

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended August 31, 2013 and 2012

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

We have audited the accompanying consolidated financial statements of AIDS Resource Center of Wisconsin, Inc. (a Wisconsin nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of AIDS Resource Center of Wisconsin, Inc. as of August 31, 2012, were audited by other auditors whose report dated December 7, 2012, expressed an unmodified opinion on those statements.

Report on Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates 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 is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report Issued in Accordance With *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 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 10, 2013

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2013 and 2012

ASSETS	2013	2012
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,722,709	\$ 705,294
Government grants receivable	2,046,187	2,371,434
Contributions receivable, current portion	793,722	523,599
ARCW Medical Center reimbursement receivable	102,770	100,759
ARCW Pharmacy reimbursement receivable	802,815	664,482
ARCW Pharmacy inventory	847,403	537,713
Prepaid expenses	146,423	160,884
Other current assets	14,392	6,186
Total current assets	6,476,421	5,070,351
Property and equipment, net	3,647,902	3,786,408
<u>Other assets</u>		
Contributions receivable, long-term portion	98,156	24,383
Deposits	23,289	23,289
HUD restricted escrow account	41,399	38,280
Endowment investments	12,941	10,922
Total other assets	175,785	96,874
Total assets	\$ 10,300,108	\$ 8,953,633

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2013 and 2012

LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
<u>Current liabilities</u>		
Line of credit	\$ -	\$ 568,930
Current portion of capital lease obligations	10,968	10,881
ARCW accounts payable	547,830	667,966
ARCW Pharmacy accounts payable	1,269,855	928,772
MAHC accounts payable	13,115	1,186
Accrued payroll and vacation	342,148	299,448
MAHC security deposits	451	213
Refundable advances	<u>1,101,598</u>	<u>1,146,839</u>
Total current liabilities	3,285,965	3,624,235
Capital lease obligations	11,818	22,786
MAHC mortgage	<u>680,090</u>	<u>680,090</u>
Total liabilities	<u>3,977,873</u>	<u>4,327,111</u>
<u>Net assets</u>		
Unrestricted		
ARCW unrestricted funds	2,517,465	1,054,025
ARCW board designated fund	1,004,922	757,377
MAHC operating deficit	(609,800)	(534,061)
ARCW property and equipment less related debt	<u>2,955,994</u>	<u>3,083,532</u>
Total unrestricted net assets	5,868,581	4,360,873
Temporarily restricted	440,767	254,762
Permanently restricted	<u>12,887</u>	<u>10,887</u>
Total net assets	<u>6,322,235</u>	<u>4,626,522</u>
Total liabilities and net assets	<u>\$ 10,300,108</u>	<u>\$ 8,953,633</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended August 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue</u>				
Federal government grants				
U.S. Department of Health and Human Services	\$ 848,529	\$ -	\$ -	\$ 848,529
U.S. Department of Housing and Urban Development	841,862	-	-	841,862
State government grants				
Department of Health Services	6,066,488	-	-	6,066,488
Department of Administration	428,932	-	-	428,932
Local government grants				
City of Milwaukee	564,133	-	-	564,133
Milwaukee County	322,271	-	-	322,271
Private revenue				
Foundation contributions	269,659	-	-	269,659
Corporate contributions	356,764	98,773	-	455,537
Individual contributions	574,528	-	2,000	576,528
Special events				
Events - participants	469,074	2,000	-	471,074
Events - corporate	251,654	13,700	-	265,354
Special events expenses	(444,121)	-	-	(444,121)
Grants to Wisconsin AIDS agencies	(3,429)	-	-	(3,429)
United Way	94,961	326,857	-	421,818
Net assets released from restrictions:				
United Way	253,344	(253,344)	-	-
Corporate contributions	2,000	(2,000)	-	-
Contractual partnerships				
Medical College of Wisconsin	112,990	-	-	112,990
NIH Tulane University	410,688	-	-	410,688
Reimbursement for services				
ARCW Medical Center	589,177	-	-	589,177
ARCW Pharmacy	28,147,342	-	-	28,147,342
ARCW Housing rental income	52,832	-	-	52,832
Other income				
Consulting services	36,666	-	-	36,666
Rental income	26,138	-	-	26,138
Miscellaneous income	8,883	19	-	8,902
Total revenue	<u>40,281,365</u>	<u>186,005</u>	<u>2,000</u>	<u>40,469,370</u>
<u>Expenses</u>				
Clinical and program services				
ARCW Medical Center	5,141,990	-	-	5,141,990
ARCW Pharmacy	24,426,778	-	-	24,426,778
Social services	4,193,568	-	-	4,193,568
MAHC expenses	128,591	-	-	128,591
Prevention services	2,581,054	-	-	2,581,054
Public affairs	342,033	-	-	342,033
Management and supporting services	1,406,090	-	-	1,406,090
Fund development	553,553	-	-	553,553
Total expenses	<u>38,773,657</u>	<u>-</u>	<u>-</u>	<u>38,773,657</u>
Change in net assets	1,507,708	186,005	2,000	1,695,713
Net assets, beginning of year	<u>4,360,873</u>	<u>254,762</u>	<u>10,887</u>	<u>4,626,522</u>
Net assets, end of year	<u>\$ 5,868,581</u>	<u>\$ 440,767</u>	<u>\$ 12,887</u>	<u>\$ 6,322,235</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended August 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>Revenue</u>				
Federal government grants				
U.S. Department of Health and Human Services	\$ 1,157,784	\$ -	\$ -	\$ 1,157,784
U.S. Department of Housing and Urban Development	868,345	-	-	868,345
State government grants				
Department of Health Services	5,562,645	-	-	5,562,645
Department of Commerce	466,711	-	-	466,711
Local government grants				
City of Milwaukee	619,565	-	-	619,565
Milwaukee County	80,998	-	-	80,998
Racine County	18,333	-	-	18,333
Brown county	7,500	-	-	7,500
Eau Claire County	10,000	-	-	10,000
Dane County	5,609	-	-	5,609
Private revenue				
Foundation contributions	239,052	-	-	239,052
Corporate contributions	497,950	-	-	497,950
Individual contributions	327,882	-	500	328,382
Special events				
Events - participants	423,353	-	-	423,353
Events - corporate	98,550	-	-	98,550
Special events expenses	(348,011)	-	-	(348,011)
Grants to Wisconsin AIDS agencies	(2,862)	-	-	(2,862)
United Way	91,600	239,401	-	331,001
Net assets released from restrictions:				
United Way	244,800	(244,800)	-	-
Individual and corporate contributions	54,000	(54,000)	-	-
Contractual partnerships				
Medical College of Wisconsin	238,827	-	-	238,827
Milwaukee Health Services, Inc.	24,518	-	-	24,518
Diverse and Resilient	45,083	-	-	45,083
Reimbursement for services				
ARCW Medical Center	506,434	-	-	506,434
ARCW Pharmacy	21,993,864	-	-	21,993,864
ARCW Housing rental income	44,762	-	-	44,762
Other income				
Consulting services	80,170	-	-	80,170
Rental income	71,757	-	-	71,757
Miscellaneous income	3,616	6	-	3,622
Total revenue	<u>33,432,835</u>	<u>(59,393)</u>	<u>500</u>	<u>33,373,942</u>
<u>Expenses</u>				
Clinical and program services				
ARCW Medical Center	5,073,006	-	-	5,073,006
ARCW Pharmacy	19,540,186	-	-	19,540,186
Social services	3,966,016	-	-	3,966,016
MAHC expenses	111,487	-	-	111,487
Prevention services	2,274,644	-	-	2,274,644
Public affairs	319,199	-	-	319,199
Management and supporting services	1,117,640	-	-	1,117,640
Fund development	614,942	-	-	614,942
Total expenses	<u>33,017,120</u>	<u>-</u>	<u>-</u>	<u>33,017,120</u>
Change in net assets	415,715	(59,393)	500	356,822
Net assets, beginning of year	<u>3,945,158</u>	<u>314,155</u>	<u>10,387</u>	<u>4,269,700</u>
Net assets, end of year	<u>\$ 4,360,873</u>	<u>\$ 254,762</u>	<u>\$ 10,887</u>	<u>\$ 4,626,522</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2013

