

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2010

(With Summarized Totals for the Year Ended August 31, 2009)

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, 2010, 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' 2009 financial statements and, in our report dated December 3, 2009, 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, 2010, and the changes in their net assets and their 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 14, 2010

Ritz Holman LLP
Serving businesses, nonprofits, individuals and trusts.

Two Plaza East, Suite 550 t. 414.271.1451
330 East Kilbourn Avenue f. 414.271.7464
Milwaukee, WI 53202 ritzholman.com

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
BALANCE SHEET
AUGUST 31, 2010
(With Summarized Totals for August 31, 2009)

ASSETS		2010	2009
CURRENT ASSETS			
Cash and Cash Equivalents	\$	997,263	\$ 653,486
Government Grants Receivable		1,464,642	1,793,040
Donor Pledges Receivable		648,436	785,150
Health Care Reimbursement and Other Accounts Receivable		737,019	406,653
Prepaid Expenses		111,259	184,897
Total Current Assets	\$	<u>3,958,619</u>	<u>\$ 3,823,226</u>
FIXED ASSETS			
Fixed Assets	\$	6,320,945	\$ 5,500,303
Less Accumulated Depreciation		(2,927,720)	(2,535,274)
Total Fixed Assets	\$	<u>3,393,225</u>	<u>\$ 2,965,029</u>
OTHER ASSETS			
Interest in Split Dollar Insurance	\$	200,561	\$ 187,947
Deposits		10,994	11,079
Total Other Assets	\$	<u>211,555</u>	<u>\$ 199,026</u>
TOTAL ASSETS	\$	<u><u>7,563,399</u></u>	<u><u>\$ 6,987,281</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	770,706	\$ 607,094
Deferred Compensation		200,561	—
Accrued Payroll and Vacation		179,746	147,469
Refundable Advances		1,007,516	977,090
Letter of Credit - Unemployment Compensation		66,297	66,297
Security Deposits - MAHC		856	856
Current Portion of Long-Term Liabilities		17,197	114,538
Total Current Liabilities	\$	<u>2,242,879</u>	<u>\$ 1,913,344</u>
LONG-TERM LIABILITIES			
Leases Payable	\$	39,356	\$ 39,578
Renovation Loan Payable		—	272,615
Mortgage Payable		680,090	680,090
Less: Current Portion of Long-Term Liabilities		(17,197)	(114,538)
Total Long-Term Liabilities	\$	<u>702,249</u>	<u>\$ 877,745</u>
Total Liabilities	\$	<u>2,945,128</u>	<u>\$ 2,791,089</u>
NET ASSETS			
Unrestricted			
Operating - ARCW	\$	881,208	\$ 1,302,298
Board Designated Reserve - ARCW		752,041	526,406
Operating - MAHC		(439,882)	(412,399)
Property - ARCW		2,957,974	2,235,307
Total Unrestricted Net Assets	\$	<u>4,151,341</u>	<u>\$ 3,651,612</u>
Temporarily Restricted		456,543	534,193
Permanently Restricted		10,387	10,387
Total Net Assets	\$	<u>4,618,271</u>	<u>\$ 4,196,192</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>7,563,399</u></u>	<u><u>\$ 6,987,281</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, 2010
(With Summarized Totals for the Year Ended August 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
REVENUE					
U.S. Department of Housing and Urban Development	\$ 810,344	\$ ---	\$ ---	\$ 810,344	\$ 893,395
U.S. Department of Health and Human Services	1,825,941	---	---	1,825,941	1,975,735
State of Wisconsin					
Department of Health Services					
Division of Public Health	5,588,780	---	---	5,588,780	4,993,218
Department of Commerce					
Bureau of Housing	475,644	---	---	475,644	380,979
City of Milwaukee	562,554	---	---	562,554	590,340
Milwaukee County	250,108	---	---	250,108	291,755
Racine County	55,000	---	---	55,000	55,000
Brown County	19,100	---	---	19,100	21,330
Eau Claire County	30,000	---	---	30,000	24,000
Dane County	17,423	---	---	17,423	17,014
Special Events					
Events - Participants	501,256	---	---	501,256	434,769
Events - Corporate	103,500	---	---	103,500	89,565
Special Event Expenses	(248,233)	---	---	(248,233)	(206,220)
Grants to Wisconsin AIDS Agencies	(14,265)	---	---	(14,265)	(9,149)
Foundation Contributions	363,164	---	---	363,164	289,576
Corporate Contributions	697,151	31,906	---	729,057	470,982
Individual Contributions	447,884	---	---	447,884	327,208
United Way	92,921	241,786	---	334,707	437,391
Milwaukee Health Services, Inc.	158,106	---	---	158,106	204,669
Medical College of Wisconsin	173,564	---	---	173,564	179,249
General Assistance - Medical Program	---	---	---	---	7,887
Medicaid	412,828	---	---	412,828	232,121
Medicare	140,010	---	---	140,010	119,978
Commercial Insurance	124,906	---	---	124,906	113,395
Patient Payments	10,249	---	---	10,249	64,464
Interest Income	3,839	18	---	3,857	2,852
Rental Income	140,275	---	---	140,275	109,779
Miscellaneous Income	17,049	---	---	17,049	7,937
Net Assets Released From Restrictions:					
United Way	285,700	(285,700)	---	---	---
Individual and Corporate Contributions	65,660	(65,660)	---	---	---
Total Revenue	<u>\$ 13,110,458</u>	<u>\$ (77,650)</u>	<u>\$ ---</u>	<u>\$ 13,032,808</u>	<u>\$ 12,119,219</u>
EXPENSES					
Program Services					
ARCW Medical Center	\$ 4,341,123	\$ ---	\$ ---	\$ 4,341,123	\$ 4,003,592
Social Services	3,908,138	---	---	3,908,138	3,949,437
Prevention Services	2,531,173	---	---	2,531,173	2,403,284
Public Affairs	243,580	---	---	243,580	239,936
Fund Development	603,247	---	---	603,247	556,194
Management and Supporting Services	983,468	---	---	983,468	640,907
Total Expenses	<u>\$ 12,610,729</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 12,610,729</u>	<u>\$ 11,793,350</u>
CHANGE IN NET ASSETS	\$ 499,729	\$ (77,650)	\$ ---	\$ 422,079	\$ 325,869
Net Assets, Beginning of Year	3,651,612	534,193	10,387	4,196,192	3,870,323
NET ASSETS, END OF YEAR	<u>\$ 4,151,341</u>	<u>\$ 456,543</u>	<u>\$ 10,387</u>	<u>\$ 4,618,271</u>	<u>\$ 4,196,192</u>

