

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended August 31, 2014 and 2013

AIDS RESOURCE CENTER OF WISCONSIN, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
AIDS Resource Center of Wisconsin, Inc.
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of AIDS Resource Center of Wisconsin, Inc. (a Wisconsin nonprofit organization), which comprise the consolidated statements of financial position as of August 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AIDS Resource Center of Wisconsin, Inc. as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial information listed in the table of contents as supplementary information and the schedule of expenditures of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements.

The supplementary information and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report Issued in Accordance With *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014 on our consideration of AIDS Resource Center of Wisconsin, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIDS Resource Center of Wisconsin, Inc.'s internal control over financial reporting and compliance.

Certified Public Accountants

Milwaukee, Wisconsin
December 5, 2014

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 3,462,717	\$ 1,722,709
Government grants receivable	2,071,035	2,046,187
Contributions receivable, current portion	991,813	793,722
ARCW Medical Center receivable	155,037	102,770
ARCW Pharmacy reimbursement receivable	1,584,911	802,815
ARCW Pharmacy inventory	1,091,261	847,403
Prepaid expenses	160,002	146,423
Other current assets	<u>14,091</u>	<u>14,392</u>
Total current assets	<u>9,530,867</u>	<u>6,476,421</u>
Property and equipment, net	<u>3,092,605</u>	<u>3,647,902</u>
<u>Other assets</u>		
Contributions receivable, long-term portion	363,257	98,156
Deposits	23,204	23,289
HUD restricted escrow account	44,571	41,399
Endowment investments	<u>12,954</u>	<u>12,941</u>
Total other assets	<u>443,986</u>	<u>175,785</u>
Total assets	<u>\$ 13,067,458</u>	<u>\$ 10,300,108</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2014 and 2013

LIABILITIES AND NET ASSETS	2014	2013
<u>Current liabilities</u>		
Current portion of capital lease obligations	\$ 6,128	\$ 10,968
ARCW accounts payable	462,525	547,830
ARCW Pharmacy accounts payable	1,269,911	1,269,855
MAHC accounts payable	23,647	13,115
Accrued payroll and vacation	326,534	342,148
MAHC security deposits	451	451
Refundable advances	1,393,639	1,101,598
Total current liabilities	3,482,835	3,285,965
Capital lease obligations	5,590	11,818
MAHC mortgage	680,090	680,090
Total liabilities	4,168,515	3,977,873
<u>Net assets</u>		
Unrestricted		
ARCW unrestricted funds	3,096,523	2,528,433
ARCW board designated fund	3,000,000	1,004,922
MAHC operating deficit	(744,466)	(609,800)
ARCW property and equipment less related debt	2,400,797	2,945,026
Total unrestricted net assets	7,752,854	5,868,581
Temporarily restricted	1,133,202	440,767
Permanently restricted	12,887	12,887
Total net assets	8,898,943	6,322,235
Total liabilities and net assets	\$ 13,067,458	\$ 10,300,108

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended August 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue</u>				
Federal government grants				
U.S. Department of Health and Human Services	\$ 1,331,470	\$ -	\$ -	\$ 1,331,470
U.S. Department of Housing and Urban Development	731,095	-	-	731,095
State government grants				
Department of Health Services	5,630,682	-	-	5,630,682
Department of Administration	406,952	-	-	406,952
Local government grants				
City of Milwaukee	456,365	-	-	456,365
Milwaukee County	149,562	-	-	149,562
Dane County	14,313	-	-	14,313
Private revenue				
Foundation contributions	380,996	50,000	-	430,996
Corporate contributions	384,574	18,844	-	403,418
Individual contributions	807,591	679,739	-	1,487,330
Special events				
Events - participants	471,276	-	-	471,276
Events - corporate	290,750	-	-	290,750
Special events expenses	(537,031)	-	-	(537,031)
Grants to Wisconsin AIDS agencies	(6,285)	-	-	(6,285)
United Way	54,257	308,174	-	362,431
Net assets released from restrictions:				
United Way	300,635	(300,635)	-	-
Corporate contributions	50,000	(50,000)	-	-
Individual contributions	13,700	(13,700)	-	-
Contractual partnerships				
Medical College of Wisconsin	169,873	-	-	169,873
Reimbursement for services				
ARCW Medical Center	951,255	-	-	951,255
ARCW Pharmacy	33,621,202	-	-	33,621,202
Rental income	71,208	-	-	71,208
Other income				
Consulting services	57,400	-	-	57,400
340B Revenue sharing	91,105	-	-	91,105
Miscellaneous income	28,055	13	-	28,068
Total revenue	<u>45,921,000</u>	<u>692,435</u>	<u>-</u>	<u>46,613,435</u>
<u>Expenses</u>				
Clinical and program services				
ARCW Medical Center	5,498,288	-	-	5,498,288
ARCW Pharmacy	27,939,314	-	-	27,939,314
Social services	4,464,851	-	-	4,464,851
MAHC expenses	178,916	-	-	178,916
Prevention services	2,878,518	-	-	2,878,518
Public affairs	374,365	-	-	374,365
Management and supporting services	2,098,572	-	-	2,098,572
Fund development	603,903	-	-	603,903
Total expenses	<u>44,036,727</u>	<u>-</u>	<u>-</u>	<u>44,036,727</u>
Change in net assets	1,884,273	692,435	-	2,576,708
Net assets, beginning of year	<u>5,868,581</u>	<u>440,767</u>	<u>12,887</u>	<u>6,322,235</u>
Net assets, end of year	<u>\$ 7,752,854</u>	<u>\$ 1,133,202</u>	<u>\$ 12,887</u>	<u>\$ 8,898,943</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended August 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue</u>				
Federal government grants				
U.S. Department of Health and Human Services	\$ 848,529	\$ -	\$ -	\$ 848,529
U.S. Department of Housing and Urban Development	841,862	-	-	841,862
State government grants				
Department of Health Services	6,066,488	-	-	6,066,488
Department of Commerce	428,932	-	-	428,932
Local government grants				
City of Milwaukee	564,133	-	-	564,133
Milwaukee County	322,271	-	-	322,271
Private revenue				
Foundation contributions	269,659	-	-	269,659
Corporate contributions	356,764	98,773	-	455,537
Individual contributions	574,528	-	2,000	576,528
Special events				
Events - participants	469,074	2,000	-	471,074
Events - corporate	251,654	13,700	-	265,354
Special events expenses	(444,121)	-	-	(444,121)
Grants to Wisconsin AIDS agencies	(3,429)	-	-	(3,429)
United Way	94,961	326,857	-	421,818
Net assets released from restrictions:				
United Way	253,344	(253,344)	-	-
Individual and corporate contributions	2,000	(2,000)	-	-
Contractual partnerships				
Medical College of Wisconsin	112,990	-	-	112,990
NIH Tulane University	410,688	-	-	410,688
Reimbursement for services				
ARCW Medical Center	589,177	-	-	589,177
ARCW Pharmacy	28,147,342	-	-	28,147,342
Rental income	78,970	-	-	78,970
Other income				
Consulting services	36,666	-	-	36,666
Miscellaneous income	8,883	19	-	8,902
Total revenue	<u>40,281,365</u>	<u>186,005</u>	<u>2,000</u>	<u>40,469,370</u>
<u>Expenses</u>				
Clinical and program services				
ARCW Medical Center	5,141,990	-	-	5,141,990
ARCW Pharmacy	24,426,778	-	-	24,426,778
Social services	4,193,568	-	-	4,193,568
MAHC expenses	128,591	-	-	128,591
Prevention services	2,581,054	-	-	2,581,054
Public affairs	342,033	-	-	342,033
Management and supporting services	1,406,090	-	-	1,406,090
Fund development	553,553	-	-	553,553
Total expenses	<u>38,773,657</u>	<u>-</u>	<u>-</u>	<u>38,773,657</u>
Change in net assets	1,507,708	186,005	2,000	1,695,713
Net assets, beginning of year	<u>4,360,873</u>	<u>254,762</u>	<u>10,887</u>	<u>4,626,522</u>
Net assets, end of year	<u>\$ 5,868,581</u>	<u>\$ 440,767</u>	<u>\$ 12,887</u>	<u>\$ 6,322,235</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2014

