One Acre Fund and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2019 and 2018

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Contents

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Independent Auditor's Report

The Board of Directors
One Acre Fund and Subsidiaries
New York, New York

We have audited the accompanying consolidated financial statements of One Acre Fund and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

April 28, 2020

One Acre Fund and Subsidiaries

Consolidated Statements of Financial Position

December 31,	2019	2018
Assets		
Current		
Cash and cash equivalents	**$ 16,488,293**	$ 26,623,054
Restricted cash, less than one year	**102,992**	-
Grants receivable, current portion	**17,614,890**	19,582,205
Farmer repayment receivables, net of valuation allowance of $558,701 and $525,229, respectively	**16,770,705**	12,782,039
Voucher receivables, net of valuation allowance of $817,740 and $490,078, respectively	**5,994,726**	6,558,585
Employee receivables, net of valuation allowance of $96,913 and $70,443, respectively	**1,958,256**	1,247,796
Other current assets	**1,031,573**	1,038,536
Farm inputs inventory, net of valuation allowance of $637,132 and $718,321, respectively	**22,060,410**	19,574,649
Solar inventory	**2,457,577**	2,585,373
Other inventory	**5,039,666**	2,022,430
Prepaid expenses	**11,515,109**	4,103,815
Total Current Assets	**101,034,197**	96,118,482
Long-Term Grants Receivable, Net	**16,964,388**	9,741,479
Other Investments	**73,519**	176,215
Fixed Assets, Net	**14,426,594**	12,749,212
Total Assets	**$ 132,498,698**	$ 118,785,388
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	**$ 20,260,919**	$ 20,655,709
Deferred revenue from farmers	**4,734,766**	4,454,194
Notes payable and lines of credit, current portion	**12,020,853**	15,373,633
Total Current Liabilities	**37,016,538**	40,483,536
Refundable Advance	**15,000,000**	15,000,000
Long-Term Notes Payable and Lines of Credit	**15,500,000**	17,500,000
Total Liabilities	**67,516,538**	72,983,536
Commitments and Contingencies		
Net Assets		
Without donor restrictions	**17,498,729**	4,407,303
With donor restrictions	**47,483,431**	41,394,549
Total Net Assets	**64,982,160**	45,801,852
Total Liabilities and Net Assets	**$ 132,498,698**	$ 118,785,388

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Activities

Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues, Gains and Losses			
Contributions	$ 43,047,143	$ 42,282,957	$ 85,330,100
Revenue from sales to farmers and third parties	81,727,242	-	81,727,242
Miscellaneous gains and losses	(551,989)	-	(551,989)
Interest income	266,223	-	266,223
Net assets released from restrictions (Note 18)	36,194,075	(36,194,075)	-
Total Public Support, Revenues, Gains and Losses	160,682,694	6,088,882	166,771,576
Expenses			
Program services	135,018,219	-	135,018,219
Management and general	7,345,327	-	7,345,327
Fundraising	3,653,657	-	3,653,657
Total Expenses	146,017,203	-	146,017,203
Change in Net Assets, before net remeasurement loss	14,665,491	6,088,882	20,754,373
Net Remeasurement Loss	(1,574,065)	-	(1,574,065)
Change in Net Assets	13,091,426	6,088,882	19,180,308
Net Assets, beginning of year	4,407,303	41,394,549	45,801,852
Net Assets, end of year	$ 17,498,729	$ 47,483,431	$ 64,982,160

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Activities

Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues, Gains and Losses			
Contributions	$ 22,708,554	$ 46,584,635	$ 69,293,189
Revenue from sales to farmers and third parties	66,427,446	-	66,427,446
Miscellaneous gains and losses	88,873	-	88,873
Interest income	95,695	-	95,695
Net assets released from restrictions (Note 18)	29,222,137	(29,222,137)	-
Total Public Support, Revenues, Gains and Losses	118,542,705	17,362,498	135,905,203
Expenses			
Program services	113,963,229	-	113,963,229
Management and general	6,950,914	-	6,950,914
Fundraising	4,028,680	-	4,028,680
Total Expenses	124,942,823	-	124,942,823
Change in Net Assets, before net remeasurement loss	(6,400,118)	17,362,498	10,962,380
Net Remeasurement Loss	(778,848)	-	(778,848)
Change in Net Assets	(7,178,966)	17,362,498	10,183,532
Net Assets, beginning of year	11,586,269	24,032,051	35,618,320
Net Assets, end of year	$ 4,407,303	$ 41,394,549	$ 45,801,852

