VITAMIN ANGEL ALLIANCE, INC.

FINANCIAL STATEMENTS

December 31, 2007, 2006 and 2005

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Damitz
Brooks
Nightingale
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Morrisset

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vitamin Angel Alliance, Inc.

We have audited the accompanying statements of financial position of Vitamin Angel Alliance, Inc. (a non-profit organization) as of December 31, 2007, 2006 and 2005, and the related statements of activity, 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 audits.

Except as discussed in the following paragraph, we conducted our audits 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 audits provide a reasonable basis for our opinion.

We were unable to form an opinion regarding the amount of In-kind contribution income and products distribution expense in the accompanying statements of activity and functional expenses for the year ended December 31, 2005 as a result of missing or incomplete information in the Organization's accounting records. Due to missing or incomplete information in the Organization's accounting records, we were unable to satisfy ourselves about the existence and value of In-kind contribution income and products distribution expense by means of other auditing procedures.

In our opinion, except for the effects on the 2005 financial statements of such adjustments, if any, as might have been determined to be necessary if we had been able to satisfy ourselves about In-kind contribution income and expense as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Vitamin Angel Alliance, Inc. as of December 31, 2007, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Damitz, Brooks, Nightingale, Turner & Morrisset

Damitz, Brooks, Nightingale,
Turner & Morrisset
September 28, 2008

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VITAMIN ANGEL ALLIANCE, INC.
Statements of Financial Position
December 31, 2007, 2006 and 2005

Assets	2007 Unrestricted	2006 Unrestricted	2005 Unrestricted
Cash and cash equivalents	$ 388,541	$ 289,043	$ 62,099
Inventory	4,254,651	-	-
Pledges receivable	12,235	-	-
Prepaid expenses and deposits	778	21,101	-
Investments in marketable securities	5,216	-	-
Property and equipment	6,783	3,678	375
Total assets	$ 4,668,204	$ 313,822	$ 62,474
Liabilities and Net Assets			
Liabilities			
Accounts payable	$ 40,380	$ 27	$ -
Accrued liabilities	4,229	6,787	97
Total liabilities	44,609	6,814	97
Net Assets - Unrestricted	4,623,595	307,008	62,377
	$ 4,668,204	$ 313,822	$ 62,474

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

VITAMIN ANGEL ALLIANCE, INC.
Statements of Activity
Years Ended December 31, 2007, 2006 and 2005

	2007 Unrestricted	2006 Unrestricted	2005 Unrestricted
Revenues and Other Support			
In-kind contributions	$ 44,637,518	$ 30,633,875	$ 6,275,882
Cash contributions	912,211	689,590	208,937
Investment income	12,469	658	94
Other income	50,000	-	-
Total revenues and other support	45,612,198	31,324,123	6,484,913
Expenses			
Nutrition project	40,889,462	30,883,138	6,413,736
Management and general	115,561	53,268	36,410
Special events and fundraising	290,588	143,086	40,906
Total expenses	41,295,611	31,079,492	6,491,052
Increase (decrease) in net assets	4,316,587	244,631	(6,139)
Net assets, beginning of year	307,008	62,377	68,516
Net assets, end of year	$ 4,623,595	$ 307,008	$ 62,377

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

VITAMIN ANGEL ALLIANCE, INC.
Statements of Functional Expenses
Year Ended December 31, 2007

	Program Services	Supporting Services		
	Nutrition Project	Management and General	Special Events and Fundraising	Total
Salaries	$ 168,862	$ 49,586	$ 49,586	$ 268,034
Payroll taxes and benefits	22,099	6,489	6,489	35,077
Total salaries and benefits	190,961	56,075	56,075	303,111
Accounting	-	18,474	-	18,474
Bank charges	-	3,810	1,876	5,686
Board expenses	-	11,412	-	11,412
Computer	239	246	239	724
Depreciation	759	223	223	1,205
Donations	14,001	-	-	14,001
Donor recognition event	-	-	111,461	111,461
Dues and publications	286	294	286	866
Insurance	11,935	3,505	3,505	18,945
Occupancy	6,094	1,789	1,789	9,672
Other office expenses	-	1,647	-	1,647
Outside services	5,344	5,506	5,344	16,194
Postage and shipping	21,029	4,673	21,029	46,731
Printing	12,217	-	6,017	18,234
Products distributed	40,462,407	-	-	40,462,407
Professional services	15,493	-	15,493	30,986
Program stipends	13,232	-	-	13,232
Public relations	41,767	-	20,572	62,339
Repairs and maintenance	-	916	-	916
Staff development expenses	-	1,178	-	1,178
Supplies	3,706	3,819	3,706	11,231
Telephone	6,790	1,994	1,994	10,778
Travel and meetings	75,232	-	37,054	112,286
Website maintenance	7,970	-	3,925	11,895
	$ 40,889,462	$ 115,561	$ 290,588	$ 41,295,611

