

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2009

(With Summarized Totals for the Year Ended August 31, 2008)

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

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Independent Auditor's Report

Board of Directors
AIDS Resource Center of Wisconsin, Inc. and Affiliates

We have audited the accompanying balance sheet of AIDS Resource Center of Wisconsin, Inc. and Affiliates as of August 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of AIDS Resource Center of Wisconsin, Inc. and Affiliates' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organizations' 2008 financial statements and, in our report dated December 5, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 AIDS Resource Center of Wisconsin, Inc. and Affiliates as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of AIDS Resource Center of Wisconsin, Inc. and Affiliates taken as a whole. The accompanying schedules of unrestricted functional revenue and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ritz Holman LLP
RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
December 3, 2009

Ritz Holman LLP
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AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
BALANCE SHEET
AUGUST 31, 2009
(With Summarized Totals for August 31, 2008)

ASSETS		2009	2008
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 653,486	\$ 404,297
Government Grants Receivable		1,752,270	2,104,892
Donor Pledges Receivable		785,150	700,210
Health Care Reimbursement and Other Accounts Receivable		447,423	237,105
Prepaid Expenses		184,897	179,199
Total Current Assets		<u>\$ 3,823,226</u>	<u>\$ 3,625,703</u>
NET FIXED ASSETS		<u>\$ 2,965,029</u>	<u>\$ 3,220,458</u>
OTHER ASSETS			
Interest in Split Dollar Insurance		\$ 187,947	\$ 176,237
Deposits		11,079	11,079
Total Other Assets		<u>\$ 199,026</u>	<u>\$ 187,316</u>
TOTAL ASSETS		<u><u>\$ 6,987,281</u></u>	<u><u>\$ 7,033,477</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable		\$ 607,094	\$ 758,317
Accrued Payroll and Vacation		147,469	122,085
Refundable Advances		977,090	1,079,671
Letter of Credit - Unemployment Compensation		66,297	66,297
Security Deposits - MAHC		856	856
Current Portion of Long-Term Liabilities		114,538	107,962
Total Current Liabilities		<u>\$ 1,913,344</u>	<u>\$ 2,135,188</u>
LONG-TERM LIABILITIES			
Leases Payable		\$ 39,578	\$ 55,838
Renovation Loan Payable		272,615	400,000
Mortgage Payable		680,090	680,090
Less: Current Portion of Long-Term Liabilities		(114,538)	(107,962)
Total Long-Term Liabilities		<u>\$ 877,745</u>	<u>\$ 1,027,966</u>
Total Liabilities		<u>\$ 2,791,089</u>	<u>\$ 3,163,154</u>
NET ASSETS			
Unrestricted			
Operating - ARCW		\$ 1,302,298	\$ 1,109,665
Board Designated Reserve - ARCW		526,406	360,157
Operating - MAHC		(412,399)	(370,341)
Property - ARCW		2,235,307	2,339,155
Total Unrestricted Net Assets		<u>\$ 3,651,612</u>	<u>\$ 3,438,636</u>
Temporarily Restricted		534,193	421,300
Permanently Restricted		10,387	10,387
Total Net Assets		<u>\$ 4,196,192</u>	<u>\$ 3,870,323</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 6,987,281</u></u>	<u><u>\$ 7,033,477</u></u>

