



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

April 10, 2024

Board of Directors
Little Buns, Inc. 2
Lake County, Indiana

We have reviewed the audit report of Little Buns, Inc. 2, which was opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Little Buns, Inc. 2 as of December 31, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on page 24. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 26 and 27.

In our opinion, Pettit & Company, LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner



LITTLE BUNS, INC. 2
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(With Single Audit Section)



LITTLE BUNS, INC. 2

TABLE OF CONTENTS

Independent auditor’s report 1-3

Financial statements

 Statements of financial position 4

 Statements of activities 5

 Statements of functional expenses 6-7

 Statements of cash flows 8

 Notes to financial statements 9-13

Single audit section

Schedule of expenditures of federal awards 15

Notes to the schedule of expenditures of federal awards 16

Summary schedule of prior audit findings 17

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* 18-19

Report on compliance for each major program
and on internal control over compliance
required by the Uniform Guidance 20-22

Schedule of findings and questioned costs 23-25

Corrective action plan 26



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Little Buns, Inc. 2
Highland, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Little Buns, Inc. 2, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Little Buns, Inc. 2 as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Little Buns, Inc. 2 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Little Buns, Inc. 2's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Little Buns, Inc. 2's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Little Buns, Inc. 2's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 of America. In our opinion, the schedule of expenditures of federal awards 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 November 13, 2023 on our consideration of Little Buns, Inc. 2'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 solely 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 the effectiveness of Little Buns, Inc. 2's 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 Little Buns, Inc. 2's internal control over financial reporting and compliance.

Pettit & Company, LLC

Indianapolis, Indiana

November 13, 2023

LITTLE BUNS, INC. 2

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2022 AND 2021

Assets

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 14,696	\$ 29,079
Grants receivable	428,007	245,726
Total current assets	442,703	274,805
Property and equipment		
Computers	5,295	5,295
Total property and equipment	5,295	5,295
Accumulated depreciation	(4,033)	(3,503)
Net property and equipment	1,262	1,792
Total assets	\$ 443,965	\$ 276,597

Liabilities and net assets

Current liabilities		
Accounts payable - providers	\$ 393,715	\$ 209,375
Total current liabilities	393,715	209,375
Long-term liabilities		
Related party payable	1,190	1,190
Total long-term liabilities	1,190	1,190
Total liabilities	394,905	210,565
Net assets		
Without donor restrictions	49,060	66,032
Total net assets	49,060	66,032
Total liabilities and net assets	\$ 443,965	\$ 276,597

The accompanying notes are an integral part of these financial statements

LITTLE BUNS, INC. 2

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenue and support		
Grant income	\$ 2,659,789	\$ 3,164,103
Other income	-	20,031
Total revenue and support	<u>2,659,789</u>	<u>3,184,134</u>
Expenses		
Child care food program	2,576,748	3,061,929
Management and general	100,013	81,034
Total expenses	<u>2,676,761</u>	<u>3,142,963</u>
Change in net assets	<u>(16,972)</u>	<u>41,171</u>
Net assets - beginning of year	<u>66,032</u>	<u>24,861</u>
Net assets - end of year	<u>\$ 49,060</u>	<u>\$ 66,032</u>

The accompanying notes are an integral part of these financial statements

LITTLE BUNS, INC. 2

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Child care food program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 100,326	\$ 38,789	\$ 139,115
Employee benefits	4,730	-	4,730
Payroll taxes	7,286	3,356	10,642
Program costs - provider payments	2,464,406	-	2,464,406
Office supplies	-	4,861	4,861
Postage	-	388	388
Telephone	-	7,075	7,075
Utilities	-	14,019	14,019
Bank charges	-	541	541
Professional fees	-	26,269	26,269
Vehicle expense	-	1,425	1,425
Training	-	1,500	1,500
Depreciation	-	530	530
Other expense	-	1,260	1,260
Insurance	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 2,576,748</u>	<u>\$ 100,013</u>	<u>\$ 2,676,761</u>