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, 2010
(With Summarized Totals for the Year Ended August 31, 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 422,079	\$ 325,869
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	421,486	392,805
Loss on Disposal of Fixed Assets	11,696	---
(Increase) Decrease in Government Grants Receivable	328,398	352,622
(Increase) Decrease in Donor Pledges Receivable	136,714	(84,940)
(Increase) Decrease in Health Care Reimbursement		
and Other Accounts Receivable	(330,366)	(210,318)
(Increase) Decrease in Prepaid Expenses	73,638	(5,698)
(Increase) Decrease in Deposits	85	---
Increase (Decrease) in Accounts Payable	163,612	(151,223)
Increase (Decrease) in Deferred Compensation	200,561	---
Increase (Decrease) in Accrued Payroll and Vacation	32,277	25,384
Increase (Decrease) in Refundable Advances	30,426	(102,581)
Net Cash Provided by Operating Activities	<u>\$ 1,490,606</u>	<u>\$ 541,920</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Leasehold Improvements	\$ (843,308)	\$ (137,376)
Investment in Interest in Split Dollar Insurance	(12,614)	(11,710)
Net Cash Used by Investing Activities	<u>\$ (855,922)</u>	<u>\$ (149,086)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Renovation Loan	\$ (272,615)	\$ (127,385)
Payments on Capital Leases	(18,292)	(16,260)
Net Cash Used by Financing Activities	<u>\$ (290,907)</u>	<u>\$ (143,645)</u>
Net Increase in Cash and Cash Equivalents	\$ 343,777	\$ 249,189
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>653,486</u>	<u>404,297</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 997,263</u></u>	<u><u>\$ 653,486</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 15,280	\$ 26,934

The Organization entered into a lease agreement for \$18,444 for a new copy machine which replaced a previously leased copy machine. A fixed asset with a value of \$23,850 is included in the accompanying financial statements for the fair market value of the new copy machine.

