

**ONE ACRE FUND, INC.
REPORT ON THE EXAMINATION
OF THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009 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, 2010 and December 31, 2009 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, 2010 and 2009, 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, 2010 and 2009, 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.

Knutte & Associates, P.C.

ONE ACRE FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS

	2010	2009
CURRENT ASSETS		
Cash	\$ 616,776	\$ 1,010,918
Cash Reserved for Crop Insurance Fund	0	540,292
Grants Receivable (Net of Allowance for Doubtful Accounts of \$0, Respectively)	553,230	1,075,000
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$19,651 and \$0, Respectively)	176,863	0
Employee Advances (Net of Allowance for Doubtful Accounts of \$5,833 and \$6,214, Respectively)	33,051	37,913
Inventory	738,144	759,892
Prepaid Expenses	592,819	21,875
TOTAL CURRENT ASSETS	2,710,883	3,445,890
FIXED ASSETS		
Land	114,053	59,875
Buildings	293,688	26,815
Construction in Process	123,689	0
Vehicles	380,814	291,815
Equipment	30,001	21,985
	942,245	400,490
Less -- Accumulated Depreciation	122,974	61,905
TOTAL FIXED ASSETS	819,271	338,585
TOTAL ASSETS	\$ 3,530,154	\$ 3,784,475

LIABILITIES AND NET ASSETS

	2010	2009
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 58,911	\$ 16,031
Deferred Revenue	109,005	0
Note Payable	0	100,000
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	167,916	116,031
	<hr/>	<hr/>
LONG TERM LIABILITIES		
Refundable Crop Insurance Funds	0	500,000
	<hr/>	<hr/>
TOTAL LONG TERM LIABILITIES	0	500,000
	<hr/>	<hr/>
TOTAL LIABILITIES	167,916	616,031
	<hr/>	<hr/>
NET ASSETS		
Unrestricted		
Undesignated	2,544,008	2,918,444
Designated	100,000	0
Total Unrestricted	<hr/>	<hr/>
	2,644,008	2,918,444
Temporarily Restricted	718,230	250,000
	<hr/>	<hr/>
TOTAL NET ASSETS	3,362,238	3,168,444
	<hr/>	<hr/>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,530,154</u>	<u>\$ 3,784,475</u>

See Accompanying Notes To The Financial Statements.

**ONE ACRE FUND, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES				
Grants and Donations	\$ 1,522,080	\$ 1,494,300	\$ 0	\$ 3,016,380
Program Fees	1,665,778	0	0	1,665,778
Special Events (Net of Direct Benefits to Donors of \$12,524)	123,316	0	0	123,316
Donated Property	70,000	0	0	70,000
Miscellaneous	14,871	0	0	14,871
Interest	9,401	0	0	9,401
Donated Investments	2,936	0	0	2,936
Net Assets Released from Restrictions	1,026,070	(1,026,070)	0	0
TOTAL PUBLIC SUPPORT AND REVENUES	4,434,452	468,230	0	4,902,682
EXPENSES AND LOSSES				
Functional Expenses				
Program Services	3,978,177	0	0	3,978,177
Management and General	314,111	0	0	314,111
Fundraising	249,261	0	0	249,261
Total Functional Expenses	4,541,549	0	0	4,541,549
Remeasurement Loss	152,978	0	0	152,978
Loss on Disposal of Fixed Assets	14,340	0	0	14,340
Loss on Sale of Investments	21	0	0	21
TOTAL EXPENSES AND LOSSES	4,708,888	0	0	4,708,888
CHANGE IN NET ASSETS	(274,436)	468,230	0	193,794
NET ASSETS,				
BEGINNING OF YEAR	2,918,444	250,000	0	3,168,444
END OF YEAR	\$ 2,644,008	\$ 718,230	\$ 0	\$ 3,362,238

