

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012
(With Summarized Totals for the Year Ended August 31, 2011)

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

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Independent Auditor's Report



Board of Directors
AIDS Resource Center of Wisconsin, Inc. and Affiliates

We have audited the accompanying balance sheet of AIDS Resource Center of Wisconsin, Inc. and Affiliates as of August 31, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of AIDS Resource Center of Wisconsin, Inc. and Affiliates' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organizations' 2011 financial statements and, in our report dated December 13, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AIDS Resource Center of Wisconsin, Inc. and Affiliates as of August 31, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2012, on our consideration of AIDS Resource Center of Wisconsin, Inc. and Affiliates' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of unrestricted functional revenue and expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and in accordance with the *State Single Audit Guidelines*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads 'Ritz Holman LLP'.

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
December 7, 2012

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

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

The accompanying notes are an integral part of these financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012
(With Summarized Totals for the Year Ended August 31, 2011)

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

The accompanying notes are an integral part of these financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2012
(With Summarized Totals for the Year Ended August 31, 2011)

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

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

The accompanying notes are an integral part of these financial statements.

AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

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

NOTE A - Summary of Significant Accounting Policies

Organization

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

Combined Financial Statements

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

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

Accounting Method

The financial statements of AIDS Resource Center of Wisconsin, Inc. and Affiliates have been prepared on the accrual basis.

Cash and Cash Equivalents

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

Fixed Assets

Fixed Assets are recorded at cost if purchased and at fair value if donated. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful life of the asset. The Organization capitalizes purchases greater than \$500.

Inventory

Inventory is comprised of pharmaceuticals held at the Pharmacy. Inventory is recorded at the current cost.

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

NOTE A - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Assets of the restricted classes are created only by donor-imposed restrictions.

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

Government Grants

Funds due from government grants are recognized as revenue in the accounting period in which the related expenses are incurred.

Contributions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Advertising Costs

The Organization uses advertising to promote its programs and special events and for recruiting employees. Advertising costs are expensed the first time the advertising takes place. Advertising expense for the year ended August 31, 2012 was \$24,416 for special events and \$3,777 for programming and recruiting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include the estimates for discounts and receivables for fee-for-service activity and the allowance for uncollectible accounts which are based on historical amounts.

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

NOTE B - Comparative Financial Information

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

For comparability, certain 2011 amounts have been reclassified to conform to classifications adopted in 2012. The reclassifications have no effect on reporting amounts of net assets or change in net assets.

NOTE C - Restrictions on Cash

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

NOTE D - Government Grants Receivable

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

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

NOTE E - Investments

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

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

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

NOTE E - Investments (continued)

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

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

NOTE F - Endowment

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

The Organization's investment policy is as follows:

Each year, five percent of the three-year moving average of the market average of the portfolio may be withdrawn and provided to ARCW for general operations. As part of the annual budget process, ARCW will formally request funds to be disbursed from the Endowment fund. No funds were requested for fiscal year ending August 31, 2012.

The investments of the endowment (portfolio) shall be 60-70% in equities and 30-40% in fixed income. An exposure to stocks between 85-100% of the equity portion is expected of the investment manager who is either the endowment fund investment committee or an external investment firm. The fixed income portion of the portfolio shall consist of debt instruments with maturity of 10 years or less and a rating of BBB or better. A maximum of 15% of the portfolio may be invested in BBB rated securities.

Prudent diversification is expected in the number and selection of securities. The investment objective of the portfolio is simplistic: provide results consistent with appropriate indices while assuming less risk.

The board of directors of the ARCW Endowment Fund, Inc. has adopted a policy that there shall be no active fundraising for the ARCW Endowment Fund, Inc. until the ARCW Strategic Plan financial reserve goal is achieved and the assets of the endowment remain in certificates of deposit.