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, 2010

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE A - Summary of Significant Accounting Policies

Organization

The AIDS Resource Center of Wisconsin, Inc. (ARCW) is a private, nonprofit health and social service agency that is at the forefront of HIV prevention, care and treatment is 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, LaCrosse, Kenosha, Madison, Milwaukee, Schofield/Wausau and Superior.

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 purchases 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, 2010, the Organization's interest in the agreement was an asset of \$200,561 which is the cash surrender value of the policy. The Organization has a deferred compensation agreement with the President and CEO for the lesser of the cash surrender value or a prescribed deferred compensation amount based on years of service. Deferred compensation liability at August 31, 2010 was \$200,561 which is included in the financial statements.

Basis of Presentation

The Organization reports 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, 2010

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

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. 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. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

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, 2010 was \$38,281 for special events and \$6,913 for programming and recruiting.

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.

NOTE B - Comparative Financial Information

The financial information shown for 2009 in the accompanying financial statements is included to provide a basis of comparison with 2010 and presents summarized totals only.

For comparability, certain 2009 amounts have been reclassified to conform to classifications adopted in 2010. The reclassifications have no effect on reporting amounts of net assets or change in net assets.

NOTE C - Restrictions on Cash

Milwaukee AIDS Housing Corporation, Inc. maintained a separate, restricted cash account as required by U.S. Department of Housing and Urban Development (HUD) as part of a HUD escrow savings account. The balance in the account as of August 31, 2010 was \$32,048.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE D - Concentration of Risk

The Organization maintains its cash balances at one financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2010, the Organization's uninsured cash balances totaled \$683,446.

NOTE E - Government Grants Receivable

Government Grants Receivable consists of the following as of August 31, 2010:

<u>Source</u>	<u>Amount</u>
State of Wisconsin -	
Department of Health Services -	
Division of Public Health	\$1,224,010
Department of Commerce -	
Bureau of Housing	55,981
U.S. Department of Health and Human Services	43,016
Milwaukee Health Services, Inc.	13,418
Medical College of Wisconsin	48,771
Community Advocates	8,491
Milwaukee County	17,767
City of Milwaukee	44,659
Dane County	1,446
Eau Claire County	2,500
Racine County	<u>4,583</u>
Total Government Grants Receivable	<u>\$1,464,642</u>

NOTE F - Endowment

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds which was enacted into law in the State of Wisconsin 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 reports based on UPMIFA as of August 4, 2009. The adoption of UPMIFA changes the income from a donor-designated endowment to be restricted rather than unrestricted from August 4, 2009 forward, unless that income is appropriated by the board for expenditure at which point it becomes unrestricted.

The Organization's investment policy is as follows:

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE F - Endowment (continued)

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 fiscal year ending August 31, 2010.

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.

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 and that the assets of the endowment remain in certificates of deposit.

Endowment net asset composition as of August 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Certificates of Deposit	\$1,845	\$18	\$10,387	\$12,250
Accounts Payable to ARCW	<u>(4,916)</u>	<u>---</u>	<u>---</u>	<u>(4,916)</u>
Total	<u><u>\$(3,071)</u></u>	<u><u>\$18</u></u>	<u><u>\$10,387</u></u>	<u><u>\$ 7,334</u></u>

Changes in endowment net assets as of August 31, 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Endowment Net Assets, Beginning of Year	\$(3,071)	\$ ---	\$10,387	\$7,316
Interest Income	<u>---</u>	<u>18</u>	<u>---</u>	<u>18</u>
Endowment Net Assets, End of Year	<u><u>\$(3,071)</u></u>	<u><u>\$18</u></u>	<u><u>\$10,387</u></u>	<u><u>\$7,334</u></u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE G - Fair Value Measurement

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

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, 2010 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>\$200,561</u>	<u>\$ ---</u>	<u>\$200,561</u>	<u>\$ ---</u>

NOTE H - 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>
2011	\$ 527,007
2012	80,708
2013	<u>50,833</u>
	\$ 658,548
Less: Allowance for Uncollectible Donor Pledges	(7,868)
Less: Present Value Allowance	<u>(2,244)</u>
Total	<u>\$ 648,436</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE I - 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 \$2,434,688 during the 2010 fiscal year.

