One Acre Fund and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2018 and 2017

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Years Ended December 31, 2018 and 2017

Contents

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Independent Auditor's Report

To the Board of Directors
One Acre Fund and Subsidiaries
New York, New York

Report on the Consolidated Financial Statements

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, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit 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, 2018 and 2017, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

April 26, 2019

One Acre Fund and Subsidiaries

Consolidated Statement of Financial Position

December 31,		**2018**		2017
Assets				
Current				
Cash and cash equivalents	**$**	**26,623,054**	$	9,575,003
Grants receivable, current portion		**19,582,205**		8,707,663
Farmer repayment receivables, net of valuation allowance of $525,229 and $482,633, respectively		**12,782,039**		10,249,463
Voucher receivables, net of valuation allowance of $490,078 and $182,834 for 2018 and 2017, respectively		**6,558,585**		3,629,797
Employee receivables, net of valuation allowance of $70,443 and $54,995, respectively		**1,247,796**		1,251,720
Other current assets		**1,038,536**		801,040
Farm inputs inventory, net of valuation allowance of $718,321 and $153,440, respectively		**19,574,649**		19,376,457
Solar inventory		**2,585,373**		4,732,966
Other inventory		**2,022,430**		1,051,414
Prepaid expenses		**4,103,815**		7,490,737
Total Current Assets		**96,118,482**		66,866,260
Long-Term Grants Receivable		**9,741,479**		9,367,719
Other Investments		**176,215**		175,910
Fixed Assets, Net		**12,749,212**		10,597,908
Total Assets	**$**	**118,785,388**	$	87,007,797
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**20,655,709**	$	16,688,186
Deferred revenue from farmers		**4,454,194**		4,484,190
Notes payable and lines of credit, current portion		**15,373,633**		17,167,101
Total Current Liabilities		**40,483,536**		38,339,477
Refundable Advance		**15,000,000**		-
Long-Term Notes Payable and Lines of Credit		**17,500,000**		13,050,000
Total Liabilities		**72,983,536**		51,389,477
Commitments and Contingencies				
Net Assets				
Without donor restrictions		**4,407,303**		11,586,269
With donor restrictions		**41,394,549**		24,032,051
Total Net Assets		**45,801,852**		35,618,320
Total Liabilities and Net Assets	**$**	**118,785,388**	$	87,007,797

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 17)		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		117,315,643		-		117,315,643
Management and general		3,598,500		-		3,598,500
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 Activities

Year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support, Revenues, Gains and Losses			
Contributions	$ 27,838,467	$ 27,776,501	$ 55,614,968
Revenue from sales to farmers and third parties	45,864,274	-	45,864,274
Miscellaneous gains and losses	26,524	-	26,524
Interest income	29,550	-	29,550
Net assets released from restrictions (Note 17)	21,228,153	(21,228,153)	-
Total Public Support, Revenues, Gains and Losses	94,986,968	6,548,348	101,535,316
Expenses			
Program services	92,930,322	-	92,930,322
Management and general	3,738,929	-	3,738,929
Fundraising	3,446,396	-	3,446,396
Total Expenses	100,115,647	-	100,115,647
Change in Net Assets Before Net Remeasurement Loss	(5,128,679)	6,548,348	1,419,669
Net Remeasurement Loss	(820,748)	-	(820,748)
Change in Net Assets	(5,949,427)	6,548,348	598,921
Net Assets, beginning of year	17,535,696	17,483,703	35,019,399
Net Assets, end of year	$ 11,586,269	$ 24,032,051	$ 35,618,320

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	32,849,986	2,644,226	3,180,081	38,674,293
Recruiting, training and travel	8,332,613	243,800	258,081	8,834,494
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	$117,315,643	$ 3,598,500	$ 4,028,680	$124,942,823

