

ROOTS OF PEACE 2007

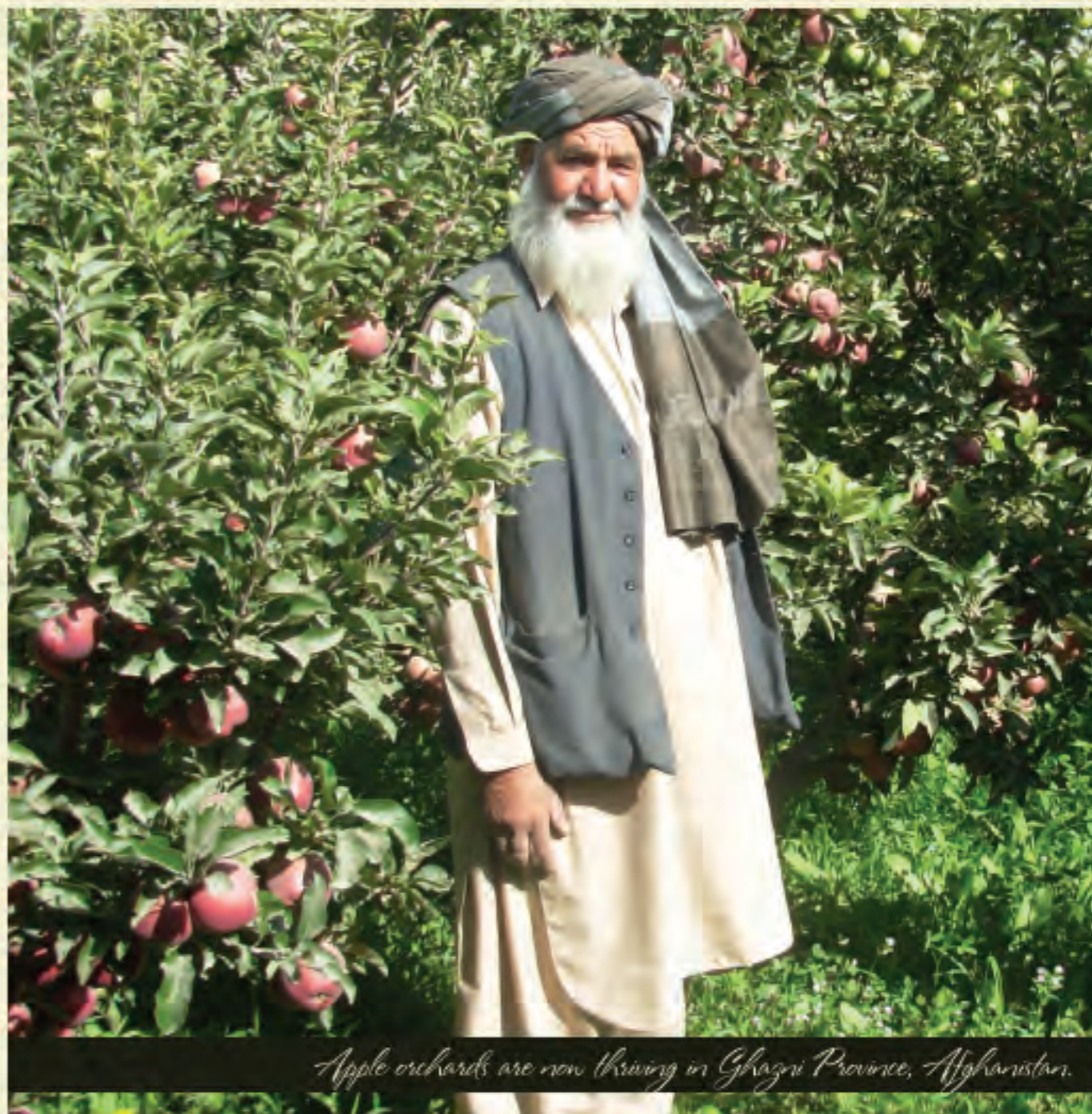
GLOBAL PROJECTS AND FINANCIAL STATEMENTS



A non-profit humanitarian organization dedicated to the eradication of landmines, replanting, and rebuilding of agricultural infrastructure in war-torn regions of the world.

