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AN EQUAL OPPORTUNITY EMPLOYER

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February 5, 2024

Board of Directors
Little Buns, Inc.
Hamilton County, Indiana

We have reviewed the audit report of Little Buns, Inc., 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. 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 pages 28 through 30. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on pages 31 through 32.

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

LITTLE BUNS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Little Buns, Inc.
Carmel, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Little Buns, Inc., which comprise the statement 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. 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. 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.'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.'s internal control. Accordingly, no such opinion is expressed. 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.'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 September 26, 2023 on our consideration of Little Buns, 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 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.'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.'s internal control over financial reporting and compliance.

Pettit & Company, LLC

Indianapolis, Indiana
September 26, 2023

LITTLE BUNS, INC.

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

Assets

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 283,124	\$ 50,782
Grants receivable	266,907	250,457
Other receivable	50,000	-
Total current assets	600,031	301,239
Property and equipment		
Furniture and fixtures	14,885	14,885
Total property and equipment	14,885	14,885
Accumulated depreciation	(13,804)	(13,161)
Net property and equipment	1,081	1,724
Other assets		
Investments, at fair value	87,632	167,883
Total other assets	87,632	167,883
Total assets	\$ 688,744	\$ 470,846

Liabilities and net assets

Current liabilities		
Accounts payable	\$ 238,213	\$ 241,408
Accrued wages payable	17,762	16,672
Employee loan	9,170	9,170
COVID-19 economic disaster loan, current portion	12,939	-
Total current liabilities	278,084	267,250
Long-term liabilities		
COVID-19 economic income disaster loan	485,861	150,000
Total long-term liabilities	485,861	150,000
Total liabilities	763,945	417,250
Net assets		
Without donor restrictions	(75,201)	53,596
Total net assets	(75,201)	53,596
Total liabilities and net assets	\$ 688,744	\$ 470,846

LITTLE BUNS, INC.

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

	<u>2022</u>	<u>2021</u>
Revenue and support		
Grant income	\$ 3,633,300	\$ 4,308,616
Other income	3	5
Realized gain on investments	51	-
Unrealized gain (loss) on investments	(68,302)	330
Total revenue and support	<u>3,565,052</u>	<u>4,308,951</u>
Expenses		
Child care food program	3,463,266	4,168,617
Management and general	230,583	151,432
Total cost of operations	<u>3,693,849</u>	<u>4,320,049</u>
Change in net assets	<u>(128,797)</u>	<u>(11,098)</u>
Net assets - beginning of year without restrictions	<u>53,596</u>	<u>64,694</u>
Net assets - end of year without restrictions	<u>\$ (75,201)</u>	<u>\$ 53,596</u>

LITTLE BUNS, INC.

**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	\$ 284,620	\$ 29,877	\$ 314,497
Employee benefits	11,065	809	11,874
Payroll taxes	22,688	2,382	25,070
Payroll service fees	-	-	-
Program costs - provider payments	3,142,606	-	3,142,606
Contract services	-	42,133	42,133
Rent - office	-	21,015	21,015
Office supplies	-	11,867	11,867
Postage	-	744	744
Telephone	-	4,715	4,715
Utilities	-	2,459	2,459
Meals and entertainment	-	16,605	16,605
Professional fees	2,287	24,079	26,366
Vehicle expense	-	-	-
Repairs and maintenance	-	299	299
Executive director reimbursement	-	60,000	60,000
Depreciation	-	643	643
Other expense	-	12,956	12,956
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 3,463,266	\$ 230,583	\$ 3,693,849

LITTLE BUNS, INC.

**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	\$ 340,930	\$ 32,340	\$ 373,270
Employee benefits	17,195	4,902	22,097
Payroll taxes	32,928	2,683	35,611
Program costs - provider payments	3,776,344	-	3,776,344
Contract services	-	35,578	35,578
Rent - office	-	18,796	18,796
Office supplies	-	16,406	16,406
Postage	-	419	419
Telephone	-	4,450	4,450
Utilities	-	2,153	2,153
Bank charges	-	-	-
Meals and entertainment	-	10,820	10,820
Professional fees	1,220	11,106	12,326
Vehicle expense	-	2,092	2,092
Repairs and maintenance	-	425	425
Executive director reimbursement	-	-	-
Depreciation	-	1,325	1,325
Other expense	-	7,937	7,937
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 4,168,617	\$ 151,432	\$ 4,320,049

LITTLE BUNS, INC.

