

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2012**

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

**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, 2012, 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' 2011 financial statements and, in our report dated December 13, 2011, 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, 2012, 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 conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of unrestricted functional revenue and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
RITZ HOLMAN LLP  
Certified Public Accountants

Milwaukee, Wisconsin  
December 7, 2012

Ritz Holman LLP  
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**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**BALANCE SHEET**  
**AUGUST 31, 2012**  
**(With Summarized Totals for August 31, 2011)**

| ASSETS   |    | 2012                       | 2011                       |
|--|----|----------------------------|----------------------------|
| <b>CURRENT ASSETS</b>                          |    |                            |                            |
| Cash and Cash Equivalents                      | \$ | 754,496                    | \$ 721,657                 |
| Government Grants Receivable                   |    | 2,371,434                  | 2,145,098                  |
| Donor Pledges Receivable - Current Portion     |    | 523,599                    | 555,907                    |
| ARCW Medical Center Reimbursement Receivable   |    | 100,759                    | 225,802                    |
| ARCW Pharmacy Reimbursement Receivable         |    | 664,482                    | 863,641                    |
| Pharmacy Inventory                             |    | 537,713                    | 452,005                    |
| Prepaid Expenses                               |    | 160,884                    | 147,492                    |
| <b>Total Current Assets</b>                    |    | <u>\$ 5,113,367</u>        | <u>\$ 5,111,602</u>        |
| <b>FIXED ASSETS</b>                            |    |                            |                            |
| Fixed Assets                                   | \$ | 7,152,936                  | \$ 7,035,740               |
| Less Accumulated Depreciation                  |    | <u>(3,366,528)</u>         | <u>(3,297,561)</u>         |
| <b>Total Fixed Assets</b>                      |    | <u>\$ 3,786,408</u>        | <u>\$ 3,738,179</u>        |
| <b>OTHER ASSETS</b>                            |    |                            |                            |
| Interest in Split Dollar Insurance             | \$ | ---                        | \$ 215,582                 |
| Investments                                    |    | 6,186                      | ---                        |
| Donor Pledges Receivable - Long-Term Portion   |    | 24,383                     | 61,162                     |
| Deposits                                       |    | 23,289                     | 22,494                     |
| <b>Total Other Assets</b>                      |    | <u>\$ 53,858</u>           | <u>\$ 299,238</u>          |
| <b>TOTAL ASSETS</b>                            |    | <u><u>\$ 8,953,633</u></u> | <u><u>\$ 9,149,019</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>              |    |                            |                            |
| <b>CURRENT LIABILITIES</b>                     |    |                            |                            |
| ARCW Accounts Payable                          | \$ | 667,966                    | \$ 659,143                 |
| ARCW Pharmacy Accounts Payable                 |    | 928,772                    | 743,191                    |
| MAHC Accounts Payable                          |    | 1,186                      | 2,504                      |
| MAHC Security Deposits                         |    | 213                        | 213                        |
| Deferred Compensation                          |    | ---                        | 200,561                    |
| Accrued Payroll and Vacation                   |    | 299,448                    | 284,284                    |
| Refundable Advances                            |    | 1,146,839                  | 498,042                    |
| Line of Credit                                 |    | 568,930                    | 1,782,423                  |
| Current Portion of Long-Term Liabilities       |    | 10,881                     | 14,444                     |
| <b>Total Current Liabilities</b>               |    | <u>\$ 3,624,235</u>        | <u>\$ 4,184,805</u>        |
| <b>LONG-TERM LIABILITIES</b>                   |    |                            |                            |
| Leases Payable                                 | \$ | 33,667                     | \$ 28,868                  |
| Mortgage Payable                               |    | 680,090                    | 680,090                    |
| Less: Current Portion of Long-Term Liabilities |    | <u>(10,881)</u>            | <u>(14,444)</u>            |
| <b>Total Long-Term Liabilities</b>             |    | <u>\$ 702,876</u>          | <u>\$ 694,514</u>          |
| <b>Total Liabilities</b>                       |    | <u><u>\$ 4,327,111</u></u> | <u><u>\$ 4,879,319</u></u> |
| <b>NET ASSETS</b>                              |    |                            |                            |
| Unrestricted                                   |    |                            |                            |
| ARCW Operating                                 | \$ | 960,819                    | \$ 567,015                 |
| ARCW Board Designated Reserve                  |    | 757,377                    | 755,438                    |
| MAHC Operating                                 |    | (534,061)                  | (492,351)                  |
| ARCW Property                                  |    | 3,176,738                  | 3,115,056                  |
| <b>Total Unrestricted Net Assets</b>           | \$ | <u>4,360,873</u>           | <u>\$ 3,945,158</u>        |
| Temporarily Restricted                         |    | 254,762                    | 314,155                    |
| Permanently Restricted                         |    | 10,887                     | 10,387                     |
| <b>Total Net Assets</b>                        |    | <u><u>\$ 4,626,522</u></u> | <u><u>\$ 4,269,700</u></u> |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>        |    | <u><u>\$ 8,953,633</u></u> | <u><u>\$ 9,149,019</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, 2012**  
**(With Summarized Totals for the Year Ended August 31, 2011)**

