

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**Years Ended August 31, 2017 and 2016**

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 Consolidated 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, 2017 and 2016, 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, 2017 and 2016, 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 Matters**

### *Other Information*

Our audits were 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 5, 2017 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, 2017

## **FINANCIAL STATEMENTS**

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
August 31, 2017 and 2016

	2017	2016
ASSETS		
<u>Current assets</u>		
Cash and cash equivalents	\$ 12,176,922	\$ 6,692,704
Contributions receivable, current portion	811,910	968,811
Government grants receivable	2,926,685	2,387,563
ARCW Medical Center receivable	102,804	253,945
Pharmacy receivable	3,782,183	1,529,634
Pharmacy inventories	2,070,532	1,773,097
Prepaid expenses	338,318	237,850
Other current assets	40,753	-
Total current assets	22,250,107	13,843,604
Property and equipment, net	4,429,784	4,786,673
<u>Other assets</u>		
Contributions receivable, long-term portion	80,160	192,796
Deposits	5,826	10,123
HUD restricted escrow	54,049	50,897
Endowment investments	603,005	541,464
Investments held for non-qualified deferred compensation	132,099	75,535
Other investments	159,352	144,653
Total other assets	1,034,491	1,015,468
Total assets	\$ 27,714,382	\$ 19,645,745

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
August 31, 2017 and 2016

LIABILITIES AND NET ASSETS	<u>2017</u>	<u>2016</u>
<u>Current liabilities</u>		
ARCW accounts payable	\$ 1,235,012	\$ 666,473
Pharmacy accounts payable	377,250	179,814
MAHC accounts payable	-	693
Accrued payroll and vacation	1,003,505	671,819
MAHC security deposits	451	451
Refundable advances	<u>703</u>	<u>589,267</u>
Total current liabilities	2,616,921	2,108,517
Deferred compensation obligation	42,269	18,915
MAHC mortgage	<u>680,090</u>	<u>680,090</u>
Total liabilities	<u>3,339,280</u>	<u>2,807,522</u>
<u>Net assets</u>		
Unrestricted		
ARCW unrestricted funds	12,226,504	5,893,272
ARCW board designated fund	8,500,000	6,508,000
MAHC operating deficit	(1,032,054)	(940,088)
ARCW property and equipment less related debt	<u>3,749,694</u>	<u>4,106,583</u>
Total unrestricted net assets	23,444,144	15,567,767
Temporarily restricted	414,809	754,307
Permanently restricted	<u>516,149</u>	<u>516,149</u>
Total net assets	<u>24,375,102</u>	<u>16,838,223</u>
Total liabilities and net assets	<u>\$ 27,714,382</u>	<u>\$ 19,645,745</u>

See accompanying notes to consolidated financial statements.



## AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES  
Year Ended August 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Federal government grants				
U.S. Department of Health and Human Services	\$ 1,162,453	\$ -	\$ -	\$ 1,162,453
U.S. Department of Housing and Urban Development	1,032,500	-	-	1,032,500
State government grants				
Department of Health Services	7,614,307	-	-	7,614,307
Department of Administration	505,071	-	-	505,071
Local government grants				
City of Milwaukee	622,347	-	-	622,347
Milwaukee County	111,224	-	-	111,224
Waukesha county	39,848	-	-	39,848
City of Madison	42,038	-	-	42,038
Dane County	113,135	-	-	113,135
Grants and public support				
Foundation contributions	326,484	-	-	326,484
Corporate contributions	593,451	2,254	-	595,705
Individual contributions	671,623	2,500	-	674,123
Special events				
Events - participants	573,840	-	-	573,840
Events - corporate	307,073	-	-	307,073
Special events expenses	(883,183)	-	-	(883,183)
United Way	19,193	285,694	-	304,887
Net assets released from restrictions:				
United Way	355,029	(355,029)	-	-
Foundation contributions	85,500	(85,500)	-	-
Corporate contributions	239,775	(239,775)	-	-
Individual contributions	11,358	(11,358)	-	-
Contractual partnerships				
Medical College of Wisconsin	292,667	-	-	292,667
Reimbursement for services				
ARCW Medical Center	1,756,300	-	-	1,756,300
ARCW Pharmacy, LLC	56,519,032	-	-	56,519,032
CARES Pharmacy, LLC	7,080,514	-	-	7,080,514
Rental income	56,771	-	-	56,771
Other income				
Consulting services	10,000	-	-	10,000
340B Revenue sharing	(41,070)	-	-	(41,070)
Investment income	25,252	61,716	-	86,968
Miscellaneous income	44,954	-	-	44,954
Total revenue	79,287,486	(339,498)	-	78,947,988
<b>Expenses</b>				
Clinical and program services				
ARCW Medical Center	8,271,308	-	-	8,271,308
ARCW Pharmacy, LLC	45,769,796	-	-	45,769,796
CARES Pharmacy, LLC	6,757,673	-	-	6,757,673
ARCW Social Services	6,437,129	-	-	6,437,129
Prevention services	3,903,279	-	-	3,903,279
Public affairs	647,983	-	-	647,983
MAHC expenses	131,858	-	-	131,858
Management and supporting services	1,133,212	-	-	1,133,212
Fund development	683,313	-	-	683,313
Total expenses	73,735,551	-	-	73,735,551
Change in net assets related to operations	5,551,935	(339,498)	-	5,212,437
<b>Other change in net assets</b>				
Contributions recognized on acquisitions of:				
Rocky Mountain CARES	918,655	-	-	918,655
CARES Pharmacy, LLC	1,414,262	-	-	1,414,262
Total change in net assets	7,884,852	(339,498)	-	7,545,354
Net assets, beginning of year	15,567,767	754,307	516,149	16,838,223
Net assets, end of year	\$ 23,452,619	\$ 414,809	\$ 516,149	\$ 24,383,577

See accompanying notes to consolidated financial statements.

## AIDS RESOURCE CENTER OF WISCONSIN, INC.

## CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended August 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue</b>				
Federal government grants				
U.S. Department of Health and Human Services	\$ 1,363,285	\$ -	\$ -	\$ 1,363,285
U.S. Department of Housing and Urban Development	916,919	-	-	916,919
State government grants				
Department of Health Services	7,340,644	-	-	7,340,644
Department of Administration	449,291	-	-	449,291
Local government grants				
City of Milwaukee	600,306	-	-	600,306
Milwaukee County	90,401	-	-	90,401
City of Madison	26,898	-	-	26,898
Dane County	143,073	-	-	143,073
Grants and public support				
Foundation contributions	342,444	121,000	-	463,444
Corporate contributions	674,005	285,181	-	959,186
Individual contributions	790,024	9,517	-	799,541
Special events				
Events - participants	644,154	-	-	644,154
Events - corporate	298,824	-	-	298,824
Special events expenses	(691,611)	-	-	(691,611)
United Way	81,609	218,713	-	300,322
Net assets released from restrictions:				
United Way	295,912	(295,912)	-	-
Foundation contributions	2,500	(2,500)	-	-
Individual contributions	407,468	(407,468)	-	-
Contractual partnerships				
Medical College of Wisconsin	121,464	-	-	121,464
Reimbursement for services				
ARCW Medical Center	1,470,383	-	-	1,470,383
ARCW Pharmacy	45,956,021	-	-	45,956,021
Rental income	70,795	-	-	70,795
Other income				
340B Revenue sharing	414,262	-	-	414,262
Investment income	38,060	25,315	-	63,375
Miscellaneous income	33,893	-	-	33,893
Total revenue	61,881,024	(46,154)	-	61,834,870
<b>Expenses</b>				
Clinical and program services				
ARCW Medical Center	7,375,275	-	-	7,375,275
ARCW Pharmacy	38,842,568	-	-	38,842,568
ARCW Social Services	5,443,856	-	-	5,443,856
MAHC expenses	135,865	-	-	135,865
Prevention services	3,463,028	-	-	3,463,028
Public affairs	544,118	-	-	544,118
Management and supporting services	838,648	-	-	838,648
Fund development	689,308	-	-	689,308
Total expenses	57,332,666	-	-	57,332,666
Change in net assets related to operations	4,548,358	(46,154)	-	4,502,204
Net assets, beginning of year	11,019,409	800,461	516,149	12,336,019
Net assets, end of year	\$ 15,567,767	\$ 754,307	\$ 516,149	\$ 16,838,223

See accompanying notes to consolidated financial statements.

## AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2017

	Clinical and Program Services	Management and Supporting Services	Fund Development	Total
<b>Expenses</b>				
Personnel expenses				
Salaries and wages	\$ 8,238,750	\$ 2,091,827	\$ 368,698	\$ 10,699,275
Payroll taxes	587,419	114,890	21,931	724,240
Employee benefits	1,934,422	333,950	33,592	2,301,964
Total personnel expenses	10,760,591	2,540,667	424,221	13,725,479
ARCW and CARES pharmacy cost of sales	47,031,557	-	-	47,031,557
ARCW and CARES pharmacy services, excludes depreciation	3,096,635	-	-	3,096,635
MAHC expenses, excludes depreciation	102,078	-	-	102,078
Endowment expenses	-	-	175	175
Contracted program services	1,144,700	-	-	1,144,700
Client financial assistance	10,159	85	-	10,244
Patient financial assistance	49,105	-	-	49,105
Patient food assistance	209,978	-	-	209,978
Patient rent assistance	845,594	-	-	845,594
Patient parking	60,451	-	-	60,451
Program materials	1,538,308	1,315	-	1,539,623
Patient medications	541,914	-	-	541,914
Patient laboratory	260,120	-	-	260,120
Employee travel and education	355,654	92,979	13,704	462,337
Printing and copying	18,289	57,927	24,167	100,383
Professional services	293,189	571,040	43,184	907,413
Telephone	54,581	200,138	472	255,191
Insurance	42,138	77,578	-	119,716
Office supplies	29,386	46,287	2,361	78,034
Postage and delivery	4,099	47,913	142	52,154
Meeting costs	18,881	42,661	11,037	72,579
Recruiting	32,896	70,160	-	103,056
Advertising	28,427	-	2,950	31,377
Repairs and maintenance	21,676	348,413	696	370,785
Information technology	92,234	318,309	31,341	441,884
Interest expense	-	618	-	618
Other expenses	970	(167)	-	803
Occupancy	858,928	57,262	19,087	935,277
Depreciation	753,789	89,652	24,451	867,892
Licenses and fees	52,237	24,876	23,928	101,041
Uncollectible donor pledges	-	-	8,928	8,928
Deferred compensation	-	23,354	-	23,354
Total direct functional expenses	68,370,404	4,742,778	630,844	73,744,026
ARCW department allocations	1,172,440	(1,224,909)	52,469	-
Allocation to ARCW Pharmacy, LLC	2,258,944	(2,258,944)	-	-
Allocation to CARES Pharmacy, LLC	125,713	(125,713)	-	-
Total functional expenses	\$ 71,927,501	\$ 1,133,212	\$ 683,313	\$ 73,744,026

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended August 31, 2016

	Clinical and Program Services	Management and Supporting Services	Fund Development	Total
<u>Expenses</u>				
Personnel expenses				
Salaries and wages	\$ 7,038,332	\$ 1,795,432	\$ 360,698	\$ 9,194,462
Payroll taxes	493,907	115,365	25,313	634,585
Employee benefits	1,488,475	481,210	34,193	2,003,878
Total personnel expenses	9,020,714	2,392,007	420,204	11,832,925
ARCW pharmacy cost of sales	34,644,542	-	-	34,644,542
ARCW pharmacy services, excludes depr	2,464,272	-	-	2,464,272
MAHC expenses, excludes depreciation	101,783	-	-	101,783
Endowment expenses	-	-	20	20
Contracted program services	1,067,870	(10,000)	-	1,057,870
Client financial assistance	11,102	-	-	11,102
Patient financial assistance	4,486	-	-	4,486
Patient food assistance	249,610	-	-	249,610
Patient rent assistance	611,793	-	-	611,793
Patient parking	38,102	1,800	-	39,902
Program materials	928,639	1,445	-	930,084
Patient medications	724,516	-	-	724,516
Patient laboratory	182,149	-	-	182,149
Employee travel and education	350,118	84,791	13,449	448,358
Printing and copying	16,627	51,042	17,183	84,852
Professional services	243,280	387,320	33,693	664,293
Telephone	-	235,209	-	235,209
Insurance	43,903	95,986	-	139,889
Office supplies	23,252	62,341	986	86,579
Postage and delivery	1,972	61,888	-	63,860
Meeting costs	11,865	41,813	19,323	73,001
Recruiting	32	21,626	-	21,658
Advertising	10,779	-	599	11,378
Repairs and maintenance	35,925	325,139	59	361,123
Information technology	78,251	334,107	29,498	441,856
Interest expense	-	6,378	-	6,378
Other expenses	-	11,890	-	11,890
Occupancy	757,092	50,473	16,824	824,389
Depreciation	725,021	84,732	23,109	832,862
Licenses and fees	57,545	51,310	33,267	142,122
Uncollectible donor pledges	-	-	9,000	9,000
Deferred compensation	-	18,915	-	18,915
Total direct functional expenses	52,405,240	4,310,212	617,214	57,332,666
ARCW department allocations	1,694,204	(1,766,298)	72,094	-
Allocation to ARCW Pharmacy, LLC	1,705,266	(1,705,266)	-	-
Total functional expenses	<u>\$ 54,099,444</u>	<u>\$ 838,648</u>	<u>\$ 689,308</u>	<u>\$ 57,332,666</u>

See accompanying notes to consolidated financial statements.

## AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended August 31, 2017 and 2016

	2017	2016
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 7,545,354	\$ 4,502,204
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	867,892	832,862
Provision for uncollectible contributions	8,928	9,000
Discounts to net present value of contributions receivable	(2,254)	3,571
Gain on disposal of property and equipment	(1,669)	(13,553)
Deferred compensation	23,354	18,915
Noncash contribution recognized on acquisition of Rocky Mountain CARES and CARES Pharmacy, LLC	(1,110,368)	-
Change in operating assets and liabilities:		
Contributions receivable	262,863	(39,849)
Government grants receivable	(449,666)	(100,678)
ARCW Medical Center receivable	151,141	(82,410)
ARCW Pharmacy receivable	(1,457,721)	(65,029)
Pharmacy inventories	36,841	(632,490)
Prepaid expenses	(100,468)	(80,311)
Other current assets	(40,753)	8,635
Change in deposits and HUD restricted escrow	1,145	(3,154)
ARCW accounts payable	568,539	(1,743,101)
Pharmacy accounts payable	100,835	(23,200)
MAHC accounts payable	(693)	(3,158)
Accrued payroll and vacation	317,915	(131,981)
Refundable advances	(588,564)	(661,566)
Net cash provided by operating activities	6,132,651	1,794,707
<u>Cash flows from investing activities</u>		
Purchases of property and equipment	(511,423)	(2,667,131)
Proceeds from disposal of property and equipment	4,269	14,744
Increase (decrease) in investments, net	(14,699)	50,491
Increase in investments held for non-qualified deferred compensation	(56,564)	(75,535)
Increase in endowment investments	(61,541)	(50,611)
Net cash used in investing activities	(639,958)	(2,728,042)
<u>Cash flows from financing activities</u>		
Payments on capital leases	-	(5,754)
Net increase (decrease) in cash and cash equivalents	5,492,693	(939,089)
Cash and cash equivalents, beginning of year	6,692,704	7,631,793
Cash and cash equivalents, end of year	\$ 12,185,397	\$ 6,692,704
Supplemental information		
Cash paid for interest	\$ 618	\$ 6,378

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2017 and 2016

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 and Colorado. 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. Beginning in February, 2017, the Organization also operates in Denver, Colorado.

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., ARCW Pharmacy, LLC, CARES Pharmacy, LLC, and ARCW Endowment Fund, Inc. MAHC is registered under Section 811 of the National Affordable Housing Act of 1990. The two pharmacies were created exclusively for HIV patients as limited liability companies and are 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.

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 by actions of the Organization 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.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

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.

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 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.

Valuation of investments and income recognition - The Organization's investments are recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices in active markets are used to value investments. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation).

Risks and uncertainties - The Organization invests in various investment securities within its investments and endowment investments. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

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.

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, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pharmacy inventories - Inventories are comprised of pharmaceuticals held at the ARCW and CARES pharmacies. Inventories are 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.

