lower than in 2022, mainly due to selling inventories at lower prices relative to the higher purchase prices in 2022, mostly in Kenya and Rwanda. Additionally, in Kenya, the government subsidy program required us to lower prices to align with the market, and in Rwanda, the government-approved fertilizer prices were lower than in 2022 following a drop in global fertilizer prices in 2023.
- Farmer repayment, at 95%, was below our historical average of 96%, primarily due to the restructuring described above and the continued challenges farmers face amidst high inflation and other economic difficulties.
- Labor costs grew as we added employees to serve more farmers and due to the full-year impact of increasing our compensation and benefits per employee. In 2022, we expanded four core employee benefits—health, housing, child, and retirement—to staff at all job levels (only health and housing were previously available to all staff). Additionally, we incurred one-off severance costs in Kenya and Tanzania where we restructured operations to grow more sustainably.
- This impact was partially offset by reduced bad debt costs and associated expenses, mainly driven by lower incentive bonuses and distribution costs following lower enrollment and revenue.

Impact and SROI

- In 2023, we enabled our average full-service program client to achieve $144 in new profits and assets (2022: $124), equivalent to a 35% increase in income on supported land – a powerful sum for client families often living on less than $1 per person per day. This $144 average consists of $105 in new profits from annual crops (primarily maize and beans) and $38 in new long-term asset value (primarily trees).

- Each $1 invested in our full-service programs enabled clients to generate $3.9 in new profits and assets. In 2023, we continued investing in our long-term program efficiency, including digitizing our frontend services and backend systems, rebuilding farmer loan repayment rates following the pandemic (95% in 2023, up from 92% in 2021), achieving increasing economies of scale in our faster-growing programs, and making required strategic pivots such as those described above.
- We are implementing financial risk mitigation measures to meet our farmer scale targets while maintaining our strong financial foundation, including continuing to invest in margin-positive businesses, investing in fundraising, and completing the restructuring of our Kenya and Tanzania programs.

SYSTEMS CHANGE

Systems Change	2022	2023	Variance	% Variance
# Systems Change Farmers served*	**2,464,969**	**3,245,333**	**780,364**	***31.7%***
Revenues (primarily farm input sales to agro-dealers)	$43,932,240	$36,116,714	-$7,815,526	*-17.8%*
Farm input costs	-$36,876,038	-$36,964,845	-$88,807	*0.2%*
Associated costs (transport, storage, allowance)	-$1,015,638	-$1,887,897	-$872,259	*85.9%*
Staff, program and management support for input sales	-$14,807,483	-$13,213,457	$1,594,026	*-10.8%*
Farm Input Sales Shared Overhead Allocation	-$327,952	-$523,625	-$195,673	*59.7%*
Net Contribution from Farm Input Sales	**-$9,094,871**	**-$16,473,110**	**-$7,378,239**	***81.1%***
Extension, Seed and other (net of revenue)	-$3,695,059	-$5,122,024	-$1,426,965	*38.6%*
Systems Change Overhead allocation	-$498,607	-$543,336	-$44,729	*9.0%*
Systems Change Deficit	**-$13,288,537**	**-$22,138,470**	**-$8,849,933**	***66.6%***
*Deficit per farmer**	*-$5*	*-$7*	*-$1*	*26.5%*
*Impact**	*$119,121,589*	*$198,075,417*	*$78,953,827*	*66.3%*
*Impact per farmer**	*$48*	*$61*	*$13*	*26.3%*
*SROI**	*$9.0*	*$8.9*	*$0.0*	*-0.2%*

Scale

- In addition to our traditional full-service program clients, One Acre Fund reached a growing number of unique farm families through 30 partnerships with public and private actors in 2023.

For example, in Kenya we opened 77 new rural retail shops for a total of 330, representing the country's largest rural farm shop network. We also partnered with 4,000+ local tree nursery entrepreneurs organization-wide, who produced most of the seedlings we distributed to over 2 million farmers. Other growing partnerships included radio campaigns in Rwanda, poultry brooding in Kenya, coffee farmer trainings in Uganda, and agroforestry-based carbon financing in Zambia.

