HIS BRANCHES, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011

HIS BRANCHES, INC.

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Independent Auditors' 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, 2012 and 2011, 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 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 His Branches, Inc. as of June 30, 2012 and 2011 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

December 11, 2012

Exhibit A

HIS BRANCHES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 45,452	$ 28,997
Patient revenue receivable, net of allowance for doubtful accounts of $287,071 for 2012 and $194,110 for 2011	145,975	129,295
Grants and pledges receivable, net of $100 allowance	12,015	9,870
Accounts receivable - trade	0	230
Reimbursements receivable from employees	0	1,826
Prepaid expenses	5,002	1,405
Total current assets	208,444	171,623
Property and equipment		
Land, building and equipment	410,965	382,388
Accumulated depreciation	(223,936)	(211,134)
Net property and equipment	187,029	171,254
Mortgage acquisition costs, net of accumulated amortization of $4,957 for 2012 and $4,330 for 2011	3,821	4,448
TOTAL ASSETS	$ 399,294	$ 347,325
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 10,226	$ 20,550
Credit card liabilities	19,096	19,203
Note payable to bank	85,654	85,878
Accrued salaries	20,364	9,119
Accrued interest	620	819
Security deposit from organization sharing space	70	70
Notes payable to providers, including interest in arrears	92,665	85,603
Mortgage payable - Bank	78,933	91,195
Total Liabilities	307,628	312,437
NET ASSETS		
Unrestricted	90,541	30,788
Temporarily restricted	1,125	4,100
Permanently restricted	-	-
Total net assets	91,666	34,888
TOTAL LIABILITIES AND NET ASSETS	$ 399,294	$ 347,325

The accompanying independent auditors' report and footnotes are an integral part of these financial statements.

Exhibit B

HIS BRANCHES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Unrestricted	Temporarily Restricted	Total 2012	Total 2011 (Restated)
REVENUES, GAINS AND OTHER SUPPORT				
Donations and grants received	$ 155,211	$ 2,925	$ 158,136	$ 122,298
Donated services	34,175	-	34,175	2,500
Program fees - patient revenue and medical workshops	712,892	-	712,892	627,394
Less provision for bad debts	(92,961)	-	(92,961)	(17,685)
Rental income and personnel service reimbursements	25,594	-	25,594	17,680
Loss on disposition of assets	-		-	-
Net assets released from restrictions:				
Restrictions satisfied by payments	1,900	(1,900)	-	-
Total Revenues, gains and other support	836,811	1,025	837,836	752,187
EXPENSES (Exhibit D)				
Program services	611,116	-	611,116	629,053
Supporting services	160,508	-	160,508	115,390
Fund raising expenses	9,434	-	9,434	7,795
Total Expenses	781,058	-	781,058	752,238
CHANGE IN NET ASSETS	55,753	1,025	56,778	(51)
Net Assets at Beginning of Year	34,788	100	34,888	34,939
NET ASSETS AT END OF YEAR	$ 90,541	$ 1,125	$ 91,666	$ 34,888

The accompanying independent auditors' report and footnotes are an integral part of these financial statements.

HIS BRANCHES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 56,778	$ (51)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	627	627
Depreciation	12,802	11,479
Increase in allowance for doubtful accounts	92,961	17,685
Interest accrued on notes to providers	7,062	6,525
Loss on disposition of asset	-	-
Donation of leasehold improvements	-	52,686
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(109,730)	(29,344)
Decrease (increase) in prepaid expenses	(3,597)	1,662
Increase (decrease) in accounts payable	(10,431)	(19,226)
Increase (decrease) in accrued expenses	10,822	(5,450)
Net cash provided by operating activities	57,294	36,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital acquisitions	(28,577)	(31,362)
Net cash used by investing activities	(28,577)	(31,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	-	-
Mortgage principal payments	(12,262)	(11,428)
Net cash used by financing activities	(12,262)	(11,428)
INCREASE IN CASH AND CASH EQUIVALENTS	16,455	(6,197)
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	28,997	35,194
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 45,452	$ 28,997

The accompanying independent auditors' report and footnotes are an integral part of these financial statements.