THE YEAR IN REVIEW

ROOTS OF PEACE IS DEDICATED TO RIDDING THE WORLD OF LANDMINES AND TRANSFORMING MINEFIELDS INTO THRIVING FARMLAND. LANDMINES NOT ONLY KILL AND MAIM INNOCENT PEOPLE BUT ALSO IMPEDE A COUNTRY'S ECONOMIC RECOVERY AND DEVELOPMENT. LANDMINE REMOVAL IS THE FIRST STEP IN ROP'S MISSION TO RESTORE THE LIVELIHOOD OF AGRICULTURAL COMMUNITIES IN MINE-AFFECTED COUNTRIES. DURING THE PAST 10 YEARS, ROP HAS WORKED IN SIX COUNTRIES: AFGHANISTAN, ANGOLA, CAMBODIA, CROATIA, IRAQ, AND THE KYRGYZ REPUBLIC. IN 2007, ROP HAD ACTIVE PROGRAMS IN AFGHANISTAN, ANGOLA, CROATIA AND THE KYRGYZ REPUBLIC.



Apple orchards are now thriving in Ghazni Province, Afghanistan.

"We continue to scale our agricultural program in Afghanistan, which is projected to contribute more than \$600 million per year to Afghanistan's GDP within five years."

2007 marks the 10-year anniversary of Roots of Peace (ROP). We now have more than \$26 million in funded programs committed or underway in Afghanistan, Angola, Croatia, and Kyrgyzstan. Thanks to 2007 revenues of \$4.3 million—up from \$3.1 million in the prior year—we were able to launch four new projects in Afghanistan. We continue to scale our agricultural program in Afghanistan, which is projected to contribute more than \$600 million per year to Afghanistan's GDP within five years.

One of these new projects helped us reach a key milestone: we became a prime contractor managing the multi-year, \$18 million Rural Business Support Program (RBSP) in Afghanistan funded by Asian Development Bank. The RBSP contract award is the culmination of five years of helping Afghanistan build a competitive horticultural industry based on fruits, nuts, and grapes. As part of that process, we have assisted more than 25,000 Afghan farmers, processors, traders, and exporters in developing viable nurseries, improving production technologies, integrating better processing methods, and accessing new, lucrative international markets.

In 2007 I was honored to meet with Croatian President Stjepan Mesić who saluted ROP's achievements. Since launching our first \$30,000 demine/replant project in Croatia, ROP has completed six projects that have cleared nearly 500,000 square meters of land and removed 51 mines and unexploded ordinance in the villages of Dragalić, Bebinge, Čista Mala, Čista Velika, Ilok, and Karlovac. We are now undertaking a new project scheduled in Zadar county for early 2008.

We also expanded our work to the Kyrgyz Republic, to diversify our funding sources and geographic reach. In order to scale our organization to support this growth, we've grown to more than 230 outstanding team members, most of whom are Afghan nationals. We've hired key individuals to fill strategic roles and strengthened vital infrastructure to support financial, human resources and contact management.

We plan to grow steadily, expanding into post-conflict countries in Central Asia, Southeast Asia, and Sub-Saharan Africa within the next ten years. To fund this growth, we will look for support from a diverse mix of public agencies and private donors. ROP will continue to develop its expertise in perennial, high market value crops. We will also broaden our program focus to address related activities, covering the entire agricultural spectrum from policy to production, trade, credit, and branding.

We've accomplished so much in our first 10 years. When I visit the Shomali region of Afghanistan, I see the effects of our demine-replant-rebuild model. The same fields we once cleared of landmines are now fed by water from the demined Parwan canal, and are producing fruits and nuts for new markets. This transformation is what inspires us to keep working to plant the roots of peace.

Heidi Kühn

Founder & CEO



Women run nursery in Jalalabad, Afghanistan

OUR DEMINE-REPLANT-REBUILD MODEL

THE INNOVATIVE DEMINE-REPLANT-REBUILD MODEL OF ROP OFFERS A COMPREHENSIVE APPROACH TO RESTORING RURAL AGRICULTURAL COMMUNITIES TO ECONOMIC SELF-SUFFICIENCY. ROP FOCUSES ON POST-CONFLICT COUNTRIES WHERE AGRICULTURE IS A FUNDAMENTAL INDUSTRY AND MAJOR SOURCE OF EMPLOYMENT. OUR DEMINING PROGRAMS CLEAR LANDMINES AND REMNANTS OF WAR FROM FERTILE FARMLANDS, AGRICULTURAL INFRASTRUCTURE, AND ROUTES TO MARKETS SO FARMERS CAN WORK THEIR FIELDS, PROCESS THEIR CROPS, AND SELL THEIR PRODUCE SAFELY. OUR REPLANT AND REBUILD PROGRAMS FOCUS ON THE ENTIRE VALUE CHAIN AND PROVIDE TECHNICAL ASSISTANCE, WHERE NEEDED, TO FARMERS, PROCESSORS AND TRADERS. WE HELP THEM MEET THE DEMANDS OF LOCAL, REGIONAL, AND INTERNATIONAL MARKETS IN ORDER TO MAXIMIZE THEIR INCOME. THIS BENEFITS LARGE NUMBERS OF SMALLHOLDER FARMERS WHILE STIMULATING SERVICE AND SUPPLY INDUSTRIES SUCH AS TRADING, CREDIT, PROCESSING, DISTRIBUTION, AND AGRICULTURAL INPUT SUPPLIERS.



