

ROOTS OF PEACE: GLOBAL PROJECTS
AND FINANCIAL STATEMENTS

2006



ROOTS of PEACE

A NON-PROFIT HUMANITARIAN ORGANIZATION DEDICATED
TO THE ERADICATION OF LANDMINES AND REPLANTING,
REBUILDING IN WORN-TORN REGIONS OF THE WORLD.

THE YEAR IN REVIEW 2006

ROOTS OF PEACE WAS FOUNDED TO RID THE WORLD OF LANDMINES AND TRANSFORM MINEFIELDS INTO THRIVING FARMLAND. LANDMINES NOT ONLY KILL AND MAIM INNOCENT LIVES BUT ALSO HAVE A RIPPLING EFFECT BY IMPEDING A COUNTRY'S ECONOMIC RECOVERY AND DEVELOPMENT. LANDMINE REMOVAL IS THE FIRST STEP IN ROP'S BROADER MISSION OF RESTORING THE LIVELIHOOD OF AGRICULTURAL COMMUNITIES IN MINE-AFFECTED COUNTRIES. IN 2006, ROP HAD ACTIVE PROGRAMS IN AFGHANISTAN AND ANGOLA.

In 2006, the roots of peace were firmly planted on former battlefields, as we empowered Afghan farmers to cultivate alternative agricultural crops to poppies—restoring a country which was once dubbed the “Garden of Central Asia.” Roots of Peace (ROP) launched four new programs this year in Afghanistan, with an annual budget of \$3.3 million. When we entered the country in 2003, a lethal harvest of landmines prohibited Afghan farmers from cultivating their fields. In 2004, the grapes were typically carried to market in burlap sacks during peak harvest temperatures-spoiling the fruit from reaping competitive market prices. In 2005, we opened export markets of fresh and dried fruits, on a pilot basis, to India, United Arab Emirates, Ukraine, Germany and Russia further increasing the potential for higher incomes for Afghan farmers involved in perennial horticulture.

This year, ROP launched perennial crop support and marketing programs for Kandahar as part of the Afghanistan Alternative Livelihoods Program (ALP) funded by USAID. Our extraordinary team worked closely with USAID and NATO officials to conduct war reparations impacting fruit and nut cultivation by farmers in the active conflict zones of the Panjwai District. We also continued our work to improve almond processing and export promotion programs for fresh and dried fruits and nuts.

ROP expanded on the success of our almond orchard programs that began in 2005 by launching two new programs in Jalalabad and Baharak in Nangarhar and Badakhshan Provinces, respectively. These programs will result in nearly 1.5 million fruit and nut trees, including apples, cherries, prunes,

apricots, plums, almonds and walnuts-all planted in new orchards where we will assist farmers in production, processing and marketing, all designed to increase rural farm income. Today, Roots of Peace is responsible for developing a broad-based, nationwide perennial horticulture program in Afghanistan. As a result, I had the distinguished honor of becoming a recipient of the Skoll Award for Social Entrepreneurship 2006 which was presented by Jeffrey Skoll, Sally Osberg, Sir Ben Kingsley and Robert Redford in Oxford, England.

A personal highlight was traveling to Afghanistan in October 2006 with Mrs. Shamim Jawad, wife of the Afghan Ambassador to the United States, to produce a film funded by The Skoll Foundation. We traveled to the Shomali Plains as the sun began to dawn upon our demined fields amidst the Koh Baba mountain range-where the grapevines were illuminated in golden morning light. I was heartened to see the vision which began in 1997 to turn MINES TO VINES realized in this Afghan vineyard. As we visited the Qula Bayazid village, we were greeted by Afghan farmers who extended a sincere “tashikor” or “thank you” for restoring the legacy of their country as the “Garden of Central Asia.” New rows of grafted trellis vines, kishmish khana grapes, cherries, and pomegranates in the new nursery were proudly cultivated offering competitive alternatives to poppies. After the tour, an elder from the Bagram village presented us with a hand-carved wooden eagle as a symbol of gratitude for planting the roots of peace in their homeland.