<u>Uncompensated Costs</u>	<u>Amount</u>
Contractual Allowance	\$ 779,028
Patient Subsidy	1,044,630
Patient Medications	114,182
Patient Laboratory Testing	442,396
Patient Assistance	<u>54,452</u>
Total	<u><u>\$2,434,688</u></u>

NOTE J - 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 \$6,828. Health Care Reimbursement and Other Accounts Receivable is expected to be collected within one year from August 31, 2010. Health Care Reimbursement and Other Accounts Receivable was \$737,019 as of August 31, 2010.

NOTE K - Net Fixed Assets

Net Fixed Assets consists of the following at August 31, 2010:

<u>Source</u>	<u>Amount</u>
Land	\$ 200
Wisconsin House Leasehold Improvements	268,819
Wisconsin House Equipment	8,853
Construction in Progress - Milwaukee	7,016
Construction in Progress - Green Bay	4,587
Garden View Apartments	736,953
Leasehold Improvements	2,861,509
Furniture and Fixtures	664,048
Office Equipment and Technology	837,290
Motor Vehicles	104,899
Health Care Equipment	389,696
Leased Office Equipment	<u>437,075</u>
Total Fixed Assets	\$ 6,320,945
Less: Accumulated Depreciation and Amortization	<u>(2,927,720)</u>
Net Fixed Assets	<u><u>\$ 3,393,225</u></u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE L - Refundable Advances

Refundable Advances consists of funds that were received by the Organization as of August 31, 2010, for use in the subsequent fiscal year.

<u>Source</u>	<u>Amount</u>
State of Wisconsin - Department of Health Services - Division of Public Health	\$ 963,523
Milwaukee County	<u>43,993</u>
Total	<u>\$1,007,516</u>

NOTE M - Line of Credit

ARCW had a line of credit available of \$1,300,000 as of August 31, 2010, which is due March 31, 2011. The line of credit had a zero balance at August 31, 2010.

NOTE N - 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, 2010, represents a letter of credit for the payment of future unemployment compensation claims.

NOTE O - 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, Appleton and Milwaukee with expirations at various dates through 2024.

Future minimum lease payments under operating leases are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2011	\$ 405,327
2012	339,483
2013	275,323
2014	274,383
2015	274,383
Thereafter	<u>1,320,013</u>
Total	<u>\$2,888,912</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE P - Capital Lease Obligations

Equipment under capital leases consists of dental equipment and a copy machine with a combined capitalized cost of \$72,384. Net Fixed Assets on the balance sheet included accumulated depreciation of \$12,586 relating to the leased equipment. Depreciation expense reported in the statement of activities includes \$5,394 for the equipment under capital lease.

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

<u>Year Ending August 31,</u>	<u>Amount</u>
2011	\$17,197
2012	12,767
2013	4,653
2014	<u>4,739</u>
Total	<u>\$39,356</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 as 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.

NOTE R - 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, 2010, the Board designated reserve fund is a net asset of \$752,041.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE S - Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets consist of the following at August 31, 2010:

<u>Source</u>	<u>Amount</u>
United Way Receivables	\$325,019
Corporate Pledges	133,750
Endowment Interest Income	18
Less: Present Value Discount	<u>(2,244)</u>
Total	<u>\$456,543</u>

Permanently Restricted Net Assets consist of the following at August 31, 2010:

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

NOTE T - 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, 2010.

Net Assets Released From Restrictions consists of the following as of August 31, 2010:

<u>Source</u>	<u>Amount</u>
United Way	\$285,700
Corporate Contributions	62,546
Individual Contributions	<u>3,114</u>
Total	<u>\$351,360</u>

NOTE U - In-Kind Goods and Services

In-Kind Goods and Services included in the accompanying financial statements have an estimated value of \$102,564 for the year ended August 31, 2010. The Organization received \$52,082 of medical services, \$16,900 of food and \$33,582 of furniture in-kind.

NOTE V - 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 \$192,184 for the year ended August 31, 2010.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE W - Related Parties

During the year ended August 31, 2010, ARCW and Affiliates paid the following amounts to related parties: \$27,317 for leasehold improvements to an architectural firm at which a board member is a principal and \$1,871 and \$23,329, respectively, for repair services for ARCW and Milwaukee AIDS Housing Corporation to the brother of the corporate secretary treasurer. An amount of \$62,986 was paid to a furniture company of which the owner is the spouse of a board member. The board and staff have made donations totaling \$47,336 during the fiscal year. These related party activities do not adversely affect government departmental programs.