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Functional Expenses

Year ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
COGS - farm inputs to farmers	$ 46,735,923	$ -	$ -	$ 46,735,923
COGS - solar products	5,880,648	-	-	5,880,648
COGS - other AG related products	6,329,777	-	-	6,329,777
COGS - farm inputs to third parties	2,934,282	-	-	2,934,282
Farmer-related operating expenses	13,990,362	-	-	13,990,362
Bad debt expense	2,779,720	-	-	2,779,720
Salaries and benefits/compensation costs	33,027,738	6,370,039	3,019,270	42,417,047
Recruiting, training and travel	9,160,210	605,267	210,531	9,976,008
Office and general expenses	7,592,827	206,869	85,248	7,884,944
Professional and consultancy fees	1,451,013	82,568	198,641	1,732,222
Occupancy costs	1,017,195	9,631	14,997	1,041,823
Transaction fees	1,607,333	70,953	-	1,678,286
Depreciation	1,098,821	-	-	1,098,821
Interest expense	1,070,928	-	-	1,070,928
Grants to outside org/subrecipient	-	-	124,970	124,970
Value Added Tax and other taxes	341,442	-	-	341,442
Total Functional Expenses	$135,018,219	$ 7,345,327	$ 3,653,657	$146,017,203

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Functional Expenses

Year ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
COGS - farm inputs to farmers	$ 36,989,616	$ -	$ -	$ 36,989,616
COGS - solar products	6,541,315	-	-	6,541,315
COGS - other AG related products	5,990,053	-	-	5,990,053
COGS - farm inputs to third parties	951,998	-	-	951,998
Farmer-related operating expenses	12,879,325	-	-	12,879,325
Bad debt expense	2,334,027	-	-	2,334,027
Salaries and benefits/compensation costs	29,758,932	5,735,281	3,180,081	38,674,294
Recruiting, training and travel	8,071,253	505,159	258,081	8,834,493
Office and general expenses	4,975,494	296,018	84,511	5,356,023
Professional and consultancy fees	1,052,675	178,075	322,931	1,553,681
Occupancy costs	895,900	168,797	183,076	1,247,773
Transaction fees	756,307	67,584	-	823,891
Depreciation	979,383	-	-	979,383
Interest expense	1,345,619	-	-	1,345,619
Value Added Tax and other taxes	441,332	-	-	441,332
Total Functional Expenses	$113,963,229	$ 6,950,914	$ 4,028,680	$124,942,823

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statements of Cash Flows

Year ended December 31,		2019		2018
Cash Flows from Operating Activities				
Change in net assets	$	**19,180,308**	$	10,183,532
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		**1,098,821**		979,383
Loss on sale of fixed assets		**8,794**		8,574
Provision for bad debt		**2,779,720**		2,334,027
Donated investments		**(8,197,349)**		(3,106,332)
Proceeds from sale of donated investments		**8,197,349**		3,106,332
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Grants receivable		**(5,255,594)**		(11,248,302)
Farmer repayment receivables		**(6,768,386)**		(4,866,603)
Voucher receivables		**563,859**		(2,928,788)
Employee receivables		**(710,460)**		3,924
Other current assets		**6,963**		(237,496)
Farm inputs inventory		**(2,485,761)**		(198,192)
Solar inventory		**127,796**		2,147,593
Other inventory		**(3,017,236)**		(971,016)
Prepaid expenses		**(7,411,294)**		3,386,922
Restricted cash		**(102,696)**		-
Increase (decrease) in:				
Accounts payable and accrued expenses		**2,332,885**		3,967,523
Deferred revenue from farmers		**280,572**		(29,996)
Refundable advance		**-**		15,000,000
Net Cash Provided by Operating Activities		**628,291**		17,531,085
Cash Flows from Investing Activities				
Purchases of fixed assets		**(2,823,291)**		(3,140,353)
Proceeds from sale of fixed assets		**37,998**		1,092
Purchases of investments		**-**		(305)
Proceeds from sale of investments		**102,696**		-
Net Cash Used in Investing Activities		**(2,682,597)**		(3,139,566)
Cash Flows from Financing Activities				
Proceeds from notes payable and lines of credit		**9,203,675**		33,399,710
Principal payments on notes payable and lines of credit		**(17,284,130)**		(30,743,178)
Net Cash (Used in) Provided by Financing Activities		**(8,080,455)**		2,656,532
Net (Decrease) Increase in Cash and Cash Equivalents		**(10,134,761)**		17,048,051
Cash and Cash Equivalents, beginning of year		**26,623,054**		9,575,003
Cash and Cash Equivalents, end of year	$	**16,488,293**	$	26,623,054
Supplemental Disclosures of Cash Flow Information				
Cash paid for interest	$	**1,149,323**	$	1,345,619
Donated services		**373,415**		562,205

