

ANDEAN HEALTH & DEVELOPMENT, INC.

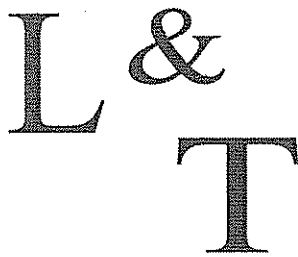
FINANCIAL STATEMENTS

**For the Years Ended
December 31, 2010 and 2009**

ANDEAN HEALTH & DEVELOPMENT, INC.
FINANCIAL STATEMENTS
December 31, 2010 and 2009

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MEMBERS

Mark S. Lulloff, CPA
David A. Taylor, CPA

CONSULTANTS

Robert A. Leack, CPA
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Independent Auditors' Report

Board of Trustees
Andean Health & Development, Inc.

We have audited the accompanying statements financial position of Andean Health and Development, Inc. (a not-for-profit corporation) as of December 31, 2010 and 2009 and the related statements activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Andean Health and Development, Inc. as of December 31, 2010 and 2009, and its activities, and its functional expenses for the years then ended.

Lulloff & Taylor, LLC

July 31, 2011

ANDEAN HEALTH & DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 410,853	\$ 463,396
Cash - Restricted	-	17,010
Investments	30,979	35,859
Promises to Give	676,699	-
TOTAL CURRENT ASSETS	1,118,531	516,265
FIXED ASSETS		
Office Equipment	4,139	2,952
Less Accumulated Depreciation	1,842	1,308
NET FIXED ASSETS	2,297	1,644
OTHER ASSETS		
Software	5,014	3,700
Less Accumulated Amortization	2,314	719
NET OTHER ASSETS	2,700	2,981
TOTAL ASSETS	\$ 1,123,528	\$ 520,890
LIABILITIES		
CURRENT LIABILITIES		
Note Payable	\$ 200,000	\$ -
Accounts Payable	5,967	6,793
Accrued Payroll Liability	10,778	2,439
TOTAL CURRENT LIABILITIES	216,745	9,232
LONG-TERM LIABILITIES		
Note Payable	500,000	-
TOTAL LIABILITIES	716,745	9,232
NET ASSETS		
Unrestricted Net Assets	406,783	494,648
Temporarily Restricted Net Assets	-	17,010
TOTAL NET ASSETS (DEFICIT)	406,783	511,658
TOTAL LIABILITIES AND NET ASSETS	\$ 1,123,528	\$ 520,890

See accompanying notes to the financial statements.

ANDEAN HEALTH & DEVELOPMENT, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
DONATIONS			
Cash	\$ 1,058,748	\$ -	\$ 1,058,748
Non-Cash	23,401	-	23,401
	<u>1,082,149</u>	<u>-</u>	<u>1,082,149</u>
TOTAL REVENUES			
	<u>1,176,219</u>	<u>17,010</u>	<u>1,193,229</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME / (EXPENSES)	(94,070)	(17,010)	(111,080)
INVESTMENT INCOME (EXPENSES)			
Investment Income	1,658	-	1,658
Realized Gain / (Loss) on Investments	(1,019)	-	(1,019)
Unrealized Gain / (Loss) on Investments	5,566	-	5,566
	<u>6,205</u>	<u>-</u>	<u>6,205</u>
TOTAL INVESTMENT INCOME / (EXPENSES)			
	<u>(87,865)</u>	<u>(17,010)</u>	<u>(104,875)</u>
CHANGE IN NET ASSETS			
Unrestricted Net Assets, Beginning of Year	<u>494,648</u>	<u>17,010</u>	<u>511,658</u>
UNRESTRICTED NET ASSETS (DEFICIT), END OF YEAR	<u>\$ 406,783</u>	<u>\$ -</u>	<u>\$ 406,783</u>

See accompanying notes to the financial statements.

