



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B47246

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 30, 2016

Board of Directors
Nutrition, Inc.
2506 Willobrook Parkway
Indianapolis, IN 46205

We have reviewed the audit report prepared by Bogdanoff Dages and Co., PC, for the period October 1, 2014 to September 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 Nutrition, Inc., as of September 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

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

TABLE OF CONTENTS

Independent Auditor's Report	1- 2
Statements of Financial Position	3
Statements of Activities and Changes In Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements.....	6- 12
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	13-15
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	16-19
Schedule of Findings and Questioned Costs	20-23
Summary Schedule of Prior Audit Findings	24
Schedules of Expenditures of Federal Awards	25-27



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nutrition, Inc.
Indianapolis, IN

Report on the Financial Statements

We have audited the accompanying financial statements of Nutrition, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and change in net assets 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 of America; 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.

Auditor's 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 of America 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 audits 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 auditor's 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 auditor considers internal control relevant to Nutrition, Inc.'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 Nutrition, Inc.'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 Nutrition, Inc. as of September 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 of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 audits 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 of America. 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 June 29, 2016, on our consideration of Nutrition, 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 Nutrition, Inc.'s internal control over financial reporting and compliance.

Bogdanoff Dages and Co. P.C.

Bogdanoff Dages and Co., P. C.

Indianapolis, IN

June 29, 2016

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,397	\$ 27,290
Accounts receivable - CACFP	279,462	233,019
Office supply inventory - at cost	<u>2,592</u>	<u>3,946</u>
TOTAL CURRENT ASSETS	<u>299,451</u>	<u>264,255</u>
PROPERTY AND EQUIPMENT:		
Property and equipment	9,781	9,781
Less accumulated depreciation	<u>(4,581)</u>	<u>(3,228)</u>
Undepreciated cost	<u>5,200</u>	<u>6,553</u>
TOTAL ASSETS	<u>\$ 304,651</u>	<u>\$ 270,808</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable - providers	\$ 244,466	\$ 205,198
Accounts payable - trade	11,679	20,117
Credit cards payable	5,038	11,670
Note Payable Director	2,936	-
Lines of credit	<u>12,954</u>	<u>504</u>
TOTAL CURRENT LIABILITIES	<u>277,073</u>	<u>237,489</u>
TOTAL LIABILITIES	<u>277,073</u>	<u>237,489</u>
Unrestricted Net Assets	<u>27,578</u>	<u>33,319</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 304,651</u>	<u>\$ 270,808</u>

The accompanying notes to financial statements are
an integral part of these financial statements.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED REVENUES AND SUPPORT:		
Program revenue - CACFP	\$ 2,824,804	\$ 2,647,444
Donations	53	150
Fundraising income	-	1,382
Miscellaneous income	-	32
	<hr/>	<hr/>
TOTAL INCREASES IN UNRESTRICTED NET ASSETS	<u>2,824,857</u>	<u>2,649,008</u>
EXPENSES:		
Program costs - CACFP provider payments	2,497,575	2,333,993
Fundraising	20	949
Compensation	209,384	196,382
Payroll taxes	16,018	15,023
Leased equipment	3,363	3,650
Postage	1,321	766
Sub-contract labor	1,578	1,540
Communication	4,012	2,734
Office supplies	9,299	16,266
Printing and reproduction	4,415	3,804
Professional fees	30,254	26,394
Depreciation	1,354	283
Travel	5,204	4,363
Interest	1,360	83
Insurance	1,549	1,563
Education and training	2,272	1,698
Software; Minute Menu	20,425	19,463
Office rental and maintenance	19,650	9,900
Bank charges	1,413	492
Security	-	694
Dues and subscriptions	132	706
	<hr/>	<hr/>
TOTAL DECREASES IN UNRESTRICTED NET ASSETS	<u>2,830,598</u>	<u>2,640,746</u>
CHANGE IN NET ASSETS	(5,741)	8,262
Unrestricted Net Assets - beginning	<u>33,319</u>	<u>25,057</u>
Unrestricted Net Assets - ending	<u><u>\$ 27,578</u></u>	<u><u>\$ 33,319</u></u>