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	\$ (128,797)	\$ (11,098)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	643	1,325
Realized loss (gain) on investments	(51)	-
Unrealized loss (gain) on investments	68,302	(330)
(Increase) decrease in assets		
Grants receivable	(16,450)	14,958
Increase (decrease) in liabilities		
Accounts payable	(3,195)	(8,462)
Accrued wages payable	1,090	(5,501)
Net cash provided by (used in) operating activities	<u>(78,458)</u>	<u>(9,108)</u>
Cash from investing activities		
Proceeds from sale of investments	12,000	12,506
Net cash used in investing activities	<u>12,000</u>	<u>12,506</u>
Cash flows from financing activities		
Proceeds from COVID-19 economic income disaster loan	348,800	-
Loan proceeds - related party	-	9,170
Payments made to related parties	(50,000)	-
Net cash provided by (used in) financing activities	<u>298,800</u>	<u>9,170</u>
Net increase in (decrease in) cash and cash equivalents	232,342	12,568
Cash and cash equivalents, beginning of year	<u>50,782</u>	<u>38,214</u>
Cash and cash equivalents, end of year	<u>\$ 283,124</u>	<u>\$ 50,782</u>

Supplemental Schedule of Cash Flow Information

Interest paid	<u>\$ 2,219</u>	<u>\$ -</u>
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LITTLE BUNS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Little Buns, Inc. (the “Organization”) was incorporated as a nonprofit organization under the laws of the State of Indiana. The Organization sponsors family day care providers, licensed centers, and registered daycare ministries who desire to participate in the Child and Adult Care Food Program (“CACFP”) of the United States Department of Agriculture. The CACFP is a major federal program as determined under the criteria of Title 2 U.S. Code of Federal Regulations (“CFR”), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In this capacity, Little Buns, Inc. passes federal funds received from the Indiana Department of Education to the family day care providers who have served meals to eligible children.

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 cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

The Organization maintains its operating cash balances with several financial institutions. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

The Organization may at times maintain cash balances in financial institutions in excess of the federally insured limits of \$250,000. Organization management monitors the financial ratings of such financial institutions and believes the risk of loss is minimal.

LITTLE BUNS, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of credit risk

With the exception of investment income, Little Buns, Inc. receives 100% of its revenue from the Indiana Department of Education (IDOE). Should this funding cease, the Organization would not be able to continue operations. The Organization only operates in the state of Indiana. As of December 31, 2022 and 2021, \$316,907 and \$250,457, respectively, were due from the IDOE.

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.

Property and equipment

Furniture and fixtures 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.

Investments

The Organization accounts for investments with readily determinable fair values in the statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific identification method. Unrealized gains and losses are included in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

LITTLE BUNS, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Functional 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.

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 both of 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 either of 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.

LITTLE BUNS, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 September 26, 2023, the date the financial statements were available to be issued.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2022, the Organization adopted the provisions of ASC Topic 842, Leases. The standard requires lessees to recognize most leases on their statement of financial position as a right-of-use ("ROU") asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis; however, the effect of using the discounted basis is not material to the financial statements for the year ended December 31, 2022. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the standard retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842, Leases, on January 1, 2022, using the optional transition method as provided by Accounting Standards Update ("ASU") No. 2018-11, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

LITTLE BUNS, INC.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease, or July 1, 2022, for existing leases upon the adoption of Topic 842. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. Absent an implicit rate to determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date, or remaining term for leases existing upon the adoption of Topic 842, or uses an incremental borrowing rate.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 did not result in the recording of additional ROU assets and lease liabilities.

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 contractual or donor-imposed restrictions and board designation within one year of the date of the statement of financial position.

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>
Financial assets at year end		
Cash and cash equivalents	\$ 283,124	\$ 50,782
Grants receivable	316,907	250,457
Other receivable	50,000	-
Investments	<u>87,632</u>	<u>167,883</u>
Total financial assets to be used within one year	<u>\$ 857,633</u>	<u>\$ 469,122</u>
Financial assets available to be used within one year	<u>\$ 857,633</u>	<u>\$ 469,122</u>

LITTLE BUNS, INC.