See accompanying 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 shared management and directors. For the years ended December 31, 2019 and 2018, One Acre Fund and Subsidiaries include One Acre Stichting (Netherlands); One Acre UK Limited (United Kingdom); One Acre Fund, a trust/charity in Malawi, One Acre Fund Limited, a private company incorporated in Myanmar; One Acre Farmers Organization, a trust/nongovernment organization (NGO) in Nigeria; and One Acre Fund Private Limited, a private company incorporated in India (collectively, the Organization). All significant intercompany transactions are eliminated in consolidation.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). In the consolidated statements 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.

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 two classes of net assets—with and without donor restrictions—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 net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

These classes are defined as follows:

With Donor Restrictions - 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 net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations. For the years ended December 31, 2019 and 2018, the Organization has no permanent donor-restricted assets.

Without Donor Restrictions - The part of net assets that are not restricted by donor-imposed stipulations.

Cash and Cash Equivalents

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

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 regard to collectability.

Investments at Fair Value

U.S. GAAP defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. U.S. GAAP 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. U.S. GAAP 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 U.S GAAP as follows:

Level 1 - Valuations are 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.

Level 2 - Valuations are based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations are 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.

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 estimated 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. There was no allowance provided for grants receivable at December 31, 2019 and 2018.

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 support with donor restrictions 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 income without donor restrictions.

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 without donor restrictions 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 support without donor restrictions only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions.

Revenue from Sales to Farmers and Third Parties

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 statements of financial position as deferred revenue from farmers.

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 $637,132 and $718,321 at December 31, 2019 and 2018, respectively.

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
Equipment	5-7
Vehicles	2-5

Repairs and maintenance are charged to operations in the period incurred.

It is the Organization's policy to capitalize individual fixed-assets purchases greater than $5,000 and aggregate similar grouped items over $10,000, which may have been below $5,000 individually.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including 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, 2019 and 2018, there have been no such losses.

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. The Organization incurred grant expenditures of $124,970 and $0 for the years ended December 31, 2019 and 2018, respectively.

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. The Organization is also classified as other than a private foundation. The Organization has no unrelated business income during the years ended December 31, 2019 and 2018 and, therefore, no provision for federal or state income taxes has been made in the accompanying consolidated financial statements. The Organization had no income tax expense for the years ended December 31, 2019 and 2018.

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended December 31, 2019 and 2018, there were no interest or penalties recorded or included in the consolidated statement of activities. The Organization is subject to a routine audit by a taxing authority.

Allocation Methodology

Program services – One Acre Fund's mission is to empower chronically-hungry farm families in Africa to lift themselves out of hunger and poverty. The Organization works with self-help groups in rural villages to deliberately reach the most severely hunger-affected. Currently One Acre Fund runs its core program across seven countries on the African continent, primarily in East Africa, and pilot program in a few additional countries. For the year ended December 31, 2019, the organization served approximately 1,000,000 farmers. Expenses that can be directly identified with the Core Program or Support Services are charged accordingly. Occupancy costs, office and general expenses are allocated to Program or Support based on Board-approved department budgets.

Management and General - This supporting service category includes the functions necessary to secure proper administrative functions, maintain an adequate working environment and manage financial responsibilities of One Acre Fund. In addition to expenses that can be directly identified as relating to management and general, this category includes all staff-related costs related to overhead activity departments, as well as an allocation of other costs that are considered necessary to support One Acre Fund in general rather than specific programs.

Fundraising - This supporting service category includes expenditure that provides the structure necessary to encourage and secure private financial support for One Acre Fund's own operations.