Our ROP team inspects one of 6,000 new orchards planted in eastern Afghanistan.

PROGRAMS

Afghanistan

Rural Business Support Program

November 2007 through 2010

Funding from Asia Development Bank

ROP is working in partnership with the Ministry of Agriculture and Irrigation to lead a three-year project to promote sustainable commercial agriculture with farmers, agri-processors, and traders for more profitable production, processing, and marketing industries.



New solar dryers in Badakhshan, Afghanistan.

Perennial Horticulture Development Program

April 2007 through 2009

Funding from European Commission

This two-year program to develop Afghanistan's almond industry focuses on the development of nursery systems that are to be managed by the private sector and guided by our national marketing plan that helps ensure preferred varieties are grown within each of the major producing regions. ROP is helping to document Afghan almond varieties and establishing a national germplasm repository to protect and maintain native almond varieties as well as imported commercial varieties. A network of private propagation nurseries in the major growing regions will cultivate new, clean saplings to help expand almond production in the country. A national industrial organization of almond farmers and merchants is being developed as the responsible group (in collaboration with the Ministry) for licensing and certifying plant nurseries to provide high quality planting material to farmers.

Accelerating Sustainable Agriculture Program

December 2006 through 2008

Funding from USAID

ROP continued efforts to help develop Afghan agricultural exports from the Shomali Plain, Herat, and Mazar-e-Sharif through focused work on high-value, sustainable crops that will increase income for rural farmers. This contract continues our work to improve fruit and nut processing which began under the USAID funded RAMP project (2004-2006). In 2007, we concluded work with trading groups to

design, manufacture, and establish modern almond shelling units and processing plants that meet ISO standards in the primary growing regions of Afghanistan.



Alternative Development Program – East

January 2007 through 2009

Funding from USAID

ROP is developing commercial orchards as alternatives to poppy production. This program includes the establishment of private nurseries to propagate the best of local and imported varieties. The project goal is 3,000 hectares (6,000 acres) of new commercial orchards. Average new orchards are 100 trees on about an acre of land formerly used for grain crops. Farmers will choose from a wide range of fruits including apricot, pomegranate, orange, walnut, cherry, and plum. New citrus orchards will also be implemented throughout Afghanistan, the first since the conflict years. Our project includes vegetable inter-cropping during the early years to provide income as the saplings mature.



Alternative Development Program – North Orchard Project

April 2006 through 2009

Funding from USAID

Administered by AECOM International

To help increase rural farm income in the Badakhshan Province, ROP is conducting the planting and development of 1,000 orchards of almond, cherry, walnut, apricot and plum trees. The main focus of this program is the development of commercial nurseries to propagate local and imported varieties. Once planting of new orchards is complete, the program offers extension services for the new orchard farmers along with marketing extension services to develop new markets, many of them far from this remote region. This program is on track to improve the value chain in order to increase annual income for farmers from below \$1,000 to above \$3,500.

Alternative Development Program – South

Fall 2006 through May 2007

Funding from USAID

Administered by Chemonics International

ROP completed work in the Kandahar Province to provide direct technical support to the re-emerging grape and raisin industry. ROP worked in cooperation with the newly founded Fresh Fruit Exporters Union of Kandahar (FFEUK) and Dried Fruit Export Association of Kandahar (DFEAK) to promote the production of high-quality crops and manage trader-funded extension teams to train rural farmers in modern farming techniques. Our trade missions to Amsterdam, Kiev, Dubai, and India resulted in 2,240 metric tons of immediate test

Dubai, and India resulted in 2,240 metric tons of test shipments of Afghan fruit and nuts that led to larger bulk shipments. FFEUK and DFEAK also received the business training needed to strengthen association management and establish a \$1,000,000 line of credit. In partnership with FFEUK and DFEAK, we also launched a new website, www.afghangrown.org, as a forum to share market information and promote and sell Afghan products. The project also funded the reconstruction of 200 vineyards, Kishmish Khanas (raisin drying barns), and irrigation systems after NATO-Taliban fighting.