	Clinical and Program Services	Management and Supporting Services	Fund Development	Total
<u>Expenses</u>				
Personnel expenses				
Salaries and wages	\$ 5,596,067	\$ 1,425,386	\$ 348,356	\$ 7,369,809
Payroll taxes	388,234	114,133	24,182	526,549
Employee benefits	1,217,725	403,767	54,271	1,675,763
Total personnel expenses	<u>7,202,026</u>	<u>1,943,286</u>	<u>426,809</u>	<u>9,572,121</u>
Pharmacy cost of sales	25,912,060	-	-	25,912,060
Pharmacy services	2,027,254	-	-	2,027,254
MAHC expenses	178,916	-	-	178,916
Contracted program services	723,669	-	-	723,669
Client financial assistance	14,635	-	-	14,635
Patient financial assistance	110,813	-	-	110,813
Patient food assistance	153,198	-	-	153,198
Patient rent assistance	500,327	-	-	500,327
Patient housing facilities	23,515	-	-	23,515
Patient parking	38,348	-	-	38,348
Program materials	689,524	-	-	689,524
Patient medications	251,547	-	-	251,547
Patient laboratory	376,975	-	-	376,975
Employee travel and education	194,594	68,621	9,716	272,931
Printing and copying	5,116	35,115	6,649	46,880
Professional services	173,670	385,136	61,289	620,095
Telephone	-	178,961	-	178,961
Insurance	38,869	82,945	-	121,814
Office supplies	2,374	5,032	534	7,940
Postage and delivery	923	59,542	4,071	64,536
Meeting costs	9,003	21,306	22,999	53,308
Recruiting	-	16,923	-	16,923
Advertising	3,236	-	611	3,847
Repairs and maintenance	1,591	229,589	-	231,180
Furniture and equipment	-	50,167	-	50,167
Information technology	-	183,611	-	183,611
Occupancy	669,311	47,477	9,940	726,728
Depreciation	505,611	64,671	17,638	587,920
Licenses and fees	54,480	24,948	19,875	99,303
Grant disbursements	5,000	-	-	5,000
Uncollectible donor pledges	-	-	8,872	8,872
Loss on disposal of fixed assets	-	183,809	-	183,809
Total direct expenses	<u>39,866,585</u>	<u>3,581,139</u>	<u>589,003</u>	<u>44,036,727</u>
Department allocations	<u>1,467,667</u>	<u>(1,482,567)</u>	<u>14,900</u>	<u>-</u>
Total functional expenses	<u>\$ 41,334,252</u>	<u>\$ 2,098,572</u>	<u>\$ 603,903</u>	<u>\$ 44,036,727</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2013

	Clinical and Program Services	Management and Supporting Services	Fund Development	Total
<u>Expenses</u>				
Personnel expenses				
Salaries and wages	\$ 5,154,658	\$ 1,257,012	\$ 336,804	\$ 6,748,474
Payroll taxes	362,095	132,809	23,833	518,737
Employee benefits	1,051,142	269,238	56,017	1,376,397
Total personnel expenses	6,567,895	1,659,059	416,654	8,643,608
Pharmacy cost of sales	22,548,414	-	-	22,548,414
Pharmacy services	1,878,364	-	-	1,878,364
MAHC expenses	128,591	-	-	128,591
Contracted program services	550,750	38,185	-	588,935
Client financial assistance	66,610	-	-	66,610
Patient financial assistance	134,934	-	-	134,934
Patient food assistance	109,388	-	-	109,388
Patient rent assistance	521,768	-	-	521,768
Patient housing facilities	10,615	-	-	10,615
Patient parking	45,733	3,899	-	49,632
Program materials	659,481	43	-	659,524
Patient medications	187,753	-	-	187,753
Patient laboratory	477,074	-	-	477,074
Employee travel and education	161,545	52,332	2,545	216,422
Printing and copying	11,708	75,246	13,769	100,723
Professional services	184,386	261,845	32,104	478,335
Telephone	-	98,976	-	98,976
Insurance	35,129	74,496	-	109,625
Office supplies	4,515	8,796	711	14,022
Postage and delivery	434	46,158	3,237	49,829
Meeting costs	14,726	20,567	10,403	45,696
Recruiting	-	8,216	-	8,216
Advertising	2,149	-	3,450	5,599
Repairs and maintenance	-	132,365	-	132,440
Information technology	-	129,385	-	129,385
Interest expense	-	4,759	-	4,759
Occupancy	682,892	27,542	16,525	726,959
Depreciation	473,619	60,579	16,522	550,720
Licenses and fees	35,478	31,488	15,275	82,241
Grant disbursements	-	-	-	5,500
Uncollectible donor pledges	-	-	9,000	9,000
Total direct expenses	35,493,951	2,733,936	540,195	38,773,657
Department allocations	1,314,488	(1,327,846)	13,358	-
Total functional expenses	\$ 36,808,439	\$ 1,406,090	\$ 553,553	\$ 38,773,657

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended August 31, 2014 and 2013

	2014	2013
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 2,576,708	\$ 1,695,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	657,142	620,365
Change in allowance for uncollectible contributions	(5,093)	7,143
Change in discounts to net present value of contributions receivable	1,825	1,227
Loss on disposal of property and equipment	183,809	-
Permanently restricted contributions	-	(2,000)
Change in assets and liabilities:		
Government grants receivable	(24,848)	325,247
Contributions receivable	(459,924)	(352,266)
ARCW Medical Center reimbursement receivable	(52,267)	(2,011)
ARCW Pharmacy reimbursement receivable	(782,096)	(138,333)
Pharmacy inventory	(243,858)	(309,690)
Prepaid expenses	(13,579)	14,461
Other current assets	301	(8,206)
Change in deposits and restricted escrow savings	(3,087)	(3,119)
ARCW accounts payable	(85,305)	(120,136)
ARCW pharmacy accounts payable	56	341,083
MAHC accounts payable	10,532	11,929
Accrued payroll and vacation	(15,614)	42,700
MAHC security deposits	-	238
Refundable advances	292,041	(45,241)
Net cash provided by operating activities	<u>2,036,743</u>	<u>2,079,104</u>
<u>Cash flows from investing activities</u>		
Purchases of property and equipment	(291,801)	(481,859)
Proceeds from disposal of property and equipment	6,147	-
Increase in endowment investments	(13)	(2,019)
Net cash used by investing activities	<u>(285,667)</u>	<u>(483,878)</u>
<u>Cash flows from financing activities</u>		
Payments on line of credit	-	(568,930)
Payments on capital leases	(11,068)	(10,881)
Permanently restricted contributions	-	2,000
Net cash used by financing activities	<u>(11,068)</u>	<u>(577,811)</u>
Net increase in cash and cash equivalents	1,740,008	1,017,415
Cash and cash equivalents at beginning of year	<u>1,722,709</u>	<u>705,294</u>
Cash and cash equivalents at end of year	<u>\$ 3,462,717</u>	<u>\$ 1,722,709</u>
Supplemental information		
Cash paid for interest	\$ -	\$ 4,759

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 1 – ORGANIZATION, NATURE OF ACTIVITIES AND BASIS OF CONSOLIDATION

The AIDS Resource Center of Wisconsin, Inc. is a provider of HIV health care, social services and prevention services in the State of Wisconsin. The ARCW Medical Center has been designated by the Centers for Medicare and Medicaid as the nation'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.

The consolidated financial statements (Organization) include the accounts of AIDS Resource Center of Wisconsin, Inc. (ARCW) and the following entities: Milwaukee AIDS Housing Corporation, Inc. (MAHC), ARCW Pharmacy, LLC (Pharmacy) and ARCW Endowment Fund, Inc. (Endowment). 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation - The Organization is required to report information regarding its net assets and its activities on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization are classified and reported in the following three classes:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. At August 31, 2014 and 2013, the Organization had \$1,133,202 and \$440,767 of temporarily purpose- and time-restricted net assets.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. At August 31, 2014 and 2013, the Organization had \$12,887 of permanently restricted net assets.