NOTE X - ARCW Medical Center and Social Services Expenses

The AIDS Resource Center of Wisconsin, Inc. 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 \$4,341,123 of expenses for the ARCW Medical Center and \$3,808,465 of expenses for ARCW Social Services. These expenses include professional staff expense for physicians, nurse practitioners, nurses, dentists, dental hygienists, mental health therapists, attorneys, social workers and other staff serving HIV patients and clients. Following is an itemization of expenses by the health and social services area:

<u>ARCW Medical Center</u>	<u>Amount</u>
Medical Clinic	\$2,517,607
Dental Clinic	1,119,304
Behavioral Health and Wellness Clinic	<u>704,212</u>
Total	<u>\$4,341,123</u>
 <u>ARCW Social Services</u>	
Case Management, Transportation and Financial Assistance	\$1,977,325
Housing Services	1,316,282
Food Services	362,300
Legal Services	<u>152,558</u>
Total	<u>\$3,808,465</u>

NOTE Y - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions taken in previous fiscal years and those expected to be taken in future fiscal years. As of August 31, 2010, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010

NOTE Z - Subsequent Events

The Organization has evaluated events and transactions occurring after August 31, 2010 through December 14, 2010, the date the financial statements were available to be issued, for possible adjustments to the financial statements or disclosures.

Subsequent to the end of the ARCW 2010 fiscal year, the ARCW Board of Directors at its October 19, 2010 meeting approved the establishment of a pharmacy service at ARCW. A full service HIV dedicated pharmacy will be established as a limited liability company of AIDS Resource Center of Wisconsin, Inc. The ARCW Pharmacy, LLC will dispense medications, provide patient counseling on medication adherence, drug interactions and side effects, and offer medication consultation for health care providers. The ARCW Pharmacy, LLC is scheduled to open in March 2011 and will generate related business income for ARCW.