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

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2009
(With Summarized Totals for the Year Ended August 31, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
REVENUE					
U.S. Department of Housing and Urban Development	\$ 893,395	\$ ---	\$ ---	\$ 893,395	\$ 882,504
U.S. Department of Health and Human Services	1,975,735	---	---	1,975,735	1,741,950
State of Wisconsin					
Department of Health Services					
Division of Public Health	4,993,218	---	---	4,993,218	5,300,564
Department of Commerce					
Bureau of Housing	380,979	---	---	380,979	477,085
City of Milwaukee	590,340	---	---	590,340	504,799
Milwaukee County	291,755	---	---	291,755	225,059
Racine County	55,000	---	---	55,000	55,000
Brown County	21,330	---	---	21,330	26,520
Eau Claire County	24,000	---	---	24,000	35,450
Dane County	17,014	---	---	17,014	13,603
Special Events					
Events - Participants	434,769	---	---	434,769	469,368
Events - Corporate	89,565	---	---	89,565	129,312
Special Event Expenses	(362,305)	---	---	(362,305)	(404,880)
Grants to Wisconsin AIDS Agencies	(9,149)	---	---	(9,149)	(15,675)
Foundation Contributions	289,576	---	---	289,576	372,967
Corporate Contributions	324,312	146,670	---	470,982	612,171
Individual Contributions	323,218	3,990	---	327,208	530,712
United Way	112,817	324,574	---	437,391	233,757
Milwaukee Health Services, Inc.	204,669	---	---	204,669	173,349
Medical College of Wisconsin	179,249	---	---	179,249	76,084
General Assistance - Medical Program	7,887	---	---	7,887	16,689
Medicaid	232,121	---	---	232,121	199,653
Medicare	119,978	---	---	119,978	68,000
Commercial Insurance	113,395	---	---	113,395	77,413
Patient Payments	64,464	---	---	64,464	5,140
Interest Income	2,852	---	---	2,852	5,077
Rental Income	109,779	---	---	109,779	94,183
Miscellaneous Income	7,937	---	---	7,937	4,793
Net Assets Released From Restrictions:					
United Way	317,194	(317,194)	---	---	---
Individual and Corporate Contributions	45,147	(45,147)	---	---	---
Total Revenue	\$ 11,850,241	\$ 112,893	\$ ---	\$ 11,963,134	\$ 11,910,647
EXPENSES					
Program Services					
ARCW Medical Center	\$ 4,003,592	\$ ---	\$ ---	\$ 4,003,592	\$ 3,484,622
Social Services	3,949,437	---	---	3,949,437	4,081,023
Prevention Services	2,403,284	---	---	2,403,284	2,433,791
Public Affairs	239,936	---	---	239,936	216,599
Fund Development	400,109	---	---	400,109	335,672
Management and Supporting Services	640,907	---	---	640,907	641,443
Total Expenses	\$ 11,637,265	\$ ---	\$ ---	\$ 11,637,265	\$ 11,193,150
CHANGE IN NET ASSETS	\$ 212,976	\$ 112,893	\$ ---	\$ 325,869	\$ 717,497
Net Assets, Beginning of Year	3,438,636	421,300	10,387	3,870,323	3,152,826
NET ASSETS, END OF YEAR	\$ 3,651,612	\$ 534,193	\$ 10,387	\$ 4,196,192	\$ 3,870,323

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

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2009
(With Summarized Totals for the Year Ended August 31, 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 325,869	\$ 717,497
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	392,805	272,479
(Increase) Decrease in Government Grants Receivable	352,622	(378,148)
(Increase) Decrease in Donor Pledges Receivable	(84,940)	455,097
(Increase) Decrease in Health Care Reimbursement		
and Other Accounts Receivable	(210,318)	(35,023)
(Increase) Decrease in Prepaid Expenses	(5,698)	(98,258)
(Increase) Decrease in Deposits	---	(1,081)
Increase (Decrease) in Accounts Payable	(151,223)	(69,533)
Increase (Decrease) in Accrued Payroll and Vacation	25,384	14,856
Increase (Decrease) in Refundable Advances	(102,581)	163,119
Increase (Decrease) in Security Deposits - MAHC	---	(428)
Net Cash Provided by Operating Activities	<u>\$ 541,920</u>	<u>\$ 1,040,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Leasehold Improvements	\$ (137,376)	\$ (1,184,594)
Investment in Interest in Split Dollar Insurance	<u>(11,710)</u>	<u>(14,983)</u>
Net Cash Used by Investing Activities	<u>\$ (149,086)</u>	<u>\$ (1,199,577)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds From Line of Credit	\$ ---	\$ 175,000
Payments on Line of Credit	---	(175,000)
Proceeds From Renovation Loan	---	382,365
Payments on Renovation Loan	(127,385)	---
Payments on Capital Leases	<u>(16,260)</u>	<u>(14,642)</u>
Net Cash (Used) Provided by Financing Activities	<u>\$ (143,645)</u>	<u>\$ 367,723</u>
Net Increase in Cash and Cash Equivalents	\$ 249,189	\$ 208,723
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>404,297</u>	<u>195,574</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 653,486</u></u>	<u><u>\$ 404,297</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 26,934	\$ 9,470

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

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2009

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE A - Summary of Significant Accounting Policies

Organization

The AIDS Resource Center of Wisconsin (ARCW) is a private, nonprofit health and social service agency that is at the forefront of HIV prevention, care, and treatment dedicated to providing quality medical, dental, mental health, and social services for all people with HIV disease. The Organization operates throughout Wisconsin with clinic and office locations in Appleton, Eau Claire, Green Bay, La Crosse, Kenosha, Madison, Milwaukee, Schofield/Wausau, and Superior.

