

**HIS BRANCHES, INC.**  
**Rochester, New York**

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FINANCIAL REPORTS  
AT  
DECEMBER 31, 1999

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**HIS BRANCHES, INC.**  
**Rochester, New York**

**TABLE OF CONTENTS**

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Independent Auditor's Report	1
Statement of Financial Position at December 31, 1999 and 1998	2
Statement of Activities for the Years Ended December 31, 1999 and 1998	3
Statement of Cash Flows for the Years Ended December 31, 1999 and 1998	4
Notes to Financial Statements	5-8

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
His Branches, Inc.  
Rochester, New York

We have audited the accompanying statement of financial position of His Branches, Inc. (a non-profit organization) as of December 31, 1999 and 1998, and the related statements of activities 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.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of His Branches, Inc. as of December 31, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Rochester, New York  
May 14, 2000

**HIS BRANCHES, INC.**  
Rochester, New York

**STATEMENT OF FINANCIAL POSITION**

December 31,	1999	1998
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 6,167	\$ 16,724
Rent and Reimbursements Receivable	439	3,600
Prepaid Expenses	2,200	2,145
<b>Total Current Assets</b>	<b>8,806</b>	<b>22,469</b>
Property and Equipment - Net of Accumulated Depreciation	161,218	163,490
Mortgage Acquisition Costs - Net of Accumulated Amortization	248	338
<b>Total Assets</b>	<b>\$ 170,272</b>	<b>\$ 186,297</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Mortgage Payable - Due Within One Year	\$ 12,483	\$ 11,490
Accounts Payable	25,740	14,496
Accrued Expenses	501	941
<b>Total Current Liabilities</b>	<b>38,724</b>	<b>26,927</b>
<b>Other Liabilities</b>		
Mortgage Payable - Due After One Year	92,963	111,651
<b>Total Liabilities</b>	<b>131,687</b>	<b>138,578</b>
<b>Net Assets</b>		
Unrestricted	37,662	45,682
Temporarily Restricted	923	2,037
<b>Total Net Assets</b>	<b>38,585</b>	<b>47,719</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 170,272</b>	<b>\$ 186,297</b>

The accompanying notes are an integral part of this financial statement.

**HIS BRANCHES, INC.**  
**Rochester, New York**

**STATEMENT OF ACTIVITIES**

Years Ended December 31,	1999		
	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Reclassifications</b>			
Rental Income	\$ 39,900	\$ —	\$ 39,900
Donations Received	2,250	8,060	10,310
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	9,174	(9,174)	—
<b>Total Revenues and Reclassifications</b>	<b>51,324</b>	<b>(1,114)</b>	<b>50,210</b>
<b>Expenses</b>			
<b>Program Expenses</b>			
Amortization	90	—	90
Depreciation	7,908	—	7,908
Grant and Program Services	11,702	—	11,702
Insurance	1,278	—	1,278
Interest	9,746	—	9,746
Office Supplies and Expense	360	—	360
Payroll and Payroll Taxes	680	—	680
Property Taxes	6,291	—	6,291
Repairs, Maintenance and Supplies	4,724	—	4,724
Telephone	1,466	—	1,466
Travel and Meetings	20	—	20
Utilities	1,527	—	1,527
<b>Total Program Expenses</b>	<b>45,792</b>	<b>—</b>	<b>45,792</b>
<b>Supporting Services</b>			
Filing Fees	325	—	325
Professional Services	13,227	—	13,227
<b>Total Supporting Services</b>	<b>13,552</b>	<b>—</b>	<b>13,552</b>
<b>Total Expenses</b>	<b>59,344</b>	<b>—</b>	<b>59,344</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(8,020)</b>	<b>(1,114)</b>	<b>(9,134)</b>
Distribution of Assets - Adonai Ministries, Inc.	—	—	—
Net Assets - Beginning of Year	45,682	2,037	47,719
<b>Net Assets - End of Year</b>	<b>\$ 37,662</b>	<b>\$ 923</b>	<b>\$ 38,585</b>