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.

Certain clinical and program services are 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.

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 \$82,927 and \$34,751 for the years ended August 31, 2017 and 2016 and are included in special events expenses. Advertising costs for programming were \$31,377 and \$11,378 and for recruiting were \$26,740 and \$21,658 for the years ended August 31, 2017 and 2016, 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, 2017 and 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently issued accounting standards - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the fiscal year ending August 31, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending August 31, 2021. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent events - The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 5, 2017, the date on which the consolidated financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Outstanding contributions receivable at August 31, 2017 and 2016 are as follows:

	2017	2016
Less than one year	\$ 844,937	\$ 992,910
One to five years	82,500	197,390
	<u>927,437</u>	<u>1,190,300</u>
Less allowance for uncollectible contributions	(33,027)	(24,099)
Less discount to present value	<u>(2,340)</u>	<u>(4,594)</u>
	892,070	1,161,607
Contributions receivable, current portion	<u>811,910</u>	<u>968,811</u>
Contributions receivable, long-term portion	<u>\$ 80,160</u>	<u>\$ 192,796</u>

Contributions receivable to be collected in excess of one year are discounted using a rate of 1.30% as of August 31, 2017 and 2016.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

**NOTE 4 - GOVERNMENT GRANT RECEIVABLE**

Government grants receivable consists of the following as of August 31, 2017 and 2016:

	2017	2016
State of Wisconsin -		
Department of Health Services	\$ 2,209,997	\$ 1,765,318
Department of Administration	69,273	48,841
U.S. Department of Health and Human Services	101,232	283,694
U.S. Department of Housing and Urban Development	49,273	176,482
City of Milwaukee	344,837	39,726
Medical College of Wisconsin	32,268	35,721
Milwaukee County	29,218	23,241
Dane County	1,954	13,707
Other	88,633	833
Total government grants receivable	<u>\$ 2,926,685</u>	<u>\$ 2,387,563</u>

**NOTE 5 - 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). The balances in the account as of August 31, 2017 and 2016 were \$54,049 and \$50,897, respectively.

**NOTE 6 - ARCW MEDICAL CENTER AND ARCW PHARMACY RECEIVABLES**

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 \$456,289 and \$298,098, less allowances of \$353,485 and \$44,153, for a net expected reimbursement receivable of \$102,804 and \$253,945 at August 31, 2017 and 2016, respectively.

ARCW and CARES Pharmacy reimbursement receivables consist of reimbursement for pharmacy services and pharmaceuticals. The ARCW and CARES Pharmacy reimbursement receivables are recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts. Gross receivables for ARCW Pharmacy were \$3,225,346 and \$1,832,732, less allowances of \$322,598 and \$303,098, for a net expected reimbursement receivable of \$2,902,748 and \$1,529,635 at August 31, 2017 and 2016, respectively.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 6 - ARCW MEDICAL CENTER AND ARCW PHARMACY RECEIVABLES (CONTINUED)

Gross receivables for CARES Pharmacy were \$895,552, less allowances of \$16,118, for a net expected reimbursement receivable of \$879,434 at August 31, 2017.

Because of inherent uncertainties in estimating contractual adjustments and other allowances on ARCW Medical Center, ARCW Pharmacy, and CARES Pharmacy receivables, it is at least reasonably possible that the Organization's estimate of the reserve for uncollectible accounts will change significantly in the near term.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 200	\$ 200
Garden View Apartments	766,732	766,732
Leasehold improvements	5,552,382	5,334,820
Furniture and fixtures	1,205,042	1,210,097
Office equipment and technology	1,641,057	1,378,972
Motor vehicles	94,256	109,579
Health care equipment	688,262	680,647
Pharmacy equipment	7,460	7,460
Leased office equipment	148,125	148,125
Total property and equipment	<u>10,108,879</u>	<u>9,641,995</u>
Less accumulated depreciation	<u>(5,679,095)</u>	<u>(4,855,322)</u>
Net property and equipment	<u>\$ 4,429,784</u>	<u>\$ 4,786,673</u>

NOTE 8 - REFUNDABLE ADVANCES

Refundable advances consist of funds that were received by the Organization as of August 31, 2017 and 2016 for use in the subsequent fiscal years:

	<u>2017</u>	<u>2016</u>
State of Wisconsin -		
Department of Health Services	<u>\$ 703</u>	<u>\$ 589,267</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 9 - OPERATING LEASES

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

Future minimum lease payments under operating leases are as follows:

<u>Year Ending August 31,</u>	
2018	\$ 883,522
2019	745,472
2020	654,483
2021	600,797
2022	538,156
Thereafter	1,280,593
Total	<u>\$ 4,703,023</u>

Total rent and related occupancy expenses was \$1,049,165 and \$940,469 for the years ended August 31, 2017 and 2016, respectively.

NOTE 10 - LINE OF CREDIT

The organization has a \$4,800,000 line of credit with a bank. The line of credit has an interest rate of one month LIBOR plus 1.30% and matures on March 28, 2021. The line of credit is secured by the assets of the Organization. The line of credit had no outstanding balances at August 31, 2017 and 2016.

NOTE 11 - 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.

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 12 - LETTER OF CREDIT FOR UNEMPLOYMENT COMPENSATION

Under Wisconsin law, the Organization has elected the reimbursement financing method for unemployment compensation. As of August 31, 2017 and 2016, the Organization has a letter of credit available for the payment of unemployment compensation claims.

NOTE 13 - 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 \$8,500,000 and \$6,508,000 as of August 31, 2017 and 2016, respectively, and these cash reserves are included in cash and cash equivalents.

NOTE 14 - DEFERRED COMPENSATION PLAN

The Organization and a member of management have entered into a deferred compensation agreement whereby the Organization is obligated to make monthly contributions, as defined in the agreement, on behalf of the executive. The cumulative contribution payments are maintained in a separate investment account in the Organization's name. Each annual contribution amount will individually vest over a five year period or until the executive's attainment of age 65 as well as other contractual provisions. As of August 31, 2017 and 2016, investments of \$132,099 and \$75,535 are reflected as investments held for non-qualified deferred compensation and an accrued liability for the earned deferred compensation obligation of \$42,269 and \$18,915 are included in the accompanying consolidated Statements of Financial Position. Deferred compensation expense was \$23,354 and \$18,915 for the years ended August 31, 2017 and 2016, respectively.

NOTE 15 - 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.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 15 - ENDOWMENT (CONTINUED)

Endowment investment and net asset composition as of August 31, 2017 and 2016 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Money market account	\$ -	\$ (72)	\$ 16,149	\$ 16,077
Investments	-	86,928	500,000	586,928
Total	<u>\$ -</u>	<u>\$ 86,856</u>	<u>\$ 516,149</u>	<u>\$ 603,005</u>

  

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Money market account	\$ -	\$ 85	\$ 16,149	\$ 16,234
Investments	-	25,230	500,000	525,230
Total	<u>\$ -</u>	<u>\$ 25,315</u>	<u>\$ 516,149</u>	<u>\$ 541,464</u>

Changes in endowment investment and net asset composition for the years ended August 31, 2017 and 2016 are provided as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Endowment net assets, beginning of year	\$ -	\$ 25,315	\$ 516,149	\$ 541,464
Investment income	-	61,716	-	61,716
Release from restriction	175	(175)	-	-
Miscellaneous expenses	(175)	-	-	(175)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 86,856</u>	<u>\$ 516,149</u>	<u>\$ 603,005</u>

  

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Endowment net assets, beginning of year	\$ (22,034)	\$ -	\$ 516,149	\$ 494,115
Investment income	22,054	25,315	-	47,369
Miscellaneous expenses	(20)	-	-	(20)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 25,315</u>	<u>\$ 516,149</u>	<u>\$ 541,464</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 16 - FAIR VALUE MEASUREMENTS

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy that determines fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the methodologies used for investments reported at fair value:

Mutual funds: Valued at the daily closing price as reported by the funds. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are actively traded and are required to publish their daily net asset value (NAV) and to transact at that price.

Real estate: Investment represents a timeshare in certain property and is valued at the estimated fair market value on the date of donation.