Exhibit D

HIS BRANCHES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	Medical and Community Services		General and	Fund	Total
	Local	Overseas	Administrative	Raising	2012
EXPENSES					
Grants and program expenses	$ 27,527	$ 1,900	$ -	$ -	$ 29,427
Joint costs of combined education and fund raising event	2,963	-	-	4,444	7,407
Salaries, provider fees and payroll taxe	452,935	-	54,071	2,089	509,095
Travel, meetings, education and trainin	5,541	29	1,105	29	6,704
Employee benefits	37,404	-	5,804	224	43,432
General business insurance	20,441	256	4,727	128	25,552
Uncollectibles and bad debts	-	-	8,665	-	8,665
Licenses and permits	1,947	-	-	-	1,947
Medical billing net of reimbursements and including donated services	-		44,877	-	44,877
Postage, printing and reproduction	3,172	32	2,697	444	6,345
Office supplies and expense	8,901	89	7,566	1,247	17,803
Retirement plan administrative expense	868	-	135	5	1,008
Dues, fees and subscriptions	476	3	113	3	595
Telephone and communication	7,892	49	1,874	49	9,864
Website and publicity	739	12	369	111	1,231
Interest	6,157	103	13,969	464	20,693
Space and occupancy expense	20,739	130	4,925	130	25,924
Amortization	502	3	119	3	627
Depreciation	10,242	64	2,432	64	12,802
Legal and accounting	-	-	6,885	-	6,885
Filing fees	-	-	175	-	175
NET EXPENSES - EXHIBIT B	$ 608,446	$ 2,670	$ 160,508	$ 9,434	$ 781,058

The accompanying auditors' report and footnotes are an integral part of these financial statements.

Exhibit D
(Continued)

HIS BRANCHES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011
(Restated)

	Medical and Community Services		General and	Fund	Total
	Local	Overseas	Administrative	Raising	2011
EXPENSES					
Grants and program expenses	$ 88,017	$ 3,290	$ -	$ -	$ 91,307
Joint costs of combined education and fund raising event	3,309	-	-	4,963	8,272
Salaries, provider fees and payroll taxe	413,123	-	51,930	-	465,053
Travel, meetings, education and trainin	5,110	-	910	-	6,020
Employee benefits	35,135	-	8,784	-	43,919
General business insurance	16,862	211	3,899	105	21,077
Uncollectibles and bad debts	-	-	-	-	-
Licenses and permits	970	-	242	-	1,212
Medical billing net of reimbursements	-		7,760	-	7,760
Postage, printing and reproduction	3,724	37	3,166	522	7,449
Office supplies and expense	8,920	89	7,585	1,250	17,844
Dues, fees and subscriptions	1,124	-	281	-	1,405
Telephone and communication	8,532	-	2,133	-	10,665
Website and publicity	2,082	35	1,041	312	3,470
Interest	6,698	104	13,482	447	20,731
Space and occupancy expense	21,799	136	5,177	136	27,248
Amortization	502	3	119	3	627
Depreciation	9,184	57	2,181	57	11,479
Legal and accounting	-	-	6,650	-	6,650
Filing fees	-	-	50	-	50
NET EXPENSES - EXHIBIT B	$ 625,091	$ 3,962	$ 115,390	$ 7,795	$ 752,238

The accompanying auditors' report and footnotes are an integral part of these financial statements.

HIS BRANCHES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Note A - Summary of Significant Accounting Policies

Method of Accounting and Change of Accounting Period

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 FASB ASC 958, *Financial Statements of Not-for-Profit Organizations.* Under that standard, 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.

Revenue Recognition

The largest portion of the Organization's revenue is from fees for patient seriveces. These revenues are recognized when services are provided, without regard to whether the fees are collectible. Therefore, the provision for bad debts related to these billings has been presented as a direct deduction in the revenue section of the Statement of Activities, in accordance with the accounting standards update issued by the FASB in the year 2011. For consistency and comparability, the presentation of the year ended June 30, 2011 has been restated in the same manner.

Contributions

The Organization has adopted FASB ACS 958-605, *Accounting for Contributions Received and Contributions Made).*" Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. The collectible portion of unconditional promises-to-give is to be recorded as receivable on the Statement of Position and as revenue on the Statement of Activities in the year a promise is received.

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 purpose 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.

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 FASB ACS 958-605, *Accounting for Contributions Received and Contributions Made).*

Note A, continued

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. The Organization had no cash and cash equivalent balances in excess of federal insured amounts at June 30, 2012 and 2011.

Patient Revenue Receivable and Allowance for Doubtful Accounts

Patient revenue receivable includes amounts due from third parties (insurance companies) as well as co-insurance and self-pay receivables. Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts.

Management regularly reviews data about these sources in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Organization reduces the amounts billed to the contractually due amounts, and then further analyzes and provides an allowance for doubtful accounts and a provision for bad debts, if necessary.