The accompanying notes to financial statements are
an integral part of these financial statements.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,741)	\$ 8,262
Adjustments to reconcile increases in net assets (liabilities) to net cash provided (used) by operating activities:		
Depreciation	1,354	283
(Increase) decrease in operating assets:		
Accounts receivable - CACFP	(46,443)	(28,187)
Deposits	-	335
Office Supplies Inventory	1,354	(3,374)
Increase (decrease) in operating liabilities:		
Accounts payable - providers	39,268	25,862
Accounts payable - trade	(8,438)	15,693
Total adjustments	(12,905)	10,612
Net cash provided (used) by operating activities	(18,646)	18,874
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	-	(5,958)
Net cash provided (used) by investing activities	-	(5,958)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on credit cards	4,165	13,536
Repayment on credit cards	(10,797)	(1,882)
Borrowings on lines of credit	19,537	1,304
Repayment on lines of credit	(7,087)	(2,049)
Borrowings on Note Payable Director	4,667	-
Repayment on Note Payable Director	(1,732)	-
Net cash provided (used) by financing activities	8,753	10,909
Net increase (decrease) in cash	(9,893)	23,825
Cash and cash equivalents balance at October 1	27,290	3,465
Cash and cash equivalents balance at September 30	<u>\$ 17,397</u>	<u>\$ 27,290</u>

The accompanying notes to financial statements are
an integral part of these financial statements.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nutrition, Inc. (the Organization) is a non profit corporation, operating in Indianapolis Indiana, assisting family day care homes and child care centers that participate in the Federal Child and Adult Care Food Program (CACFP) of the U.S. Department of Agriculture. Funds are passed through the Indiana Department of Education for eligible children under agreement 1490620.

Programs

Nutrition, Inc. is a sponsor in the Department of Agriculture's Child and Adult Care Food program, which flows through the Indiana Department of Education. A sponsor administers funds that are passed through to licensed day care providers in Indiana. Nutrition, Inc. also monitors the meals that are served to children for nutritional value and the eligibility of the children to meet the federal guidelines.

Income Tax Status

Nutrition, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, the financial statements contain no provision for income taxes.

Generally accepted accounting principles in the United States require Nutrition, Inc. to examine its tax positions for uncertain positions. Nutrition, Inc. is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities. Nutrition, Inc.'s policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and totaled \$-0- and \$-0- for September 30, 2015 and 2014, respectively.

Nutrition, Inc.'s federal and state income tax returns for fiscal years ended 2013 through 2015 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Donated Services

The value of donated services is not reflected in the accompanying financial statements since there are no objective basis available by which to measure the

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

value of such services.

Accounts Receivable

Accounts receivable - CACFP is recorded at the amount the Organization expects to collect on balances outstanding at year-end. These funds are reimbursed by the federal government and are entirely collectable; therefore, establishing a delinquency policy is not deemed necessary. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been collected by the time the financial statements are issued. Federal regulations do not allow Nutrition, Inc. to charge interest on outstanding receivables.

Allowance for Bad Debts

Nutrition, Inc. uses the allowance for doubtful accounts method to record uncollected receivables. The allowance for doubtful accounts at September 30, 2015 and 2014 was \$-0-. The Organization incurred bad debts of \$-0- and \$-0- for 2015 and 2014, respectively.

Subsequent Events

The Organization has evaluated subsequent events through June 29, 2016, which is the date the financial statements were available to be issued. This evaluation determined that there are not subsequent events that necessitated further disclosure or adjustments.

Net Assets

The financial statements have been prepared in accordance with Financial Statements of Not-for-Profit Organizations that require, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted. The following class of net assets and a brief description is as follows:

Unrestricted Net Assets: The unrestricted net asset includes general assets and liabilities of Nutrition, Inc. The unrestricted net assets may be used at the direction of management to support Nutrition, Inc.'s purposes and

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

operations. All Net Assets at September 30, 2015 and 2014 are considered Unrestricted Net Assets.

Temporarily Restricted Net Assets: A donor-imposed restriction permits Nutrition, Inc. to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of Nutrition, Inc. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriate by the Board of Directors. There were no temporarily restricted net assets at September 30, 2015 and 2014.