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Functional Expenses

Year ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
COGS - farm inputs to farmers	$ 25,705,870	$ -	$ -	$ 25,705,870
COGS - solar products	5,078,283	-	-	5,078,283
COGS - other AG related products	3,081,563	-	-	3,081,563
COGS - farm inputs to third parties	846,007	-	-	846,007
Salaries and benefits/compensation costs	27,906,497	2,606,147	2,906,548	33,419,192
Farmer-related operating expenses	10,953,514	-	-	10,953,514
Recruiting, training and travel	8,209,033	348,268	215,852	8,773,153
Office and general expenses	4,425,448	368,066	83,221	4,876,735
Professional and consultancy fees	1,624,918	196,759	166,333	1,988,010
Occupancy costs	1,024,830	70,243	64,803	1,159,876
Transaction fees	527,883	149,446	9,639	686,968
Depreciation	904,484	-	-	904,484
Interest expense	978,999	-	-	978,999
Bad debt expense	1,662,993	-	-	1,662,993
Total Functional Expenses	$ 92,930,322	$ 3,738,929	$ 3,446,396	$100,115,647

See accompanying notes to consolidated financial statements.

One Acre Fund and Subsidiaries

Consolidated Statement of Cash Flows

Year ended December 31,		**2018**		2017
Cash Flows from Operating Activities				
Change in net assets	**$**	**10,183,532**	$	598,921
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation		**979,383**		904,484
Gain on sale of fixed assets		**-**		(5,457)
Provision for bad debt		**2,334,027**		1,662,993
Donated investments		**(3,106,332)**		(2,603,915)
Proceeds from sale of donated investments		**3,106,332**		2,642,008
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Grants receivable		**(11,248,302)**		(13,641,250)
Farmer repayment receivables		**(4,866,603)**		(3,610,054)
Voucher receivables		**(2,928,788)**		(2,406,687)
Employee receivables		**3,924**		(366,298)
Other current assets		**(237,496)**		(283,429)
Farm inputs inventory		**(198,192)**		(7,817,210)
Solar inventory		**2,147,593**		(530,111)
Other inventory		**(971,016)**		302,542
Prepaid expenses		**3,386,922**		(2,912,790)
Restricted cash		**-**		80,195
Increase (decrease) in:				
Accounts payable and accrued expenses		**3,967,523**		5,247,417
Accrued interest		**-**		(109,807)
Deferred revenue from farmers		**(29,996)**		2,276,618
Refundable advance		**15,000,000**		-
Net Cash Provided by (Used in) Operating Activities		**17,522,511**		(20,571,830)
Cash Flows from Investing Activities				
Purchases of fixed assets		**(3,131,779)**		(3,976,721)
Proceeds from sale of fixed assets		**1,092**		33,832
Purchases of investments		**(305)**		(102,390)
Net Cash Used in Investing Activities		**(3,130,992)**		(4,045,279)
Cash Flows from Financing Activities				
Proceeds from notes payable and lines of credit		**33,399,710**		41,342,782
Principal payments on notes payable and lines of credit		**(30,743,178)**		(17,212,131)
Net Cash Provided by Financing Activities		**2,656,532**		24,130,651
Net Increase (Decrease) in Cash and Cash Equivalents		**17,048,051**		(486,458)
Cash and Cash Equivalents, beginning of year		**9,575,003**		10,061,461
Cash and Cash Equivalents, end of year	**$**	**26,623,054**	$	9,575,003
Supplemental Disclosures of Cash Flow Information				
Cash paid for interest	**$**	**1,345,619**	$	978,999
Donated services		**562,205**		604,493

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, 2018 and 2017, 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 statement 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, 2018 and 2017, 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, 2018 and 2017. The valuation allowance for farmer repayment receivables amounted to $525,229 and $482,633 at December 31, 2018 and 2017, respectively. The valuation allowance for voucher receivables amounted to $490,078 and $182,834 at December 31, 2018 and 2017, respectively. Employee receivables consist primarily of loans to employees. The valuation allowance for employee receivables amounted to $70,443 and $54,995 at December 31, 2018 and 2017, respectively.

