

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

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Independent Auditor's Report

Board of Directors
AIDS Resource Center of Wisconsin and Affiliates

We have audited the accompanying balance sheet of AIDS Resource Center of Wisconsin and Affiliates as of August 31, 2011, 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 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' 2010 financial statements and, in our report dated December 14, 2010, 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 and Affiliates as of August 31, 2011, 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 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
Certified Public Accountants

Milwaukee, Wisconsin
December 13, 2011

Ritz Holman LLP
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AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
BALANCE SHEET
AUGUST 31, 2011
(With Summarized Totals for August 31, 2010)

ASSETS		2011	2010
CURRENT ASSETS			
Cash and Cash Equivalents	\$	721,657	\$ 930,966
Government Grants Receivable		2,145,098	1,464,642
Donor Pledges Receivable - Current Portion		555,907	519,139
ARCW Medical Center Reimbursement Receivable		893,796	737,019
ARCW Pharmacy Reimbursement Receivable		863,641	---
Pharmacy Inventory		452,005	---
Prepaid Expenses		147,492	111,259
Total Current Assets	\$	5,779,596	\$ 3,763,025
FIXED ASSETS			
Fixed Assets	\$	7,035,740	\$ 6,320,945
Less Accumulated Depreciation		(3,297,561)	(2,927,720)
Total Fixed Assets	\$	3,738,179	\$ 3,393,225
OTHER ASSETS			
Interest in Split Dollar Insurance	\$	215,582	\$ 200,561
Donor Pledges Receivable - Long-Term Portion		61,162	129,297
Deposits		22,494	10,994
Total Other Assets	\$	299,238	\$ 340,852
TOTAL ASSETS	\$	9,817,013	\$ 7,497,102
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
ARCW Accounts Payable	\$	659,143	\$ 763,218
ARCW Pharmacy Accounts Payable		743,191	---
MAHC Accounts Payable		2,504	7,488
MAHC Security Deposits		213	856
Deferred Compensation		200,561	200,561
Accrued Payroll and Vacation		284,284	179,746
Refundable Advances		498,042	1,007,516
Line of Credit		1,782,423	---
Current Portion of Long-Term Liabilities		14,444	17,197
Total Current Liabilities	\$	4,184,805	\$ 2,176,582
LONG-TERM LIABILITIES			
Leases Payable	\$	28,868	\$ 39,356
Mortgage Payable		680,090	680,090
Less: Current Portion of Long-Term Liabilities		(14,444)	(17,197)
Total Long-Term Liabilities	\$	694,514	\$ 702,249
Total Liabilities	\$	4,879,319	\$ 2,878,831
NET ASSETS			
Unrestricted			
ARCW Operating	\$	1,235,009	\$ 881,208
ARCW Board Designated Reserve		755,438	752,041
MAHC Operating		(492,351)	(439,882)
ARCW Property		3,115,056	2,957,974
Total Unrestricted Net Assets	\$	4,613,152	\$ 4,151,341
Temporarily Restricted		314,155	456,543
Permanently Restricted		10,387	10,387
Total Net Assets	\$	4,937,694	\$ 4,618,271
TOTAL LIABILITIES AND NET ASSETS	\$	9,817,013	\$ 7,497,102