NOTE 4 - INVESTMENTS

Investments are composed of the following:

	<u>2022</u>	<u>2021</u>
Bank sweep	\$ 26,811	\$ 24,666
Equity securities	<u>60,821</u>	<u>143,217</u>
	<u>\$ 87,632</u>	<u>\$ 167,883</u>

Net return on investments is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 51	\$ -
Unrealized gain (loss)	<u>(68,302)</u>	<u>(330)</u>
	<u>\$ (68,251)</u>	<u>\$ (330)</u>

NOTE 5 – FAIR VALUE MEASUREMENTS

The Organization utilizes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1:** Quoted prices for identical assets or liabilities traded in active exchange markets, such as the New York Stock Exchange.
- **Level 2:** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- **Level 3:** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. While the Organization believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determining the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

LITTLE BUNS, INC.

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

During the years ended December 31, 2022 and 2021, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

Assets measured at fair value as of December 31, 2022 and 2021 are summarized as follows:

	<u>December 31, 2022</u>			
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bank sweep	\$ 26,811	\$ 26,811	\$ -	\$ -
Equities	<u>60,821</u>	<u>60,821</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 87,632</u>	<u>\$ 87,632</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>December 31, 2021</u>			
Bank sweep	\$ 24,666	\$ 24,666	\$ -	\$ -
Equities	<u>143,217</u>	<u>143,217</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 167,883</u>	<u>\$ 167,883</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 – RELATED PARTY TRANSACTIONS

The director loaned the Organization a total of \$9,170 during the year ended December 31, 2022. The loans are payable on demand. The total amount due at December 31, 2022 and 2021 is \$9,170.

During the year ended December 31, 2022, the Executive Director was paid a one-time payment in the amount of \$60,000 and another \$50,000 was paid to an LLC that is owned by the Executive Director's daughter. There were no services provided to support these payments. The payment to the LLC are included in other accounts receivable on the statement of financial position.

NOTE 7 - RETIREMENT PLAN

The Organization provides a 401(k) retirement plan for eligible employees who meet certain criteria such as age and term of employment. Eligible employees may elect to contribute a portion of their gross salary to the plan, subject to federal tax law. The Organization expenses matching contributions each year. The Organization's maximum contribution is 8% of employees' salaries. By its nature the plan is fully funded.

The total 401(k) expense for the years ended December 31, 2022 and 2021 was \$3,358 and \$3,900, respectively.

LITTLE BUNS, INC.

NOTE 8 - OPERATING LEASES

The Organization leases office space under a non-cancelable operating lease expiring in 2023. Total rental expense for under this lease for the years ended December 31, 2022 totaled \$21,015 and \$18,796, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,	
2023	<u>\$ 8,832</u>

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN & ECONOMIC INCOME DISASTER LOAN

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 Association’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.

The Organization applied for and received proceeds of \$59,473 through the PPP program on May 5, 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, 2022 and that the PPP loan will be 100% forgiven. The PPP loan was forgiven in full in April 2021.

LITTLE BUNS, INC.

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN & ECONOMIC INCOME DISASTER LOAN (CONTINUED)

Paycheck protection program loan (Continued)

The Organization applied for a second round of PPP funding and received proceeds of \$86,582 through the PPP program on February 17, 2021. 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, 2022 and that the PPP loan will be 100% forgiven. The PPP loan was forgiven in full in October 2021.

COVID-19 economic injury disaster loan

On June 19, 2020, the Organization received a \$150,000 COVID-19 Economic Injury Disaster Loan (EIDL), administered by the SBA available under the provisions of the CARES Act for the purpose of meeting obligations and operating expenses that could have been met had the disaster not occurred. The Organization applied for and received another \$348,800 in EIDL funds during the year ended December 31, 2022. The EIDL carries a fixed interest rate of 2.75%. Interest accrued on the loan beginning with the initial disbursement; and monthly payments of principal and interest in the amount of \$2,219 are due starting two years from the date of the initial disbursement through June 19, 2050. At December 31, 2022 the total outstanding balance of the EIDL loan was \$498,800.

Future maturities of the EIDL loan as of December 31, 2022, are as follows:

2023	\$ 12,939
2024	13,300
2025	13,670
2026	14,051
2027	14,442
Thereafter	<u>430,398</u>
	<u>\$ 498,800</u>

The loan is collateralized by all tangible and intangible personal property of the Organization. As part of the EIDL program, the Organization also received an \$8,000 advance payment which will not require repayment.

