

# Nutrition & Education International

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## Annual Report 2012

*For nearly 10 years, NEI has been working to end protein-based malnutrition in Afghanistan particularly amongst women and children. In order to provide immediate nutrition to vulnerable populations living in impoverished areas, NEI built soy processing facilities that make high protein soy products like soymilk and soy flour and distributes them to schools, orphanages and refugee camps, among others. We use non-GMO soybeans grown in Afghanistan through NEI's agriculture program to develop a self-sustainable soybean industry that will increase food security, support livelihoods and eradicate protein-energy malnutrition in Afghanistan.*

## **NEI Vision and Mission**

To defeat protein-energy malnutrition in Afghanistan as the majority of the population is chronically malnourished and highly susceptible to related illnesses and death.

To develop a self-sustainable soy industry and soy food culture as a practical intervention to chronic malnutrition.

## **Why Afghanistan?**

- Highest global infant mortality rate at childbirth (1 in 10)
- 20% mortality rate for children under five (1 in 5)
- High maternal mortality rate at childbirth (1 in 80)
- Afghanistan needs a viable cash crop with high protein to defeat malnutrition

## **Why Soybeans?**

Malnutrition is a major factor in the high infant and maternal mortality rates in Afghanistan.

Protein-energy malnutrition is synonymous with protein deficiency, and soybeans are a cost effective and rich source of high quality proteins containing 9 essential amino acids ideal for human nutrition.

## **2012 Soy Production by Province**

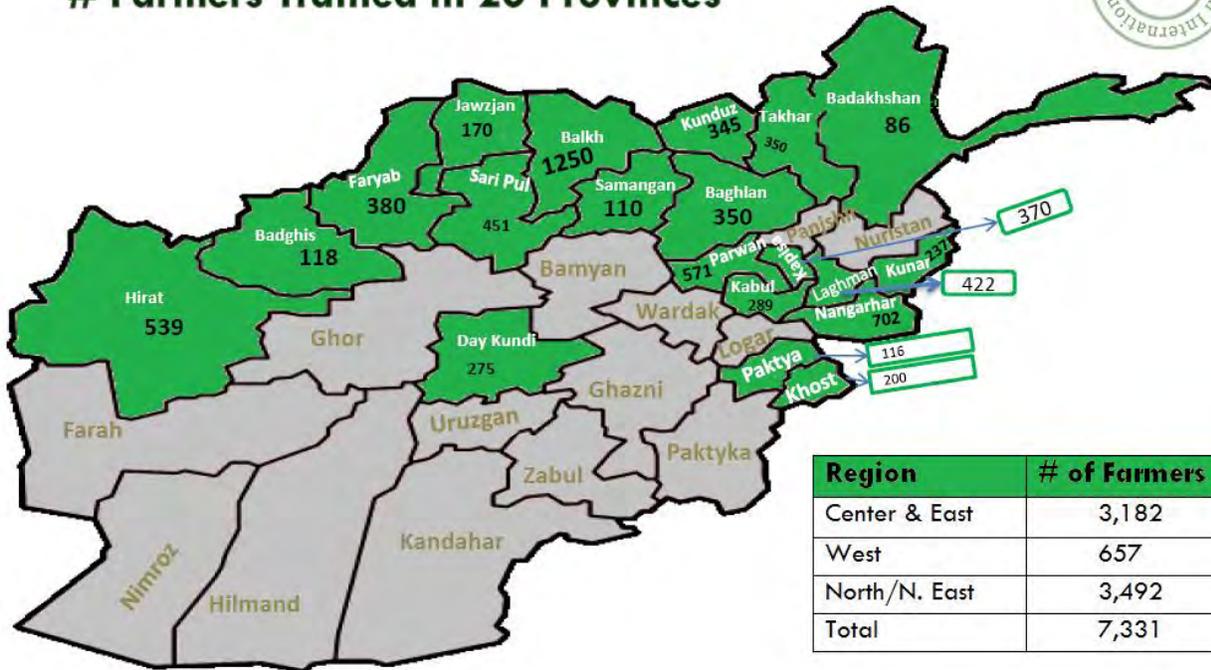
Afghanistan had not produced soybeans until 2003, when NEI introduced them as a practical counter-measure to rampant malnutrition among their women and children in impoverished areas. Since then, NEI has been collaborating with the Afghan government, private sector, and farmers to increase and expand the soy value chain.