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, 2011
(With Summarized Totals for the Year Ended August 31, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
REVENUE					
U.S. Department of Housing and Urban Development	\$ 886,221	\$ ---	\$ ---	\$ 886,221	\$ 810,344
U.S. Department of Health and Human Services	1,356,449	---	---	1,356,449	1,825,941
State of Wisconsin					
Department of Health Services	5,479,093	---	---	5,479,093	5,588,780
Department of Commerce	457,229	---	---	457,229	475,644
City of Milwaukee	550,213	---	---	550,213	562,554
Milwaukee County	285,465	---	---	285,465	250,108
Racine County	55,000	---	---	55,000	55,000
Brown County	33,000	---	---	33,000	19,100
Eau Claire County	30,000	---	---	30,000	30,000
Dane County	16,999	---	---	16,999	17,423
Special Events					
Events - Participants	407,206	---	---	407,206	501,256
Events - Corporate	156,850	---	---	156,850	103,500
Special Event Expenses	(217,079)	---	---	(217,079)	(248,233)
Grants to Wisconsin AIDS Agencies	(8,726)	---	---	(8,726)	(14,265)
Foundation Contributions	282,677	---	---	282,677	363,164
Corporate Contributions	303,784	---	---	303,784	729,057
Individual Contributions	495,683	6,000	---	501,683	447,884
United Way	75,677	227,110	---	302,787	334,707
Milwaukee Health Services, Inc.	159,075	---	---	159,075	158,106
Medical College of Wisconsin	252,046	---	---	252,046	173,564
Reimbursement for Services					
ARCW Medical Center	550,922	---	---	550,922	687,993
ARCW Pharmacy	7,030,902	---	---	7,030,902	---
ARCW Housing Services	117,542	---	---	117,542	140,275
Miscellaneous Income	20,501	11	---	20,512	20,906
Net Assets Released From Restrictions:					
United Way	292,986	(292,986)	---	---	---
Individual and Corporate Contributions	82,523	(82,523)	---	---	---
Total Revenue	<u>\$ 19,152,238</u>	<u>\$ (142,388)</u>	<u>\$ ---</u>	<u>\$ 19,009,850</u>	<u>\$ 13,032,808</u>
EXPENSES					
Program Services					
ARCW Medical Center	\$ 4,882,476	\$ ---	\$ ---	\$ 4,882,476	\$ 4,341,123
ARCW Pharmacy	6,070,739	---	---	6,070,739	---
Social Services	3,840,294	---	---	3,840,294	3,908,138
Prevention Services	2,325,379	---	---	2,325,379	2,531,173
Public Affairs	299,815	---	---	299,815	243,580
Fund Development	515,457	---	---	515,457	603,247
Management and Supporting Services	756,267	---	---	756,267	983,468
Total Expenses	<u>\$ 18,690,427</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 18,690,427</u>	<u>\$ 12,610,729</u>
CHANGE IN NET ASSETS	\$ 461,811	\$ (142,388)	\$ ---	\$ 319,423	\$ 422,079
Net Assets, Beginning of Year	4,151,341	456,543	10,387	4,618,271	4,196,192
NET ASSETS, END OF YEAR	<u>\$ 4,613,152</u>	<u>\$ 314,155</u>	<u>\$ 10,387</u>	<u>\$ 4,937,694</u>	<u>\$ 4,618,271</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, 2011
(With Summarized Totals for the Year Ended August 31, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 319,423	\$ 422,079
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation and Amortization	506,071	421,486
Loss on Disposal of Fixed Assets	1,259	11,696
(Increase) Decrease in Government Grants Receivable	(680,456)	328,398
(Increase) Decrease in Donor Pledges Receivable	31,367	136,714
(Increase) Decrease in ARCW Medical Center		
Reimbursement Receivable	(156,777)	(330,366)
(Increase) Decrease in ARCW Pharmacy		
Reimbursement Receivable	(863,641)	---
(Increase) Decrease in Prepaid Expenses	(36,233)	73,638
(Increase) Decrease in Deposits	(11,500)	85
(Increase) Decrease in Pharmacy Inventory	(452,005)	---
Increase (Decrease) in ARCW Accounts Payable	(104,075)	158,101
Increase (Decrease) in ARCW Pharmacy Accounts Payable	743,191	---
Increase (Decrease) in MAHC Accounts Payable	(4,984)	5,511
Increase (Decrease) in MAHC Security Deposits	(643)	---
Increase (Decrease) in Deferred Compensation	---	200,561
Increase (Decrease) in Accrued Payroll and Vacation	104,538	32,277
Increase (Decrease) in Refundable Advances	(509,474)	30,426
Net Cash (Used) Provided by Operating Activities	<u>\$ (1,113,939)</u>	<u>\$ 1,490,606</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets and Leasehold Improvements	\$ (843,899)	\$ (843,308)
Investment in Interest in Split Dollar Insurance	(15,021)	(12,614)
Net Cash Used by Investing Activities	<u>\$ (858,920)</u>	<u>\$ (855,922)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Renovation Loan	\$ ---	\$ (272,615)
Proceeds From Line of Credit	10,791,425	---
Payments on Line of Credit	(9,009,002)	---
Payments on Capital Leases	(18,873)	(18,292)
Net Cash Provided (Used) by Financing Activities	<u>\$ 1,763,550</u>	<u>\$ (290,907)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (209,309)	\$ 343,777
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>930,966</u>	<u>587,189</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 721,657</u></u>	<u><u>\$ 930,966</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 18,355	\$ 15,280