|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | 2012<br>Total        | 2011<br>Total        |
|---|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| <b>REVENUE</b>                              |                      |                           |                           |                      |                      |
| <b>Federal Government Grants</b>            |                      |                           |                           |                      |                      |
| Department of Health and Human Services     | \$ 1,115,447         | \$ ---                    | \$ ---                    | \$ 1,115,447         | \$ 1,356,449         |
| Department of Housing and Urban Development | 868,345              | ---                       | ---                       | 868,345              | 886,221              |
| <b>State Government Grants</b>              |                      |                           |                           |                      |                      |
| Department of Health Services               | 5,562,644            | ---                       | ---                       | 5,562,644            | 5,479,093            |
| Department of Commerce                      | 466,711              | ---                       | ---                       | 466,711              | 457,229              |
| <b>Local Government Grants</b>              |                      |                           |                           |                      |                      |
| City of Milwaukee                           | 619,565              | ---                       | ---                       | 619,565              | 550,213              |
| Milwaukee County                            | 80,998               | ---                       | ---                       | 80,998               | 285,465              |
| Racine County                               | 18,333               | ---                       | ---                       | 18,333               | 55,000               |
| Brown County                                | 7,500                | ---                       | ---                       | 7,500                | 33,000               |
| Eau Claire County                           | 10,000               | ---                       | ---                       | 10,000               | 30,000               |
| Dane County                                 | 5,609                | ---                       | ---                       | 5,609                | 16,999               |
| <b>Private Revenue</b>                      |                      |                           |                           |                      |                      |
| Foundation Contributions                    | 239,052              | ---                       | ---                       | 239,052              | 282,677              |
| Corporate Contributions                     | 497,950              | ---                       | ---                       | 497,950              | 303,784              |
| Individual Contributions                    | 327,882              | ---                       | ---                       | 327,882              | 501,683              |
| Special Events                              |                      |                           |                           |                      |                      |
| Events - Participants                       | 423,353              | ---                       | ---                       | 423,353              | 407,206              |
| Events - Corporate                          | 98,550               | ---                       | ---                       | 98,550               | 156,850              |
| Special Events Expenses                     | (348,011)            | ---                       | ---                       | (348,011)            | (217,079)            |
| Grants to Wisconsin AIDS Agencies           | (2,862)              | ---                       | ---                       | (2,862)              | (8,726)              |
| United Way                                  | 91,600               | 239,401                   | ---                       | 331,001              | 302,787              |
| Net Assets Released From Restrictions:      |                      |                           |                           |                      |                      |
| United Way                                  | 244,800              | (244,800)                 | ---                       | ---                  | ---                  |
| Individual and Corporate Contributions      | 54,000               | (54,000)                  | ---                       | ---                  | ---                  |
| <b>Contractual Partnerships</b>             |                      |                           |                           |                      |                      |
| Diverse and Resilient                       | 42,337               | ---                       | ---                       | 42,337               | ---                  |
| Medical College of Wisconsin                | 283,910              | ---                       | ---                       | 283,910              | 252,046              |
| Milwaukee Health Services, Inc.             | 24,518               | ---                       | ---                       | 24,518               | 159,075              |
| <b>Reimbursement for Services</b>           |                      |                           |                           |                      |                      |
| ARCW Medical Center                         | 506,435              | ---                       | ---                       | 506,435              | 443,815              |
| ARCW Pharmacy                               | 21,993,864           | ---                       | ---                       | 21,993,864           | 7,030,902            |
| ARCW Housing Services                       | 116,519              | ---                       | ---                       | 116,519              | 117,542              |
| <b>Other Income</b>                         |                      |                           |                           |                      |                      |
| Consulting Services                         | 80,170               | ---                       | ---                       | 80,170               | ---                  |
| Miscellaneous Income                        | 3,616                | 6                         | 500                       | 4,122                | 20,512               |
| Total Revenue                               | <u>\$ 33,432,835</u> | <u>\$ (59,393)</u>        | <u>\$ 500</u>             | <u>\$ 33,373,942</u> | <u>\$ 18,902,743</u> |
| <b>EXPENSES</b>                             |                      |                           |                           |                      |                      |
| <b>Program Services</b>                     |                      |                           |                           |                      |                      |
| ARCW Medical Center                         | \$ 5,073,006         | \$ ---                    | \$ ---                    | \$ 5,073,006         | \$ 4,882,476         |
| ARCW Pharmacy                               | 19,540,186           | ---                       | ---                       | 19,540,186           | 6,070,739            |
| Social Services                             | 4,077,503            | ---                       | ---                       | 4,077,503            | 3,840,294            |
| Prevention Services                         | 2,274,644            | ---                       | ---                       | 2,274,644            | 2,325,379            |
| Public Affairs                              | 319,199              | ---                       | ---                       | 319,199              | 299,815              |
| <b>Fund Development</b>                     | 614,942              | ---                       | ---                       | 614,942              | 515,457              |
| <b>Management and Supporting Services</b>   | 1,117,640            | ---                       | ---                       | 1,117,640            | 756,267              |
| Total Expenses                              | <u>\$ 33,017,120</u> | <u>\$ ---</u>             | <u>\$ ---</u>             | <u>\$ 33,017,120</u> | <u>\$ 18,690,427</u> |
| CHANGE IN NET ASSETS                        | \$ 415,715           | \$ (59,393)               | \$ 500                    | \$ 356,822           | \$ 212,316           |
| Net Assets, Beginning of Year               | <u>3,945,158</u>     | <u>314,155</u>            | <u>10,387</u>             | <u>4,269,700</u>     | <u>4,057,384</u>     |
| NET ASSETS, END OF YEAR                     | <u>\$ 4,360,873</u>  | <u>\$ 254,762</u>         | <u>\$ 10,887</u>          | <u>\$ 4,626,522</u>  | <u>\$ 4,269,700</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, 2012**  
**(With Summarized Totals for the Year Ended August 31, 2011)**

|  | 2012           | 2011           |
|--|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                    |                |                |
| Change in Net Assets   | \$ 356,822     | \$ 212,316     |
| Adjustments to Reconcile Change in Net Assets to               |                |                |
| Net Cash Provided by Operating Activities                      |                |                |
| Realized and Unrealized Gain on Investments                    | (950)          | ---            |
| Depreciation and Amortization                                  | 512,394        | 506,071        |
| Loss on Disposal of Fixed Assets                               | 8,219          | 1,259          |
| Donated Securities   | (5,236)        | ---            |
| (Increase) Decrease in Government Grants Receivable            | (226,336)      | (680,456)      |
| (Increase) Decrease in Donor Pledges Receivable                | 69,087         | 31,367         |
| (Increase) Decrease in ARCW Medical Center                     |                |                |
| Reimbursement Receivable                                       | 125,043        | (49,670)       |
| (Increase) Decrease in ARCW Pharmacy                           |                |                |
| Reimbursement Receivable                                       | 199,159        | (863,641)      |
| (Increase) Decrease in Prepaid Expenses                        | (13,392)       | (36,233)       |
| (Increase) Decrease in Deposits                                | (795)          | (11,500)       |
| (Increase) Decrease in Pharmacy Inventory                      | (85,708)       | (452,005)      |
| Increase (Decrease) in ARCW Accounts Payable                   | 8,823          | (104,075)      |
| Increase (Decrease) in ARCW Pharmacy Accounts Payable          | 185,581        | 743,191        |
| Increase (Decrease) in MAHC Accounts Payable                   | (1,318)        | (4,984)        |
| Increase (Decrease) in MAHC Security Deposits                  | ---            | (643)          |
| Increase (Decrease) in Accrued Payroll and Vacation            | 15,164         | 104,538        |
| Increase (Decrease) in Refundable Advances                     | 648,797        | (509,474)      |
| Net Cash Provided (Used) by Operating Activities               | \$ 1,795,354   | \$ (1,113,939) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                    |                |                |
| Purchase of Fixed Assets and Leasehold Improvements            | \$ (547,284)   | \$ (843,899)   |
| Payout of Investment in Interest in Split Dollar Insurance Net |                |                |
| Deferred Compensation  | 15,021         | (15,021)       |
| Net Cash Used by Investing Activities                          | \$ (532,263)   | \$ (858,920)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                    |                |                |
| Proceeds on Loan   | \$ 114,000     | \$ ---         |
| Payments on Loan   | (114,000)      | ---            |
| Proceeds From Line of Credit                                   | 20,093,772     | 10,791,425     |
| Payments on Line of Credit                                     | (21,307,265)   | (9,009,002)    |
| Payments on Capital Leases                                     | (16,759)       | (18,873)       |
| Net Cash (Used) Provided by Financing Activities               | \$ (1,230,252) | \$ 1,763,550   |
| Net Increase (Decrease) in Cash and Cash Equivalents           | \$ 32,839      | \$ (209,309)   |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR                 | 721,657        | 930,966        |
| CASH AND CASH EQUIVALENTS AT END OF YEAR                       | \$ 754,496     | \$ 721,657     |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>        |                |                |
| Interest Paid  | \$ 40,583      | \$ 18,355      |