Heidi Kuhn

Founder & CEO

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OUR DEMINE-REPLANT-REBUILD MODEL

THE INNOVATIVE DEMINE-REPLANT-REBUILD MODEL OF ROOTS OF PEACE OFFERS A UNIQUE, HOLISTIC APPROACH TO RESTORING RURAL, AGRICULTURAL COMMUNITIES TO VITALITY AND SELF-SUFFICIENCY IN POST-CONFLICT WAR ZONES. ROP FOCUSES ON DEVELOPING COUNTRIES WHERE AGRICULTURE IS A FUNDAMENTAL INDUSTRY AND MAJOR SOURCE OF EMPLOYMENT. OUR DEMINING PROGRAMS SET OUT TO CLEAR LANDMINES AND REMNANTS OF WAR FROM THREE KEY ARENAS OF THE AGRICULTURAL INDUSTRY: FERTILE FARMLANDS SO THE CROPS CAN BE SAFELY PRODUCED; AGRICULTURAL INFRASTRUCTURE SO THE CROPS CAN BE SAFELY PROCESSED; AND MARKET ACCESS SO THE FARMERS AND PROCESSORS CAN BE ENSURED A FAIR RETURN. OUR REPLANT AND REBUILD PROGRAMS PROVIDE TECHNICAL ASSISTANCE TO FARMERS AND PROCESSORS, AND FOSTER THE COMMODITY VALUE CHAIN LINKING PRODUCER TO LOCAL, REGIONAL AND INTERNATIONAL MARKETS. ROP'S WORK IS DRIVEN BY THE NEED TO MEET THE MARKET DEMAND AND MAXIMIZE FARMER'S INCOME. THIS APPROACH BENEFITS LARGE NUMBERS OF SMALLHOLDER FARMERS WHILE STIMULATING GROWTH OF SERVICE AND SUPPLY INDUSTRIES SUCH AS TRADING, CREDIT, PROCESSING, DISTRIBUTION, AND AGRICULTURAL INPUT SUPPLIERS.

PROGRAMS

ROOTS OF PEACE PENNY CAMPAIGN

Ongoing Campaign Initiated Fall 2003

Funding from private donations

Since September 2003, students from schools in California and across the United States have donated their spare change for landmine removal in Afghanistan. These students have raised over 10 million pennies (or \$100,000) for mine clearance

efforts focused on creating schools, playgrounds, parks and safe walking paths for Afghan children. This past year, the Penny Campaign raised over \$25,000 which was used to construct a new 5 room school in village of Mir Bocha Kot. To show their appreciation for this gift from the American youth, the local community named the school "The Kyleigh Kuhn School," in honor of the program's co-founder. We were also delighted to announce that retired Cameroonian World Cup soccer great, Roger Milla, agreed to be the International Chairperson of our "Minefields to Soccer Fields" program for Angola.

RAMP GRAPES

Spring 2004 through Summer 2006

Funding from USAID

With almost 45% of producing vineyards lost in Afghanistan, ROP began the Rebuilding Agricultural Markets Program (RAMP) GRAPE program in 2004 to revive a once thriving table grape industry. By directly supporting 3,400 demo farmers, this project benefited over 80,000 grape farmers throughout Afghanistan. ROP showcased modern techniques in pruning, irrigation and fertilization in 1,611 demo plots in Shamali and Kandahar, with 686 demo plots exemplifying the importance of grafting in producing high valued grape varieties. Assistance and handbooks in three different languages (English, Dari and Pashto) were provided to small-scale entrepreneurs to aid in manufacturing more than 13,463 concrete posts for trellising. To supply growers, ROP established 43 independent nurseries, which yielded over 300,000 rooted cuttings in 2007. To get the best value for the growing quantities of high quality grapes, ROP worked with Afghan traders to identify receptive foreign markets. Although complete results will be measured in three years, ROP anticipates vineyard production to more than double.

Roots of Peace has completed many “firsts” in this program, including establishing the first “cold chain” in Afghanistan for the export of fresh produce. Other firsts include organizing the first governmental meetings between Afghanistan and Russia and Ukraine.

