BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2022

Children's HopeChest, Inc.
Board of Directors and Finance Committee
Colorado Springs, Colorado

We have audited the financial statements of Children's HopeChest, Inc. ("Organization"). Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America ("US GAAS"), as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you on November 2, 2022. Professional standards also require that we communicate to you the following 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 the Organization are described in Note 1 to the financial statements. The Organization adopted FASB ASC 842, *Leases*, as of and for the year ended September 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 estimate affecting the financial statements was:

- Management's estimate of functional expense allocation is based on actual time spent in relation to each functional category for payroll expenses, which is also used for occupancy-related costs and based on estimates of usage for other categories. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is 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 disclosure affecting the financial statements was:

- The disclosure of liquidity and availability of resources in Note 2 to the financial statements reflects the amount of financial assets available for current general expenditures, liabilities, and other obligations as they come due.

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. The below schedule summarizes misstatements detected as a result of audit procedures. The adjusting journal entries include those corrected by management. There were no uncorrected misstatements.

| **Adjusting Journal Entries** | | | |
|---|---|---|---|
| **Adjusting Journal Entries JE # 1** | | | |
| ADJUSTING: To record the MacBook Pro as an asset in accordance with the capitalization policy (NOTE: This entry has already been posted in CHC's internal records). | | | |
| 1360 | Fixed Assets - Technology | 2,699.00 | |
| 6910 | Depreciation | 525.00 | |
| 1380 | Accumulated Depreciation | | 525.00 |
| 6105 | Hardware Expense | | 2,699.00 |
| **Total** | | **3,224.00** | **3,224.00** |

*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.

*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.

## Internal Controls

In planning and performing our audit of the financial statements of the Organization as of and for the year ended September 30, 2022, in accordance with US GAAS, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances and 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.

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. 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 above 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.

This information is intended solely for the use of the board of directors and finance committee and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

BiggsKofford, P.C.

BiggsKofford, P.C.