SINGLE AUDIT SECTION

LITTLE BUNS, INC.

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	1290040	\$ 3,142,606	\$ 3,633,300
U.S. Small Business Administration:				
COVID-19 Disaster Assistance Loans	59.008		-	498,800
Total expenditures of federal awards			<u>\$ 3,142,606</u>	<u>\$ 4,132,100</u>

LITTLE BUNS, INC.

**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. 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. Little Buns, Inc. has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. Per the major program requirements, Little Buns' is awarded a 15% administration fee on centers served and a per meal served fee on homes served.

NOTE 3 – 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.

NOTE 4 – OUTSTANDING LOAN

In June 2020, Little Buns, Inc. received an EIDL from the SBA in the amount of \$150,000. In June 2022, Little Buns, Inc. received an increase in its EIDL from the SBA in the amount of \$348,800. As of December 31, 2022, the outstanding balance on these loans is \$498,800.

LITTLE BUNS, INC.

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

Section II Financial Statement Findings

There were no financial statement findings for the year ended December 31, 2021.

Section III 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.
Carmel, 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., 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 September 26, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Little Buns, Inc.'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.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Little Buns, Inc.'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 weaknesses and significant deficiencies.

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 item 2022-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Buns, Inc.'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.'s Response to Findings

Little Buns, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings of questioned costs. Little Buns, Inc.'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

September 26, 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.
Carmel, Indiana

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Little Buns, Inc.'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.'s major federal programs for the year ended December 31, 2022. Little Buns, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on ALN# 59.008 COVID-19 Disaster Assistance Loans

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Little Buns, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on ALN# 59.008 COVID-19 Disaster Assistance Loans for the year ended December 31, 2022.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Little Buns, 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2022.

Basis for Qualified and Unmodified Opinions

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. 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.'s compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on ALN# 59.008 COVID-19 Disaster Assistance Loans

As described in the accompanying schedule of findings and questioned costs, Little Buns, Inc. did not comply with requirements regarding ALN# 59.008 COVID-19 Disaster Assistance Loans 2022-002 for Activities Allowed or Unallowable. Compliance with such requirements is necessary, in our opinion, for Little Buns, Inc. to comply with the requirements applicable to that program.

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.'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.'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.'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.'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.'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.'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.

Government Auditing Standards requires the auditor to perform limited procedures on Little Buns, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Little Buns, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a material weakness.

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 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.

Government Auditing Standards requires the auditor to perform limited procedures on Little Buns, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Little Buns, Inc.'s response was not subjected to the other 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pettit & Company, LLC

Indianapolis, Indiana
September 26, 2023

LITTLE BUNS, INC.

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 explanatory 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?	Yes
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:	Qualified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance?	Yes

Identification of major programs tested:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child Care Food Program
59.008	COVID-19 Disaster Assistance Loans

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

Auditee qualified as low-risk auditee?	Yes
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LITTLE BUNS, INC.

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

Section II Financial Statement Findings

Finding 2022-001 Financial Close Process

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition and Context:

The financial statements provided by management did not include all of the activity of the Organization. There was another bank account and loan that was not recorded on the financial statements that were provided to the auditor.

Criteria:

Management is responsible for establishing internal controls to properly record, track, and approve the financial statements.

Cause:

Management did not provide the outside bookkeeper with all of the bank statements and information for the Organization.

Effect:

The financial statements were materially misstated until the bank account and its activity were included in the financial statements.

Recommendation:

Management should ensure all activity and accounts of the Organization are provided to the outside bookkeeper on a monthly basis.

Views of Responsible Officials:

Little Buns, Inc. was awarded a SBA Disaster Loan that was intended for investment purposes to generate income to provide additional resources for expenses not available through USDA CACFP Grant funding. I was not aware that these funds were audited in the Federal Audit for USDA CACFP Grant funding as they were not co-mingled in the grant funding.

Section III Federal Award Findings

Finding 2022-002 Internal Control Over Activities Allowed or Unallowable (ALN# 59.008 COVID-19 Disaster Assistance Loans)

Type of Finding:

Material Weakness in Internal Control Over Compliance

Condition and Context:

During the year ended December 31, 2022, the Executive Director was paid a one-time payment in the amount of \$60,000 and another \$50,000 was paid to an LLC that is owned by the Executive Director's daughter. No documentation was provided to support that services were provided.

