

Odell Hicks & Company LLC
Certified Public Accountants

NEAR NORTH HEALTH SERVICE CORPORATION

REPORT ON AUDIT OF FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

Including OMB Circular A-133
Single Audit Report for the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Near North Health Service Corporation

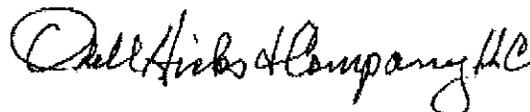
We have audited the accompanying statements of financial position of Near North Health Service Corporation (NNHSC) as of June 30, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of NNHSC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 NNHSC as of June 30, 2012 and 2011 and the changes in its net assets and its cash flows for the years 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 November 13, 2012, on our consideration of NNHSC's internal control over financial reporting and 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 accompanying schedule of expenditures of federal 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 is 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Odell Hicks & Company LLC

Chicago, Illinois
November 13, 2012

NEAR NORTH HEALTH SERVICE CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,744,390	\$ 2,184,076
Short-term investments	4,347,891	4,270,782
Accounts receivable (net allowance for doubtful accounts)	1,714,772	1,026,036
Other receivables	86,774	62,755
Grants receivable	580,930	1,011,195
Prepaid expenses	107,341	101,416
Total Current Assets	<u>8,582,098</u>	<u>8,656,260</u>
Property and Equipment		
Land	3,081,258	2,323,884
Buildings	14,173,573	12,946,899
Leasehold improvements	781,431	756,525
Automobile - vehicles	162,693	162,693
Furniture and equipment	3,172,547	2,957,818
Construction in progress	487,548	1,434,352
	<u>21,859,050</u>	<u>20,582,171</u>
Less: Accumulated depreciation	9,671,277	8,871,004
Net property and equipment	<u>12,187,773</u>	<u>11,711,167</u>
Other Assets		
Unamortized bond issue cost	<u>73,611</u>	<u>88,331</u>
TOTAL ASSETS	<u>\$ 20,843,482</u>	<u>\$ 20,455,758</u>

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

NEAR NORTH HEALTH SERVICE CORPORATION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 365,758	\$ 285,972
Accrued expenses	456,767	241,899
Accrued payroll and withholdings	350,264	313,126
Accrued vacation	449,923	452,528
Deferred revenue	318,750	-
Note payable, current portion	461,716	440,340
Total Current Liabilities	<u>2,403,178</u>	<u>1,733,865</u>
Other long-term liability	-	146,943
Note payable, less current portion	1,940,022	2,401,738
Total Non-Current Liabilities	<u>1,940,022</u>	<u>2,548,681</u>
Total Liabilities	<u>4,343,200</u>	<u>4,282,546</u>
Net Assets		
Unrestricted	13,975,367	13,648,297
Unrestricted - Board Designated	2,524,915	2,524,915
Total Net Assets	<u>16,500,282</u>	<u>16,173,212</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,843,482</u>	<u>\$ 20,455,758</u>

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

NEAR NORTH HEALTH SERVICE CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 386,989	\$ 624,000	\$ 1,010,989
Grants	-	10,509,582	10,509,582
Special events	28,156	-	28,156
United Way	100,000	-	100,000
Total Support	515,145	11,133,582	11,648,727
Program fees	5,348,165	-	5,348,165
Other Income	223,984	-	223,984
Interest and Dividend income	79,626	-	79,626
Total Revenue	5,651,775	-	5,651,775
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	11,133,582	(11,133,582)	-
Total Support, Revenue and Reclassifications	17,300,502	-	17,300,502
EXPENSES			
Program services-			
Health services	9,045,377	-	9,045,377
Other services	3,725,425	-	3,725,425
Total Program Services	12,770,802	-	12,770,802
Support services-			
Management and general	3,896,193		3,896,193
Fund raising	306,437		306,437
Total Support Services	4,202,630	-	4,202,630
Total Expenses	16,973,432	-	16,973,432
Change in Net Assets	327,070	-	327,070
Net Assets at Beginning of Year	16,173,212	-	16,173,212
NET ASSETS AT END OF YEAR	\$ 16,500,282	\$ -	\$ 16,500,282