Roots of Peace Penny Campaign

Ongoing Campaign Initiated Fall 2003

Funding from private donations and AYENDA

Since September 2003, students from U.S. schools have raised over 15 million pennies (\$150,000) for mine clearance, new schools, and playgrounds for Afghan children. In 2007, Mrs. Shamim Jawad, wife of the Afghan Ambassador to the U.S. and the International Chairperson of the ROP Penny Campaign, helped secure a \$10,000 grant from AYENDA. AYENDA is the Afghan Children Initiative, a project of the U.S. Department of State US-Afghan Women's Council. This generous grant allowed ROP to build a soccer field, four restrooms, and wall enclosure surrounding the Kyleigh Kühn Roots of Peace School, constructed by ROP. This school serves more than 250 students as well as the youth and adults in the surrounding community. ROP is extremely pleased to report that the Afghan Ministry committed additional funds in 2008 to build a new library and two additional classrooms at the school.



Successfully terraced winter wheat and vegetable fields in the Shomali Plains located on a former battle line of the Taliban vs. Masoud's Forces conflict.



Recently demised soccer field in Kilombo, Angola.

Angola

After recently concluding a 30 year civil war, Angola is a country that has been left with very little infrastructure for recreational activities. The neighborhood of Kilombo in the São José area of Huambo province has had difficulties in providing adequate sporting fields for its youth population. In addition to having to play on rudimentary fields with unhealthy playing conditions that often contribute to injuries, the youth are forced to play without any standard sporting equipment.

The neighborhood of Kilombo was one of the hardest hit provinces during the war due to its geo-political location. Kilombo is populated primarily by physically handicapped people whom have lost one or more limbs due to mine blasts or other war related traumas. The youth of Kilombo represent the children of these war ravaged people, with many of the beneficiaries of this project having lost either one or both parents as a direct result of the war and thus been orphaned. Therefore, these sporting fields serve as a needed distraction from all of the everyday hardships these youth have to deal with on a daily basis, effectively providing a constant in their lives and a safe haven.

In 2007, the Roots of Peace Soccer program funded by Roots of Peace rehabilitated a soccer field in Kilombo. The ROP Huambo Soccer Program will benefit a total of 120 youth between the ages of 8-17 (80 boys and 40 girls). The donation was facilitated through a grant to Catholic Relief Services (CRS).

Croatia

Following a private audience with His Holiness, Pope Benedict XVI, on October 3, 2007, Croatian-born Miljenko "Mike" Grgich was inspired to generously donate \$50,000 towards demining his homeland. The funds were doubled by the International Trust Fund (ITF) which created a DEMINE/REPLANT program in Bastica, Croatia—literally translating into "Little Garden." The Rotary Club of Zadar was instrumental in introducing Roots of Peace to the University of Zadar where a joint program was initiated.

Soon after the funds were secured, ROP Board Member, Miho Glavic, coordinated a visit by the ROP team to assess the desired plot of land that was to be demined and replanted, generously providing transportation and logistical assistance to remote villages such as Bastica, Dragalic, Vukovar, Karlovac, Sisak, and other areas where Roots of Peace has worked with the Croatian Mine Action Service (CROMAC). Roots of Peace Board Member Diane Baker, Director of the Academy of Arts and Motion Pictures, San Francisco joined the delegation to film a short documentary focusing on Roots of Peace programs within Croatia. With the trip concluding with ROP being the honored guest of His Excellency, President Stipe Mesic of the

legendary vintners Robert and Margrit Mondavi, as this was one of his last fundraisers prior to his passing. The initial funding for our first Roots of Peace project was personally initiated by The Mondavi Family—raising the necessary funds to DEMINE/REPLANT the Medari Vineyards located on the former frontline of battle between Croatia and Bosnia-Herzegovina. Through the "Legends of the Vine" such as Tor Kenward, Chris Benziger, Diane Disney Miller, Judy Jordan, Gina Gallo, Robert Mondavi, and Mike Grgich, we have truly turned "MINES TO VINES"—transforming blood to wine on the soils of Croatia.



Newly trellised vineyard in Plak, Croatia.