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

NOTE F - Endowment (continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Certificates of Deposit	\$ 1,845	\$ 35	\$10,887	\$12,767
Accounts Payable to ARCW	<u>(4,916)</u>	---	---	<u>(4,916)</u>
Total	<u>\$(3,071)</u>	<u>\$ 35</u>	<u>\$10,887</u>	<u>\$ 7,851</u>

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

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

NOTE G - Fair Value Measurement

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

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

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

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

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

NOTE H - Donor Pledges Receivable

The Organization records donor and United Way pledges in the year they are made. The fair value of Donor Pledges Receivable is estimated by discounting the future cash flows using the certificate of deposit interest rate of 1.25%. Amounts that are expected to be collected after one year from the balance sheet date are discounted.

Future pledges are expected to be collected as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2013	\$ 527,648
2014	10,000
2015	5,000
2016	5,000
2017	<u>5,000</u>
	\$ 552,648
Less: Allowance for Uncollectible Donor Pledges	(4,049)
Less: Present Value Allowance	<u>(617)</u>
Total	<u>\$ 547,982</u>

NOTE I - ARCW Uncompensated Care and Treatment

Revenue from reimbursement for health services is net of contractual allowances and patient subsidies. ARCW provided the following uncompensated care and treatment to its medical, dental and mental health patients totaling \$3,030,430 during the 2012 fiscal year.

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

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

NOTE J - Reimbursement Receivable

ARCW Medical Center Reimbursement Receivable consists of reimbursement for medical, dental and mental health services provided by the ARCW Medical Center, and case management services. The ARCW Medical Center Reimbursement Receivable is recorded net of contractual allowances, patient subsidies, and estimated uncollectible amounts. Gross receivables were \$106,505, less allowances of \$5,746, for a net expected reimbursement receivable of \$100,759. ARCW Medical Center Reimbursement Receivables are expected to be collected within one year from August 31, 2012.

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

NOTE K - Fixed Assets

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

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

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

NOTE L - Refundable Advances

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

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

NOTE M - Line of Credit

ARCW has a line of credit up to \$2,700,000 to manage inventory requirements of ARCW Pharmacy and general agency operations. The line of credit has an adjusted LIBOR rate and matures on March 31, 2013. The line of credit is secured by the pharmacy inventory, pharmacy accounts receivable, \$750,000 cash in a secured account at the bank and other general assets of AIDS Resource Center of Wisconsin, Inc. The line of credit had a balance of \$568,930 at August 31, 2012. ARCW has utilized the line of credit to finance the operating costs of the Pharmacy which is designed to enhance the long-term financial sustainability of ARCW.

NOTE N - Letter of Credit - Unemployment Compensation

Under the terms of Wisconsin law, the Organization has elected the reimbursement financing method for unemployment compensation. The Organization has a letter of credit for the payment of future unemployment compensation claims available in the amount of \$66,297 as August 31, 2012.

NOTE O - Leases - Operating

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

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

NOTE O - Leases - Operating (continued)

Future minimum lease payments under operating leases are as follows:

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

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

NOTE P - Capital Lease Obligations

Equipment under capital leases consists of dental equipment and five copy machines with a net combined capitalized cost of \$107,733. Net Fixed Assets on the balance sheet included accumulated depreciation of \$46,362 relating to the leased equipment. Depreciation expense reported in the statement of activities includes \$15,349 for the equipment under capital lease.

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

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

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

NOTE Q - Mortgage Payable

Milwaukee AIDS Housing Corporation, Inc. currently has a mortgage payable to HUD in the amount of \$680,090. This mortgage was used to construct Garden View Apartments to house people with HIV and AIDS. The mortgage matures on July 1, 2037 and does not accrue interest as long as the building is used for the stated exempt purpose. At the time this mortgage matures, the entire loan amount will be forgiven. Prepayment of the mortgage is not allowed without HUD approval. If the loan would be paid before the maturity date, interest would be due at the rate of 7% per year.