Reclassifications

Certain 2018 balances have been reclassified to be consistent with the 2019 financial presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the 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.

Accounting Pronouncement Recently Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cashflows arising from contracts with customers, including significant judgements and changes in judgements. The provisions of ASU 2014-09 became effective and was adopted for the Organization beginning January 1, 2019. The adoption of this ASU did not have a material impact on the consolidated financial statements.

Effective January 1, 2019, the Organization elected the modified retrospective approach in adopting ASU 2014-09 to all contracts under the scope of the guidance.

As a result, at the adoption of ASU 2014-09, potential bad debts at time of sales are reflected as an implicit price concession and therefore are included as a reduction to revenue from sales to farmers and third parties. For changes in credit issues not assessed at the time of sale, the Organization will prospectively recognize those amounts as bad debt expense.

The Organization has identified revenue from sales to farmers as category subject to the adoption of ASU 2014-09 Topic 606. See Note 9 for additional information.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU No. 2018-08, "Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the Organization's year 2019, and the adoption of this update did not have a material impact on the Organization's consolidated financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

Changes to the Disclosure *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, 2021, with early adoption permitted.

Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with certain practical expedients available. 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 $5,878,409 and $5,902,000 at December 31, 2019 and 2018, respectively. The Organization also has deposits in U.S. financial institutions in excess of Federal Deposit Insurance Corporation insurance limits amounting to approximately $10,465,743 and $16,624,000 at December 31, 2019 and 2018, 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

The Organization has provided a standby letter of credit through Citibank to BSD 80 Broad LLC as cash collateral to secure a security deposit for its New York administrative office. The letter of credit amounted to $102,992 at December 31, 2019, expiring on October 1, 2020.

At December 31, 2019 and 2018, 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 $73,519 at December 31, 2019 and 2018. No impairment is deemed to have occurred during the years ended December 31, 2019 and 2018.

6. In-Kind Donations

Donated Services

Donated services are recognized as revenue 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, 2019 and 2018, donated professional services amounted to $373,415 and $562,205, respectively. For the years ended December 31, 2019 and 2018, 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 statements of activities for these volunteer services because the criteria for recognition of such volunteer effort have not been satisfied.

Donated Investments

During the years ended December 31, 2019 and 2018, the Organization received donations of stocks and mutual funds valued at $8,197,349 and $3,106,332, respectively. The Organization’s policy is to liquidate donated securities immediately upon their receipt. There was no gain or loss recognized on the sale of its donated investments for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, the Organization had no foreign exchange hedging contracts outstanding.

8. Grants Receivable, Net

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:

December 31,	**2019**	2018
Less than one year	$ **17,614,890**	$ 14,135,522
One to five years	**18,664,928**	16,350,821
Unconditional Promises to Give	**36,279,818**	30,486,343
Less: discount balance to present value	**(1,700,540)**	(1,162,659)
Grants Receivable, Net	$ **34,579,278**	$ 29,323,684

9. Farmer Accounts Receivable and Farmer Service Revenue

The Organization adopted ASU 2014-09 Topic 606 on January 1, 2019. The Organization recognizes revenue when control of the promised services is transferred to outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization has identified revenue from sales to farmers as category subject to the adoption of ASU 2014-09 Topic 606.

The results of ASU 2014-09 Topic 606 did not have a material impact on the financial position, changes in net assets, cash flows, business processes, controls or systems of the Organization.

The following table shows the Organization’s farmers revenues disaggregated by geographical area.

December 31,	2019	2018
Kenya	$ **40,845,715**	$ 36,792,267
Rwanda	**18,481,042**	15,215,434
Zambia	**7,927,995**	3,797,107
Tanzania	**7,061,537**	6,255,350
Burundi	**5,313,334**	1,874,046
Malawi	**1,718,522**	1,429,428
Uganda	**285,581**	982,970
Nigeria	**93,516**	60,460
Myanmar	**-**	20,384
	$ **81,727,242**	$ 66,427,446

The following table shows the Organization’s farmers receivable, net disaggregated by geographical area:

December 31,	2019	2018
Zambia	$ **5,530,939**	$ 2,533,985
Tanzania	**5,102,608**	4,628,167
Rwanda	**3,394,218**	3,664,575
Malawi	**1,268,765**	1,041,681
Kenya	**870,369**	388,227
Burundi	**602,445**	524,697
Nigeria	**1,361**	707
	$ **16,770,705**	$ 12,782,039