The Organization entered into three lease agreements totaling \$21,558 for new copy machines which replaced previously leased copy machines. Fixed assets with a value of \$21,558 are included in the accompanying financial statements for the fair market value of the new copy machines.

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, 2012**

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**NOTE A - Summary of Significant Accounting Policies**

**Organization**

The AIDS Resource Center of Wisconsin, Inc. (ARCW) is the largest provider of HIV health care, social services 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 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 the Endowment. All significant intercompany transactions and accounts are eliminated.

Eliminations of intercompany revenue and expense transactions included donations to ARCW from the Pharmacy of \$2,453,678 and related grant disbursements, as well as 340B drug revenue and costs of \$97,936 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, 2012**

**NOTE A - Summary of Significant Accounting Policies (continued)**

**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.

At August 31, 2012, the Organization had \$254,762 of temporarily purpose- and time-restricted net assets.

**Government Grants**

Funds due from government grants are recognized as revenue in the accounting period in which the related 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 and special events and for recruiting employees. Advertising costs are expensed the first time the advertising takes place. Advertising expense for the year ended August 31, 2012 was \$24,416 for special events and \$3,777 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, 2012**

**NOTE B - Comparative Financial Information**

The financial information shown for 2011 in the accompanying financial statements is included to provide a basis of comparison with 2012 and presents summarized totals only.

For comparability, certain 2011 amounts have been reclassified to conform to classifications adopted in 2012. 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, 2012 was \$38,280.

**NOTE D - Government Grants Receivable**

Government Grants Receivable consists of the following as of August 31, 2012:

| <u>Source</u>                                    | <u>Amount</u>      |
|--|--------------------|
| State of Wisconsin -                             |                    |
| Department of Health Services                    | \$1,903,994        |
| Department of Administration                     | 80,835             |
| U.S. Department of Health and Human Services     | 185,353            |
| U.S. Department of Housing and Urban Development | 57,996             |
| Medical College of Wisconsin                     | 25,598             |
| City of Milwaukee                                | 108,137            |
| Other  | <u>9,521</u>       |
| Total Government Grants Receivable               | <u>\$2,371,434</u> |

**NOTE E - Investments**

Investments are stated at fair market value. Aggregate cost, aggregate fair market value, and gross unrealized loss as of August 31, 2012, are summarized as follows:

|          | <u>Aggregate<br/>Cost</u> | <u>Aggregate<br/>Fair Market<br/>Value</u> | <u>Gross<br/>Unrealized<br/>Gain</u> |
|----------|---------------------------|--|--------------------------------------|
| Equities | \$5,164                   | \$6,114                                    | \$950                                |
| Cash     | <u>72</u>                 | <u>72</u>                                  | <u>---</u>                           |
| Total    | <u>\$5,236</u>            | <u>\$6,186</u>                             | <u>\$950</u>                         |

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**NOTE E - Investments (continued)**

Investment income, included in Miscellaneous Income, for the year ended August 31, 2012 is as follows:

|                              |                |
|------------------------------|----------------|
| Interest and Dividends       | \$ 72          |
| Realized and Unrealized Gain | <u>950</u>     |
| Total Investment Income      | <u>\$1,022</u> |

**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, 2012.

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, Inc. until the ARCW Strategic Plan financial reserve goal is achieved and the assets of the endowment remain in certificates of deposit.

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**NOTE F - Endowment (continued)**

Endowment net asset composition as of August 31, 2012 is as follows:

|                          | <u>Unrestricted</u>      | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total<br/>Net Assets</u> |
|--------------------------|--------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Certificates of Deposit  | \$ 1,845                 | \$ 35                             | \$10,887                          | \$12,767                    |
| 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>\$ 35</u></u>               | <u><u>\$10,887</u></u>            | <u><u>\$ 7,851</u></u>      |

Changes in endowment net assets as of August 31, 2012 are as follows:

|  | <u>Unrestricted</u>      | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total<br/>Net Assets</u> |
|--|--------------------------|-----------------------------------|-----------------------------------|-----------------------------|
| Endowment Net Assets,<br>Beginning of Year | \$ (3,071)               | \$ 29                             | \$10,387                          | \$ 7,345                    |
| Contributions                              | <u>---</u>               | <u>---</u>                        | 500                               | 500                         |
| Interest Income                            | <u>---</u>               | <u>6</u>                          | <u>---</u>                        | <u>6</u>                    |
| Endowment Net Assets,<br>End of Year       | <u><u>\$ (3,071)</u></u> | <u><u>\$ 35</u></u>               | <u><u>\$10,887</u></u>            | <u><u>\$ 7,851</u></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.

Fair value of assets measured on a recurring basis as of August 31, 2012 is as follows:

| <u>Investment Category</u> | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|----------------------------|-------------------|----------------|----------------|----------------|
| Equities                   | <u>\$6,114</u>    | <u>\$6,114</u> | <u>\$ ---</u>  | <u>\$ ---</u>  |

Investments on the Balance Sheet also include cash of \$72.