NOTE R - Loan Payable

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

NOTE S - Board Designated Reserve

The ARCW board of directors has approved a strategic plan that includes a goal of establishing a financial reserve to assure long-term financial stability for the Organization. As of August 31, 2012, the Board designated reserve fund is a net asset of \$757,377.

NOTE T - Temporarily and Permanently Restricted Net Assets

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

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

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

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

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

NOTE U - Net Assets Released From Restrictions

Net Assets Released From Restrictions includes income temporarily restricted in the prior fiscal year for which donor restrictions were met as of August 31, 2012.

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

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

NOTE V - In-Kind Goods and Services

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

NOTE W - Retirement Plans

ARCW maintains a flexible investment 401(k) plan. The Organization matched up to 5% of gross wages for all participating employees. Total employer contributions to the 401(k) plan were \$192,027 for the year ended August 31, 2012.

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

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

NOTE X - Related Parties

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

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

NOTE Y - ARCW Medical Center and Social Services Expenses

The AIDS Resource Center of Wisconsin, Inc. provides integrated health and social services in its HIV medical home model of care to achieve the best clinical outcomes for its patients and clients. The ARCW statement of activities identifies \$5,073,006 of expenses for the ARCW Medical Center and \$3,966,016 of expenses for ARCW Social Services. These expenses include professional staff expense for physicians, nurse practitioners, nurses, dentists, dental hygienists, mental health therapists, attorneys, social workers and other staff serving HIV patients and clients. Following is an itemization of expenses by the health and social services area:

<u>ARCW Medical Center</u>	<u>Amount</u>
Medical Clinic	\$2,882,863
Dental Clinic	1,181,771
Behavioral Health and Wellness Clinic	<u>1,008,372</u>
Total	<u>\$5,073,006</u>
<u>ARCW Social Services</u>	
Case Management	\$2,064,923
Housing Services	1,497,044
Food Services	244,046
Legal Services	<u>160,003</u>
Total	<u>\$3,966,016</u>

NOTE Z - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. The ARCW Pharmacy, LLC is a disregarded entity. Management has reviewed all tax positions taken in previous fiscal years and those expected to be taken in future fiscal years. As of August 31, 2012, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

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

NOTE AA - Prior Period Adjustment

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

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

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

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

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

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

NOTE BB - Subsequent Events

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

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

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

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

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

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

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

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

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

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

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

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

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

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012**

Federal/State Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal and State Expenditures	
FEDERAL EXPENDITURES				
U.S. Department of Health and Human Services				
Medical College of Wisconsin				
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	159-354	\$	76,672
Medical College of Wisconsin				
Coordinated Services and Access to Research for Women, Infants, Children and Youth	93.153	---		29,919
<i>Direct Funding</i>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	---	\$	393,574
Milwaukee Health Services				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	---		24,518
Total CFDA 93.243				418,092
Medical College of Wisconsin				
Drug Abuse and Addiction Research Programs	93.279	---	\$	111,843
Tulane University				
Drug Abuse and Addiction Research Programs	93.279	---		45,083
Total CFDA 93.279				156,926
State of Wisconsin - Department of Health Services				
HIV Care Formula Grants	93.917	155-919	\$	1,053,094
HIV Care Formula Grants	93.917	155-990		18,401
Medical College of Wisconsin				
HIV Care Formula Grants	93.917	155-919		13,455
HIV Care Formula Grants	93.917	---		6,938
Total CFDA 93.917				1,091,888
<i>Direct Funding</i>				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	---		631,873
<i>Direct Funding</i>				
Special Projects of National Significance	93.928	---	\$	90,000
State of Wisconsin - Department of Health Services				
Special Projects of National Significance	93.928	155-994		188,488
Total CFDA 93.928				278,488
Diverse and Resilient				
HIV Prevention Activities - Non-Governmental Organization Based	93.939			42,337
State of Wisconsin - Department of Health Services				
HIV Prevention Activities - Health Department Based	93.940	155-908	\$	22,945
HIV Prevention Activities - Health Department Based	93.940	155-925		127,136
Total CFDA 93.940				150,081
Eau Claire County				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	585	\$	10,000
State of Wisconsin - Department of Health Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	155-900		46,940
Block Grants for Prevention and Treatment of Substance Abuse	93.959	155-908		13,587
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533-125		26,775
Block Grants for Prevention and Treatment of Substance Abuse	93.959	533-126		356,074
Milwaukee County - Department of Human Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	585		80,998
Racine County				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	585		18,333
Brown County				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	585		7,500
Total CFDA 93.959				560,207
Total U.S. Department of Health and Human Services			\$	3,436,483