ARCW is incorporated as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not classified as a private foundation.

Combined Financial Statements

The combined financial statements include the accounts of AIDS Resource Center of Wisconsin, Inc. and Affiliates, Milwaukee AIDS Housing Corporation, Inc. (MAHC), and ARCW Endowment Fund, Inc., Wisconsin nonprofit corporations. MAHC is registered under Section 811 of the National Affordable Housing Act of 1990. ARCW is the sole corporate member of both MAHC and ARCW Endowment Fund, Inc. All significant intercompany transactions and accounts are eliminated.

Accounting Method

The financial statements of AIDS Resource Center of Wisconsin, Inc. and Affiliates have been prepared on the accrual basis.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents including short-term investments include all highly liquid debt instruments with original maturities of three months or less.

Fixed Assets

Fixed Assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the asset. The Organization capitalizes expenses greater than \$500.

Interest in Split Dollar Insurance

The Organization has an interest in a life insurance policy under a Split Dollar Agreement with the President and CEO. The Organization has a \$200,000 death benefit interest in the insurance policy. At August 31, 2009, the Organization's interest in the agreement was \$187,947 which is the cash surrender value of the policy.

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. Assets of the restricted classes are created only by donor-imposed restrictions.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE A - Summary of Significant Accounting Policies (continued)

Government Grants

Funds due from various funding sources under government grants are recognized as revenue in the accounting period in which the expenses are incurred.

Contributions

AIDS Resource Center of Wisconsin, Inc. and Affiliates account for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Advertising Costs

The Organization uses advertising to promote its programs, special events, and recruiting employees. Advertising costs are expensed the first time the advertising takes places. Advertising expense for the year ended August 31, 2009 was \$50,431.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is 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 and reported in the Statement of Activities as net assets released from restrictions.

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 expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

For comparability, certain 2008 amounts have been reclassified to conform with classifications adopted in 2009. The reclassifications have no effect on reported amounts of net assets or change in net assets.

NOTE B - Comparative Financial Information

The financial information shown for 2008 in the accompanying financial statements is included to provide a basis of comparison with 2009 and presents summarized totals only.

NOTE C - Restrictions on Cash

Milwaukee AIDS Housing Corporation, Inc. maintained a separate, restricted cash account as required by HUD as part of a HUD escrow savings account. The balance in the account as of August 31, 2009 was \$28,933.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE D - Government Grants Receivable

Government Grants Receivable consists of the following as of August 31, 2009:

<u>Source</u>	<u>Amount</u>
State of Wisconsin -	
Department of Health Services -	
Division of Public Health	\$1,223,823
Department of Commerce -	
Bureau of Housing	54,844
U.S. Department of Housing and Urban Development	45,951
U.S. Department of Health and Human Services	141,168
Milwaukee Health Services	79,337
Medical College of Wisconsin	55,136
Community Advocates	4,902
Milwaukee County	43,321
City of Milwaukee	91,840
Brown County	3,400
Dane County	1,465
Eau Claire County	2,500
Racine County	<u>4,583</u>
 Total Government Grants Receivable	 <u><u>\$1,752,270</u></u>

NOTE E - Endowment

The State of Wisconsin adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds on August 4, 2009. UPMIFA requires that the portion of a donor restricted endowment fund that is classified as permanently restricted net assets is not reduced by losses on the investment of the fund, except to the extent required by the donor. Likewise, the amount of permanently restricted net assets is not reduced by an organization's appropriations from the fund. The portion of the fund that is not classified as permanently restricted net assets is reported as temporarily restricted net assets until appropriated for expenditure by the organization. In accordance with state law, the Organization adopted and will report based on UPMIFA starting August 4, 2009. The adoption of UPMIFA results in income of the ARCW Endowment Fund being treated as temporarily-restricted until appropriated by the Organization.