VITAMIN ANGEL ALLIANCE, INC.

Statements of Functional Expenses

Year Ended December 31, 2006

	Program Services	Supporting Services		
	Nutrition Project	Management and General	Special Events and Fundraising	Total
Salaries	$ 100,590	$ 29,538	$ 29,538	$ 159,666
Payroll taxes and benefits	8,968	2,633	2,633	14,234
Total salaries and benefits	109,558	32,171	32,171	173,900
Accounting	-	420	-	420
Bank charges	-	1,637	807	2,444
Board expenses	-	5,925	-	5,925
Computer	2,099	2,162	2,099	6,360
Depreciation	243	71	71	385
Donor recognition event	-	-	66,593	66,593
Dues and publications	460	474	460	1,394
Insurance	4,065	1,194	1,194	6,453
Occupancy	4,896	1,438	1,438	7,772
Other office expenses	-	557	-	557
Outside services	531	547	531	1,609
Postage and shipping	2,088	464	2,088	4,640
Printing	8,954	-	4,410	13,364
Products distributed	30,633,875	-	-	30,633,875
Product purchases - redistributed	38,020	-	-	38,020
Professional services	1,664	-	1,664	3,328
Program stipends	16,839	-	-	16,839
Public relations	25,408	-	12,514	37,922
Repairs and maintenance	-	720	-	720
Staff development expenses	-	1,815	-	1,815
Supplies	2,133	2,198	2,133	6,464
Telephone	5,022	1,475	1,475	7,972
Travel and meetings	26,666	-	13,134	39,800
Website maintenance	617	-	304	921
	$ 30,883,138	$ 53,268	$ 143,086	$ 31,079,492

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

VITAMIN ANGEL ALLIANCE, INC.
Statements of Functional Expenses
Year Ended December 31, 2005

	Program Services	Supporting Services		
	Nutrition Project	Management and General	Special Events and Fundraising	Total
Salaries	$ 66,238	$ 19,451	$ 19,451	105,140
Payroll taxes and benefits	1,949	572	572	3,093
Total salaries and benefits	68,187	20,023	20,023	108,233
Bank charges	-	416	205	621
Board expenses	-	1,019	-	1,019
Computer	1,002	1,032	1,002	3,036
Dues and publications	48	50	48	146
Insurance	137	40	40	217
Occupancy	2,865	841	841	4,547
Other office expenses	-	8,447	-	8,447
Postage and shipping	1,866	415	1,866	4,147
Printing	3,496	-	1,722	5,218
Products distributed	6,275,882	-	-	6,275,882
Product purchases - redistributed	29,493	-	-	29,493
Professional services	700	-	700	1,400
Program stipends	2,420	-	-	2,420
Public relations	9,531	-	4,694	14,225
Repairs and maintenance	-	590	-	590
Staff development expenses	-	81	-	81
Supplies	2,644	2,724	2,644	8,012
Telephone	2,494	732	732	3,958
Travel and meetings	12,971	-	6,389	19,360
	$ 6,413,736	$ 36,410	$ 40,906	$ 6,491,052

VITAMIN ANGEL ALLIANCE, INC.
Statements of Cash Flows
December 31, 2007, 2006 and 2005

