AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended August 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 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.

Schenck SC

Certified Public Accountants

Milwaukee, Wisconsin
December 10, 2015

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2015 and 2014

ASSETS	2015	2014
Current assets		
Cash and cash equivalents	$ 7,631,792	$ 3,462,717
Government grants receivable	2,286,885	2,071,035
Contributions receivable, current portion	1,032,142	991,813
ARCW Medical Center receivable	171,535	155,037
ARCW Pharmacy reimbursement receivable	1,464,605	1,584,911
ARCW Pharmacy inventory	1,140,607	1,091,261
Prepaid expenses	157,539	160,002
Other current assets	8,635	14,091
Total current assets	13,893,740	9,530,867
Property and equipment, net	2,953,595	3,092,605
Other assets		
Contributions receivable, long-term portion	102,187	363,257
Deposits	10,123	23,204
HUD restricted escrow account	47,743	44,571
Investments	195,144	-
Endowment investments	490,853	12,954
Total other assets	846,050	443,986
Total assets	$ 17,693,385	$ 13,067,458

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
August 31, 2015 and 2014

LIABILITIES AND NET ASSETS	2015	2014
Current liabilities		
Current portion of capital lease obligations	$ 3,354	$ 6,128
ARCW accounts payable	2,410,169	1,598,066
ARCW Pharmacy accounts payable	203,014	134,370
MAHC accounts payable	3,851	23,647
Accrued payroll and vacation	803,205	326,534
MAHC security deposits	451	451
Refundable advances	1,250,833	1,393,639
Total current liabilities	4,674,877	3,482,835
Capital lease obligations	2,400	5,590
MAHC mortgage	680,090	680,090
Total liabilities	5,357,367	4,168,515
Net assets		
Unrestricted		
ARCW unrestricted funds	4,597,014	3,096,523
ARCW board designated fund	5,008,000	3,000,000
MAHC operating deficit	(853,357)	(744,466)
ARCW property and equipment less related debt	2,267,751	2,400,797
Total unrestricted net assets	11,019,408	7,752,854
Temporarily restricted	800,461	1,133,202
Permanently restricted	516,149	12,887
Total net assets	12,336,018	8,898,943
Total liabilities and net assets	$ 17,693,385	$ 13,067,458

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended August 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Federal government grants				
U.S. Department of Health and Human Services	$ 1,289,055	$ -	$ -	$ 1,289,055
U.S. Department of Housing and Urban Development	690,341	-	-	690,341
State government grants				
Department of Health Services	6,685,035	-	-	6,685,035
Department of Administration	448,854	-	-	448,854
Local government grants				
City of Milwaukee	613,958	-	-	613,958
Milwaukee County	112,060	-	-	112,060
Dane County	60,756	-	-	60,756
Grants and public support				
AIDS Network, Inc. endowment gift	-	-	500,000	500,000
Foundation contributions	264,706	2,500	-	267,206
Corporate contributions	520,754	1,000	-	521,754
Individual contributions	618,075	72,433	3,262	693,770
Special events				
Events - participants	828,144	-	-	828,144
Events - corporate	199,735	-	-	199,735
Special events expenses	(768,713)	-	-	(768,713)
United Way	22,406	359,271	-	381,677
Net assets released from restrictions:				
United Way	308,174	(308,174)	-	-
Foundation contributions	50,000	(50,000)	-	-
Corporate contributions	67,000	(67,000)	-	-
Individual contributions	342,704	(342,704)	-	-
Contractual partnerships				
Medical College of Wisconsin	135,537	-	-	135,537
NIH Tulane University	128,850	-	-	128,850
Reimbursement for services				
ARCW Medical Center	1,165,113	-	-	1,165,113
ARCW Pharmacy	40,600,724	-	-	40,600,724
Rental income	71,953	-	-	71,953
Other income				
340B Revenue sharing	350,966	-	-	350,966
Miscellaneous income	13,602	(67)	-	13,535
Total revenue	54,819,789	(332,741)	503,262	54,990,310
Expenses				
Clinical and program services				
ARCW Medical Center	6,469,044	-	-	6,469,044
ARCW Pharmacy	33,114,783	-	-	33,114,783
ARCW Social Services	5,142,530	-	-	5,142,530
MAHC expenses	161,492	-	-	161,492
Prevention services	3,168,704	-	-	3,168,704
Public affairs	515,383	-	-	515,383
Management and supporting services	2,471,990	-	-	2,471,990
Fund development	675,029	-	-	675,029
Total expenses	51,718,955	-	-	51,718,955
Change in net assets related to operations	3,100,834	(332,741)	503,262	3,271,355
Other changes in net assets:				
Contribution recognized on acquisition of AIDS Network, Inc.	165,720	-	-	165,720
Total change in net assets	3,266,554	(332,741)	503,262	3,437,075
Net assets, beginning of year	7,752,854	1,133,202	12,887	8,898,943
Net assets, end of year	$ 11,019,408	$ 800,461	$ 516,149	$ 12,336,018

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
Revenue				
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	5,586,103	-	-	5,586,103
Department of Administration	406,952	-	-	406,952
Local government grants				
City of Milwaukee	411,365	-	-	411,365
Milwaukee County	149,562	-	-	149,562
Dane County	14,313	-	-	14,313
Grants and public support				
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	1,040,834	-	-	1,040,834
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	45,921,000	692,435	-	46,613,435
Expenses				
Clinical and program services				
ARCW Medical Center	5,498,288	-	-	5,498,288
ARCW Pharmacy	27,939,314	-	-	27,939,314
ARCW 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	44,036,727	-	-	44,036,727
Change in net assets	1,884,273	692,435	-	2,576,708
Net assets, beginning of year	5,868,581	440,767	12,887	6,322,235
Net assets, end of year	$ 7,752,854	$ 1,133,202	$ 12,887	$ 8,898,943