Use of estimates - The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-exempt status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under section 509(a)(2). The Organization is also exempt from Wisconsin income taxes.

The Organization follows the guidance for accounting for uncertainties in income taxes which is part of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes. This guidance increases the relevancy and comparability of financial reporting by clarifying the way organizations account for uncertainties in income taxes for tax positions taken or expected to be taken. It makes recognition and measurement more consistent as well as offering clear criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes.

Penalties and interest, if and when assessed by income taxing authorities, are included in administrative expenses. The Organization had no interest and penalties related to income taxes for the years ended August 31, 2014 and 2013. The Organization's federal tax exempt income tax returns are subject to examination generally for three years after they are filed and its state income tax returns generally for four years after they are filed.

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.

Concentration of credit risk: The Organization maintains cash accounts and various certificates of deposit and money market accounts at a financial institution. Deposits with the financial institutions are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 per official custodian. The Organization's cash deposits, certificates of deposit and money market balances may exceed these federally insured limits at times during the year. The Organization has not experienced any losses on these accounts and management believes the Organization is not exposed to any significant credit risk.

Investments - ARCW's endowment investments include certificates of deposit held for investment that are not debt securities. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year, if any, are classified as cash and cash equivalents.

Contributions receivable - Contributions made to the Organization are recorded in the year the unconditional promise is made. Any contributions that are expected to be collected after one year are discounted and are reflected in the consolidated financial statements at their net present value. The allowance for uncollectible contributions is based on previous experiences, adjusted for current conditions.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ARCW Pharmacy inventory - Inventory is comprised of pharmaceuticals held at the ARCW Pharmacy. Inventory is valued at the lower of cost, determined using the average cost method, or market.

Property and equipment - Property and equipment are recorded at cost if purchased and at fair value at date of the gift 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. All acquisitions of equipment in excess of \$5,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred.

Revenue recognition - Funds due from government grants are recognized as revenue in the accounting period in which the related expenses are incurred. Contributions, including promises receivable, are recognized in the period received and are considered available for the Organization's general programs unless specifically restricted by the donor. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

A portion of the Organization's revenue is billed to third-party payors, including insurance companies, managed care plans, and governmental payors. Reimbursements for services are recognized when the services are delivered. Revenue is recorded net of estimated differences between charges and amounts expected to be collected from third-party payors.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or are designated for future periods. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and as an increase unrestricted net assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions.

Advertising costs - The Organization uses advertising to promote its programs and special events and for recruiting employees. The costs of communicating advertisements are expensed as the items or services are received. Advertising costs for special events were \$34,505 and \$8,970 during the years ended August 31, 2014 and 2013 and are included in special events expenses. Advertising costs for programming were \$3,847 and \$5,599 and for recruiting were \$16,923 and \$8,216 during the years ended August 31, 2014 and 2013, respectively.

Expense allocation: The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events - The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 5, 2014, the date on which the consolidated financial statements were available to be issued.

NOTE 3 – 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 balances in the account as of August 31, 2014 and 2013 were \$44,571 and \$41,399, respectively.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Outstanding contributions receivable at August 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Less than one year	\$ 997,912	\$ 804,914
One to five years	<u>366,926</u>	<u>100,000</u>
	1,364,838	904,914
Less: allowance for uncollectible contributions	(6,099)	(11,192)
Less: discount to present value	<u>(3,669)</u>	<u>(1,844)</u>
	1,355,070	891,878
Contributions receivable, current portion	<u>991,813</u>	<u>793,722</u>
Contributions receivable, long-term portion	<u>\$ 363,257</u>	<u>\$ 98,156</u>

Contributions receivable to be collected in excess of one year are discounted using a rate of 1.00% and 1.25% as of August 31, 2014 and 2013, respectively.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 5 – GOVERNMENT GRANT RECEIVABLE

Government grants receivable consists of the following as of August 31, 2014 and 2013:

	2014	2013
State of Wisconsin -		
Department of Health Services	1,614,920	\$ 1,455,189
Department of Administration	54,573	63,902
U.S. Department of Health and Human Services	173,326	123,782
U.S. Department of Housing and Urban Development	58,668	195,400
Medical College of Wisconsin	64,802	17,262
City of Milwaukee	64,497	188,107
Milwaukee County	13,846	-
Other	26,403	2,545
Total government grants receivable	\$ 2,071,035	\$ 2,046,187

NOTE 6 – REIMBURSEMENT RECEIVABLE

ARCW Medical Center reimbursement receivable consists of reimbursement for medical, dental, mental health and medical home services provided by the ARCW Medical Center as well as case management services. The Organization has agreements with third-party payors that provide for reimbursement at amounts which vary from its established rates. Revenue for services to patients covered under the Medicare and Medicaid programs is reimbursed based on rates established by the federal and state governments, respectively. The ARCW Medical Center reimbursement receivable is recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts.

Gross receivables were \$163,221 and \$108,935, less allowances of \$8,184 and \$6,165, for a net expected reimbursement receivable of \$155,037 and \$102,770 for the years ended August 31, 2014 and 2013, respectively. ARCW Medical Center reimbursement receivables are expected to be collected within one year from August 31, 2014.

ARCW Pharmacy reimbursement receivable consists of reimbursement for pharmacy services and pharmaceuticals. The ARCW Pharmacy reimbursement receivable is recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts. Gross receivables were \$1,749,009 and \$901,846, less allowances of \$164,098 and \$99,031, for a net expected reimbursement receivable of \$1,584,911 and \$802,815 for the years ended August 31, 2014 and 2013, respectively. ARCW Pharmacy reimbursement receivables are expected to be collected within one year from August 31, 2014.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2014 and 2013:

	2014	2013
Land	\$ 200	\$ 200
Wisconsin House leasehold improvements	-	270,609
Wisconsin House equipment	-	5,253
Garden View Apartments	761,717	761,717
Leasehold improvements	2,828,420	3,612,628
Furniture and fixtures	781,679	769,794
Office equipment and technology	1,127,306	1,142,876
Motor vehicles	158,583	153,821
Health care equipment	601,774	601,611
Pharmacy equipment	7,460	7,460
Leased office equipment	148,125	171,975
Construction in progress	67,554	-
Total property and equipment	6,482,818	7,497,944
Less accumulated depreciation	(3,390,213)	(3,850,042)
Net property and equipment	\$ 3,092,605	\$ 3,647,902

NOTE 8 – OPERATING LEASES

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

Future minimum lease payments under operating leases are as follows:

Year Ending August 31,	
2015	\$ 517,691
2016	473,315
2017	457,226
2018	413,896
2019	414,586
Thereafter	1,903,343
Total	\$ 4,180,057

Rent and related occupancy expenses on the above operating leases and other month-to-month leases was \$733,355 and \$726,421 for the years ended August 31, 2014 and 2013, respectively.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 9 – CAPITAL LEASE OBLIGATIONS

Equipment under capital leases consists of four copy machines with a net combined capitalized cost of \$29,943 and accumulated depreciation of \$18,125. Depreciation expense reported in the statement of activities includes \$12,191 for the equipment under capital lease.

