

**NEAR NORTH HEALTH SERVICE CORPORATION  
AND AFFILIATE  
Chicago, Illinois**

**SINGLE AUDIT REPORTS  
June 30, 2014**



**CliftonLarsonAllen**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Near North Health Service Corporation and Affiliate  
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Near North Health Service Corporation and Affiliate, (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expense for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 6, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
November 6, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Near North Health Service Corporation and Affiliate  
Chicago, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited Near North Health Service Corporation and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings, responses, and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2014, and have issued our report thereon dated November 6, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements

Board of Directors  
Near North Health Service Corporation and Affiliate

or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
November 6, 2014

**NEAR NORTH HEALTH SERVICE CORPORATION AND AFFILIATE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2014

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Grant Number	Grant Period		Expenditures
			Begins	Ends	
<b>U.S. Department of Health and Human Services</b>					
Direct programs:					
Community Health Centers	93.224	H80CS00194	01/01/14	12/31/14	\$ 5,755,786
Health Center Controlled Networks	93.527	H20CS25658	06/01/13	05/31/14	<u>907,576</u>
Total Community Health Centers					6,663,362 *
Early Intervention Services	93.918	H76HA00757	07/01/13	06/30/14	415,765
Ryan White IV Women, Infants, Children, Youth, and Affected Family Members	93.153	H12HA24814	08/01/13	07/31/14	<u>215,729</u>
Total U.S. Department of Health and Human Services Direct programs					<u>7,294,856</u>
Pass-through program from:					
Illinois Department of Human Services Healthy Start Initiative - Healthy Start Family Center Maternal and Child Health Care	93.926	FCSSU03172	07/01/13	06/30/14	196,056
	93.994	FCSSU03165	07/01/13	06/30/14	90,000
Substance Abuse Prevention and Treatment Block Grant	93.959	43CQ00160	7/1/2013	06/30/14	<u>35,871</u>
Pass-through program from:					
Northwestern University - Center for Advancing Equity in Clinical Preventive Services	93.226	1P01HS021141-01	10/1/2013	09/29/14	<u>52,314</u>
Pass-through program from:					
University of Chicago - Community Rx System	93.610	1C1CMS330997	7/1/2013	06/30/14	<u>33,936</u>
Total U.S. Department of Health and Human Services pass-through programs					<u>408,177</u>
Total U.S. Department of Health and Human Services					<u>7,703,033</u>
<b>U.S. Department of Agriculture</b>					
Pass-through program from:					
Illinois Department of Human Services Supplemental Nutrition Program for Women, Infants, and Children	10.557	FCSRE01072	07/01/13	06/30/14	1,341,807
Supplemental Nutrition Program for Women, Infants, and Children - Breastfeeding Peer Counselor	10.557	FCSRE01072	07/01/13	06/30/14	<u>31,100</u>
Total U.S. Department of Agriculture					<u>1,372,907</u>
<b>U.S. Department of Housing and Urban Development</b>					
Pass-through program from:					
City of Chicago Department of Public Health Community Development Block Grant - Domestic Violence Prevention	14.218	22264	01/01/14	12/31/14	<u>40,000</u>
<b>TOTAL FEDERAL EXPENDITURES</b>					<u>\$ 9,115,940</u>

\* Tested as major program

This schedule should be read only in connection with the accompanying  
notes to schedule of expenditures of federal awards.

**NEAR NORTH HEALTH SERVICE CORPORATION AND AFFILIATE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards (SEFA) summarizes the amount of federal awards expended by Near North Health Service Corporation and Affiliate (the "Organization"), from the federal government for the year ended June 30, 2014. The SEFA includes the federal grant and pass-through grants' activities of the Organization and is presented on the accrual basis of accounting. The information in this SEFA is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this SEFA may differ from the amounts presented in, or used in, the preparation of the basic consolidated financial statements.

**Amounts Provided to Subrecipients**

<u>CFDA No.</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipient</u>
93.527	Health Center Controlled Networks	\$ 907,576

**Amounts of Noncash Assistance, Insurance or Loan Guarantees Outstanding**

None.

This information is an integral part of the accompanying schedule.

**NEAR NORTH HEALTH SERVICE CORPORATION AND AFFILIATE  
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**Section I - Summary of Auditors' Results**

**Consolidated Financial Statements**

Type of auditors' report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes       X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X  none reported

Noncompliance material to consolidated financial statements noted? \_\_\_\_\_ Yes       X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes       X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes       X  none reported

Type of auditors' report issued on compliance for major programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes       X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.224 and 93.527</u>	<u>Consolidated Health Centers Cluster</u>

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  X  yes      \_\_\_\_\_ no

**NEAR NORTH HEALTH SERVICE CORPORATION AND AFFILIATE  
SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**Section II - Consolidated Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

**NEAR NORTH HEALTH SERVICE CORPORATION AND AFFILIATE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2014**

**Section II - Consolidated Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.