Farmers revenue and farmers receivable are reported in the amount that reflects consideration to which the Organization be entitled in exchange for providing services. These amounts are due from farmers as a loan receivable or accounts receivable and include a variable consideration (reductions to revenue) for various contractual discounts offered. The estimates for such discounts are based on historical experience with farmers and the number of units purchased. The transaction price amount is fixed based on each unit in the bundle of services provided to farmers. Each bundle of services provided includes distribution of seeds and fertilizers. Since the Organization’s performance obligations are satisfied when the bundle of services has been performed, all of the Organization’s farmers revenues presented are recognized at a point in time. Distribution of seeds and services timing varies based on the geographical location and ranges from one to two distributions a year. All farmers payments during the year before the distribution occurs are recorded as deferred revenue. All respective geographical locations’ farmers revenues and accounts receivable are presented above.

As substantially all of its performance obligations relate to a bundle of service type agreements with a duration of less than one year, the Organization has elected, as part of their adoption of the new revenue standard, to apply the optional exemption provided in ASU 2014-19 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligation that are unsatisfied or partially unsatisfied at the end of the reporting period.

10. Conditional Grants

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 consolidated statements of financial position, as the conditional grants are contingent upon incurring qualifying expenditures and fulfilling milestones. Conditional promises to give are recognized when the conditions on which they depend upon are substantially met. Until that point, any amounts received are recorded as refundable advances.

Conditional Grants Receivables

Short-term and long-term conditional grants receivable, with long-term conditional grants receivable discounted for future cash flows at 5%, amounted to $28,541,926 and $47,952,591 as of December 31, 2019 and 2018, respectively. Due to the conditional nature of these grants, they are not recorded at the respective year-ends.

Conditional Refundable Advances

The Organization received a $15,000,000 refundable advance in 2018 that can be recognized as revenue in 2023 once certain conditions are met; otherwise, it will need to be repaid. Amounts due under the refundable advance agreement will be subordinated to certain of the Organization's liabilities. The $15,000,000 is recorded as refundable advance in the consolidated statements of financial position.

11. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31,	**2019**	2018
Land	**$ 1,884,857**	$ 1,659,497
Buildings	**9,642,726**	7,853,088
Equipment	**1,779,296**	1,051,900
Vehicles	**1,899,118**	1,750,128
	15,205,997	12,314,613
Less: accumulated depreciation and amortization	**(3,853,714)**	(2,856,031)
	11,352,283	9,458,582
Construction-in-progress	**3,074,311**	3,290,630
Fixed Assets, Net	**$ 14,426,594**	$ 12,749,212

Depreciation expense for the years ended December 31, 2019 and 2018 amounted to $1,098,821 and $979,383, respectively. The estimated cost to complete the construction-in-progress at December 31, 2019 is approximately $4,720,000.

12. Notes Payable and Lines of Credit

The Organization uses notes payable and lines of credit to provide working capital for its farmer program activities. Lines of credit and notes payable consist of the following:

December 31, 2019

Debt Instrument	Interest Rate (%)	Amount Available	Outstanding Principal	Current Portion
Non-recourse line of credit	-	$ 4,000,000	$ 193,176	$ 193,176
Note payable	5.90	5,000,000	2,727,677	2,727,677
Note payable	2.00 or less	4,150,000	3,500,000	1,600,000
Note payable	2.01-3.00	8,100,000	8,100,000	7,500,000
Note payable	3.01-4.00	23,000,000	13,000,000	-
Total		$ 44,250,000	$ 27,520,853	$ 12,020,853

December 31, 2018

Debt Instrument	Interest Rate (%)	Amount Available	Outstanding Principal	Current Portion
Non-recourse line of credit	-	$ 4,000,000	$ 723,633	$ 723,633
Note payable	2.00	3,000,000	3,000,000	2,000,000
Note payable	3.00	3,500,000	3,500,000	-
Note payable	3.93	10,000,000	10,000,000	-
Note payable	4.00	15,600,000	15,600,000	12,600,000
Note payable	6.53	50,000	50,000	50,000
Total		$ 36,150,000	$ 32,873,633	$ 15,373,633

At December 31, 2019 and 2018, notes payable include accrued interest of $119,217 and $199,106, respectively.

