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April 19, 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, 2014 to June 30, 2015. 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, 2015, 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, 2015 and 2014

AMETHYST HOUSE, INC.

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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, 2015 and 2014, 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, 2015 and 2014, 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 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. 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 15, 2016, 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
February 15, 2016

AMETHYST HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS

	2015	2014
CURRENT ASSETS		
Cash	\$ 88,446	\$ 46,876
Accounts receivable, net of allowance for doubtful accounts of \$6,000 in 2015 and 2014	10,940	1,965
Grants receivable	<u>74,074</u>	<u>80,936</u>
Total Current Assets	<u>173,460</u>	<u>129,777</u>
PROPERTY AND EQUIPMENT		
Land	15,000	15,000
Buildings and improvements	966,304	961,529
Furniture and equipment	<u>76,187</u>	<u>76,187</u>
	1,057,491	1,052,716
Less: Accumulated depreciation	<u>374,700</u>	<u>355,633</u>
Total Property and Equipment	<u>682,791</u>	<u>697,083</u>
TOTAL ASSETS	<u><u>\$ 856,251</u></u>	<u><u>\$ 826,860</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 51,581	\$ 29,480
Accrued expenses	33,389	32,729
Current maturities of long-term debt	<u>13,993</u>	<u>13,446</u>
Total Current Liabilities	98,963	75,655
LONG-TERM DEBT , less current maturities	<u>321,137</u>	<u>334,982</u>
Total Liabilities	<u>420,100</u>	<u>410,637</u>
NET ASSETS		
Unrestricted	413,640	393,723
Unrestricted - board designated	<u>22,511</u>	<u>22,500</u>
Total Net Assets	<u>436,151</u>	<u>416,223</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 856,251</u></u>	<u><u>\$ 826,860</u></u>

See accompanying notes.

AMETHYST HOUSE, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	2015	2014
REVENUE AND SUPPORT		
Federal, state, and local grants	\$ 899,111	\$715,374
Donations	13,898	6,356
United Way	17,961	23,226
Program fees - half-way houses	129,274	114,959
Treatment fees	83,205	72,037
Fundraising revenues	68,221	58,869
Miscellaneous income	1,374	2,618
Total Revenue and Support	<u>1,213,044</u>	<u>993,439</u>
EXPENSES		
Program services	1,059,344	827,110
Management and general	89,616	88,824
Fundraising	44,156	32,426
Total Expenses	<u>1,193,116</u>	<u>948,360</u>
INCREASE IN NET ASSETS	19,928	45,079
NET ASSETS		
Beginning of Year	<u>416,223</u>	<u>371,144</u>
End of Year	<u>\$ 436,151</u>	<u>\$416,223</u>

See accompanying notes.

AMETHYST HOUSE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2015 and 2014

	Program Services		Management and General		Fundraising		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Salaries	\$ 457,459	403,068	\$ 24,862	21,906	\$ 14,917	13,144	\$ 497,238	\$ 438,118
Payroll taxes	44,332	37,527	2,409	2,040	1,446	1,224	48,187	40,791
Health insurance	34,589	32,353	1,880	1,758	1,128	1,055	37,597	35,166
Insurance	19,973	19,901	4,698	4,545			24,671	24,446
Dues and subscription	5,266	4,781	341	1,142	2,500	2,381	8,107	8,304
Telephone	9,796	9,468	1,109	1,094	666	656	11,571	11,218
Occupancy	11,810	11,202	7,031	7,001	4,219	4,201	23,060	22,404
Marketing and advertising	3,066	2,372	891	390	490	400	4,447	3,162
Conferences and training	3,265	2,725	1,323	1,737		105	4,588	4,567
Professional services	14,863	5,000	24,090	24,062			38,953	29,062
Repairs and maintenance	42,605	31,651	1,537	754	922	453	45,064	32,858
Program costs and supplies	63,829	66,344	10,096	12,657		49	73,925	79,050
Office supplies and postage	10,547	5,035	2,619	2,855	875	450	14,041	8,340
Depreciation	20,234	19,625	3,035	3,066	2,023	1,840	25,292	24,531
Interest	9,197	8,981	2,299	2,245			11,496	11,226
Subcontract	275,750	130,648					275,750	130,648
Fundraising		1,000			14,133	5,550	14,133	6,550
Equipment rental	6,606	8,873		42			6,606	8,915
Utilities	26,157	26,556	1,396	1,530	837	918	28,390	29,004
TOTAL EXPENSES	\$1,059,344	\$ 827,110	\$ 89,616	\$ 88,824	\$ 44,156	\$ 32,426	\$ 1,193,116	\$ 948,360

See accompanying notes.