Each year, five percent of the three-year moving average of the market average of the portfolio may be withdrawn and provided to ARCW for general operations. As part of the annual budget process, ARCW will formally request funds to be disbursed from the Endowment fund. No funds were requested for August 31, 2009.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE E - Endowment (continued)

The investments of the endowment (portfolio) shall be 60-70% in equities and 30-40% in fixed income. An exposure to stocks between 85-100% of the equity portion is expected of the investment manager who is either the Endowment Fund Investment Committee or an external investment firm. The fixed income portion of the portfolio shall consist of debt instruments with maturity of 10 years or less and a rating of BBB or better. A maximum of 15% of the portfolio may be invested in BBB rated securities.

Prudent diversification is expected in the number and selection of securities. The investment objective of the portfolio is simplistic: provide results consistent with appropriate indices while assuming less risk.

Endowment net asset composition as of August 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Certificates of Deposit	\$ 1,847	\$10,387	\$12,234
Accounts Payable to ARCW	<u>(4,918)</u>	<u>----</u>	<u>(4,918)</u>
Total	<u><u>\$(3,071)</u></u>	<u><u>\$10,387</u></u>	<u><u>\$ 7,316</u></u>

Changes in endowment net assets as of August 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Endowment Net Assets, Beginning of Year	\$(3,123)	\$10,387	\$7,264
Interest Income	<u>52</u>	<u>---</u>	<u>52</u>
Endowment Net Assets, End of Year	<u><u>\$(3,071)</u></u>	<u><u>\$10,387</u></u>	<u><u>\$7,316</u></u>

The Board of Directors of the ARCW Endowment Fund, Inc. has adopted a policy that there shall be no active fundraising for the ARCW Endowment Fund until the ARCW Strategic Plan financial reserve goal is achieved.

NOTE F - Fair Value Measurement

FASB Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), quoted prices in active markets for similar assets or liabilities, adjusted for differences that are objectively determinable, and the lowest priority to unobservable inputs (level 3 measurements).

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE F - Fair Value Measurement (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Split Dollar Insurance is valued at the Organization's share of the cash surrender value.

Fair value of assets measured on a recurring basis as of August 31, 2009 is as follows:

<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Split Dollar Insurance	<u>\$187,947</u>	<u>\$ ---</u>	<u>\$187,947</u>	<u>\$ ---</u>

NOTE G - Donor Pledges Receivable

The Organization records donor and United Way pledges in the year they are made. The fair value of Donor Pledges Receivable is estimated by discounting the future cash flows using the certificate of deposit interest rate of 1.25%. Amounts that are expected to be collected after one year from the balance sheet date are discounted.

Future pledges are expected to be collected as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2010	\$ 576,599
2011	140,689
2012	<u>77,708</u>
	\$ 794,996
Less: Allowance for Uncollectable Donor Pledges	(4,483)
Less: Present Value Allowance	<u>(5,363)</u>
Total	<u>\$ 785,150</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE H - ARCW Medical Center Uncompensated Care and Treatment

Revenue from reimbursement for health services is net of contractual allowances and patient subsidies. ARCW provided the following uncompensated care and treatment to its medical, dental, and mental health patients totaling \$2,217,169 during the 2009 fiscal year.

<u>Uncompensated Costs</u>	<u>Amount</u>
Contractual Allowance	\$ 645,803
Patient Subsidy	865,719
Patient Medications	122,360
Patient Laboratory Testing	529,537
Patient Assistance	<u>53,750</u>
Total	<u>\$2,217,169</u>

NOTE I - Health Care Reimbursement and Other Accounts Receivable

Health Care Reimbursement and Other Accounts Receivable consists of reimbursement for medical, dental and mental health services provided by The ARCW Medical Center, case management services, and other miscellaneous receivables, less an allowance for uncollectible amounts of \$27,684. Health Care Reimbursement and Other Accounts Receivable is expected to be collected within one year from August 31, 2009. Health Care Reimbursement and Other Accounts Receivable was \$447,423 as of August 31, 2009.