Future minimum principal payments required under the various leases for the next three years are as follows (interest costs are immaterial):

Years ending August 31,		
2015	\$	6,128
2016		3,354
2017		2,236
Total minimum future lease payments	\$	11,718
Less: current portion of principal payments		6,128
Long-term portion of principal payments	\$	5,590

NOTE 10 – REFUNDABLE ADVANCES

Refundable advances consist of funds that were received by the Organization as of August 31, 2014 and 2013 for use in the subsequent fiscal years:

	2014	2013
State of Wisconsin - Department of Health Services	\$ 1,393,639	\$ 1,101,598

NOTE 11 – 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 interest rate of LIBOR plus two and one-half percent and matures on March 31, 2015. The line of credit is secured by the ARCW Pharmacy inventory, ARCW Pharmacy accounts receivable, \$750,000 of cash retained in a secured account at the bank and other general assets of the Organization. The line of credit had a zero balance at August 31, 2014 and 2013.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 12 – MAHC MORTGAGE

Milwaukee AIDS Housing Corporation, Inc. currently has a mortgage payable to the Department of Housing and Urban Development (HUD) in the amount of \$680,090. The proceeds were 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 which is for housing of very low-income persons with disabilities in accordance with Section 811 of the National Affordable Housing Act of 1990. 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 13 – LETTER OF CREDIT FOR 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 \$71,489 as August 31, 2014 and 2013.

NOTE 14 – ENDOWMENT

The State of Wisconsin adopted and the Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds on August 4, 2009. UPMIFA requires that the portion of a donor restricted endowment fund that is classified as permanently restricted net assets is not reduced by losses on the investment of the fund, except to the extent required by the donor. Likewise, the amount of permanently restricted net assets is not reduced by an organization's appropriations from the fund. The portion of the fund that is not classified as permanently restricted net assets is reported as temporarily restricted net assets until appropriated for expenditure by the Organization.

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. Currently, the assets of the endowment are held in certificates of deposit.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 14 – ENDOWMENT (CONTINUED)

Endowment investment and net asset composition as of August 31, 2014 and 2013 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Certificates of deposit	\$ -	\$ 67	\$ 12,887	\$ 12,954
Total	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 12,887</u>	<u>\$ 12,954</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Certificates of deposit	\$ -	\$ 54	\$ 12,887	\$ 12,941
Total	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 12,887</u>	<u>\$ 12,941</u>

Changes in endowment investment and net asset composition for the years ended August 31, 2014 and 2013 are provided as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
Endowment net assets, beginning of year	\$ -	\$ 54	\$ 12,887	\$ 12,941
Interest income	-	13	-	13
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 67</u>	<u>\$ 12,887</u>	<u>\$ 12,954</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
Endowment net assets, beginning of year	\$ -	\$ 35	\$ 10,887	\$ 10,922
Contributions	-	-	2,000	2,000
Interest income	-	19	-	19
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 54</u>	<u>\$ 12,887</u>	<u>\$ 12,941</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 15 – ARCW BOARD DESIGNATED FUND

The Organization’s board of directors established a board designated fund to ensure continued success and long-term financial stability for the Organization. The ARCW board designated cash reserves are available for future critical needs of the Organization and use of these reserves require board of director approval. The Organization has accumulated cash reserves of \$3,000,000 and \$1,004,922 as of August 31, 2014 and 2013, respectively, and these cash reserves are included in cash and cash equivalents.

NOTE 16 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2014 and 2013 consist of the following:

	2014	2013
United Way	\$ 334,396	\$ 326,857
Foundation contributions	50,000	-
Corporate contributions	67,000	100,000
Individual contributions	685,408	15,700
Endowment interest income	67	54
Less: present value discount for long term contributions	(3,669)	(1,844)
Total temporarily restricted net assets	\$ 1,133,202	\$ 440,767

Permanently restricted net assets as of August 31, 2014 and 2013 consist of the following:

	2014	2013
Endowment certificates of deposit	\$ 12,887	\$ 12,887

NOTE 17 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions include income temporarily restricted in the prior fiscal year for which donor restrictions were met as of August 31, 2014. Net assets released from restrictions consist of the following for the years ended August 31, 2014 and 2013:

	2014	2013
United Way	\$ 300,635	\$ 253,344
Corporate contributions	50,000	2,000
Individual contributions	13,700	-
Total	\$ 364,335	\$ 255,344

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013

NOTE 18 – 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 \$3,101,703 and \$3,157,212 and are summarized for the years ended August 31, 2014 and 2013 as follows:

	2014	2013
Contractual allowances	\$ 1,262,206	\$ 1,124,484
Patient subsidy	1,102,188	1,166,357
Patient medications	251,449	187,753
Patient laboratory testing	376,974	477,074
Patient assistance	108,886	201,544
Total	\$ 3,101,703	\$ 3,157,212

NOTE 19 – 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 Consolidated Statements of Activities identifies expenses for the ARCW Medical Center and 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 the health and social services expenses for the years ended August 31, 2014 and 2013:

	2014	2013
ARCW Medical Center		
Medical Clinic	\$ 3,117,926	\$ 2,946,261
Dental Clinic	1,133,834	1,135,151
Behavioral Health and Wellness Clinic	1,246,528	1,160,578
Total ARCW Medical Center expenses	\$ 5,498,288	\$ 5,241,990
ARCW Social Services		
Case management	\$ 2,514,382	\$ 2,332,484
Housing services	1,273,855	1,343,326
Food services	482,756	329,263
Legal services	193,858	188,495
Total ARCW Social Services expenses	\$ 4,464,851	\$ 4,193,568

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2014 and 2013

NOTE 20 – RELATED PARTIES

During the years ended August 31, 2014 and 2013, ARCW incurred expenses with entities or individuals considered to be related parties and are disclosed as follows. Auctioneer services in the amount of \$5,500 and \$2,864 were purchased for ARCW's annual special event from a company owned by the brother-in-law of a vice-president of ARCW. Purchases of \$30,494 and \$7,719 were made from a furniture company whose owner is the spouse of a board member. Legal fees of \$26,681 and \$23,341 were paid to a law firm for which a principal of the firm is a board member. In addition, ARCW's board of directors and staff has made donations totaling \$57,083 and \$73,102 during the years ended August 31, 2014 and 2013. None of these related party activities had an adverse effect on any governmental or privately funded programs.

NOTE 21 – IN-KIND GOODS AND SERVICES

In-kind goods and services included in the accompanying consolidated financial statements have an estimated value of \$80,632 and \$64,456 for the years ended August 31, 2014 and 2013, respectively. ARCW received \$54,296 and \$55,905 of medical services and \$26,336 and \$8,551 of furniture, respectively.

NOTE 22 – RETIREMENT PLANS

ARCW maintains a flexible investment 401(k) plan. Effective January 1, 2013, the Organization has amended its 401(k) retirement plan to become a Safe Harbor plan. The Organization matched up to 5% of gross wages for all participating employees. Total employer contributions to the 401(k) plan were \$258,786 and \$188,987 for the years ended August 31, 2014 and 2013.

NOTE 23 – CONTINGENCIES

In the normal course of business, ARCW is involved in litigation incidental to the conduct of the business. ARCW does not believe that the ultimate disposition of currently pending claims, individually or in the aggregate, would have a material adverse effect on their consolidated financial position, results of activities or cash flows.

NOTE 24 – SUBSEQUENT EVENT

ARCW is in negotiations with another not-for-profit AIDS organization to merge their operations as a strategy to increase access to HIV services and enhance financial resources. It is anticipated that the transaction would be accounted for as an acquisition by ARCW and ARCW would recognize the underlying assets and liabilities acquired at fair value with the net amount to be recorded as a contribution in the next fiscal year.