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**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>     |
|---|-------------------|
| 2013  | \$ 527,648        |
| 2014  | 10,000            |
| 2015  | 5,000             |
| 2016  | 5,000             |
| 2017  | <u>5,000</u>      |
|   | \$ 552,648        |
| Less: Allowance for Uncollectible Donor Pledges | (4,049)           |
| Less: Present Value Allowance                   | <u>(617)</u>      |
| Total   | <u>\$ 547,982</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 \$3,030,430 during the 2012 fiscal year.

| <u>Uncompensated Costs</u> | <u>Amount</u>       |
|----------------------------|---------------------|
| Contractual Allowances     | \$ 1,154,780        |
| Patient Subsidy            | 999,925             |
| Patient Medications        | 180,398             |
| Patient Laboratory Testing | 500,934             |
| Patient Assistance         | <u>194,393</u>      |
| Total                      | <u>\$ 3,030,430</u> |

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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, and case management services. The ARCW Medical Center Reimbursement Receivable is recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts. Gross receivables were \$106,505, less allowances of \$5,746, for a net expected reimbursement receivable of \$100,759. ARCW Medical Center Reimbursement Receivables are expected to be collected within one year from August 31, 2012.

ARCW Pharmacy Reimbursement Receivable consists of reimbursement for pharmacy services. The ARCW Pharmacy Reimbursement Receivable is recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts. Gross receivables were \$687,324, less allowances of \$22,842, for a net expected reimbursement receivable of \$664,482. ARCW Pharmacy Reimbursement Receivables are expected to be collected within one year from August 31, 2012.

**NOTE K - Fixed Assets**

Fixed Assets consist of the following at August 31, 2012:

| <u>Source</u>                                   | <u>Amount</u>       |
|---|---------------------|
| Land  | \$ 200              |
| Wisconsin House Leasehold Improvements          | 272,132             |
| Wisconsin House Equipment                       | 8,853               |
| Garden View Apartments                          | 763,227             |
| Leasehold Improvements                          | 3,551,502           |
| Furniture and Fixtures                          | 668,311             |
| Office Equipment and Technology                 | 1,010,134           |
| Motor Vehicles                                  | 128,709             |
| Health Care Equipment                           | 570,433             |
| Pharmacy Equipment                              | 7,460               |
| Leased Office Equipment                         | <u>171,975</u>      |
| Total Fixed Assets                              | \$ 7,152,936        |
| Less: Accumulated Depreciation and Amortization | <u>(3,366,528)</u>  |
| Total Fixed Assets                              | <u>\$ 3,786,408</u> |

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**NOTE L - Refundable Advances**

Refundable Advances consist of funds that were received by the Organization as of August 31, 2012, for use in the subsequent fiscal year.

| <u>Source</u>   | <u>Amount</u>      |
|---|--------------------|
| State of Wisconsin -<br>Department of Health Services | <u>\$1,146,839</u> |
| Total   | <u>\$1,146,839</u> |

**NOTE M - Line of Credit**

ARCW has a line of credit up to \$2,700,000 to manage inventory requirements of ARCW Pharmacy and general agency operations. The line of credit has an adjusted LIBOR rate and matures on March 31, 2013. The line of credit is secured by the pharmacy inventory, 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 \$568,930 at August 31, 2012. ARCW has utilized the line of credit to finance the operating costs of the Pharmacy which is designed to enhance the long-term financial sustainability of ARCW.

**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 Organization has a letter of credit for the payment of future unemployment compensation claims available in the amount of \$66,297 as August 31, 2012.

**NOTE O - Leases - Operating**

The Organization has several non-cancelable operating leases for the rental of buildings in Eau Claire, Green Bay, La Crosse, Kenosha, Madison, Appleton and Milwaukee with expirations at various dates through 2024.

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**NOTE O - Leases - Operating (continued)**

Future minimum lease payments under operating leases are as follows:

| <u>Year Ending August 31,</u> | <u>Amount</u>      |
|-------------------------------|--------------------|
| 2013                          | \$ 379,517         |
| 2014                          | 357,253            |
| 2015                          | 293,497            |
| 2016                          | 274,764            |
| 2017                          | 274,764            |
| Thereafter                    | <u>797,296</u>     |
| Total                         | <u>\$2,377,091</u> |

In addition to the leases noted above, the Organization has two years remaining on an 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 five copy machines with a net combined capitalized cost of \$107,733. Net Fixed Assets on the balance sheet included accumulated depreciation of \$46,362 relating to the leased equipment. Depreciation expense reported in the statement of activities includes \$15,349 for the equipment under capital lease.

Future minimum principal payments required under the various leases for the next five years are as follows:

| <u>Year Ending August 31,</u> | <u>Amount</u>   |
|-------------------------------|-----------------|
| 2013                          | \$10,881        |
| 2014                          | 10,968          |
| 2015                          | 6,228           |
| 2016                          | 3,354           |
| 2017                          | <u>2,236</u>    |
| Total                         | <u>\$33,667</u> |



**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
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**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 - Loan Payable**

The Organization received a loan for \$114,000 during the year ended August 31, 2012. This loan was used to purchase a Cerec dental milling machine. The loan has a 5% interest rate and matures on December 22, 2016. The collateral for the loan is the Cerec dental milling machine. The loan was paid off during the year and the balance on the loan as of August 31, 2012 was \$-0-.

**NOTE S - 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, 2012, the Board designated reserve fund is a net asset of \$757,377.

**NOTE T - Temporarily and Permanently Restricted Net Assets**

Temporarily Restricted Net Assets consists of the following at August 31, 2012:

| <u>Source</u>                | <u>Amount</u>    |
|------------------------------|------------------|
| United Way                   | \$253,344        |
| Corporate Contributions      | 2,000            |
| Endowment Interest Income    | 35               |
| Less: Present Value Discount | <u>(617)</u>     |
| Total                        | <u>\$254,762</u> |

Permanently Restricted Net Assets consists of the following at August 31, 2012:

| <u>Source</u>                     | <u>Amount</u>   |
|-----------------------------------|-----------------|
| Endowment Certificates of Deposit | <u>\$10,887</u> |

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**NOTE U - 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, 2012.*

Net Assets Released From Restrictions consists of the following as of August 31, 2012:

| <u>Source</u>            | <u>Amount</u>    |
|--------------------------|------------------|
| United Way               | \$244,800        |
| Corporate Contributions  | 50,000           |
| Foundation Contributions | <u>4,000</u>     |
| Total                    | <u>\$298,800</u> |

**NOTE V - In-Kind Goods and Services**

In-Kind Goods and Services included in the accompanying financial statements has an estimated value of \$111,190 for the year ended August 31, 2012. The Organization received \$50,572 of medical services, \$52,676 of pledged in-kind revenue and \$7,942 of furniture.

