HIS BRANCHES, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2007 AND 2006

HIS BRANCHES, INC.

TABLE OF CONTENTS

Independent Auditors' Report

Exhibit "A"	Statements Of Financial Position - June 30, 2007 and 2006
Exhibit "B"	Statement Of Activities For The Years Ended June 30, 2007 and 2006
Exhibit "C"	Statement Of Cash Flows For The Years Ended June 30, 2007 and 2006
Exhibit "D"	Statement Of Functional Expenses For The Years Ended June 30, 2007 and 2006

Notes To Financial Statements

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Independent Auditor's Report

To: The Board of Directors
His Branches, Inc.
Rochester, New York

We have audited the accompanying statements of financial position of His Branches, Inc. (a non-profit organization) as of June 30, 2007 and 2006, and the related statement of activities, functional expenses, and cash flow 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.

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 principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 His Branches, Inc. as of June 30, 2007 and 2006 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.

Fredericksen & Sirianni LLP

Fredericksen & Sirianni, LLP
Certified Public Accountants

November 5, 2007

Exhibit "A"

HIS BRANCHES, INC.
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

ASSETS	2007	2006
Current assets		
Cash and cash equivalents	$ 14,019	$ 8,792
Patient revenue receivable net of allowance for doubtful accounts $9,000	63,542	$ 0
Reimbursements receivable from providers	2,864	0
Prepaid expenses	2,164	2,015
Total current assets	82,589	10,807
Property and equipment		
Land, building and equipment	336,315	330,049
Accumulated depreciation	(165,474)	(157,156)
Net property and equipment	170,841	172,893
Mortgage acquisition costs, net of accumulated amortization	6,955	5,396
TOTAL ASSETS	$ 260,385	$ 189,096

LIABILITIES AND NET ASSETS

LIABILITIES	2007	2006
Accounts payable	$ 6,763	$ 814
Credit card liabilities	12,882	6,747
Accrued payroll and payroll taxes	7,717	120
Accrued interest	3,182	839
Notes payable to providers	64,466	0
Mortgage payable - Bank	132,425	140,989
Total Liabilities	227,435	149,509
NET ASSETS		
Unrestricted	31,016	38,205
Temporarily restricted	1,934	1,382
Permanently restricted	0	0
Total net assets	32,950	39,587
TOTAL LIABILITIES AND NET ASSETS	$ 260,385	$ 189,096

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

HIS BRANCHES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	Unrestricted	Temporarily Restricted	Total 2007	Total 2006
REVENUES, GAINS AND OTHER SUPPORT				
Donations received	$ 40,165	$ 7,238	$ 47,403	$ 31,819
Program fees - patient revenue and medical workshops	329,267	-	329,267	5,226
Rental income and space-sharing reimbursements	25,865	-	25,865	23,714
Net assets released from restrictions:				
Restrictions satisfied by payments	6,686	(6,686)	-	-
Total Revenues, gains and other support	401,983	552	402,535	60,759
EXPENSES (Exhibit "D")				
Program services	336,890	-	336,890	35,672
General and Administrative	63,638	-	63,638	20,835
Fund raising	8,644	-	8,644	4,938
Total Expenses	409,172	-	409,172	61,445
CHANGE IN NET ASSETS	(7,189)	552	(6,637)	(686)
Net Assets at Beginning of Year	38,205	1,382	39,587	40,273
NET ASSETS AT END OF YEAR	$ 31,016	$ 1,934	$ 32,950	$ 39,587

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

Exhibit "C"

HIS BRANCHES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (6,637)	$ (686)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	490	480
Depreciation	8,329	8,658
Changes in operating assets and liabilities:		
(Increase) Decrease in patient receivables	(63,542)	0
(Increase) Decrease in receivables from providers	(2,864)	0
(Increase) Decrease in prepaid expenses	(2,208)	(1,006)
Increase (Decrease) in accounts payable	5,949	313
Increase (Decrease) in credit card payable	6,135	5,716
Increase (Decrease) in accrued expenses	9,939	(604)
Increase (Decrease) in advances from physicians	0	(2,681)
Net cash provided by operating activities	(44,409)	10,190
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital acquisitions	(6,266)	0
Net cash used by investing activities	(6,266)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from providers	64,466	0
Mortgage principal payments	(8,564)	(7,968)
Net cash used by financing activities	55,902	(7,968)
DECREASE IN CASH AND CASH EQUIVALENTS	5,227	2,222
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	8,792	6,570
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 14,019	$ 8,792