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
EXPENSES AND LOSSES				
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 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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Accounting	\$ 0	\$ 20,200	\$ 0	\$ 20,200
Bad Debts	0	85,055	0	85,055
Bank and Credit Card Fees	0	15,753	0	15,753
Business Development	245,505	35,928	0	281,433
Casual Labor	106,119	0	0	106,119
Depreciation	73,359	3,861	0	77,220
Employee Benefits	46,705	3,737	9,703	60,145
Farming Supplies	1,375,195	0	0	1,375,195
Farming Transportation	12,042	0	0	12,042
Farming Warehouse Costs	99,154	0	0	99,154
Fundraising Costs	0	0	5,072	5,072
Insurance	71,791	12,669	0	84,460
Interest	0	434	0	434
Marketing and Promotions	0	27,787	6,947	34,734
Miscellaneous	26,192	11,225	0	37,417
Monitoring and Evaluation	118,394	0	0	118,394
Occupancy	110,858	6,159	6,159	123,176
Payroll Taxes	75,035	6,003	15,589	96,627
Postage and Shipping	1,529	3,567	0	5,096
Printing and Publications	65,809	3,656	3,656	73,121
Recruiting and Training	124,794	0	0	124,794
Salaries and Wages	830,321	66,430	172,500	1,069,251
Supplies	38,139	4,238	0	42,377
Travel and Field Staff				
Transport	557,236	7,409	29,635	594,280
	<u>\$ 3,978,177</u>	<u>\$ 314,111</u>	<u>\$ 249,261</u>	<u>\$ 4,541,549</u>

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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from Supporters and Other Sources	\$ 5,267,130	\$ 3,041,175
Interest Received	9,401	15,066
Paid to Suppliers and Employees	(5,458,222)	(2,387,648)
Interest Paid	(434)	(4,992)
Income Taxes Paid	0	0
	<hr/>	<hr/>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(182,125)	663,601
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Purchase of Property	(503,439)	(237,640)
Proceeds from Sale of Fixed Assets	1,193	0
Proceeds from the Sale of Investments	2,915	3,643
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(499,331)	(233,997)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(100,000)	0
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	(100,000)	0
	<hr/>	<hr/>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(152,978)	(135,114)
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(934,434)	294,490
CASH AND CASH EQUIVALENTS,		
BEGINNING OF YEAR	1,551,210	1,256,720
	<hr/>	<hr/>
END OF YEAR	\$ 616,776	\$ 1,551,210
	<hr/> <hr/>	<hr/> <hr/>
NON-CASH INVESTING ACTIVITIES		
Donated Property	\$ 70,000	\$ 0
Donated Investments	2,936	3,683
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TOTAL NON-CASH INVESTING ACTIVITIES	\$ 72,936	\$ 3,683
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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, 2010 AND 2009**

	2010	2009
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ 193,794	\$ 1,546,413
Adjustments to Reconcile Change in Net Assets to Net Cash (Used in) Provided by Operating Activities:		
Remeasurement Loss	152,978	135,114
Depreciation	77,220	42,669
Allowance for Doubtful Accounts	19,270	6,214
Loss on Disposal of Fixed Assets	14,340	1,532
Donated Property	(70,000)	0
Donated Investments	(2,936)	(3,683)
Loss on Sale of Investments	21	40
Changes in Certain Assets and Liabilities:		
Grants Receivable	521,770	(575,000)
Accounts Receivable	(196,514)	0
Employee Advances	5,243	(44,127)
Inventory	21,748	(457,302)
Prepaid Expenses	(570,944)	2,965
Accounts Payable and Accrued Expenses	42,880	8,766
Deferred Revenue	109,005	0
Refundable Crop Insurance Funds	(500,000)	0
Total Adjustments	<u>(375,919)</u>	<u>(882,812)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (182,125)</u>	<u>\$ 663,601</u>

See Accompanying Notes To The Financial Statements.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

A) Organization and Nature of Activities

One Acre Fund, Inc. (the Organization) is an Illinois not-for-profit organization that was incorporated in December 2005 and operates primarily in Kenya 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, 2010 AND 2009

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

C) Accounting Policies (Continued)

Grants Receivable, Accounts Receivable, and Employee Advances - Grants receivable, accounts 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 farmers, employees, grants, contracts, etc. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account. The allowance for doubtful accounts receivable at December 31, 2010 and 2009 is \$19,651 and \$0, respectively. The allowance for doubtful grants receivable at December 31, 2010 and 2009 is \$0, respectively. The allowance for doubtful employee advances receivable at December 31, 2010 and 2009 is \$5,833 and \$6,214, 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, 2010 and 2009 amounts to \$77,220 and \$42,669, respectively.

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

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.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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

C) Accounting Policies (Continued)

Income Taxes (Continued) - The Organization has no unrelated business income during the years ended December 31, 2010 and 2009, 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. The only tax years subject to examination by major tax jurisdictions are those within the statutory limits.