**NOTE W - Retirement Plans**

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 \$192,027 for the year ended August 31, 2012.

The Organization also offers a 403(b) retirement plan to which all employees can make direct contributions. The Organization does not match employee contributions to the 403(b) retirement plan.

The Organization has amended its 401(k) retirement plan effective January 1, 2013 to become a Safe Harbor plan, and will terminate the 403(b) plan effective December 31, 2012.

**NOTE X - Related Parties**

During the year ended August 31, 2012, ARCW and Affiliates paid the following amounts to related parties: \$33,880 was paid to an insurance company at which a board member's spouse is an insurance agent. The brother-in-law of the vice president was paid \$3,295 to be an auctioneer at a special event. An amount of \$14,440 was paid to a furniture company of which the owner is the spouse of a board member. Legal fees of \$51,093 were paid to a firm at which a board member is a principal. The board and staff have made donations totaling \$53,563 during the fiscal year. None of these related party activities have an adverse effect on any governmental or privately funded programs.

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2012**

**NOTE Y - ARCW Medical Center and Social Services Expenses**

The AIDS Resource Center of Wisconsin, Inc. provides integrated health and social services in its HIV medical home model of care to achieve the best clinical outcomes for its patients and clients. The ARCW statement of activities identifies \$5,073,006 of expenses for the ARCW Medical Center and \$3,966,016 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                        | \$2,882,863        |
| Dental Clinic                         | 1,181,771          |
| Behavioral Health and Wellness Clinic | <u>1,008,372</u>   |
| Total                                 | <u>\$5,073,006</u> |
| <br><u>ARCW Social Services</u>       |                    |
| Case Management                       | \$2,064,923        |
| Housing Services                      | 1,497,044          |
| Food Services                         | 244,046            |
| Legal Services                        | <u>160,003</u>     |
| Total                                 | <u>\$3,966,016</u> |

**NOTE Z - 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, 2012, 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, 2012**

**NOTE AA - Prior Period Adjustment**

In the current year, ARCW identified that health care reimbursement revenue was previously overstated in its medical, dental, and behavioral health accounts receivable and net income during the five preceding fiscal periods. Accordingly, a cumulative adjustment of \$667,994 was made to write down accounts receivable as of August 31, 2011 and reduce reported net income over the five fiscal periods. In none of the fiscal periods did this adjustment result in negative net income.

The adjustment resulted in the following restatement of net income for the five fiscal periods.

| <u>Year Ended</u> | <u>Audited Net Income</u> | <u>Restated Net Income</u> | <u>Change</u>      |
|-------------------|---------------------------|----------------------------|--------------------|
| 2011              | \$ 319,423                | \$ 212,316                 | \$(107,107)        |
| 2010              | 422,079                   | 204,350                    | (217,729)          |
| 2009              | 325,869                   | 181,904                    | (143,965)          |
| 2008              | 717,497                   | 655,611                    | (61,886)           |
| 2007              | <u>1,281,148</u>          | <u>1,143,841</u>           | <u>(137,307)</u>   |
| Total             | <u>\$3,066,016</u>        | <u>\$2,398,022</u>         | <u>\$(667,994)</u> |

The adjustment resulted in the following restatement of accounts receivable for the five fiscal periods.

| <u>Year Ended</u> | <u>Audited Accounts Receivable</u> | <u>Restated Accounts Receivable</u> | <u>Change</u> |
|-------------------|------------------------------------|-------------------------------------|---------------|
| 2011              | \$893,796                          | \$225,802                           | \$(667,994)   |
| 2010              | 737,109                            | 176,222                             | (560,887)     |
| 2009              | 406,653                            | 63,495                              | (343,158)     |
| 2008              | 237,105                            | 37,912                              | (199,193)     |
| 2007              | 202,082                            | 64,775                              | (137,307)     |

The adjustment resulted in a reduction of \$560,887 in beginning of year net asset balance for the 2011 fiscal period and a restatement of 2011 beginning of year net assets from \$4,618,271 to \$4,057,384.

**NOTE BB - Subsequent Events**

The Organization has evaluated events and transactions occurring after August 31, 2012 through December 7, 2012, the date the financial statements were available to be issued, for possible adjustments to the financial statements or disclosures and determined that no subsequent events need to be disclosed.

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2012  
(With Summarized Totals for the Year Ended August 31, 2011)