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2015

	Clinical and Program Services	Management and Supporting Services	Fund Development	Total
Expenses				
Personnel expenses				
Salaries and wages	$ 6,441,109	$ 1,717,775	$ 274,844	$ 8,433,728
Payroll taxes	458,347	113,196	19,464	591,007
Employee benefits	1,421,913	346,233	34,201	1,802,347
Total personnel expenses	8,321,369	2,177,204	328,509	10,827,082
Pharmacy cost of sales	30,739,415	-	-	30,739,415
Pharmacy services	2,375,368	-	-	2,375,368
MAHC expenses	161,492	-	-	161,492
Contracted program services	669,939	-	-	669,939
Client financial assistance	221,286	-	-	221,286
Patient financial assistance	29,767	-	-	29,767
Patient food assistance	255,571	75	-	255,646
Patient rent assistance	481,879	-	-	481,879
Patient housing facilities	52,757	-	-	52,757
Patient parking	39,038	3,975	-	43,013
Program materials	792,830	11,414	-	804,244
Patient medications	568,975	-	-	568,975
Patient laboratory	182,811	-	-	182,811
Employee travel and education	264,622	74,106	8,226	346,954
Printing and copying	13,203	43,185	12,191	68,579
Professional services	257,222	402,404	68,310	727,936
Telephone	-	242,313	-	242,313
Insurance	40,549	99,895	-	140,444
Office supplies	8,146	35,219	609	43,974
Postage and delivery	235	63,200	6,921	70,356
Meeting costs	14,079	41,044	22,115	77,238
Recruiting	-	24,840	-	24,840
Advertising	5,827	93	3,450	9,370
Repairs and maintenance	18,434	310,811	-	329,245
Information technology	23,937	541,758	-	565,695
Interest expense	-	59	-	59
Other expenses	-	192	-	192
Occupancy	689,668	45,978	15,326	750,972
Depreciation	533,655	68,258	18,616	620,529
Licenses and fees	51,068	33,205	32,326	116,599
Grant disbursements	5,000	118,500	-	123,500
Uncollectible donor pledges	-	-	46,486	46,486
Total direct functional expenses	46,818,142	4,337,728	563,085	51,718,955
Department allocations	1,753,794	(1,865,738)	111,944	-
Total functional expenses	$ 48,571,936	$ 2,471,990	$ 675,029	$ 51,718,955

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
Expenses				
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	7,202,026	1,943,286	426,809	9,572,121
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 functional expenses	39,866,585	3,581,139	589,003	44,036,727
Department allocations	1,467,667	(1,482,567)	14,900	-
Total functional expenses	$ 41,334,252	$ 2,098,572	$ 603,903	$ 44,036,727

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 3,437,075	$ 2,576,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	688,128	657,142
Change in allowance for uncollectible contributions	9,000	(5,093)
Change in discounts to net present value of contributions receivable	(2,646)	1,825
(Gain) Loss on disposal of property and equipment	(5,061)	183,809
Permanently restricted contributions	(503,262)	-
Noncash contribution recognized on acquisition of AIDS Network, Inc.	(135,601)	-
Change in assets and liabilities:		
Government grants receivable	13,386	(24,848)
Contributions receivable	262,400	(459,924)
ARCW Medical Center reimbursement receivable	(72,930)	(52,267)
ARCW Pharmacy reimbursement receivable	120,306	(782,096)
Pharmacy inventory	(49,346)	(243,858)
Prepaid expenses	6,439	(13,579)
Other current assets	5,456	301
Change in deposits and restricted escrow savings	9,910	(3,087)
ARCW accounts payable	812,103	(85,305)
ARCW pharmacy accounts payable	68,644	56
MAHC accounts payable	(19,796)	10,532
Accrued payroll and vacation	463,350	(15,614)
Refundable advances	(401,072)	292,041
Net cash provided by operating activities	4,706,483	2,036,743
Cash flows from investing activities		
Purchases of property and equipment	(547,051)	(291,801)
Proceeds from disposal of property and equipment	5,061	6,147
Increase in investments	(14,817)	-
Decrease (increase) in endowment investments	(477,899)	(13)
Net cash used by investing activities	(1,034,706)	(285,667)
Cash flows from financing activities		
Payments on capital leases	(5,964)	(11,068)
Permanently restricted contributions	503,262	-
Net cash used by financing activities	497,298	(11,068)
Net increase in cash and cash equivalents	4,169,075	1,740,008
Cash and cash equivalents, beginning of year	3,462,717	1,722,709
Cash and cash equivalents, end of year	$ 7,631,792	$ 3,462,717
Supplemental information		
Cash paid for interest	$ 59	$ -

See accompanying notes to consolidated financial statements.

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, Beloit, 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.
- 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.

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.

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, 2015 and 2014. 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. 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.

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 endowment investments include certificates of deposit held for investment that are not debt securities as well as various marketable equity and fixed income securities with readily determinable fair values.

Fiscal agent – The Organization acts as a fiscal agent for the Latino Health Council. The Organization coordinates the financial activities on behalf of the Latino Health Council through receipt and disbursement of funds. Cash receipts in excess of disbursements are reflected in accounts payable in the Statements of Financial Position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $98,023 and $34,505 during the years ended August 31, 2015 and 2014 and are included in special events expenses. Advertising costs for programming were $9,370 and $3,847 and for recruiting were $24,840 and $16,923 during the years ended August 31, 2015 and 2014, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent events - The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 10, 2015, 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, 2015 and 2014 were $47,743 and $44,571, respectively.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Outstanding contributions receivable at August 31, 2015 and 2014 are as follows:

	2015	2014
Less than one year	$ 1,047,241	$ 997,912
One to five years	103,210	366,926
	1,150,451	1,364,838
Less: allowance for uncollectible contributions	(15,099)	(6,099)
Less: discount to present value	(1,023)	(3,669)
	1,134,329	1,355,070
Contributions receivable, current portion	1,032,142	991,813
Contributions receivable, long-term portion	$ 102,187	$ 363,257

Contributions receivable to be collected in excess of one year are discounted using a rate of 1.00% as of August 31, 2015 and 2014.

NOTE 5 – GOVERNMENT GRANT RECEIVABLE

Government grants receivable consists of the following as of August 31, 2015 and 2014:

	2015	2014
State of Wisconsin -		
Department of Health Services	1,819,144	$ 1,614,920
Department of Administration	106,328	54,573
U.S. Department of Health and Human Services	139,853	173,326
U.S. Department of Housing and Urban Development	59,802	58,668
Medical College of Wisconsin	26,722	64,802
City of Milwaukee	62,322	64,497
Milwaukee County	36,054	13,846
Dane County	28,523	-
Other	8,137	26,403
Total government grants receivable	$ 2,286,885	$ 2,071,035

NOTE 6 – REIMBURSEMENT RECEIVABLE

ARCW Medical Center 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 receivable is recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts.

Gross receivables were $186,951 and $163,221, less allowances of $15,416 and $8,184, for a net expected reimbursement receivable of $171,535 and $155,037 at August 31, 2015 and 2014, respectively. ARCW Medical Center receivables are expected to be collected within one year from August 31, 2015.