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

NEAR NORTH HEALTH SERVICE CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	\$ 510,166	\$ 569,361	\$ 1,079,527
Grants	-	10,414,711	10,414,711
Special events	5,059	-	5,059
United Way	100,000	-	100,000
Total Support	615,225	10,984,072	11,599,297
Program fees	5,630,390	-	5,630,390
Other Income	505,472	-	505,472
Interest and dividend income	100,704	-	100,704
Total Revenue	6,236,566	-	6,236,566
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program restrictions	10,984,072	(10,984,072)	-
Total Support, Revenue and Reclassifications	17,835,863	-	17,835,863
EXPENSES			
Program services-			
Health services	8,715,321	-	8,715,321
Other services	4,636,275	-	4,636,275
Total Program Services	13,351,596	-	13,351,596
Support services-			
Management and general	3,766,513	-	3,766,513
Fund raising	430,176	-	430,176
Total Support Services	4,196,689	-	4,196,689
Total Expenses	17,548,285	-	17,548,285
Change in Net Assets	287,578	-	287,578
Net Assets at Beginning of Year	15,885,634	-	15,885,634
NET ASSETS AT END OF YEAR	\$ 16,173,212	\$ -	\$ 16,173,212

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

NEAR NORTH HEALTH SERVICE CORPORATION

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 327,070	\$ 287,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	814,994	831,342
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(688,736)	117,129
(Increase) in other receivable	(24,019)	(42,322)
Decrease in grants receivable	430,264	69,917
(Increase) in prepaid expenses	(5,925)	(12,400)
Increase in accounts payable	79,786	26,959
Increase in accrued expenses	214,868	38,277
Increase (decrease) in accrued payroll and vacation	34,533	(50,972)
Increase in deferred revenue	318,750	-
(Decrease) in other liabilities	(146,943)	(360,000)
Net Cash Provided by Operating Activities	<u>1,354,642</u>	<u>905,507</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,276,879)	(3,002,387)
(Purchase) sale of investments - net	(77,109)	1,056,091
Net Cash (Used) in Investing Activities	<u>(1,353,988)</u>	<u>(1,946,296)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(440,340)	(419,952)
Net Cash (Used) by Financing Activities	<u>(440,340)</u>	<u>(419,952)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(439,686)	(1,460,741)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,184,076</u>	<u>3,644,817</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,744,390</u>	<u>\$ 2,184,076</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid on a cash basis	<u>\$ 125,500</u>	<u>\$ 145,888</u>

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

NEAR NORTH HEALTH SERVICE CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

	Program Services										Support Services			Total 2012
	Health Services					Total Program Services					Management & General	Fund Raising	Total Support Services	
	Winfield Moody	Komed Holman	Louise Landau	Cottage View	Uptown Center	Denny Center	Reavis Center	Total Program Services	Other Services	Total Program Services				
Salaries & Wages	\$ 2,682,846	\$ 2,200,591	\$ 350,166	\$ 130,623	\$ 78,433	\$ 134,156	\$ 141,180	\$ 5,717,995	\$ 1,472,981	\$ 7,190,976	\$ 1,974,892	\$ 149,012	\$ 2,123,904	\$ 9,314,880
Employee Benefits	239,232	359,696	89,424	13,417	17,521	24,852	17,605	761,747	558,586	1,320,333	115,685	34,357	150,042	1,470,375
Payroll Taxes	153,304	118,380	19,468	5,866	4,558	7,436	7,571	316,583	83,270	399,853	262,818	8,459	271,277	671,130
Total Personnel Costs	3,075,382	2,678,667	459,058	149,906	100,512	166,444	166,356	6,796,325	2,114,837	8,911,162	2,353,395	191,838	2,545,223	11,456,385
Professional Fee	384,111	263,345	90,564	33,588	31,436	14,232	2,105	819,381	1,164,515	1,983,896	319,297	25,235	344,532	2,328,428
Supplies	166,651	124,789	37,126	25,632	13,776	13,306	1,626	382,906	28,481	411,387	61,925	881	62,806	474,193
Telephone	77,980	28,011	14,455	10,418	25,285	6,873	1,143	164,165	63,803	227,968	72,858	6,073	78,931	306,899
Postage & Shipping	-	-	-	-	-	-	-	-	4,558	4,558	20,158	180	20,338	24,896
Occupancy	101,861	108,562	29,331	10,155	-	-	-	249,909	197,422	447,331	390,429	19,488	409,917	857,248
Equipment Rental & Maintenance	8,578	12,023	6,559	747	588	602	-	29,097	14,807	43,904	45,504	14,605	60,109	104,013
Printing & Publications	-	-	-	-	-	-	-	-	-	-	1,210	18,994	20,204	20,204
Travel & Transportation	2,333	699	-	-	-	-	-	3,032	422	3,454	147	37	184	3,638
Conferences, Conventions and Meetings	11,329	3,209	2,000	-	1,022	-	-	17,560	3,813	21,373	50,915	-	50,915	72,288
Dues & Subscriptions	52,497	4,226	1,769	649	755	275	860	61,031	5,593	66,624	53,614	395	54,009	120,633
Insurance	64,033	-	-	-	-	-	-	64,033	-	64,033	82,763	-	82,763	146,796
Mortgage Interest	-	-	-	-	-	-	-	-	-	-	125,500	-	125,500	125,500
Miscellaneous	24,384	620	150	-	-	-	-	25,154	3,351	28,505	74,886	13,926	88,812	117,317
Total	893,737	545,484	181,954	81,189	72,862	35,288	5,734	1,816,268	1,486,765	3,303,033	1,299,206	99,814	1,399,020	4,702,053
Expenses Before Depreciation	3,969,139	3,224,151	641,012	231,095	173,374	201,732	172,090	8,612,593	3,601,602	12,214,195	3,652,601	291,642	3,944,243	16,158,438
Depreciation expense	198,998	162,328	32,273	11,635	8,729	10,157	8,664	432,784	123,823	556,607	243,592	14,795	258,387	814,994
TOTAL EXPENSES	\$ 4,168,137	\$ 3,386,479	\$ 673,285	\$ 242,730	\$ 182,103	\$ 211,889	\$ 180,754	\$ 9,045,377	\$ 3,725,425	\$ 12,770,802	\$ 3,896,193	\$ 306,437	\$ 4,202,630	\$ 16,973,432