|   | ARCW<br>Medical<br>Center | Social<br>Services  | Prevention<br>Services | Public<br>Affairs | Fund<br>Development | Management<br>and Supporting<br>Services | 2012<br>Total        | 2011<br>Total        |
|---|---------------------------|---------------------|------------------------|-------------------|---------------------|--|----------------------|----------------------|
| <b>REVENUE</b>                                      |                           |                     |                        |                   |                     |  |                      |                      |
| <b>Federal</b>                                      |                           |                     |                        |                   |                     |  |                      |                      |
| U.S. Department of Housing<br>and Urban Development | \$ 270,122                | \$ 572,173          | \$ ---                 | \$ ---            | \$ ---              | \$ 26,050                                | \$ 868,345           | \$ 886,221           |
| U.S. Department of Health and Human<br>Services     | 673,389                   | ---                 | 330,602                | ---               | ---                 | 111,456                                  | 1,115,447            | 1,356,449            |
| Total Federal Revenue                               | <u>\$ 943,511</u>         | <u>\$ 572,173</u>   | <u>\$ 330,602</u>      | <u>\$ ---</u>     | <u>\$ ---</u>       | <u>\$ 137,506</u>                        | <u>\$ 1,983,792</u>  | <u>\$ 2,242,670</u>  |
| <b>State of Wisconsin</b>                           |                           |                     |                        |                   |                     |  |                      |                      |
| Department of Health Services                       | \$ 2,642,301              | \$ 1,445,126        | \$ 981,072             | \$ ---            | \$ ---              | \$ 494,145                               | \$ 5,562,644         | \$ 5,479,093         |
| Department of Commerce                              | ---                       | 438,708             | ---                    | ---               | ---                 | 28,003                                   | 466,711              | 457,229              |
| Total State of Wisconsin Revenue                    | <u>\$ 2,642,301</u>       | <u>\$ 1,883,834</u> | <u>\$ 981,072</u>      | <u>\$ ---</u>     | <u>\$ ---</u>       | <u>\$ 522,148</u>                        | <u>\$ 6,029,355</u>  | <u>\$ 5,936,322</u>  |
| <b>Local Government</b>                             |                           |                     |                        |                   |                     |  |                      |                      |
| City of Milwaukee                                   | \$ ---                    | \$ 503,280          | \$ 70,563              | \$ ---            | \$ ---              | \$ 45,722                                | \$ 619,565           | \$ 550,213           |
| Milwaukee County                                    | ---                       | ---                 | 80,998                 | ---               | ---                 | ---                                      | 80,998               | 285,465              |
| Racine County                                       | ---                       | ---                 | 18,333                 | ---               | ---                 | ---                                      | 18,333               | 55,000               |
| Brown County  | ---                       | ---                 | 7,500                  | ---               | ---                 | ---                                      | 7,500                | 33,000               |
| Eau Claire County                                   | ---                       | ---                 | 10,000                 | ---               | ---                 | ---                                      | 10,000               | 30,000               |
| Dane County   | ---                       | ---                 | 5,609                  | ---               | ---                 | ---                                      | 5,609                | 16,999               |
| Total Local Government Revenue                      | <u>\$ ---</u>             | <u>\$ 503,280</u>   | <u>\$ 193,003</u>      | <u>\$ ---</u>     | <u>\$ ---</u>       | <u>\$ 45,722</u>                         | <u>\$ 742,005</u>    | <u>\$ 970,677</u>    |
| <b>Grants and Public Support</b>                    |                           |                     |                        |                   |                     |  |                      |                      |
| Events - Participants                               | \$ ---                    | \$ ---              | \$ ---                 | \$ ---            | \$ 423,353          | \$ ---                                   | \$ 423,353           | \$ 407,206           |
| Events - Corporate                                  | ---                       | ---                 | ---                    | ---               | 223,550             | ---                                      | 223,550              | 206,850              |
| Special Events Expenses                             | ---                       | ---                 | ---                    | ---               | (348,011)           | ---                                      | (348,011)            | (217,079)            |
| Grants to Wisconsin AIDS Agencies                   | ---                       | ---                 | ---                    | ---               | (2,862)             | ---                                      | (2,862)              | (8,726)              |
| Foundation Contributions                            | ---                       | ---                 | ---                    | ---               | 239,052             | ---                                      | 239,052              | 282,677              |
| Individual Donations                                | ---                       | ---                 | ---                    | ---               | 381,882             | ---                                      | 381,882              | 578,206              |
| Corporate Contributions                             | ---                       | ---                 | ---                    | ---               | 472,950             | ---                                      | 472,950              | 303,784              |
| United Way  | 101,364                   | 146,464             | 88,572                 | ---               | ---                 | ---                                      | 336,400              | 368,663              |
| Milwaukee Health Services, Inc.                     | 24,518                    | ---                 | ---                    | ---               | ---                 | ---                                      | 24,518               | 159,075              |
| Diverse and Resilient                               | 42,337                    | ---                 | ---                    | ---               | ---                 | ---                                      | 42,337               | ---                  |
| Medical College of Wisconsin                        | ---                       | 109,944             | 141,191                | ---               | ---                 | 32,775                                   | 283,910              | 252,046              |
| Total Private Fundraising and Support               | <u>\$ 168,219</u>         | <u>\$ 256,408</u>   | <u>\$ 229,763</u>      | <u>\$ ---</u>     | <u>\$ 1,389,914</u> | <u>\$ 32,775</u>                         | <u>\$ 2,077,079</u>  | <u>\$ 2,332,702</u>  |
| Revenue Carried Forward                             | <u>\$ 3,754,031</u>       | <u>\$ 3,215,695</u> | <u>\$ 1,734,440</u>    | <u>\$ ---</u>     | <u>\$ 1,389,914</u> | <u>\$ 738,151</u>                        | <u>\$ 10,832,231</u> | <u>\$ 11,482,371</u> |

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2012  
(With Summarized Totals for the Year Ended August 31, 2011)

|                                  | ARCW<br>Medical<br>Center | Social<br>Services | Prevention<br>Services | Public<br>Affairs | Fund<br>Development | Management<br>and Supporting<br>Services | 2012<br>Total | 2011<br>Total |
|----------------------------------|---------------------------|--------------------|------------------------|-------------------|---------------------|--|---------------|---------------|
| <b>REVENUE</b>                   |                           |                    |                        |                   |                     |  |               |               |
| Revenue Brought Forward          | \$ 3,754,031              | \$ 3,215,695       | \$ 1,734,440           | \$ ---            | \$ 1,389,914        | \$ 738,151                               | \$ 10,832,231 | \$ 11,482,371 |
| Reimbursement for Services       |                           |                    |                        |                   |                     |  |               |               |
| Patient Payments                 | \$ 6,926                  | \$ ---             | \$ 2,326               | \$ ---            | \$ ---              | \$ 1,039                                 | \$ 10,291     | \$ 14,543     |
| Medicare                         | 79,088                    | ---                | ---                    | ---               | ---                 | 34,049                                   | 113,137       | 82,846        |
| Commercial Insurance             | 104,435                   | ---                | ---                    | ---               | ---                 | 44,283                                   | 148,718       | 104,275       |
| Medicaid                         | 122,407                   | 64,847             | ---                    | ---               | ---                 | 47,035                                   | 234,289       | 242,151       |
| Total Reimbursement for Services | \$ 312,856                | \$ 64,847          | \$ 2,326               | \$ ---            | \$ ---              | \$ 126,406                               | \$ 506,435    | \$ 443,815    |
| Pharmacy Services                |                           |                    |                        |                   |                     |  |               |               |
| ARCW Pharmacy Contribution       | \$ ---                    | \$ ---             | \$ ---                 | \$ ---            | \$ ---              | \$ 2,328,678                             | \$ 2,328,678  | \$ 1,033,326  |
| Total Pharmacy Services          | \$ ---                    | \$ ---             | \$ ---                 | \$ ---            | \$ ---              | \$ 2,328,678                             | \$ 2,328,678  | \$ 1,033,326  |
| Other Revenue                    |                           |                    |                        |                   |                     |  |               |               |
| Consulting Income                | \$ ---                    | \$ ---             | \$ ---                 | \$ ---            | \$ ---              | \$ 80,170                                | \$ 80,170     | \$ ---        |
| Interest Income                  | ---                       | ---                | ---                    | ---               | ---                 | 2,605                                    | 2,605         | 1,683         |
| Rental Income                    | ---                       | 71,757             | ---                    | ---               | ---                 | ---                                      | 71,757        | 61,562        |
| Miscellaneous Income             | 2,501                     | ---                | 750                    | ---               | ---                 | (2,257)                                  | 994           | 18,801        |
| Total Other Revenue              | \$ 2,501                  | \$ 71,757          | \$ 750                 | \$ ---            | \$ ---              | \$ 80,518                                | \$ 155,526    | \$ 82,046     |
| Total Revenue (Carried Forward)  | \$ 4,069,388              | \$ 3,352,299       | \$ 1,737,516           | \$ ---            | \$ 1,389,914        | \$ 3,273,753                             | \$ 13,822,870 | \$ 13,041,558 |