The Organization entered into a lease agreement for \$8,385 for a new copy machine which replaced a previously leased copy machine. A fixed asset with a value of \$8,385 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, 2011

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE A - Summary of Significant Accounting Policies

Organization

The AIDS Resource Center of Wisconsin, Inc. (ARCW) is the largest provider of HIV health care and prevention services in the State of Wisconsin. The ARCW Medical Center has been designated by the Wisconsin Department of Health Services as the state's only HIV Medical Home with integrated medical, dental, mental health, pharmacy and social services for all people with HIV disease. The Organization operates throughout Wisconsin with locations in Appleton, Eau Claire, Green Bay, La Crosse, 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), ARCW Pharmacy, LLC ("Pharmacy") and ARCW Endowment Fund, Inc. (Endowment) are considered the "Affiliates." MAHC is registered under Section 811 of the National Affordable Housing Act of 1990. The Pharmacy was created exclusively for HIV patients as a limited liability company solely owned by ARCW. ARCW is the sole corporate member of MAHC and Endowment. All significant intercompany transactions and accounts are eliminated.

Eliminations of intercompany revenue and expense transactions included donations to the Pharmacy from ARCW of \$123,163, donations to ARCW from the Pharmacy of \$1,083,326 and related grant disbursements, as well as 340b drug revenue and costs for drugs purchased by the Pharmacy from ARCW.

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 if purchased and at fair value if donated. 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.

Inventory

Inventory is comprised of pharmaceuticals held at the Pharmacy. Inventory is recorded at the current cost.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE A - Summary of Significant Accounting Policies (continued)

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, 2011, the Organization's interest in the agreement was an asset of \$215,582 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, 2011 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.

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 place. Advertising expense for the year ended August 31, 2011 was \$21,879 for special events and \$7,325 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.

Significant estimates include the estimates for discounts and receivables for fee for service activity and the allowance for uncollectible accounts which are based on historical amounts.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE B - Comparative Financial Information

The financial information shown for 2010 in the accompanying financial statements is included to provide a basis of comparison with 2011 and presents summarized totals only.

For comparability, certain 2010 amounts have been reclassified to conform to classifications adopted in 2011. 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, 2011 was \$35,163.

NOTE D - Concentration of Risk

The Organization maintains its cash balances at JP Morgan Chase. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2011, the Organization's uninsured cash balances totaled \$505,521.

NOTE E - Government Grants Receivable

Government Grants Receivable consists of the following as of August 31, 2011:

<u>Source</u>	<u>Amount</u>
State of Wisconsin -	
Department of Health Services -	\$1,426,682
Department of Commerce -	111,004
U.S. Department of Health and Human Services	296,646
U.S. Department of Housing and Urban Development	94,898
Milwaukee Health Services, Inc.	28,621
Medical College of Wisconsin	90,547
Milwaukee County	28,984
City of Milwaukee	53,449
Dane County	2,804
Eau Claire County	5,000
Racine County	4,583
Other	<u>1,880</u>
Total Government Grants Receivable	<u>\$2,145,098</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE F - Endowment

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. 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.

The Organization's investment policy is as follows:

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, 2011.