<u>Expenses</u>	<u>Clinical and Program Services</u>	<u>Management and Supporting Services</u>	<u>Fund Development</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ 5,154,658	\$ 1,257,012	\$ 336,804	\$ 6,748,474
Payroll taxes	362,095	132,809	23,833	518,737
Employee benefits	1,051,142	269,238	56,017	1,376,397
Total personnel expenses	<u>6,567,895</u>	<u>1,659,059</u>	<u>416,654</u>	<u>8,643,608</u>
Pharmacy cost of sales	22,548,414	-	-	22,548,414
Pharmacy services	1,878,364	-	-	1,878,364
MAHC expenses	128,591	-	-	128,591
Contracted program services	550,750	38,185	-	588,935
Client financial assistance	66,610	-	-	66,610
Patient financial assistance	134,934	-	-	134,934
Patient food assistance	109,388	-	-	109,388
Patient rent assistance	521,768	-	-	521,768
Patient housing facilities	10,615	-	-	10,615
Patient parking	45,733	3,899	-	49,632
Program materials	659,481	43	-	659,524
Patient medications	187,753	-	-	187,753
Patient laboratory	477,074	-	-	477,074
Employee travel and education	161,545	52,332	2,545	216,422
Printing and copying	11,708	75,246	13,769	100,723
Professional services	184,386	261,845	32,104	478,335
Telephone	-	98,976	-	98,976
Insurance	35,129	74,496	-	109,625
Office supplies	4,515	8,796	711	14,022
Postage and delivery	434	46,158	3,237	49,829
Meeting costs	14,726	20,567	10,403	45,696
Recruiting	-	8,216	-	8,216
Advertising	2,149	-	3,450	5,599
Repairs and maintenance	75	132,365	-	132,440
Information technology	-	129,385	-	129,385
Interest expense	-	4,759	-	4,759
Other expenses	-	-	-	-
Occupancy	682,892	27,542	16,525	726,959
Depreciation	473,619	60,579	16,522	550,720
Licenses and fees	35,478	31,488	15,275	82,241
Grant disbursements	5,500	-	-	5,500
Uncollectible donor pledges	-	-	9,000	9,000
Total direct expenses	<u>35,499,526</u>	<u>2,733,936</u>	<u>540,195</u>	<u>38,773,657</u>
Department allocations	<u>1,314,488</u>	<u>(1,327,846)</u>	<u>13,358</u>	<u>-</u>
Total functional expenses	<u>\$ 36,814,014</u>	<u>\$ 1,406,090</u>	<u>\$ 553,553</u>	<u>\$ 38,773,657</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2012

