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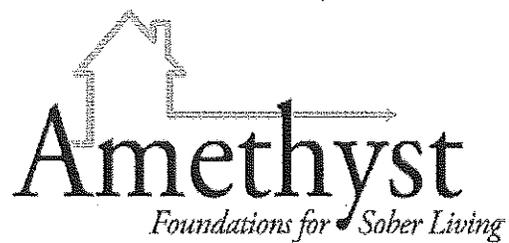
March 31, 2016

Board of Directors
Amethyst House, Inc.
P.O. Box 11
Bloomington, IN 47402

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, for the period July 1, 2013 to June 30, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Amethyst House, Inc. as of June 30, 2014, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2014 and 2013

AMETHYST HOUSE, INC.

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Our People. Your Success

Independent Auditors' Report

Board of Directors
Amethyst House, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Amethyst House, Inc., a not-for-profit organization, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amethyst House, Inc. at June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2015, on our consideration of Amethyst House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amethyst House, Inc.'s internal control over financial reporting and compliance.

Katy, Sappin & Miller, LLP

Indianapolis, Indiana
February 26, 2015

AMETHYST HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash	\$ 46,876	\$ 35,309
Accounts receivable, net of allowance for doubtful accounts of \$6,000 in 2014 and \$8,000 in 2013	1,965	2,626
Grants receivable	80,936	70,817
Prepaid expenses and other		400
Total Current Assets	129,777	109,152
PROPERTY AND EQUIPMENT		
Land	15,000	15,000
Construction in progress		6,498
Buildings and improvements	961,529	909,863
Furniture and equipment	76,187	86,187
	1,052,716	1,017,548
Less: Accumulated depreciation	355,633	341,102
Total Property and Equipment	697,083	676,446
TOTAL ASSETS	\$ 826,860	\$ 785,598

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 29,480	\$ 23,165
Accrued expenses	32,729	30,024
Current portion of long-term debt	13,446	12,920
Total Current Liabilities	75,655	66,109
LONG-TERM DEBT	334,982	348,345
Total Liabilities	410,637	414,454
NET ASSETS		
Unrestricted	393,723	371,144
Unrestricted - board designated	22,500	
Total Net Assets	416,223	371,144
TOTAL LIABILITIES AND NET ASSETS	\$ 826,860	\$ 785,598

See accompanying notes.

AMETHYST HOUSE, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	2014	2013
REVENUE AND SUPPORT		
Federal, state, and local grants	\$ 715,374	\$ 626,408
Donations	6,356	9,900
United Way	23,226	24,980
Program fees - half-way houses	127,058	113,077
Treatment fees	93,826	85,298
Fundraising revenues	58,869	57,866
Miscellaneous income	2,618	2,992
Total Revenue and Support	<u>1,027,327</u>	<u>920,521</u>
EXPENSES		
Program services	860,998	767,492
Management and general	88,824	84,725
Fundraising	32,426	31,814
Total Expenses	<u>982,248</u>	<u>884,031</u>
INCREASE IN NET ASSETS	45,079	36,490
NET ASSETS		
Beginning of Year	<u>371,144</u>	<u>334,654</u>
End of Year	<u>\$ 416,223</u>	<u>\$ 371,144</u>

See accompanying notes.