SUPPLEMENTARY INFORMATION

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
 Year Ended August 31, 2014
 (With summarized totals for the year ended August 31, 2013)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2014 Total	2013 Total
Revenue								
Federal government grants								
U.S. Department of Health and Human Services	\$ 520,670	\$ 9,805	\$ 648,892	\$ -	\$ 152,103	\$ -	\$ 1,331,470	\$ 848,529
U.S. Department of Housing and Urban Development	210,452	499,595	-	-	21,048	-	731,095	841,862
Total federal revenue	<u>731,122</u>	<u>509,400</u>	<u>648,892</u>	<u>-</u>	<u>173,151</u>	<u>-</u>	<u>2,062,565</u>	<u>1,690,391</u>
State of Wisconsin government grants								
Department of Health Services	2,382,224	1,745,332	975,557	-	527,569	-	5,630,682	6,066,488
Department of Administration	-	379,822	-	-	27,130	-	406,952	428,932
Total State of Wisconsin revenue	<u>2,382,224</u>	<u>2,125,154</u>	<u>975,557</u>	<u>-</u>	<u>554,699</u>	<u>-</u>	<u>6,037,634</u>	<u>6,495,420</u>
Local government grants								
City of Milwaukee	-	382,569	40,500	-	33,296	-	456,365	564,133
Milwaukee County	-	-	149,562	-	-	-	149,562	322,271
Dane County	-	-	14,313	-	-	-	14,313	-
Total local government revenue	<u>-</u>	<u>382,569</u>	<u>204,375</u>	<u>-</u>	<u>33,296</u>	<u>-</u>	<u>620,240</u>	<u>886,404</u>
Grants and public support								
Foundation contributions	-	-	-	-	-	380,996	380,996	269,659
Corporate contributions	-	-	-	-	-	431,418	431,418	356,764
Individual donations	-	-	-	-	-	823,291	823,291	574,528
Events - participants	-	-	-	-	-	471,276	471,276	469,074
Events - corporate	-	-	-	-	-	290,750	290,750	253,654
Special events expenses	-	-	-	-	-	(537,031)	(537,031)	(444,121)
Grants to Wisconsin AIDS agencies	-	-	-	-	-	(6,285)	(6,285)	(3,429)
United Way	110,183	131,654	113,076	-	-	-	354,913	348,305
Total private fundraising and support	<u>110,183</u>	<u>131,654</u>	<u>113,076</u>	<u>-</u>	<u>-</u>	<u>1,854,415</u>	<u>2,209,328</u>	<u>1,824,434</u>
Contractual partnerships								
Medical College of Wisconsin	-	76,109	82,591	-	11,173	-	169,873	112,990
NIH - Tulane University	-	-	-	-	-	-	-	410,688
Total contractual partnerships	<u>-</u>	<u>76,109</u>	<u>82,591</u>	<u>-</u>	<u>11,173</u>	<u>-</u>	<u>169,873</u>	<u>523,678</u>
Revenue carried forward	<u>\$ 3,223,529</u>	<u>\$ 3,224,886</u>	<u>\$ 2,024,491</u>	<u>\$ -</u>	<u>\$ 772,319</u>	<u>\$ 1,854,415</u>	<u>\$ 11,099,640</u>	<u>\$ 11,420,327</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
 Year Ended August 31, 2014
 (With summarized totals for the year ended August 31, 2013)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2014 Total	2013 Total
Revenue								
Revenue brought forward	\$ 3,223,529	\$ 3,224,886	\$ 2,024,491	\$ -	\$ 772,319	\$ 1,854,415	\$ 11,099,640	\$ 11,420,327
Reimbursement for services - Medical Center								
Patient payments	60,905	-	-	-	-	-	60,905	8,343
Medicare	126,040	-	-	-	-	-	126,040	193,687
Commercial insurance	111,071	-	-	-	-	-	111,071	75,610
Medicaid	365,121	288,118	-	-	-	-	653,239	311,537
Total reimbursement for services	663,137	288,118	-	-	-	-	951,255	589,177
Pharmacy services								
ARCW pharmacy contribution	-	-	-	-	5,681,888	-	5,681,888	3,718,964
Total pharmacy services	-	-	-	-	5,681,888	-	5,681,888	3,718,964
Other revenue								
Consulting services	-	-	-	-	57,400	-	57,400	36,666
340B Revenue Sharing	91,105	-	-	-	-	-	91,105	-
Interest income	-	-	-	-	4,464	-	4,464	3,570
Rental income	-	32,030	-	-	-	-	32,030	26,138
Miscellaneous income	8,700	81	10,813	-	3,925	-	23,519	5,293
Total other revenue	99,805	32,111	10,813	-	65,789	-	208,518	71,667
Total revenue (carried forward)	\$ 3,986,471	\$ 3,545,115	\$ 2,035,304	\$ -	\$ 6,519,996	\$ 1,854,415	\$ 17,941,301	\$ 15,800,135

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES

Year Ended August 31, 2014

(With summarized totals for the year ended August 31, 2013)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2014 Total	2013 Total
Total revenue (brought forward)	\$ 3,986,471	\$ 3,545,115	\$ 2,035,304	\$ -	\$ 6,519,996	\$ 1,854,415	\$ 17,941,301	\$ 15,800,135
Expenses								
Personnel expenses								
Salaries and wages	2,446,944	1,841,042	1,084,421	223,660	1,425,386	348,356	7,369,809	6,748,474
Payroll taxes	169,848	127,766	75,089	15,531	114,133	24,182	526,549	518,737
Employee benefits	487,417	411,035	281,902	37,371	403,767	54,271	1,675,763	1,376,397
Total personnel expenses	3,104,209	2,379,843	1,441,412	276,562	1,943,286	426,809	9,572,121	8,643,608
Contracted program services	474,681	69,973	179,015	-	-	-	723,669	588,935
Client financial assistance	-	14,635	-	-	-	-	14,635	66,610
Patient financial assistance	110,813	-	-	-	-	-	110,813	134,934
Patient food assistance	-	153,198	-	-	-	-	153,198	109,388
Patient rent assistance	-	500,327	-	-	-	-	500,327	521,768
Patient housing facilities	-	23,515	-	-	-	-	23,515	10,615
Patient parking	22,148	16,200	-	-	-	-	38,348	49,632
Program materials	126,649	25,409	537,466	-	-	-	689,524	659,524
Patient medications	251,547	-	-	-	-	-	251,547	187,753
Patient laboratory	376,975	-	-	-	-	-	376,975	477,074
Employee travel and education	75,227	64,525	48,060	6,782	68,621	9,716	272,931	216,422
Printing and copying	2,508	844	187	1,577	35,115	6,649	46,880	100,723
Professional services	143,334	-	-	30,336	385,136	61,289	620,095	478,335
Telephone	-	-	-	-	178,961	-	178,961	98,976
Insurance	-	9,630	29,239	-	82,945	-	121,814	109,625
Office supplies	1,091	510	388	385	5,032	534	7,940	14,022
Postage and delivery	-	-	77	846	59,542	4,071	64,536	49,829
Meeting costs	1,989	3,050	2,800	1,164	21,306	22,999	53,308	45,696
Recruiting	-	-	-	-	16,923	-	16,923	8,216
Advertising	-	-	-	3,236	-	611	3,847	5,599
Repairs and maintenance	-	1,591	-	-	229,589	-	231,180	132,440
Furniture and equipment	-	-	-	-	50,167	-	50,167	-
Information technology	-	-	-	-	183,611	-	183,611	129,385
Interest expense	-	-	-	-	-	-	-	4,759
Occupancy	112,537	439,572	117,202	-	47,477	9,940	726,728	726,959
Depreciation	170,497	217,530	99,946	17,638	64,671	17,638	587,920	550,720
Licenses and fees	17,477	8,093	521	28,389	24,948	19,875	99,303	82,241
Grant disbursements	-	-	5,000	-	-	-	5,000	5,500
Uncollectible donor pledges	-	-	-	-	-	8,872	8,872	9,000
Loss on disposal of fixed assets	-	-	-	-	183,809	-	183,809	-
Total direct expenses	4,991,682	3,928,445	2,461,313	366,915	3,581,139	589,003	15,918,497	14,218,288
Department allocations	506,606	536,406	417,205	7,450	(1,482,567)	14,900	-	-
Total expenses	5,498,288	4,464,851	2,878,518	374,365	2,098,572	603,903	15,918,497	14,218,288
Change in net assets	\$ (1,511,817)	\$ (919,736)	\$ (843,214)	\$ (374,365)	\$ 4,421,424	\$ 1,250,512	\$ 2,022,804	\$ 1,581,847
Fixed Asset Additions	\$ 149,638	\$ 12,364	\$ -	\$ -	\$ 129,799	\$ -	\$ 291,801	\$ 437,858