NEI collaborated with the Ministry of Agriculture (MAIL) and Afghan farmers to successfully cultivate soybeans in all 34 provinces in 2010. Two non-GMO soybean varieties from the USA were approved by the National Seed Commission for use by farmers. Ten new varieties have been tested in ten agriculture research stations since 2009 in order to increase the number of effective varieties in all seven agricultural zones of Afghanistan. Another 11 varieties were tested this year in order to provide soy farmers with more varieties that are adaptable to their climate and soil conditions.

In 2012, NEI collaborated with MAIL and the UN World Food Program's Purchase for Progress (P4P) division in Afghanistan to develop a self-sustainable soy industry to improve food security, reduce malnutrition, while improving the livelihoods and local economy of rural Afghanistan. NEI provided inputs and technical support to over 7,000 Afghan farmers who produced 1,900 metric tons of soybean. Due to security issues, NEI was limited to only 20 provinces this year including 101 districts and 940 villages.

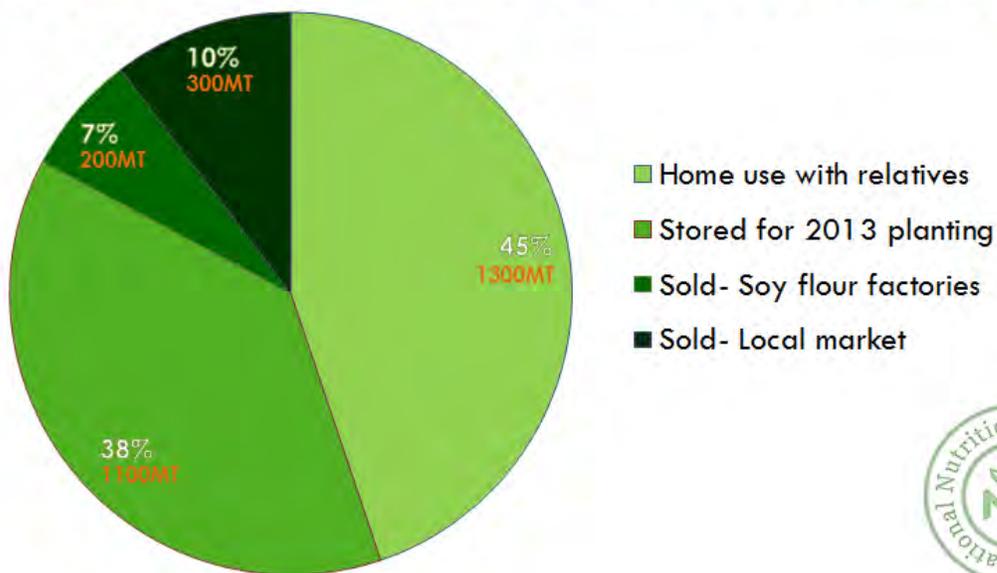
Additionally, NEI signed a Memorandum of Understanding with the Ministry of Education in Afghanistan to promote Soy Nutrition through Education in Afghanistan. NEI trained 200 teachers from 180 schools in 10 provinces. The teachers introduced soy-related science and technologies in classrooms and demonstrated soy cultivation on their farms.

## 2012 Afghanistan Soybean Production # Farmers Trained in 20 Provinces



NEI offers to purchase soybeans from farmers at a higher price than they would receive on the international market in order to encourage them to cultivate this new crop. During post-harvest purchasing, anecdotal evidence taken from the field indicated that farmers would rather keep soybeans for home consumption due its nutritional value as they are educated on the health benefits of soy during training. Soy's high protein content makes it a valuable food commodity as meat protein is too expensive for many families to purchase regularly.