NOTE J - Net Fixed Assets

Net Fixed Assets consists of the following at August 31, 2009:

<u>Source</u>	<u>Amount</u>
Land	\$ 200
Wisconsin House Leasehold Improvements	265,519
Wisconsin House Equipment	8,853
Construction in Progress-Green Bay Facility	5,764
Garden View Apartments	734,662
Leasehold Improvements	2,275,042
Furniture and Fixtures	573,548
Office Equipment and Technology	737,342
Motor Vehicles	86,829
Health Care Equipment	374,368
Leased Office Equipment	<u>438,176</u>
Total Fixed Assets	\$ 5,500,303
Less: Accumulated Depreciation and Amortization	<u>(2,535,274)</u>
Net Fixed Assets	<u>\$ 2,965,029</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE K - Refundable Advances

Refundable Advances consists of funds that were received by the Organization as of August 31, 2009, for use in the subsequent fiscal year.

<u>Source</u>	<u>Amount</u>
State of Wisconsin -	
Department of Health Services -	
Division of Public Health	\$933,097
Milwaukee County	<u>43,993</u>
Total	<u>\$977,090</u>

NOTE L - Line of Credit

ARCW had a line of credit available of \$1,300,000 as of August 31, 2009, which is due March 31, 2010. The line of credit had a zero balance at August 31, 2009.

NOTE M - Letter of Credit - Unemployment Compensation

Under the terms of Wisconsin law, the Organization has elected a reimbursement financing method for unemployment compensation. The balance of \$66,297 at August 31, 2009, represents a letter of credit for the payment of future unemployment compensation claims.

NOTE N - Leases - Operating

The Organization has several non-cancelable operating leases including leases for copy machines, fax machines, a vehicle and rental of buildings in Eau Claire, Green Bay, La Crosse, Kenosha, Madison, Milwaukee, and Schofield/Wausau with expirations at various dates through 2024.

Future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2010	\$ 415,828
2011	384,978
2012	349,485
2013	309,275
2014	287,314
Thereafter	<u>1,289,425</u>
Total	<u>\$3,036,305</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE O - Capital Lease Obligations

Equipment under capital leases consists of dental equipment and a copy machine with a combined capitalized cost of \$78,890. Net Fixed Assets on the balance sheet included accumulated depreciation of \$27,140 relating to the leased equipment. Depreciation expense reported in the statement of activities includes \$10,384 for the equipment under capital lease.

Future minimum payments required under the various leases for the next three years, together with their present value, are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2010	\$18,070
2011	13,308
2012	<u>8,200</u>
Total	<u>\$39,578</u>

NOTE P - Renovation Loan Payable

The Organization received a \$400,000 renovation loan with 48 monthly payments of principal and interest required from September 2008 through August 2012. As of August 31, 2009 the loan has a remaining balance of \$272,615 and bears a 6% interest rate. The interest expense for the year ended August 31, 2009 was \$23,591.

Future minimum principal payments on the renovation loan are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2010	\$ 98,749
2011	105,061
2012	<u>68,805</u>
Total	<u>\$272,615</u>

NOTE Q - Mortgage Payable

Milwaukee AIDS Housing Corporation, Inc. currently has a mortgage payable to HUD in the amount of \$680,090. This mortgage was used to construct Garden View Apartments to house people with HIV and AIDS. The mortgage matures on July 1, 2037 and does not accrue interest so long as the building is used for the stated exempt purpose. At the time this mortgage matures, the entire loan amount will be forgiven. Prepayment of the mortgage is not allowed without HUD approval. If the loan would be paid before the maturity date, interest would be due at the rate of 7% per year.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE R - Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets consist of the following at August 31, 2009:

<u>Source</u>	<u>Amount</u>
United Way Receivables	\$370,566
Corporate Pledges	165,000
Individual Pledges	3,990
Less: Present Value Discount	<u>(5,363)</u>
Total	<u>\$534,193</u>

Permanently Restricted Net Assets consist of the following at August 31, 2009:

<u>Source</u>	<u>Amount</u>
Endowment Certificates of Deposit	<u>\$10,387</u>

NOTE S - Net Assets Released From Restrictions

Net Assets Released From Restrictions includes income temporarily restricted in the prior fiscal year for which donor restrictions were met as of August 31, 2009.

Net Assets Released From Restrictions consists of the following as of August 31, 2009:

<u>Source</u>	<u>Amount</u>
United Way	\$ 317,194
Corporate Contributions	43,647
Individual Contributions	<u>1,500</u>
Total	<u>\$362,341</u>

NOTE T - In-Kind Services

In-Kind Services included in the accompanying financial statements are comprised of medical services totaling \$45,573.

