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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, 2007 and 2006 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of One Acre Fund, Inc. as of December 31, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Knutte & Associates, P.C.*

July 23, 2008

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**ONE ACRE FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2007 AND 2006**

**ASSETS**

	<b>2007</b>	<b>2006</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 479,040	\$ 159,700
Prepaid Expenses	0	1,725
	<u>479,040</u>	<u>161,425</u>
<b>TOTAL CURRENT ASSETS</b>		
<b>FIXED ASSETS</b>		
Vehicles	34,699	0
Land	4,952	870
Equipment	2,102	0
	<u>41,753</u>	<u>870</u>
Less -- Accumulated Depreciation	2,775	87
	<u>38,978</u>	<u>783</u>
<b>TOTAL FIXED ASSETS</b>		
<b>TOTAL ASSETS</b>	<u>\$ 518,018</u>	<u>\$ 162,208</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 24,803	\$ 3,021
<b>TOTAL CURRENT LIABILITIES</b>	<u>24,803</u>	<u>3,021</u>
<b>TOTAL LIABILITIES</b>	<u>24,803</u>	<u>3,021</u>
<b>NET ASSETS</b>		
Unrestricted	491,215	159,187
Temporarily Restricted	2,000	0
	<u>493,215</u>	<u>159,187</u>
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 518,018</u>	<u>\$ 162,208</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>PUBLIC SUPPORT AND REVENUES</b>				
Special Event Revenue	\$ 15,540	\$ 0	\$ 0	\$ 15,540
Less: Costs of Direct Benefit to Donors	7,682	0	0	7,682
Net Special Event Revenue	<u>7,858</u>	<u>0</u>	<u>0</u>	<u>7,858</u>
Grants and Donations	855,930	4,000	0	859,930
Interest	9,117	0	0	9,117
Program Fees	8,371	0	0	8,371
Donated Services	4,000	0	0	4,000
Miscellaneous	1,191	0	0	1,191
Net Assets Released from Restrictions	<u>2,000</u>	<u>(2,000)</u>	<u>0</u>	<u>0</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<u>888,467</u>	<u>2,000</u>	<u>0</u>	<u>890,467</u>
<b>EXPENSES AND LOSSES</b>				
Functional Expenses				
Program Services	500,954	0	0	500,954
Management and General	26,502	0	0	26,502
Fundraising	<u>28,816</u>	<u>0</u>	<u>0</u>	<u>28,816</u>
Total Functional Expenses	556,272	0	0	556,272
Realized Loss on Investments	<u>167</u>	<u>0</u>	<u>0</u>	<u>167</u>
<b>TOTAL EXPENSES AND LOSSES</b>	<u>556,439</u>	<u>0</u>	<u>0</u>	<u>556,439</u>
<b>CHANGE IN NET ASSETS</b>	332,028	2,000	0	334,028
<b>NET ASSETS,</b>				
<b>BEGINNING OF YEAR</b>	<u>159,187</u>	<u>0</u>	<u>0</u>	<u>159,187</u>
<b>END OF YEAR</b>	<u>\$ 491,215</u>	<u>\$ 2,000</u>	<u>\$ 0</u>	<u>\$ 493,215</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Accounting	\$ 0	\$ 1,500	\$ 0	\$ 1,500
Bank and Credit Card Fees	0	5,973	2,874	8,847
Business Development	18,531	0	0	18,531
Consulting	307	0	0	307
Depreciation	2,688	0	0	2,688
Employee Benefits	7,160	0	0	7,160
Farming Supplies	261,787	0	0	261,787
Farming Transportation	28,714	0	0	28,714
Farming Warehouse Costs	16	0	0	16
Legal Fees	0	1,771	0	1,771
Marketing and Promotions	0	0	1,584	1,584
Miscellaneous	825	6,596	825	8,246
Occupancy	2,764	2,764	0	5,528
Payroll Taxes	6,707	745	0	7,452
Postage and Shipping	0	1,315	0	1,315
Printing and Publications	3,600	0	111	3,711
Recruiting and Training	5,292	0	0	5,292
Salaries and Wages	131,375	3,234	3,234	137,843
Supplies	5,243	1,748	0	6,991
Technology and Internet	4,169	0	0	4,169
Telephone	5,258	856	0	6,114
Travel	16,518	0	20,188	36,706
	<u>\$ 500,954</u>	<u>\$ 26,502</u>	<u>\$ 28,816</u>	<u>\$ 556,272</u>