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, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Certificates of Deposit	\$ 1,845	\$ 29	\$10,387	\$12,261
Accounts Payable to ARCW	<u>(4,916)</u>	<u>---</u>	<u>---</u>	<u>(4,916)</u>
Total	<u>\$(3,071)</u>	<u>\$ 29</u>	<u>\$10,387</u>	<u>\$ 7,345</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE F - Endowment (continued)

Changes in endowment net assets as of August 31, 2011 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)	\$ 18	\$10,387	\$ 7,334
Interest Income	<u>---</u>	<u>11</u>	<u>---</u>	<u>11</u>
Endowment Net Assets, End of Year	<u>\$(3,071)</u>	<u>\$ 29</u>	<u>\$10,387</u>	<u>\$ 7,345</u>

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, 2011 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>\$215,582</u>	<u>\$ ---</u>	<u>\$215,582</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.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE H - Donor Pledges Receivable (continued)

Future pledges are expected to be collected as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2012	\$ 562,682
2013	56,779
2014	<u>5,000</u>
	\$ 624,461
Less: Allowance for Uncollectible Donor Pledges	(6,775)
Less: Present Value Allowance	<u>(617)</u>
Total	<u>\$ 617,069</u>

NOTE I - ARCW 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 \$2,949,956 during the 2011 fiscal year.

<u>Uncompensated Costs</u>	<u>Amount</u>
Contractual Allowance	\$ 945,280
Patient Subsidy	1,260,762
Patient Medications	163,689
Patient Laboratory Testing	417,814
Patient Assistance	<u>162,411</u>
Total	<u>\$2,949,956</u>

NOTE J - Reimbursement Receivable

ARCW Medical Center Reimbursement 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 \$241,740. ARCW Medical Center Reimbursement Receivable is expected to be collected within one year from August 31, 2011. Gross ARCW Medical Center Reimbursement Receivable was \$1,135,536 as of August 31, 2011.

ARCW Pharmacy Accounts Receivable consists of reimbursement for services less an allowance for uncollectible amounts of \$11,025. Gross Pharmacy Reimbursement Receivable was \$874,666.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE K - Net Fixed Assets

Net Fixed Assets consists of the following at August 31, 2011:

<u>Source</u>	<u>Amount</u>
Land	\$ 200
Wisconsin House Leasehold Improvements	272,132
Wisconsin House Equipment	8,853
Construction in Progress - Milwaukee	13,838
Garden View Apartments	737,744
Leasehold Improvements	3,313,152
Furniture and Fixtures	655,012
Office Equipment and Technology	1,007,254
Motor Vehicles	128,709
Health Care Equipment	450,306
Pharmacy Equipment	3,080
Leased Office Equipment	<u>445,460</u>
Total Fixed Assets	\$ 7,035,740
Less: Accumulated Depreciation and Amortization	<u>(3,297,561)</u>
Net Fixed Assets	<u>\$ 3,738,179</u>

NOTE L - Refundable Advances

Refundable Advances consists of funds that were received by the Organization as of August 31, 2011, for use in the subsequent fiscal year.

<u>Source</u>	<u>Amount</u>
State of Wisconsin -	
Department of Health Services -	\$454,049
Milwaukee County	<u>43,993</u>
Total	<u>\$498,042</u>

NOTE M - Line of Credit

ARCW has received an increase in its line of credit up to \$2,700,000 to manage inventory requirement of ARCW Pharmacy. The line of credit has an adjusted LIBOR rate maturing on March 31, 2012. The line of credit is secured by 50% of the pharmacy inventory, 70% of the pharmacy accounts receivable, \$750,000 cash in a secured account at the bank and other general assets of AIDS Resource Center of Wisconsin, Inc. The line of credit had a balance of \$1,782,423 at August 31, 2011. ARCW has utilized the line of credit to finance the start up and operating costs of ARCW Pharmacy which is designed to enhance the long term financial sustainability of ARCW.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE N - Letter of Credit - Unemployment Compensation

Under the terms of Wisconsin law, the Organization has elected the reimbursement financing method for unemployment compensation. The balance of \$66,297 at August 31, 2011, 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>
2012	\$ 377,097
2013	311,404
2014	307,620
2015	267,516
2016	<u>267,516</u>
Total	<u>\$1,531,153</u>

In addition to the leases noted above, the Organization entered into a three year agreement for the Epic practice management and electronic medical records software. The payments for the software rights are to be paid monthly, based on the number of visits.