AMETHYST HOUSE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2014 and 2013

	Program Services		Management and General		Fundraising		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Salaries	\$ 403,068	\$ 401,408	\$ 21,906	\$ 21,816	\$ 13,144	\$ 13,089	\$ 438,118	\$ 436,313
Payroll taxes	37,527	37,404	2,040	2,033	1,224	1,220	40,791	40,657
Health insurance	32,353	28,618	1,758	1,555	1,055	933	35,166	31,106
Insurance	19,901	19,888	4,545	3,324			24,446	23,212
Dues and subscription	4,781	929	1,142	1,301	2,381	2,268	8,304	4,498
Telephone	9,468	9,328	1,094	1,086	656	651	11,218	11,065
Occupancy	11,202	10,800	7,001	6,750	4,201	4,050	22,404	21,600
Marketing and advertising	2,372	2,017	390	598	400	405	3,162	3,020
Conferences and training	2,725	4,059	1,737	3,526	105		4,567	7,585
Professional services	5,000	4,400	24,062	19,814			29,062	24,214
Repairs and maintenance	31,651	17,139	754	1,128	453	677	32,858	18,944
Program costs and supplies	100,232	90,441	12,657	11,744	49		112,938	102,185
Office supplies and postage	5,035	4,647	2,855	2,729	450	400	8,340	7,776
Depreciation	19,625	19,220	3,066	3,003	1,840	1,802	24,531	24,025
Interest	8,981	9,678	2,245	2,420			11,226	12,098
Subcontract	130,648	77,530					130,648	77,530
Fundraising	1,000				5,550	5,543	6,550	5,543
Equipment rental	8,873	8,760	42	604			8,915	9,364
Utilities	26,556	21,226	1,530	1,294	918	776	29,004	23,296
TOTAL EXPENSES	\$ 860,998	\$ 767,492	\$ 88,824	\$ 84,725	\$ 32,426	\$ 31,814	\$ 982,248	\$ 884,031

See accompanying notes.

AMETHYST HOUSE, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING ACTIVITIES		
Increase in net assets	\$ 45,079	\$ 36,490
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	24,531	24,025
(Increase) decrease in certain current assets:		
Accounts and grants receivable	(9,458)	(38,962)
Prepaid expenses and other	400	900
Increase in certain current liabilities:		
Accounts payable	6,315	11,906
Accrued expenses	2,705	2,148
Net Cash Provided by Operating Activities	<u>69,572</u>	<u>36,507</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(45,168)	(8,098)
Net Cash Used by Investing Activities	<u>(45,168)</u>	<u>(8,098)</u>
FINANCING ACTIVITIES		
Principal payments on long-term debt	(12,837)	(12,108)
Proceeds from line of credit		33,000
Payments on line of credit		(33,000)
Net Cash Used by Financing Activities	<u>(12,837)</u>	<u>(12,108)</u>
NET INCREASE IN CASH	11,567	16,301
CASH		
Beginning of Year	<u>35,309</u>	<u>19,008</u>
End of Year	<u>\$ 46,876</u>	<u>\$ 35,309</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 11,226	\$ 12,098

See accompanying notes.

AMETHYST HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Amethyst House, Inc. (the Organization) is an Indiana not-for-profit organization that provides outpatient treatment services for chronically addicted persons in Monroe County, Indiana and in Vanderburgh County, Indiana, as well as half-way house programs in Monroe County, Indiana. The Organization is supported by the State Hoosier Assurance Program, client fees, other grants, and donations.

Government funding provided to the Organization comes from the State of Indiana Family and Social Services Administration Division of Mental Health. A portion of the funding comes from the U.S. Department of Health and Human Services and U.S. Department of Housing and Urban Development.

Basis of Accounting: The Organization prepares its financial statements using the accrual basis of accounting. Accrual accounting requires the recognition of revenues when they are earned and measurable in the accounting period when services are provided, and the recognition of expenses in the period in which they occur.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain 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.

Net Assets By Class: Temporarily or permanently restricted net assets are created by donor-imposed restrictions on their use. When a donor 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. Contributions whose restrictions lapse, expire, or are otherwise met in the same reporting period as the contribution was received are recorded as unrestricted support. All other net assets, including board-designated or appropriated amounts are reported as part of the unrestricted class. The Organization did not have any temporarily or permanently restricted net assets as of June 30, 2014 and 2013.

Functional Expenses: Expenses have been allocated directly or indirectly between program, management and general, and fundraising services as listed in the statements of functional expenses. Expenses that can be identified with a specific program or supporting service are allocated based on an analysis of personnel time utilized for the related activities.

Cash: Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. There have been no losses in such accounts.

Accounts Receivable and Credit Policies: Accounts receivable represent uncollateralized obligations due to the Organization from clients for treatment services and residency in the halfway and three-quarter way houses. The balances are due and payable within 30 days of the billing date. Accounts receivable are stated at the amount billed to the client, less an allowance for uncollectible accounts.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization does not charge late fees or interest due to the nature of its clientele and treatment services. However, those with overdue balances receive warnings, and when balances reach \$200 for outpatient session fees and \$800 for residency fees, services are subject to stoppage. A client with a balance due must pay the balance or make arrangements acceptable to management prior to treatment resuming.