The Kyrgyz Republic

Project Preparation Technical Assistance (PPTA)
of the Agricultural Land
Improvement Project in Kyrgyz Republic

ROP led a large consulting Team in designing the Asian Development Bank –funded Agricultural Land Improvement Project in the northern provinces of Kyrgyz Republic from October 2007 until February 2008. The Team, consisting of crop, livestock, agribusiness, pasture, irrigation and rural infrastructure, environmental, institutional, financial, gender and rural sociology specialists, assessed the current use and management of the land and water resources and developed alternative approaches for addressing the agricultural developmental constraints and opportunities. This design project exemplifies the effort ROP is making in expanding its mission into other countries and regions that are prepared to increase rural incomes and improve land productivity.



Sheep grazing in high elevation pastures in Naryn Oblast, Kyrgyzstan as part of a rural infrastructure redevelopment program.

FINANCIALS

Overview

ROP'S FINANCIAL POSITION CONTINUED TO STRENGTHEN DURING 2007. PROGRAM SERVICES GREW BY 37% OVER 2006, WHILE OVERHEAD FELL FROM 18.51% TO 17.70%. ROP CONTINUES TO WORK TO REDUCE OUR OVERHEAD LEVELS DURING 2008. FOR THE YEAR, ROP HAD A SMALL LOSS OF \$1,969 LEAVING NET ASSETS AT \$65,010. ROP FOCUSED ON TWO MAJOR FINANCIAL IMPROVEMENTS DURING 2007: DIVERSIFICATION OF DONORS AND IMPROVEMENTS IN CASH MANAGEMENT.

After a funding gap in our programs during 2006, ROP embarked on a successful diversification campaign to expand the number of programs and donors. During 2007, ROP programs had grown from two to seven and our public donors had grown from one to four. Our total programs under contract at the end of 2007 totaled more than \$26 million with funding from USAID, Asian Development Bank, European Community, and US State Department.

To address cash flow constraints, ROP negotiated better terms on new contracts and established a line of credit. These two actions have enabled ROP to better manage cash requirements to support our growing programs.

ROP has now established financial policies and procedures to better manage expansion. New IT systems including human resources and a donor database were implemented during the year. During 2007, ROP established reserve accounts for future programs. At the end of 2007, ROP had set aside \$88,601 for demine/rebuild projects that will take place during 2008.



Pomegranate Nursery, Jalalabad, Afghanistan.

Balance Sheet

As of December 31, 2007

	2007	2006
Assets		
Cash	\$ 529,536	\$ 189,524
Cash (temporary restricted)	88,601	0
Accounts Receivable	1,139,032	476,042
Prepaid Expenses	10,839	11,429
Total Assets	<u>1,768,008</u>	<u>676,995</u>
Liabilities & Net Assets		
Liabilities		
Accounts Payable	\$ 502,271	\$ 144,939
Accrued Liabilities (note 1)	853,707	105,077
Deferred Revenue	0	0
Line of Credit (note 2)	347,000	0
Note Payable	0	30,000
Total Liabilities	<u>1,702,998</u>	<u>610,016</u>
Net Assets		
Unrestricted	(23,591)	53,277
Temporary Restricted (note 3)	88,601	13,702
Total Net Assets	<u>65,010</u>	<u>66,979</u>
Total Liabilities & Net Assets	<u>\$ 1,768,008</u>	<u>\$ 676,995</u>

Income Statement

For The Year Ended December 31, 2007

	2007	2006
Revenue		
Fees from Government Agencies (note 4)	\$ 3,203,033	\$ 2,620,538
Contributions	595,614	494,041
Program Service Fees	373,143	0
In-kind Contributions	88,272	0
Interest	378	6,802
Total Revenue	<u>\$ 4,260,440</u>	<u>\$ 3,121,381</u>
Expenses		
Program Services	3,507,833	2,444,862
Management & General	644,733	464,203
Fundraising	109,843	91,102
Total Expenses	<u>\$ 4,262,409</u>	<u>\$ 3,000,167</u>
Change in Net Assets	(1,969)	121,214
Net Assets, Beginning of Year	<u>66,979</u>	<u>(54,235)</u>
Net Assets, End of Year	<u>\$ 65,010</u>	<u>\$ 66,979</u>