The accompanying notes are an integral part of this schedule.

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012**

Federal/State Grantor Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal and State Expenditures
FEDERAL EXPENDITURES (Continued)			
U.S. Department of Housing and Urban Development			
Direct Funding			
Housing Opportunities for Persons With AIDS	14.241	---	\$ 868,345
State of Wisconsin - Department of Administration			
Housing Opportunities for Persons With AIDS	14.241	---	466,711
City of Milwaukee - 2011 Program Year			
Housing Opportunities for Persons With AIDS	14.241	C15111A001	245,143
City of Milwaukee - 2012 Program Year			
Housing Opportunities for Persons With AIDS	14.241	C15112A001	296,019
Total CFDA 14.241			<u>\$ 1,876,218</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 1,876,218</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 5,312,701</u>
STATE EXPENDITURES			
State of Wisconsin - Department of Health Services			
HIV LCS/EI (GPR)		155-902	\$ 2,807,104
HIV Prevention IDU		155-900	172,726
HIV Prevention ASO		155-908	432,822
HIV Prevention Information and Referral		155-925	34,860
TOTAL STATE EXPENDITURES			<u>\$ 3,447,512</u>

The accompanying notes are an integral part of this schedule.

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012**

NOTE 1 - Basis of Presentation

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

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

NOTE 2 - Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Housing Opportunities for Persons With AIDS Substance Abuse and Mental Health Services Projects of Regional and National Significance	14.241	\$ 86,023
	93.243	<u>139,638</u>
Total		<u>\$225,661</u>

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
 SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - BROWN COUNTY
 FOR THE YEAR ENDED AUGUST 31, 2012**

	Brown County 9/1/2011 - 12/31/2011
REVENUE	
Brown County	\$ 7,500
Total Revenue	<u>\$ 7,500</u>
EXPENSES	
Salaries and Wages	\$ 5,394
Payroll Taxes	336
Employee Benefits	2,197
Insurance	953
Total Expenses	<u>\$ 8,880</u>
CHANGE IN NET ASSETS	<u><u>\$ (1,380)</u></u>

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
 SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - DANE COUNTY
 FOR THE YEAR ENDED AUGUST 31, 2012**

	Dane County 9/1/2011 - 12/31/2011
REVENUE	
Dane County	\$ 5,609
Total Revenue	<u>\$ 5,609</u>
EXPENSES	
Salaries and Wages	\$ 4,587
Payroll Taxes	286
Employee Benefits	691
Total Expenses	<u>\$ 5,564</u>
CHANGE IN NET ASSETS	<u>\$ 45</u>

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
 SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - EAU CLAIRE COUNTY
 FOR THE YEAR ENDED AUGUST 31, 2012**

	Eau Claire County 9/1/2011 - <u>12/31/2011</u>
REVENUE	
Eau Claire County	\$ 10,000
Total Revenue	<u>\$ 10,000</u>
EXPENSES	
Salaries and Wages	\$ 7,394
Payroll Taxes	461
Employee Benefits	1,825
Program Materials	2,532
Total Expenses	<u>\$ 12,212</u>
CHANGE IN NET ASSETS	<u>\$ (2,212)</u>

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
 SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - MILWAUKEE COUNTY
 FOR THE YEAR ENDED AUGUST 31, 2012**