NOTE U - 401(k) Plan

ARCW maintains a flexible investment 401(k) plan. The Organization matched up to 5% of gross wages for all participating employees. Total employer contributions to the 401(k) plan were \$176,867 for the year ended August 31, 2009.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE V - Related Parties

During the year ended August 31, 2009, ARCW and Affiliates paid the following amounts to related parties: \$10,432 for leasehold improvements to an architectural firm at which a board member is a principal, \$4,800 for lobbying services to a board member, and \$16,215 and \$35,349 respectively for repair services for ARCW and Milwaukee AIDS Housing Corporation to the brother of the corporate secretary treasurer. An amount of \$2,619 was paid to a furniture company of which the owner is the spouse of a board member. These related party activities do not adversely affect government departmental programs.

NOTE W - Subsequent Events

The Organization has evaluated subsequent events and transactions for possible adjustments to the financial statements and disclosures. The Organization has considered events and transactions occurring after August 31, 2009, the date of the most recent balance sheet, through December 3, 2009, the date the financial statements are available to be issued. It has been determined that no subsequent events need to be disclosed.

NOTE X - ARCW Medical Center and Social Services Expenses

The AIDS Resource Center of Wisconsin and Affiliates provides integrated health and social services in a medical home model to achieve the best clinical outcomes for its patients and clients. The ARCW Statement of Activities identifies \$4,003,592 of expenses for the ARCW Medical Center and \$3,949,437 of expenses for ARCW Social Services. These expenses include professional staff expense for physicians, nurse practitioners, nurses, dentist, dental hygienists, mental health therapist, attorneys, social workers and other staff serving HIV patients and clients. Following is an itemization of expenses by health and social services area:

<u>Source</u>	<u>Amount</u>
Medical Clinic	\$2,370,065
Dental Clinic	958,427
Behavioral Health and Wellness Clinic	<u>675,100</u>
Total	<u>\$4,003,592</u>
Case Management, Transportation and Financial Assistance	\$1,824,457
Housing Services	1,596,410
Food Services	359,818
Legal Services	<u>168,752</u>
Total	<u>\$3,949,437</u>

NOTE Y - Board Designated Reserve

The ARCW Board of Directors has approved a strategic plan that includes a goal of establishing a financial reserve to assure long-term financial stability for the Organization. As of August 31, 2009, the Board designated reserve fund is a net asset of \$526,406.

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009
(With Summarized Totals for the Year Ended August 31, 2008)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2009 Total	2008 Total
REVENUE								
Federal								
U.S. Department of Housing and Urban Development	\$ 110,178	\$ 770,341	\$ ---	\$ ---	\$ ---	\$ 12,876	\$ 893,395	\$ 882,504
U.S. Department of Health and Human Services	862,235	---	696,331	---	---	417,169	1,975,735	1,741,950
Total Federal Revenue	\$ 972,413	\$ 770,341	\$ 696,331	\$ ---	\$ ---	\$ 430,045	\$ 2,869,130	\$ 2,624,454
State of Wisconsin								
Department of Health Services								
Division of Public Health	\$ 1,993,492	\$ 1,871,403	\$ 688,558	\$ ---	\$ ---	\$ 439,765	\$ 4,993,218	\$ 5,300,564
Department of Commerce - Bureau of Housing	---	358,493	---	---	---	22,486	380,979	477,085
Total State of Wisconsin Revenue	\$ 1,993,492	\$ 2,229,896	\$ 688,558	\$ ---	\$ ---	\$ 462,251	\$ 5,374,197	\$ 5,777,649
Local Government								
City of Milwaukee	\$ 74,751	\$ 435,967	\$ 35,012	\$ ---	\$ ---	\$ 44,610	\$ 590,340	\$ 504,799
Milwaukee County	---	---	291,755	---	---	---	291,755	225,059
Racine County	---	---	54,542	---	---	458	55,000	55,000
Brown County	---	---	21,330	---	---	---	21,330	26,520
Eau Claire County	---	---	24,000	---	---	---	24,000	35,450
Dane County	---	---	17,014	---	---	---	17,014	13,603
Total Local Government Revenue	\$ 74,751	\$ 435,967	\$ 443,653	\$ ---	\$ ---	\$ 45,068	\$ 999,439	\$ 860,431
Private Grants and Public Support								
Events - Participants	\$ ---	\$ ---	\$ ---	\$ ---	\$ 434,769	\$ ---	\$ 434,769	\$ 469,368
Events - Corporate	---	---	---	---	89,565	---	89,565	129,312
Special Events Expenses	---	---	---	---	(362,305)	---	(362,305)	(404,880)
Grants to Wisconsin AIDS Agencies	---	---	---	---	(9,149)	---	(9,149)	(15,675)
Foundation Contributions	---	---	---	---	284,576	---	284,576	366,967
Individual Donations	---	---	---	---	368,365	---	368,365	563,296
Corporate Contributions	---	---	---	---	324,312	---	324,312	582,622
United Way	96,554	175,289	158,168	---	---	---	430,011	421,780
Milwaukee Health Services, Inc.	204,669	---	---	---	---	---	204,669	173,349
Medical College of Wisconsin	---	79,668	99,581	---	---	---	179,249	76,084
Total Private Grants and Public Support	\$ 301,223	\$ 254,957	\$ 257,749	\$ ---	\$ 1,130,133	\$ ---	\$ 1,944,062	\$ 2,362,223
Revenue Carried Forward	\$ 3,341,879	\$ 3,691,161	\$ 2,086,291	\$ ---	\$ 1,130,133	\$ 937,364	\$ 11,186,928	\$ 11,624,757