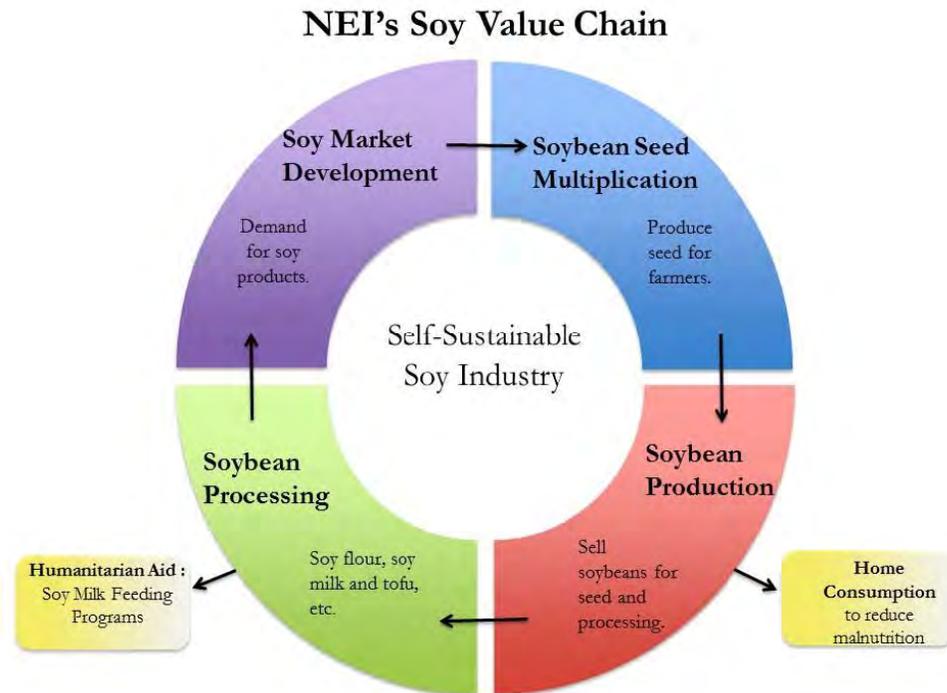
## 2012 Soybean (MT) Post-Harvest Utilization by Afghan Farmers



## Self-Sustainable Soy Industry

To develop a sustainable nutritional intervention, NEI has adapted an approach to build a full soybean value chain in a self-sustainable manner involving soybean seed multiplication, soybean production with farmers, soy processing and market development.

Concurrently, a soy food culture needs to be developed to promote soy food consumption by the general public for increased protein intake, especially within the rural community where malnutrition is rampant among women and children.



## Soy Food Culture Development

In soybean producing areas, Afghan women are now making soy naan a staple in the Afghan diet. Soy naan contains 10% soy flour and 90% wheat flour, which increases protein absorption by 110%.

NEI has also collaborated with the Ministry of Women's Affairs (MOWA) in 10 provinces to train housewives on the health benefits and home use of soybeans, especially for pregnant and lactating women in impoverished rural communities. Many people in rural areas now prepare and consume soy dishes, including soybean Korma (soup) and soy milk.

## Soy Processing and Soy Food Market Development

Since 2007, NEI has been producing soy flour at its Kabul facility in order to not only provide protein nutrition to vulnerable populations in high mortality areas but also promote the soy processing sector development by local entrepreneurs.

In 2008, NEI established a full-fat soy flour factory in Kabul with a yearly processing capacity of 250 metric tons of soybean. NEI has distributed the full-fat soy flour and soybeans with

home cooking demonstrations to more than 5,000 pregnant and lactating women in ten provinces of the central, eastern, and north regions.

NEI has also provided soy flour to other NGOs, such as Aga Khan Foundation, to support their nutrition campaign for pregnant women in Badakhshan Province.

This concept to build a soy flour factory and market development can be implemented with short-term visible results which will create a widespread and positive socio-economic impact in Afghanistan. NEI supports local partners technically so that they can experience soy food processing and marketing with proper nutrition messages. A desirable market for the soy flour has been identified.

In 2012, NEI has so far established 4 soy flour factories, 3 soy milk factories, 2 tofu production units and 1 soy cookies production unit. The establishment of additional soy processing factories is a major goal of the WFP and NEI partnership program. WFP purchased almost an entire year's production of soy flour from NEI in order to manufacture high protein soy biscuits for their school biscuit feeding program starting in 2013.