	2007	2006	2005
Cash flows from operating activities			
Increase (decrease) in net assets	$ 4,316,587	$ 244,631	$ (6,139)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities			
Depreciation	1,205	385	-
Unrealized loss on investments	289	-	-
(Increase) decrease in:			
Inventory	(4,254,651)	-	-
Pledges receivable	(12,235)	-	-
Prepaid expenses and deposits	20,323	(21,101)	-
Increase (decrease) in:			
Accounts payable	40,352	27	-
Accrued liabilities	(2,558)	6,690	97
Net cash provided (used) by operating activities	109,312	230,632	(6,042)
Cash flows from investing activities			
Purchase of investments in marketable securities	(5,505)	-	-
Purchase of property and equipment	(4,309)	(3,688)	(375)
Net cash used by investing activities	(9,814)	(3,688)	(375)
Net increase (decrease) in cash and cash equivalents	99,498	226,944	(6,417)
Cash and cash equivalents, beginning of year	289,043	62,099	68,516
Cash and cash equivalents, end of year	$ 388,541	$ 289,043	$ 62,099

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

VITAMIN ANGEL ALLIANCE, INC.
Notes to Financial Statements
December 31, 2007, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Vitamin Angel Alliance, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Organization

Vitamin Angel Alliance, Inc. (the Organization), a California non-profit corporation, was founded in 1994.

The Organization's program services consist of providing vital nutrition and health supplies in the form of vitamins, anti-parasitics and supplements to developing countries, communities and individuals in need. The Organization has a primary focus on the issue of childhood blindness, with plans to eliminate childhood blindness by the year 2020 through the systematic distribution of vitamin A to at-risk children. In addition, the Organization sponsors programs to supply multivitamins and anti-parasitic tablets to at-risk children and vital supplements to expecting mothers.

The products provided as part of the Organization's assistance program are either purchased or received by donation from pharmaceutical and medical supplies manufacturers, wholesalers, and other organizations involved in the health care industry.

Financial Statement Presentation

Accounting principles generally accepted in the United States of America require that the Organization report information regarding its financial position and activities according to three classes of net assets based on the existence and nature of donor imposed restrictions as follows:

<u>Unrestricted net assets</u> generally result from unrestricted contributions and investment income less expenses incurred in providing services and fund-raising and other administrative expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Temporarily restricted net assets are classified as such based on donor stipulations that they be used in a later period or for a specific purpose. As of December 31, 2007, 2006 and 2005 the Organization had no temporarily restricted net assets.

Permanently restricted net assets consist of assets where the donor has imposed permanent restrictions on use of the principal of assets donated. Interest, dividends and unrealized gains or losses recognized on such assets are either reported as an increase or decrease to permanently restricted net assets, temporarily restricted net assets or unrestricted net assets in conformance with the donor imposed restrictions. As of December 31, 2007, 2006 and 2005 the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, cash in banks, and cash in money market funds with an original maturity of three months or less, and excludes cash and cash equivalents held by investment custodians.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the period the pledge is received. The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible promises to give at December 31, 2007, 2006 or 2005.

Contributed Inventory

In-kind contributions of vitamins, supplements, anti-parasitics or other pharmaceutical products (collectively 'inventory'), are valued at the wholesale price in the United States of America (USA) on the date received. The source for the USA wholesale price used by the Organization is the "Average Wholesale Price" (AWP), published by Thomson Healthcare's "Redbook." If donated health supplies are not found in the "Redbook" but other similar health supplies are found in the "Redbook", the Organization uses a calculated average of the similar health supplies' AWPs from the "Redbook" to value the donation. While retail values may be significantly higher, the Organization traditionally has chosen to use the more conservative value of the AWP to value pharmaceutical products that are contributed.

In-kind contributions of nutritional and medical supplies where a published wholesale value is not available are valued based on an estimate of wholesale value as a percentage of retail value (when a retail value is available), or a judgmentally determined value based on donor cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Inventory

Inventory consists of health, nutritional and medical supplies. Purchased inventory is carried at cost. Donated inventory is carried at estimated wholesale value as of the date of receipt, or the date title transfers to the Organization, if the inventory is not held by the Organization. The Organization's policy is to distribute inventory at the earliest practical date, consistent with sound programmatic principles. While the distribution typically occurs in the same year of receipt, it may occur in the following year. An expense called 'products distributed' is recorded when inventory is shipped. There was no inventory held by the Organization as of December 31, 2006 and 2005. Inventory consists of the following as of December 31, 2007:

Health supplies - Anti-parasitics tablets	$ 4,024,539
Vitamins	230,112
	$ 4,254,651

Investments

Investments are carried at market value.