NOTE P - Capital Lease Obligations

Equipment under capital leases consists of dental equipment and two copy machines with a combined capitalized cost of \$86,175. Net Fixed Assets on the balance sheet included accumulated depreciation of \$31,013 relating to the leased equipment. Depreciation expense reported in the statement of activities includes \$13,034 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>
2012	\$14,444
2013	6,331
2014	6,416
2015	<u>1,677</u>
Total	<u>\$28,868</u>

Subsequent to year end the Organization entered into a capital lease for an additional copy machine requiring monthly payments of \$100 per month.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

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, 2011, the Board designated reserve fund is a net asset of \$755,438.

NOTE S - Temporarily and Permanently Restricted Net Assets

Temporarily Restricted Net Assets consist of the following at August 31, 2011:

<u>Source</u>	<u>Amount</u>
United Way Receivables	\$258,743
Corporate Contributions	56,000
Endowment Interest Income	29
Less: Present Value Discount	<u>(617)</u>
Total	<u>\$314,155</u>

Permanently Restricted Net Assets consist of the following at August 31, 2011:

<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, 2011.

Net Assets Released From Restrictions consists of the following as of August 31, 2011:

<u>Source</u>	<u>Amount</u>
United Way	\$292,986
Corporate Contributions	48,773
Foundation Contributions	<u>33,750</u>
Total	<u>\$375,509</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE U - In-Kind Goods and Services

In-Kind Goods and Services included in the accompanying financial statements have an estimated value of \$67,316 for the year ended August 31, 2011. The Organization received \$48,786 of medical services, \$4,300 of food, two time shares valued at \$8,000 and \$6,230 of furniture.

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 \$170,726 for the year ended August 31, 2011.

NOTE W - Related Parties

During the year ended August 31, 2011, ARCW and Affiliates paid the following amounts to related parties: \$2,042, and \$9,191, respectively, for leasehold improvements to an architectural firm for ARCW and ARCW Pharmacy LLC, at which a board member is a principal and \$850 and 963, respectively, for repair services for ARCW and Milwaukee AIDS Housing Corporation to the brother of the corporate secretary treasurer. An amount of \$13,343 was paid to a furniture company of which the owner is the spouse of a board member. Legal fees of \$44,381 were paid to a firm at which a board member is a principal. The board and staff have made donations totaling \$32,378 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 \$4,882,476 of expenses for the ARCW Medical Center and \$3,840,294 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	\$2,842,000
Dental Clinic	1,158,882
Behavioral Health and Wellness Clinic	<u>881,594</u>
Total	<u>\$4,882,476</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011

NOTE X - ARCW Medical Center and Social Services Expenses (continued)

ARCW Social Services

Case Management	\$1,775,927
Housing Services	1,504,730
Food Services	409,243
Legal Services	<u>150,394</u>
Total	<u>\$3,840,294</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. The ARCW Pharmacy, LLC is a disregarded entity. 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, 2011, 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.

NOTE Z - Subsequent Events

The Organization has evaluated events and transactions occurring after August 31, 2011 through December 13, 2011, the date the financial statements were available to be issued, for possible adjustments to the financial statements or disclosures. The Organization entered into a capital lease after year end which is disclosed in Note P.