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 statement 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 $718,321 and $153,440 at December 31, 2018 and 2017, 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	2-5
Vehicles	2-5

Impairment of Fixed Assets

The Organization reviews 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, 2018 and 2017, 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. There were no grant expenditures for the years ended December 31, 2018 and 2017.

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, 2018 and 2017 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, 2018 and 2017.

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, 2018 and 2017, 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 – The Organization'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 the Organization runs its core program across seven countries on the African continent, primarily in East Africa, and pilot program in a few additional countries. In 2018, the Organization served 800,000+ farmers directly. 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 the Organization.

Fundraising - This supporting service category includes expenditure, which provides the structure necessary to encourage and secure private financial support for the Organization's own operations.

Reclassifications

Certain 2017 balances have been reclassified to be consistent with the 2018 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 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

Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets, absent explicit donor stipulations otherwise; (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs; (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (f) presenting investment return net of external and direct expenses and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Organization's consolidated financial statements for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented, although certain optional practical expedients are available for periods prior to adoption. These consolidated financial statements reflect implementation of this ASU.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued 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 the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management has evaluated the impact of this ASU on its consolidated financial statements and does not believe it will have a material effect.

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, 2019, with early adoption permitted. 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 $5,902,000 and $5,450,000 at December 31, 2018 and 2017, respectively. The Organization also has deposits in U.S. financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits amounting to approximately $16,624,000 and $3,565,000 at December 31, 2018 and 2017, 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 $102,696 and $102,390 at December 31, 2018 and 2017, expiring on December 1, 2020.

At December 31, 2018 and 2017, 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 $73,520 at December 31, 2018 and 2017. No impairment is deemed to have occurred during the years ended December 31, 2018 and 2017.

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, 2018 and 2017, donated professional services amount to $562,205 and $604,493, respectively. For the years ended December 31, 2018 and 2017, 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 statement 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, 2018 and 2017, the Organization received donations of stocks and mutual funds valued at $3,106,332 and $2,603,915, respectively. The Organization's policy is to liquidate donated securities immediately upon their receipt. For the donated investments received and sold, the Organization realized a gain on the sale of its donated investments of $0 for the years ended December 31, 2018 and 2017.

At December 31, 2018 and 2017, certain donated investments received at year-end were not sold until the following year. These donated investments are stated at fair value and consist of corporate stocks as follows:

December 31, 2018

	Balance	(Level 1)	Cost	Accumulated Unrealized Gain
Corporate stocks	$ 260	$ 260	$ 260	$ -

December 31, 2017

	Balance	(Level 1)	Cost	Accumulated Unrealized Gain
Corporate stocks	$ 8,870	$ 8,870	$ 8,870	$ -

These investments were sold shortly after year end and U.S. GAAP provides the definition of fair value for financial reporting, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, and requires disclosure about the use of fair value measurements. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were used.

Level 1 Fair Value Measurements

The fair value of corporate stocks is based on unadjusted quoted market prices in active markets for identical assets.

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, 2018 and 2017, the Organization had no foreign exchange hedging contracts outstanding.

8. Grants Receivable

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,	**2018**	2017
Less than one year	**$ 14,135,522**	$ 8,707,663
One to five years	**16,350,821**	9,836,105
Unconditional Promises to Give	**30,486,343**	18,543,768
Less: discount balance to present value	**(1,162,659)**	(468,386)
Grants Receivable	**$ 29,323,684**	$ 18,075,382

9. 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 statement 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 $47,952,591 and $51,786,989 as of December 31, 2018 and 2017, respectively. Due to the conditional nature of these grants, they are not recorded at the respective year end.

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 the Organization's senior liabilities.