AMETHYST HOUSE, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING ACTIVITIES		
Increase in net assets	\$ 19,928	\$ 45,079
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	25,292	24,531
(Increase) decrease in certain current assets:		
Accounts and grants receivable	(2,113)	(9,458)
Prepaid expenses and other		400
Increase in certain current liabilities:		
Accounts payable	22,101	6,315
Accrued expenses	660	2,705
Net Cash Provided by Operating Activities	<u>65,868</u>	<u>69,572</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(11,000)</u>	<u>(45,168)</u>
Net Cash Used by Investing Activities	<u>(11,000)</u>	<u>(45,168)</u>
FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(13,298)</u>	<u>(12,837)</u>
Net Cash Used by Financing Activities	<u>(13,298)</u>	<u>(12,837)</u>
NET INCREASE IN CASH	41,570	11,567
CASH		
Beginning of Year	<u>46,876</u>	<u>35,309</u>
End of Year	<u>\$ 88,446</u>	<u>\$ 46,876</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 11,496	\$ 11,226

See accompanying notes.

AMETHYST HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2015 and 2014

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, 2015 and 2014.

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 half-way 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, 2015 and 2014, 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, 2015 and 2014.

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 2012.

Reclassifications: Certain amounts in the 2014 financial statements have been reclassified to conform to the presentation of the 2015 financial statements.

Subsequent Events: The Organization has evaluated the financial statements for subsequent events occurring through February 15, 2016, 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, 2015, are as follows:

Payable In Year Ending June 30,	Rental Payments
2016	\$27,852
2017	26,400
2018	23,496
2019	<u>11,582</u>
	<u>\$89,330</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 \$29,666 and \$31,319 for the years ended June 30, 2015 and 2014, respectively.

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS

Long-term debt consisted of the following at June 30, 2015 and 2014:

	2015	2014
Mortgage payable to United Commerce in monthly installments of \$165, including interest computed at prime plus 1% (4.25% at June 30, 2015), through September 12, 2023. Secured by real estate.	\$ 13,699	\$ 15,056
Mortgage payable to United Commerce in monthly installments of \$835, including interest computed at prime (3.25% at June 30, 2015), through October 11, 2026. Secured by real estate.	94,601	101,384
Term note payable to United Commerce in monthly installments of \$1,005, including interest computed at 5% through September 1, 2015 and prime plus 1% thereafter, through July 1, 2031. Secured by real estate.	133,330	138,488
Noninterest-bearing note payable to City of Bloomington in September 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>
	335,130	361,265
Less: Current maturities	<u>13,993</u>	<u>13,446</u>
Total Long-term Debt	<u>\$321,137</u>	<u>\$334,982</u>

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

At June 30, 2015, 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
2016	\$ 13,993
2017	14,562
2018	15,157
2019	109,277
2020	16,424

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, 2015 through September 1, 2016, is secured by real estate. No borrowings were outstanding on the line of credit at June 30, 2015 and 2014.

NOTE 4 - CONCENTRATIONS

The Organization received 74% in fiscal year 2015 and 72% in fiscal year 2014 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 2016.

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, 2015 and 2014, the funds approximated \$32,200 and \$34,400, respectively, based on information available from the Community Foundation.

SUPPLEMENTARY INFORMATION AND OTHER REPORTS

*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, 2015, 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 15, 2016.

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 15, 2016

AMETHYST HOUSE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015**

	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	\$ 257,251
		A55-3-53-13-WF-2739	<u>120,000</u>
			377,251
 Substance Abuse and Mental Health Services-Access to Recovery	 93.275	 INATR-003	 4,368
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct programs:			
Supportive Housing Program	14.235	None Assigned	88,720
Passed through the City of Bloomington:			
Home Investment Partnerships Program	14.239	M04MC18022	93,500
Community Development Block Grants/Entitlement Grants	14.218		<u>9,965</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 573,804</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, 2015

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, 2015. 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 \$55,200 under CFDA Number 93.959. This amount is presented on the accrual basis of accounting.

*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, 2015. 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, 2015.

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.

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 results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
February 15, 2016

AMETHYST HOUSE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015**

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, 2015**

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

AMETHYST HOUSE, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

2014-001 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 implemented the auditors' recommendations, and no instances of noncompliance was noted during the 2015 audit.