Property and Equipment

Property and equipment are carried at cost, or if acquired by gift, at the estimated fair market value on the date of donation. Expenditures for major renewals that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of property and equipment as follows:

	Years
Computers and equipment	5
Furniture and equipment	5-7

Cash versus In-kind Support

The Organization's activities are planned and executed on an operating (or cash) budget that is approved by the Board of Directors prior to the onset of the fiscal year. The cash budget is not directly affected by the value of contributed products. The Organization's program model involves obtaining In-kind donations of essential vitamins, anti-parasitics, and supplements. Cash donations are used to pay for the logistics, warehousing, transportation, program oversight, administration, fundraising, salaries, product solicitation, and all other expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue Recognition

The Organization records contributions in the period received or promised as unrestricted revenues unless the donor stipulates any restrictions which are not met within the year the donation is received. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements. Donor restricted contributions whose restrictions are not met within the same year as received are recorded as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires due to purpose and/or time, temporarily restricted net assets are reclassified as unrestricted.

Tax Exempt Status

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Use of Estimates

Financial statements prepared in accordance with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Significant accounting estimates include valuation of contributed products and functional expense allocations. Actual results could differ from those estimates.

2. INVESTMENTS

At December 31, 2007 investments consist of the following:

	Cost	Market	Deficit of Market over Cost
Money fund: cash and cash equivalents, held for investment	$ 56	$ 56	$ -
Mutual funds	5,449	5,160	(289)
	$ 5,505	$ 5,216	$ (289)

Market value is based on quoted market prices. Investment income for the years ending December 31, 2007, 2006 and 2005 consists of the following:

	2007	2006	2005
Interest and dividends	$ 12,758	$ 658	$ 94
Net change in unrealized loss	(289)	-	-
	$ 12,469	$ 658	$ 94

3. PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows at December 31,:

	2007	2006	2005
Computers and equipment	$ 7,673	$ 3,364	$ 2,625
Furniture and equipment	700	700	-
Less accumulated depreciation	(1,590)	(386)	(2,250)
	$ 6,783	$ 3,678	$ 375

Depreciation expense for the years ended December 31, 2007 and 2006 was $1,205 and $385, respectively. There was no depreciation expense for the year ended December 31, 2005.

4. LINE OF CREDIT

In July, 2007, the Organization obtained a line of credit (LOC) facility with a bank in the amount of $50,000. Interest on the LOC is based on the bank's index rate (initially 8.25%) plus 1%. The LOC matured July 20, 2008, and the LOC was not renewed. No amounts were borrowed under the LOC during the year ended December 31, 2007.

5. FUNCTIONAL EXPENSES

Direct expenses are charged to the appropriate program or supporting function. Indirect expenses have been allocated to programs, management and general, and fundraising based on salaries, square footage, or total direct costs.

6. RELATED PARTY TRANSACTIONS

One of the Organization's board members is a principal owner of a company that makes cash contributions to the Organization. Cash contributions to the Organization totaled $7,000 and $14,000 for the years ended December 31, 2007 and 2006, respectively.

7. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. As of December 31, 2007, substantially all of the Organization's cash was maintained in one financial institution. The cash balances held in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per institution. Uninsured cash balances at December 31, 2007 totaled approximately $282,000.

8. SUBSEQUENT EVENT

On March 5, 2008, the Organization moved into a new office, and signed a three year operating lease agreement. The Organization paid $3,503 as a security deposit for the lease. Monthly lease payments due under the lease are: $3,290 for the first year, $3,389 for the second year, and $3,490 for the third and final year. The lease expires March 4, 2011. The organization is also required to pay common area costs, including property taxes.

The Organization will be liable for future minimum rentals on the lease as follows:

Year ending March 4,		
2009	$	39,480
2010		40,668
2011		41,880
	$	122,028