	Milwaukee County- Contract: 11-2-01 9/1/2011 - 12/31/2011
REVENUE	
Milwaukee County -	
Department of Health and Human Services -	
Behavioral Health Division	\$ 80,998
Total Revenue	<u>\$ 80,998</u>
EXPENSES	
Salaries and Wages	\$ 23,508
Payroll Taxes	1,562
Employee Benefits	8,353
Contracted Services	1,038
Program Materials	3,716
Program Equipment	1,220
Building Maintenance and In-House Repair	501
Employee Education	20
Printing and Copying	1,212
Postage	664
Telephone	1,807
Occupancy	10,481
Building Maintenance and Contracts	870
Insurance	3,670
Department Allocation	7,130
Total Expenses	<u>\$ 65,752</u>
CHANGE IN NET ASSETS	<u><u>\$ 15,246</u></u>

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - RACINE COUNTY
FOR THE YEAR ENDED AUGUST 31, 2012**

	Racine County 9/1/2011 - <u>12/31/2011</u>
REVENUE	
Racine County	\$ 18,333
Total Revenue	<u>\$ 18,333</u>
EXPENSES	
Salaries and Wages	\$ 10,396
Payroll Taxes	631
Employee Benefits	2,218
Program Materials	(69)
Employee Travel	75
Telephone	750
Occupancy	3,950
Insurance	(762)
Total Expenses	<u>\$ 17,189</u>
CHANGE IN NET ASSETS	<u><u>\$ 1,144</u></u>

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - STATE OF WISCONSIN
DEPARTMENT OF COMMERCE
FOR THE YEAR ENDED AUGUST 31, 2012**

	State of Wisconsin Department of Commerce - HOPWA 9/1/2011 - 9/30/2011	State of Wisconsin Department of Commerce - HOPWA 10/1/2011 - 8/31/2012
REVENUE		
State of Wisconsin		
Department of Commerce - HOPWA	\$ 71,108	\$ 395,603
Total Revenue	<u>\$ 71,108</u>	<u>\$ 395,603</u>
EXPENSES		
Salaries and Wages	\$ 15,095	\$ 179,644
Payroll Taxes	1,045	12,488
Employee Benefits	3,329	29,885
Patient and Client Contracted Services	507	44,960
Client Assistance	402	---
Client Rent Assistance	38,276	113,165
Employee Travel	96	
Professional Services	694	466
Printing and Copying	369	914
Postage	---	1,405
Telephone	500	925
Occupancy	500	2,750
Insurance	34	1,001
Capital Expenditures	---	8,750
Total Expenses	<u>\$ 60,847</u>	<u>\$ 396,353</u>
 CHANGE IN NET ASSETS	 <u>\$ 10,261</u>	 <u>\$ (750)</u>

**AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - CITY OF MILWAUKEE
FOR THE YEAR ENDED AUGUST 31, 2012**

	<u>City of Milwaukee HOPWA 9/1/2011 - 12/31/2011</u>	<u>City of Milwaukee HOPWA 1/1/2012 - 8/31/2012</u>	<u>City of Milwaukee Prevention 9/1/2011 - 12/31/2011</u>	<u>City of Milwaukee Prevention 1/1/2012 - 8/31/2012</u>
REVENUE				
City of Milwaukee				
Department of Administration	\$ 245,143	\$ 296,019	\$ ---	\$ ---
Health Department	---	---	3,403	75,000
Total Revenue	<u>\$ 245,143</u>	<u>\$ 296,019</u>	<u>\$ 3,403</u>	<u>\$ 75,000</u>
EXPENSES				
Salaries and Wages	\$ 73,643	\$ 154,975	\$ ---	\$ 35,946
Payroll Taxes	4,590	11,064	(63)	2,423
Employee Benefits	15,355	32,906	---	6,958
Patient and Client Contracted Services	25,000	15,556	---	---
Client Rent Assistance	97,821	79,534	---	---
Program Materials	---	---	(3,550)	23,084
Property Management	11,065	---	---	---
Employee Travel	14	---	---	1,700
Professional Fees	724	1,000	---	---
Fees, Licenses, Dues and Subscriptions	160	170	---	---
Postage	651	750	---	975
Telephone	---	---	---	775
Occupancy	8,315	4,550	---	3,600
Building Maintenance and Contracts	---	426	---	---
Insurance	---	2,301	---	---
Total Expenses	<u>\$ 237,338</u>	<u>\$ 303,232</u>	<u>\$ (3,613)</u>	<u>\$ 75,461</u>
CHANGE IN NET ASSETS	<u>\$ 7,805</u>	<u>\$ (7,213)</u>	<u>\$ 7,016</u>	<u>\$ (461)</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - WISCONSIN DEPARTMENT OF HEALTH SERVICES
FOR THE YEAR ENDED AUGUST 31, 2012