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 $1,698,203 and $1,749,009, less allowances of $233,598 and $164,098, for a net expected reimbursement receivable of $1,464,605 and $1,584,911 at August 31, 2015 and 2014, respectively. ARCW Pharmacy reimbursement receivables are expected to be collected within one year from August 31, 2015.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2015 and 2014:

	2015	2014
Land	$ 200	$ 200
Garden View Apartments	761,717	761,717
Leasehold improvements	3,311,869	2,828,420
Furniture and fixtures	790,001	781,679
Office equipment and technology	1,231,145	1,127,306
Motor vehicles	121,484	158,583
Health care equipment	614,769	601,774
Pharmacy equipment	7,460	7,460
Leased office equipment	148,125	148,125
Construction in progress	-	67,554
Total property and equipment	6,986,770	6,482,818
Less accumulated depreciation	(4,033,175)	(3,390,213)
Net property and equipment	$ 2,953,595	$ 3,092,605

NOTE 8 – OPERATING LEASES

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

Future minimum lease payments under operating leases are as follows:

Year Ending August 31,	
2016	$ 681,472
2017	661,572
2018	624,899
2019	609,498
2020	614,070
Thereafter	1,498,189
Total	$4,689,700

Rent and related occupancy expenses on the above operating leases and other month-to-month leases was $766,297 and $733,355 for the years ended August 31, 2015 and 2014, respectively.

NOTE 9 – CAPITAL LEASE OBLIGATIONS

Equipment under capital leases consists of two copy machines with a net combined capitalized cost of $16,770 and accumulated depreciation of $11,180. Depreciation expense reported in the statement of activities includes $6,228 for the equipment under capital lease.

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

Years ending August 31,	
2016	$ 3,354
2017	2,400
Total minimum future lease payments	$ 5,754
Less: current portion of capital lease obligations	3,354
Long-term portion of capital lease obligations	$ 2,400

NOTE 10 – REFUNDABLE ADVANCES

Refundable advances consist of funds that were received by the Organization as of August 31, 2015 and 2014 for use in the subsequent fiscal years:

	2015	2014
State of Wisconsin - Department of Health Services	$ 1,250,833	$ 1,393,639

NOTE 11 – LINE OF CREDIT

The Organization has a line of credit with a bank of $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, 2016. The line of credit is secured by the ARCW Pharmacy inventory, ARCW Pharmacy accounts receivable, and other general assets of the Organization. The line of credit had a zero balance at August 31, 2015 and 2014.

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 Wisconsin law, the Organization has elected the reimbursement financing method for unemployment compensation. As of August 31, 2015 and 2014, the Organization has a letter of credit available for the payment of unemployment compensation claims.

NOTE 14 – 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 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. However, during the year ended August 31, 2015, in conjunction with the merger of AIDS Network, Inc. as further explained in Note 18, a gift of $500,000 was made to the ARCW Endowment Fund. Currently, the assets of the endowment are held in certificates of deposit totaling $12,969, marketable equity securities of $413,285 and fixed income securities of $64,599 with readily determinable fair values as of August 31, 2015.

NOTE 14 – ENDOWMENT (CONTINUED)

Endowment investment and net asset composition as of August 31, 2015 and 2014 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Certificates of deposit	$ -	$ 82	$ 12,887	$ 12,969
Cash	-	-	3,262	3,262
Investments	(22,034)	(82)	496,738	474,622
Total	$ (22,034)	$ -	$ 512,887	$ 490,853

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Certificates of deposit	$ -	$ 67	$ 12,887	$ 12,954
Total	$ -	$ 67	$ 12,887	$ 12,954

Changes in endowment investment and net asset composition for the years ended August 31, 2015 and 2014 are provided as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Endowment net assets, beginning of year	$ -	$ 67	$ 12,887	$ 12,954
Contributions	-	-	500,000	500,000
Investment loss	(22,034)	(82)	-	(22,116)
Interest income	-	15	-	15
Endowment net assets, end of year	$ (22,034)	$ -	$ 512,887	$ 490,853

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Endowment net assets, beginning of year	$ -	$ 54	$ 12,887	$ 12,941
Interest income	-	13	-	13
Endowment net assets, end of year	$ -	$ 67	$ 12,887	$ 12,954

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 $5,008,000 and $3,000,000 as of August 31, 2015 and 2014, 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, 2015 and 2014 consist of the following:

	2015	2014
United Way	$ 385,493	$ 334,396
Foundation contributions	2,500	50,000
Corporate contributions	1,000	67,000
Individual contributions	412,491	685,408
Endowment interest income	-	67
Less: present value discount for long term contributions	(1,023)	(3,669)
Total temporarily restricted net assets	$ 800,461	$ 1,133,202

Permanently restricted net assets as of August 31, 2015 and 2014 consist of the following:

	2015	2014
Endowment certificates of deposit	$ 12,887	$ 12,887
Endowment investments	496,738	-
Total permanently restricted net assets	$ 516,149	$ 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, 2015 and 2014. Net assets released from restrictions consist of the following for the years ended August 31, 2015 and 2014:

	2015	2014
United Way	$ 308,174	$ 300,635
Foundation contributions	50,000	-
Corporate contributions	67,000	50,000
Individual contributions	342,704	13,700
Total	$ 767,878	$ 364,335

NOTE 18 – MERGER OF AIDS NETWORK, INC.

On February 1, 2015, ARCW merged operations with AIDS Network, Inc. (an unrelated non-profit organization). Prior to the merger, the Aids Network, Inc. Board made a gift to the ARCW Endowment Fund of $500,000 (see Note 14). Under terms of the transaction, no consideration was transferred and AIDS Network, Inc. was dissolved. Pursuant to Generally Accepted Accounting Principles, the Organization accounted for the transaction as an acquisition recognizing the underlying assets and liabilities acquired at fair value resulting in a contribution of $165,720 being recognized in the statement of activities.

The valuation of assets acquired at February 1, 2015 is as follows:

Cash	$ 30,120
Grants and contributions receivable	220,817
Prepaid expenses	3,976
Investments	180,327
Property and equipment	2,067
Accounts payable and accrued expenses	(13,321)
Refundable advances	(258,266)
Contribution recognized on acquisition of AIDS Network, Inc.	$ 165,720

NOTE 19 – 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 $3,127,667 and $3,103,729 and are summarized for the years ended August 31, 2015 and 2014 as follows:

	2015	2014
Contractual allowances	$ 1,571,149	$ 1,262,206
Patient subsidy	774,965	1,102,188
Patient medications	568,975	251,547
Patient laboratory testing	182,811	376,975
Patient assistance	29,767	110,813
Total	$ 3,127,667	$ 3,103,729

NOTE 20 – 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 Organization's 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, 2015 and 2014:

	2015	2014
ARCW Medical Center		
Medical Clinic	$ 3,439,129	$ 3,117,926
Dental Clinic	1,547,353	1,133,834
Behavioral Health and Wellness Clinic	1,482,562	1,246,528
Total ARCW Medical Center expenses	$ 6,469,044	$ 5,498,288
ARCW Social Services		
Case management	$ 2,905,491	$ 2,514,382
Housing services	1,304,500	1,273,855
Food services	686,473	482,756
Legal services	246,066	193,858
Total ARCW Social Services expenses	$ 5,142,530	$ 4,464,851

NOTE 21 – RELATED PARTIES

During the years ended August 31, 2015 and 2014, the Organization incurred expenses with entities or individuals considered to be related parties and are disclosed as follows. Auctioneer services in the amount of $3,004 and $5,500 were purchased for the Organization's annual special event from a company owned by the brother-in-law of a vice-president of the Organization. Purchases of $0 and $30,494 were made from a furniture company whose owner is the spouse of a board member. Legal fees of $5,365 and $26,681 were paid to a law firm for which a principal of the firm is a board member. Fees of $11,802 and $0 were paid to an insurance company in which the husband of a board member is an agent. In addition, the Organization's board of directors and staff has made donations totaling $86,268 and $57,083 during the years ended August 31, 2015 and 2014. None of these related party activities had an adverse effect on any governmental or privately funded programs.

NOTE 22 – IN-KIND GOODS AND SERVICES

In-kind goods and services included in the accompanying consolidated financial statements have an estimated value of $62,486 and $80,632 for the years ended August 31, 2015 and 2014, respectively. The Organization received $41,184 and $54,296 of medical services and $21,302 and $26,336 of furniture, respectively.

NOTE 23 – RETIREMENT PLANS

The Organization maintains a flexible investment in a safe harbor 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 $258,844 and $258,786 for the years ended August 31, 2015 and 2014.

NOTE 24 – CONTINGENCIES

In the normal course of business, the Organization is involved in litigation incidental to the conduct of the business. The Organization 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.

SUPPLEMENTARY INFORMATION

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Year Ended August 31, 2015
(With summarized totals for the year ended August 31, 2014)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2015 Total	2014 Total
Revenue								
Federal government grants								
U.S. Department of Health and Human Services	$ 643,557	$ 23,918	$ 499,335	$ -	$ 122,245	$ -	$ 1,289,055	$ 1,331,470
U.S. Department of Housing and Urban Development	198,123	471,508	-	-	20,710	-	690,341	731,095
Total federal revenue	841,680	495,426	499,335	-	142,955	-	1,979,396	2,062,565
State government grants								
Department of Health Services	2,653,759	2,087,115	1,314,441	-	629,720	-	6,685,035	5,584,930
Department of Administration	-	417,434	-	-	31,420	-	448,854	406,952
Total State of Wisconsin revenue	2,653,759	2,504,549	1,314,441	-	661,140	-	7,133,889	5,991,882
Local government grants								
City of Milwaukee	-	398,931	166,500	-	48,527	-	613,958	411,365
Milwaukee County	-	-	112,060	-	-	-	112,060	149,562
Dane County	-	-	51,938	-	8,818	-	60,756	14,313
Total local government revenue	-	398,931	330,498	-	57,345	-	786,774	575,240
Grants and public support								
Foundation contributions	-	-	-	-	-	314,706	314,706	380,996
Corporate contributions	-	-	-	-	-	587,754	587,754	429,574
Individual donations	-	-	-	-	9,456	951,323	960,779	821,291
Events - participants	-	-	-	-	-	828,144	828,144	471,276
Events - corporate	-	-	-	-	-	199,735	199,735	290,750
Special events expenses	-	-	-	-	-	(768,713)	(768,713)	(537,031)
Grants to Wisconsin AIDS agencies	-	-	-	-	-	-	-	(6,285)
United Way	94,215	150,415	85,951	-	-	-	330,580	354,892
Total private fundraising and support	94,215	150,415	85,951	-	9,456	2,112,949	2,452,985	2,205,463
Contractual partnerships								
Medical College of Wisconsin	-	47,548	78,008	-	9,981	-	135,537	169,873
NIH - Tulane University	-	-	128,850	-	-	-	128,850	-
Total contractual partnerships	-	47,548	206,858	-	9,981	-	264,387	169,873
Revenue carried forward	$ 3,589,654	$ 3,596,869	$ 2,437,083	$ -	$ 880,877	$ 2,112,949	$ 12,617,431	$ 11,005,023

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Year Ended August 31, 2015
(With summarized totals for the year ended August 31, 2014)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2015 Total	2014 Total
Revenue								
Revenue brought forward	$ 3,589,654	$ 3,596,869	$ 2,437,083	$ -	$ 880,877	$ 2,112,949	$ 12,617,431	$ 11,005,023
Reimbursement for services - Medical Center								
Patient payments	(26,630)	-	3,334	-	-	-	(23,296)	60,905
City of Milwaukee	-	-	-	-	-	-	-	45,000
Medicare	185,918	-	-	-	-	-	185,918	126,040
Commercial insurance	438,115	-	-	-	-	-	438,115	111,071
Medicaid	205,640	358,736	-	-	-	-	564,376	695,739
Other	-	-	-	-	-	-	-	3,252
Total reimbursement for services	803,043	358,736	3,334	-	-	-	1,165,113	1,042,007
Pharmacy services								
ARCW pharmacy contribution	-	-	-	-	7,485,941	-	7,485,941	5,681,888
Total pharmacy services	-	-	-	-	7,485,941	-	7,485,941	5,681,888
Other revenue								
Consulting services	-	-	-	-	-	-	-	57,400
340B Revenue sharing	350,966	-	-	-	-	-	350,966	91,105
Investment income	-	-	-	-	14,283	-	14,283	4,464
Rental income	-	19,426	-	-	-	-	19,426	32,030
Gain on disposal of fixed asset	-	-	-	-	5,061	-	5,061	-
Miscellaneous income	7,510	-	24,180	-	4,930	-	16,220	23,517
Total other revenue	358,476	19,426	24,180	-	24,274	-	405,956	208,516
Total revenue (carried forward)	$ 4,751,173	$ 3,975,031	$ 2,464,597	$ -	$ 8,391,092	$ 2,112,949	$ 21,674,441	$ 17,937,434