The Organization establishes an allowance for uncollectible accounts receivable based on historical collection experience, economic conditions and management's evaluation of collectibility of outstanding balances. Management periodically reviews the status of delinquent accounts and writes off uncollectible accounts after reasonable collection efforts have been exhausted.

Grants Receivable: The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2014 and 2013, have been recorded as receivables.

Property and Equipment: Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range up to 40 years for buildings and improvements and from 3 to 10 years for furniture and equipment. The Organization's policy is to capitalize and depreciate asset acquisitions of \$500 and greater.

Long-lived Assets, including the Organization's property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of long-lived assets have been required.

Government Grants: Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as earned as the services are performed or eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Advertising: The Organization expenses all advertising costs as they are incurred.

Income Taxes: The Organization is exempt from taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2014 and 2013.

The Organization files information tax returns in the U.S. federal jurisdiction and in the state of Indiana. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before 2011.

Reclassifications: Certain 2013 balances have been reclassified to conform to the presentation of the 2014 financial statements.

Subsequent Events: The Organization has evaluated the financial statements for subsequent events occurring through February 26, 2015, the date the financial statements were available to be issued. See Note 3.

NOTE 2 - LEASE COMMITMENTS

The Organization leases office space and equipment under long-term noncancellable operating leases expiring through December 2018. Future minimum rental payments as of June 30, 2014, are as follows:

Payable In Year Ending June 30,	Rental Payments
2015	\$ 27,244
2016	26,952
2017	25,500
2018	22,596
2019	<u>11,132</u>
	<u>\$113,424</u>

As provided in the office lease agreement, the Organization is assessed monthly operating expense fees. The monthly charges are based upon the Organization's square footage in the building. Total rent expense was \$31,319 and \$30,964 for the years ended June 30, 2014 and 2013, respectively.

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS

Long-term debt consisted of the following at June 30, 2014 and 2013:

	2014	2013
Mortgage payable to United Commerce in monthly installments of \$165, including interest computed at prime plus 1% (4.25% at June 30, 2014), through September 12, 2023. Secured by real estate.	\$ 15,056	\$ 16,363
Mortgage payable to United Commerce in monthly installments of \$835, including interest computed at prime (3.25% at June 30, 2014), through October 11, 2026. Secured by real estate.	101,384	107,967
Term note payable to United Commerce in monthly installments of \$1,005, including interest computed at 5% through September 1, 2014 and prime plus 1% thereafter, through July 1, 2031. Secured by real estate.	138,488	143,435
Noninterest-bearing note payable to City of Bloomington in 2018. The note is forgivable at maturity in the event the Organization does not default on provisions of the loan agreement.	<u>93,500</u>	<u>93,500</u>
Less: Current maturities	<u>348,428</u>	<u>361,265</u>
	<u>13,446</u>	<u>12,920</u>
Total Long-term Debt	<u>\$334,982</u>	<u>\$348,345</u>

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

At June 30, 2014, the aggregate maturities in each of the next five years for the above long-term obligations were as follows:

Payable In Year Ending June 30,	Principal
2015	\$13,446
2016	13,993
2017	14,563
2018	15,157
2019	15,777

The Organization has entered into a line of credit agreement that provides for short-term borrowings up to a maximum amount of \$100,000. Interest on the line of credit borrowings is payable monthly and is computed at 6%. The line of credit, which was renewed after June 30, 2014 through September 1, 2015, is secured by real estate. No borrowings were outstanding on the line of credit at June 30, 2014 or 2013.

NOTE 4 - CONCENTRATIONS

The Organization received 70% in fiscal year 2014 and 68% in fiscal year 2013 of its total revenues and support from government grants. The Organization is dependent on federal grant funding to continue its operations. Such grants have been renewed for fiscal year 2015.

The Organization is primarily providing services within Monroe County, Indiana.