	Ryan White 155919 4/1/2011 - 3/31/2012	Ryan White 155919 4/1/2012 - 8/31/2012	Ryan White 155990 9/30/2011 - 8/31/2012	Mike Johnson Life Care 155902 7/1/2011- 6/30/2012	Mike Johnson Life Care 155902 7/1/2012- 8/31/2012	Ryan White Linkages to Care 155994 12/1/11 - 6/30/2012
REVENUE						
State of Wisconsin						
Department of Health Services -						
Division of Public Health	\$ 991,150	\$ 687,645	\$ 18,401	\$ 2,847,296	\$ 614,395	\$ 188,488
Total Revenue	<u>\$ 991,150</u>	<u>\$ 687,645</u>	<u>\$ 18,401</u>	<u>\$ 2,847,296</u>	<u>\$ 614,395</u>	<u>\$ 188,488</u>
EXPENSES						
Salaries and Wages	\$ 515,702	\$ 307,754	\$ 5,588	\$ 1,603,234	\$ 304,394	\$ 133,165
Payroll Taxes	35,004	21,786	391	109,811	17,408	9,363
Employee Benefits	80,868	48,027	1,182	289,749	46,547	18,237
Contracted Services	5,219	---	---	176	---	---
Patient Care Supplies	14,772	28,690	---	48,502	15,060	---
Patient Medications	57,255	70,224	---	12,753	22,408	---
Patient Laboratory	24,905	38,135	---	90,447	16,225	---
Patient and Client						
Contracted Services	130,770	49,239	10,994	212,400	72,286	---
Patient Assistance	31,178	31,116	---	63,839	9,241	---
Client Assistance	19,973	1,946	---	2,711	1,801	2,493
Client Food Assistance - Pantry	---	26	---	9,879	9,325	---
Program Materials	163	1,327	---	16,045	2,501	500
Property Management	---	---	---	---	---	5
Building Maintenance and						
In-House Repair	---	---	---	---	---	900
Program Equipment	---	---	---	895	406	---
Employee Meetings	(103)	785	---	3,191	904	---
Employee Travel	14,549	17,810	---	39,240	8,511	1,565
Employee Education	724	4,780	---	4,290	617	---
Professional Fees	13,680	7,565	---	24,724	10,367	---
Printing and Copying	1,253	---	---	160	330	827
Fees, Licenses, Dues						
and Subscriptions	3,109	2,353	---	9,552	1,843	---
Postage	39	52	---	65	---	---
Office Supplies	54	---	---	89	753	248
Telephone	3,300	---	---	9,600	---	---
Rent	6,993	---	---	234,882	39,552	---
Parking	18,000	9,900	---	19,500	6,600	---
Information Technology	---	32	---	---	---	---
Hardware and Software	15,163	2,082	---	53,268	10,091	---
Department Allocations	88,924	45,560	1,840	284,729	47,970	17,000
Capital Expenditures	---	---	---	---	---	4,581
Total Expenses	<u>\$ 1,081,494</u>	<u>\$ 689,189</u>	<u>\$ 19,995</u>	<u>\$ 3,143,731</u>	<u>\$ 645,140</u>	<u>\$ 188,884</u>
CHANGE IN NET ASSETS	<u>\$ (90,344)</u>	<u>\$ (1,544)</u>	<u>\$ (1,594)</u>	<u>\$ (296,435)</u>	<u>\$ (30,745)</u>	<u>\$ (396)</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - WISCONSIN DEPARTMENT OF HEALTH SERVICES
FOR THE YEAR ENDED AUGUST 31, 2012