Systems Change Deficit

- The Systems Change net deficit was $8.9 million higher than in 2022, at -$22.1 million (2022: -$13.3 million). This was primarily attributable to the following factors:
- Decreased revenue and margins in Kenya rural retail: This was mainly due to the impact of the government subsidy program on client footfall and lower margins on fertilizer due to reduced median pricing in the market.
- Higher tree program costs: This was due to serving more tree adopters and planting more trees in 2023 (71.8 million) compared to 2022 (62.5 million).

Impact and SROI

- Each $1 invested in our partnership work enabled farmers to generate $8.9 in new profits and assets.
- Partnerships, by design, are lower-touch and higher-efficiency than our full-service program, reaching large numbers of farmers with targeted offerings. In 2023, we continued advancing several partnerships with the capacity to achieve breakeven and emerge as "revenue engines" to cross-subsidize other programs.

Field Building	2022	2023	Variance	%Variance
Government Relations	-$2,628,827	-$2,792,789	-$163,962	*6.2%*
Communications	-$963,884	-$1,619,040	-$655,156	*68.0%*
Field Building Overhead allocation	-$448,218	-$374,226	$73,992	*-16.5%*
Field Building	**-$4,040,929**	**-$4,786,055**	**-$745,126**	***18.4%***

The Field Building net deficit was $0.7 million higher than in 2022, at -$4.8 million (2022: -$4.0 million). This increase was mostly due to higher costs in our government relations and communications departments, including additional hires, meetings, external consultations, and team transport costs necessitated by the challenging business environment in 2023.

Research and Development	2022	2023	Variance	% Variance
Product and service R&D	-$4,404,895	-$3,617,957	$786,938	*-17.9%*
Scale innovation	-$374,655	-$255,450	$119,205	*-31.8%*
New country scouting and piloting	-$346,253	-$423,829	-$77,576	*22.4%*
Strategy and Research	-$771,585	-$581,034	$190,551	*-24.7%*
Monitoring & Evaluation	-$3,492,289	-$3,237,968	$254,321	*-7.3%*
Research and Development Overhead allocation	-$879,311	-$607,703	$271,608	*-30.9%*
Research and Development	**-$10,268,988**	**-$8,723,941**	**$1,545,047**	***-15.0%***

The Research and Development net deficit was $1.5 million lower than in 2022, at -$8.7 million (2022: -$10.3 million). This improvement was largely attributed to reducing Research and Development projects in response to the challenging business environment in 2023, as well as delayed hires. Additionally, in Kenya, cost savings were realized through the cancellation of Monitoring and Evaluation surveys due to lower enrollment numbers, streamlined meetings, and a reduction in the engagement of external research consultants.

Shared Services	2022	2023	Variance	% Variance
Systems and Infrastructure	-$6,669,996	-$7,413,725	-$743,729	*11.2%*
Finance	-$1,841,327	-$2,797,879	-$956,552	*51.9%*
People Operations	-$4,116,623	-$4,104,402	$12,221	*-0.3%*
Fund development	-$4,738,143	-$5,528,948	-$790,805	*16.7%*
Supporting departments (Executive, Legal)	-$3,336,906	-$4,405,123	-$1,068,217	*32.0%*
Shared Services Overhead allocation	-$852,309	-$968,119	-$115,810	*13.6%*
Shared Services	**-$21,555,304**	**-$25,218,196**	**-$3,662,892**	***17.0%***

The shared services net deficit was $3.7 million higher than in 2022, at -$25.2 million (2022: -$21.6 million). This increase was mostly due to:

- Increased investments in technology projects aimed at bolstering our organizational capabilities and facilitating the development of products and applications that directly benefit farmers.
- Higher headcount in finance, fund development, and support teams to support expanded grant-related and philanthropy activities.