10. Fixed Assets, Net

Fixed assets, net consist of the following:

December 31,	**2018**	2017
Land	**$ 1,659,497**	$ 1,665,099
Buildings	**7,853,088**	7,856,434
Equipment	**1,051,900**	1,179,750
Vehicles	**1,750,128**	1,417,061
	12,314,613	12,118,344
Less: accumulated depreciation and amortization	**(2,856,031)**	(2,110,221)
	9,458,582	10,008,123
Construction-in-progress	**3,290,630**	589,785
Fixed Assets, Net	**$ 12,749,212**	$ 10,597,908

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to $979,383 and $904,484, respectively. The estimated cost to complete the construction-in-progress is approximately $4,033,400.

11. Notes Payable and Lines of Credit

The Organization uses notes payable and lines of credit to provide working capital for its farmer program activities. For the years ended December 31, 2018 and 2017, lines of credit and notes payable consist of the following:

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

December 31, 2017

Debt Instrument	Interest Rate (%)	Amount Available	Outstanding Principal	Current Portion
Non-recourse line of credit	-	$ 2,800,000	$ 267,101	$ 267,101
Note payable	2.00	3,000,000	3,000,000	-
Note payable	3.93	10,000,000	10,000,000	-
Note payable	4.00	16,000,000	16,000,000	16,000,000
Note payable	6.53	950,000	950,000	900,000
Total		$ 32,750,000	$ 30,217,101	$ 17,167,101

At December 31, 2018 and 2017, notes payable include accrued interest of $199,106 and $213,134, respectively.

During 2018, the Organization negotiated a $5,000,000 revolving line of credit with a commercial bank. No amounts were outstanding on this line of credit at December 31, 2018.

The non-recourse line of credit is unsecured and has no covenants. The lines of credit and 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 operating cash flow, and maintenance of a minimum current ratio and net worth. The Organization complied with these covenants at December 31, 2018 and 2017.

At December 31, 2018, maturities on the lines of credit and notes payable are as follows:

Year ending December 31,		
2019	$	15,373,633
2020		3,900,000
2021		5,600,000
2022		2,000,000
2023		2,000,000
Thereafter		4,000,000
Total	$	32,873,633

12. 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 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, 2018 and 2017, the Organization recognized a net remeasurement loss of $778,848 and $820,748, respectively.

13. 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 $1,247,773 for the year ended December 31, 2018. Minimum future rental payments are as follows:

Year ending December 31,		
2019	$	363,224
2020		32,873
2021		14,097
2022		685
2023		2,742
Total	$	413,621

14. 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, 2018 and 2017, the Organization has assets outside the U.S. with a carrying value of $65,780,136 and $50,003,352, respectively, primarily across four countries in East Africa, with the largest concentration in Kenya which contains $25,066,649 and $18,894,527 of the Organization's assets as of December 31, 2018 and 2017, respectively.

15. 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, 2018 and 2017.

16. Net Assets with Donor Restrictions

Net assets with donor restrictions are as follows:

December 31,		**2018**		2017
Subject to specified purpose:				
Kenya seed and fertilizer sourcing	**$**	**8,537,892**	$	-
Program-related costs excluding inputs		**7,446,496**		-
Program growth in Kenya, Uganda and Rwanda (IKEA Foundation)		**6,976,936**		9,623,113
Seed and soil agronomy		**4,992,609**		-
Program expansion in Uganda		**2,758,390**		134,582
Improvement to agricultural systems		**2,018,639**		2,000,000
Pilot operations in Malawi and Uganda		**1,495,090**		3,835,731
Program expansion in Rwanda		**1,861,082**		3,299,293
Farmer adoption of existing and impactful technologies		**1,098,751**		517,040
Nutrition and digital innovation		**629,313**		-
Program expansion in Tanzania		**71,827**		695,677
Crop diversification		**180,000**		-
Seed production in Rwanda		**111,220**		-
Trees scale-up and research		**86,506**		-
Financial inclusion for small holder farmers		**80,000**		-
Program expansion in Burundi		**21,760**		196,764
Program expansion in Kenya		**-**		2,083,175
Rwanda farmer promoter program		**-**		768,385
Working capital Kenya and Uganda		**-**		400,000
Program expansion in Malawi		**-**		181,034
Working capital for trials in Asia		**-**		100,000
System change in Rwanda & Ethiopia		**-**		100,000
In-field program implementation or research		**-**		97,257
Total Net Assets Subject to Specified Purpose		**38,366,511**	$	24,032,051
Subject to passage of time:				
Donor-specified time		**3,028,038**		-
Total Net Assets with Donor Restrictions	**$**	**41,394,549**	$	24,032,051