*Kabul soy factory*



*Roasted soybeans are ground into soy flour*

### **Soy Milk Feeding Program**

To provide immediate nutrition intervention for the vulnerable populations, NEI has established three pasteurized soy milk processing facilities in Afghanistan. Each facility is capable of producing soy milk to feed up to 2,000 women and children daily.

This purely humanitarian program benefits women and children in refugee camps, blind and deaf schools, public schools in poor areas, orphanages, and hospitals. The majority of soy milk recipients show visible improvements in health conditions within three months of regular feedings. Recently, a monitoring and evaluation program to assess the health impacts of feedings on beneficiaries during a 12 month period was initiated in a Kabul public school, in collaboration with the Ministry of Public Health (MOPH).



*Soy naan and soy milk are distributed at a school and refugee camp in Kabul*

### **Conclusion and Next Steps**

With nearly years of collaborative efforts between NEI and its Afghan partners including government agencies, the private sector, village leaders, farmers, and rural housewives, three soy facts have been established in Afghanistan:

1. Soybean grow well in Afghanistan.
2. Afghans like soy foods.
3. Afghans who consume soy foods become healthier.

Our goal in 2013 is to identify and train over 10,000 farmers in 21 provinces as a continuation of the joint program with WFP but with funding from the Republic of Korea government. This \$4million grant will be distributed by the Korea Government Ministry of Foreign Affairs through WFP with NEI being the main implementers. The focus is on expanding the soy processing sector for market develop, especially the promotion of soy and fortified wheat blend for making soy naan.

The soybean has become a cash crop in Afghanistan and is officially endorsed by the Ministry of Agriculture, Irrigation, and Livestock (MAIL) as a rotational second crop to wheat in order to improve food security and develop the local economy in rural communities. Encouraged by these developments, NEI and its collaborators have set a national goal of producing 300,000 tons of soybeans to defeat malnutrition by 2023. This quantity of soybeans will provide enough protein (80,000 metric tons) for 30 million protein-deficient people and, consequently, officially end malnutrition in Afghanistan. The NEI goal to eradicate malnutrition cannot be achieved alone; it is a partnership that requires supporters of all levels to ensure that no woman and child will perish before their time.

**Nutrition and Education International**

**Audited Financial Statements**

**For the year ended December 31, 2012**

**Nutrition and Education International**

**Audited Financial Statements**

**For the year ended December 31, 2012**

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## Der Vartanian & Associates, Accountancy Corporation

Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Nutrition & Education International, Inc.

We have audited the accompanying financial statements of Nutrition & Education International, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Nutrition & Education International, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Der Vartanian & Associates, Accountancy Corporation

Glendale, CA  
July 10, 2013

**Nutrition and Education International**  
**Statement of Financial Position**  
**December 31, 2012**

<b>Assets</b>	
Cash (Note 1)	\$ 65,531
Grants Receivable (Note 6)	465,817
Inventory (Note 9)	42,259
Prepaid expenses	16,861
Total current assets	<u>590,468</u>
Equipment and Furniture (net of \$253,774 of accumulated depreciation) (Note 2)	<u>364,380</u>
<b>Total Assets</b>	<b>\$ <u><u>954,848</u></u></b>
<b>Liabilities</b>	
Accounts Payable and Accrued Expenses	\$ 24,636
Payroll and Related Liabilities	7,215
Loan Payable (Note 5)	20,000
Total current liabilities	<u>51,851</u>
<b>Total Liabilities</b>	<u>51,851</u>
<b>Net assets</b>	
Unrestricted (Note 1)	99,357
Permanently Restricted - (Note 1,7)	803,640
<b>Total Unrestricted and Restricted Net Assets</b>	<u><u>902,997</u></u>
 <b>Total Liabilities and Unrestricted and Restricted Net Assets</b>	 <b>\$ <u><u>954,848</u></u></b>

The accompanying notes are an integral part of these financial statements.  
Der Vartanian Associates, AcctCy. Corp.  
Certified Public Accountants

**Nutrition and Education International**  
**Statement of Activities**  
**For the Year Ended December 31, 2012**

**Revenue**

Contributions	\$ 1,688,674
Contributed Services (Note 1, 4)	229,750
Other Income	<u>6,537</u>
<b>Total revenue</b>	<u>1,924,961</u>

