



Kelly Fleming, Executive Director
and the Finance Committee
Habitat for Humanity of Central Arkansas, Inc.
Little Rock, Arkansas

We have audited the consolidated financial statements of **Habitat for Humanity of Central Arkansas, Inc., and subsidiary (the Organization)**, as of and for the year ended June 30, 2021, and have issued our report thereon dated December 10, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 14, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 2 to the consolidated financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the consolidated financial statements are the estimated useful lives of property and equipment and discount rates on below market mortgages receivable as disclosed in Note 2 to the financial statements. The estimated useful lives of the Organization's property and equipment are determined by management based on expectations regarding the length of time the assets will be in service. The discount rates on below market mortgages receivable are determined by Habitat for Humanity International. We evaluated the key factors and assumptions used to develop these estimates and determined that it is reasonable in relation to the consolidated financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statements users. Note 11 to the consolidated financial statements discloses uncertainties surrounding the COVID-19 pandemic and its impact on the Organization.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also

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Uncorrected and Corrected Misstatements (Continued)

communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosure, and the financial statements as a whole. We have no misstatements to report.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our 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, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter, which could be significant to the Organization's consolidated financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated December 10, 2021, a copy of which is included in **Attachment A**.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of a material misstatement that affects the prior period financial statements on which the predecessor auditor had previously reported without modification.

As disclosed in Note 12 to the consolidated financial statements, the Organization discovered that mortgages that had been assigned to the Arkansas Development Finance Authority (ADFA) were being reported as mortgages receivable on the Organization's financial statements. An adjustment of \$1,445,989 was made to decrease the Organization's beginning net assets and decrease the balance of net mortgages receivable.

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Modification of the Auditor's Report

As a result of the prior period restatement noted on the previous page, we have included an emphasis of matter paragraph to our auditor's report.

This report is intended solely for the information and use of the Board and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
December 10, 2021



We build strength, stability, *and* self-reliance.

December 10, 2021

Landmark PLC
Heritage West Building, Suite 500
201 East Markham
Little Rock, Arkansas 72201

This representation letter is provided in connection with your audit of the financial statements of **Habitat for Humanity of Central Arkansas, Inc. and subsidiary (the Organization)**, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, for the purpose of expressing an opinion as to whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 10, 2021:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 14, 2021, for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- There have been no events subsequent to the date of the financial statements for which U.S. GAAP requires adjustment or disclosure.
- We have no knowledge of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the consolidated financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims or assessments.

Financial Statements (Continued)

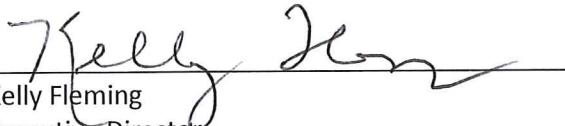
- We have complied with all contractual agreements, grants and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the Organization's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the consolidated financial statements all assets and liabilities under the Organization's control.
- We have designed, implemented and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications, if any, between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- With respect the preparation of the consolidated financial statements and related notes and applicable tax filing services performed by you, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the services performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation and other matters.
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
 - Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

Information Provided (continued)

- We have disclosed to you the results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the Organization's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management,
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's consolidated financial statements communicated by employees, former employees, grantors, regulators or others.
- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We are responsible for compliance with the laws, regulations and provisions of contracts and agreements applicable to us.
- Habitat for Humanity of Central Arkansas and its subsidiary are exempt organizations under Section 501(c)(3) of the Internal Revenue Code. There have been no activities of which we are aware that would jeopardize the Organization's tax-exempt status, nor has the Organization engaged in activities subject to tax on unrelated business income or excise or other tax. All required filings with tax authorities are up-to-date.



Kelly Fleming
Executive Director



Joshua Pevarnik
Director of Finance and Administration