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June 23, 2009

Board of Directors
Amethyst House, Inc.
P.O. Box 11
Bloomington, IN 47401

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. 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 the Amethyst House, Inc., as of June 30, 2007, 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.

We call your attention to the findings in the report. The Independent Auditors' Report makes mention of cash flow concerns.

STATE BOARD OF ACCOUNTS

Amethyst
Foundations for Sober Living

AMETHYST HOUSE, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2007 and 2006

KATZ, SAPPER & MILLER
Certified Public Accountants

AMETHYST HOUSE, INC.

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KATZ, SAPPER & MILLER

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Certified Public Accountants

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Independent Auditors' Report

Board of Directors
Amethyst House, Inc.

We have audited the accompanying statements of financial position of Amethyst House, Inc., an Indiana not-for-profit organization, as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Amethyst House, Inc. at June 30, 2007 and 2006, 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.

The Organization is operating under a line of credit agreement that expires in September 2008. The Organization has experienced decreases in net assets and negative cash flows from operating activities which may result in difficulty repaying the line of credit. If cash flow cannot be generated to repay the line of credit in a timely manner the organization may have to liquidate assets. As discussed in Note 5 to the financial statements, management is pursuing additional grant funding and reviewing costs to address the Organization's negative cash flow.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
February 27, 2008

AMETHYST HOUSE, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

ASSETS

	2007	2006
CURRENT ASSETS		
Cash and equivalents	$ 19,701	$ 47,602
Accounts receivable, net of allowance for doubtful accounts of $7,000 in 2007 and $5,000 in 2006	35,192	27,123
Grants receivable	15,272	4,035
Gift cards	900	760
Total Current Assets	71,065	79,520
PROPERTY AND EQUIPMENT		
Land	15,000	15,000
Buildings and improvements	904,373	904,373
Furniture and equipment	82,353	79,436
	1,001,726	998,809
Less: Accumulated depreciation	180,861	152,626
Total Property and Equipment	820,865	846,183
TOTAL ASSETS	$ 891,930	$ 925,703

LIABILITIES AND UNRESTRICTED NET ASSETS

	2007	2006
CURRENT LIABILITIES		
Accounts payable	$ 20,599	$ 29,350
Accrued expenses	41,223	82,837
Line of credit borrowings	147,900	107,500
Current portion of long-term debt	4,263	2,420
Total Current Liabilities	213,985	222,107
LONG-TERM DEBT	309,214	214,127
Total Liabilities	523,199	436,234
UNRESTRICTED NET ASSETS	368,731	489,469
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	$ 891,930	$ 925,703

See accompanying notes.

AMETHYST HOUSE, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2007 and 2006

	2007	2006
REVENUE AND SUPPORT		
Government grants	$ 460,175	$ 502,024
Donations	72,328	58,863
United Way	35,528	36,693
Program fees-half-way houses	110,096	123,741
Treatment fees	111,314	68,750
Grants	53,783	62,573
Fundraising revenues	22,953	16,925
Interest income	1,144	1,907
Miscellaneous income	2,779	1,389
Total Revenue and Support	870,100	872,865
EXPENSES		
Program services	772,028	904,719
Management and general	203,553	135,984
Fundraising	15,257	22,742
Total Expenses	990,838	1,063,445
DECREASE IN NET ASSETS	(120,738)	(190,580)
UNRESTRICTED NET ASSETS		
Beginning of Year	489,469	680,049
End of Year	$ 368,731	$ 489,469

See accompanying notes.

AMETHYST HOUSE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2007 and 2006

	Program Services		Management and General		Fundraising		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Salaries	$ 473,512	$ 534,846	$ 24,309	$ 68,015	$ 8,609	$ 15,458	$ 506,430	$ 618,319
Payroll taxes	41,900	43,658	2,151	5,584	762	1,523	44,813	50,765
Health insurance	66,166	73,874	3,397	9,449	1,203	2,577	70,766	85,900
Insurance	31,162	33,134	2,188	4,095			33,350	37,229
Dues and subscription	1,581	5,569	1,633	688	2,055		5,269	6,257
Telephone	10,234	11,269	3,057	1,537			13,291	12,806
Occupancy	12,776	30,451	21,753	2,737		1,027	34,529	34,215
Marketing and advertising	2,893	5,858	1,475	526	1,305	197	5,673	6,581
Conferences and training	3,230	1,808	451	1,808	75		3,756	3,616
Travel	4,181	10,644	5,321	1,315			9,502	11,959
Professional services			10,012	16,500			10,012	16,500
Repairs and maintenance	10,299	11,523	2,575	1,424			12,874	12,947
Program costs and supplies	46,159	55,241	3,224	6,827			49,383	62,068
Office supplies and postage	5,290	11,820	6,549	1,461	756		12,595	13,281
Contract services		15,471		1,912				17,383
Penalties			66,399				66,399	
Depreciation	22,588	24,848	5,647	3,071			28,235	27,919
Interest			25,092	3,028			25,092	3,028
Equipment rental	6,435	8,966	6,697	1,108			13,132	10,074
Utilities	25,874	23,328	1,947	2,883			27,821	26,211
Bad debts	1,516						1,516	
Miscellaneous	6,232	2,411	9,676	2,016	492	1,960	16,400	6,387
TOTAL EXPENSES	$ 772,028	$ 904,719	$ 203,553	$ 135,984	$ 15,257	$ 22,742	$ 990,838	$ 1,063,445

See accompanying notes.