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

NEAR NORTH HEALTH SERVICE CORPORATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

	Program Services										Support Services			Total Support Services
	Health Services					Total Health Services					Management & General	Fund Raising	Total Support Services	
	Winfield Moody	Komed Holman	Louise Landau	Cottage View	Uptown Center	Denny Center	Reavis Center	Other Services	Total Program Services	Total Health Services				
Salaries & Wages	\$ 2,790,061	\$ 1,570,666	\$ 261,448	\$ 80,757	\$ 99,140	\$ 112,883	\$ 89,804	\$ 55,004,759	\$ 2,310,437	\$ 7,315,196	\$ 1,707,523	\$ 253,474	\$ 1,960,997	\$ 9,276,193
Employee Benefits	572,534	271,300	54,467	4,999	31,929	17,778	9,058	962,065	497,796	1,459,861	64,383	39,556	103,939	1,563,800
Payroll Taxes	182,004	104,120	18,439	2,382	6,860	8,458	6,081	328,344	173,009	501,353	116,310	17,690	134,000	635,353
Total Personnel Costs	3,544,599	1,946,086	334,354	88,138	137,929	139,119	104,943	6,295,168	2,981,242	9,276,410	1,888,216	310,720	2,198,936	11,475,346
Professional Fee	352,722	441,115	140,819	38,393	11,383	9,048	623	994,103	1,134,200	2,128,303	492,088	4,410	496,498	2,624,801
Supplies	131,626	109,163	44,353	24,044	13,176	11,708	938	335,008	80,192	415,200	161,612	2,033	163,645	578,845
Telephone	69,982	21,061	9,784	9,225	-	767	-	110,819	55,219	166,038	139,533	7,875	147,408	313,446
Postage & Shipping	-	-	-	-	-	-	-	-	1,508	1,508	18,521	12	18,533	20,041
Occupancy	50,831	70,351	87,431	29,417	33,288	-	-	271,318	114,921	386,239	506,002	20,102	526,104	912,343
Equipment Rental & Maintenance	24,247	5,379	1,754	903	1,507	887	1,384	36,061	16,914	52,975	24,091	32,676	56,767	109,742
Printing & Publications	-	67	-	-	-	-	-	67	3,230	3,297	29,843	2,601	32,444	35,741
Travel & Transportation	742	202	7	-	-	-	375	1,326	2,698	4,024	980	21	1,001	5,025
Conferences, Conventions and Meetings	120	2,782	270	-	-	216	-	3,388	13,447	16,835	51,217	861	52,078	68,913
Dues & Subscriptions	17,123	10,180	111	-	-	-	-	27,414	1,035	28,449	147,440	-	147,440	175,889
Insurance	40,064	23,854	5,531	1,722	1,581	1,579	1,083	75,414	36,353	111,767	39,045	4,049	43,094	154,861
Mortgage Interest	58,778	87,110	-	-	-	-	-	145,888	-	145,888	-	-	-	145,888
Miscellaneous	14,133	191	-	162	-	-	-	14,486	167	14,653	58,328	23,081	81,409	96,062
Total	760,368	771,455	290,060	103,866	60,935	24,205	4,403	2,015,292	1,459,884	3,475,176	1,608,700	97,721	1,760,421	5,241,597
Expenses before depreciation	4,304,967	2,717,541	624,414	192,004	198,864	163,324	109,346	8,310,460	4,441,126	12,751,586	3,556,916	408,141	3,965,357	16,716,943
Depreciation expense	215,073	128,053	29,697	9,251	8,491	8,480	5,816	404,861	195,149	600,010	209,597	21,735	231,332	831,342
TOTAL EXPENSES	\$ 4,520,040	\$ 2,845,594	\$ 654,111	\$ 201,255	\$ 207,355	\$ 171,804	\$ 115,162	\$ 8,715,321	\$ 4,636,275	\$ 13,351,596	\$ 3,766,513	\$ 430,176	\$ 4,196,689	\$ 17,548,285