The preceding valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables provide by level, within the fair value hierarchy, the Organization's investment assets as of August 31, 2017 and 2016:

August 31, 2017				
	(Level 1)	(Level 2)	(Level 3)	Total
Investments, at fair value				
Money market fund	\$ 2,345	\$ -	\$ -	\$ 2,345
Bond mutual funds	141,114	-	-	141,114
Equity mutual funds	724,880	-	-	724,880
Real estate	-	-	8,000	8,000
	<u>\$ 868,339</u>	<u>\$ -</u>	<u>\$ 8,000</u>	876,339
Money market account				<u>18,117</u>
Total investments				\$ 894,456

August 31, 2016				
	(Level 1)	(Level 2)	(Level 3)	Total
Investments, at fair value				
Money market fund	\$ 1,787	\$ -	\$ -	\$ 1,787
Bond mutual funds	198,288	-	-	198,288
Equity mutual funds	537,343	-	-	537,343
Real estate	-	-	8,000	8,000
	<u>\$ 737,418</u>	<u>\$ -</u>	<u>\$ 8,000</u>	745,418
Money market account				<u>16,234</u>
Total investments				\$ 761,652



AIDS RESOURCE CENTER OF WISCONSIN, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 16 - FAIR VALUE MEASUREMENTS (CONTINUED)

Investments are classified in the accompanying Statements of Financial Position as of August 31, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Endowment investments	\$ 603,005	\$ 541,464
Investments held for non-qualified deferred compensation	132,099	75,535
Other investments	<u>159,352</u>	<u>144,653</u>
Total	<u>\$ 894,456</u>	<u>\$ 761,652</u>

NOTE 17 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
United Way	\$ 238,959	\$ 308,294
Foundation contributions	35,500	121,000
Corporate contributions	55,834	290,775
Individual contributions	-	13,517
Endowment interest income	86,856	25,315
Less present value discount for long term contributions	<u>(2,340)</u>	<u>(4,594)</u>
Total temporarily restricted net assets	<u>\$ 414,809</u>	<u>\$ 754,307</u>

NOTE 18 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor and time restrictions consist of the following for the years ended August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
United Way	\$ 355,029	\$ 295,912
Foundation contributions	85,500	2,500
Corporate contributions	239,775	-
Individual contributions	<u>11,358</u>	<u>407,468</u>
Total	<u>\$ 691,662</u>	<u>\$ 705,880</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2017 and 2016

**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 for the years ended August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contractual allowances	\$ 1,982,612	\$ 1,523,437
Patient subsidy	737,134	382,313
Patient medications	416,212	724,516
Patient laboratory testing	70,277	74,683
Patient assistance	<u>93,639</u>	<u>4,486</u>
Total	<u>\$ 3,299,874</u>	<u>\$ 2,709,435</u>

**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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
<u>ARCW Medical Center</u>		
Medical Clinic	\$ 4,695,643	\$ 4,077,861
Dental Clinic	1,713,665	1,621,360
Behavioral Health and Wellness Clinic	<u>1,862,000</u>	<u>1,676,054</u>
Total ARCW Medical Center expenses	<u>\$ 8,271,308</u>	<u>\$ 7,375,275</u>
<u>ARCW Social Services</u>		
Case management	\$ 5,427,759	\$ 4,470,059
Food services	586,283	627,614
Legal services	<u>423,087</u>	<u>346,183</u>
Total ARCW Social Services expenses	<u>\$ 6,437,129</u>	<u>\$ 5,443,856</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 21 - RELATED PARTIES

During the year ended August 31, 2016, the Organization incurred expenses with entities or individuals considered to be related parties and are disclosed as follows. Legal fees of \$74,560 were paid to a law firm for which a principal of the firm was a board member during the year ended August 31, 2016. Auctioneer services in the amount of \$3,615 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 during the year ended August 31, 2016. In addition, the Organization's board of directors and staff has made donations totaling \$29,033 and \$24,788 during the years ended August 31, 2017 and 2016, respectively. 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 \$453,068 and \$260,793 for the years ended August 31, 2017 and 2016, respectively. The Organization received \$390,566 and \$- of pharmaceuticals, \$61,425 and \$78,684 of medical services, \$1,077 and \$181,259 of furniture and \$- and \$850 of other goods and services, 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 \$399,597 and \$369,810 for the years ended August 31, 2017 and 2016, respectively.

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.

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
August 31, 2017 and 2016

NOTE 25 - MERGER OF ROCKY MOUNTAIN CARES NETWORK, INC. AND CARES PHARMACY, LLC

On January 31, 2017, ARCW merged operations with Rocky Mountain CARES Network, Inc. (an unrelated non-profit organization) and CARES Pharmacy, LLC (an unrelated for-profit organization). Under terms of the transaction, no consideration was transferred to either organization and Rocky Mountain CARES Network, Inc. was dissolved and included in the operations of ARCW. CARES Pharmacy, LLC remains a separate entity wholly owned by ARCW. Pursuant to Generally Accepted Accounting Principles, the Organization accounted for the transactions as acquisitions recognizing the underlying assets and liabilities acquired at fair value resulting in contributions of \$918,655 for Rocky Mountain CARES Network, Inc. and \$1,414,262 for CARES Pharmacy, LLC recognized in the statement of activities.

The valuation of net assets acquired at January 31, 2017 for Rocky Mountain CARES Network, Inc. was as follows:

Cash	\$ 840,660
Grants and contributions receivable	89,456
Accrued expenses	<u>(11,461)</u>
Contribution recognized on acquisition of Rocky Mountain Cares	<u><u>\$ 918,655</u></u>

The valuation of net assets acquired at January 31, 2017 for CARES Pharmacy, LLC was as follows:

Cash	\$ 381,889
Pharmacy receivables	794,828
Pharmacy inventories	334,276
Property and equipment	2,180
Accounts payable	(96,601)
Accrued expenses	<u>(2,310)</u>
Contribution recognized on acquisition of CARES Pharmacy, LLC	<u><u>\$ 1,414,262</u></u>

NOTE 26 - SUBSEQUENT EVENT

ARCW is in negotiations with another not-for-profit AIDS organization outside the State of Wisconsin to merge their operations as a strategy to provide access to HIV services on a national level. 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 when the transaction is consummated.

## **SUPPLEMENTARY INFORMATION**

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES

Year Ended August 31, 2017

(With summarized totals for the year ended August 31, 2016)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2017 Total	2016 Total
<b>Revenue</b>								
Federal government grants								
U.S. Department of Health and Human Services	\$ 659,304	\$ 184,999	\$ 231,942	\$ -	\$ 86,208	\$ -	\$ 1,162,453	\$ 1,363,285
U.S. Department of Housing and Urban Development	101,892	889,202	-	-	41,406	-	1,032,500	916,919
Total federal revenue	<u>761,196</u>	<u>1,074,201</u>	<u>231,942</u>	<u>-</u>	<u>127,614</u>	<u>-</u>	<u>2,194,953</u>	<u>2,280,204</u>
State government grants								
Department of Health Services	3,224,294	2,382,901	1,232,116	-	774,996	-	7,614,307	7,340,644
Department of Administration	36,799	433,669	-	-	34,603	-	505,071	449,291
Department of Commerce	-	-	-	-	-	-	-	-
Total State of Wisconsin revenue	<u>3,261,093</u>	<u>2,816,570</u>	<u>1,232,116</u>	<u>-</u>	<u>809,599</u>	<u>-</u>	<u>8,119,378</u>	<u>7,789,935</u>
Local government grants								
City of Milwaukee	3,197	505,836	67,500	-	45,814	-	622,347	600,306
Milwaukee County	-	-	111,224	-	-	-	111,224	90,401
Waukesha County	-	-	39,848	-	-	-	39,848	-
City of Madison	-	37,834	-	-	4,204	-	42,038	26,898
Dane County	-	-	96,457	-	16,678	-	113,135	143,073
Total local government revenue	<u>3,197</u>	<u>543,670</u>	<u>315,029</u>	<u>-</u>	<u>66,696</u>	<u>-</u>	<u>928,592</u>	<u>860,678</u>
Grants and public support								
Foundation contributions	-	-	-	-	-	411,984	411,984	344,944
Corporate contributions	-	-	-	-	-	833,226	833,226	674,005
Individual donations	-	-	-	-	-	682,981	682,981	1,197,492
Events - participants	-	-	-	-	-	573,840	573,840	644,154
Events - corporate	-	-	-	-	-	307,073	307,073	298,824
Special events expenses	-	-	-	-	-	(883,183)	(883,183)	(691,611)
United Way	117,131	145,572	111,518	-	-	-	374,222	377,521
Total private fundraising and support	<u>117,131</u>	<u>145,572</u>	<u>111,518</u>	<u>-</u>	<u>-</u>	<u>1,925,921</u>	<u>2,300,143</u>	<u>2,845,329</u>
Contractual partnerships								
Medical College of Wisconsin	77,671	-	185,729	-	29,267	-	292,667	121,464
Revenue carried forward	<u>\$ 4,220,288</u>	<u>\$ 4,580,013</u>	<u>\$ 2,076,334</u>	<u>\$ -</u>	<u>\$ 1,033,176</u>	<u>\$ 1,925,921</u>	<u>\$ 13,835,733</u>	<u>\$ 13,897,610</u>

## AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES  
Year Ended August 31, 2017  
(With summarized totals for the year ended August 31, 2016)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2017 Total	2016 Total
<b>Revenue</b>								
Revenue brought forward	\$ 4,220,288	\$ 4,580,013	\$ 2,076,334	\$ -	\$ 1,033,176	\$ 1,925,921	\$ 13,835,733	\$ 13,897,610
Reimbursement for services - Medical Center								
Patient payments	68,210	235	-	-	-	-	68,445	45,227
Medicare	169,554	-	-	-	-	-	169,554	192,886
Commercial insurance	284,350	-	-	-	-	-	284,350	232,763
Medicaid	1,177,693	56,258	-	-	-	-	1,233,951	999,507
Total reimbursement for services	1,699,807	56,493	-	-	-	-	1,756,300	1,470,383
Pharmacy services								
ARCW pharmacy contribution	-	-	-	-	10,741,161	-	10,741,161	7,113,453
CARES pharmacy contribution	-	-	-	-	322,441	-	322,441	-
Total pharmacy services	-	-	-	-	11,063,603	-	11,063,603	7,113,453
Other revenue								
Consulting services	-	-	-	-	10,000	-	10,000	-
340B Revenue sharing	(41,070)	-	-	-	-	-	(41,070)	414,262
Investment income	-	-	-	-	25,199	-	25,199	15,950
Rental income	-	17,012	-	-	-	-	17,012	22,042
Gain on disposal of fixed asset	-	-	-	-	1,669	-	1,669	13,553
Miscellaneous income	24,523	1,105	-	-	17,578	-	43,206	20,015
Total other revenue	(16,547)	18,117	-	-	54,446	-	56,016	485,822
Total revenue (carried forward)	\$ 5,903,548	\$ 4,654,623	\$ 2,076,334	\$ -	\$ 12,151,225	\$ 1,925,921	\$ 26,711,652	\$ 22,967,268

## AIDS RESOURCE CENTER OF WISCONSIN, INC.

## SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES

Year Ended August 31, 2017

(With summarized totals for the year ended August 31, 2016)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2017 Total	2016 Total
Total revenue (brought forward)	\$ 5,903,548	\$ 4,654,623	\$ 2,076,334	\$ -	\$ 12,151,225	\$ 1,925,921	\$ 26,711,652	\$ 22,967,268
<b>Expenses</b>								
Personnel expenses								
Salaries and wages	3,811,283	2,842,921	1,261,118	323,428	2,091,827	368,698	10,699,275	9,194,462
Medicaid	-	-	-	-	-	-	-	28,500
Payroll taxes	266,007	204,370	94,505	22,537	114,890	21,931	724,240	634,585
Employee benefits	799,619	687,534	368,184	79,085	333,950	33,592	2,301,964	1,975,378
Total personnel expenses	4,876,909	3,734,825	1,723,807	425,050	2,540,667	424,221	13,725,479	11,832,925
Contracted program services	947,188	73,531	123,981	-	-	-	1,144,700	1,057,870
Client financial assistance	276	9,883	-	-	85	-	10,244	11,102
Patient financial assistance	45,754	3,351	-	-	-	-	49,105	4,486
Patient food assistance	-	209,978	-	-	-	-	209,978	249,610
Patient rent assistance	-	845,594	-	-	-	-	845,594	611,793
Patient parking	53,851	2,640	3,960	-	-	-	60,451	39,902
Program materials	142,487	38,435	1,357,386	-	1,315	-	1,539,623	930,084
Patient medications	541,914	-	-	-	-	-	541,914	724,516
Patient laboratory	260,120	-	-	-	-	-	260,120	182,149
Employee travel and education	138,053	96,904	107,309	13,388	92,979	13,704	462,337	448,358
Printing and copying	3,531	2,979	1,897	9,882	57,927	24,167	100,383	84,852
Professional services	224,443	5,844	4,000	58,902	571,040	43,184	907,413	664,293
Telephone	5,081	49,500	-	-	200,138	472	255,191	235,209
Insurance	2,911	15,426	23,801	-	77,578	-	119,716	139,889
Office supplies	12,410	11,750	4,842	384	46,287	2,361	78,034	86,579
Postage and delivery	733	1,881	1,471	14	47,913	142	52,154	63,860
Meeting costs	7,121	5,903	3,518	2,339	42,661	11,037	72,579	73,001
Recruiting	24,533	8,356	-	7	70,160	-	103,056	21,658
Advertising	966	-	2,500	24,961	-	2,950	31,377	11,378
Repairs and maintenance	9,298	6,025	6,353	-	348,413	696	370,785	361,123
Information technology	17,693	66,723	5,064	2,754	318,309	31,341	441,884	441,856
Interest expense	-	-	-	-	618	-	618	6,378
Other expenses	-	970	-	-	(167)	-	803	11,890
Occupancy	152,698	534,444	152,699	19,087	57,262	19,087	935,277	824,389
Depreciation	236,356	301,556	138,551	24,451	89,652	24,451	815,017	770,292
Licenses and fees	24,606	6,060	833	20,738	24,876	23,928	101,041	142,122
Grant disbursements	-	-	61,840	-	131,711	-	193,551	-
Uncollectible donor pledges	-	-	-	-	-	8,928	8,928	9,000
Deferred compensation	-	-	-	-	23,354	-	23,354	18,915
Total direct functional expenses	7,728,932	6,032,558	3,723,812	601,957	4,742,778	630,669	23,460,706	20,059,479
ARCW department allocations	542,376	404,571	179,467	46,026	(1,224,909)	52,469	-	-
Allocation to ARCW pharmacy	-	-	-	-	(2,258,944)	-	(2,258,944)	(1,705,266)
Allocation to CARES pharmacy	-	-	-	-	(125,713)	-	(125,713)	-
Total expenses	8,271,308	6,437,129	3,903,279	647,983	1,133,212	683,138	21,076,049	18,354,213
Change in net assets	\$ (2,367,760)	\$ (1,782,506)	\$ (1,826,945)	\$ (647,983)	\$ 11,018,013	\$ 1,242,783	\$ 5,635,603	\$ 4,613,055



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

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES  
Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>Revenue</u>		
Rental income	\$ 39,759	\$ 48,753
Interest income	53	57
Miscellaneous income	<u>80</u>	<u>325</u>
Total revenue	<u>39,892</u>	<u>49,135</u>
<u>Expenses</u>		
Management fees	3,000	3,000
Occupancy	8,540	8,366
Security patrol contract	42,308	41,817
Professional services	6,400	500
Insurance	7,666	7,190
Repairs and maintenance	34,040	40,338
Miscellaneous taxes, licenses and permits	124	572
Depreciation	<u>29,780</u>	<u>34,082</u>
Total expenses	<u>131,858</u>	<u>135,865</u>
Change in net assets	<u><u>\$ (91,966)</u></u>	<u><u>\$ (86,730)</u></u>

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

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES  
Years Ended August 31, 2017 and 2016