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

Exhibit "D"

HIS BRANCHES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	Program Services Medical and Community		General and Administrative	Fund Raising	Total 2007	Total 2006
	Local	Overseas				
EXPENSES						
Grants and program expenses	$ 39,461	$ 5,686	$ -	$ -	$ 45,147	$ 30,507
Salaries, provider fees and payroll	261,006	3,000	30,001	6,000	300,007	150,739
Travel and meetings	2,086	23	239	50	2,398	2,894
Insurance and employee benefits	33,241	316	3,752	630	37,939	21,943
Uncollectibles and bad debts	9,000	-	-	-	9,000	-
Licenses and permits	1,246	14	143	29	1,432	231
Office supplies and expense	8,339	226	13,524	450	22,539	22,585
Dues, fees and subscriptions	1,927	22	222	44	2,215	599
Telephone and communication	7,089	81	815	163	8,148	7,538
Website and publicity	595	14	473	270	1,352	2,478
Interest	9,207	136	3,998	272	13,613	11,107
Space and occupancy expense	22,379	280	4,756	559	27,974	20,132
Amortization	392	5	83	10	490	480
Depreciation	6,663	83	1,416	167	8,329	8,658
Legal and accounting	-	-	4,181	-	4,181	3,554
Filing fees	-	-	35	-	35	35
Total	402,631	9,886	63,638	8,644	484,799	283,480
Less, overhead reimbursements	(75,627)	-	-	-	(75,627)	(222,035)
NET EXPENSES - EXHIBIT "B"	$ 327,004	$ 9,886	$ 63,638	$ 8,644	$ 409,172	$ 61,445

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

HIS BRANCHES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

Note A - Summary of Significant Accounting Policies

Method of Accounting
The Organization maintains its books and prepares its financial statements on the accrual basis of accounting with a fiscal year ending on June 30.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) Number 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report 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. The Organization has only unrestricted and temporarily restricted net assets.

Restricted Revenue
Gifts of cash and other assets, which are received with donor stipulations that limit the use of these assets, are reported as increases in temporarily restricted net assets. When a donor restriction expires or a 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 restrictions.

Cash and Cash Equivalents
Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. The Organization maintains cash and cash equivalents at financial institutions, which periodically could exceed federally insured amounts.

Property, Equipment and Depreciation
Property and equipment are carried at cost, or if donated, at the approximate fair value on the date of donation. The depreciation of building and equipment is computed using the straight-line method over the following useful lives:

Equipment	5 to 7 years
Improvements	5 to 39 years
Building	15 years

All acquisitions of property and equipment, and any expenditures for repairs and maintenance which materially prolong the useful lives of assets, are capitalized. The cost of equipment that is retired or otherwise disposed of, and the related accumulated depreciation, are removed from the accounts. Any gain or loss is reported as other income.

Mortgage Acquisition Costs
Mortgage acquisition costs are amortized over the fifteen year term of the refinanced mortgage.

Note A (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results can differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) 3 of the Internal Revenue Code. The Organization is not classified as a private foundation for tax purposes.

Donated Services

Under generally accepted accounting practices, donated specialized services which would under other circumstances be purchased, and those services which increase the value of a non-financial asset, are to be recognized as non-cash donations on the Statement of Activities and charged as an expense or capitalized as appropriate. Unpaid volunteers and directors carry on a substantial part of the Organization's work. The value of these services is not reflected in the accompanying financial statements since they do not meet the criteria for quantified recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

Note B - Scope of Business

During 1999, the Organization filed a restated certificate of incorporation with the state of New York, containing a mission statement which is similar to its historical purpose statement, but more accurately reflects the Organization's direct involvement in its medical and counseling ministries. These ministries are carried out by employees as well as professionals and groups under contract with the Organization.