ANDEAN HEALTH & DEVELOPMENT, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
DONATIONS			
Cash	\$ 329,291	\$ 120,000	\$ 449,291
Non-Cash	6,336	-	6,336
	<u>335,627</u>	<u>120,000</u>	<u>455,627</u>
FUNCTIONAL EXPENSES	<u>306,648</u>	<u>170,000</u>	<u>476,648</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT INCOME / (EXPENSES)	28,979	(50,000)	(21,021)
INVESTMENT INCOME (EXPENSES)			
Investment Income	2,473	-	2,473
Realized Gain / (Loss) on Investments	(2,758)	-	(2,758)
Unrealized Gain / (Loss) on Investments	12,968	-	12,968
	<u>12,683</u>	<u>-</u>	<u>12,683</u>
CHANGE IN NET ASSETS	<u>41,662</u>	<u>(50,000)</u>	<u>(8,338)</u>
Unrestricted Net Assets, Beginning of Year	<u>452,986</u>	<u>67,010</u>	<u>519,996</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 494,648</u>	<u>\$ 17,010</u>	<u>\$ 511,658</u>

See accompanying notes to the financial statements.

ANDEAN HEALTH & DEVELOPMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	Program Expenses	Administrative and General Expenses	Fundraising Expenses	Total
Wages - Professional	\$ 143,058	\$ 10,000	\$ 10,000	\$ 163,058
Contract Labor	3,275	-	-	3,275
Benefits	15,950	1,115	1,115	18,180
Cash Grants to Ecuador Hospital	906,275	-	-	906,275
Insurance	-	758	-	758
Pension Expense	20,000	2,500	2,500	25,000
Depreciation	534	-	-	534
Amortization	1,594	-	-	1,594
Meeting Expenses	6,084	-	-	6,084
Office Expenses	-	8,206	-	8,206
Bank Charges	2,008	-	-	2,008
Printing and Publications	9,513	-	-	9,513
Travel	34,871	-	-	34,871
Telephone	-	1,372	-	1,372
Website	3,799	-	-	3,799
Outside Services	8,702	-	-	8,702
Total Functional Expenses	\$ 1,155,663	\$ 23,951	\$ 13,615	\$ 1,193,229

See accompanying notes to the financial statements.

ANDEAN HEALTH & DEVELOPMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Program Expenses	Administrative and General Expenses	Fundraising Expenses	Total
Wages - Professional	\$ 111,666	\$ 10,000	\$ 10,000	\$ 131,666
Contract Labor	11,563	-	-	11,563
Benefits	14,894	1,334	1,334	17,562
Cash Grants to Ecuador Hospital	250,000	-	-	250,000
Insurance	-	758	-	758
Pension Expense	20,000	2,500	2,500	25,000
Depreciation	378	-	-	378
Amortization	719	-	-	719
Meeting Expenses	5,222	-	-	5,222
Office Expenses	-	4,840	-	4,840
Bank Charges	1,355	-	-	1,355
Printing and Publications	5,195	-	-	5,195
Travel	12,060	-	-	12,060
Telephone	-	2,015	-	2,015
Website	994	-	-	994
Outside Services	7,321	-	-	7,321
Total Functional Expenses	\$ 441,367	\$ 21,447	\$ 13,834	\$ 476,648

See accompanying notes to the financial statements.

ANDEAN HEALTH & DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (104,875)	\$ (8,338)
Depreciation and amortization	2,129	1,097
Unrealized loss/(gain) on investments	(5,566)	(12,968)
Realized loss/(gain) on investments	1,019	2,758
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) in promise to give	(676,699)	-
Increase/(Decrease) in accounts payable	(826)	6,793
Increase in accrued payroll liability	8,339	2,439
	(776,479)	(8,219)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,501)	(3,700)
Purchase of investments	(573)	(734)
Proceeds from sale investments	10,000	9,000
	6,926	4,566
 CASH FLOWS FROM FINANCING ACTIVITIES		
(Payment) proceeds from notes payable	700,000	-
	700,000	-
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(69,553)	(3,653)
Cash and cash equivalents at beginning of year	480,406	484,059
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 410,853	\$ 480,406

See accompanying notes to the financial statements.

ANDEAN HEALTH & DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by Andean Health & Development, Inc. (the Organization) and the methods of applying those policies that materially affect the determination of financial position, changes in cash flows or results of operations are summarized below.

Nature of Operations

Andean Health & Development, Inc. is a not-for-profit corporation formed under the laws of the State of Wisconsin. The Organization's primary operation is to provide funding for the operation of a health care organization located in Pedro Vicente, Ecuador.

Basis of Accounting

The financial statements of Andean Health & Development, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities..

Income Taxes

The Organization is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements. Use of estimates include, but are not limited to, valuation of non-cash donations received and given.