AMETHYST HOUSE, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING ACTIVITIES		
Decrease in net assets	$ (120,738)	$ (190,580)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	28,235	27,919
(Increase) decrease in certain current assets:		
Receivables	(19,306)	33,564
Gift cards	(140)	(760)
Increase (decrease) in certain current liabilities:		
Accounts payable	(8,751)	20,738
Accrued expenses	(41,614)	48,615
Net Cash (Used) by Operating Activities	(162,314)	(60,504)
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,917)	(629)
Net Cash (Used) by Investing Activities	(2,917)	(629)
FINANCING ACTIVITIES		
Principal payments on long-term debt	(40,841)	(2,317)
Net proceeds from issuance of long-term debt	137,771	6,067
Proceeds from line of credit borrowings	40,400	97,500
Net Cash Provided by Financing Activities	137,330	101,250
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(27,901)	40,117
CASH AND EQUIVALENTS		
Beginning of Year	47,602	7,485
End of Year	$ 19,701	$ 47,602
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 25,092	$ 10,074

See accompanying notes.

AMETHYST HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: 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. The Organization is supported by the State Hoosier Assurance Program, client fees, other grants, and donations.

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

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.

Cash and Equivalents: For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Occasionally, the Organization maintains checking account balances over $100,000, which are not federally insured by the FDIC.

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.

Grants receivable represent uncollateralized obligations due to the Organization for treatment services. The balances are due and payable within 30 days of the billing date. Grants receivable are stated at the amount billed to the paying agency and represent the amount management expects to collect on the outstanding balances. Paying agencies with account balances over 90 days old are considered delinquent.

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 $500 for outpatient session fees and $1,000 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. The allowance for doubtful accounts was $7,000 and $5,000 at June 30, 2007 and 2006, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years. The Organization's policy is to capitalize asset acquisitions of $500 and greater.

Functional Expenses have been allocated between program, management and general, and fundraising services based on an analysis of personnel time utilized for the related activities.

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

Income Taxes: The Organization is a private not-for-profit Indiana corporation, and its activities are exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Organization is classified as a public charity by the Internal Revenue Service.

Net Assets By Class: Temporarily or permanently restricted net assets are created only 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. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

NOTE 2 - LEASE

The Organization leases its office facility under a noncancelable five-year operating lease which expires on September 30, 2011. Rent expense for the years ended June 30, 2007 and 2006 was $34,529 and $34,215, respectively.

Future minimum rental payments as of June 30, 2007, are as follows:

Payable In Year Ending June 30,	Rental Payments
2008	$21,600
2009	21,600
2010	21,600
2011	21,600
2012	5,400
	$91,800

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS

Long-term debt consisted of the following at June 30, 2007 and 2006:

	2007	2006
Mortgage payable to United Commerce in monthly installments of $166, plus interest computed at prime plus 1%, through September 12, 2023. Secured by real estate.	$ 22,206	$ 22,774
Mortgage payable to United Commerce in monthly installments of $294, plus interest computed at prime plus 1%, through August 26, 2023. The balance on the mortgage was paid off in 2007. Secured by real estate.		40,273
Mortgage payable to United Commerce in monthly installments of $279, plus interest computed at prime plus 1%, through October 11, 2026. Secured by real estate.	137,771	
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.	153,500	153,500
	313,477	216,547
Less: Current maturities	4,263	2,420
Total Long-term Debt	$309,214	$214,127

At June 30, 2007, 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
2008	$ 4,263
2009	4,570
2010	4,899
2011	5,255
2012	5,693

The Organization has a $250,000 bank line of credit for short-term borrowings through September 25, 2008. Interest is computed at the Bank's prime lending rate plus .5%. The line of credit is secured by real estate. The Organization had $147,900 and $107,500 outstanding on the line of credit at June 30, 2007 and 2006, respectively.

NOTE 4 - CONCENTRATIONS

The Organization received 53% in fiscal year 2007 and 58% in fiscal year 2006 of its total revenues and support from Government grants. The organization is dependent on government grants to continue operations.

NOTE 5 - MANAGEMENT'S PLANS FOR FUTURE OPERATIONS

Management has reviewed the operating results of the Organization and expects future operations to continue. Management's budget for the 2007-2008 fiscal year anticipates positive cash flow from operations. The Organization anticipates continued funding from Government grants and is anticipating cost savings in payroll and other expenses.