Service providers, with the ability to pay, share in the cost of the space and administrative services provided by His Branches. See also Notes C and K.

The statement of purpose states that His Branches, Inc is formed and operated exclusively for religious and charitable purposes under Section 501(c)(3) of the Internal Revenue Code to foster intelligent intercessory prayer on behalf of the human community, both locally and beyond, to enable and assist Christian physicians and other individuals and groups who believe in the sanctity of all human life from conception to natural death, and who desire to develop and sponsor workshops, outreach programs, and family oriented ministries of guidance and inspiration, hope and encouragement, spiritual and religious instruction, and health and wellness care for persons who live in underserved neighborhoods in Rochester, NY and elsewhere.

Note B (continued)
Such services are made available to persons in need regardless of religious affiliation or denomination and without discrimination against any individual on the basis of age, gender, race, ethnicity, creed, lifestyle or socioeconomic status, ability to pay, or insurance coverage.

Note C - Local Activity
During the year ended June 30, 2007, the organization's facility was used primarily by the medical ministry described in Note B, and by Embracing Options, a pregnancy care center offering free informational and counseling services to women in crisis pregnancy situations, primarily in the Sector 4 area of Rochester. The expenses for these activities are included with the other local ministries under Medical and Community Services on the Statement of Functional Expenses.

The social work outreach program of Roberts Wesleyan University continued its affiliation with His Branches, and made a payment of $15,400 for the use of space in the building for the year ended June 30, 2007.

In addition, Rochester Youth Outreach, an after-school youth service, used part of the facility one afternoon a week, rent-free. This organization was sponsored by His Branches in collaboration with Rochester Youth Year, Roberts Wesleyan College and Elim Bible Institute.

See Notes K and L.

Note D – Patient Revenue Receivable
Prior to November 2006, the medical practitioners had agreed to carry out the Organization's stated purpose, collecting their own patient revenues and reimbursing the Organization for its overhead - the cost of the administrative services as well an additional amount for the space provided. Thereafter, the patient revenues were assigned to His Branches and the practitioners are paid an agreed amount as independent contractors. As of November 2006, promissory notes were issued to the three current practitioners for their supplies and for the patient revenues receivable, less an allowance for doubtful accounts.

The amount shown as patient revenue receivable at June 30, 2007 is the total of outstanding patient fees at that date. The balance is shown net of an allowance for doubtful accounts, based on the prior experience of the practitioners.

Note E - Reimbursements Receivable from Providers
Reimbursements receivable from the providers represents the short-term balances due from the various collaborative ministries for reimbursements of expenses paid by His Branches for their convenience.

Note F - Property and Equipment

Land, building and equipment consisted of the following at June 30:

	2007	2006
Building	$ 40,000	$ 40,000
Improvements	248,885	242,619
Equipment	25,794	25,794
	314,679	308,413
Less: accumulated depreciation	165,474	157,156
	149,205	151,257
Add: Land	21,636	21,636
Net property and equipment	$170,841	$172,893

Depreciation expense for the years ended June 30, 2007 and 2006 amounted to $8,329 and $8,658, respectively.

Note G – Mortgage Acquisition Costs

Total costs incurred to acquire the mortgage in June 2002 were $7,344.

During June, 2007, a fee of $2,059 was paid to secure a new line of credit with its bank, stipulating a maximum borrowing potential of $100,000. No funds have been drawn on this line as of June 30, 2007.

Amortization expense for the years ended June 30, 2007 and 2006 amounted to $490 and $480, respectively.

Note H – Accrued Payroll and Payroll Taxes

Accrued payroll of $7,717 at June 30, 2007 represents the current liability for employees' cumulative unused vacation time, according to the Organization's policy.

Note I - Accrued Interest and Notes Payable to Providers

Prior to November 2006, the practitioners had agreed to carry out the Organization's stated purpose, collecting their own patient revenues and reimbursing the Organization for its overhead - the cost of the administrative services as well an additional amount for the space provided. Thereafter, the patient revenues are assigned to His Branches and the practitioners are paid an agreed amount as independent contractors. In November 2006, promissory notes were issued to three practitioners for their supplies and for the patient revenues receivable as of that date, less an allowance for doubtful accounts. See Accounts Patient Revenue Receivable, Note D.