	Clinical and Program Services	Management and Supporting Services	Fund Development	Total
<u>Expenses</u>				
Personnel expenses				
Salaries and wages	\$ 4,920,263	\$ 927,520	\$ 398,844	\$ 6,246,627
Payroll taxes	332,096	98,976	27,379	458,451
Employee benefits	941,650	193,326	38,626	1,173,602
Total personnel expenses	<u>6,194,009</u>	<u>1,219,822</u>	<u>464,849</u>	<u>7,878,680</u>
Pharmacy cost of sales	18,057,838	-	-	18,057,838
Pharmacy services	1,482,348	-	-	1,482,348
MAHC expenses	111,487	-	-	111,487
Contracted program services	753,788	-	-	753,788
Client financial assistance	23,380	-	-	23,380
Patient financial assistance	194,393	-	-	194,393
Patient food assistance	49,986	-	-	49,986
Patient rent assistance	648,182	-	-	648,182
Patient housing facilities	9,383	-	-	9,383
Patient parking	39,000	-	-	39,000
Program materials	498,735	-	-	498,735
Patient medications	180,398	-	-	180,398
Patient laboratory	500,934	-	-	500,934
Employee travel and education	139,075	63,918	3,673	206,666
Printing and copying	16,285	43,129	26,663	86,077
Professional services	159,811	170,113	46,604	376,528
Telephone	-	95,330	-	95,330
Insurance	32,627	67,650	-	100,277
Office supplies	3,557	4,928	344	8,829
Postage and delivery	1,980	48,185	6,907	57,072
Meeting costs	13,218	18,847	5,441	37,506
Recruiting and advertising	847	20,144	2,850	23,841
Repairs and maintenance	768	125,869	-	126,637
Information technology	-	147,150	-	147,150
Interest expense	-	40,583	-	40,583
Other expenses	-	4,251	-	4,251
Occupancy	639,962	21,970	16,970	678,902
Depreciation	373,823	49,246	15,669	438,738
Licenses and fees	19,809	28,955	9,001	57,765
Grant disbursements	6,250	10,000	-	16,250
Uncollectible donor pledges	-	86,186	-	86,186
Total direct expenses	<u>30,151,873</u>	<u>2,266,276</u>	<u>598,971</u>	<u>33,017,120</u>
Department allocations	<u>1,132,665</u>	<u>(1,148,636)</u>	<u>15,971</u>	<u>-</u>
Total functional expenses	<u>\$ 31,284,538</u>	<u>\$ 1,117,640</u>	<u>\$ 614,942</u>	<u>\$ 33,017,120</u>

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,695,713	\$ 356,822
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	620,365	512,394
Change in discounts to net present value of contributions receivable	1,227	617
Realized and unrealized gain on investments	-	(950)
Loss on disposal of property and equipment	-	8,219
Donated securities	-	(5,236)
Permanently restricted contributions	(2,000)	(500)
Change in assets and liabilities:		
Government grants receivable	325,247	(226,336)
Contributions receivable	(345,123)	68,470
ARCW Medical Center reimbursement receivable	(2,011)	125,043
ARCW Pharmacy reimbursement receivable	(138,333)	199,159
Pharmacy inventory	(309,690)	(85,708)
Prepaid expenses	14,461	(13,392)
Other current assets	(8,206)	-
Change in deposits and restricted escrow savings	(3,119)	(3,912)
ARCW accounts payable	(120,136)	8,823
ARCW pharmacy accounts payable	341,083	185,581
MAHC accounts payable	11,929	(1,318)
Accrued payroll and vacation	42,700	15,164
MAHC security deposits	238	-
Refundable advances	(45,241)	648,797
	<u>2,079,104</u>	<u>1,791,737</u>
Net cash provided by operating activities		
	<u>2,079,104</u>	<u>1,791,737</u>
<u>Cash flows from investing activities</u>		
Purchases of property and equipment	(481,859)	(547,284)
Increase in endowment investments	(2,019)	(500)
Proceeds from interest in split dollar insurance in excess of deferred compensation settlement	-	15,021
	<u>(483,878)</u>	<u>(532,763)</u>
Net cash used by investing activities		
	<u>(483,878)</u>	<u>(532,763)</u>
<u>Cash flows from financing activities</u>		
Payments on line of credit	(568,930)	(1,213,493)
Payments on capital leases	(10,881)	(16,759)
Permanently restricted contributions	2,000	500
	<u>(577,811)</u>	<u>(1,229,752)</u>
Net cash used by financing activities		
	<u>(577,811)</u>	<u>(1,229,752)</u>
Net increase in cash and cash equivalents	1,017,415	29,222
Cash and cash equivalents at beginning of year	<u>705,294</u>	<u>676,072</u>
Cash and cash equivalents at end of year	<u>\$ 1,722,709</u>	<u>\$ 705,294</u>
Supplemental information		
Cash paid for interest	\$ 4,759	\$ 40,583

See accompanying notes to consolidated financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2013 and 2012

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

The AIDS Resource Center of Wisconsin, Inc. is a provider of HIV health care, social services and prevention services in the State of Wisconsin. The ARCW Medical Center has been designated by the Wisconsin Department of Health Services as the state's only HIV Medical Home with integrated medical, dental, mental health, pharmacy and social services for all people with HIV disease. The Organization operates throughout Wisconsin with locations in Appleton, Eau Claire, Green Bay, La Crosse, Kenosha, Madison, Milwaukee, Schofield/Wausau and Superior.

