HABITAT FOR HUMANITY CLARK & FLOYD INDIANA, INC.

REPORT TO MANAGEMENT

Year Ended June 30, 2022

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To the Board of Directors of
Habitat for Humanity Clark & Floyd Indiana, Inc.
P.O. Box 1814
New Albany, IN 47151-1814

We have audited the financial statements of Habitat for Humanity Clark & Floyd Indiana, Inc. for the year ended June 30, 2022, and have issued our report thereon dated February 10, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 14, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Habitat for Humanity Clark & Floyd Indiana, Inc. are described in Note 1 to the financial statements. As described in Note 1, the Organization adopted the provisions of FASB Accounting Standard Update ("ASU") ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU modifies the presentation and disclosure requirements for in-kind contributions. No other accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the collectability of mortgage receivables is based on management expectations from current homeowners and knowledge of past homeowner collectability.
- Management's estimate of the depreciable lives of fixed assets is based on the expected useful lives of fixes assets considering past experience and the current condition of the assets.
- Management's estimate of the valuations of in-kind contributions of land, services and materials is based on the fair market value of items contributed.

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These estimates were based on management's judgment. We evaluated the key factors and assumptions used to develop each estimate in determining they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of liquidity and availability of resources in Note 2.
- The disclosure of mortgage receivables in Note 3.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and Management of Habitat for Humanity Clark & Floyd Indiana, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Deming, Malone, Livesay & Ostroff

Deming, Malone, Livesay & Ostroff
New Albany, IN
February 10, 2023

To the Board of Directors and Management of
Habitat for Humanity Clark & Floyd Indiana, Inc.
P.O. Box 1814
New Albany, IN 47151-1814

In planning and performing our audit of the financial statements of Habitat for Humanity Clark & Floyd Indiana, Inc. as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Habitat for Humanity Clark & Floyd Indiana, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 certain deficiency in internal control that we consider to be a significant deficiency.

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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We noted no deficiencies in internal control that we considered to be material weaknesses.

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. We consider the following deficiency in Habitat for Humanity Clark & Floyd Indiana, Inc.'s internal control to be a significant deficiency:

Lack of Segregation of Duties

The Organization has limited accounting personnel to permit adequate segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction, primarily in the cash disbursements and cash receipts transaction cycles.

We understand the Organization has implemented procedures to provide periodic oversight of the bank reconciliation process to address the lack of segregation of duties. We recommend continuing to enhance the frequency of these procedures and implementing other review processes to increase oversight.

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This communication is intended solely for the information and use of management, the board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deming, Malone, Livesay & Ostroff

Deming, Malone, Livesay & Ostroff
New Albany, IN
February 10, 2023