The accompanying notes are an integral part of these financial statements

LITTLE BUNS, INC. 2

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Child care food program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 133,931	\$ 38,789	\$ 172,720
Employee benefits	3,448	-	3,448
Payroll taxes	9,857	3,356	13,213
Program costs - provider payments	2,914,693	-	2,914,693
Office supplies	-	4,789	4,789
Postage	-	1,181	1,181
Telephone	-	7,933	7,933
Utilities	-	11,485	11,485
Bank charges	-	536	536
Professional fees	-	5,323	5,323
Vehicle expense	-	263	263
Training	-	1,500	1,500
Depreciation	-	809	809
Other expense	-	4,210	4,210
Insurance	-	860	860
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 3,061,929</u>	<u>\$ 81,034</u>	<u>\$ 3,142,963</u>

The accompanying notes are an integral part of these financial statements

LITTLE BUNS, INC. 2

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (16,972)	\$ 41,171
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	530	809
(Increase) decrease in assets		
Grants receivable	(182,281)	4,569
Increase (decrease) in liabilities		
Accounts payable - providers	184,340	(21,270)
Net cash provided by (used in) operating activities	<u>(14,383)</u>	<u>25,279</u>
Net increase (decrease) in cash and cash equivalents	(14,383)	25,279
Cash and cash equivalents, beginning of year	<u>29,079</u>	<u>3,800</u>
Cash and cash equivalents, end of year	<u>\$ 14,696</u>	<u>\$ 29,079</u>
Supplemental Schedule of Cash Flow Information		
Interest paid	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

LITTLE BUNS, INC. 2

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Little Buns, Inc. 2 is a nonprofit Organization, operating in Highland Indiana, assisting family day care homes that participate in the Federal Child and Adult Care Food Program of the U.S. Department of Agriculture. Funds are passed through the Indiana Department of Education for eligible children under agreement 1930029.

Programs

Little Buns, Inc. 2 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 child care providers, centers and ministries in Indiana.

A summary of the Organization's significant accounting policies follows:

Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting.

Basis of presentation

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of a checking account. The Organization maintains its operating cash balances with a financial institution. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

Concentration of credit risk

Little Buns, Inc. 2 received approximately 100% in 2022 and 99% in 2021 of its revenue from the Indiana Department of Education (IDE) who, in turn, receives funding from the U.S. Department of Agriculture. Should funding of the Child and Adult Care Food Program cease, Little Buns, Inc. 2 would not be able to generate sufficient revenue to continue the Child and Adult Care Food Program. As of December 31, 2022 and 2021, \$428,007 and \$245,726, respectively, are due from the IDE.

LITTLE BUNS, INC. 2

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Grants receivable

Grants receivable consists of grant revenue expected to be received shortly after year-end. Management considers grants receivable at December 31, 2022 and 2021, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Revenue and support

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Revenue funded by contracts, which represents revenue from exchange transactions, is recognized as the Organization performs the contracted services. Support funded by grants is recognized when the contributions are made. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit. Support and revenue with donor-imposed restrictions which are met in the same reporting period are reported as net assets without donor restrictions in the statement of activities.

Property and equipment

Computers are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts will be reduced by the related costs and accumulated depreciation.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during either of the years ended December 31, 2022 and 2021.

Functional allocation of expenses

The costs of providing the program and other activities are summarized on a functional basis in the accompanying statement of activities. Directly identifiable expenses are charged to the applicable program and supporting services. Expenses related to more than one function are allocated among the program and supporting services benefited based on management's time and service estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Organization.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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.

LITTLE BUNS, INC. 2

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for the years ended December 31, 2022 and 2021. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2022 and 2021.

Advertising

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended December 31, 2022 and 2021.

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2022. Management has performed their analysis of subsequent events through November 13, 2023, the date the financial statements were available to be issued.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 - RELATED PARTY TRANSACTIONS

Little Buns, Inc. 2 receives an in-kind donation for the use of the office space where Little Buns, Inc. 2 operates. Little Buns, Inc. 2 is located in an office owned by the Directors. The fair market value for rent in Chicago Illinois is undeterminable.