NOTE 5 - ASSETS HELD AT COMMUNITY FOUNDATION OF BLOOMINGTON AND MONROE COUNTY

The Organization established an endowment as part of the Community Foundation of Bloomington and Monroe County (Community Foundation) Matchstick program. The Matchstick program allows for donors to contribute money towards the Amethyst House Endowment, and for every two dollars raised a dollar is matched by the Community Foundation. The Organization has granted variance power to the Community Foundation. At June 30, 2014 and 2013, the funds approximated \$34,400 and \$30,300, respectively, based on information available from the Community Foundation.

SUPPLEMENTARY INFORMATION AND OTHER REPORTS



Our People. Your Success

*Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

Board of Directors
Amethyst House, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Amethyst House, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated February 26, 2015.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Amethyst House, Inc.'s 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*.

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
February 26, 2015

AMETHYST HOUSE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Indiana Family and Social Services Administration, Division of Mental Health and Addiction:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	A55-3-53-13-HO-2739 A55-3-53-13-WF-2739	\$ 241,660 <u>120,000</u> 361,660
Substance Abuse and Mental Health Services-Access to Recovery	93.275	INATR-003	9,300
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct programs:			
Supportive Housing Program	14.235	None Assigned	88,707
Passed through the City of Bloomington:			
Home Investment Partnerships Program	14.239	M04MC18022	93,500
Community Development Block Grants/Entitlement Grants	14.218		31,473
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the United Way of Monroe County:			
Emergency Food and Shelter National Board Program	97.024	None Assigned	<u>2,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 586,640</u></u>

See accompanying notes to schedule of expenditures of federal awards.

AMETHYST HOUSE, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Amethyst House, Inc. (the Organization) and other programs of the federal government for the year ended June 30, 2014. The information in the 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Pass-through Entity Identifying Numbers are presented where available.

NOTE 3 - NON-CASH ASSISTANCE

The amount reported in the Schedule under CFDA Number 14.239 represents an outstanding loan of \$93,500.

NOTE 4 - SUBRECIPIENT AWARDS

Included in the federal expenditures presented in the Schedule are federal awards provided to subrecipients by the Organization in the amount of \$130,600 under CFDA Number 93.959. This amount is presented on the accrual basis of accounting.



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*Independent Auditors' Report on Compliance for
Each Major Federal Program and Internal Control
over Compliance Required by OMB Circular A-133*

Board of Directors
Amethyst House, Inc.

Report on Compliance for Each Major Federal Program

We have audited Amethyst House, Inc.'s 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 Amethyst House, Inc.'s major federal programs for the year ended June 30, 2014. Amethyst House, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Amethyst House, Inc.'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; 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 Amethyst House, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

Amethyst House, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Amethyst House, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Amethyst House, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Amethyst House, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order 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 Amethyst House, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompany schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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.

Amethyst House, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Amethyst House, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Katy Sapper Miller, LLP

Indianapolis, Indiana
February 26, 2015

AMETHYST HOUSE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements
noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

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

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

Auditee qualified as low-risk auditee? yes no

AMETHYST HOUSE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year Ended June 30, 2014

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

2014-001 Block Grants for Prevention and Treatment of Substance Abuse – CFDA #93.959

Noncompliance and Material Weakness in Internal Control Over Compliance – Eligibility of Participants

Criteria: According to guidelines from the Family and Social Services Administration (FSSA), a person may be eligible to have their treatment paid by the Hoosier Assurance Plan if the person shows that they qualify for Medicaid, food stamps, or fall at or below 200% of the poverty level. Also, the person must meet certain evaluation criteria that are determined by a mental health professional, provide proof of income, and provide a Social Security number.

Condition and Context: We sampled 37 participant files and noted that one of the 37 were above the poverty level guidelines for being able to receive treatment and be covered by the Hoosier Assurance Plan funding.

Cause and Effect: Employees did not properly check the wages of each participant against the poverty level guidelines. Therefore, a participant was incorrectly covered through the Hoosier Assurance Plan funding. Internal control over compliance was not sufficient to ensure all participants were eligible under FSSA guidelines.

Recommendation: We recommend that employees responsible for determining participant eligibility receive additional training to ensure requirements are understood. Further, we recommend employees perform secondary reviews of each other's client files on a periodic basis to ensure selected clients meet eligibility requirements.