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009
(With Summarized Totals for the Year Ended August 31, 2008)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2009 Total	2008 Total
REVENUE								
Revenue Brought Forward	\$ 3,341,879	\$ 3,691,161	\$ 2,086,291	\$ ---	\$ 1,130,133	\$ 937,364	\$ 11,186,828	\$ 11,624,757
Reimbursement for Services								
General Assistance - Medical Program	\$ 7,075	\$ ---	\$ ---	\$ ---	\$ ---	\$ 812	\$ 7,887	\$ 16,689
Medicaid	148,362	54,505	---	---	---	29,254	232,121	199,653
Medicare	107,855	---	---	---	---	12,123	119,978	68,000
Commercial Insurance	83,420	---	17,822	---	---	12,153	113,395	77,413
Patient Payments	57,593	---	3,468	---	---	3,403	64,464	5,140
Total Reimbursement for Services	\$ 404,305	\$ 54,505	\$ 21,290	\$ ---	\$ ---	\$ 57,745	\$ 537,845	\$ 366,895
Other Revenue								
Interest Income	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 2,780	\$ 2,780	\$ 4,745
Rental Income	---	51,387	---	---	---	---	51,387	36,701
Miscellaneous Income	---	---	---	---	---	7,937	7,937	4,793
Total Other Revenue	\$ ---	\$ 51,387	\$ ---	\$ ---	\$ ---	\$ 10,717	\$ 62,104	\$ 46,239
Total Revenue (Carried Forward)	\$ 3,746,184	\$ 3,797,053	\$ 2,107,581	\$ ---	\$ 1,130,133	\$ 1,005,826	\$ 11,786,777	\$ 12,037,891