RAMP ALMONDS

Fall 2005 through Summer 2006

Funding from USAID

ROP was engaged to deliver the RAMP Almonds project to focus on production improvements and processing technologies for almonds. Afghan almonds are favored for their superior flavor. From growers to processors to traders, ROP taught local Afghans the necessary techniques to improve the quantity and quality of Afghan almonds. To facilitate this development, ROP established 86 demonstration plots to teach farmers simple cultural practices to increase the per tree yield of almonds. Surveys have confirmed a 30% -70% increase in yield among program participants. With the help of ROP, three nut marketers’ associations in Mazar-i-Sharif, Kabul/Ghorband and Kandahar built facilities to house nut processing and marketing enterprises to increase efficiency along processing lines. ROP worked with a U.S.-based company to design and build state-of-the-art almond process-

ing lines with modern equipment for these associations, moving them from a manual to mechanized capability, and positioning Afghan farmers in competitive world markets. Marketing specialists from ROP also formed 134 farmers’ marketing associations, with a total combined membership of 5,653. Trade missions to India, China, Korea and Taiwan organized by ROP, explored new markets for Afghan grown almonds.

ALP SOUTH

Initiated Fall 2006

Funding from USAID

ROP began working on the Alternative Livelihoods Program (ALP) in the Panjwai District of Kandahar Province in southern Afghanistan to restore a once thriving grape and raisin industry. ROP worked specifically to rebuild Kishmish Khanas (raisin drying barns), vineyards, and irrigation systems that were destroyed during Operation Medusa in the summer of 2006. Existing irrigation canals were repaired and reconstructed to ensure proper water flow to these crops. In total, over 200 reparation projects have been completed, including 43 hectares of rehabilitated vineyards and 95 restored Kishmish Khanas, to re-establish a once thriving Afghan grape and raisin industry.



ALP NORTH

Initiated Spring 2006

Funded by USAID

Through the implementation of the Alternative Livelihoods Program (ALP) North project, ROP is conducting the planting and development of over 600,000 almond, cherry, walnut, apricot, plum and prune trees, aimed at increasing rural farm income in the Badakhshan Province. To help in the widespread planting of these trees, ROP developed commercial nurseries designed to aid in propagating local and imported varieties in support of this program. Once new orchards are established, extension services are provided for the new orchard farmers along with marketing extension services to develop more distant markets from this remote region. The net result of this program is an improved value chain that has increased annual income for farmers from below \$1,000 to above \$3,000.



ANGOLA HARVESTING HOPE

Funded by US Dept of State and private donors

FULFILLING ANGOLA'S AGRICULTURAL POTENTIAL

ROP continued its exploratory work in Angola through a six-month extension of a grant from the U.S. Department of State, Office of Weapons Removal and Abatement. The grant sustained start-up staff and an in-country office that would ultimately support the launch and long-term implementation of our demine-rebuild programs in Angola. Dungby Productions, recognized by the Sundance Producers Conference and introduced to RoP by the Skoll Foundation, produced a powerful promotional video showcasing Angola and Roots of Peace's intended programs. The video, completed in November 2006, has since been featured at several speaking engagements and events, including the on-ship broadcasting system during the six-day transatlantic "Cruise for Peace" from New York to Southampton, England aboard the luxury liner, Queen Mary 2 last April.

Our Grant funding for in-country operations concluded in December. We will continue efforts to raise awareness and funds for Angola programs and anticipate launching our first demining project in 2007.



directors and key staff

restoring communities



MANAGING DIRECTORS

Heidi Kühn, Founder and
Chairwoman of the Board
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KEY STAFF

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Jean-Pierre Detry PhD, Program Director
Guy Ewald, Chief of Party - Kandahar
Saleem Mohammed, Financial Manager
Sherzai Nasruddin, Team Leader
Sultan Hamid, Deputy Program Director