**Expenses**

Program services	
Soybean farming and harvesting	1,146,390
Soy milk manufacturing	27,176
Soy flour manufacturing	151,093
Education and seminars	<u>50,446</u>
Total program services	1,375,105
Supporting services	
Management and General	<u>197,062</u>
<b>Total Expenses</b>	<u>1,572,167</u>
<b>Increase in Unrestricted Net Assets</b>	352,794
Unrestricted net assets, beginning of year	<u>550,203</u>
<b>Unrestricted Net Assets, end of year</b>	<u><u>\$ 902,997</u></u>

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Certified Public Accountants

# Nutrition and Education International

## Statement of Functional Expenses

### For the Year Ended December 31, 2012

Expenses	Program Services					Total Expenses
	Soybean Farming & Harvesting	Soy Flour Manufacturing	Soy Milk Manufacturing	Education and Seminars	Management and General	
Advertising	\$ 3,046	\$ -	\$ -	\$ -	\$ 320	\$ 3,366
Auto expenses	11,409	1,433	2,036	-	905	15,783
Bank service charges	878	-	-	15	3,040	3,933
Conferences and Seminars	8,234	-	-	-	165	8,399
Computer Supplies & software	6,022	360	2	-	3,606	9,990
Depreciation	-	73,358	-	-	-	73,358
Dues and subscriptions	-	-	-	-	99	99
Farming & manufacturing	40,694	2,930	684	30	-	44,338
Fertilizer	197,868	-	-	-	-	197,868
Interest	-	-	-	-	2,667	2,667
Management & tech services	200,400	-	-	-	-	200,400
Marketing and fundraising	-	-	-	-	28,000	28,000
Miscellaneous	3,832	45	-	8	1,761	5,646
Office expenses	22,911	675	1,292	305	10,073	35,256
Outside services	268,702	20,643	11,049	37,127	63,047	400,568
Payroll expenses	-	-	-	-	21,885	21,885
Professional fees	-	-	-	-	-	-
Rent	777	47,458	10,450	600	13,106	72,391
Repairs & maintenance	9,784	696	509	-	208	11,197
Seed	141,385	-	-	-	-	141,385
Shipping-farming	92,559	4	-	-	-	92,563
Stipends	18,500	-	-	12,190	-	43,790
Taxes, licenses and insurance	1,947	-	-	-	-	1,947
Telephone	10,548	10	-	30	8,692	19,280
Training	420	-	-	-	-	420
Travel	86,100	-	40	-	19,383	105,523
Utilities	9,033	2,911	544	13	1,893	14,394
Volunteer Expense	11,341	570	570	128	5,112	17,721
<b>Total expenses</b>	<b>\$ 1,146,390</b>	<b>\$ 151,093</b>	<b>\$ 27,176</b>	<b>\$ 50,446</b>	<b>\$ 197,062</b>	<b>\$ 1,572,167</b>

The accompanying notes are an integral part of these financial statements.

Der Vartanian Associates, Acct'g. Corp.

Certified Public Accountants

**Nutrition and Education International**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2012**

<b>Cash flows from operating activities</b>	
Increase in unrestricted net assets	\$ 352,794
Adjustments to change in unrestricted net assets to net cash provided (used) by operating activities:	
Depreciation	73,358
(Increase) Decrease in:	
Accounts receivable	(347,110)
Inventory	53,741
Prepaid expenses	(3,169)
Increase (Decrease) in:	
Accounts payable and accrued expenses	<u>(16,531)</u>
<b>Net cash provided by operating activities</b>	<u>113,083</u>
<b>Cash flows used in investing activities</b>	
Acquisition of fixed assets	<u>(74,974)</u>
<b>Net cash used in investing activities</b>	<u>(74,974)</u>
<b>Cash flows used in financing activities</b>	
Repayment of loan payable (Note 5)	<u>(20,000)</u>
<b>Net cash used in financing activities</b>	<u>(20,000)</u>
<b>Net increase in cash</b>	18,109
<b>Cash as of beginning of year</b>	<u>47,422</u>
<b>Cash equivalents as of end of year</b>	<u>\$ <u>65,531</u></u>

The accompanying notes are an integral part of these financial statements.

Der Vartanian Associates, AcctCy. Corp.