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Year Ended August 31, 2015
(With summarized totals for the year ended August 31, 2014)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2015 Total	2014 Total
Total revenue (brought forward)	$ 4,751,173	$ 3,975,031	$ 2,464,597	$ -	$ 8,391,092	$ 2,112,949	$ 21,674,441	$ 17,937,434
Expenses								
Personnel expenses								
Salaries and wages	2,979,689	1,963,866	1,258,969	238,585	1,717,775	274,844	8,433,728	7,369,809
Payroll taxes	212,701	139,430	89,300	16,916	113,196	19,464	591,007	526,549
Employee benefits	609,127	413,693	350,015	49,078	346,233	34,201	1,802,347	1,675,763
Total personnel expenses	3,801,517	2,516,989	1,698,284	304,579	2,177,204	328,509	10,827,082	9,572,121
Contracted program services	499,078	58,403	112,458	-	-	-	669,939	723,669
Client financial assistance	3,196	218,090	-	-	-	-	221,286	14,635
Patient financial assistance	29,660	-	107	-	-	-	29,767	110,813
Patient food assistance	73	255,498	-	-	75	-	255,646	153,198
Patient rent assistance	-	481,879	-	-	-	-	481,879	500,327
Patient housing facilities	-	52,757	-	-	-	-	52,757	23,515
Patient parking	21,938	17,100	-	-	3,975	-	43,013	38,348
Program materials	125,812	31,785	634,415	818	11,414	-	804,244	689,524
Patient medications	568,975	-	-	-	-	-	568,975	251,547
Patient laboratory	182,811	-	-	-	-	-	182,811	376,975
Employee travel and education	76,902	89,369	85,037	13,314	74,106	8,226	346,954	272,931
Printing and copying	452	783	-	11,968	43,185	12,191	68,579	46,880
Professional services	172,368	8,462	-	76,392	402,404	68,310	727,936	620,095
Telephone	-	-	-	-	242,313	-	242,313	178,961
Insurance	-	15,128	25,421	-	99,895	-	140,444	121,814
Office supplies	5,456	1,263	1,148	279	35,219	609	43,974	7,940
Postage and delivery	-	16	6	213	63,200	6,921	70,356	64,536
Meeting costs	3,772	3,203	4,727	2,377	41,044	22,115	77,238	53,308
Recruiting	-	-	-	-	24,840	-	24,840	16,923
Advertising	-	-	31	5,796	93	3,450	9,370	3,847
Repairs and maintenance	-	18,399	35	-	310,811	-	329,245	231,180
Furniture and equipment	-	-	-	-	-	-	-	50,167
Information technology	23,492	134	-	311	541,758	-	565,695	183,611
Interest expense	-	-	-	-	59	-	59	-
Other expenses	-	-	-	-	192	-	192	-
Occupancy	122,608	429,126	122,608	15,326	45,978	15,326	750,972	726,728
Depreciation	179,953	229,596	105,490	18,616	68,258	18,616	620,529	587,920
Licenses and fees	16,630	5,570	789	28,079	33,205	32,326	116,599	99,303
Grant disbursements	-	-	5,000	-	118,500	-	123,500	5,000
Uncollectible donor pledges	-	-	-	-	-	46,486	46,486	8,872
Loss on disposal of fixed assets	-	-	-	-	-	-	-	183,809
Total direct expenses	5,834,693	4,433,550	2,795,556	478,068	4,337,728	563,085	18,442,680	15,918,497
Department allocations	634,351	708,980	373,148	37,315	(1,865,738)	111,944	-	-
Total expenses	6,469,044	5,142,530	3,168,704	515,383	2,471,990	675,029	18,442,680	15,918,497
Change in net assets	$ (1,717,871)	$ (1,167,499)	$ (704,107)	$ (515,383)	$ 5,919,102	$ 1,437,920	$ 3,231,761	$ 2,018,937
Fixed Asset Additions	$ 280,532	$ 23,179	$ -	$ -	$ 243,339	$ -	$ 547,051	$ 291,801

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

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2015 and 2014

	2015	2014
Revenue		
Rental income	$ 52,527	$ 39,178
Foundation contributions	-	5,000
Interest income	73	74
Total revenue	52,600	44,252
Expenses		
Management fees	3,000	3,000
Occupancy	11,683	16,130
Security patrol contract	39,778	45,138
Snow removal	53	675
Professional services	5,450	5,350
Insurance	8,217	6,868
Repairs and maintenance	56,759	63,381
Miscellaneous taxes, licenses and permits	136	605
Depreciation	36,416	37,769
Total expenses	161,492	178,916
Change in net assets	$ (108,892)	$ (134,664)

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

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2015 and 2014

	2015	2014
Revenue		
Gross sales		
Medicaid	$ 14,776,650	$ 10,247,385
Medicare	11,798,236	8,589,601
Wisconsin AIDS drug assistance program	3,995,307	7,991,671
Commercial insurance	8,767,617	5,898,782
340B program	7,590	23,104
Patient payments	239,220	185,043
Medical assistance drug program	222,282	112,209
Gross sales	39,806,902	33,047,795
Cost of goods sold	(30,739,415)	(25,912,060)
Net sales revenue	9,067,487	7,135,735
Services provided under contract, net	792,386	570,180
Other program income	1,436	3,227
Total revenue	9,861,309	7,709,142
Expenses		
Salaries	1,147,145	957,066
Payroll taxes	79,662	68,143
Employee benefits	156,163	143,464
Professional services	331,655	323,899
Office supplies	32,108	2,519
Telephone	26,881	21,275
Postage and delivery	66,705	61,914
Printing and copying	25,365	16,688
Information technology	32,202	6,852
Occupancy	82,627	54,806
Depreciation	31,183	31,453
Employee travel	9,312	4,655
Employee meetings	4,477	3,048
Employee education	5,369	3,387
Insurance	46,360	37,429
Bad debt and uncollectible insurance expense	69,500	66,568
Licenses and fees	52,062	49,994
Advertising	23,966	23,099
Patient care supplies	326	226
Other expenses	2,300	769
Total operating expenses	2,225,368	1,877,254
Net income from operations	7,635,941	5,831,888
Grant disbursements	(7,635,941)	(5,831,888)
Change in net assets	$ -	$ -

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

SCHEDULES OF FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2015 and 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Revenue				
Contributions	$ -	$ -	$ 503,262	$ 503,262
Interest income	-	15	-	15
Investment loss	(22,034)	(82)	-	(22,116)
Total revenue	(22,034)	(67)	503,262	481,161
Change in net assets	$ (22,034)	$ (67)	$ 503,262	$ 481,161

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Revenue				
Interest income	$ -	$ 13	$ -	$ 13
Total revenue	-	13	-	13
Change in net assets	$ -	$ 13	$ -	$ 13