	Prevention IDU 155900 1/1/2011 - 12/31/2011	Prevention IDU 155900 1/1/2012 - 8/31/2012	Prevention ASO 155908 1/1/2011 - 12/31/2011	Prevention ASO 155908 1/1/2012 - 8/31/2012	Prevention Info and Referral 155925 1/1/2011 - 12/31/2011	Prevention Info and Referral 155925 1/1/2012 - 8/31/2012
REVENUE						
State of Wisconsin						
Department of Health Services -						
Division of Public Health	\$ 200,000	\$ 162,704	\$ 558,000	\$ 343,550	\$ 165,000	\$ 103,790
Total Revenue	<u>\$ 200,000</u>	<u>\$ 162,704</u>	<u>\$ 558,000</u>	<u>\$ 343,550</u>	<u>\$ 165,000</u>	<u>\$ 103,790</u>
EXPENSES						
Salaries and Wages	\$ 99,617	\$ 78,423	\$ 369,599	\$ 159,900	\$ 63,302	\$ 66,732
Payroll Taxes	6,856	5,613	24,889	11,384	4,281	4,675
Employee Benefits	30,216	18,518	96,721	37,612	20,550	20,457
Contracted Services	---	1,200	776	570	---	---
Patient and Client						
Contracted Services	---	---	---	10,392	---	---
Program Materials	14,780	25,637	84,520	47,314	26,656	734
Building Maintenance and						
In-House Repair	---	---	---	---	1,008	---
Program Equipment	---	1,067	6,995	2,115	---	---
Employee Meetings	44	837	1,116	1,502	182	120
Employee Travel	4,342	1,204	10,474	8,598	28	1,158
Employee Education	---	---	4,464	1,712	---	928
Directory Advertising	---	---	---	---	206	131
Printing and Copying	594	360	5,474	4,320	9,921	160
Fees, Licenses, Dues						
and Subscriptions	---	---	582	97	315	130
Postage	---	---	39	---	2,004	---
Telephone	2,882	1,568	4,344	2,896	4,051	17
Rent	15,565	6,400	20,304	9,600	13,800	---
Utilities	---	---	3,000	1,400	2,700	---
Service Contracts -						
Hardware and Software	2,717	8,332	5,772	480	7,508	2,102
Insurance	5,861	---	---	12,633	---	---
Professional Trainings	1,200	---	---	---	---	---
Department Allocations	18,182	13,636	50,726	33,712	15,000	8,632
Total Expenses	<u>\$ 202,856</u>	<u>\$ 162,795</u>	<u>\$ 689,795</u>	<u>\$ 346,237</u>	<u>\$ 171,512</u>	<u>\$ 105,976</u>
CHANGE IN NET ASSETS	<u>\$ (2,856)</u>	<u>\$ (91)</u>	<u>\$ (131,795)</u>	<u>\$ (2,687)</u>	<u>\$ (6,512)</u>	<u>\$ (2,186)</u>

AIDS RESOURCE CENTER OF WISCONSIN, INC.
SCHEDULE OF FUNCTIONAL REVENUE AND EXPENSES - WISCONSIN DEPARTMENT OF HEALTH SERVICES
FOR THE YEAR ENDED AUGUST 31, 2012