Certified Public Accountants

*Nutrition and Education International*  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Organization**

The Nutrition and Education International (the "Organization") is a nonprofit corporation organized under the laws of the State of California. The Organization was incorporated on October 11, 2003. The purpose of the organization is to improve the health status of the general public living in the developing and/or war torn nations through nutritional programs and education. In particular, the Organization adopts indigenous agrarian programs such as soybean production and soy milk manufacturing to sustain an ongoing nutritional program for the nation. Residents are provided with counseling services to help them obtain permanent housing, employment, and financial assistance. The Organization is supported primarily through donor contributions.

**Financial Statement Presentation**

The Organization reports 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), based upon the existence or absence of donor-imposed restrictions.

**Basis of Accounting and Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally-accepted accounting principles, and accordingly reflect all significant receivables, payables and other liabilities. They are presented in accordance with the provisions of Accounting Standards Codification 958, "Financial Statements of Not-For-Profit Organization". Under the provisions of Codification 958, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted Net Assets.** Unrestricted net assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Organization to utilize funds in furtherance of its purpose.  
These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

*Nutrition and Education International*  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Temporarily Restricted Net Assets.** Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because certain actions are taken by the Organization which fulfill the restrictions or because of the passage of time. Expirations of temporary restriction on net assets (i.e., the donor-stipulated purpose has been fulfilled and /or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when the stipulated time restriction ends or the purpose of the 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 program or capital restrictions. The Organization does not have temporarily restricted net assets.
  
- **Permanently Restricted Net Assets.** These net assets are received by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization has Japan Fund. The funds are permanently restricted for Soybean and Soybean Milk production.

**Revenue Recognition**

Contribution is recognized when the donor makes a promise to give that is, in substance, unconditional. Grant revenue is recognized as earned expenses are incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. In accordance with the provision of Accounting Standards Codification 958-608, "Accounting for Contributions Received and Contributions Made", contributions that are restricted by the donor is reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets. Funds received in advance for special events are shown as deferred income when received. These amounts are recorded as income when the funds are disbursed upon the completion of the special event in order to more closely match revenue with the related expenditure.

*Nutrition and Education International*  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions**

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily-restricted or permanently-restricted support that increases those net asset classes. When a temporary restriction expires, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Property and Equipment**

Property and equipment are carried at cost if purchased or at the approximate fair value at the date of donation if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expenses as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than three years.

**Donated Material Services**

Contributions of donated non-cash assets are recorded at their fair market values in the period received. Donated services are recognized as contributions in accordance with the provision of Accounting Standards Codification 958-605, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended December 31, 2012 the value of contributed services has been recorded.

**Concentration of Credit Risks**

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist of cash. The Organization places its cash with high-credit, quality financial institutions. As of December 31, 2012, such investments did not exceed the Federal Deposit Insurance Corporation insurance limit.

**Income Taxes**

The Organization is exempt from federal and state taxes under 501 ( c ) ( 3 ) of the Internal Revenue Code and section 23701 ( d ) of the California Revenue and Taxation Code, and is considered by the Internal Revenue Service to be a Foundation other than a private foundation. The Organization adopted the Financial Standards

*Nutrition and Education International*  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2012**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Codification 740, Accounting for Uncertainty in Income Taxes. The standard addresses the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of "more likely than not" for recognition and de-recognition of tax positions taken or expected to be taken in the tax returns. Financial Standards Codification 740 also provides related guidance on measurement, classification, interest and penalties and disclosure. There was no material impact to Foundation's financial statements as a result of the adoption of Financial Standards Codification 740.

**Cash and Cash Equivalents**

Cash and cash equivalents consist entirely of liquid cash held in financial institutions.

**Accounts Receivable**

Receivables are recorded when invoices are issued and are presented in the balance sheet at the billed amount. The Company has a history of collecting 100% of the billed receivables, and therefore, an allowance for doubtful accounts is not deemed necessary. All receivables are deemed collectible within one year of the balance sheet date.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs, and supporting services benefited on the basis of estimates by management.