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

Year Ended August 31, 2015

	Milwaukee County Contract: 14-2-01 9/1/2014 - 12/31/2014	Milwaukee County Contract: 15-2-01 1/1/2015 - 08/31/2015
Revenue		
Milwaukee County - Department of Health and Human Services - Behavioral Health Division	$ 35,917	$ 76,143
Total revenue	35,917	76,143
Expenses		
Salaries and wages	19,432	40,902
Payroll taxes	1,284	2,862
Employee benefits	5,213	21,073
Program materials	2,425	-
Employee travel and education	551	2,777
Meeting costs	-	-
Printing and copying	1,367	1,167
Postage and delivery	1,518	1,667
Telephone	911	1,000
Occupancy	1,974	2,000
Insurance	1,242	2,695
Total expenses	35,917	76,143
Change in net assets	$ -	$ -

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

Year Ended August 31, 2015

	State of Wisconsin Department of Administration - HOPWA 9/1/2014 - 12/31/2014	State of Wisconsin Department of Administration - HOPWA 1/1/2015- 8/31/2015
Revenue		
State of Wisconsin		
Department of Commerce - HOPWA	$ 92,822	$ 356,032
Total revenue	92,822	356,032
Expenses		
Salaries and wages	5,559	170,576
Payroll taxes	374	11,730
Employee benefits	2,241	35,081
Patient and client contracted services	636	44,755
Client rent assistance	67,567	88,570
Program materials	-	285
Employee travel	41	72
Professional services	63	770
Licenses and fees	-	1,100
Postage and Printing	950	2,200
Telephone	100	1,833
Occupancy	370	3,667
Insurance	136	1,921
Total expenses	78,037	362,560
Change in net assets	$ 14,785	$ (6,528)

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

Year Ended August 31, 2015

	City of Milwaukee HOPWA 9/1/2014 - 12/31/2014	City of Milwaukee HOPWA 1/1/2015 - 8/31/2015
Revenue		
City of Milwaukee		
Community Development Grants		
Administration	$ 201,870	$ 227,088
Total revenue	201,870	227,088
Expenses		
Salaries and wages	83,204	159,094
Payroll taxes	5,508	11,152
Employee benefits	19,657	36,743
Patient and client contracted services	9,348	-
Client rent assistance	47,025	51,075
Employee travel	-	181
Occupancy	7,128	-
Insurance	1,350	-
Total expenses	173,220	258,245
Change in net assets	$ 28,650	$ (31,157)

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

Year Ended August 31, 2015

DHS Identification Number	CARS 155900	CARS 155900	CARS 155902
Award amount	$206,000	$241,987	$3,144,217
Award period	01/01/14-12/31/14	01/01/15-12/31/15	07/01/14-06/30/15
Period of Award within audit period	09/01/14-12/31/14	01/01/15-08/31/15	09/01/14-06/30/15
Expenditures Reported to DHS for payment	$ 98,836	$ 175,583	$ 2,634,367
Actual allowable cost of award			
Program Expenses			
Grants and other assistance to individuals in the US	-	-	206,021
Salaries & wages	33,067	85,318	1,441,237
Employee Benefits	11,436	24,123	379,907
Program Materials	47,208	31,995	1,619
Program Equipment	54	1,141	-
Employee Travel, meetings and education	-	32	18,406
Patient/Client Parking	-	-	-
Employee Licenses & Dues	-	95	-
Professional Services	-	-	20,670
	-	-	-
Total Program Expenses	91,765	142,704	2,067,860
Management and General expenses allocated to program			
Salaries & wages- indirect cost limitations of grant contract	4,408	9,935	189,194
Employee Benefits	1,800	4,058	77,276
Directory Advertising	-	-	-
Telephone	-	-	-
Vehicle Insurance	-	2,695	-
Shipping and Postage	-	-	495
Occupancy	3,917	7,333	201,973
Service Contract-Software Support	-	-	92,866
Total Management and General expense allocated to program	10,125	24,448	563,474
Less program revenue and other offsets to costs	-	-	-
Total Allowable Costs	$ 101,890	$ 167,152	$ 2,631,334

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

Year Ended August 31, 2015

DHS Identification Number	**CARS 155902**	**CARS 155908**	**CARS 155908**
Award amount	**$3,677,000**	**$497,850**	**$560,470**
Award period	**07/01/15-06/30/16**	**01/01/14-12/31/14**	**01/01/15-12/31/15**
Period of Award within audit period	**07/01/15-08/31/15**	**09/01/14-12/31/14**	**01/01/15-08/31/15**
Expenditures Reported to DHS for payment	$ 577,519	$ 168,875	$ 433,314
Actual allowable cost of award			
Program Expenses			
Grants and other assistance to individuals in the US	59,843	-	-
Salaries & wages	337,537	87,611	211,369
Employee Benefits	77,654	27,963	60,545
Program Materials	617	23,422	87,987
Program Equipment	-	-	-
Employee Travel, meetings and education	2,574	1,206	2,516
Patient/Client Parking	-	-	-
Employee Licenses & Dues	-	-	-
Professional Services	3,333	15,200	-
	-	-	-
Total Program Expenses	481,558	155,402	362,417
Management and General expenses allocated to program			
Salaries & wages- indirect cost limitations of grant contract	43,511	10,627	24,174
Employee Benefits	17,772	4,340	9,874
Directory Advertising	-	-	-
Telephone	-	-	-
Vehicle Insurance	-	3,726	5,390
Shipping and Postage	-	-	6
Occupancy	39,516	5,000	8,667
Service Contract-Software Support	14,246	-	-
Total Management and General expense allocated to program	115,712	24,789	50,486
Less program revenue and other offsets to costs	-	-	-
Total Allowable Costs	$ 597,270	$ 180,191	$ 412,903

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

Year Ended August 31, 2015

DHS Identification Number	**CARS 155919**	**CARS 155919**	**CARS 155925**
Award amount	**$1,376,575**	**$1,407,731**	**$40,000**
Award period	**04/01/14-03/31/15**	**04/01/15-03/31/16**	**01/01/14-12/31/14**
Period of Award within audit period	**08/01/14-03/31/15**	**04/01/15-04/01/15**	**09/01/14-12/31/14**
Expenditures Reported to DHS for payment	$ 902,174	$ 426,578	$ 7,230
Actual allowable cost of award			
Program Expenses			
Grants and other assistance to individuals in the US	14,773	17,348	-
Salaries & wages	423,027	279,362	8,820
Employee Benefits	129,292	71,742	4,627
Program Materials	35,675	5,470	243
Program Equipment	-	-	-
Employee Travel, meetings and education	9,634	9,160	-
Patient/Client Parking	23,883	16,417	-
Employee Licenses & Dues	1,140	-	133
Professional Services	177,544	-	-
	-	-	-
Total Program Expenses	814,968	399,499	13,823
Management and General expenses allocated to program			
Salaries & wages- indirect cost limitations of grant contract	59,886	41,645	861
Employee Benefits	24,460	17,010	351
Directory Advertising	-	-	31
Telephone	-	-	1,041
Vehicle Insurance	-	-	-
Shipping and Postage	-	-	-
Occupancy	-	-	-
Service Contract-Software Support	7,385	-	-
Total Management and General expense allocated to program	91,731	58,655	2,284
Less program revenue and other offsets to costs	-	-	-
Total Allowable Costs	$ 906,699	$ 458,154	$ 16,107