Permanently Restricted Net Assets: A donor-imposed restriction stipulates that resources be maintained permanently, but permits Nutrition, Inc. to use up or expend part or all of the income (or other economic benefits) derived from the donated assets. There were no permanently restricted net assets at September 30, 2015 and 2014.

If Nutrition, Inc. receives other temporarily restricted contributions, where the restrictions are satisfied during the year, these amounts are shown in the unrestricted column in the statements of activities and changes in net assets. Board of Directors has an option to designate certain contributions as board restricted for future use.

Inventories

Inventory consists of office supplies and is stated at the lower of cost or market using the first in first out method.

Property and Equipment

Property and equipment are stated at cost or fair market value, if donated, and depreciated over the useful life of the asset, five to seven years, using the straight-line method. Management policy is to capitalize property and equipment with a useful life of more than one year and a cost of \$500 or greater. Routine maintenance and repairs are expensed as incurred. Depreciation expense for the

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

years ended September 30, 2015 and 2014 was \$1,354 and \$283, respectively.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid instruments purchased with maturities of three months or less to be cash equivalents.

Use of Estimates

The process of preparing financial statements in conformity with U. S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Impairment of Long-Lived Assets

Each year, the Organization evaluates whether there has been an impairment that is other than temporary in any of its long-lived assets. Impairment in value is considered to have occurred when the undiscounted future net operating cash flows associated with the long-lived assets are not sufficient to cover the carrying value of the long-lived assets. If it is determined that impairment in value has occurred, the carrying value will be written down to the present value of the future operating cash flows to be generated by the long-lived assets. Management has concluded that no such impairment occurred during the year.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, receivables, inventory, and other liabilities approximate their estimated fair values as presented in the financial statements.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Advertising

The Organization expenses advertising production costs as they are incurred. Advertising expense for the years ending September 30, 2015 and 2014 was \$-0- and \$-0-, respectively.

NOTE 2 - ECONOMIC DEPENDENCY

Nutrition, Inc. receives approximately 99% and 99% of its revenue from the Indiana Department of Education (IDOE) who, in turn, receives funding from the U.S. Department of Agriculture. Should funding of the Child and Adult Care Food Program cease, Nutrition, Inc. would not be able to generate sufficient revenue to continue the Child and Adult Care Food Program. As of September 30, 2015 and 2014, \$279,462 and \$233,109 respectively was due from the IDOE.

NOTE 3 - LINES OF CREDIT

Nutrition, Inc. has two revolving credit agreements with two different banks. The original line of credit has a maximum credit limit of \$10,000, expiring in November 2016 and the interest rates were 15.99% and 15.99% as of September 30, 2015 and 2014 respectively. The balance at September 30, 2015 and 2014 were \$15 and \$-0- respectively. The second line of credit has a maximum borrowing limit of \$25,000 expiring November 19, 2016. Interest rate was 5.00% and 5.00% as of September 30, 2015 and 2014. The balance owing at September 30, 2015 and 2014 was \$12,939 and \$504, respectively. For the Statement of Cash Flow purposes the borrowing and repayments on the line of credit are reported as financing activities. The line of credit is unsecured.

NOTE 4 - ECONOMIC CONCENTRATIONS

Nutrition, Inc. maintains its cash balance in two financial institutions located in Indianapolis, Indiana. The balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation.

NOTE 5 - OPERATING LEASE

Nutrition, Inc. entered into a new lease for office space on October 1, 2014. The lease is for five years and the initial rent is \$1,500 per month plus common area

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - OPERATING LEASE - Continued

maintenance. The rent increase \$858 per year for the subsequent years. Office rent was \$19,650 for the year ended September 30, 2015.

For the year ended September 30, 2014, Nutrition, Inc. leases office space under an operating lease expiring in September 30, 2014 and the monthly rent is \$825. Office rent for the year ended September 30, 2014 was \$9,900.

In April 2012 the Organization renewed an operating lease to rent a copier for \$303 per month plus print charges. The lease period is five years. The original lease was entered into in April 2008 with a monthly payment of \$257 and was for five years. The copier lease expense was \$3,363 and \$3,650 for the years ended September 30, 2015 and 2014, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2015 for each of the next five years are:

2016	\$ 22,938
2017	21,374
2018	21,021
2019	21,450
2020 and Thereafter	-
Total minium future rental payments	<u>\$86,783</u>

NOTE 6 - CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily, or permanently restricted net assets depending on the existence or nature of any donor restriction.