AIDS RESOURCE CENTER OF WISCONSIN, INC.
MILWAUKEE AIDS HOUSING CORPORATION

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2014 and 2013

	2014	2013
<u>Revenue</u>		
Rental income	\$ 39,178	\$ 52,832
Foundation contributions	5,000	-
Interest income	74	20
	<u>44,252</u>	<u>52,852</u>
 <u>Expenses</u>		
Management fees	3,000	3,000
Occupancy	16,130	13,963
Security patrol contract	45,138	4,555
Snow removal	675	289
Professional services	5,350	5,050
Insurance	6,868	6,589
Repairs and maintenance	63,381	55,608
Miscellaneous taxes, licenses and permits	605	580
Depreciation	37,769	38,957
	<u>178,916</u>	<u>128,591</u>
Total expenses		
	<u>178,916</u>	<u>128,591</u>
Change in net assets	<u>\$ (134,664)</u>	<u>\$ (75,739)</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
ARCW PHARMACY, LLC

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2014 and 2013

	2014	2013
<u>Revenue</u>		
Gross sales		
Medicaid	\$ 10,247,385	\$ 6,789,974
Medicare	8,589,601	6,726,565
Wisconsin AIDS drug assistance program	7,991,671	10,428,804
Commercial insurance	5,898,782	3,514,687
340B program	23,104	50,292
Patient payments	185,043	150,743
Medical assistance drug program	112,209	82,789
Gross sales	33,047,795	27,743,854
Cost of goods sold	(25,912,060)	(22,548,414)
Net sales revenue	7,135,735	5,195,440
Services provided under contract, net	570,180	401,888
Other program income	3,227	1,600
 Total revenue	 7,709,142	 5,598,928
<u>Expenses</u>		
Salaries	957,066	835,925
Payroll taxes	68,143	63,164
Employee benefits	143,464	106,930
Professional services	323,899	372,517
Office supplies	2,519	3,760
Telephone	21,275	17,250
Postage and delivery	61,914	47,628
Printing and copying	16,688	13,210
Information technology	6,852	7,356
Occupancy	54,806	50,047
Depreciation	31,453	30,688
Employee travel	4,655	1,382
Employee meetings	3,048	5,267
Employee education	3,387	3,305
Insurance	37,429	29,922
Bad debt and uncollectible insurance expense	66,568	96,318
Licenses and fees	49,994	22,728
Advertising	23,099	10,972
Patient care supplies	226	6,421
Other expenses	769	824
 Total operating expenses	 1,877,254	 1,725,614
Net income from operations	5,831,888	3,873,314
Grant disbursements	(5,831,888)	(3,873,314)
 Change in net assets	 \$ -	 \$ -

AIDS RESOURCE CENTER OF WISCONSIN, INC.
ARCW ENDOWMENT FUND, INC.

SCHEDULES OF FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2014 and 2013

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>
<u>Revenue</u>			
Contributions	\$ -	\$ -	\$ -
Interest income	13	-	13
Total revenue	<u>13</u>	<u>-</u>	<u>13</u>
Change in net assets	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 13</u>

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>
<u>Revenue</u>			
Contributions	\$ -	\$ 2,000	\$ 2,000
Interest income	19	-	19
Total revenue	<u>19</u>	<u>2,000</u>	<u>2,019</u>
Change in net assets	<u>\$ 19</u>	<u>\$ 2,000</u>	<u>\$ 2,019</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES
MILWAUKEE COUNTY

Year Ended August 31, 2014

	Milwaukee County Contract: 13-2-01 9/1/2013 - 12/31/2013	Milwaukee County Contract: 13-2-01 1/1/2013 - 12/31/2013	Milwaukee County Contract: 14-2-01 1/1/2014 - 8/31/2014
<u>Revenue</u>			
Milwaukee County - Department of Health and Human Services - Behavioral Health Division	\$ 52,781	\$ 36,485	\$ 60,296
Total revenue	<u>52,781</u>	<u>36,485</u>	<u>60,296</u>
<u>Expenses</u>			
Salaries and wages	13,288	1,154	38,208
Payroll taxes	881	73	2,694
Employee benefits	3,760	441	9,228
Program materials	330	-	486
Employee travel and education	923	-	738
Printing and copying	748	-	1,500
Postage and delivery	832	-	1,667
Office supplies	-	1,333	-
Telephone	500	500	1,000
Occupancy	1,084	-	2,167
Insurance	1,167	-	2,671
Total expenses	<u>23,513</u>	<u>3,501</u>	<u>60,359</u>
Change in net assets	<u>\$ 29,268</u>	<u>\$ 32,984</u>	<u>\$ (63)</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
 SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES
 STATE OF WISCONSIN
 DEPARTMENT OF ADMINISTRATION

Year Ended August 31, 2014

	State of Wisconsin Department of Administration - HOPWA 9/1/2013 - 9/30/2013	State of Wisconsin Department of Administration - HOPWA 10/1/2013 - 8/31/2014
<u>Revenue</u>		
State of Wisconsin		
Department of Commerce - HOPWA	\$ 71,411	\$ 335,541
Total revenue	<u>71,411</u>	<u>335,541</u>
<u>Expenses</u>		
Salaries and wages	6,386	142,502
Payroll taxes	406	9,904
Employee benefits	2,318	31,189
Program materials	-	-
Patient and client contracted services	1,299	45,564
Client assistance	-	-
Client rent assistance	15,166	115,094
Employee travel	-	24
Meeting costs	(38)	-
Professional services	63	688
Printing and copying	83	917
Licenses and Dues	-	380
Postage	124	1,283
Telephone	100	1,100
Occupancy	330	3,630
Insurance	136	1,492
Total expenses	<u>26,373</u>	<u>353,767</u>
Change in net assets	<u>\$ 45,038</u>	<u>\$ (18,226)</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - CITY OF MILWAUKEE

Year Ended August 31, 2014

	<u>City of Milwaukee HOPWA 9/1/2013 - 12/31/2013</u>	<u>City of Milwaukee HOPWA 1/1/2014 - 8/31/2014</u>	<u>City of Milwaukee Prevention 9/1/2013 - 12/31/2013</u>
<u>Revenue</u>			
City of Milwaukee			
Community Development Grants			
Administration	\$ 137,378	\$ 273,987	\$ -
Health Department	-	-	45,000
	<u>137,378</u>	<u>273,987</u>	<u>45,000</u>
Total revenue	<u>137,378</u>	<u>273,987</u>	<u>45,000</u>
<u>Expenses</u>			
Salaries and wages	74,861	178,964	860
Payroll taxes	4,992	12,613	55
Employee benefits	15,973	38,797	484
Patient and client contracted services	6,321	15,652	-
Client rent assistance	30,917	56,611	-
Employee travel	13	-	-
Professional services	1,000	-	-
Licenses and fees	168	-	-
Postage	248	-	-
Occupancy	3,717	-	-
	<u>138,210</u>	<u>302,637</u>	<u>1,399</u>
Total expenses	<u>138,210</u>	<u>302,637</u>	<u>1,399</u>
Change in net assets	<u>\$ (832)</u>	<u>\$ (28,650)</u>	<u>\$ 43,601</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SETTLEMENT OF DHS COST REIMBURSEMENT AWARDS

Year Ended August 31, 2014

DHS identification number	CARS 155900	CARS 155900	CARS 155902
Award amount	\$215,500	\$206,000	\$2,870,994
Award period	01/01/13-12/31/13	01/01/14-12/31/14	07/01/13-06/30/14
Period of award within audit period	09/01/13-12/31/13	01/01/14-08/31/14	09/01/13-06/30/14
Expenditures reported to DHS for payment	\$ 69,130	\$ 107,164	\$ 2,326,066
Actual allowable cost of award			
Program expenses			
Grants and other assistance to individuals in the US	\$ -	\$ -	\$ 61,560
Salaries & wages	38,250	65,109	1,393,169
Employee benefits	14,807	21,225	404,019
Program materials	7,838	512	23,520
Program equipment	3,205	-	-
Employee travel, meetings and education	149	70	23,641
Patient and client parking	-	-	4,123
Employee licenses and dues	-	-	686
Professional services	-	-	201,898
Total program expenses	64,249	86,916	2,112,616
Management and general expenses allocated to program			
Salaries and wages- indirect cost limitations of grant contract	-	-	125,782
Employee benefits	-	-	32,703
Printing and copying	160	-	1,654
Telephone	592	-	-
Vehicle insurance	200	-	-
Shipping and postage	73	-	-
Occupancy	2,880	7,833	175,100
Service contract-software support	6,520	12,415	52,475
Total management and general expense allocated to program	10,425	20,248	387,714
Less program revenue and other offsets to costs	-	-	-
Total allowable costs	\$ 74,674	\$ 107,164	\$ 2,500,330