**HIS BRANCHES, INC.**  
**Rochester, New York**

**STATEMENT OF ACTIVITIES**

Year Ended December 31,	1998		
<b>Cash Flows from Operating Activities</b>	Unrestricted	Temporarily Restricted	Total
<b>Revenues and Reclassifications</b>			
Rental Income	\$ 42,960	\$ —	\$ 42,960
Donations Received	—	40,719	40,719
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	39,939	(39,939)	—
<b>Total Revenues and Reclassifications</b>	<b>82,899</b>	<b>780</b>	<b>83,679</b>
<b>Expenses:</b>			
<b>Program Expenses</b>			
Amortization	90	—	90
Depreciation	7,882	—	7,882
Grants and Donations	17,866	—	17,866
Insurance	1,294	—	1,294
Interest	11,542	—	11,542
Office Supplies and Expense	2,469	—	2,469
Payroll and Payroll Taxes	3,051	—	3,051
Property Taxes	5,576	—	5,576
Repairs, Maintenance and Supplies	8,883	—	8,883
Telephone	2,478	—	2,478
Travel and Meetings	1,775	—	1,775
Utilities	2,382	—	2,382
<b>Total Program Expenses</b>	<b>65,288</b>	<b>—</b>	<b>65,288</b>
<b>Supporting Services</b>			
Filing Fees	425	—	425
Professional Services	1,150	—	1,150
<b>Total Supporting Services</b>	<b>1,575</b>	<b>—</b>	<b>1,575</b>
<b>Total Expenses</b>	<b>66,863</b>	<b>—</b>	<b>66,863</b>
<b>Increase in Net Assets</b>	<b>16,036</b>	<b>780</b>	<b>16,816</b>
Distribution of Assets - Adonai Ministries, Inc.	(10,923)	—	(10,923)
Net Assets - Beginning of Year	40,569	1,257	41,826
<b>Net Assets - End of Year</b>	<b>\$ 45,682</b>	<b>\$ 2,037</b>	<b>\$ 47,719</b>

The accompanying notes are an integral part of this financial statement.

**HIS BRANCHES, INC.**  
Rochester, New York

**STATEMENT OF CASH FLOWS**

Years Ended December 31,	1999	1998
<b>Cash Flows from Operating Activities</b>		
Cash Received from Rentals and Donations	\$ 53,510	\$ 83,994
Cash Paid to Vendors and for Program Services	(30,937)	(53,644)
Interest Paid	(9,799)	(11,660)
<b>Net Cash Flows from Operating Activities</b>	<b>12,774</b>	<b>18,690</b>
<b>Cash Flows from Investing Activities</b>		
Purchases of Equipment	(5,636)	(3,436)
<b>Cash Flows from Financing Activities</b>		
Repayment of Debt	(17,695)	(18,589)
Net Decrease in Cash and Cash Equivalents	(10,557)	(3,335)
Cash and Cash Equivalents - Beginning of Year	16,724	20,059
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 6,167</b>	<b>\$ 16,724</b>

**RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES**

<b>Increase (Decrease) in Net Assets</b>	<b>\$ (9,134)</b>	<b>\$ 16,816</b>
<b>Adjustments:</b>		
Amortization	90	90
Depreciation	7,908	7,882
<b>Changes:</b>		
Accounts Receivable	3,161	315
Prepaid Expenses	(55)	73
Accounts Payable	11,244	(3,713)
Accrued Expenses	(440)	(2,773)
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 12,774</b>	<b>\$ 18,690</b>

**NON-CASH INVESTING AND FINANCING ACTIVITIES**

During year ended December 31, 1999, the organization disposed of fully depreciated equipment with a cost of \$5,281.

At December 31, 1998, the organization distributed equipment with a net book value of \$9,326 and incurred a liability of \$1,597 in connection with the "spin-off" of Adonai Ministries, Inc.

The accompanying notes are an integral part of this financial statement.

## NOTES TO FINANCIAL STATEMENTS

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### 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.

#### Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 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 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.