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011
(With Summarized Totals for the Year Ended August 31, 2010)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2011 Total	2010 Total
REVENUE								
Federal								
U.S. Department of Housing and Urban Development	\$ 162,541	\$ 697,093	\$ ---	\$ ---	\$ ---	\$ 26,587	\$ 886,221	\$ 810,344
U.S. Department of Health and Human Services	1,174,498	---	56,988	---	---	124,963	1,356,449	1,825,941
Total Federal Revenue	<u>\$ 1,337,039</u>	<u>\$ 697,093</u>	<u>\$ 56,988</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 151,550</u>	<u>\$ 2,242,670</u>	<u>\$ 2,636,285</u>
State of Wisconsin								
Department of Health Services	\$ 2,432,155	\$ 1,440,209	\$ 982,767	\$ ---	\$ ---	\$ 623,962	\$ 5,479,093	\$ 5,588,780
Department of Commerce -	---	431,706	---	---	---	25,523	457,229	475,644
Total State of Wisconsin Revenue	<u>\$ 2,432,155</u>	<u>\$ 1,871,915</u>	<u>\$ 982,767</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 649,485</u>	<u>\$ 5,936,322</u>	<u>\$ 6,064,424</u>
Local Government								
City of Milwaukee	\$ ---	\$ 427,563	\$ 81,363	\$ ---	\$ ---	\$ 41,287	\$ 550,213	\$ 562,554
Milwaukee County	---	---	285,465	---	---	---	285,465	250,108
Racine County	---	---	55,000	---	---	---	55,000	55,000
Brown County	---	---	33,000	---	---	---	33,000	19,100
Eau Claire County	---	---	30,000	---	---	---	30,000	30,000
Dane County	---	---	16,999	---	---	---	16,999	17,423
Total Local Government Revenue	<u>\$ ---</u>	<u>\$ 427,563</u>	<u>\$ 501,827</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 41,287</u>	<u>\$ 970,677</u>	<u>\$ 934,185</u>
Grants and Public Support								
Events - Participants	\$ ---	\$ ---	\$ ---	\$ ---	\$ 407,206	\$ ---	\$ 407,206	\$ 501,256
Events - Corporate	---	---	---	---	206,850	---	206,850	103,500
Special Events Expenses	---	---	---	---	(217,079)	---	(217,079)	(248,233)
Grants to Wisconsin AIDS Agencies	---	---	---	---	(8,726)	---	(8,726)	(14,265)
Foundation Contributions	---	---	---	---	282,677	---	282,677	358,164
Individual Donations	---	---	---	---	578,206	---	578,206	513,544
Corporate Contributions	---	---	---	---	303,784	---	303,784	697,151
United Way	100,858	155,848	111,957	---	---	---	368,663	378,621
Milwaukee Health Services, Inc.	159,075	---	---	---	---	---	159,075	158,106
Medical College of Wisconsin	---	134,985	105,558	---	---	11,503	252,046	173,564
Total Private Fundraising and Support	<u>\$ 259,933</u>	<u>\$ 290,833</u>	<u>\$ 217,515</u>	<u>\$ ---</u>	<u>\$ 1,552,918</u>	<u>\$ 11,503</u>	<u>\$ 2,332,702</u>	<u>\$ 2,621,408</u>
Revenue Carried Forward	<u>\$ 4,029,127</u>	<u>\$ 3,287,404</u>	<u>\$ 1,759,097</u>	<u>\$ ---</u>	<u>\$ 1,552,918</u>	<u>\$ 853,825</u>	<u>\$ 11,482,371</u>	<u>\$ 12,256,302</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011
(With Summarized Totals for the Year Ended August 31, 2010)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Fund Development	Management and Supporting Services	2011 Total	2010 Total
REVENUE								
Revenue Brought Forward	\$ 4,029,127	\$ 3,287,404	\$ 1,759,097	\$ ---	\$ 1,552,918	\$ 853,825	\$ 11,482,371	\$ 12,256,302
Reimbursement for Services								
Patient Payments	\$ 10,052	\$ ---	\$ 8,001	\$ ---	\$ ---	\$ ---	\$ 18,053	\$ 10,249
Medicare	102,839	---	---	---	---	---	102,839	140,010
Commercial Insurance	129,440	---	---	---	---	---	129,440	124,906
Medicaid	225,818	74,772	---	---	---	---	300,590	412,828
Total Reimbursement for Services	\$ 468,149	\$ 74,772	\$ 8,001	\$ ---	\$ ---	\$ ---	\$ 550,922	\$ 687,993
Pharmacy Services								
ARCW Pharmacy Contribution	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,033,326	\$ 1,033,326	\$ ---
Total Pharmacy Services	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,033,326	\$ 1,033,326	\$ ---
Other Revenue								
Interest Income	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,683	\$ 1,683	\$ 3,824
Rental Income	---	61,562	---	---	---	---	61,562	73,099
Miscellaneous Income	1,350	13,702	---	---	---	3,749	18,801	17,049
Total Other Revenue	\$ 1,350	\$ 75,264	\$ ---	\$ ---	\$ ---	\$ 5,432	\$ 82,046	\$ 93,972
Total Revenue (Carried Forward)	\$ 4,498,626	\$ 3,437,440	\$ 1,767,098	\$ ---	\$ 1,552,918	\$ 1,892,583	\$ 13,148,665	\$ 13,038,267