Management Response: Amethyst House, Inc. (the Organization) started a new process on September 1, 2013 related to the orientation of new outpatient clients. The Organization has created a financial orientation which is separate from the clinical orientation and completed by one of the three staff members from the billing department. The Organization implemented the following process for new residential clients. After new residential clients have completed their intake paperwork, case managers will fax the Division of Mental Health and Addiction Supported Consumer (DSC) eligibility form along with the DSC enrollment form to the billing team to review before the new client is enrolled into Data Assessment Registry for Mental Health and Addiction (DARMHA). The billing department can better monitor that the Organization is enrolling only clients that are DSC eligible into the DARMHA system. This new system of double checking will reduce the chance of future errors and takes the burden off the clinical staff. The Organization is committed to following the Division of Mental Health and Addiction's contract guidelines.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

2013-001 Block Grants for Prevention and Treatment of Substance Abuse

Noncompliance and Material Weakness in Internal Control Over Compliance – Eligibility of Participants

Condition: Participants must meet eligibility requirements outlined in the guidelines from the Family and Social Services Administration to have their treatment paid by the Hoosier Assurance Plan. Certain participants selected for testing during the audit were above the poverty level guidelines.

Recommendation: The auditors recommended that employees responsible for determining participant eligibility receive additional training to ensure requirements are understood. Further, the auditors recommended employees perform secondary reviews of each other's client files on a periodic basis to ensure selected clients meet eligibility requirements.

Current Status: The Organization started a new process on September 1, 2013 related to the orientation of new outpatient clients to resolve the issue. There was a similar finding noted in the 2014 audit.



A United Way Agency
P.O. Box 11, Bloomington, IN 47402

CORRECTIVE ACTION PLAN Year Ended June 30, 2014

U.S. Department of Health and Human Services

Amethyst House, Inc. respectively submits the following corrective action plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Audit period: Year ended June 30, 2014

The finding from the schedule of findings and questioned costs (the Schedule) for the year ended June 30, 2014, is discussed below. The finding is numbered consistently with the number assigned in the Schedule.

FINANCIAL STATEMENT AUDIT FINDINGS

None

MAJOR FEDERAL AWARDS PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

2014-001 Block Grants for Prevention and Treatment of Substance Abuse – CFD #93.959

Significant Deficiency – Eligibility

Recommendations: The auditors recommend that employees responsible for determining participant eligibility receive additional training to ensure requirements are understood. Further, the auditors recommend employees perform secondary reviews of each other's client files on a periodic basis to ensure selected clients meet eligibility requirements.

Actions Taken: We agree with the recommendations. We started a new process on September 1, 2013 related to the orientation of new outpatient clients. We have created a financial orientation which is separate from the clinical orientation and completed by one of the three staff members from the billing department. We implemented the following process for new residential clients. After new residential clients have completed their intake paperwork, case managers fax the Division of Mental Health and Addiction Supported Consumer (DSC) eligibility form along with the DSC enrollment form to the billing team to review before the new client is enrolled into Data Assessment Registry for Mental Health and Addiction (DARMHA). The billing department can better monitor that Amethyst House, Inc. is enrolling only clients that are DSC eligible into the DARMHA system. This new system of double checking will reduce the chance of future errors and takes the burden off the clinical staff. Amethyst House, Inc. is committed to following the Division of Mental Health and Addiction's contract guidelines.

www.amethysthouse.org • email: amethyst@amethysthouse.org

Administration (812) 336-3570
Fax (812) 336-9010

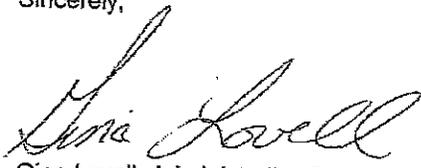
Men's Program (812) 336-2812
Fax (812) 336-9020

Women's Program (812) 336-2666
Fax (812) 323-0144

CORRECTIVE ACTION PLAN (CONTINUED)
Year Ended June 30, 2014

If the U.S. Department of Health and Human Services has questions regarding this plan, please call Gina Lovell at (812) 336-3570.

Sincerely,

A handwritten signature in cursive script that reads "Gina Lovell". The signature is written in black ink and is positioned above the printed name.

Gina Lovell, Administrative Director