#### 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 may 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. Depreciation is computed using the straight line method over the following useful lives:

Equipment	5 - 7 Years
Leasehold Improvements	5 - 31 Years
Building	15 Years

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

#### Mortgage Acquisition Costs

Mortgage acquisition costs are being amortized over the five year life of the mortgage.

#### 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.

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**HIS BRANCHES, INC.**  
Rochester, New York

**NOTES TO FINANCIAL STATEMENTS**

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**Note A - Summary of Significant Accounting Policies - continued**

**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**

A substantial part of the organization's work is carried on by unpaid volunteers and members. The value of these services is not reflected in the accompanying financial statements since they do not meet the criteria for recognition under the SFAS No. 116 *Accounting for Contributions Received and Contributions Made*.

**Note B - Scope of the 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 counseling ministries.

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 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.

Of these service providers, those with the ability to pay share in the cost of the space and administrative services provided by His Branches. Approximately 79% of revenues are generated from two tenants leasing space from the organization.

**Note C - Property and Equipment**

Property and equipment consisted of the following:

December 31,	1999	1998
Building	\$ 40,000	\$ 40,000
Improvements	197,382	197,382
Equipment	17,513	17,158
	<b>\$ 254,895</b>	\$ 254,540
Less: Accumulated Depreciation	101,101	98,474
	<b>\$ 153,794</b>	\$ 156,066
Add: Land	7,424	7,424
	<b>\$ 161,218</b>	\$ 163,490

**HIS BRANCHES, INC.**  
**Rochester, New York**

**NOTES TO FINANCIAL STATEMENTS**

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**Note D - Mortgage Payable**

Mortgage payable consisted of the following:

December 31,	1999	1998
<b>Fleet Bank</b>		
Mortgage payable in monthly installments of \$1,775 including interest and principal. Interest is computed at the rate of 8.32% per annum with a yield-maintenance fee payable if the mortgage were to be prepaid. The balance is due and payable in October, 2002.	<b>\$ 105,446</b>	\$ 123,141
Less: Amount Due Within One Year	<b>13,019</b>	11,490
Amount Due After One Year	<b>\$ 92,427</b>	\$ 111,651

Annual maturities of debt for the five years succeeding December 31, 1999 are as follows:

2000	2001	2002	2003	2004
\$ 13,019	\$ 14,145	\$ 78,282	\$ —	\$ —

**Note E - Commitments**

His Branches, Inc. is committed to provide some contact and support services for two missionaries in the countries of Peru and Ghana and to provide a greater measure of support, oversight and accountability for a missionary in Lebanon. The organization has also had direct oversight of a community worker in the inner city area of Rochester, New York; however, other sources provide the primary means of support in all four cases.

The community worker in Rochester, New York has established an independent not-for-profit organization, Adonai Ministries, Inc. as of the first day of 1999. Consequently, this ministry has been "spun-off". The ministry's net assets were distributed to it on the last day of 1998, and were removed from the books of His Branches, Inc.

**HIS BRANCHES, INC.**  
**Rochester, New York**

**NOTES TO FINANCIAL STATEMENTS**

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**Note F - Leases**

In furtherance of the stated purpose of His Branches, Inc., the organization has provided space to two major tenants, who provide the services described in Note B. One tenant currently leases on a month-to-month basis. Monthly rent is \$1,840. The other tenant's lease was cancelled as of December 31, 1999, when His Branches, Inc. assumed a more active role in the medical ministry of the former tenant. Subsequent to the balance sheet date, the former tenant ceased operations, its employees became employees of His Branches, Inc., and the organization contracted directly with the practitioners, providing them with administrative daily support. The practitioners have agreed to carry out the stated purpose and to reimburse the organization for the cost of these administrative services as well as for the space provided. This space reimbursement is agreed to be \$24,000 for the year 2000, and the contract is expected to be renewed thereafter. The leases have been collaterally assigned to the mortgagee, Fleet Bank of New York.

**Note G - Related Party**

The medical and counseling services described in Note F 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 serves as its president.