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

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Organization has deposits in foreign financial institutions not covered by U.S. federal insurance of approximately \$225,000 and \$311,000 at December 31, 2010 and 2009, respectively. The Organization also has deposits in U.S. financial institutions in excess of FDIC insurance limits of approximately \$0 and \$623,000 at December 31, 2010 and 2009, 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.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3 - IN-KIND DONATIONS

Donated Property - During 2010 and 2009 the Organization received donations of property valued at \$70,000 and \$0, 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, 2010 and 2009, donated professional services consist of accounting, legal, and program-related services with an estimated fair value of \$0 and \$49,071, respectively. These amounts are reflected as donated services revenue on the statements of activities and are also allocated among the categories of functional expenses. Donated services are also included in salaries and wages and in legal expense on the 2009 statement of functional expenses.

For the years ended December 31, 2010 and 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 statements of activities for these volunteer services because the criteria for recognition of such volunteer effort under ASC 958 have not been satisfied.

Donated Investments - During 2010 and 2009 the Organization received donations of stocks and mutual funds valued at \$2,936 and \$3,683, respectively. It is the Organization's policy to liquidate donated securities immediately upon their receipt. The Organization realized a net loss on the sales of \$21 and \$40 for the years ending December 31, 2010 and 2009, respectively.

NOTE 4 - 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 self-insurance program. The entity providing these funds had placed certain restrictions and had reserved the right to withdraw these funds from One Acre Fund and redirect them to another charitable organization. The term endowment agreement mandated 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 could be made upon the occurrence of specified insurance events. No such events occurred during the years ended December 31, 2010 and 2009.

During the year ended December 31, 2010, the Organization repaid these advances in full and terminated its self-insurance program, replacing it with a third-party harvest insurance policy.

**ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 5 - NOTE PAYABLE

Notes payable consist of the following at December 31:

	2010	2009
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.	0	100,000
	0	100,000
Total Debt	0	100,000
Less - Current Portion	0	100,000
	0	100,000
Total Long-Term Portion	\$ 0	\$ 0

NOTE 6 - 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 severely impacted if the Organization were to lose a major grant.

NOTE 7 - 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 expense, are remeasured using the same historical exchange rates, as the ones used for remeasuring the underlying items on the balance sheet.

**ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

NOTE 7 - FUNCTIONAL CURRENCY, FOREIGN CURRENCY TRANSLATION AND CURRENCY EXCHANGE RATE EXPOSURE (CONTINUED)

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, 2010 and 2009, the Organization recognized remeasurement losses of \$152,978 and \$135,114, respectively.

NOTE 8 - NET ASSET RESTRICTIONS AND DESIGNATIONS

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

Purpose or Time Restriction	2010	2009
Program Expansion in Rwanda 2011-2013	\$ 593,230	\$ 0
Program Services	125,000	40,000
Taking Prototype District to Scale	0	150,000
Webuye District	0	50,000
Crop Insurance Fund	0	10,000
Total Temporarily Restricted Net Assets	<u>\$ 718,230</u>	<u>\$ 250,000</u>

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 8 - NET ASSET RESTRICTIONS AND DESIGNATIONS (CONTINUED)

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

	2010	2009
Purpose Restriction Accomplished		
Program Expansion in Rwanda	\$ 266,070	\$ 300,000
Program Services	265,000	10,000
General Research	200,000	0
Taking Prototype District to Scale	150,000	0
Webuye District	50,000	23,000
Women's Farm Groups	30,000	30,000
Seed and Fertilizer Purchases	30,000	0
Bean Growing	25,000	0
Crop Insurance Fund	10,000	0
Children Health Program	0	6,000
Total Restrictions Released	<u>\$ 1,026,070</u>	<u>\$ 369,000</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.

The Organization has a talent retention program that offers eligible staff a bonus for meeting certain time-based criteria. At December 31, 2010 and 2009, \$100,000 and \$0, respectively of unrestricted net assets are designated by the Organization's Board of Directors as a talent retention reserve fund for probable future payments to vesting employees. During the years ending December 31, 2010 and 2009 no employees have completed their required service time for the Organization and therefore no payments have been made out of the talent retention reserve fund.

ONE ACRE FUND, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 9 - LEASE COMMITMENTS

The Organization leases office, 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 \$41,086 and \$17,781, for the years ended December 31, 2010 and 2009, respectively. Minimum future rental payments are as follows:

For the year ended December 31, 2011	\$	5,698
2012		5,051
2013		5,051
2014		1,428
		<hr/>
	\$	17,228
		<hr/> <hr/>

NOTE 10 - SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 3, 2011, which is the date on which the financial statements were issued.