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

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 – NATURE OF ACTIVITIES

Near North Health Service Corporation (NNHSC) is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income pursuant to Section 501(a) of the Code.

NNHSC is a federally qualified healthcare center, operating the following community-based primary health care facilities that serve the residents of the City of Chicago:

- Winfield Moody Health Center – serving the residents of the Cabrini-Green, Near North and West Town communities.
- Komed Holman Health Center – serving the residents of the mid-south side of Chicago, comprising the following communities: Kenwood/Oakland, Grand Boulevard, Hyde Park and Chatham.
- Louise Landau Health Center – serving the residents of Southwest and Humbolt Park.
- Cottage View Health Center – serving the residents of Grand Boulevard.
- Uptown Health Center – serving the residents of the Uptown community.
- Denny Health Center – serving the residents of the Lawson YMCA and the surrounding area.
- Reavis Health Center – serving the residents of Kenwood/Oakland, Hyde Park, Grand Boulevard and Washington Park.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and in conformity with the standards promulgated by the American Institute of Certified Public Accountants which include guidelines for health care organizations.

(b) Basis of Presentation

Financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Organizations, Presentation of Financial Statements*. Under those provisions, net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

- 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 can be fulfilled by actions of NNHSC or that expire by the passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by NNHSC. During fiscal years 2012 and 2011 NNHSC had no permanently restricted net assets.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(c) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(d) Fair Value of Financial Instruments

NNHSC has estimated the fair values of its financial instruments using available market information and other valuation methodologies in accordance with Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*. Accordingly, the estimates presented are not necessarily indicative of the amounts that NNHSC could realize in a current market exchange.

(e) Property and Equipment

Property and equipment purchased with unrestricted funds are stated at cost, less accumulated depreciation. Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment purchased with grant funds that give the granting agency a reversionary interest in the property are recorded as expenses in the year of acquisition. Capitalized assets are depreciated on the straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	30 years
Leasehold improvements	5 years
Automobile - vehicles	5 years
Furniture and equipment	5 years

(f) Recognition of Contributions and Grants

NNHSC accounts for contributions in accordance with Accounting Standards Codification (ASC) Topic 958-605, *Accounting for Contributions Received*. In accordance with ASC 958-605, contributions, grants and contracts received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Unrestricted contributions are recognized when received.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (such as when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(g) Tax Status

NNHSC is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income pursuant to Section 501(a) of the code.

(h) Accrued Vacation

A liability is accrued for vacation earned, but not taken at year-end. Management and employees may accrue unused vacation for a period of up to two years.

(i) Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated collections. The discount on these amounts is computed using a risk free interest rate equivalent to the current prime rate plus 1%.

(j) Donated Goods and Services

NNHSC receives donated goods and services from various organizations and volunteers. No amount has been reflected in the financial statements for donated services by volunteers since they did not meet the criteria for financial statement recognition under Accounting Standards Codification (ASC) Topic 958. No donated goods were received during the years ended June 30, 2012 and 2011.

(k) Allocated Expenses

NNHSC allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the benefits provided. Other expenses that are common to several functions are allocated by various statistical basis as determined by management.

(l) Allowance for Doubtful Accounts

NNHSC applies a charge of 9% against the gross patient charges on a monthly basis as a provision for uncollectible patient fees. This rate was estimated by management based on historical data.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(m) Program Fees

Program fees are reported in the statement of activities at the estimated net realizable amounts from self-pay patients, Medicaid/Medicare, and third-party payers for medical services rendered. The program fees reflect adjustments for free care provided to patients as well as for contractual allowances for Medicaid/Medicare reimbursements. The total adjustments to program fees for free care and contractual allowances in 2012 were \$7,231,840 and \$1,899,477, respectively. For 2011, the total adjustments to program fees for free care and contractual allowances were \$7,785,198 and \$2,371,299, respectively.