For receivables associated with self-pay patients (those without insurance and those with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Organization records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard or discounted billings and the amounts actually collected after all reasonable collection efforts have been exhausted, is charged off against the allowance for doubtful accounts.

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 and long-term software	3 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 and the related line of credit.

Note A, continued

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements for years ended June 30, 2012 and 2011 and original financial statements for year ended June 30, 2011 issued March 13, 2012 that were restated December 11, 2012; through December 11, 2012 (the date the financial statements were available to be issued).

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 has been designated as a non-profit Organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes.

In June 2006, the Financial Accounting Standards Board ("FASB") issued interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FASB 109, Accounting for Income Taxes ("FIN 48"). FIN 48 is now known as Standards Codification (ASC) Section 740. This interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. For tax-exempt entities, their tax exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize tax-exempt status. Section 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transactions. The Organization adopted the provisions of ASC Section 740 and its current accounting policy on January 1, 2010. The Organization believes it has no uncertain tax positions and has not recognized any benefits from uncertain tax positions that will significantly increase or decrease in twelve months after the balance sheet date. The Organization has not been subject to federal or state income tax examinations by tax authorities.

Note B - Scope of Business

During the year 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 were carried out by employees as well as professionals and groups under contract with the Organization through December 31, 2011; thereafter the providers became employees .

Note B - Scope of Business, continued

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 the Rochester, NY area and elsewhere.

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, 2012, 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. A second pregnancy care center has been opened in Webster, NY. The expenses for this activity are included with the other local ministries under Medical and Community Services on the Statement of Functional Expenses.

His Branches, Inc. operating as His Branches Health Services, also provides medical and billing services to Joy Family Medicine (JFM), which is a separate and independent not-for-profit medical center on North Goodman Street in the city of Rochester. These services are reimbursed by JFM at cost and the activities of that medical center are not included in these financial statements.

In addition, a local church used part of the facility for one year from May 1, 2010, with monthly rent payments of $600. Their security deposit of $600 was also applied to the last month's rent in June, 2011. Another organization is using part of the facility on a temporary and part time basis, and has provided a $70 security deposit.

During the year ended June 30, 2012, Rochester Youth Outreach, a ministry to neighborhood youth, has become part of His Branches. The revenue and expense of this activity is not material, but the revenue is included under Unrestricted Donations on the Statement of Activities and the expense is included in the Local column of the Statement of Functional Expenses.

During the year ended June 30, 2012, the Arnett Block Association has become an activity of His Branches, Inc. and is no longer just a collaborative relationship. Likewise, its revenue is included under Unrestricted Donations on the Statement of Activities and the expense is included in the Local column of the Statement of Functional Expenses. See also Note K.

Note D - Receivables

Grants and pledges receivable at June 30, 2012 and 2011 were $12,015 and $9,870 respectively. These receivables have been reduced to reflect the amounts expected to be collected.

Patient revenue receivable consists of amounts due from patients and third party insurance carriers, less an allowance for the uncollectible portion based on past collection experience. Amounts due from third parties (insurance companies) are first reduced from the amounts billed to the contractually due amounts, and then an allowance for doubtful accounts is provided. The allowance for doubtful accounts also covers receivables associated with self-pay patients (those without insurance and those with deductible and copayment balances due for which third-party coverage exists for part of the bill). The Organization's provision for bad debts is recorded in the period of service on the basis of its past experience, which shows that the collectable portion of self-pay receivables is about the same as the collectible portion of receivables from third-party payors. This provision for bad debts increased from 60% of receivables at June 30, 2011 to about 66% at June 30, 2012.

The Organization has not changed its charity care policy or its sliding scale of fees during the fiscal years presented.

Note E - Property and Equipment

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

	2012	2011
Building	$ 40,000	$ 40,000
Improvements, Arnett Blvd	283,947	282,701
Equipment and long-term software	65,382	38,051
	389,329	360,752
Less: accumulated depreciation and amortization	223,936	211,134
	165,393	149,618
Add: Land	21,636	21,636
Net property and equipment	$187,029	$171,254

During the year ended June 30, 2012, a grant was received covering the purchase of an ultrasound machine for $27,000. The grant is included with Donations and grants received on the Statement of Activities, and the asset is included with Equipment above.

Depreciation expense for the years ended June 30, 2012 and 2011 amounted to $12,802 and $11,479, respectively.