The consolidated financial statements (Organization) include the accounts of AIDS Resource Center of Wisconsin, Inc. (ARCW) and the following entities: Milwaukee AIDS Housing Corporation, Inc. (MAHC), ARCW Pharmacy, LLC (Pharmacy) and ARCW Endowment Fund, Inc. (Endowment). MAHC is registered under Section 811 of the National Affordable Housing Act of 1990. The Pharmacy was created exclusively for HIV patients as a limited liability company solely owned by ARCW. ARCW is the sole corporate member of MAHC and the Endowment. All significant intercompany transactions and accounts are eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time. At August 31, 2013 and 2012, the Organization had \$440,767 and \$254,762 of temporarily purpose- and time-restricted net assets.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. At August 31, 2013 and 2012, the Organization had \$12,887 and \$10,887 of permanently restricted net assets, respectively.

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, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Penalties and interest, if and when assessed by income taxing authorities, are included in administrative expenses. The Organization had no interest and penalties related to income taxes for the years ended August 31, 2013 and 2012. The Organization's federal tax exempt income tax returns are subject to examination generally for three years after they are filed and its state income tax returns generally for four years after they are filed.

Cash and cash equivalents - For purposes of the statement of cash flows, cash and cash equivalents including short-term investments include all highly liquid debt instruments with original maturities of three months or less.

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

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

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

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Property and equipment - Property and equipment are recorded at cost if purchased and at fair value at date of the gift if donated. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the asset. All acquisitions of equipment in excess of \$500 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred.

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

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

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

Advertising costs - The Organization uses advertising to promote its programs and special events and for recruiting employees. The costs of communicating advertisements are expensed as the items or services are received. Advertising costs for special events were \$8,970 and \$24,416 during the years ended August 31, 2013 and 2012 and are included in special events expenses. Advertising costs for programming were \$5,599 and \$3,777 and for recruiting were \$8,216 and \$20,064 during the years ended August 31, 2013 and 2012, 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, 2013 and 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications - Certain 2012 amounts have been reclassified to conform to classifications adopted in 2013. The reclassifications have no effect on previously reported amounts of net assets or changes in net assets.

Subsequent events - The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through December 10, 2013, the date on which the consolidated financial statements were available to be issued.

NOTE 3 – RESTRICTIONS ON CASH

Milwaukee AIDS Housing Corporation, Inc. maintained a separate, restricted cash account as required by U.S. Department of Housing and Urban Development (HUD) as part of a HUD escrow savings account. The balances in the account as of August 31, 2013 and 2012 were \$41,399 and \$38,280, respectively.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Outstanding contributions receivable at August 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Less than one year	\$ 804,914	\$ 527,648
One to five years	<u>100,000</u>	<u>25,000</u>
	904,914	552,648
Less: allowance for uncollectible contributions	(11,192)	(4,049)
Less: discount to present value	<u>(1,844)</u>	<u>(617)</u>
	891,878	547,982
Contributions receivable, current portion	<u>793,722</u>	<u>523,599</u>
Contributions receivable, long-term portion	<u>\$ 98,156</u>	<u>\$ 24,383</u>

Contributions receivable to be collected in excess of one year are discounted using a rate of 1.25%.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 5 – GOVERNMENT GRANT RECEIVABLE

Government grants receivable consists of the following as of August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
State of Wisconsin -		
Department of Health Services	\$ 1,455,189	\$ 1,903,994
Department of Administration	63,902	80,835
U.S. Department of Health and Human Services	123,782	185,353
U.S. Department of Housing and Urban Development	195,400	57,996
Medical College of Wisconsin	17,262	25,598
City of Milwaukee	188,107	108,137
Other	<u>2,545</u>	<u>9,521</u>
 Total government grants receivable	 <u><u>\$ 2,046,187</u></u>	 <u><u>\$ 2,371,434</u></u>

NOTE 6 – REIMBURSEMENT RECEIVABLE

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

Gross receivables were \$108,935 and \$106,505, less allowances of \$6,165 and \$5,746, for a net expected reimbursement receivable of \$102,770 and \$100,759, respectively. ARCW Medical Center reimbursement receivables are expected to be collected within one year from August 31, 2013.

ARCW Pharmacy reimbursement receivable consists of reimbursement for pharmacy services and pharmaceuticals. The ARCW Pharmacy reimbursement receivable is recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts. Gross receivables were \$901,846 and \$687,324, less allowances of \$99,031 and \$22,842, for a net expected reimbursement receivable of \$802,815 and \$664,482, respectively. ARCW Pharmacy reimbursement receivables are expected to be collected within one year from August 31, 2013.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at August 31, 2013 and 2012:

	2013	2012
Land	\$ 200	\$ 200
Wisconsin House leasehold improvements	270,609	272,132
Wisconsin House equipment	5,253	8,853
Garden View Apartments	761,717	763,227
Leasehold improvements	3,612,628	3,551,502
Furniture and fixtures	769,794	668,311
Office equipment and technology	1,142,876	1,010,134
Motor vehicles	153,821	128,709
Health care equipment	601,611	570,433
Pharmacy equipment	7,460	7,460
Leased office equipment	171,975	171,975
Total property and equipment	\$ 7,497,944	\$ 7,152,936
Less accumulated depreciation	(3,850,042)	(3,366,528)
Net property and equipment	\$ 3,647,902	\$ 3,786,408

NOTE 8 – OPERATING LEASES

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

Future minimum lease payments under operating leases are as follows:

Year Ending August 31,		
2014	\$	357,253
2015		293,497
2016		274,764
2017		274,764
2018		274,764
Thereafter		522,532
Total		\$1,997,574

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 8 – OPERATING LEASES (CONTINUED)

Rent and related occupancy expenses on the above operating leases was \$726,421 and \$695,872 for the years ended August 31, 2013 and 2012, respectively.