Remeasurement loss	-$1,272,702	-$15,137,758	-$13,865,056	*n/m*
One-off expenses	-$14,461	$0	$14,461	*n/m*
Other Revenue	$2,665,168	$1,800,519	-$864,649	*-32.4%*

In 2023, we incurred approximately $15 million in unbudgeted remeasurement losses due to depreciations (and significant devaluations) of our local currencies. These losses were absorbed by the operating reserves we had carefully built up in recent years.

Other revenue primarily related to unbudgeted one-off fertilizer sales, direct inventory sales, and trials revenue.

Deficit before fundraising	**-$97,891,925**	**-$131,563,538**	**-$33,671,613**	**34.4%**

Donor Contributions	2022	2023	Variance	% Variance
Grant Revenue (Donor-Intended basis)	**$81,672,891**	**$111,160,245**	**$29,487,354**	***36.1%***
Grants to sub-recipients	-$1,446,845	-$1,321,087	$125,758	*-8.7%*

Donor-intended revenue is a non-GAAP metric that we use internally to track expected grant releases. This metric shows the expected grant revenue available for expenses in a given year and is calculated as the sum of unrestricted GAAP revenue and restricted net asset releases.

Donor-intended revenue was $29.5 million higher than in 2022, at $111.2 million (2022: $81.7 million). Donor interest in our activities and impact remains strong. This robust grant performance allowed us to increase our net assets and offset some of our lower farmer revenues.

Total Revenue (Donor-Intended basis)	**$238,007,685**	**$234,666,604**	**-$3,341,081**	**-1.4%**
Total Expense	**-$255,673,564**	**-$256,390,984**	**-$717,420**	**0.3%**
Net Income (Donor-Intended basis)	**-$17,665,879**	**-$21,724,380**	**-$4,058,501**	**23.0%**

Net Income (Donor-Intended Basis) was $4.1 million lower than in 2022, at -$21.7 million (2022: -$17.7 million). This was primarily due to the revenue shortfalls and remeasurement losses explained above.

Despite the increase in net loss, One Acre Fund has operating reserves and remains in a healthy financial position. However, we must respond with leaner operations in the coming years (hence restructuring in both Kenya and Tanzania) and make more tradeoffs in where we choose to grow and invest.

Restricted Grants Revenue	$42,228,150	$91,083,324	$48,855,174	115.7%
Restricted Cash Released	-$40,842,960	-$58,771,442	-$17,928,482	43.9%
Total Net Income (GAAP basis)	**-$16,280,689**	**$10,587,502**	**$26,868,191**	**n/m**

Donor revenue on a GAAP basis can often appear high in a given year, because multiyear pledges and restricted-purpose grants must be reported in the year the grant is committed. Some of these funds are required to be used in a future year. For a more accurate view of our year-to-year finances, please see the section directly above this one.

Net income on a GAAP basis was $26.9 million higher than in 2022, at $10.6 million, following the recognition of several multi-year grants in 2023.

*Total Impact**	*$316,252,793*	*$421,431,579*	*$105,178,786*	*33.3%*
*Total "all-in" SROI**	*$3.2*	*$3.2*	*$0*	*-0.8%*

**Reconciliations conducted after the publication of the Annual Report may result in deviations in reported scale, impact, and SROI*

One Acre Fund equipped farmers to earn $421 million in total new profits and assets in 2023, a 33% increase from 2022. As with scale, we are approaching the halfway point of our 2030 vision: delivering $1 billion in annual impact.

Considering all organizational costs, each $1 invested in One Acre Fund enabled farmers to generate $3.2 in new profits and assets in 2023, consistent with our 2022 SROI. Despite increasing impact, our efficiency remained constrained by consecutive years of external challenges that have driven up costs, including supply chain disruptions, shifting government regulations, and currency fluctuations. Nevertheless, data suggests this still represents a leading level of cost-effectiveness among scaled actors serving farmers in extreme poverty, and our studies show both impact and SROI are more than double for full-service program farmers enrolled for at least 4 years.