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2012  
(With Summarized Totals for the Year Ended August 31, 2011)

|                                 | ARCW<br>Medical<br>Center | Social<br>Services | Prevention<br>Services | Public<br>Affairs | Fund<br>Development | Management<br>and Supporting<br>Services | 2012<br>Total | 2011<br>Total |
|---------------------------------|---------------------------|--------------------|------------------------|-------------------|---------------------|--|---------------|---------------|
| Total Revenue (Brought Forward) | \$ 4,069,388              | \$ 3,352,299       | \$ 1,737,516           | \$ ---            | \$ 1,389,914        | \$ 3,273,753                             | \$ 13,822,870 | \$ 13,041,558 |
| EXPENSES                        |                           |                    |                        |                   |                     |  |               |               |
| Personnel Expenses              |                           |                    |                        |                   |                     |  |               |               |
| Salaries and Wages              | \$ 2,198,344              | \$ 1,652,741       | \$ 887,166             | \$ 182,012        | \$ 398,844          | \$ 927,520                               | \$ 6,246,627  | \$ 5,959,418  |
| Payroll Taxes                   | 151,941                   | 108,871            | 58,813                 | 12,471            | 27,379              | 98,976                                   | 458,451       | 460,738       |
| Employee Benefits               | 393,017                   | 288,802            | 221,978                | 37,853            | 38,626              | 193,326                                  | 1,173,602     | 1,155,655     |
| Total Personnel Expenses        | \$ 2,743,302              | \$ 2,050,414       | \$ 1,167,957           | \$ 232,336        | \$ 464,849          | \$ 1,219,822                             | \$ 7,878,680  | \$ 7,575,811  |
| Contracted Program Services     | \$ 519,136                | \$ 87,706          | \$ 146,946             | \$ ---            | \$ ---              | \$ ---                                   | \$ 753,788    | \$ 693,486    |
| Client Financial Assistance     | ---                       | 23,380             | ---                    | ---               | ---                 | ---                                      | 23,380        | 28,616        |
| Patient Financial Assistance    | 192,818                   | 1,575              | ---                    | ---               | ---                 | ---                                      | 194,393       | 162,411       |
| Patient Food Assistance         | ---                       | 49,986             | ---                    | ---               | ---                 | ---                                      | 49,986        | 61,962        |
| Patient Rent Assistance         | ---                       | 648,182            | ---                    | ---               | ---                 | ---                                      | 648,182       | 607,086       |
| Patient Housing Facilities      | ---                       | 9,383              | ---                    | ---               | ---                 | ---                                      | 9,383         | 104,721       |
| Patient Parking                 | 23,400                    | 15,600             | ---                    | ---               | ---                 | ---                                      | 39,000        | 30,102        |
| Program Materials               | 107,015                   | 23,850             | 367,870                | ---               | ---                 | ---                                      | 498,735       | 408,951       |
| Patient Medications             | 180,398                   | ---                | ---                    | ---               | ---                 | ---                                      | 180,398       | 163,689       |
| Patient Laboratory              | 500,534                   | ---                | 400                    | ---               | ---                 | ---                                      | 500,934       | 417,814       |
| Employee Travel and Education   | 44,226                    | 50,044             | 42,680                 | 2,125             | 3,673               | 63,918                                   | 206,666       | 146,773       |
| Printing and Copying            | 364                       | 569                | 46                     | 15,306            | 26,663              | 43,129                                   | 86,077        | 105,450       |
| Professional Services           | 112,867                   | ---                | ---                    | 46,944            | 46,604              | 170,113                                  | 376,528       | 310,126       |
| Telephone                       | ---                       | ---                | ---                    | ---               | ---                 | 95,330                                   | 95,330        | 102,166       |
| Insurance                       | ---                       | 8,434              | 24,193                 | ---               | ---                 | 67,650                                   | 100,277       | 97,988        |
| Office Supplies                 | 1,513                     | 876                | 790                    | 378               | 344                 | 4,928                                    | 8,829         | 6,735         |
| Postage and Delivery            | ---                       | 117                | 19                     | 1,844             | 6,907               | 48,185                                   | 57,072        | 51,451        |
| Meeting Costs                   | 5,795                     | 2,281              | 4,076                  | 1,066             | 5,441               | 18,847                                   | 37,506        | 22,588        |
| Recruiting and Advertising      | ---                       | ---                | 194                    | 653               | 2,850               | 20,144                                   | 23,841        | 19,173        |
| Repairs and Maintenance         | ---                       | 661                | 107                    | ---               | ---                 | 125,869                                  | 126,637       | 158,959       |
| Information Technology          | ---                       | ---                | ---                    | ---               | ---                 | 147,150                                  | 147,150       | 144,350       |
| Interest Expense                | ---                       | ---                | ---                    | ---               | ---                 | 40,583                                   | 40,583        | 18,355        |
| Other Expenses                  | ---                       | ---                | ---                    | ---               | ---                 | 4,251                                    | 4,251         | ---           |
| Occupancy                       | 206,420                   | 321,659            | 111,883                | ---               | 16,970              | 21,970                                   | 678,902       | 542,796       |
| Depreciation                    | 125,354                   | 161,617            | 75,660                 | 11,192            | 15,669              | 49,246                                   | 438,738       | 459,959       |
| Licenses and Fees               | 10,603                    | 8,218              | 892                    | 96                | 9,001               | 28,955                                   | 57,765        | 55,567        |
| Grant Disbursements             | ---                       | ---                | 6,250                  | ---               | ---                 | 10,000                                   | 16,250        | 128,163       |
| Uncollectible Donor Pledges     | ---                       | ---                | ---                    | ---               | ---                 | 86,186                                   | 86,186        | 9,136         |
| Total Direct Expenses           | \$ 4,773,745              | \$ 3,464,552       | \$ 1,949,963           | \$ 311,940        | \$ 598,971          | \$ 2,266,276                             | \$ 13,365,447 | \$ 12,634,384 |
| Department Allocations          | 299,261                   | 501,464            | 324,681                | 7,259             | 15,971              | (1,148,636)                              | ---           | ---           |
| Total Expenses                  | \$ 5,073,006              | \$ 3,966,016       | \$ 2,274,644           | \$ 319,199        | \$ 614,942          | \$ 1,117,640                             | \$ 13,365,447 | \$ 12,634,384 |
| CHANGE IN NET ASSETS            | \$ (1,003,618)            | \$ (613,717)       | \$ (537,128)           | \$ (319,199)      | \$ 774,972          | \$ 2,156,113                             | \$ 457,423    | \$ 407,174    |
| FIXED ASSET ADDITIONS           | \$ 199,244                | \$ 9,601           | \$ ---                 | \$ ---            | \$ ---              | \$ 326,260                               | \$ 535,105    | \$ 606,552    |