In addition to the leases noted above, the Organization has one year remaining on an agreement for the practice management and electronic medical records software. The payments for the software rights are to be paid monthly, based on the number of visits.

NOTE 9 – CAPITAL LEASE OBLIGATIONS

Equipment under capital leases consists of five copy machines with a net combined capitalized cost of \$53,793 and accumulated depreciation of \$29,785. Depreciation expense reported in the statement of activities includes \$12,191 for the equipment under capital lease.

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

<u>Years ending August 31,</u>	
2014	\$ 10,968
2015	6,228
2016	3,354
2017	<u>2,236</u>
Total minimum future lease payments	\$ 22,786
Less: current portion of principal payments	<u>10,968</u>
Long-term portion of principal payments	<u><u>\$ 11,818</u></u>

NOTE 10 – REFUNDABLE ADVANCES

Refundable advances consist of funds that were received by the Organization as of August 31, 2013 and 2012 for use in the subsequent fiscal years:

	2013	2012
State of Wisconsin - Department of Health Services	\$ 1,101,598	\$ 1,146,839

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 11 – LINE OF CREDIT

ARCW has a line of credit up to \$2,700,000 to manage inventory requirements of ARCW Pharmacy and general agency operations. The line of credit has an interest rate of LIBOR plus two and one-half percent and matures on March 31, 2014. The line of credit is secured by the ARCW Pharmacy inventory; ARCW Pharmacy accounts receivable, \$750,000 of cash retained in a secured account at the bank and other general assets of the Organization. The line of credit had a balance of \$0 and \$568,930 at August 31, 2013 and 2012, respectively.

NOTE 12 – MAHC MORTGAGE

Milwaukee AIDS Housing Corporation, Inc. currently has a mortgage payable to the Department of Housing and Urban Development (HUD) in the amount of \$680,090. The proceeds were used to construct Garden View Apartments to house people with HIV and AIDS. The mortgage matures on July 1, 2037 and does not accrue interest as long as the building is used for the stated exempt purpose which is for housing of very low-income persons with disabilities in accordance with Section 811 of the National Affordable Housing Act of 1990. At the time this mortgage matures, the entire loan amount will be forgiven. Prepayment of the mortgage is not allowed without HUD approval. If the loan would be paid before the maturity date, interest would be due at the rate of 7% per year.

NOTE 13 – LETTER OF CREDIT – UNEMPLOYMENT COMPENSATION

Under the terms of Wisconsin law, the Organization has elected the reimbursement financing method for unemployment compensation. The Organization has a letter of credit for the payment of future unemployment compensation claims available in the amount of \$71,489 as August 31, 2013 and 2012.

NOTE 14 – ENDOWMENT

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

The board of directors of the ARCW Endowment Fund, Inc. has adopted a policy that there shall be no active fundraising for the ARCW Endowment Fund, Inc. until the ARCW strategic plan financial reserve goal is achieved. Currently, the assets of the endowment are held in certificates of deposit.

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 14 – ENDOWMENT (CONTINUED)

Endowment investment and net asset composition as of August 31, 2013 and 2012 are summarized as follows:

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
Certificates of deposit	\$ -	\$ 35	\$ 10,887	\$ 10,922
Total	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 10,887</u>	<u>\$ 10,922</u>

Changes in endowment investment and net asset composition for the years ended August 31, 2013 and 2012 are provided as follows:

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>
Endowment net assets, beginning of year	\$ -	\$ 29	\$ 10,387	\$ 10,416
Contributions	-	-	500	500
Interest income	-	6	-	6
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 35</u>	<u>\$ 10,887</u>	<u>\$ 10,922</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 15 – ARCW BOARD DESIGNATED FUND

The Organization’s board of directors established a board designated fund to ensure continued success and long-term financial stability for the Organization. The ARCW board designated cash reserves are available for future critical needs of the Organization and use of these reserves require board of director approval. The Organization has accumulated cash reserves of \$1,004,922 and \$757,377 as of August 31, 2013 and 2012, respectively, and these cash reserves are included in cash and cash equivalents.

NOTE 16 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets as of August 31, 2013 and 2012 consist of the following:

	2013	2012
United Way	\$ 326,857	\$ 253,344
Corporate contributions	100,000	2,000
Individual contributions	15,700	-
Endowment interest income	54	35
Less: present value discount for long term contributions	(1,844)	(617)
Total temporarily restricted net assets	\$ 440,767	\$ 254,762

Permanently restricted net assets as of August 31, 2013 and 2012 consist of the following:

	2013	2012
Endowment certificates of deposit	\$ 12,887	\$ 10,887

NOTE 17 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions include income temporarily restricted in the prior fiscal year for which donor restrictions were met as of August 31, 2013. Net assets released from restrictions consist of the following for the years ended August 31, 2013 and 2012:

	2013	2012
United Way	\$ 253,344	\$ 244,800
Corporate contributions	2,000	50,000
Foundation Contributions	-	4,000
Total	\$ 255,344	\$ 298,800