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

Year Ended August 31, 2015

DHS Identification Number	**CARS 155925**	**CARS 155935**	**CARS 155935**
Award amount	**$40,000**	**$55,888**	**$28,669**
Award period	**01/01/15-12/31/15**	**04/01/14-03/31/15**	**04/01/15-03/31/16**
Period of Award within audit period	**01/01/15-08/31/15**	**09/01/14-03/31/15**	**04/01/15-08/31/15**
Expenditures Reported to DHS for payment	$ 36,431	$ 12,788	$ 13,783
Actual allowable cost of award			
Program Expenses			
Grants and other assistance to individuals in the US	-	-	-
Salaries & wages	19,869	-	6,616
Employee Benefits	13,926	9,528	1,914
Program Materials	103	-	4,058
Program Equipment	-	-	-
Employee Travel, meetings and education	5	-	-
Patient/Client Parking	-	-	-
Employee Licenses & Dues	-	-	-
Professional Services	-	-	-
	-	-	-
Total Program Expenses	33,903	9,528	12,588
Management and General expenses allocated to program			
Salaries & wages- indirect cost limitations of grant contract	1,651	2,315	848
Employee Benefits	674	945	347
Directory Advertising	-	-	-
Telephone	203	-	-
Vehicle Insurance	-	-	-
Shipping and Postage	-	-	-
Occupancy	-	-	-
Service Contract-Software Support	-	-	-
Total Management and General expense allocated to program	2,528	3,260	1,195
Less program revenue and other offsets to costs	-	-	-
Total Allowable Costs	$ 36,431	$ 12,788	$ 13,783

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

Year Ended August 31, 2015

DHS Identification Number	**CARS 155958**	**CARS 155990**	**CARS 155990**
Award amount	**$35,000**	**$16,086**	**$124,964**
Award period	**01/01/14-12/31/14**	**10/01/13-09/30/14**	**10/01/14-09/30/15**
Period of Award within audit period	**09/01/14-12/31/14**	**09/01/14-09/30/14**	**10/01/14-08/31/15**
Expenditures Reported to DHS for payment	$ 35,000	$ 122	$ 124,362
Actual allowable cost of award			
Program Expenses			
Grants and other assistance to individuals in the US	-	-	-
Salaries & wages	-	-	86,082
Employee Benefits	-	-	28,041
Program Materials	32,286	-	53
Program Equipment	-	-	-
Employee Travel, meetings and education	-	-	-
Patient/Client Parking	-	-	-
Employee Licenses & Dues	-	-	-
Professional Services	-	-	-
	-	-	-
Total Program Expenses	32,286	-	114,176
Management and General expenses allocated to program			
Salaries & wages- indirect cost limitations of grant contract	1,146	87	7,232
Employee Benefits	468	35	2,954
Directory Advertising	-	-	-
Telephone	-	-	-
Vehicle Insurance	-	-	-
Shipping and Postage	1,100	-	-
Occupancy	-	-	-
Service Contract-Software Support	-	-	-
Total Management and General expense allocated to program	2,714	122	10,186
Less program revenue and other offsets to costs	-	-	-
Total Allowable Costs	$ 35,000	$ 122	$ 124,362

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

Year Ended August 31, 2015

DHS Identification Number	**CARS 155994**	**CARS 155994**	**CARS 170000**
Award amount	**$252,560**	**$197,560**	**$90,131**
Award period	**09/01/13-8/31/14**	**09/01/14-08/31/15**	**07/01/14-06/30/15**
Period of Award within audit period	**09/01/2014-10/31/14**	**09/01/14-08/31/15**	**09/01/14-06/30/15**
Expenditures Reported to DHS for payment	$ 18,284	$ 191,506	$ 82,173
Actual allowable cost of award			
Program Expenses			
Grants and other assistance to individuals in the US	-	-	-
Salaries & wages	-	116,832	57,989
Employee Benefits	-	22,031	6,862
Program Materials	-	7,969	17,322
Program Equipment	-	2,294	-
Employee Travel, meetings and education	-	17,564	-
Patient/Client Parking	-	200	-
Employee Licenses & Dues	-	-	-
Professional Services	-	-	-
	-	-	-
Total Program Expenses	-	166,890	82,173
Management and General expenses allocated to program			
Salaries & wages- indirect cost limitations of grant contract	125	15,305	-
Employee Benefits	51	6,251	-
Directory Advertising	-	-	-
Telephone	-	2,160	-
Vehicle Insurance	-	-	-
Shipping and Postage	-	-	-
Occupancy	-	-	-
Service Contract-Software Support	-	-	-
Total Management and General expense allocated to program	176	24,616	-
Less program revenue and other offsets to costs	-	-	-
Total Allowable Costs	$ 176	$ 191,506	$ 82,173

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

Year Ended August 31, 2015

DHS Identification Number	**CARS 170000**	**CARS 533125**	**CARS 533125**
Award amount	**$90,131**	**$66,680**	**$66,680**
Award period	**07/01/15-06/30/16**	**01/01/15-12/31/15**	**01/01/14-12/31/14**
Period of Award within audit period	**09/01/14-06/30/15**	**01/01/15-08/31/15**	**09/01/14-12/31/14**
Expenditures Reported to DHS for payment	$ 23,999	$ 56,016	$ 11,627
Actual allowable cost of award			
Program Expenses			
Grants and other assistance to individuals in the US	-	-	-
Salaries & wages	19,833	32,563	13,770
Employee Benefits	2,464	19,341	7,758
Program Materials	1,702	1,821	-
Program Equipment	-	-	-
Employee Travel, meetings and education	-	-	234
Patient/Client Parking	-	-	-
Employee Licenses & Dues	-	-	-
Professional Services	-	-	1,500
	-	-	-
Total Program Expenses	23,999	53,725	23,262
Management and General expenses allocated to program			
Salaries & wages- indirect cost limitations of grant contract	-	3,193	2,058
Employee Benefits	-	1,172	841
Directory Advertising	-	-	-
Telephone	-	-	-
Vehicle Insurance	-	-	-
Shipping and Postage	-	-	-
Occupancy	-	-	-
Service Contract-Software Support	-	-	-
Total Management and General expense allocated to program	-	4,365	2,899
Less program revenue and other offsets to costs	-	-	-
Total Allowable Costs	$ 23,999	$ 58,090	$ 26,161