	2017	2016
<u>Revenue</u>		
Gross sales		
Medicaid	\$ 19,786,093	\$ 17,071,283
Medicare	12,903,106	11,336,464
Wisconsin AIDS drug assistance program	5,197,714	4,433,692
Commercial insurance	17,047,441	11,672,150
340B program	14,793	20,526
Patient payments	323,770	327,233
Medical assistance drug program	293,779	240,022
Gross sales	55,566,696	45,101,370
Cost of goods sold	(40,858,459)	(34,644,542)
Net sales revenue	14,708,237	10,456,828
Services provided under contract, net	941,898	852,851
Other program income	10,438	1,800
Total revenue	15,660,573	11,311,479
<u>Expenses</u>		
Salaries	1,512,906	1,327,873
Payroll taxes	95,434	91,186
Employee benefits	222,479	187,708
Professional services	49,746	151,654
Office supplies	24,790	7,236
Telephone	32,512	32,940
Postage and delivery	84,565	69,453
Printing and copying	29,746	22,668
Information technology	18,552	57,485
Occupancy	96,795	107,714
Depreciation	22,841	28,488
Employee travel	11,474	18,839
Employee meetings		6,119
Employee education	6,124	4,909
Insurance	72,488	54,187
Bad debt and uncollectible insurance expense	19,509	69,500
Licenses and fees	29,841	43,574
Advertising	41,329	35,218
Patient care supplies	16,828	3,304
Program equipment	125	4,234
Other expenses	114,309	18,471
Administrative allocation	2,258,944	1,705,266
Total operating expenses	4,761,337	4,048,026
Net income from operations	10,899,236	7,263,453
Grant disbursements	(10,891,161)	(7,263,453)
Change in net assets	\$ 8,075	\$ -

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

SCHEDULE OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES  
Period from February 1, 2017 to August 31, 2017

Revenue

Gross sales	
Medicaid	\$ 1,725,701
Medicare	1,488,922
Commercial insurance	3,750,486
Patient payments	108,467
Medical assistance drug program	1,362
Gross sales	<u>7,074,938</u>
Cost of goods sold	<u>(6,173,098)</u>
Net sales revenue	901,840
Other program income	<u>5,576</u>
Total revenue	<u>907,416</u>

Expenses

Salaries	200,557
Payroll taxes	13,714
Employee benefits	23,813
Professional services	75,244
Office supplies	5,934
Telephone	5,913
Postage and delivery	25,798
Printing and copying	1,937
Information technology	7,801
Occupancy	8,553
Depreciation	254
Employee travel	10,053
Employee meetings	829
Employee education	
Insurance	12,544
Bad debt and uncollectible insurance expense	16,118
Licenses and fees	10,178
Advertising	142
Patient care supplies	203
Program equipment	7,750
Other expenses	31,527
Administrative allocation	<u>125,713</u>
Total operating expenses	<u>584,575</u>
Net income from operations	322,841
Grant disbursements	<u>(322,441)</u>
Change in net assets	<u>\$ 400</u>

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

Year Ended August 31, 2017

	Milwaukee County Contract: 16-2-01 9/1/2016 - 12/31/2016	Milwaukee County Contract: 17-2-01 1/1/2017 - 08/31/2017
<u>Revenue</u>		
Milwaukee County -		
Department of Health and		
Human Services -		
Behavioral Health Division	\$ 25,882	\$ 85,342
 Total revenue	 25,882	 85,342
<u>Expenses</u>		
Salaries and wages	22,836	44,081
Payroll taxes	1,646	3,061
Employee benefits	9,342	26,603
Program materials	486	685
Employee travel and education	1,234	1,615
Printing and copying	583	1,167
Postage and delivery	933	2,261
Telephone	500	1,000
Occupancy	1,000	2,000
Insurance	1,099	2,869
 Total expenses	 39,659	 85,342
 Change in net assets	 \$ (13,777)	 \$ -

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

Year Ended August 31, 2017

	State of Wisconsin Department of Administration - HOPWA 9/1/2016- 12/31/2016	State of Wisconsin Department of Administration - HOPWA 1/1/2017- 8/31/2017
<u>Revenue</u>		
State of Wisconsin		
Department of Commerce - HOPWA	\$ 33,455	\$ 471,616
Total revenue	<u>33,455</u>	<u>471,616</u>
<u>Expenses</u>		
Salaries and wages	18,869	220,111
Payroll taxes	1,348	15,168
Employee benefits	3,367	57,335
Patient and client contracted services	3,438	38,439
Client rent assistance	40,092	124,736
Program materials	-	1,592
Employee travel	-	5,160
Professional services	120	-
Postage and Printing	280	2,567
Telephone	81	1,283
Occupancy	333	3,667
Insurance	59	1,558
Total expenses	<u>67,987</u>	<u>471,616</u>
Change in net assets	<u>\$ (34,532)</u>	<u>\$ -</u>

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

Year Ended August 31, 2017

	City of Milwaukee HOPWA 9/1/2016 - 12/31/2016	City of Milwaukee HOPWA 1/1/2017 - 8/31/2017
<u>Revenue</u>		
City of Milwaukee		
Community Development Grants		
Administration	\$ 202,510	\$ 344,837
Total revenue	<u>202,510</u>	<u>344,837</u>
<u>Expenses</u>		
Salaries and wages	85,883	166,161
Payroll taxes	5,568	11,205
Employee benefits	18,831	40,118
Patient and client contracted services	9,853	20,911
Client rent assistance	56,332	104,718
Program materials	-	800
Occupancy	-	4,797
Insurance	-	1,400
Total expenses	<u>176,467</u>	<u>350,110</u>
Change in net assets	<u>\$ 26,043</u>	<u>\$ (5,273)</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
SCHEDULE OF REVENUE AND EXPENSES  
BY FUNDING SOURCE AND BY CONTRACT - DANE COUNTY

Year Ended August 31, 2017

	Outreach		
	9/1/16- 12/31/16	1/1/17- 8/31/17	Total
<b>REVENUE</b>			
Dane County	\$ 16,559	\$ 51,563	\$ 68,122
<b>TOTAL REVENUE</b>	<u>16,559</u>	<u>51,563</u>	<u>68,122</u>
<b>EXPENSES</b>			
Program expenses			
Personnel	13,801	39,036	52,837
Operating	-	2,350	2,350
Space	<u>1,452</u>	<u>2,931</u>	<u>4,383</u>
Total Program expenses	<u>15,253</u>	<u>44,317</u>	<u>59,570</u>
Administrative expenses			
Personnel	889	3,557	4,446
Operating	122	913	1,035
Space	<u>1,476</u>	<u>2,839</u>	<u>4,315</u>
Total Administrative expenses	<u>2,487</u>	<u>7,309</u>	<u>9,796</u>
<b>TOTAL EXPENSES</b>	<u>17,740</u>	<u>51,626</u>	<u>69,366</u>
Excess (deficiency) of revenue over expenses	<u>\$ (1,181)</u>	<u>\$ (63)</u>	<u>\$ (1,244)</u>

Jail Opiate			Needle Exchange			Total
9/1/16- 12/31/16	1/1/17- 8/31/17	Total	9/1/16- 12/31/16	1/1/17- 8/31/17	Total	Programs
\$ 2,910	\$ 8,502	\$ 11,412	\$ 8,688	\$ 25,541	\$ 34,229	\$ 113,763
2,910	8,502	11,412	8,688	25,541	34,229	113,763
2,439	7,210	9,649	5,925	16,978	22,903	85,389
-	-	-	1,457	4,286	5,743	8,093
-	-	-	350	712	1,062	5,445
2,439	7,210	9,649	7,732	21,976	29,708	98,927
-	-	-	131	1,047	1,178	5,624
-	-	-	534	1,853	2,387	3,422
490	1,294	1,784	327	667	994	7,093
490	1,294	1,784	992	3,567	4,559	16,139
2,929	8,504	11,433	8,724	25,543	34,267	115,066
\$ (19)	\$ (2)	\$ (21)	\$ (36)	\$ (2)	\$ (38)	\$ (1,303)



AIDS RESOURCE CENTER OF WISCONSIN, INC.  
SCHEDULE OF REVENUE AND EXPENSES  
BY FUNDING SOURCE AND BY CONTRACT - DANE COUNTY - 2015 CONTRACTS