Note F – Mortgage Acquisition Costs

Total cost incurred to acquire the mortgage in June 2002 was $7,344. During June, 2007, a fee of $2,059 was paid to secure a new line of credit with the organization's bank, stipulating a maximum borrowing potential of $100,000. Amortization expense for the years ended June 30, 2012 and 2011 amounted to $627 each year.

Note G – Note Payable to Bank
During the year ended June 30, 2011, the Organization did not draw down funds on its $100,000 line of credit with its bank.

As of June 30, 2012 and 2011, the outstanding liability on the line of credit was $85,878. This obligation carries interest at the annual rate of 5.25%, and monthly interest payments have been paid and accrued for the year ended June 30, 2012.

Note H – Accrued Salaries
Accrued salaries of $20,364 at June 30, 2012 and $9,119 at June 30, 2011, include the liabilities for employees' cumulative unused vacation time, $6,080 and $5,390 respectively, accrued 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. Also in November 2006, promissory notes were issued to the three current practitioners for their supplies and for the patient revenues receivable as of that date, less an allowance for the uncollectible portion.

Under the terms of the notes payable, 48 monthly payments of principal and interest were to have been paid, and interest of 8.25% per annum began to accrue on these obligations on January 1, 2007. However, only eight payments consisting entirely of interest have been paid in prior years. Therefore the interest in arrears has been added to the principal balances: $7,062 for the year ended June 30, 2012 and $6,524 for the year ended June 30, 2011; and the entire obligation is treated as due within one year.

These notes payable consisted of the following at June 30, 2007	$ 64,466
Interest accrued and added to principal through June 30, 2011	21,137
Combined balance due as of June 30, 2011	85,603
Interest accrued and added to principal, year ended June 30, 2012	7,062
Combined balance due as of June 30, 2012	$ 92,665

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.

Note J - Mortgage Payable, continued
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%, with a penalty fee payable if the mortgage was prepaid within the first five years.

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

Mortgage payable consisted of the following at June 30, 2012	$ 78,933
Less: amount due within one year	13,320
Amount due after one year	$ 65,613

Annual maturities of long-term debt at June 30, 2012 are as follows:

Year ended June 30	Amount
2013	13,320
2014	14,300
2015	15,700
2016	16,900
2017 and thereafter	18,713
Total	$ 78,933

Accrued interest at June 30, 2012 consists of $150 on the line of credit note payable and $470 on the mortgage obligation.

At June 30, 2011, accrued interest consisted of $276 on the line of credit and $544 on the mortgage obligation.

See also Note O – Subsequent Events.

Note K – Lease and Space-sharing Arrangements
In furtherance of the stated purpose of His Branches, Inc, the Organization from time to time provides space, administrative and synergistic services to other organizations, which provide community services in accordance with the purpose stated in Note B. However, all such organizations have now become programs of His Branches; and their financial activities are now included under the Local column on the Statement of Functional Expenses, with revenue attributable to them included under Donations and grants received, on the Statement of Activities.

Note L – Related Party
The medical and counseling services described in Note C are provided by practitioners who also 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, 2006. The donated portion of the providers' services does not meet the criteria for reporting as revenue and expense on the Statement of Activities.

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 been granted status as an Article 28 Diagnostic and Treatment Center by the State of New York. The transition to clinic status is ongoing at the date of these financial statements. As a result of this transition, the structure of the organization has changed significantly: patient fees are now reported as revenue of His Branches and the providers are now employees of the organization. When the transition is complete, the clinic will be eligible for increased insurance reimbursements.

His Branches is committed to provide contact, support, oversight, and accountability for a missionary to Lebanese refugees in Israel. Restricted Net Assets on the Statement of Financial Condition includes $1,125 and $100 for the years ended June 30, 2012 and 2011, designated by donors for this ministry.

His Branches, Inc. operating as His Branches Health Services, also provides medical and billing services to Joy Family Medicine, a separate and independent medical practice on North Goodman Street in the city of Rochester. Efforts are under way to file a certificate of need application to bring this practice under His Branches oversight. These services are reimbursed at cost and the activities of that medical practice are not included in these financial statements.

The Arnett Block Association has had a collaborative relationship with His Branches, but its activities had not been included in these financial statements until the year ended June 30, 2012. Financial activities of this program were not material in current or in prior years.

The Medical Community Christian Fellowship also has a collaborative arrangement with His Branches, but its activities are not included in these financial statements.

Note O - Subsequent Events

The organization is applying for refinancing of the mortgage described in Note J.