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010
(With Summarized Totals for the Year Ended August 31, 2009)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2010 Total	2009 Total
REVENUE								
Federal								
U.S. Department of Housing and Urban Development	\$ 99,672	\$ 702,569	\$ --	\$ --	\$ --	\$ 8,103	\$ 810,344	\$ 893,395
U.S. Department of Health and Human Services	837,334	--	673,666	--	--	314,941	1,825,941	1,975,735
Total Federal Revenue	<u>\$ 937,006</u>	<u>\$ 702,569</u>	<u>\$ 673,666</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 323,044</u>	<u>\$ 2,636,285</u>	<u>\$ 2,869,130</u>
State of Wisconsin								
Department of Health Services								
Division of Public Health	\$ 2,396,223	\$ 1,316,845	\$ 821,479	\$ --	\$ --	\$ 1,054,233	\$ 5,588,780	\$ 4,993,218
Department of Commerce - Bureau of Housing	--	449,816	--	--	--	25,828	475,644	380,979
Total State of Wisconsin Revenue	<u>\$ 2,396,223</u>	<u>\$ 1,766,661</u>	<u>\$ 821,479</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,080,061</u>	<u>\$ 6,064,424</u>	<u>\$ 5,374,197</u>
Local Government								
City of Milwaukee	\$ 9,481	\$ 382,927	\$ 126,243	\$ --	\$ --	\$ 43,903	\$ 562,554	\$ 590,340
Milwaukee County	--	--	250,108	--	--	--	250,108	291,755
Racine County	--	--	55,000	--	--	--	55,000	55,000
Brown County	--	--	19,100	--	--	--	19,100	21,330
Eau Claire County	--	--	30,000	--	--	--	30,000	24,000
Dane County	--	--	17,423	--	--	--	17,423	17,014
Total Local Government Revenue	<u>\$ 9,481</u>	<u>\$ 382,927</u>	<u>\$ 497,874</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 43,903</u>	<u>\$ 934,185</u>	<u>\$ 999,439</u>
Private Grants and Public Support								
Events - Participants	\$ --	\$ --	\$ --	\$ --	\$ 501,256	\$ --	\$ 501,256	\$ 434,769
Events - Corporate	--	--	--	--	103,500	--	103,500	89,565
Special Events Expenses	--	--	--	--	(248,233)	--	(248,233)	(206,220)
Grants to Wisconsin AIDS Agencies	--	--	--	--	(14,265)	--	(14,265)	(9,149)
Foundation Contributions	--	--	--	--	358,164	--	358,164	284,576
Individual Donations	--	--	--	--	513,544	--	513,544	368,365
Corporate Contributions	--	--	--	--	697,151	--	697,151	324,312
United Way	97,272	146,475	134,874	--	--	--	378,621	430,011
Milwaukee Health Services, Inc.	158,106	--	--	--	--	--	158,106	204,669
Medical College of Wisconsin	--	84,698	88,866	--	--	--	173,564	179,249
Total Private Grants and Public Support	<u>\$ 255,378</u>	<u>\$ 231,173</u>	<u>\$ 223,740</u>	<u>\$ --</u>	<u>\$ 1,911,117</u>	<u>\$ --</u>	<u>\$ 2,621,408</u>	<u>\$ 2,100,147</u>
Revenue Carried Forward	<u>\$ 3,598,088</u>	<u>\$ 3,083,330</u>	<u>\$ 2,216,759</u>	<u>\$ --</u>	<u>\$ 1,911,117</u>	<u>\$ 1,447,008</u>	<u>\$ 12,256,302</u>	<u>\$ 11,342,913</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010
(With Summarized Totals for the Year Ended August 31, 2009)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2010 Total	2009 Total
REVENUE								
Revenue Brought Forward	\$ 3,598,088	\$ 3,083,330	\$ 2,216,759	\$ ---	\$ 1,911,117	\$ 1,447,008	\$ 12,256,302	\$ 11,342,913
Reimbursement for Services								
General Assistance - Medical Program	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,887
Patient Payments	6,175	---	3,457	---	---	617	10,249	64,464
Medicare	117,234	---	---	---	---	22,776	140,010	119,978
Commercial Insurance	95,284	---	7,911	---	---	21,711	124,906	113,395
Medicaid	267,494	61,790	---	---	---	83,544	412,828	232,121
Total Reimbursement for Services	\$ 486,187	\$ 61,790	\$ 11,368	\$ ---	\$ ---	\$ 128,648	\$ 687,993	\$ 537,845
Other Revenue								
Interest Income	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,824	\$ 3,824	\$ 2,780
Rental Income	---	73,099	---	---	---	---	73,099	51,387
Miscellaneous Income	9,570	2,069	45	---	---	5,365	17,049	7,937
Total Other Revenue	\$ 9,570	\$ 75,168	\$ 45	\$ ---	\$ ---	\$ 9,189	\$ 93,972	\$ 62,104
Total Revenue (Carried Forward)	\$ 4,093,845	\$ 3,220,288	\$ 2,228,172	\$ ---	\$ 1,911,117	\$ 1,584,845	\$ 13,038,267	\$ 11,942,862