NOTE 3 – CASH AND CASH EQUIVALENTS

NNHSC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Petty cash	\$ 250	\$ 250
Checking accounts	825,583	1,266,355
Certificate of Deposits and Savings accounts	<u>918,557</u>	<u>917,471</u>
	<u>\$ 1,744,390</u>	<u>\$ 2,184,076</u>

NOTE 4 – CONCENTRATION OF CREDIT RISK

NNHSC maintains its cash balances at financial institutions in Chicago, Illinois. The account at each bank is insured by the Federal Deposit Insurance Corporation up to \$250,000. In addition, non-interest bearing transaction accounts are eligible for temporary unlimited insurance coverage under the transaction account guarantee program provided by the FDIC. There were no cash balances in excess of the insured amounts at June 30, 2012.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 5 – FAIR VALUE MEASUREMENTS

The Accounting Standards Codification (ASC) Topic 800, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability and have the lowest priority. NNHSC uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, NNHSC measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, Level 3 inputs are used only when Level 1 or Level 2 inputs not available.

Fair value of assets measured on a recurring basis at June 30, 2012 and 2011 are as follows:

	<u>Assets at Fair Value (Level 1)</u>	
	<u>2012</u>	<u>2011</u>
Money market funds	\$ 2,687,057	\$ 2,684,253
Mutual funds	1,659,133	1,584,964
Stocks and options	<u>1,701</u>	<u>1,565</u>
	<u>\$ 4,347,891</u>	<u>\$ 4,270,782</u>

Level 1 Fair Value Measurements

The fair values of money market funds, mutual funds, stocks and options, are determined by reference quoted market prices and other relevant information generated by market transactions.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 6 – ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of health service fees due from patients and third party payers and are reported at their estimated net realizable value. Accounts receivable at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Medicaid	\$ 1,522,102	\$ 2,702,088
Medicare	1,792,883	1,539,558
Private insurance	129,416	584,639
In-patient	16,584	54,799
Dental	185,253	598,380
Self-pay	535,071	1,889,527
Other	5,550	-
	<u>4,186,859</u>	<u>7,368,991</u>
Less: allowance for uncollectibles	<u>(2,466,536)</u>	<u>(6,342,955)</u>
Net Accounts Receivable	<u>\$ 1,720,323</u>	<u>\$ 1,026,036</u>

NOTE 7 – PROPERTY AND EQUIPMENT

At June 30, 2012 and 2011, property and equipment and related accumulated depreciation were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 3,081,258	\$ -	\$ 2,323,884	\$ -
Buildings	14,173,573	6,308,489	12,946,899	5,846,994
Leasehold improvements	781,431	532,366	756,525	427,843
Automobile – vehicle	162,693	153,660	162,693	144,626
Furniture and equipment	3,172,547	2,676,762	2,957,818	2,451,541
Construction in Progress	487,548	-	1,434,352	-
	<u>\$21,859,050</u>	<u>\$ 9,671,277</u>	<u>\$20,582,171</u>	<u>\$ 8,871,004</u>

Depreciation expense for 2012 and 2011 was \$800,272 and \$816,620, respectively.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 8 – GRANTS RECEIVABLE

Grants receivable at June 30, 2012 and 2011 consisted of the followings:

	<u>2012</u>	<u>2011</u>
AIDS Treatment (Title II)	\$ 15,000	\$ 15,000
AIDS Psychiatric	20,070	20,070
Healthy Start – Family Center	26,600	30,200
Healthy Family Illinois	11,575	69,099
Family Case Management	165,605	266,201
Women, Infants, and Children	102,541	102,300
WIC – Breastfeeding	-	2,700
Maternal and Child Health Services	78,166	106,355
Access Community Health	5,768	80,000
Domestic Violence	19,621	7,258
IDHS - Early Intervention Services	23,447	15,899
OASA	9,268	6,613
AIDS Foundation Chicago	3,269	-
IDPH Oral Health	-	17,000
Foundation/Corporation	-	22,500
CCHS	100,000	250,000
	<u>\$ 580,930</u>	<u>\$ 1,011,195</u>

NOTE 9 – LOAN PAYABLE

On November 1, 1996, the Illinois Development Finance Authority (the “Authority”) made \$7,305,000 available to NNHSC pursuant to the terms and provisions of the security and trust agreement under Trust Indenture, dated as of November 1, 1996 (the “Indenture”), between the Authority and American National Bank and Trust Company of Chicago, as trustee (the “Trustee”). In connection therewith, NNHSC issued a loan agreement and promissory note, dated November 1, 1996. On January 1, 2007, NNHSC entered into a Bond and Loan Agreement with the Illinois Finance Authority for \$4,408,900.