**MILWAUKEE AIDS HOUSING CORPORATION**  
**SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2012**  
**(With Summarized Totals for the Year Ended August 31, 2011)**

|   | <u>2012</u>        | <u>2011</u>        |
|---|--------------------|--------------------|
| REVENUE                                   |                    |                    |
| Rental Income                             | \$ 44,762          | \$ 55,980          |
| Corporate Contribution                    | 25,000             | ---                |
| Interest Income                           | 17                 | 17                 |
| Total Revenue                             | <u>\$ 69,779</u>   | <u>\$ 55,997</u>   |
| EXPENSES                                  |                    |                    |
| Management Fees                           | \$ 2,325           | \$ 2,905           |
| Occupancy                                 | 11,192             | 11,361             |
| Snow Removal                              | 425                | ---                |
| Professional Services                     | 5,000              | 5,000              |
| Insurance                                 | 6,591              | 7,031              |
| Repairs and Maintenance                   | 46,077             | 46,769             |
| Miscellaneous Taxes, Licenses and Permits | 429                | 260                |
| Depreciation                              | 36,694             | 33,000             |
| Other Expenses                            | 2,754              | 2,141              |
| Total Expenses                            | <u>\$ 111,487</u>  | <u>\$ 108,467</u>  |
| CHANGE IN NET ASSETS                      | <u>\$ (41,708)</u> | <u>\$ (52,470)</u> |



**ARCW PHARMACY, LLC**  
**SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2012**  
**(With Summarized Totals for the Six Months Ended August 31, 2011)**

|  | 2012                       | 2011                       |
|--|----------------------------|----------------------------|
| <b>REVENUE</b>                         |                            |                            |
| Gross Sales                            |                            |                            |
| Medicaid                               | \$ 6,292,783               | \$ 1,969,677               |
| Medicare                               | 4,507,462                  | 1,347,568                  |
| Wisconsin AIDS Drug Assistance Program | 7,822,206                  | 2,756,165                  |
| Commercial Insurance                   | 3,089,492                  | 807,510                    |
| 340B Program                           | 97,936                     | 64,512                     |
| Patient Payments                       | 95,977                     | 44,461                     |
| Medical Assistance Drug Program        | 70,008                     | 32,009                     |
| Gross Sales                            | <u>\$ 21,975,864</u>       | <u>\$ 7,021,902</u>        |
| Cost of Goods Sold                     | (18,057,838)               | (5,449,704)                |
| Net Sales Revenue                      | <u>\$ 3,918,026</u>        | <u>\$ 1,572,198</u>        |
| Grant Revenue                          | ---                        | 123,163                    |
| Consulting Revenue                     | 18,000                     | 9,000                      |
| Total Revenue                          | <u><u>\$ 3,936,026</u></u> | <u><u>\$ 1,704,361</u></u> |
| <b>EXPENSES</b>                        |                            |                            |
| Salaries                               | \$ 750,057                 | \$ 317,690                 |
| Payroll Taxes                          | 54,751                     | 26,790                     |
| Employee Benefits                      | 83,795                     | 24,897                     |
| Professional Services                  | 346,762                    | 132,287                    |
| Office Supplies                        | 3,023                      | 1,509                      |
| Telephone                              | 15,309                     | 4,308                      |
| Postage and Delivery                   | 37,844                     | 13,563                     |
| Printing and Copying                   | 19,298                     | 7,023                      |
| Information Technology                 | 6,175                      | 2,433                      |
| Occupancy                              | 49,365                     | 24,197                     |
| Depreciation                           | 28,008                     | 13,112                     |
| Employee Travel                        | 525                        | 3,214                      |
| Employee Meetings                      | 5,691                      | 2,099                      |
| Employee Education                     | 5,926                      | ---                        |
| Interest                               | 20                         | 5,582                      |
| Insurance                              | 19,242                     | 4,608                      |
| Bad Debt Expense                       | 20,188                     | 11,298                     |
| Licenses and Fees                      | 15,927                     | 6,728                      |
| Advertising                            | 8,737                      | 6,503                      |
| Patient Care Supplies                  | 5,468                      | 4,024                      |
| Program Equipment                      | 3,533                      | 4,012                      |
| Other Expenses                         | 1,254                      | 5,158                      |
| Total Operating Expenses               | <u>\$ 1,480,898</u>        | <u>\$ 621,035</u>          |
| Net Income From Operations             | <u>\$ 2,455,128</u>        | <u>\$ 1,083,326</u>        |
| Grant Disbursements                    | (2,455,128)                | (1,083,326)                |
| <b>NET INCOME</b>                      | <u><u>\$ ---</u></u>       | <u><u>\$ ---</u></u>       |

**ARCW ENDOWMENT FUND, INC.**  
**SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES**  
**FOR THE YEAR ENDED AUGUST 31, 2012**  
**(With Summarized Totals for the Year Ended August 31, 2011)**

|                      | Temporarily<br>Restricted | Permanently<br>Restricted | 2012<br>Total | 2011<br>Total |
|----------------------|---------------------------|---------------------------|---------------|---------------|
| REVENUE              |                           |                           |               |               |
| Contributions        | \$ ---                    | \$ 500                    | \$ 500        | \$ ---        |
| Interest Income      | 6                         | ---                       | 6             | 11            |
| Total Revenue        | <u>\$ 6</u>               | <u>\$ 500</u>             | <u>\$ 506</u> | <u>\$ 11</u>  |
| CHANGE IN NET ASSETS | <u>\$ 6</u>               | <u>\$ 500</u>             | <u>\$ 506</u> | <u>\$ 11</u>  |