17. 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, 2018 and 2017. The net assets released from donor restrictions are as follows:

Year ended December 31,	**2018**	2017
Purpose or period restrictions accomplished:		
Improvement of agricultural systems	**$ 3,362,872**	$ 3,564,925
Program expansion in Rwanda	**3,362,641**	2,368,860
Program growth in Kenya, Uganda and Rwanda (IKEA Foundation)	**2,905,580**	-
Program expansion in Kenya	**2,860,245**	2,407,790
Sourcing seeds and fertilizer in Kenya	**2,658,792**	-
Nutrition and scale-up of innovations in Kenya, Rwanda, Burundi and Tanzania	**2,579,502**	2,538,543
Program-related costs excluding inputs	**2,000,000**	-
Pilot operations in Malawi and Uganda	**1,650,000**	1,080,911
Farmer adoption of existing and impactful technologies	**1,524,500**	2,080,853
Program expansion in Tanzania	**1,644,058**	605,714
Trees scale-up and research	**1,058,494**	-
Rwanda farmer promoter program	**859,544**	1,206,601
Program expansion in Burundi	**459,521**	624,518
Program expansion in Uganda	**434,585**	144,170
Pilot operations and expansions	**418,000**	-
Passage of time	**250,034**	-
Soil health initiatives	**250,000**	-
Nutrition and digital innovation	**215,000**	-
Seed production in Rwanda	**188,780**	-
In-field program implementation or research	**133,248**	172,322
Program expansion in Malawi	**125,034**	588,547
Working capital for trials in Asia	**100,000**	150,000
System change in Rwanda & Ethiopia	**40,707**	326,500
Financial inclusion for small holder farmers	**81,000**	-
Crop diversification	**60,000**	-
Program growth and knowledge dissemination in Kenya, Rwanda and Burundi	**-**	2,565,790
Research & development for scale innovations in Kenya and Tanzania	**-**	291,752
Government partnerships and services funding	**-**	200,000
Maize, bean, and sukuma wiki in Kenya, and Maize and bean in Rwanda	**-**	186,107
In-field innovation trial on farmer mindset	**-**	124,250
Total Restrictions Released	**$ 29,222,137**	$ 21,228,153

18. 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, 2018		
Unrestricted cash and cash equivalents	$	26,623,054
Grants without donor purpose restrictions		3,053,264
Farmer repayments receivables		12,782,039
Voucher receivables		6,558,585
Employee and other receivables		2,286,332
Financial Assets	$	51,303,274

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

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 11, the Organization also has committed lines of credit that it could draw upon in the event of an unanticipated liquidity need.

19. Miscellaneous Gains and Losses

Miscellaneous gains and losses consisted of the following:

Year ended December 31,		**2018**		2017
Gain from sale of fixed assets	**$**	**8,574**	$	5,457
Gain from other sales		**226,257**		111,868
Loss on farmers crop insurance (net of insurance payouts of $1,075,421 and 1,093,125, respectively, and farmer forgiveness of $1,221,379 and 1,183,926, respectively)		**(145,958)**		(90,801)
Net Miscellaneous Gains	**$**	**88,873**	$	26,524

The Statement of functional expenses includes crop insurance premium of $1,415,430 and $1,093,125 for the years ended December 31, 2018 and 2017, respectively.

20. Related-Party Transactions

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

21. Subsequent Events

The Organization's management has performed subsequent events procedures through April 26, 2019, 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.