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 18 – ARCW UNCOMPENSATED CARE AND TREATMENT

Revenue from reimbursement for health services is net of contractual allowances and patient subsidies. ARCW provided the following uncompensated care and treatment to its medical, dental and mental health patients totaling \$3,157,212 and \$3,030,430 and are summarized for the years ended August 31, 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Contractual allowances	\$ 1,124,484	\$ 1,154,780
Patient subsidy	1,166,357	999,925
Patient medications	187,753	180,398
Patient laboratory testing	477,074	500,934
Patient assistance	<u>201,544</u>	<u>194,393</u>
Total	<u>\$ 3,157,212</u>	<u>\$ 3,030,430</u>

NOTE 19 – ARCW MEDICAL CENTER AND SOCIAL SERVICES EXPENSES

The AIDS Resource Center of Wisconsin, Inc. provides integrated health and social services in its HIV medical home model of care to achieve the best clinical outcomes for its patients and clients. The ARCW Consolidated Statements of Activities identifies expenses for the ARCW Medical Center and ARCW Social Services. These expenses include professional staff expense for physicians, nurse practitioners, nurses, dentists, dental hygienists, mental health therapists, attorneys, social workers and other staff serving HIV patients and clients. Following is an itemization of the health and social services expenses for the years ended August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<u>ARCW Medical Center</u>		
Medical Clinic	\$ 2,946,261	\$ 2,882,863
Dental Clinic	1,135,151	1,181,771
Behavioral Health and Wellness Clinic	<u>1,160,578</u>	<u>1,008,372</u>
Total ARCW Medical Center expenses	<u>\$ 5,241,990</u>	<u>\$ 5,073,006</u>
<u>ARCW Social Services</u>		
Case management	\$ 2,332,484	\$ 2,064,923
Housing services	1,343,326	1,497,044
Food services	329,263	244,046
Legal services	<u>188,495</u>	<u>160,003</u>
Total ARCW Social Services expenses	<u>\$ 4,193,568</u>	<u>\$ 3,966,016</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2013 and 2012

NOTE 20 – RELATED PARTIES

During the years ended August 31, 2013 and 2012, ARCW incurred expenses with entities or individuals considered to be related parties and are disclosed as follows. Insurance costs of \$11,775 and \$33,880 were incurred from an insurance company whose board member's spouse is an insurance agent. Auctioneer services in the amount of \$2,864 and \$3,295 were purchased for the Organization's annual special event from a company owned by the brother-in-law of a vice-president of the Organization. Purchases of \$7,719 and \$14,440 were made from a furniture company whose owner is the spouse of a board member. Legal fees of \$23,341 and \$51,093 were paid to a law firm for which a principal of the firm is a board member. In addition, the Organization's board of directors and staff have made donations totaling \$73,102 and \$53,563 during the years ended August 31, 2013 and 2012. None of these related party activities had an adverse effect on any governmental or privately funded programs.

NOTE 21 – IN-KIND GOODS AND SERVICES

In-kind goods and services included in the accompanying consolidated financial statements have an estimated value of \$64,456 and \$111,190 for the years ended August 31, 2013 and 2012, respectively. The Organization received \$55,905 and \$50,572 of medical services and \$8,551 and \$7,942 of furniture.

NOTE 22 – RETIREMENT PLANS

ARCW maintains a flexible investment 401(k) plan. Effective January 1, 2013, the Organization has amended its 401(k) retirement plan to become a Safe Harbor plan. The Organization matched up to 5% of gross wages for all participating employees. Total employer contributions to the 401(k) plan were \$188,987 and \$192,027 for the years ended August 31, 2013 and 2012.

The Organization also offered a 403(b) retirement plan to which all employees can make direct contributions. The Organization did not match employee contributions to the 403(b) retirement plan. The 403(b) retirement plan was terminated effective December 31, 2012.

NOTE 23 – 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.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES

Year Ended August 31, 2013

(With summarized totals for the year ended August 31, 2012)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2013 Total	2012 Total
Revenue								
Federal government grants								
U.S. Department of Health and Human Services	\$ 646,100	\$ -	\$ 129,325	\$ -	\$ 73,104	\$ -	\$ 848,529	\$ 1,090,929
U.S. Department of Housing and Urban Development	-	817,142	-	-	24,720	-	841,862	868,345
Total federal revenue	<u>646,100</u>	<u>817,142</u>	<u>129,325</u>	<u>-</u>	<u>97,824</u>	<u>-</u>	<u>1,690,391</u>	<u>1,959,274</u>
State of Wisconsin government grants								
Department of Health Services	2,513,721	1,849,178	1,125,891	-	577,698	-	6,066,488	5,562,645
Department of Administration	-	403,196	-	-	25,736	-	428,932	-
Department of Commerce	-	-	-	-	-	-	-	466,711
Total State of Wisconsin revenue	<u>2,513,721</u>	<u>2,252,374</u>	<u>1,125,891</u>	<u>-</u>	<u>603,434</u>	<u>-</u>	<u>6,495,420</u>	<u>6,029,356</u>
Local government grants								
City of Milwaukee	-	454,894	67,500	-	41,739	-	564,133	619,565
Milwaukee County	-	-	322,271	-	-	-	322,271	105,516
Racine County	-	-	-	-	-	-	-	18,333
Brown County	-	-	-	-	-	-	-	7,500
Eau Claire County	-	-	-	-	-	-	-	10,000
Dane County	-	-	-	-	-	-	-	5,609
Total local government revenue	<u>-</u>	<u>454,894</u>	<u>389,771</u>	<u>-</u>	<u>41,739</u>	<u>-</u>	<u>886,404</u>	<u>766,523</u>
Grants and public support								
Foundation contributions	-	-	-	-	-	269,659	269,659	239,052
Corporate contributions	-	-	-	-	-	356,764	356,764	472,950
Individual donations	-	-	-	-	-	574,528	574,528	381,882
Events - participants	-	-	-	-	-	469,074	469,074	423,353
Events - corporate	-	-	-	-	-	253,654	253,654	223,550
Special events expenses	-	-	-	-	-	(444,121)	(444,121)	(348,011)
Grants to Wisconsin AIDS agencies	-	-	-	-	-	(3,429)	(3,429)	(2,862)
United Way	109,948	143,612	93,412	-	1,333	-	348,305	336,400
Total private fundraising and support	<u>109,948</u>	<u>143,612</u>	<u>93,412</u>	<u>-</u>	<u>1,333</u>	<u>1,476,129</u>	<u>1,824,434</u>	<u>1,726,314</u>
Contractual partnerships								
Medical College of Wisconsin	-	38,884	66,695	-	7,411	-	112,990	283,910
NIH - Tulane University	-	112,087	251,406	-	47,195	-	410,688	-
Milwaukee Health Services, Inc.	-	-	-	-	-	-	-	24,518
Diverse and Resilient	-	-	-	-	-	-	-	42,337
Total contractual partnerships	<u>-</u>	<u>150,971</u>	<u>318,101</u>	<u>-</u>	<u>54,606</u>	<u>-</u>	<u>523,678</u>	<u>350,765</u>
Revenue carried forward	<u>\$ 3,269,769</u>	<u>\$ 3,818,993</u>	<u>\$ 2,056,500</u>	<u>\$ -</u>	<u>\$ 798,936</u>	<u>\$ 1,476,129</u>	<u>\$ 11,420,327</u>	<u>\$ 10,832,232</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES

Year Ended August 31, 2013

(With summarized totals for the year ended August 31, 2012)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2013 Total	2012 Total
<u>Revenue</u>								
Revenue brought forward	\$ 3,269,769	\$ 3,818,993	\$ 2,056,500	\$ -	\$ 798,936	\$ 1,476,129	\$ 11,420,327	\$ 10,832,232
Reimbursement for services - Medical Center								
Patient payments	5,203	-	2,620	-	520	-	8,343	10,291
Medicare	170,565	-	-	-	23,122	-	193,687	113,137
Commercial insurance	56,587	-	-	-	19,023	-	75,610	148,718
Medicaid	196,040	69,859	-	-	45,638	-	311,537	234,288
Total reimbursement for services	428,395	69,859	2,620	-	88,303	-	589,177	506,434
Pharmacy services								
ARCW pharmacy contribution	-	-	-	-	3,718,964	-	3,718,964	2,328,678
Total pharmacy services	-	-	-	-	3,718,964	-	3,718,964	2,328,678
Other revenue								
Consulting income	-	-	-	-	36,666	-	36,666	80,170
Interest income	-	-	-	-	3,570	-	3,570	2,605
Rental income	-	26,138	-	-	-	-	26,138	71,757
Miscellaneous income	1,717	118	-	-	3,458	-	5,293	994
Total other revenue	1,717	26,256	-	-	43,694	-	71,667	155,526
Total revenue (carried forward)	\$ 3,699,881	\$ 3,915,108	\$ 2,059,120	\$ -	\$ 4,649,897	\$ 1,476,129	\$ 15,800,135	\$ 13,822,870

AIDS RESOURCE CENTER OF WISCONSIN, INC.

SCHEDULE OF ARCW UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES

Year Ended August 31, 2013

(With summarized totals for the year ended August 31, 2012)