**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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

*Nutrition and Education International*  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2012**

**2. PROPERTY AND EQUIPMENT**

Property and Equipment at December 31, 2012, consisted of the following:

Leasehold improvements	\$	58,900
Office equipment		7,220
Vehicles		53,350
Machinery and equipment		498,684
		618,154
Less: Accumulated depreciation		(253,774)
Total	\$	364,380

Depreciation and amortization expense for the year ended December 31, 2012 was \$73,358.

**3. COMMITMENTS AND CONTINGENCIES**

Leases

The Organization leases its offices in Pasadena, CA under a noncancelable, triple net operating lease on a month to month basis. Monthly payment under the operating lease is \$1,092 in 2012. Additionally, the Organization leases the following premises in Afghanistan:

Location	Monthly Payment in 2012	Lease Expiration Date	Lease Commitment for the year 2013	Lease Commitment from Jan 01, 2013 through the lease Expiration Date
Kabul HQ	\$ 1,500	05/14/2014	\$ 18,000	\$ 25,500
Nutriana House	650	05/01/2014	8,400	11,200
SMKN	350	10/01/2013	4,050	4,050
Guest House #1	900	05/14/2013	3,600	3,600
Guest House #2	730	Monthly	0	0
Kapisa Farmer Assoc	153	02/28/2013	320	320
Mazar-Sharif	700	04/02/2015	8,400	18,900
Shendand	200	05/01/2015	2,400	5,600
SNSA/SNC	600	06/30/2013	1,800	1,800
<b>TOTAL</b>	<b>\$ 5,783</b>		<b>\$ 46,970</b>	<b>\$ 70,970</b>

See Independent Auditor's Report

*Nutrition and Education International*  
Notes to Financial Statements  
For the Year Ended December 31, 2012

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**4. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2012, Steven Kwon, Executive Director contributed material services estimated to be \$100,400. Michael DiPietro, CPA, Director, contributed material services estimated to be \$29,350. Shin Hong Pae, Director contributed services estimated to be \$60,000. Boksil Pae, Program Manager contributed services estimated to be \$40,000. In addition, Steven Kwon, Executive Director, routinely travels to Afghanistan to provide technical and management services. Due to the current nature of the political and economic environment in Afghanistan, he is required by necessity to carry significant amount of United States currency. Accordingly, a number of checks have been written to Steven Kwon. All material cash disbursements have been accounted for in the 2012 financial statements as program service expenses. There was no material currencies advanced to Steven Kwon as of December 31, 2012.

**5. DEBT**

The Organization has a \$50,000, 7.25% line of credit. The line is collateralized by substantially all the Organization's assets. There is \$20,000 outstanding balance as of December 31, 2012.

**6. GRANTS RECEIVABLE**

At December 31, 2012 Grants Receivable consisted of:

Stewardship Foundation	\$ 43,500
World Food Program	<u>421,782</u>
Total	\$ 465,282

**7. RESTRICTIONS ON NET ASSETS**

Permanently restricted net assets as of December 31, 2012 are related to cash funds received from public donations with a designated use. Restrictions on the public

***Nutrition and Education International***  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2012**

donations with a designated use are considered to be expired when the funds are used for the stipulated purpose.

The Japan Fund, World Food Program (WFP) and Stewardship Foundation (SF) funds are permanently restricted to soybean production and soy milk feeding programs as follows:

Name	Restricted Amount
Soybean Production Development through WFP and Japan Fund	\$ 683,240
Soy Milk Production Program for Schoolchildren Consumption Only through SF	\$ 120,400

**8. IN-KIND AND CHARITY FUNDING CONTRIBUTIONS**

The Organization does not recognize support, revenue, or expenses from services contributed by most volunteers because the criteria for recognition under FASB Accounting Standards Codification 958 (formerly SFAS No.116), have not been satisfied. Substantial donated assets, identifiable services, and supply items are recorded at their fair value, as of the date of donation. Services and supply items are recorded if the value can be determined and would otherwise be purchased, if not for the donation.

**9. INVENTORY**

Inventory is accounted for at the lower of cost or market, using the specific identification cost method. The Organization's inventory is comprised of:

Soybean	\$ <u>42,259</u>
Total	\$ 42,259

**10. SUBSEQUENT EVENTS**

The Organization has evaluated all subsequent events through July 10, 2013, the date of this report, and determined there are no material recognized or unrecognized subsequent events.