Year Ended August 31, 2017

	Outreach		
	1/1/16- 8/31/16	9/1/16- 12/31/16	Total
<b>REVENUE</b>			
Dane County	\$ 57,866	\$ 16,559	\$ 74,425
<b>TOTAL REVENUE</b>	<u>57,866</u>	<u>16,559</u>	<u>74,425</u>
<b>EXPENSES</b>			
Program expenses			
Personnel	41,759	13,801	55,560
Operating	3,562	-	3,562
Space	<u>2,944</u>	<u>1,452</u>	<u>4,396</u>
Total Program expenses	<u>48,265</u>	<u>15,253</u>	<u>63,518</u>
Administrative expenses			
Personnel	4,022	889	4,911
Operating	1,363	122	1,485
Space	<u>3,035</u>	<u>1,476</u>	<u>4,511</u>
Total Administrative expenses	<u>8,420</u>	<u>2,487</u>	<u>10,907</u>
<b>TOTAL EXPENSES</b>	<u>56,685</u>	<u>17,740</u>	<u>74,425</u>
Excess (deficiency) of revenue over expenses	<u>\$ 1,181</u>	<u>\$ (1,181)</u>	<u>\$ -</u>

Jail Opiate			Needle Exchange			Total-All Programs
1/1/16- 8/31/16	9/1/16- 12/31/16	Total	1/1/16- 8/31/16	9/1/16- 12/31/16	Total	
<u>\$ 7,725</u>	<u>\$ 2,910</u>	<u>\$ 10,635</u>	<u>\$ 27,401</u>	<u>\$ 8,688</u>	<u>\$ 36,089</u>	<u>\$ 121,149</u>
<u>7,725</u>	<u>2,910</u>	<u>10,635</u>	<u>27,401</u>	<u>8,688</u>	<u>36,089</u>	<u>121,149</u>
6,506	2,439	8,945	17,097	5,925	23,022	87,527
134	-	134	5,246	1,457	6,703	10,399
<u>-</u>	<u>-</u>	<u>-</u>	<u>718</u>	<u>350</u>	<u>1,068</u>	<u>5,464</u>
<u>6,640</u>	<u>2,439</u>	<u>9,079</u>	<u>23,061</u>	<u>7,732</u>	<u>30,793</u>	<u>103,390</u>
-	-	-	940	131	1,071	5,982
-	-	-	2,691	534	3,225	4,710
<u>1,066</u>	<u>490</u>	<u>1,556</u>	<u>673</u>	<u>327</u>	<u>1,000</u>	<u>7,067</u>
<u>1,066</u>	<u>490</u>	<u>1,556</u>	<u>4,304</u>	<u>992</u>	<u>5,296</u>	<u>17,759</u>
<u>7,706</u>	<u>2,929</u>	<u>10,635</u>	<u>27,365</u>	<u>8,724</u>	<u>36,089</u>	<u>121,149</u>
<u>\$ 19</u>	<u>\$ (19)</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ (36)</u>	<u>\$ -</u>	<u>\$ -</u>

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

Year Ended August 31, 2017

DHS Identification Number	CARS 155900	CARS 155900	CARS 155902
Award amount	\$240,000	\$236,807	\$3,677,000
Award period	01/01/16-12/31/16	01/01/17-12/31/17	07/01/16-06/30/17
Period of Award within audit period	09/01/16-12/31/16	01/01/17-08/31/17	09/01/16-06/30/17
<b>Expenditures Reported to DHS for payment</b>	<b>\$ 50,156</b>	<b>\$ 177,260</b>	<b>\$ 2,852,530</b>
<b>Program Expenses</b>			
Grants and other assistance to individuals in the US	-	-	26,192
Salaries & wages	50,281	95,586	1,724,035
Employee Benefits	16,975	29,467	527,172
Program Materials	8,114	26,359	40,203
Program Equipment	1,261	651	759
Employee Travel, meetings and education	90	6	16,926
Patient/Client Parking	-	-	1,583
Employee Licenses & Dues	-	-	75
Professional Services	-	-	166,413
<b>Total Program Expenses</b>	<b>76,721</b>	<b>152,069</b>	<b>2,503,358</b>
<b>Management and General expenses allocated to program</b>			
Salaries & wages- indirect cost limitations of grant contract	3,873	10,188	217,555
Employee Benefits	1,582	4,161	88,861
Directory Advertising	-	-	-
Printing & Copying	121	643	3,333
Telephone	-	-	-
Vehicle Insurance	1,099	2,868	-
Shipping and Postage	50	-	90
Occupancy	2,750	7,333	187,693
Service Contract-Software Support	-	-	67,578
<b>Total Management and General expense allocated to program</b>	<b>9,475</b>	<b>25,193</b>	<b>565,110</b>
<b>Less program revenue and other offsets to costs</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Allowable Costs</b>	<b>\$ 86,196</b>	<b>\$ 177,262</b>	<b>\$ 3,068,468</b>

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

Year Ended August 31, 2017

<b>CARS 155902</b> <b>\$3,677,000</b> <b>07/01/17-06/30/18</b> <b>07/01/17-08/31/17</b>	<b>CARS 155908</b> <b>\$560,470</b> <b>01/01/16-12/31/16</b> <b>09/01/16-12/31/16</b>	<b>CARS 155908</b> <b>\$585,780</b> <b>01/01/17-12/31/17</b> <b>01/01/17-08/31/17</b>	<b>CARS 155919</b> <b>\$1,417,845</b> <b>04/01/16-03/31/17</b> <b>09/01/16-03/31/17</b>	<b>CARS 155919</b> <b>\$1,417,845</b> <b>04/01/17-03/31/18</b> <b>04/01/17-08/30/17</b>	<b>CARS 155935</b> <b>\$66,555</b> <b>04/01/16-03/31/17</b> <b>09/01/16-03/31/17</b>
<u>\$ 641,812</u>	<u>\$ 161,236</u>	<u>\$ 407,017</u>	<u>\$ 717,306</u>	<u>\$ 737,841</u>	<u>\$ 38,726</u>
13,305	-	-	42,437	26,426	-
349,330	102,141	207,729	385,563	310,010	22,233
110,213	33,286	71,549	139,500	113,504	5,501
21,243	31,733	45,169	33,421	96,470	7,568
-	590	-	-	-	-
3,601	53	(48)	41,586	27,096	-
(555)	-	-	24,828	27,994	-
-	137	-	698	735	-
<u>31,066</u>	<u>13,256</u>	<u>26,512</u>	<u>100,286</u>	<u>166,591</u>	<u>-</u>
<u>528,203</u>	<u>181,196</u>	<u>350,911</u>	<u>768,319</u>	<u>768,826</u>	<u>35,302</u>
43,511	12,720	25,343	64,497	41,943	2,783
17,772	5,196	10,352	26,344	17,132	1,137
-	2,500	-	-	-	-
667	2,089	3,404	-	-	-
-	-	-	-	-	-
-	2,198	5,736	-	-	-
49	-	14	-	-	-
37,539	5,604	11,207	-	-	-
<u>13,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>113,054</u>	<u>30,307</u>	<u>56,056</u>	<u>90,841</u>	<u>59,075</u>	<u>3,920</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 641,257</u>	<u>\$ 211,503</u>	<u>\$ 406,967</u>	<u>\$ 859,160</u>	<u>\$ 827,901</u>	<u>\$ 39,222</u>

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

Year Ended August 31, 2017

<b>CARS 155935</b> <b>\$66,555</b> <b>04/01/17-03/31/18</b> <b>04/01/17-08/30/17</b>	<b>CARS 155990</b> <b>\$128,000</b> <b>10/01/15-09/30/16</b> <b>09/01/16-09/30/16</b>	<b>CARS 155990</b> <b>\$1,142,244</b> <b>10/01/16-09/30/17</b> <b>10/01/16-08/31/17</b>	<b>CARS 159354</b> <b>\$200,000</b> <b>10/01/16-09/30/17</b> <b>10/01/16-08/31/17</b>	<b>CARS 533125</b> <b>\$326,680</b> <b>01/01/16-12/31/16</b> <b>01/01/16-08/31/16</b>	<b>CARS 533125</b> <b>\$251,680</b> <b>01/01/17-12/31/17</b> <b>01/01/17-08/31/17</b>
\$ 28,806	\$ 23,484	\$ 917,597	\$ 193,705	\$ 219,059	\$ 66,324
-	-	52,686	-	-	-
16,974	17,184	482,853	106,355	16,956	36,734
5,524	2,338	139,367	50,048	6,774	23,606
3,538	-	2,234	9,985	189,747	144
-	-	43,253	-	-	-
-	-	26,026	8,681	4,009	1,193
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26,036	19,522	746,419	175,069	217,486	61,677
1,967	2,899	67,833	11,834	2,138	3,300
803	1,184	27,706	4,834	873	1,348
-	-	-	-	-	-
-	-	-	849	-	-
-	-	75,442	1,100	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,770	4,083	170,981	18,617	3,011	4,648
-	-	-	-	-	-
\$ 28,806	\$ 23,605	\$ 917,400	\$ 193,686	\$ 220,497	\$ 66,325