**See Accompanying Notes To The Financial Statements.**

**ONE ACRE FUND, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from Donors and Grantors	\$ 878,664	\$ 224,295
Interest Received	9,117	795
Paid to Suppliers and Employees	(533,759)	(64,520)
Interest Paid	0	0
Income Taxes Paid	0	0
	<hr/>	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>354,022</b>	<b>160,570</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Purchase of Property	(40,883)	(870)
Proceeds from the Sale of Investments	6,201	0
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(34,682)</b>	<b>(870)</b>
	<hr/>	<hr/>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>319,340</b>	<b>159,700</b>
<b>CASH AND CASH EQUIVALENTS,</b>		
<b>BEGINNING OF YEAR</b>	<b>159,700</b>	<b>0</b>
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<b>END OF YEAR</b>	<b>\$ 479,040</b>	<b>\$ 159,700</b>
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See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

**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. 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 Statement of Financial Accounting Standards Nos. 116 and 117, "Accounting for Contributions Received and Contributions Made" (SFAS 116) and "Financial Statements of Not-for-Profit Organizations" (SFAS 117). Under SFAS 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under SFAS 117, 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.

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, 2007 AND 2006**

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

C) Accounting Policies

Fixed Assets - Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line method over various useful lives. Depreciation expense for the years ended December 31, 2007 and 2006 amounts to \$2,688 and \$87, respectively.

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.

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 and is classified by the Internal Revenue Service as other than a private foundation.

Donated Services - Donated services are recognized as in-kind 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. The Board Treasurer performs the bookkeeping for the Organization without any compensation. For the years ended December 31, 2007 and 2006, donated services amount to \$4,000 and \$1,800, respectively, and are reflected in the statement of activities as donated services revenue and in the statement of functional expenses as salaries and wages expense. The Organization received other donated services but they have not been recorded because the criteria for recognition of such volunteer effort under SFAS No. 116 has not been satisfied.

**NOTE 2 - IN-KIND DONATIONS**

The Organization received a donation of 108 shares of Harding Loevner Funds Inc. mutual funds with a value of \$6,368 on November 29, 2007. The Organization sold the shares on December 28, 2007 for \$6,201 and recognized a loss of \$167.

**ONE ACRE FUND, INC.  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Organization has deposits in one foreign financial institution with no federal insurance of approximately \$2,000 and \$3,000 at December 31, 2007 and 2006, respectively. The Organization also has deposits at one domestic financial institution in excess of FDIC insurance limits of approximately \$187,000 and \$0 at December 31, 2007 and 2006, 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 4 - FOREIGN CURRENCY TRANSLATION**

Because the Organization's functional currency is the local currency in Kenya, it is susceptible to exchange losses due to foreign currency translation. The Organization regularly transfers cash from its domestic accounts to its foreign account to cover expenses, translating its expenses into U.S. dollars when they are incurred. The aggregate foreign currency exchange gains and losses are immaterial as of December 31, 2007 and 2006 and thus are not recorded in the financial statements.

**NOTE 5 - NET ASSET RESTRICTIONS**

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

	<b>2007</b>	<b>2006</b>
Children Health Program	\$ 2,000	\$ 0
Total Restricted Net Assets	\$ 2,000	\$ 0

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

	<b>2007</b>	<b>2006</b>
Purpose Restriction Accomplished:		
Children Health Program	\$ 2,000	\$ 0
Total Restrictions Released	\$ 2,000	\$ 0