The proceeds were used to: (1) advance refund a portion of the Illinois Development Finance Authority’s (predecessor to the Issuer) previously issued Primary Health Care Centers Facilities Acquisition Program Revenue Bonds, Series 1996, (2) reimburse for certain capital expenditures paid in connection with the Project, and (3) pay a portion of the costs of issuing the Bond. Pursuant to the loan agreement, the interest rate on the loan agreement is fixed at 4.75% with monthly interest and principal payments of \$47,153 payable through March 1, 2017. Unamortized bond issue cost at June 30, 2012 was \$73,611.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 9 – LOAN PAYABLE – (CONTINUED)

The loan agreement is collateralized by substantially all land and buildings of NNHSC, and provide, among other matters, for the maintenance of a prescribed amount of cash and net assets, and certain financial and debt service ratios as defined in the indenture as follows:

- Debt Service Coverage Ratios – The ratio of Borrower’s annual EBIDA (the sum of the Borrower’s change in net assets, plus interest expense, depreciation and amortization for such Fiscal Year, and for completed Fiscal Years, based on its audited financial statements prepared in accordance with GAAP, consistently applied) to its Total Maximum Annual Debt Service shall not be less than 1.10, based on its annual audited financial statements. The ratio of Borrower’s projected EBIDA to its Total Maximum Annual Debt Service for its then current and any future Fiscal Year shall at no time be less than 1.10.

- Leverage – The ratio of Borrower’s total liabilities to its net unrestricted assets shall not exceed 1.00, based on its annual audited financial statements.

The aggregate maturities and sinking fund requirements for years subsequent to June 30, 2012 are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 461,716
2014	484,131
2015	507,636
2016	532,279
2017	415,976
	<u>2,401,738</u>
Less: Current Portion	<u>461,716</u>
	<u>\$ 1,940,022</u>

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 10 – OTHER LONG-TERM LIABILITIES

Other long-term liabilities comprise of:

	<u>2012</u>	<u>2011</u>
Reserve for possible disallowance of grant expenditures	<u>\$ -</u>	<u>\$ 146,943</u>
	<u>\$ -</u>	<u>\$ 146,943</u>

NOTE 11 – EMPLOYEE BENEFIT PLAN

Effective December 1, 1994, NNHSC established a defined contribution pension plan. All employees over the age of 21 years are eligible to participate in the Plan after completing one year of service. Participants' benefits are fully vested after five years of participation or upon attainment of normal retirement age. NNHSC is required to make annual contributions in the amount of 5% of participants' eligible compensation. For 2012 and 2011, NNHSC contributed \$322,768 and \$370,340, respectively to the Plan.

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 12 – NET ASSETS RELEASED FROM RESTRICTIONS

Purpose restrictions accomplished during fiscal years 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
AIDS Mental Health	\$ -	\$ 16,560
Family Case Management	532,596	532,601
Healthy Family Illinois	145,104	145,099
Healthy Start – Family Center	353,300	356,900
Women, Infants, and Children	1,234,200	1,234,200
Maternal and Child Health Services	41,665	100,000
Domestic Violence	45,000	45,000
Community Health Centers (Section 330)	5,148,323	4,826,018
Community Health Centers (HIV Title III)	421,499	421,943
IDHS – Early Intervention Services	7,548	7,543
IDHS – Division of Alcoholism and Substance Abuse	63,054	55,607
S.O.S	15,000	-
Access Community Health	72,368	80,000
Northwestern Memorial Hospital/Children Memorial Hospital	624,000	569,361
IDPH Oral Health	201,950	87,500
IDHS – WIC Breastfeeding	36,000	39,000
ARRA – ISHC – Increased Service Demand	-	322,306
ARRA – CIP – Capital Improvement Program	489,415	442,611
AIDS Foundation	45,970	45,920
ARRA – IT Health Information Technology Implementation	1,159,000	1,655,903
Affordable Care Act (ACA) – Capital Development Program	497,590	-
Total	<u>\$ 11,133,582</u>	<u>\$ 10,984,072</u>

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 13 – LEASE COMMITMENTS

NNHSC leases office space under a five (5) year operating lease which commenced August 15, 2009. The operating lease expires on July 31, 2014 with an option to renew the lease for an additional five (5) years under the same terms and conditions, except for the rent which shall be increased by 3% per year.

The future minimum lease payments under the lease arrangements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 114,735
2014	<u>113,235</u>
Total	<u>\$ 227,970</u>

NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

NNHSC has evaluated subsequent events through November 13, 2012, the date which the financial statements were originally available to be issued.