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009
(With Summarized Totals for the Year Ended August 31, 2008)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2009 Total	2008 Total
Total Revenue (Brought Forward)	\$ 3,746,184	\$ 3,797,053	\$ 2,107,581	\$ --	\$ 1,130,133	\$ 1,005,826	\$ 11,786,777	\$ 12,037,891
EXPENSES								
Personnel Expenses								
Salaries and Wages	\$ 1,651,715	\$ 1,618,651	\$ 1,029,268	\$ 141,367	\$ 258,444	\$ 649,045	\$ 5,348,490	\$ 4,959,980
Payroll Taxes	114,092	112,273	72,146	9,841	18,135	62,408	388,895	359,221
Employee Benefits	272,651	343,633	216,790	41,732	50,937	120,692	1,046,435	898,882
Total Personnel Expenses	\$ 2,038,458	\$ 2,074,557	\$ 1,318,204	\$ 192,940	\$ 327,516	\$ 832,145	\$ 6,783,820	\$ 6,218,083
Contracted Program Services	409,266	145,897	324,611	--	--	--	879,774	927,999
Client Financial Assistance	2,641	32,983	--	--	--	--	35,624	43,695
Patient Financial Assistance	53,750	--	--	--	--	--	53,750	37,583
Client Food Assistance	--	44,743	--	--	--	--	44,743	45,631
Client Rent Assistance	--	598,144	--	--	--	--	598,144	739,385
Client Property Management	--	33,496	--	--	--	--	33,496	13,009
Client Parking	20,193	12,820	--	--	--	--	33,013	25,157
Program Materials	65,572	25,979	205,691	--	215	--	297,457	500,373
Patient Medications	122,360	--	--	--	--	--	122,360	103,646
Patient Laboratory	529,537	--	--	--	--	--	529,537	406,085
Employee Travel and Education	40,458	54,060	56,314	1,936	2,503	15,595	170,866	234,550
Printing and Copying	54	257	439	18,757	8,665	53,415	81,587	101,847
Professional Services	90,658	--	595	6,531	4,538	100,750	203,072	177,652
Telephone	--	1,376	--	--	--	97,405	98,781	85,770
Insurance	296	5,505	26,235	--	--	63,145	95,181	93,164
Office Supplies	1,737	940	287	179	1,120	4,586	8,849	13,618
Postage and Delivery	--	165	--	701	15,868	25,491	42,225	48,498
Meeting Costs	1,783	2,676	8,282	566	5,444	8,085	26,836	30,445
Recruiting	--	--	--	--	--	10,524	10,524	13,765
Advertising	--	--	267	3,205	--	--	3,472	4,592
Repairs and Maintenance	--	--	--	--	--	277,798	277,798	319,349
Interest Expense	--	--	--	--	--	26,934	26,934	9,470
Other Expenses	--	--	--	--	--	--	--	1,734
Occupancy	204,178	302,714	99,172	--	14,256	41,165	661,485	644,591
Depreciation	184,315	83,123	75,895	3,614	--	14,455	361,402	244,594
Licenses and Fees	6,158	8,546	1,743	1,833	8,114	14,424	40,818	28,563
Grant Disbursements	--	--	5,000	--	--	--	5,000	5,000
Uncollectible Donor Pledges	--	--	--	--	5,247	--	5,247	7,080
Total Direct Expenses	\$ 3,771,414	\$ 3,427,981	\$ 2,122,735	\$ 230,262	\$ 393,486	\$ 1,585,917	\$ 11,531,795	\$ 11,124,928
Department Allocations	232,178	415,986	280,549	9,674	6,623	(945,010)	--	(26,352)
Total Expenses	\$ 4,003,592	\$ 3,843,967	\$ 2,403,284	\$ 239,936	\$ 400,109	\$ 640,907	\$ 11,531,795	\$ 11,098,576
CHANGE IN NET ASSETS								
Total Direct Expenses	\$ (257,408)	\$ (46,914)	\$ (295,703)	\$ (239,936)	\$ 730,024	\$ 364,919	\$ 254,982	\$ 939,315
Fixed Asset Additions	\$ 10,998	\$ 799	\$ --	\$ --	\$ --	\$ 102,123	\$ 113,920	\$ 1,170,794

MILWAUKEE AIDS HOUSING CORPORATION
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009
(With Summarized Totals for the Year Ended August 31, 2008)

	<u>2009</u>	<u>2008</u>
REVENUE		
Rental Income	\$ 58,392	\$ 57,482
Corporate Contribution	5,000	6,000
Interest Income	20	53
Total Revenue	<u>\$ 63,412</u>	<u>\$ 63,535</u>
EXPENSES		
Management Fees	\$ 3,015	\$ 3,048
Occupancy	10,881	15,866
Office Expenses	125	253
Snow Removal	2,327	5,688
Professional Services	4,700	4,826
Insurance	6,464	6,267
Repairs and Maintenance	46,154	30,586
Fees and Licenses	10	155
Miscellaneous Taxes, Licenses and Permits	392	---
Depreciation	31,403	27,885
Total Expenses	<u>\$ 105,471</u>	<u>\$ 94,574</u>
CHANGE IN NET ASSETS	<u>\$ (42,059)</u>	<u>\$ (31,039)</u>

ARCW ENDOWMENT FUND, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2009
(With Summarized Totals for the Year Ended August 31, 2008)

	<u>2009</u>	<u>2008</u>
REVENUE		
Interest Income	\$ 52	\$ 279
Total Revenue	<u>\$ 52</u>	<u>\$ 279</u>
 CHANGE IN NET ASSETS	 <u>\$ 52</u>	 <u>\$ 279</u>