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SETTLEMENT OF DHS COST REIMBURSEMENT AWARDS

Year Ended August 31, 2014

DHS identification number	CARS 155902	CARS 155908	CARS 155908
Award amount	\$2,877,257	\$432,500	\$497,850
Award period	07/01/14-08/31/15	01/01/13-12/31/13	01/01/14-12/31/14
Period of award within audit period	07/01/14-08/31/14	09/01/13-12/31/13	01/01/14-08/31/14
Expenditures reported to DHS for payment	\$ 509,850	\$ 107,094	\$ 328,975
Actual allowable cost of award			
Program expenses			
Grants and other assistance to individuals in the US	\$ 25,271	\$ -	\$ -
Salaries & wages	284,263	56,923	179,496
Employee benefits	74,546	14,362	54,185
Program materials	937	16,671	36,592
Program equipment	-	-	271
Employee travel, meetings and education	3,308	7,065	1,951
Patient and client parking	-	-	-
Employee licenses and dues	-	-	-
Professional services	4,134	-	3,800
Total program expenses	392,459	95,021	276,295
Management and general expenses allocated to program			
Salaries and wages- indirect cost limitations of grant contract	38,056	-	23,752
Employee benefits	29,986	-	6,176
Printing and copying	334	1,688	2,193
Telephone	-	1,260	-
Vehicle insurance	-	3,775	12,255
Shipping and postage	-	3	-
Occupancy	35,634	3,780	10,000
Service contract-software support	17,374	13,092	-
Total management and general expense allocated to program	121,384	23,598	54,376
Less program revenue and other offsets to costs	-	-	-
Total allowable costs	\$ 513,843	\$ 118,619	\$ 330,671

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SETTLEMENT OF DHS COST REIMBURSEMENT AWARDS

Year Ended August 31, 2014

DHS identification number	CARS 155919	CARS 155919	CARS 155935
Award amount	\$1,327,235	\$1,008,802	\$47,258
Award period	04/01/13-03/31/14	04/01/14-03/31/15	04/01/14-03/31/15
Period of award within audit period	09/01/13-03/31/14	04/01/14-08/31-14	04/01/14-08/31/14
Expenditures reported to DHS for payment	\$ 755,266	\$ 474,401	\$ 43,100
Actual allowable cost of award			
Program expenses			
Grants and other assistance to individuals in the US	\$ 167,770	\$ 40,806	\$ 40,771
Salaries & wages	377,320	225,942	-
Employee benefits	101,241	73,215	-
Program materials	39,657	27,577	-
Program equipment	-	-	-
Employee travel, meetings and education	13,037	7,275	-
Patient and client parking	17,255	16,500	-
Employee licenses and dues	372	-	-
Professional services	187,457	33,282	-
Total program expenses	904,109	424,597	40,771
Management and general expenses allocated to program			
Salaries and wages- indirect cost limitations of grant contract	48,135	38,179	1,848
Employee benefits	12,515	9,927	481
Printing and copying	-	-	-
Telephone	-	-	-
Vehicle insurance	-	-	-
Shipping and postage	-	-	-
Occupancy	-	-	-
Service contract-software support	2,916	2,275	-
Total management and general expense allocated to program	63,566	50,381	2,329
Less program revenue and other offsets to costs	-	-	-
Total allowable costs	\$ 967,675	\$ 474,978	\$ 43,100

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SETTLEMENT OF DHS COST REIMBURSEMENT AWARDS

Year Ended August 31, 2014

DHS identification number	CARS 155925	CARS 155925	CARS 155990
Award amount	\$135,000	\$40,000	\$21,336
Award period	01/01/13-12/31/13	01/01/14-12/31/14	12/01/12-09/30/13
<u>Period of award within audit period</u>	<u>09/01/13-12/31/13</u>	<u>01/01/14-08/31/14</u>	<u>09/01/13-09/30/13</u>
Expenditures reported to DHS for payment	\$ 50,558	\$ 32,770	\$ 589
Actual allowable cost of award			
Program expenses			
Grants and other assistance to individuals in the US	\$ -	\$ -	\$ -
Salaries & wages	28,240	19,845	580
Employee benefits	11,814	21,032	65
Program materials	374	776	-
Program equipment	-	-	-
Employee travel, meetings and education	-	454	-
Patient and client parking	-	-	-
Employee licenses and dues	130	185	-
Professional services	-	-	-
Total program expenses	<u>40,558</u>	<u>42,292</u>	<u>645</u>
Management and general expenses allocated to program			
Salaries and wages- indirect cost limitations of grant contract	7,987	7,307	-
Employee benefits	2,048	1,900	-
Printing and copying	-	-	-
Telephone	-	1,494	-
Vehicle insurance	-	-	-
Shipping and postage	-	-	-
Occupancy	-	-	-
Service contract-software support	-	-	-
Total management and general expense allocated to program	<u>10,035</u>	<u>10,701</u>	<u>-</u>
Less program revenue and other offsets to costs	<u>-</u>	<u>-</u>	<u>-</u>
Total allowable costs	<u>\$ 50,593</u>	<u>\$ 52,993</u>	<u>\$ 645</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SETTLEMENT OF DHS COST REIMBURSEMENT AWARDS

Year Ended August 31, 2014

DHS identification number	CARS 155990	CARS 155994	CARS 533125
Award amount	\$16,086	\$252,560	\$66,680
Award period	09/30/13-09/29/14	09/01/13-08/31/14	01/01/13-12/31/13
Period of award within audit period	09/30/13-08/31/14	09/01/13-08/31/14	09/01/13-12/31/13
Expenditures reported to DHS for payment	\$ 15,964	\$ 234,276	\$ 5,928
Actual allowable cost of award			
Program expenses			
Grants and other assistance to individuals in the US	\$ -	\$ 2,080	\$ -
Salaries & wages	12,795	152,630	18,572
Employee benefits	1,851	45,213	8,043
Program materials	-	829	-
Program equipment	-	-	-
Employee travel, meetings and education	-	4,928	670
Patient and client parking	-	-	-
Employee licenses and dues	-	-	-
Professional services	-	-	-
Total program expenses	<u>14,646</u>	<u>205,680</u>	<u>27,285</u>
Management and general expenses allocated to program			
Salaries and wages- indirect cost limitations of grant contract	1,069	21,790	-
Employee benefits	-	5,666	-
Printing and copying	-	1,140	-
Telephone	-	-	-
Vehicle insurance	-	-	-
Shipping and postage	-	-	-
Occupancy	-	-	-
Service contract-software support	-	-	-
Total management and general expense allocated to program	<u>1,069</u>	<u>28,596</u>	<u>-</u>
Less program revenue and other offsets to costs	<u>-</u>	<u>-</u>	<u>-</u>
Total allowable costs	<u>\$ 15,715</u>	<u>\$ 234,276</u>	<u>\$ 27,285</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SETTLEMENT OF DHS COST REIMBURSEMENT AWARDS

Year Ended August 31, 2014

DHS identification number	CARS 533125	CARS 533126	CARS 533126
Award amount	\$66,680	\$500,000	\$500,000
Award period	01/01/14-12/31/14	01/01/13-12/31/13	01/01/14-12/31/14
Period of award within audit period	01/01/14-08/31/14	09/01/13-12/31/13	01/01/14-08/31/14
Expenditures reported to DHS for payment	\$ 55,053	\$ 197,212	\$ 271,532
Actual allowable cost of award			
Program expenses			
Grants and other assistance to individuals in the US	\$ -	\$ -	\$ -
Salaries & wages	26,590	93,757	158,591
Employee benefits	19,965	39,536	52,250
Program materials	118	7,512	10,832
Program equipment	-	328	5,610
Employee travel, meetings and education	1,204	4,271	4,847
Patient and client parking	-	-	-
Employee licenses and dues	-	-	-
Professional services	1,500	900	-
Total program expenses	49,377	146,304	232,130
Management and general expenses allocated to program			
Salaries and wages- indirect cost limitations of grant contract	4,602	17,254	34,506
Employee benefits	1,196	4,486	8,972
Printing and copying	-	-	-
Telephone	-	-	1,280
Vehicle insurance	-	944	-
Shipping and postage	-	1,660	3,850
Occupancy	-	-	-
Service contract-software support	-	-	-
Total management and general expense allocated to program	5,798	24,344	48,608
Less program revenue and other offsets to costs	-	-	-
Total allowable costs	\$ 55,175	\$ 170,648	\$ 280,738

FEDERAL AND STATE AWARDS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

To the Board of Directors
AIDS Resource Center of Wisconsin, Inc.