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010
(With Summarized Totals for the Year Ended August 31, 2009)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2010 Total	2009 Total
Total Revenue (Brought Forward)	\$ 4,093,845	\$ 3,220,288	\$ 2,228,172	\$ ---	\$ 1,911,117	\$ 1,584,845	\$ 13,038,267	\$ 11,942,862
EXPENSES								
Personnel Expenses								
Salaries and Wages	\$ 1,917,254	\$ 1,596,840	\$ 1,040,772	\$ 156,308	\$ 402,774	\$ 913,118	\$ 6,027,066	\$ 5,475,307
Payroll Taxes	132,177	112,035	71,237	12,278	27,696	67,879	423,302	397,681
Employee Benefits	326,148	309,439	227,907	43,367	74,992	186,070	1,167,923	1,066,917
Total Personnel Expenses	\$ 2,375,579	\$ 2,018,314	\$ 1,339,916	\$ 211,953	\$ 505,462	\$ 1,167,067	\$ 7,618,291	\$ 6,939,905
Contracted Program Services	\$ 407,615	\$ 137,175	\$ 309,878	\$ ---	\$ ---	\$ ---	\$ 854,668	\$ 879,774
Client Financial Assistance	512	25,020	---	---	---	---	25,532	35,624
Patient Financial Assistance	54,452	---	---	---	---	---	54,452	53,750
Client Food Assistance	---	58,690	---	---	---	---	58,690	44,743
Client Rent Assistance	---	639,531	---	---	---	---	639,531	598,144
Client Property Management	---	13,903	---	---	---	67	13,970	33,496
Client Parking	19,850	14,400	1,750	---	---	---	36,000	33,013
Program Materials	93,499	28,122	249,648	36	---	---	371,305	297,457
Patient Medications	113,035	664	482	---	---	---	114,181	122,360
Patient Laboratory	442,396	---	---	---	---	---	442,396	529,537
Employee Travel and Education	48,202	57,297	44,985	1,112	1,022	15,021	167,639	170,866
Printing and Copying	574	---	764	8,755	9,753	57,461	77,307	81,587
Professional Services	107,140	---	1,500	5,038	25,117	154,478	293,273	203,072
Telephone	---	275	---	---	63	100,140	100,478	98,781
Insurance	406	6,698	28,068	---	---	69,117	104,289	95,181
Office Supplies	294	1,057	756	300	1,678	4,597	8,682	8,849
Postage and Delivery	---	35	---	2,325	3,172	45,951	51,483	42,225
Meeting Costs	2,913	1,297	5,324	1,676	8,976	8,466	28,652	26,836
Recruiting	---	---	---	---	---	7,977	7,977	10,524
Advertising	---	---	220	3,915	2,778	---	6,913	3,472
Repairs and Maintenance	---	758	---	122	---	292,726	293,606	277,798
Interest Expense	---	---	---	---	8	15,272	15,280	26,934
Other Expenses	---	---	---	---	---	13,298	13,298	---
Occupancy	203,550	295,253	98,811	---	21,600	39,525	658,739	661,485
Depreciation	197,405	89,026	81,284	3,871	---	17,049	388,635	361,402
Licenses and Fees	12,823	8,295	1,352	875	9,062	17,722	50,129	40,818
Grant Disbursements	---	---	8,500	---	---	---	8,500	5,000
Uncollectible Donor Pledges	---	---	---	---	7,160	---	7,160	5,247
Total Direct Expenses	\$ 4,080,245	\$ 3,395,810	\$ 2,173,238	\$ 239,978	\$ 595,851	\$ 2,025,934	\$ 12,511,056	\$ 11,687,880
Department Allocations	260,878	412,655	357,935	3,602	7,396	(1,042,466)	---	---
Total Expenses	\$ 4,341,123	\$ 3,808,465	\$ 2,531,173	\$ 243,580	\$ 603,247	\$ 983,468	\$ 12,511,056	\$ 11,687,880
CHANGE IN NET ASSETS	<u>\$ (247,278)</u>	<u>\$ (588,177)</u>	<u>\$ (303,001)</u>	<u>\$ (243,580)</u>	<u>\$ 1,307,870</u>	<u>\$ 601,377</u>	<u>\$ 527,211</u>	<u>\$ 254,982</u>
Fixed Asset Additions	\$ 15,328	\$ 21,370	\$ ---	\$ ---	\$ ---	\$ 812,925	\$ 849,623	\$ 113,920

MILWAUKEE AIDS HOUSING CORPORATION
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010
(With Summarized Totals for the Year Ended August 31, 2009)

	<u>2010</u>	<u>2009</u>
REVENUE		
Rental Income	\$ 67,176	\$ 58,392
Corporate Contribution	5,000	5,000
Interest Income	15	20
Total Revenue	<u>\$ 72,191</u>	<u>\$ 63,412</u>
EXPENSES		
Management Fees	\$ 3,502	\$ 3,015
Occupancy	10,581	10,881
Office Expenses	---	125
Snow Removal	1,628	2,327
Professional Services	4,700	4,700
Insurance	6,537	6,464
Repairs and Maintenance	38,278	46,154
Fees and Licenses	---	10
Miscellaneous Taxes, Licenses and Permits	284	392
Depreciation	32,853	31,403
Other Expenses	1,310	---
Total Expenses	<u>\$ 99,673</u>	<u>\$ 105,471</u>
CHANGE IN NET ASSETS	<u>\$ (27,482)</u>	<u>\$ (42,059)</u>

ARCW ENDOWMENT FUND, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2010
(With Summarized Totals for the Year Ended August 31, 2009)

	Temporarily Restricted 2010	Unrestricted 2009
REVENUE		
Interest Income	\$ 18	\$ 52
Total Revenue	<u>\$ 18</u>	<u>\$ 52</u>
CHANGE IN NET ASSETS	<u>\$ 18</u>	<u>\$ 52</u>