	IV Drug Prevention 533125 1/1/2012 - 8/31/2012	IV Drug Prevention 533126 1/1/2012 - 8/31/2012
	<u> </u>	<u> </u>
REVENUE		
State of Wisconsin		
Department of Health Services -		
Division of Public Health	\$ 26,775	\$ 356,074
Total Revenue	<u>\$ 26,775</u>	<u>\$ 356,074</u>
 EXPENSES		
Salaries and Wages	\$ 15,450	\$ 175,978
Payroll Taxes	1,094	12,518
Employee Benefits	949	46,676
Patient Care Supplies	187	---
Patient Assistance	770	---
Program Materials	900	45,823
Program Equipment	---	5,287
Employee Meetings	---	2
Employee Travel	839	5,631
Employee Education	440	2,270
and Subscriptions	---	249
Postage	---	3,320
Office Supplies	449	104
Telephone	---	1,280
Insurance	---	1,320
Department Allocations	5,808	50,000
Capital Expenditures	---	6,781
Total Expenses	<u>\$ 26,886</u>	<u>\$ 357,239</u>
 CHANGE IN NET ASSETS	 <u>\$ (111)</u>	 <u>\$ (1,165)</u>

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 of
AIDS Resource Center of Wisconsin, Inc. and Affiliates

We have audited the financial statements of AIDS Resource Center of Wisconsin, Inc. and Affiliates as of and for the year ended August 31, 2012, and have issued our report thereon dated December 7, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered AIDS Resource Center of Wisconsin, Inc. and Affiliates' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AIDS Resource Center of Wisconsin, Inc. and Affiliates' financial statements are free of 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*.

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To the Board of Directors of
AIDS Resource Center of Wisconsin, Inc. and Affiliates
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This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
December 7, 2012

Report on Compliance with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133 and the State Single Audit Guidelines

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

Compliance

We have audited the compliance of AIDS Resource Center of Wisconsin, Inc. and Affiliates with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and major state programs for the year ended August 31, 2012. AIDS Resource Center of Wisconsin, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of AIDS Resource Center of Wisconsin, Inc. and Affiliates' management. Our responsibility is to express an opinion on AIDS Resource Center of Wisconsin, Inc. and Affiliates' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133 and the 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 program occurred. An audit includes examining, on a test basis, evidence about AIDS Resource Center of Wisconsin, Inc. and Affiliates' 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. Our audit does not provide a legal determination on AIDS Resource Center of Wisconsin, Inc. and Affiliates' compliance with those requirements.

In our opinion, AIDS Resource Center of Wisconsin, Inc. and Affiliates complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

Management of AIDS Resource Center of Wisconsin, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered AIDS Resource Center of Wisconsin, Inc. and Affiliates' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *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. and Affiliates' internal control over compliance.

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To the Board of Directors of
AIDS Resource Center of Wisconsin, Inc. and Affiliates
Page Two

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 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 program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
December 7, 2012

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|-----------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. Identification of major programs: | <u>CFDA No.</u> |
| Substance Abuse and Mental Health Services - Projects | |
| Of Regional and National Significance | 93.243 |
| Drug Abuse and Addiction Research Programs | 93.279 |
| HIV Care Formula Grants | 93.917 |
| Grant to Provide Outpatient Early Intervention Services | |
| With Respect to HIV Disease (Ryan White HIV/AIDS | |
| Program Part C) | 93.918 |
| Special Projects of National Significance | 93.928 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 |
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

**AIDS RESOURCE CENTER OF WISCONSIN, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012**

B. FINANCIAL STATEMENT FINDINGS

No matters were reported.

C. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

D. OTHER ISSUES

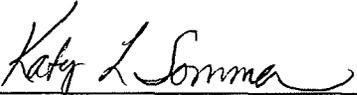
1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e., material noncompliance, non-material noncompliance, 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 applicable *State Single Audit Guidelines*?

Department of Children and Families	N/A
Department of Health Services	No
Department of Workforce Development	N/A
Department of Corrections	N/A

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? No

4. Name and signature of partner



KATY L. SOMMER

5. Date of report

December 7, 2012