MILWAUKEE AIDS HOUSING CORPORATION
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011
(With Summarized Totals for the Year Ended August 31, 2010)

	<u>2011</u>	<u>2010</u>
REVENUE		
Rental Income	\$ 55,980	\$ 67,176
Corporate Contribution	---	5,000
Interest Income	17	15
Total Revenue	<u>\$ 55,997</u>	<u>\$ 72,191</u>
EXPENSES		
Management Fees	\$ 2,905	\$ 3,502
Occupancy	11,361	10,581
Snow Removal	---	1,628
Professional Services	5,000	4,700
Insurance	7,031	6,537
Repairs and Maintenance	46,769	38,278
Miscellaneous Taxes, Licenses and Permits	260	284
Depreciation	33,000	32,853
Other Expenses	2,141	1,310
Total Expenses	<u>\$ 108,467</u>	<u>\$ 99,673</u>
 CHANGE IN NET ASSETS	 <u>\$ (52,470)</u>	 <u>\$ (27,482)</u>

ARCW PHARMACY, LLC
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES
FOR THE SIX MONTHS ENDED AUGUST 31, 2011

REVENUE

Gross Sales		
Medicaid	\$ 1,969,677	
Medicare	1,347,568	
Wisconsin AIDS Drug Assistance Program	2,756,165	
Commercial Insurance	807,510	
340B Program	64,512	
Patient Payments	44,461	
Medical Assistance Drug Program	32,009	
Gross Sales		\$ 7,021,902
Cost of Goods Sold		(5,449,704)
Net Sales Revenue		\$ 1,572,198
Grant Revenue		123,163
Consulting Revenue		9,000
Total Revenue		\$ 1,704,361

EXPENSES

Salaries	\$ 317,690	
Payroll Taxes	26,790	
Employee Benefits	24,897	
Professional Services	132,287	
Office Supplies	1,509	
Telephone	4,308	
Postage and Delivery	13,563	
Printing and Copying	7,023	
Information Technology	2,433	
Occupancy	24,197	
Depreciation	13,112	
Employee Travel	3,214	
Employee Meetings	2,099	
Interest	5,582	
Insurance	4,608	
Bad Debt Expense	11,298	
Licenses and Fees	6,728	
Advertising	6,503	
Patient Care Supplies	4,024	
Program Equipment	4,012	
Other Expenses	5,158	
Total Operating Expenses		621,035
Net Income From Operations		\$ 1,083,326
Grant Disbursements		(1,083,326)
NET INCOME		\$ ---

ARCW ENDOWMENT FUND, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011
(With Summarized Totals for the Year Ended August 31, 2010)

	Temporarily Restricted 2011	Temporarily Restricted 2010
REVENUE		
Interest Income	\$ 11	\$ 18
Total Revenue	<u>\$ 11</u>	<u>\$ 18</u>
CHANGE IN NET ASSETS	<u>\$ 11</u>	<u>\$ 18</u>