The Organization has a $5,000,000 revolving line of credit with a commercial bank. At December 31, 2019 and 2018, outstanding amounts on this line of credit were $2,727,672 and $0, respectively.

The non-recourse line of credit and some of the notes payable are unsecured and have no covenants. At December 31, 2019 and 2018, outstanding amounts on notes payable without covenants were $1,600,000 and $0, respectively. The line of credit and the rest of the 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 operative cash flow, and maintenance of a minimum current ratio and net worth. The Organization complied with these covenants at December 31, 2019 and 2018.

At December 31, 2019, maturities on the lines of credit and notes payable are as follows:

Year ending December 31,	
2020	$ 12,020,853
2021	4,933,333
2022	2,633,333
2023	1,333,333
2024	1,933,333
Thereafter	4,666,668
Total	$ 27,520,853

13. 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 year. 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 significant deposits in foreign financial institutions. Cash and petty cash are held in the local currencies of Kenya, Rwanda, Burundi, Uganda, Malawi, Ethiopia, Zambia and Tanzania. The Organization has other assets and liabilities originally denominated in foreign currencies.

This results in an exposure to currency exchange gains and losses at the time assets are disposed of and liabilities are settled, as well as during year-end foreign currency translation into U.S. dollars. In any particular year, currency exchange rate fluctuations may have a significant impact on the Organization's financial results. The foreign currency translation gains and losses are recorded on the Organization's consolidated statement of activities as a net remeasurement gain or loss. For the years ended December 31, 2019 and 2018, the Organization recognized a net remeasurement loss of $1,574,065 and $778,848, respectively.

14. 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 expenses under all leases amounted to $1,041,823 and $1,247,773 for the years ended December 31, 2019 and 2018, respectively. Minimum future rental payments are as follows:

Year ending December 31,		
2020	$	945,220
2021		674,596
2022		671,672
2023		602,798
2024		220,818
Thereafter		82,983
Total	$	3,198,087

15. 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, 2019 and 2018, the Organization has assets outside the U.S. with a carrying value of $86,978,829 and $65,780,136, respectively, primarily across four countries in East Africa, with the largest concentration in Kenya which contains $41,321,910 and $25,066,649 of the Organization's assets as of December 31, 2019 and 2018, respectively.

16. 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 made no discretionary matching contributions to the plan for the years ended December 31, 2019 and 2018.

17. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows:

December 31,	**2019**	2018
Subject to specified purpose:		
Kenya seed and fertilizer sourcing	$ **4,314,664**	$ 8,537,892
Program-related costs excluding inputs	**5,718,821**	7,446,496
Program growth in Kenya, Uganda and Rwanda (IKEA Foundation)	**4,059,817**	6,976,936
Seed and soil agronomy	**-**	250,000
Program expansion in Uganda	**1,225,248**	2,758,390
Improvement to agricultural systems	**1,273,418**	2,018,639
Pilot operations in Malawi and Uganda	**801,210**	1,495,090
Program expansion in Rwanda	**763,310**	1,861,082
Farmer adoption of existing and impactful technologies	**788,663**	1,098,751
Nutrition and digital innovation	**802,115**	629,313
Program expansion in Tanzania	**5,800,523**	71,827
Crop diversification	**-**	180,000
Seed production in Rwanda	**349,065**	111,220
Trees scale-up and research	**5,319,383**	86,506
Financial inclusion for small holder farmers	**-**	80,000
Program expansion in Burundi	**62,922**	21,760
Program expansion in Kenya	**2,500,000**	-
Scaling climate-sustainable interventions (IKEA Foundation)	**4,717,449**	-
Program expansion in Zambia	**40,000**	-
Core program expansion	**224,413**	-
Total Net Assets Subject to Specified Purpose	**38,761,021**	33,623,902
Subject to passage of time:		
Donor-specified time	**8,722,410**	7,770,647
Total Net Assets with Donor Restrictions	$ **47,483,431**	$ 41,394,549

18. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the years ended December 31, 2019 and 2018. The net assets released from donor restrictions are as follows:

Year ended December 31,	**2019**	2018
Purpose or period restrictions accomplished:		
Improvement of agricultural systems	$ **3,624,236**	$ 3,362,872
Program expansion in Rwanda	**1,921,269**	3,362,641
Program growth in Kenya, Uganda and Rwanda (IKEA Foundation)	**3,012,679**	2,905,580
Program expansion in Kenya	**-**	2,860,245
Sourcing seeds and fertilizer in Kenya	**-**	2,658,792
Nutrition and scale-up of innovations in Kenya, Rwanda, Burundi and Tanzania	**2,332,252**	2,579,502
Program-related costs excluding inputs	**2,000,000**	2,000,000
Pilot operations in Malawi and Uganda	**1,848,340**	1,650,000
Farmer adoption of existing and impactful technologies	**1,505,550**	1,524,500
Program expansion in Tanzania	**65,783**	1,644,058
Trees scale-up and research	**2,195,384**	1,058,494
Rwanda farmer promoter program	**-**	859,544
Program expansion in Burundi	**431,899**	459,521
Program expansion in Uganda	**1,848,560**	434,585
Pilot operations and expansions	**-**	418,000
Passage of time	**4,795,974**	250,034
Soil health initiatives	**-**	250,000
Nutrition and digital innovation	**347,915**	215,000
Seed production in Rwanda	**201,166**	188,780
In-field program implementation or research	**-**	133,248
Program expansion in Malawi	**-**	125,034
Working capital for trials in Asia	**-**	100,000
System change in Rwanda and Ethiopia	**-**	40,707
Financial inclusion for small holder farmers	**264,999**	81,000
Crop diversification	**-**	60,000
Core program expansion	**222,387**	-
Program expansion in Kenya	**2,000,000**	-
Kenya seed and fertilizer sourcing	**5,163,072**	-
Seed and soil agronomy	**250,000**	-
Scaling climate-sustainable interventions (IKEA Foundation)	**2,162,610**	-
Total Restrictions Released	$ **36,194,075**	$ 29,222,137

19. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statements of financial position due for general expenditure are as follows:

Year ended December 31,		***2019***		2018
Unrestricted cash and cash equivalents	**$**	**16,488,293**	$	26,623,054
Grants receivable, current portion		**17,614,890**		19,582,205
Farmer repayments receivables		**16,770,705**		12,782,039
Voucher receivables		**5,994,726**		6,558,585
Employee and other receivables		**2,989,829**		2,286,332
Financial Assets		**59,858,443**		67,832,215
Less:				
Amounts unavailable for general expenditures within one year due to:				
Restricted by donors with purpose or time		**47,483,431**		41,394,549
Total Financial Assets Unavailable for General Expenditures		**47,483,431**		41,394,549
Total Financial Assets Available to Management for General Expenditures Within One Year	**$**	**12,375,012**	$	26,437,666

The receivables are subject to implied time restrictions but are expected to be collected within one year. The Organization's goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of liquidity requirements.

As more fully described in Note 12, the Organization also has committed lines of credit that it could draw upon in the event of an unanticipated liquidity need.

20. Miscellaneous Gains and Losses

Miscellaneous gains and losses consisted of the following:

Year ended December 31,		**2019**		2018
Loss from sale of fixed assets	**$**	**(8,794)**	$	(8,574)
Gain from other sales		**259,257**		243,405
Loss on farmers crop insurance (net of insurance payouts of $0 and $1,075,421, respectively, and farmer forgiveness of $802,452 and $1,221,379, respectively)		**(802,452)**		(145,958)
Net Miscellaneous (Losses) Gains	**$**	**(551,989)**	$	88,873

The consolidated statement of functional expenses includes crop insurance premium of $1,074,921 and $1,415,430 for the years ended December 31, 2019 and 2018, respectively.

21. Related-Party Transactions

The Organization grants permanent staff and staff members on fixed-term contracts of more than 12 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.

22. Subsequent Events

The Organization's management has performed subsequent events procedures through April 28, 2020, which is the date the accompanying 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 except the following:

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the Small Business Administration Paycheck Protection Program loans (PPP) that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The PPP application for funds requires the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further requires the Organization to take into account the current business activity and the ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loan funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on our future adherence to the forgiveness criteria.

The Organization will continue to examine the impact that the CARES Act may have on its business. Currently, the Organization is unable to determine the impact that the CARES Act will have on its financial condition, results of operation or liquidity.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

As a result of the COVID-19 outbreak the Organization has increased its outstanding debt after December 31, 2019 by approximately $8,000,000.