Report on Compliance for Each Major Federal and State Program

We have audited AIDS Resource Center of Wisconsin, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of AIDS Resource Center of Wisconsin, Inc.'s major federal and state programs for the year ended August 31, 2014. AIDS Resource Center of Wisconsin, Inc.'s major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of AIDS Resource Center of Wisconsin, Inc.'s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about AIDS Resource Center of Wisconsin, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of AIDS Resource Center of Wisconsin, Inc.'s compliance.

Opinion on Each Major Federal and State Program

In our opinion, AIDS Resource Center of Wisconsin, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of AIDS Resource Center of Wisconsin, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AIDS Resource Center of Wisconsin, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AIDS Resource Center of Wisconsin, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Certified Public Accountants

Milwaukee, Wisconsin
December 5, 2014

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2014

Federal/State Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal and State Expenditures
<u>Federal Expenditures</u>			
U.S. Department of Housing and Urban Development			
Direct Funding			
Housing Opportunities for Persons With AIDS	14.241	-	\$ 731,095
State of Wisconsin - Department of Administration			
Housing Opportunities for Persons With AIDS	14.241	-	406,952
City of Milwaukee - 2013 Program Year			
Housing Opportunities for Persons With AIDS	14.241	C151113A001	137,378
City of Milwaukee - 2014 Program Year			
Housing Opportunities for Persons With AIDS	14.241	C151114A001	<u>273,987</u>
Total CFDA 14.241			<u>1,549,412</u>
Total U.S. Department of Housing and Urban Development			<u>1,549,412</u>
U.S. Department of Justice			
Residential Substance Abuse Treatment for State Prisoners Dane County - Jail Opiate Project	16.593	82714	14,313
U.S. Department of Health and Human Services			
Medical College of Wisconsin			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	-	91,768
Medical College of Wisconsin			
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	-	46,311
Direct Funding			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	-	586,013
Centers for Disease Control and Prevention			
Adult Viral Hepatitis Prevention and Control	93.270	-	170,738
Centers for Disease Control and Prevention			
Prevention Public Health Fund: Viral Hepatitis Prevention	93.736	-	7,322
State of Wisconsin - Department of Health Services			
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155919	1,229,667
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155935	43,100
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155990	17,726
Medical College of Wisconsin			
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	-	<u>31,794</u>
Total CFDA 93.917			1,322,287
Direct Funding			
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program Part C)	93.918	-	523,141
State of Wisconsin - Department of Health Services			
Special Projects of National Significance	93.928	155994	234,276

The accompanying notes are an integral part of this schedule.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2014

Federal/State Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal and State Expenditures
U.S. Department of Health and Human Services, continued			
Diverse and Resilient, Inc. HIV Prevention Activities - Non-Governmental Organization Based	93.939	-	44,255
State of Wisconsin - Department of Health Services HIV Prevention Activities - Health Department based	93.940	155925	58,038
State of Wisconsin - Department of Health Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	155900	51,601
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533125	60,981
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533126	468,744
Milwaukee County - Department of Human Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	570	<u>149,562</u>
Total CFDA 93.959			730,888
Total U.S. Department of Health and Human Services			<u>3,815,037</u>
Total federal expenditures			<u>\$ 5,378,762</u>
<u>State expenditures</u>			
State of Wisconsin - Department of Health Services HIV Prevention IDU	435.155900	155900	\$ 124,693
HIV LCS/EI (GPR)	435.155902	155902	2,835,916
HIV Prevention ASO	435.155908	155908	436,069
HIV Prevention Information and Referral	435.155925	155925	<u>25,290</u>
Total state expenditures			<u>\$ 3,421,968</u>

The accompanying notes are an integral part of this schedule.

AIDS RESOURCE CENTER OF WISCONSIN, INC.
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended August 31, 2014

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of AIDS Resource Center of Wisconsin, Inc. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the *State Single Audit Guidelines*.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Pass-through entity identifying numbers are presented where available.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Housing Opportunities for Persons with AIDS	14.241	\$ 70,607
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	<u>161,380</u>
Total		<u>\$ 231,987</u>

NOTE 3 – FEE FOR SERVICE PAYMENTS

The Schedules of Expenditures of Federal Awards and State Financial Assistance do not include recorded revenues of \$317,864 received by the organization for fee for service arrangements through the City of Milwaukee, State of Wisconsin and Medicaid. The payments are considered a contract for services between the organization and the different agencies and therefore are not reported as federal or state financial assistance.

NOTE 4 – MILWAUKEE AIDS HOUSING CORPORATION, INC.

AIDS Resource Center of Wisconsin, Inc.'s consolidated financial statements include the operations of the Milwaukee Aids Housing Corporation, Inc., a consolidated entity, which received \$680,090 Section 811 capital advance which is not included in the schedule during the year ended August 31, 2014. Our audit, described below, did not include the operations of Milwaukee Aids Housing Corporation, Inc. because a separate single audit report is prepared for Milwaukee Aids Housing Corporation, Inc.

AIDS RESOURCE CENTER OF WISCONSIN, INC.
 Schedule of Findings and Questioned Costs
 Year Ended August 31, 2014

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards and State Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance
93.270	Adult Viral Hepatitis Prevention and Control
93.917	HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program Part C)
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Identification of major state programs:

State ID Number	Name of State Program
435.155900	HIV Prevention IDU
435.155902	HIV LCS/EI (GPR)

Audit threshold used to determine between Type A and Type B programs:

Federal Awards	\$300,000
State Awards	\$100,000
Auditee qualified as low-risk auditee	Yes

AIDS RESOURCE CENTER OF WISCONSIN, INC.
 Schedule of Findings and Questioned Costs(Continued)
 Year Ended August 31, 2014

Section II - Financial Statement Findings

There were no findings noted for the year ended August 31, 2014.

Section III - Federal Award and State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs noted for the year ended August 31, 2014.

Section IV - Other Issues

Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ Yes X No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Health Services	_____	Yes	_____	X	No
Department of Administration	_____	Yes	_____	X	No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? _____ X _____ Yes _____ No

Name and signature of shareholder _____
Terry Strittmater

Date of report December 5, 2014

AIDS RESOURCE CENTER OF WISCONSIN, INC.
Schedule of Prior Year Audit Findings
For the Year Ended August 31, 2014

Prior Year Audit Findings

There were no prior year audit findings.

ADDITIONAL INDEPENDENT AUDITORS' REPORT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
AIDS Resource Center of Wisconsin, Inc.

We have audited, in accordance with the 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, the financial statements of AIDS Resource Center of Wisconsin, Inc., which comprise the statement of financial position as of August 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AIDS Resource Center of Wisconsin, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AIDS Resource Center of Wisconsin, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of AIDS Resource Center of Wisconsin, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AIDS Resource Center of Wisconsin, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants
Milwaukee, Wisconsin
December 5, 2013