Statement of Cash Flows

For The Year Ended December 31, 2007

	2007	2006
Cash Flows		
Cash flows from operating activities:		
Change in net assets	\$ (1,969)	\$ 121,214
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(662,990)	(416,042)
(Increase) decrease in prepaid expenses	590	(11,029)
Increase (decrease) in accounts payable	357,352	(370,861)
Increase in accrued liabilities	748,630	44,784
Increase (decrease) in deferred revenue	(330,000)	177,457
Net cash provided (used) by operating activities	111,613	(454,477)
Cash flows from financing activities:		
Principal payments on notes payable	(30,000)	0
New borrowings from note payable	0	30,000
New borrowings from line of credit	347,000	0
Net cash provided by financing activities	317,000	30,000
Net increase (decrease) in cash	428,613	(424,477)
Cash, beginning of year	189,524	614,001
Cash, end of year	<u>\$ 618,137</u>	<u>\$ 189,524</u>

Key Facts

As of December 31, 2007

	2007	2006
Employees	146	120
Operations	1770%	18,51%
Programs	82,30%	81,48%

Notes:

1. *Accrued Liabilities at December 31, 2007 consist of the following:*

Contracts advance	\$ 597,914
Accrued salaries	129,501
Other Liabilities	85,000
Accrued vacation	35,780
Other accrued liabilities	5,512
operating activities include interest paid of	\$ 4,098

\$ 857,805

2. *Roots of Peace has a revolving line of credit with a bank in the amount of \$350,000, at a variable interest rate, currently at 9.00%, due July 2008. Total amount outstanding at December 31, 2007 was \$347,000.*

3. *Temporary Restricted Net Assets at December 31, 2007 consist of the following:*

Pennies for Peace	\$ 38,601
De-mining for Croatia	50,000
	\$ 88,601

4. *Fees from Government Agencies*

Fees from government agencies for the year ended December 31, 2007 consist of the following:

Development Alternatives Inc. (prime to USAID)	\$ 1,244,727
AECOM International (prime to USAID)	1,100,098

Directors and Key Staff

Managing Directors

Heidi Kühn
Chairwoman
Chief Executive Officer
Roots of Peace

Diane Baker
Director of Acting
Academy of Art University, San Francisco

Marguerite Bachand
Consultant

Chris Benziger
President & Owner
Benzinger Family Winery

Noel Brown
Director (former)
United Nations Environmental Programs

Dae "Danny" Hyun Chung, PhD
Scientist-At-Large

Miho Glavic
Managing Director and Partner
AWT International d.o.o.

Jan Hartke
Clinton Global Initiatives

Tor Kenward
Owner
Tor Kenward Family Wines

Gary Kühn
Executive Director
Roots of Peace

Ann Laurence
President (Former)
Red Cross, Marin County

Tom Tully
Group Director, Engineering
Organic, Inc.

Key Staff

United States of America

Heidi Kühn, Founder & Chief Executive Officer
Gary Kühn, Executive Director
Kenneth Neils, PhD, Director, International Programs
Mitra Mavaddat, Financial Director
Lynn Davison, Program Director
Kathy Budzinski, Operations Manager
Tucker Kühn, Program Specialist
Spencer Baird, Program Specialist

Afghanistan

Richard Thwaites, Country Director
Jean-Pierre Detry PhD, Program Director- North
Sultan Hamid, Deputy Program Director
Larry Hendricks, Credit Specialist
J. D. Zach Lea PhD, Program Director
Saleem Mohammed, Financial Manager

Afghanistan (cont.)

Sherzai Nasruddin, Program Director
Ferenc Sandor, Program Director
Vickie Sigman, Director of Extension Programs
John Willsie, Regional Director

Italy

Flavia Taggiasco, European Director

Key Partners & Funding

AECOM International Development
Agland Investment Services
Asian Development Bank
Catholic Relief Services
Chemonics International
Croatian Mine Action Center
Development Alternatives Inc. (DAI)
European Community
Global Partnership For Afghanistan
Grgich Hills Cellars
Islamic Republic of Afghanistan
International Fertilizer Development Corp.
International Relief and Development (IRD)
Skoll Foundation
UN Mine Action Service
US Agency for International Development (USAID)
United States Department of Agriculture
United States Department of State
Office of Weapons Removal and Abatement
University of California, Davis
World Vision South Africa



Pilot onion project in Eastern Afghanistan.



ROOTS of PEACE

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Baghdad - Bagram - Baharak - Bamyan - Battambang - Bishkek - Ciste Male - Ciste Velika - Dragalic - Faisabad - Ghazni - Ghorband
Herat - Ilak - Jalalabad - Kabul - Kandahar - Keshom - Logar - Luanda - Mazar-e-Sharif - Mir Bocha Kot - Samanghan - Warduk