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
Near North Health Services Corporation

We have audited the financial statements of Near North Health Services Corporation (NNHSC) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 13, 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

Management of NNHSC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered NNHSC's 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 NNHSC'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

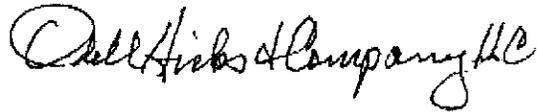
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 NNHSC's financial statements are free of material misstatements, 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*.

Odell Hicks & Company LLC
Certified Public Accountants

This report is intended solely for the information and use of management, Board of Directors, others within the entity 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.

A handwritten signature in black ink that reads "Odell Hicks & Company LLC". The signature is written in a cursive, flowing style.

Odell Hicks & Company LLC

Chicago, Illinois
November 13, 2012



Odell Hicks & Company LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S 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

To the Board of Directors
Near North Health Service Corporation

Compliance

We have audited Near North Health Service Corporation (NNHSC)'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NNHSC's major federal programs for the year ended June 30, 2012. NNHSC's 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 NNHSC's management. Our responsibility is to express an opinion on NNHSC's 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 NNHSC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on NNHSC's compliance with those requirements.

In our opinion, NNHSC 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 programs for the year ended June 30, 2012.

Internal Control Over Compliance

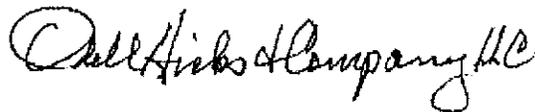
Management of NNHSC is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered NNHSC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 NNHSC's internal control over compliance.

Odell Hicks & Company LLC
Certified Public Accountants

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 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 those specified parties.



Odell Hicks & Company LLC

Chicago, Illinois
November 13, 2012

NEAR NORTH HEALTH SERVICE CORPORATION
 (AN ILLINOIS NOT-FOR-PROFIT CORPORATION)
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (ACCRUAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE	C F D A Number	Pass-Through Grantor's Number	Grant Period		Revenue	Expenditures
			Begins	Ends		
U.S. Department of Health and Human Services						
Direct Programs:						
Community Health Centers	93.224	H80CS00194	01/01/11	12/31/12	5,148,323	5,148,323 *
Affordable Care Act (ACA) - Capital Development Program	93.526	C8ACCS21300	10/01/10	09/30/12	497,590	497,590 *
ARRA - CIP - Capital Improvement Program	93.703	C81CS13982	06/29/09	06/30/12	489,415	489,415 *
ARRA - IT- Health Information Technology Implementation	93.703	H2LCS18143	06/01/10	05/31/12	1,159,000	1,159,000 *
					1,648,415	1,648,415
Early Intervention Services	93.918	H76HA00757	01/01/11	12/31/11	421,499	421,499
					7,715,827	7,715,827
Total U.S. Department of Health and Human Services Direct Programs						
Pass-Through Program From:						
Illinois Department of Human Services						
Temporary Assistance for Needy Families - Healthy Families Illinois	93.558	011GQ01576	07/01/11	06/30/12	129,826	129,826
Healthy Start Initiative - Healthy Start Family Center	93.926	011GQ01304	07/01/11	06/30/12	356,900	356,900
Substance Abuse Prevention and Treatment Block Grant	93.959	43CQOA1491	7/1/2011	06/30/12	54,339	54,339
Pass-Through Program From:						
City of Chicago Department of Public Health						
Maternal and Child Health Care	93.994	23571	07/01/10	06/30/13	41,665	41,665
					8,298,557	8,298,557
Total U.S. Department of Health and Human Services						
U.S. Department of Agriculture						
Pass-Through Program From:						
Illinois Department of Human Services						
Supplemental Nutrition Program for Women, Infants and Children	10.557	011GQ01234	07/01/11	06/30/12	1,234,200	1,234,200
Supplemental Nutrition Program for Women, Infants and Children - Breastfeeding Peer Counselor	10.557	011GQ01627	07/01/11	06/30/12	39,000	39,000
					1,273,200	1,273,200
Total U.S. Department of Agriculture						
U.S. Department of Housing and Urban Development						
Pass Through Program from:						
City of Chicago Department of Public Health						
Community Development Block Grant	14.218	23264	01/01/12	12/31/12	40,000	40,000
					40,000	40,000
Total U.S. Department of Housing and Urban Development						
TOTAL FEDERAL AWARDS						
					\$9,611,757	\$9,611,757

*Tested as major programs

NEAR NORTH HEALTH SERVICE CORPORATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Near North Health Service Corporation (NNHSC) under programs of the federal government for the year ended June 30, 2012. 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*. Because the Schedule presents only a selected portion of the operations of NNHSC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of NNHSC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.
2. Pass-through entity identifying numbers are presented where available.