KEY PARTNERS & FUNDING

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Development Alternatives Inc.
European Community
Global Partnership For Afghanistan
Grgich Hills Cellars
HALO Trust
Islamic Republic of Afghanistan
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UN Mine Action Service
US Agency for International Development
(USAID)
United States Dept of State,
Office of Weapons Removal and Abatement
University of California, Davis
World Vision South Africa



financials

FINANCIAL OVERVIEW

Overall, ROP's financial position brightened during 2006. ROP ended the year in a positive cash position of \$66,979, versus a loss in 2005, poised for growth with four new projects initiated by year end. However, during 2006, ROP experienced a one-time, unexpected funding gap. ROP chose to maintain staff and operations in Afghanistan during this critical harvest period and remain on standby. Consequently, ROP experienced a loss of funding while incurring expenses that consumed cash reserves for the months of July – September, at which time our ALP contract started up and we were able to redeploy our resources.

The funding gap did impact the overhead rate for 2006 as it climbed from 15.8% to 18.5%. ROP intends to reduce this rate below 16% and will budget accordingly during 2007. The rate climbed not because of increased costs, but rather lowered income due to the funding gap in July-September. If funding had been as planned during this gap, ROP's overhead rate would have remained constant at around 15.8%.

ROP is taking many steps to mitigate funding gap vulnerability and impact on our cash reserves in the future. ROP is diversifying its funding sources, staggering contract ending dates, establishing contracts where ROP is the prime contractor, negotiating better contractual terms with our partners, requesting advance payments, and establishing a reserve account to fund future growth.

KEY FACTS	2006	2005
As of December 31		
Employees	120	81
Operations	18.51%	15.81%
Programs	81.49%	84.19%

STATEMENT OF FINANCIAL POSITION

For the year ended December 31

	2006	2005
ASSETS		
Cash	\$ 189,524	\$ 614,001
Accounts Receivable	\$ 476,042	\$ 60,000
Prepaid Expenses	\$ 11,429	\$ 400
Total Assets	<u>\$ 676,995</u>	<u>\$ 674,401</u>

LIABILITIES & NET ASSETS

Accounts Payable	\$ 144,939	\$ 515,800
Accrued Liabilities	\$ 105,077	\$ 60,293
Deferred Revenue	\$ 330,000	\$ 152,543
Note Payable	\$ 30,000	-
Total Liabilities	<u>\$ 610,016</u>	<u>\$ 728,636</u>

NET ASSETS

Unrestricted	\$ 53,277	\$ (54,235)
Temporarily Restricted	\$ 13,702	
Total Net Assets	<u>\$ 66,979</u>	<u>\$ (54,235)</u>
Total Liabilities and Assets	<u>\$ 676,995</u>	<u>\$ 674,401</u>

STATEMENT OF ACTIVITIES

For the year ended December 31

REVENUE & SUPPORT

Contract & Grant Revenue	\$2,620,538	\$3,080,378
Contributions	\$ 494,041	\$ 305,679
Interest Income	\$ 6,802	\$ 5,073
Other Income		\$ 20,000
Total Revenue & Support	<u>\$3,121,381</u>	<u>\$3,411,130</u>

EXPENSES

Program Services	\$2,444,862	\$2,926,894
Management & General	\$ 464,203	\$ 328,237
Development	\$ 91,102	\$ 221,440
Total Expenses	<u>\$3,000,167</u>	<u>\$3,476,571</u>

CHANGE IN NET ASSETS	\$ 121,214	\$ (65,441)
NET ASSETS, BEGINNING OF YEAR	<u>\$ (54,235)</u>	<u>\$ 11,206</u>

NET ASSETS, END OF YEAR	<u>\$ 66,979</u>	<u>\$ (54,235)</u>
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BAGHDAD ~ BAGRAM ~ BAHARAK ~ BATTAMBANG ~ CISTE MALE
CESTE VELIKA ~ DRAGALIC ~ GHORBAND ~ HERAT ~ ILOK ~ JALALABAD ~ KABUL
KANDAHAR ~ KISIM ~ LUANDA ~ MAZAR-E-SHARIF ~ MIR BOCHA KOT ~ SAMANGHAN