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

Year Ended August 31, 2015

DHS Identification Number	**CARS 533126**	**CARS 533126**
Award amount	**$500,000**	**$500,000**
Award period	**01/01/14-12/31/14**	**01/01/15-12/31/15**
Period of Award within audit period	**09/01/14-12/31/14**	**01/01/15-08/31/15**
Expenditures Reported to DHS for payment	$ 219,377	$ 337,341
Actual allowable cost of award		
Program Expenses		
Grants and other assistance to individuals in the US	-	-
Salaries & wages	97,880	182,769
Employee Benefits	30,839	67,046
Program Materials	21,726	24,414
Program Equipment	9,753	10,493
Employee Travel, meetings and education	29,642	6,706
Patient/Client Parking	-	-
Employee Licenses & Dues	286	15
Professional Services	-	-
	-	-
Total Program Expenses	190,126	291,443
Management and General expenses allocated to program		
Salaries & wages- indirect cost limitations of grant contract	15,435	30,869
Employee Benefits	6,304	12,609
Directory Advertising	-	-
Telephone	640	1,200
Vehicle Insurance	8,323	-
Shipping and Postage	1,925	3,000
Occupancy	-	-
Service Contract-Software Support	-	-
Total Management and General expense allocated to program	32,627	48,878
Less program revenue and other offsets to costs	-	-
Total Allowable Costs	$ 222,753	$ 340,321

FEDERAL AND STATE AWARDS

Schenck

CPAs AND SO MUCH MORE.

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, 2015. 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, 2015.

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.

Schenck SC

Certified Public Accountants

Milwaukee, Wisconsin
December 10, 2015

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended August 31, 2015

Federal/State Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal and State Expenditures	
Federal Expenditures				
U.S. Department of Housing and Urban Development				
Direct Funding				
Housing Opportunities for People with AIDS				
April 1, 2013- March 31, 2016	14.241		$ 391,026	
Housing Opportunities for People with AIDS				
April 1, 2014- March 31, 2017	14.241		299,315	
Wisconsin Department of Commerce - Bureau of Housing				
Housing Opportunities for People with AIDS- 2014 Program Year	14.241		92,822	
Wisconsin Department of Commerce - Bureau of Housing				
Housing Opportunities for People with AIDS- 2015 Program Year	14.241		356,032	
City of Milwaukee -2014 Program Year				
Housing Opportunities for People with AIDS	14.241	C15114A001	201,870	
City of Milwaukee -2015 Program Year				
Housing Opportunities for People with AIDS	14.241	C15115A001	227,088	
Total CFDA 14.241				1,568,153
Total U.S. Department of Housing and Urban Development				1,568,153
U.S. Department of Justice				
Residential Substance Abuse Treatment for State Prisoners				
Dane County- Jail Opiate Project	16.593		14,841	
Dane County- Outreach	16.593		34,006	
Dane County- Needle Exchange	16.593		11,909	
Total CFDA 16.593				60,756
Total U.S. Department of Justice				60,756
U.S. Department of Health and Human Services				
Medical College of Wisconsin				
PREP	93.092			86,676
Fenway- AIDS Education and Training Centers	93.145			24,989
Medical College of Wisconsin				
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153			36,300
Direct Funding				
Substance Abuse and Mental Health Services -				
Projects of Regional and National Significance	93.243		295,691	
Center for Substance Abuse Treatment	93.243		222,440	
Total CFDA 93.243				518,131
Centers for Desease Control and Prevention				
National Center for HIV, Viral Hepatitis, STDS and TB Prevention	93.270			29,262
NIH/Tulane University				
Seek, Test & Treat Strategies	93.279			128,850
State of Wisconsin - Department of Health Services				
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155919	1,328,752	
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155935	26,571	
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155990	124,484	
Medical College of Wisconsin				
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917		12,561	
Total CFDA 93.917				1,492,368

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, 2015

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				
Direct Funding				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White HIV/AIDS Program Part C)	93.918	-	583,461	
Ryan White Title III HIV Capacity Development Planning Grant	93.918		83,241	
Total CFDA 93.918				666,702
State of Wisconsin - Department of Health Services				
Special Projects of National Significance	93.928	155994		209,790
Diverse and Resilient, Inc.				
HIV Prevention Activities - Non-Governmental Organization Based	93.939	-		41,881
State of Wisconsin - Department of Health Services				
HIV Prevention Information and Referral Center	93.940	155958	35,000	
HIV Prevention Information and Referral Center	93.940	155908	35,839	
Total CFDA 93.940				70,839
State of Wisconsin - Department of Health Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	155900	80,819	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533125	67,643	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533126	556,718	
Milwaukee County - Department of Human Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	585	112,060	
Total CFDA 93.959				817,240
Total U.S. Department of Health and Human Services				4,123,028
Total federal expenditures				$ 5,751,937
State expenditures				
State of Wisconsin - Department of Health Services				
HIV Prevention IDU	435.155900	155900		$ 184,160
HIV LCS/EI (GPR)	435.155902	155902		3,211,886
HIV Prevention ASO	435.155908	155908		543,950
HIV Prevention Information and Referral	435.155925	155925		43,661
Dental Access	435.170000	170000		106,172
Total state expenditures				$ 4,089,829

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, 2015

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:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Housing Opportunities for Persons with AIDS	14.241	$ 43,137

NOTE 3 – FEE FOR SERVICE PAYMENTS

The Schedules of Expenditures of Federal Awards and State Financial Assistance do not include recorded revenues of $282,750 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, 2015. 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, 2015

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 *State Single Audit Guidelines*?	No

Identification of major federal programs:

CFDA Number	Name of Federal Program
14.241	Housing Opportunities for People with AIDS

Identification of major state programs:

State ID Number	Name of State Programs
435.155902	HIV LCS/EI (GPR)
435.155908	HIV Prevention ASO
435.170000	Dental Access

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, 2015

Section II - Financial Statement Findings

There were no findings noted for the year ended August 31, 2015.

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, 2015.

Section IV - Other Issues

Does the auditors' report or the notes to the financial statements 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
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, CPA

Date of report — December 10, 2015

AIDS RESOURCE CENTER OF WISCONSIN, INC.
Schedule of Prior Year Audit Findings
For the Year Ended August 31, 2015

Prior Year Audit Findings

There were no prior year audit findings.

ADDITIONAL INDEPENDENT AUDITORS' REPORT

Schenck

CPAs AND SO MUCH MORE.

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, 2015, 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 10, 2015.

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.

Schenck SC

Certified Public Accountants
Milwaukee, Wisconsin
December 10, 2015