Fixed Assets

Property and equipment are stated at cost. Expenditures for additions and improvements are capitalized while replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Properties sold, or otherwise disposed of, are removed from the property accounts.

Depreciation is provided over the estimated useful lives of the respective assets using the straight line methods.

ANDEAN HEALTH & DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of assets, liabilities and net assets (deficit). Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Functional Allocation of Expenses

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

Interest & Penalties

When the tax law requires interest to be paid on an underpayment of income taxes, the Company shall begin recognizing interest expense in the first period the interest would begin accruing according to the provisions of the relevant tax law. The amount of interest expense to be recognized shall be computed by applying the applicable statutory rate of interest to the difference between the tax position and the amount previously taken or expected to be taken in the tax return.

If a tax position does not meet the minimum statutory threshold to avoid payment of the penalties, the Company shall recognize an expense for the amount of the statutory penalty in the period in which the Company claims or expects to claim the position in the tax return. If penalties were not recognized when the position was initially taken, the expense shall be recognized in the period in which the Company's judgment about meeting the minimum statutory threshold changes.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire 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 restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

ANDEAN HEALTH & DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give (Continued)

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance based on prior years' experience and management's analysis of specific promises made.

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made. Collections on accounts previously written off shall be reported as other income as received.

NOTE B – CASH

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. There was \$160,796, and \$230,350 of uninsured balance as of December 31, 2010 and 2009, respectively.

NOTE C – NON-CASH DONATIONS

The Organization received the following non-cash donations during the years ending December 31, 2010 and 2009:

Non - Cash Item	2010 Approximate Value	2009 Approximate Value
Travel & Meeting Expenses	\$ 23,030	\$ 4,321
Telephone	225	2,015
Office Expense	146	-
Total Non-Cash Donations	\$ 23,401	\$ 6,336

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

	Father Ted	\$ -	\$ 17,010

ANDEAN HEALTH & DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE E – INVESTMENTS

Cost and fair value of marketable equity securities at December 31, 2010 and 2009 are as follows:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized (Losses)	Fair Value
December 31, 2010 Available for Sale-Equity Securities	\$ 32,661	\$ -	\$ (1,682)	\$ 30,979
December 31, 2009 Available for Sale-Equity Securities	\$ 43,050	\$ -	\$ (7,191)	\$ 35,859

Proceeds from sales of available-for-sale securities amounted to \$10,000 and \$9,000 for 2010 and 2009, respectively.

NOTE F – EMPLOYEE BENEFIT PLAN

The Organization has a simplified employee pension plan covering substantially all employees. Under the plan, the Organization contributes 25% of each eligible employee's salary. Plan expenses incurred by the Organization during 2010 and 2009 were \$25,000.

NOTE G – FAIR VALUE MEASUREMENT

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

ANDEAN HEALTH & DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE G – FAIR VALUE MEASUREMENT (CONTINUED)

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company’s own data.)

The following tables present the Company’s fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010.

Fair Value Measurements on a Recurring Basis

As of December 31, 2010

ASSETS (LIABILITIES)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Market Value</u>
Mutual Funds	<u>\$ 30,979</u>	-	-	<u>\$ 30,979</u>

NOTE H – ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

On January 1, 2009, the Company adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company does not anticipate any adjustments that would result in material adverse affect on the Company’s financial condition, result of operations or cash flows. Accordingly, the Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2010.

ANDEAN HEALTH & DEVELOPMENT, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE I – SUBSEQUENT EVENTS

The Company's management has performed subsequent events procedures through July 31, 2011, which is the date that the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

NOTE J – SHORT-TERM NOTE PAYABLE

Note payable for \$200,000 to an individual with interest at 5% with a due date on or before December 31, 2011. The note was repaid January 19, 2011.

NOTE K – NOTE PAYABLE

As of December 31, 2010 and 2009, note payable consists of:

	<u>2010</u>	<u>2009</u>
Note payable to an individual with interest at 1.53% due December 2, 2020.	<u>\$ 500,000</u>	<u>\$ -</u>

NOTE L – PRIOR PERIOD ADJUSTMENT

During 2010, the Organization changed from the cash basis to the accrual basis of accounting. The December 31, 2009 net assets were decreased by \$9,232 due to the change from cash to accrual basis of accounting.