	ARCW Medical Center	Social Services	Prevention Services	Public Affairs	Management and Supporting Services	Fund Development	2013 Total	2012 Total
Total revenue (brought forward)	\$ 3,699,881	\$ 3,915,108	\$ 2,059,120	\$ -	\$ 4,649,897	\$ 1,476,129	\$ 15,800,135	\$ 13,822,870
Expenses								
Personnel expenses								
Salaries and wages	2,228,647	1,714,191	1,010,103	201,717	1,257,012	336,804	6,748,474	6,246,627
Payroll taxes	155,178	121,233	71,425	14,259	132,809	23,833	518,737	458,451
Employee benefits	377,940	389,330	252,620	31,252	269,238	56,017	1,376,397	1,173,602
Total personnel expenses	2,761,765	2,224,754	1,334,148	247,228	1,659,059	416,654	8,643,608	7,878,680
Contracted program services	407,144	77,252	66,354	-	38,185	-	588,935	753,788
Client financial assistance	-	66,610	-	-	-	-	66,610	23,380
Patient financial assistance	134,934	-	-	-	-	-	134,934	194,393
Patient food assistance	-	109,388	-	-	-	-	109,388	49,986
Patient rent assistance	-	521,768	-	-	-	-	521,768	648,182
Patient housing facilities	-	10,615	-	-	-	-	10,615	9,383
Patient parking	29,533	16,200	-	-	3,899	-	49,632	39,000
Program materials	115,637	32,162	511,682	-	43	-	659,524	498,735
Patient medications	187,753	-	-	-	-	-	187,753	180,398
Patient laboratory	477,074	-	-	-	-	-	477,074	500,934
Employee travel and education	50,764	58,724	48,659	3,398	52,332	2,545	216,422	206,666
Printing and copying	512	1,384	77	9,735	75,246	13,769	100,723	86,077
Professional services	143,401	-	-	40,985	261,845	32,104	478,335	376,528
Telephone	-	-	-	-	98,976	-	98,976	95,330
Insurance	-	8,832	26,297	-	74,496	-	109,625	100,277
Office supplies	3,390	557	337	231	8,796	711	14,022	8,829
Postage and delivery	-	174	136	124	46,158	3,237	49,829	57,072
Meeting costs	3,483	2,597	6,717	1,929	20,567	10,403	45,696	37,506
Recruiting	-	-	-	-	8,216	-	8,216	20,064
Advertising	-	-	128	2,021	-	3,450	5,599	3,777
Repairs and maintenance	75	-	-	-	132,365	-	132,440	126,637
Information technology	-	-	-	-	129,385	-	129,385	147,150
Interest expense	-	-	-	-	4,759	-	4,759	40,583
Other expenses	-	-	-	-	-	-	-	4,251
Occupancy	192,797	379,925	110,170	-	27,542	16,525	726,959	678,902
Depreciation	159,709	203,766	93,622	16,522	60,579	16,522	550,720	438,738
Licenses and fees	14,695	7,088	514	13,181	31,488	15,275	82,241	57,765
Grant disbursements	-	-	5,500	-	-	-	5,500	16,250
Uncollectible donor pledges	-	-	-	-	-	9,000	9,000	86,186
Total direct expenses	4,682,666	3,721,796	2,204,341	335,354	2,733,936	540,195	14,218,288	13,365,447
Department allocations	459,324	471,772	376,713	6,679	(1,327,846)	13,358	-	-
Total expenses	5,141,990	4,193,568	2,581,054	342,033	1,406,090	553,553	14,218,288	13,365,447
Change in net assets	\$ (1,442,109)	\$ (278,460)	\$ (521,934)	\$ (342,033)	\$ 3,243,807	\$ 922,576	\$ 1,581,847	\$ 457,423
Fixed Asset Additions	\$ -	\$ -	\$ -	\$ -	\$ 437,858	\$ -	\$ 437,858	\$ 535,105

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

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>Revenue</u>		
Rental income	\$ 52,832	\$ 44,762
Foundation contributions	-	25,000
Interest income	20	17
	<u>52,852</u>	<u>69,779</u>
Total revenue		
<u>Expenses</u>		
Management fees	3,000	2,325
Occupancy	13,963	11,192
Security patrol contract	4,555	-
Snow removal	289	425
Professional services	5,050	5,000
Insurance	6,589	6,591
Repairs and maintenance	55,608	46,077
Miscellaneous taxes, licenses and permits	580	429
Depreciation	38,957	36,694
Other expenses	-	2,754
	<u>128,591</u>	<u>111,487</u>
Total expenses		
Change in net assets	<u>\$ (75,739)</u>	<u>\$ (41,708)</u>

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

SCHEDULES OF UNRESTRICTED FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2013 and 2012

	2013	2012
<u>Revenue</u>		
Gross sales		
Medicaid	\$ 6,789,974	\$ 6,292,783
Medicare	6,726,565	4,507,462
Wisconsin AIDS drug assistance program	10,428,804	7,822,206
Commercial insurance	3,514,687	3,089,492
340B program	50,292	97,936
Patient payments	150,743	95,977
Medical assistance drug program	82,789	70,008
Gross sales	27,743,854	21,975,864
Cost of goods sold	(22,548,414)	(18,057,838)
Net sales revenue	5,195,440	3,918,026
Services provided under contract, net	401,888	18,000
Other program income	1,600	-
Total revenue	5,598,928	3,936,026
<u>Expenses</u>		
Salaries	835,925	750,057
Payroll taxes	63,164	54,751
Employee benefits	106,930	83,795
Professional services	372,517	346,762
Office supplies	3,760	3,023
Telephone	17,250	15,309
Postage and delivery	47,628	37,844
Printing and copying	13,210	19,298
Information technology	7,356	6,175
Occupancy	50,047	49,365
Depreciation	30,688	28,008
Employee travel	1,382	525
Employee meetings	5,267	5,691
Employee education	3,305	5,926
Interest	-	20
Insurance	109,872	19,242
Bad debt expense	16,368	20,188
Licenses and fees	22,728	15,927
Advertising	10,972	8,737
Patient care supplies	6,421	5,468
Program equipment	-	3,533
Other expenses	824	1,254
Total operating expenses	1,725,614	1,480,898
Net income from operations	3,873,314	2,455,128
Grant disbursements	(3,873,314)	(2,455,128)
Change in net assets	\$ -	\$ -

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

SCHEDULES OF FUNCTIONAL REVENUES AND EXPENSES
Years Ended August 31, 2013 and 2012

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

	Temporarily Restricted	Permanently Restricted	2012 Total
<u>Revenue</u>			
Contributions	\$ -	\$ 500	\$ 500
Interest income	6	-	6
Total revenue	<u>6</u>	<u>500</u>	<u>506</u>
Change in net assets	<u>\$ 6</u>	<u>\$ 500</u>	<u>\$ 506</u>