NOTE 3 - SUBRECIPIENT AWARDS

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

<u>CFDA No.</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipient</u>
93.703	ARRA – IT- Health Information Technology Implementation	\$ 1,159,000

NOTE 4 – NONCASH ASSISTANCE

NNHSC did not receive any non-cash assistance, nor did it have any federal insurance in effect during the year, nor did it have any loans or loan guarantees outstanding at year end.

NEAR NORTH HEALTH SERVICE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

This section of the Schedule of Findings and Questioned Costs sets forth a Summary of the Auditor's Results as follows:

1. The auditor's report expresses an unqualified opinion on the financial statements of Near North Health Service Corporation.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Near North Health Service Corporation were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's 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. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Near North Health Service Corporation expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133:
7. The programs tested as major programs included:

<u>Program Name</u>	<u>CFDA Number</u>
Community Health Centers	93.224
Affordable Care Act (ACA) – Capital Development Program	93.526
ARRA – Capital Improvement Program	93.703
ARRA – IT Health Information Technology Implementation	93.703

8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. Near North Health Service Corporation was determined not to be a low-risk auditee.

SECTION II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None

NEAR NORTH HEALTH SERVICE CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

SECTION V – PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Health and Human Services

- Pass Through the Illinois Department of Human Services
 - CFDA 93.558 – Temporary Assistance for Needy Families (TANF)
 - CFDA 93.926 – Healthy Start Initiative
 - CFDA 93.959 – Substance Abuse and Treatment Block Grant
- Pass Through the City of Chicago – Department of Public Health
 - CFDA 93.994 – Maternal and Child Health Services

U.S. Department of Agriculture

- Pass Through the Illinois Department of Human Services
 - CFDA 10.557 – Supplemental Nutrition for Women, Infants and Children (WIC)

U.S. Department of Housing and Urban Development

- Pass Through the City of Chicago – Department of Public Health
 - CFDA 14.218 – Community Development Block Grant

Finding 2011-01:

Condition and Criteria -

The Schedule of Expenditures of Federal Awards (SEFA) did not include the correct pass-through identification numbers and agency names for federal funds passed through the Illinois Department of Human Services and City of Chicago – Department of Public Health. O.M.B. Circular A-133 Section 310(b)(2) requires that for Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included on the schedule. The initial submission of the Schedule of Expenditures of Federal Awards for the year ended June 30, 2011 did not include the correct pass-through identification numbers and agency names.

Neither the Schedule of Expenditures of Federal Awards nor the Notes to the Schedule identified the amounts of insurance in effect during the year, and the loans or loan guarantees outstanding at year end. OMB Circular A-133 -Section 310 (b) (6) requires that the value of Federal Awards expended in the forms of non-cash assistance, the amount of insurance in effect during the year, and loan or loan guarantees outstanding at year end be included in either the schedule of expenditures of federal awards or a note to the schedule. The initial submission of the Schedule of Expenditures of Federal Awards for the year ended June 30, 2011 did not include the value of non-cash assistance.

Correspondence from the Illinois Department of Human Services dated March 21, 2012 and City of Chicago – Department of Public Health dated March 14, 2012 to Near North Health Services Corporation (NNHSC) included comments to this effect. To address these matters, NNHSC was required to correct and reissue the SEFA to include the correct pass-through identification numbers, agency names and a note that NNHSC did not have any non-cash assistance.

NEAR NORTH HEALTH SERVICE CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2012

Effect -

Lack of a process to ensure the proper identification, tracking and reporting of pass through identification numbers and agency names as well as reporting of any non-cash assistance heightens the risk of errors in the preparation of the schedule of expenditures of federal awards.

Cause -

There were no adequate procedures in place to ensure that the correct pass-through identification numbers and agency names are properly identified and reported on the SEFA.

Recommendation -

Procedures should be developed and implemented to ensure that the correct pass-through identification numbers and agency names are reported on the SEFA.

Management's Response -

Near North Health Services Corporation agrees with the finding and has implemented procedures to provide for proper identification and reporting of the correct pass through identification numbers and agency names for federal funds.

Current Status -

Corrective action was taken.
NNHSC has implemented the procedures

NEAR NORTH HEALTH SERVICE CORPORATION
PRIOR YEAR FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

No matters were reported