The directors have advanced the Organization funds for operations. The Organization owes the directors \$1,190 at December 31, 2022 and 2021.

LITTLE BUNS, INC. 2

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2022 and 2021. There are no donor restrictions for either of the years ended December 31, 2022 and 2021. The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. In general, the Organization maintains sufficient financial assets on hand to meet 30 days’ worth of normal operating expenses.

Financial assets available for general expenditure, which is without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 14,696	\$ 29,079
Accounts receivable	<u>428,007</u>	<u>245,726</u>
Total financial assets	<u>\$ 442,703</u>	<u>\$ 274,805</u>

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN

In March 2020, Congress established the Paycheck Protection Program (“PPP”) to provide relief to small businesses during the coronavirus pandemic (“COVID-19”) as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The legislation authorized the Treasury to use the Small Business Administration’s (“SBA’s”) 7(a) small business lending program to fund forgivable loans that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities during the “Covered Period” defined as the 8-week period starting on the date the PPP loan proceeds are received. Upon meeting certain criteria as specified in the PPP program, the loans are eligible for partial or total forgiveness. On June 5, 2020, the PPP Flexibility Act of 2020 (the “Act”) was signed into law, giving borrowers flexibility with certain criteria under the PPP program including extension of the Covered Period to 24 weeks from 8 weeks, reduction to 60% of the payroll costs requirements (previously 75%), extension of the payment deferral period, extension of the full-time equivalent (“FTE”) restoration deadline to December 31, 2020, and safe harbor provisions to remove the FTE reduction in forgiveness under limited circumstances.

In June 2020, the AICPA issued Technical Question and Answer (“TQA”) 3200.18, Borrower Accounting for a Forgivable Loan Received under the Small Business Administration Paycheck Protection Program. The TQA addresses accounting for nongovernmental entities that are not Not-For-Profits, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the loan as a deferred income liability. The TQA further states that if such an entity expects to meet the PPP’s eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may account for such PPP loans in accordance with FASB ASC 958-605 as a conditional contribution.

LITTLE BUNS, INC. 2

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

The Organization applied for and received proceeds of \$39,013 through the PPP program on April 21, 2020, prior to the enactment of the Act. The Organization has determined both through internal calculations and those provided by the AICPA's forgiveness model, that all criteria for forgiveness based on both the CARES Act and the Act have been met as of December 31, 2021 and that the PPP loan will be 100% forgiven. The Organization considers the PPP loan a grant that is expected to be forgiven and as such, has recorded the proceeds as a grant as of December 30, 2020. The loan was forgiven in full during the year ended December 31, 2021.

SINGLE AUDIT SECTION

LITTLE BUNS, INC. 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass- through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
<i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	1930029	\$ 2,464,406	\$ 2,659,789
Total Expenditures of Federal Awards			<u>\$ 2,464,406</u>	<u>\$ 2,659,789</u>

LITTLE BUNS, INC. 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards includes the federal grant activity of Little Buns, Inc. 2 and is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Per the major program requirements, Little Buns, Inc. 2 is awarded a 15% administration fee on centers served and a per meal served fee on homes served.

NOTE 3 – INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – SUB-RECIPIENTS

The Organization provided grants to approximately 145 licensed home day care providers and registered day care ministries for carrying out the federal program.

LITTLE BUNS, INC. 2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Section II Financial Statement Findings

Finding 2021-001

Condition and Context: 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 organization, proper segregation of duties cannot be achieved without the cost exceeding any benefit.

Status: Open.

Finding 2021-002

Condition and Context: The financial statements required material adjusting journal entries from the auditor.

Status: Open.

Section II Federal Award Findings

There were no federal award findings for the year ended December 31, 2021.