LITTLE BUNS, INC.

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

Section III Federal Award Findings (Continued)

Finding 2022-002 Internal Control Over Activities Allowed or Unallowable (ALN# 59.008 COVID-19 Disaster Assistance Loans) (Continued)

Criteria:

Program funds are only allowed to be spent on activities that are allowed per the Uniform Guidance. In addition, nonprofit organizations are not allowed to spend funds on activities that do not further the advancement of the Organization.

Cause:

Management and those charged with governance were not aware of how the funds could be spent.

Effect:

The Organization is not in compliance with its federal awards and they may have caused a private inurement.

Question Costs:

Known questioned costs of \$110,000 were identified.

Recommendation:

The Executive Director should repay the \$60,000 and have the LLC repay the \$50,000. We also recommend management and the board of directors should obtain training in what are and are not allowable expenses for a nonprofit organization.

Views of Responsible Officials:

As part of the investment strategy of the SBA Disaster Loan, Little Buns, Inc. invested \$50,000 in a startup company, MAW LLC. MAW LLC is a healthcare start-up led by nurse practitioners-partnering with community organizations to ensure that health and wellness guidelines are followed according to the latest practice guidelines. MAW provides a mechanism of healthcare support for businesses who operate in relationship to overall health outcomes, but do not employ clinical staff. An investment was made in MAW LLC as a revenue stream for Little Buns Inc. These funds provided material support for startup costs such as technology expenditures, software, research and development, market share analysis, networking, professional development and overall business development. In return, MAW will provide repayment plus interest of startup funds and also provide a set number of consult hours per month and per diem. This exchange will provide Little Buns Inc with access to MAW services as well as development of nutrition and child health focused content from licensed healthcare professionals.

The pandemic created a unique set of circumstances for Little Buns Inc as operational costs continued, while CACFP administrative funds were greatly reduced. Little Buns Inc needed to quickly pivot into a new model of employee and client engagement and the decision was made to create work at home stations for existing employees. Off-site offices were set up for multiple employees to be able to continue to operate the business of Little Buns, Inc. without personally interfacing with other staff members and childcare providers. As funds were not available through USDA CACFP grant, the executive director covered the cost for employee workstations as no additional source of funding could be determined.

LITTLE BUNS, INC.

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

Section III Federal Award Findings (Continued)

Finding 2022-002 Internal Control Over Activities Allowed or Unallowable (ALN# 59.008 COVID-19 Disaster Assistance Loans) (Continued)

Views of Responsible Officials: (Continued)

The \$60,000 one-time payment provided to the Executive Director as a repayment of the costs incurred for the transition to work from home stations for employees.

Little Buns, Inc.
P.O. Box 1247
Carmel, IN 46082-1247
317-663-8276
littlebunsinc@gmail.com

Corrective Action Plan

September 26, 2023

Little Buns, Inc. (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 Financial Close Process

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition and Context:

The financial statements provided by management did not include all of the activity of the Organization. There was another bank account and loan that was not recorded on the financial statements that were provided to the auditor.

Corrective Action(s) Taken or Planned:

In order to fully engage with non-profit regulation, Little Buns, Inc. will create transparency of all non-profit accounts, including fundraising, investment and grant streams by creating a Board of Directors that has knowledge of non-profit regulations. All decisions regarding Little Buns, Inc will flow through the Board of Directors.

Finding 2022-002 Internal Control Over Activities Allowed or Unallowable (ALN# 59.008 COVID-19 Disaster Assistance Loans)

Type of Finding:

Material Weakness in Internal Control Over Compliance

Condition and Context:

During the year ended December 31, 2022, the Executive Director was paid a one-time payment in the amount of \$60,000 and another \$50,000 was paid to an LLC that is owned by the Executive Director's daughter. No documentation was provided to support that services were provided.

Action(s) taken or planned on the finding:

In order to fully engage with non-profit regulation, Little Buns, Inc. will create transparency of all non-profit accounts, including fundraising, investment and grant streams by creating a Board of Directors that has knowledge of non-profit regulations. All decisions regarding Little Buns, Inc. will flow through the Board of Directors.

Little Buns, Inc. will follow the recommendation of the Federal Audit in repayment of monies deemed inappropriate.

If there are any questions regarding this plan, please call the undersigned at 317-663-8276.

Sincerely,



Maxine Jeglum, Director