NOTE 7 - CASH FLOW

Interest paid in cash for the years ending September 30, 2015 and 2014 was \$1,360 and \$83, respectively.

Taxes paid in cash for the years ending September 30, 2015 and 2014 was \$-0- and \$-0-, respectively.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - RELATED PARTY TRANSACTIONS

Nutrition, Inc.'s computer and technology support is provided by the son of the executive director. The computer and support vendor was paid \$4,333 and \$2,233 for the years ended September 30, 2015 and 2014, respectively.

The Executive director contributed \$-0- and \$50 to the organization during the years ended September 30, 2015 and 2014, respectively.

Several relatives of the Executive Director are employees of Nutrition, Inc. During the year ended September 30, 2015 and 2014 these employees were paid \$107,292 and \$93,218, respectively.

NOTE 9 - CREDIT CARD

Nutrition, Inc. has two credit cards. The first credit card has a maximum borrowing limit of \$10,000. The interest rate at September 30, 2015 and 2014 was 9.99% and 9.99% respectively. The balance as of September 30, 2015 and 2014 was \$5,038 and \$9,747 respectively. For the Statement of Cash Flow purposes the purchases and payments on the credit card are reported as financing activities. The credit card is unsecured.

The second credit card has a maximum borrowing limit of \$4,000. The interest rate at September 30, 2015 and 2014 was 17.99%. The balance as of September 30, 2015 and 2014 was \$-0- and \$1,923. For the Statement of Cash Flow purposes the purchases and payments on the credit card are reported as financing activities. The credit card is unsecured.

NOTE 10 - RECLASSIFICATION

Certain accounts in the 2014 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2015 financial statements. Total assets, liabilities, net assets and net support are unchanged due to these classifications.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

INDEPENDENT AUDITOR'S 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*

INDEPENDENT AUDITOR'S 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

To the Board of Directors
Nutrition, Inc.
Indianapolis, IN

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 Nutrition, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Nutrition, 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 Nutrition, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Nutrition, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as items 2015-001 and 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nutrition, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

Nutrition, Inc.'s Response to Findings

Nutrition, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Nutrition, Inc.'s response and, accordingly, we express no opinion on it.

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 Nutrition, Inc.'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Bogdanoff Dages and Co., P.C.

Bogdanoff Dages and Co., P. C.

Indianapolis, IN

June 29, 2016

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the Board of Directors
Nutrition, Inc.
Indianapolis, IN

Report on Compliance for Each Major Federal Program

We have audited Nutrition, 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 Nutrition, Inc.'s major federal programs for the years ended September 30, 2015 and 2014. Nutrition, Inc.'s major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Nutrition, 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 of America; 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 Nutrition, 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 Nutrition, Inc.'s compliance.

Opinion on Each Major Program

In our opinion, Nutrition, 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 years ended September 30, 2015 and 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

Nutrition, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Nutrition, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Nutrition, 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 Nutrition, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 Nutrition, 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 and

therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Nutrition, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Nutrition, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Bogdanoff Dages and Co., P.C.

Bogdanoff Dages and Co., P.C.

Indianapolis, IN

June 29, 2016

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Summary of the audit results.

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- | | | |
|---|------------------|-------------------------|
| ■ Material weakness (es) identified? | <u> </u> yes | <u> X </u> no |
| ■ Significant deficiencies identified? | <u> X </u> yes | <u> </u> none reported |
| Noncompliance material to financial statements noted? | <u> </u> yes | <u> X </u> no |

Federal Awards

Internal control over major programs:

- | | | |
|--|------------------|-------------------------|
| ■ Material weakness(es) identified? | <u> </u> yes | <u> X </u> no |
| ■ Significant deficiencies identified? | <u> X </u> yes | <u> </u> none reported |

Type of auditor's report issued on compliance for major programs: Unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> </u> yes	<u> X </u> no
---	---------------	-----------------

Identification of major programs:

U.S. Department of Agriculture
Pass-through from Indiana Department of Education - Child Nutrition Program Sponsor
- Child and Adult Care Food Program - CFDA No. 10.558; Grant No. 1490620, Grant
periods - 10/1/14 - 9/30/15.

Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 300,000</u>
---	-------------------

Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
--	---------------	-----------------

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

B. Findings and Responses - Major Federal Award Programs and Financial Statement Findings

2015-001, Financial Statement and Federal Award Finding

Criteria and Condition: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative responsibilities must be performed by one of two persons. One person has access to all books and records. Due to the size of the company, proper segregation of duties cannot be achieved without the cost exceeding any benefit.

Context: A review of the Organization's Internal Controls Procedures indicates that two or three individuals are responsible for all accounting functions.

Cause: Nutrition, Inc. lacks the number of people performing the accounting functions to adequately segregate duties.

Effect: Because of inherent limitations in any internal controls system, errors, irregularities or instances of non-compliance may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Questioned Costs: None

Recommendation: Additional individuals should be trained to assist in performing the Organization's accounting functions. However, due to the size and skill of the individuals in the Organization and the financial resources of the Organization, proper segregation of duties cannot be achieved without the cost exceeding the benefit.

Views of responsible officials and planned corrective actions: Nutrition, Inc. cannot fully segregate duties as outlined in this finding due to restrictions of funding. There are insufficient administrative funds to hire additional employees. However, some duties are being segregated to a limited extent. The mail is being opened and bank deposits are being made by someone other than the person responsible for preparing the bank reconciliations and for maintaining the general ledger.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

B. Findings and Responses - Major Federal Award Programs and Financial Statement Findings
- Continued

2015-002, Financial Statement and Federal Award Finding

Criteria and Condition: In order to comply with the Cash Management compliance requirement of OMB A-133 Compliance Supplement the Organization must disburse funds "within five working days of receiving the funds from its state agency".

Context: Of the twelve monthly claims and fifteen amended claims tested, the funds from two claims were not disbursed within the five required working days.

Cause: In one instance, we found that a provider's claim was inadvertently omitted from the ACH batch when the funds were disbursed. In the second instance, the funds disbursed were in excess of the providers' claims. The sponsor retrieved all of the funds and then disbursed the correct amount. However, the final disbursement of funds was outside of the required five days.

Effect: Nutrition, Inc. may distribute funds to the providers outside of the required five days.

Questioned Costs: Of the \$2,497, 575 in provider claims that were paid \$130,569 of provider claims were not disbursed timely, but were disbursed shortly after discovery of the omission or error by the sponsor and during the year ended September 30, 2015.

Recommendation: Procedures should be set up so the funds are disbursed one day after the funds are received from the state agency.

Views of responsible officials and planned corrective actions: The management of Nutrition, Inc. agrees with the auditor's recommendation.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The corrective actions taken by Nutrition, Inc. on the findings from the prior audit report dated June 29, 2015.

Finding Number 2014-001

Nutrition, Inc. was not segregating duties of accounting and administrative responsibilities for internal control purposes.

Status – the Nutrition, Inc. has implemented some control procedures to segregate duties. See finding 2015-001.

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

NUTRITON, INC.
(A NON PROFIT ORGANIZATION)

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEARS ENDED September 30, 2015 and 2014

Note A – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards include the federal grant activity of Nutrition, Inc. and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some of the amounts presented in, or used in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Risk-Based Audit Approach

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. Nutrition, Inc. does not qualify as a low-risk auditee.

Note C – Subrecipients

Of the federal expenditures presented in the schedule of activities and change in net assets, Nutrition, Inc. provided federal awards to subrecipients as follows:

	2015	
Child and Adult Care Food Program	<u>10.558</u>	<u>\$2,789,950</u>
	2014	
Child and Adult Care Food Program	<u>10.558</u>	<u>\$2,613,852</u>

NUTRITION, INC.
(A NON PROFIT ORGANIZATION)

SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 and 2014

2015

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>			
Indiana Department of Education:			
Child and Adult Care Food Program	10.558	1490620	\$ 2,791,061

2014

<u>Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Department of Agriculture</u>			
Indiana Department of Education:			
Child and Adult Care Food Program	10.558	1490620	\$ 2,631,852