Under the terms of the notes payable, interest of 8.25% per annum began to accrue on these obligations on January 1, 2007, and the 48 monthly payments are to commence on November 1, 2007.

Of the total Note Payable to Providers, $28,996 is owed to an officer of the organization as of June 30, 2007.

Note J - Mortgage Payable

The organization's mortgage on its building was refinanced and increased in June 2002. The additional proceeds of $56,000 were used to purchase and improve an adjacent vacant lot for a parking lot and green space.

The new mortgage carries a fixed rate for a fifteen year term payable in monthly installments of $1,541 including principal and interest. Interest is computed at the annual rate of 7.14%.

The bank has a collateral security interest in the mortgaged real property.

Mortgage payable consisted of the following at June 30, 2007	$ 132,425
Less: amount due within one year	8,700
Amount due after one year	$ 123,725

Annual maturities of long-term debt at June 30, 2007 are as follows:

Year ended June 30	Amount
2008	8,700
2009	9,380
2010	10,100
2011	10,825
2012 and thereafter	93,420
Total	$ 132,425

Note K – Lease and Space-sharing Arrangements

In furtherance of the stated purpose of His Branches, Inc, the Organization provides space, administrative and synergistic services to the organizations described in Note C, which provide community services in accordance with the purpose stated in Note B.

Embracing Options, a ministry of His Branches, began during the year ended June 30, 2006. The activity uses less than one-fourth of the facilities.

A counseling organization, CORE Youth Services rented a small space in the facility for a few months.

The social work outreach program of Roberts Wesleyan University continued its affiliation with His Branches, and made a payment of $15,400 for the use of space in the building during the year ended June 30, 2007.

HIS BRANCHES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

Note K (continued)
In addition, Rochester Youth Outreach, an after-school youth service, used part of the facility two days a week, rent-free. This organization was sponsored by His Branches in collaboration with Rochester Youth Year and the University of Rochester.

The medical ministry of His Branches is currently using the balance of the property. His Branches contracts directly with medical and counseling practitioners, providing them with administrative daily support.

Prior to November 2006, the practitioners collected their own patient revenues and reimbursed the Organization for its overhead - the cost of the administrative services as well an additional amount for the space provided. The space provision portion of the overhead reimbursement had been $2,000 monthly for four months of the period presented, and an inter-fund charge of the same amount was made for the remaining eight months, for consistency. This rate is considered to be equivalent to a market rate. See also Note I.

Therefore, no material third-party space sharing reimbursements are to be received as of June 30, 2007.

Note L – Related Party
The medical and counseling services described in Note C are provided by practitioners who donate a significant portion of their time to the patients and to the Organization. The leading physician is also the founder of His Branches, Inc., and served as its president until June 30, 2007.

Note M – Affiliations and Memberships
The Organization is a member in good standing of the Evangelical Council for Financial Accountability, a voluntary national association of not-for-profit organizations which annually reviews the financial statements and provides accountability in fund raising methods and public disclosure issues. Membership requirements include adherence to a statement of faith, a code of ethics, organizational structure guidelines, and the engagement of an annual audit by a Certified Public Accountant.

Note N – Commitments and Contingencies
The organization has applied for, and expects to be granted, status as an Article 28 Diagnostic and Treatment Center by the State of New York. When the transition to clinic status is accomplished, the structure of the organization will change significantly: patient fees are now reported as revenue of His Branches. When the transition is complete, the providers will become employees of the organization, and the clinic will be eligible for increased insurance reimbursements. Management expects to convert to the new status in the coming year.

Note N – Commitments and Contingencies (continued)

His Branches is committed to provide contact, support, oversight, and accountability for a missionary to Lebanese refugees in Israel. Temporarily Restricted Net Assets on the Statement of Financial Position represents $1,934 designated by donors for this ministry.

The organization has a collaborative relationship with the Department of Social Work and the Center for Christian Social Ministries of Roberts Wesleyan College. This organization has conducted community needs assessment studies and His Branches worked with graduate student interns in this regard. Two of the college faculty also serve as members of the board of His Branches.