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

Year Ended August 31, 2017

<b>CARS 533126</b> <b>\$500,000</b> <b>01/01/16-12/31/16</b> <b>01/01/16-08/31/16</b>	<b>CARS 533126</b> <b>\$500,000</b> <b>01/01/17-12/31/17</b> <b>01/01/17-08/31/17</b>	<b>CARS 170-000</b> <b>\$90,131</b> <b>07/01/16-06/30/17</b> <b>09/01/16-06/30/17</b>
\$ 124,226	\$ 324,158	\$ 65,540
-	-	-
113,665	191,243	88,330
34,023	67,070	11,873
2,866	12,045	1,600
1,977	280	-
12,726	20,923	-
-	-	-
-	-	-
820	1,093	-
166,077	292,654	101,803
11,576	21,516	-
4,728	8,788	-
-	-	-
-	-	-
450	1,200	-
-	-	-
-	-	-
-	-	-
16,754	31,504	-
-	-	-
\$ 182,831	\$ 324,158	\$ 101,803

## **FEDERAL AND STATE AWARDS**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE 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 *OMB 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, 2017. 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, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, the Uniform Guidance 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, 2017.

## 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 the Uniform Guidance 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.

## Purpose of this Report

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 the Uniform Guidance and *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

Milwaukee, Wisconsin  
December 5, 2017 except for the Schedule of Expenditures  
of Federal and State Awards as to which the date is  
February 12, 2018

## AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended August 31, 2017

Federal/State Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal and State Expenditures	Subrecipient Expenditures
<b>Federal Expenditures</b>				
U.S. Department of Housing and Urban Development				
Direct Funding				
Housing Opportunities for People with AIDS May 1, 2016 - April 30, 2019	14.241		\$ 501,834	\$ -
Housing Opportunities for People with AIDS April 1, 2014- March 31, 2017	14.241		530,666	-
Wisconsin Department of Commerce - Bureau of Housing				
Housing Opportunities for People with AIDS- 2016 Program Year	14.241	HOPWA 1501	33,455	-
Wisconsin Department of Commerce - Bureau of Housing				
Housing Opportunities for People with AIDS- 2017 Program Year	14.241	HOPWA 1601	471,616	-
City of Milwaukee -2016 Program Year				
Housing Opportunities for People with AIDS	14.241	C15116A001	202,510	-
City of Milwaukee -2017 Program Year				
Housing Opportunities for People with AIDS	14.241	C15117A001	344,837	-
Total CFDA 14.241			<u>\$ 2,084,918</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>2,084,918</u>	<u>-</u>
U.S. Department of Justice				
Residential Substance Abuse Treatment for State Prisoners				
Dane County- Jail Opiate Project	16.593	83791	11,412	-
Dane County- Outreach	16.593	83791	67,494	-
Dane County- Needle Exchange	16.593	83791	34,229	-
Total CFDA 16.593			<u>113,135</u>	<u>-</u>
Total U.S. Department of Justice			<u>113,135</u>	<u>-</u>
U.S. Department of Health and Human Services				
State of Wisconsin - Department of Health Services				
Affordable Care Act Personal Responsibility Education Program (PF	93.092	159354	186,945	-
Medical College of Wisconsin				
Affordable Care Act Personal Responsibility Education Program (PF	93.092		12,661	-
Total CFDA 93.092			<u>199,606</u>	<u>-</u>
Fenway- AIDS Education and Training Centers	93.145	356-ARCW1	24,970	-
Medical College of Wisconsin				
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	5H12HA248110500	30,900	-
Direct Funding				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Not Applicable	266,212	120,171
Waukesha County, Wisconsin				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	SP0221112	39,848	-
Total CFDA 93.243			<u>306,060</u>	<u>120,171</u>
City/County of Denver-Department of Environmental Health				
Grants to Provide Emergency and Financial Assistance Programs (Ryan White HIV/AIDS Part A)	93.914	ENVHL-201734743-01	177,611	-
State of Wisconsin - Department of Health Services				
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155919	1,455,147	-
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155935	67,532	-
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	155990	941,081	-
Colorado Health Network				
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	CDPHE ADAP	14,591	-
Medical College of Wisconsin				
HIV Care Formula Grants (Ryan White HIV/AIDS Program Part B)	93.917	X07HA00027	55,401	-
Total CFDA 93.917			<u>2,533,752</u>	<u>-</u>

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, 2017

Federal/State Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal and State Expenditures	Subrecipient 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	-	669,101	-
Diverse and Resilient, Inc. HIV Prevention Activities - Non-Governmental Organization Based	93.939	-	21,559	-
State of Wisconsin - Department of Health Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	155900	71,068	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533125	285,383	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533126	448,384	-
Milwaukee County - Department of Human Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	585	111,224	-
Total CFDA 93.959			916,059	-
State of Wisconsin - Department of Health Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.994	159354	6,760	-
Total U.S. Department of Health and Human Services			4,886,378	120,171
United Way Worldwide				
LRO ID: 910400-033 (Brown County)	97.024	910400-033	3,057	-
LRO ID: 917000-013 (La Crosse County)	97.024	917000-013	1,257	-
LRO ID: 922600-018 (Rock County)	97.024	922600-018	2,500	-
LRO ID: 907200-023 (Eau Claire/Chippewa)	97.024	907200-023	2,178	-
LRO ID: 916400-018 (Kenosha County)	97.024	916400-018	1,125	-
LRO ID: 918200-013 (Marathon County)	97.024	918200-013	2,500	-
Total CFDA 97.024			12,617	-
Total federal expenditures			\$ 7,097,048	\$ 120,171
<u>State expenditures</u>				
State of Wisconsin - Department of Health Services				
HIV Prevention IDU	435.155900	155900	\$ 156,348	\$ -
HIV LCS/EI (GPR)	435.155902	155902	3,494,342	-
HIV Prevention ASO	435.155908	155908	568,253	-
Dental Access	435.170000	170000	65,540	-
Total state expenditures			\$ 4,284,483	\$ -

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, 2017

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the State of Wisconsin.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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 - INDIRECT COSTS

AIDS Resource Center of Wisconsin, Inc. has not elected to charge a de minimus indirect cost rate of 10% of modified total direct costs. Instead, the Organization utilized an approved indirect cost rate agreement with the U.S. Department of Health Services for indirect costs.

NOTE 3 - FEE FOR SERVICE PAYMENTS

The Schedule of Expenditures of Federal and State Awards do not include recorded revenues of \$665,921 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, 2017. Our audit, described below, did not include the operations of Milwaukee Aids Housing Corporation, Inc.

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2017

**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 The Uniform Guidance?	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 Programs
93.917	HIV Care Formula Grants
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Identification of major state programs:

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

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

Federal Awards	\$750,000
State Awards	\$250,000
Auditee qualified as low-risk auditee	Yes

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
Schedule of Findings and Questioned Costs (Continued)  
Year Ended August 31, 2017

**Section II - Financial Statement Findings**

There were no findings noted for the year ended August 31, 2017.

**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, 2017.

**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

Date of report

December 5, 2017

AIDS RESOURCE CENTER OF WISCONSIN, INC.  
Schedule of Prior Year Audit Findings and Corrective Action Plan  
For the Year Ended August 31, 2017

**Prior Year Audit Findings**

Finding No.	Control Deficiencies
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<b>2016-001</b>	<b>Pharmacy Accounts Receivable System</b>
-----------------	--------------------------------------------

	Subsequent to August 31, 2016, ARCW has reconciled and resolved these issues within the system and proper accounting procedures and transaction flows are in place to properly report and account for the ARCW Pharmacy receivables on an ongoing basis.
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## **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, 2017, 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, 2017.

**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.

A handwritten signature in black ink that reads "Schuck SC". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Milwaukee, Wisconsin  
December 5, 2017