**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

To the Board of Directors of
Little Buns, Inc. 2
Highland, Indiana

We have audited 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, the financial statements of Little Buns, Inc. 2, which comprise the statement of financial position as of December 31, 2022, 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 November 13, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Little Buns, Inc. 2's internal control over financial reporting (internal control) as a basis for designing 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 Little Buns, Inc. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Little Buns, Inc. 2'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 have not been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we did identify certain deficiencies in internal control over financial reporting that we consider to be material a weaknesses.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Buns, Inc. 2's financial statements are free from 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 financial statements. 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*.

Little Buns, Inc. 2's Response to Findings

Little Buns, Inc. 2's response to the findings identified in our audit is described in the accompanying *schedule of findings and questioned costs*. Little Buns, Inc. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 result 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.

Pettit & Company, LLC

Indianapolis, Indiana

November 13, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Little Buns, Inc. 2
Highland Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Little Buns, Inc. 2's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Little Buns, Inc. 2's major federal programs for the year ended December 31, 2022. Little Buns, Inc. 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Little Buns, Inc. 2 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Little Buns, Inc. 2 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Little Buns, Inc. 2's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Little Buns, Inc. 2's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Little Buns, Inc. 2's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Little Buns, Inc. 2's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Little Buns, Inc. 2's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Little Buns, Inc. 2's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Little Buns, Inc. 2's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

Pettit & Company, LLC

Indianapolis, Indiana

November 13, 2023

LITTLE BUNS, INC. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Going concern paragraph included?	No
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor’s report issued on compliance for major federal programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance?	No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000.

Auditee qualified as low-risk auditee?	No
--	----

LITTLE BUNS, INC. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

Section II - Financial Statement Findings

Finding 2022-001

Condition and Context: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative functions there should be a segregation of duties. One person records the transactions and has access to the financial accounts of the Organization. This is a repeat finding.

Criteria: Generally accepted accounting principles and *Government Auditing Standards* require management to safeguard assets.

Cause: The Organization does not have enough individuals to have proper segregation of duties.

Effect: Because of inherent limitations in any internal control system, errors, irregularities or instances of non-compliance may 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.

Recommendation: No recommendation. Proper segregation of duties cannot be achieved without the costs exceeding the benefit.

Reporting views of responsible officials: See corrective action plan.

Finding 2022-002

Condition and Context: The financial statements required material adjusting journal entries from the auditor. This is a repeat finding.

Criteria: AU Section 325 "Communicating Internal Control Related Matters Identified in an Audit", clarifies management's responsibility to have internal controls in place to apply appropriate accounting principles and to provide information to produce the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). While management is not required to prepare the financial statements, management does need to demonstrate the level of qualifications to prepare and review the report without significant deficiencies or material weaknesses in these controls.

Cause: Management does not have a proper review of the financial statements on a monthly basis to enable them to catch and correct misstatements.

Effect: The financial statements were materially misstated before the auditor proposed adjusting journal entries.

Recommendation: Management should look into outsourcing its accounting function and a board member should review the financial statements on a monthly basis.

Reporting views of responsible officials: See corrective action plan.

LITTLE BUNS, INC. 2

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings and question costs for the year ended December 31, 2022.



Corrective Action Plan

November 13, 2023

Little Buns, Inc. 2 (the "Organization") respectfully submits the following corrective action plan ("CAP") for the year ended December 31, 2022.

Independent Public Accounting Firm
Pettit & Company, LLC
3725 E. Southport Rd., Suite A
Indianapolis, IN 46227

Period covered by the audit: Year ended December 31, 2022

The findings from the December 31, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Finding 2022-001

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition and Context: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative functions there should be a segregation of duties. One person records the transactions and has access to the financial accounts of the Organization. This is a repeat finding.

Corrective Action(s) Taken or Planned:

No recommendation. Proper segregation of duties cannot be achieved without the costs exceeding the benefit.

Finding 2022-002

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition and Context: The financial statements required material adjusting journal entries from the auditor.

Corrective Action(s) Taken or Planned:

Management is going to look into outsourcing its accounting function.

If there are any questions regarding this plan, please call the undersigned at (773) 549-4202.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marcus Ward', with a stylized flourish at the end.

Marcus Ward, Director