



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35477

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

December 31, 2009

Board of Directors
Little Buns, Inc.
401 W. Main St.
Westfield, IN 46074

We have reviewed the audit report prepared by Dunbar, Cook & Shepard, PC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Little Buns, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. Page 15 contains the status of one prior audit finding.

STATE BOARD OF ACCOUNTS

LITTLE BUNS, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2007 and 2006

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities and Changes in Unrestricted Net Assets.....	3
Statements of Functional Expenses.....	4
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards.....	10
Notes to Schedule of Expenditures of Federal Awards	11
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	13
Schedule of Findings and Questioned Costs.....	14

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of **Little Buns, Inc.**, a non-profit organization, as of December 31, 2007 and 2006, and the related statements of activities and changes in unrestricted net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Buns, Inc. as of December 31, 2007 and 2006, and the changes in its unrestricted net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2008, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 10 to 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Little Buns, Inc. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

October 4, 2008

Dunbar, Cook & Shepard, P.C.

LITTLE BUNS, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,250	\$ 9,077
Grants receivable	217,442	199,371
Prepaid expenses	<u>1,730</u>	<u>1,730</u>
TOTAL CURRENT ASSETS	222,422	210,178
PROPERTY AND EQUIPMENT		
Equipment	7,720	7,720
Less accumulated depreciation	<u>(2,726)</u>	<u>(1,954)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>4,994</u>	<u>5,766</u>
TOTAL ASSETS	<u>\$ 227,416</u>	<u>\$ 215,944</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable - trade	\$ <u>199,057</u>	\$ <u>199,977</u>
TOTAL CURRENT LIABILITIES	199,057	199,977
UNRESTRICTED NET ASSETS	<u>28,359</u>	<u>15,967</u>
TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS	<u>\$ 227,416</u>	<u>\$ 215,944</u>

LITTLE BUNS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUE, INCOME AND OTHER SUPPORT		
Grant income	\$ 2,712,691	\$ 2,303,696
EXPENSES		
Program services:		
Child care food program	2,425,607	2,074,787
Supporting services:		
Management and general	267,924	225,367
Fundraising	<u>6,768</u>	<u>6,134</u>
TOTAL EXPENSES	<u>2,700,299</u>	<u>2,306,288</u>
CHANGES IN UNRESTRICTED NET ASSETS	12,392	(2,592)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>15,967</u>	<u>18,559</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 28,359</u>	<u>\$ 15,967</u>

LITTLE BUNS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	<u>PROGRAM</u>		<u>SUPPORTING SERVICES</u>		<u>Total</u>
	<u>Child Care</u>	<u>Management</u>			
	<u>Food Program</u>	<u>and</u>	<u>General</u>		
Salaries and wages	\$ -	\$ 176,163	\$ 6,320	\$ 182,483	
Payroll taxes	-	13,042	448	13,490	
TOTAL SALARIES, WAGES AND RELATED EXPENSES	-	189,205	6,768	195,973	
Program costs - provider payments	2,425,607	-	-	2,425,607	
Rent - office	-	22,800	-	22,800	
Office supplies	-	10,329	-	10,329	
Postage	-	3,744	-	3,744	
Telephone	-	4,054	-	4,054	
Utilities	-	942	-	942	
Bank charges	-	120	-	120	
Travel	-	8,505	-	8,505	
Professional fees	-	9,545	-	9,545	
Vehicle expense	-	12,720	-	12,720	
Repairs and maintenance	-	1,736	-	1,736	
Printing and reproduction	-	1,730	-	1,730	
Depreciation	-	772	-	772	
Other operating expense	-	1,722	-	1,722	
	<u>\$ 2,425,607</u>	<u>\$ 267,924</u>	<u>\$ 6,768</u>	<u>\$ 2,700,299</u>	

LITTLE BUNS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2006

	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>Total</u>
	<u>Child Care</u> <u>Food Program</u>	Management and <u>General</u>	<u>Fundraising</u>	
Salaries and wages	\$ -	\$ 148,625	\$ 5,343	\$ 153,968
Payroll taxes	-	11,751	791	12,542
TOTAL SALARIES, WAGES AND RELATED EXPENSES	-	160,376	6,134	166,510
Program costs - provider payments	2,074,787	-	-	2,074,787
Rent - office	-	17,823	-	17,823
Office supplies	-	8,988	-	8,988
Postage	-	2,935	-	2,935
Telephone	-	3,683	-	3,683
Utilities	-	1,713	-	1,713
Bank charges	-	50	-	50
Travel	-	7,547	-	7,547
Professional fees	-	7,599	-	7,599
Vehicle expense	-	12,180	-	12,180
Repairs and maintenance	-	935	-	935
Printing and reproduction	-	626	-	626
Depreciation	-	772	-	772
Other operating expense	-	140	-	140
	<u>\$ 2,074,787</u>	<u>\$ 225,367</u>	<u>\$ 6,134</u>	<u>\$ 2,306,288</u>

LITTLE BUNS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 2,694,620	\$ 2,298,121
Cash paid to suppliers	(2,517,964)	(2,137,976)
Cash paid to employees	<u>(182,483)</u>	<u>(153,968)</u>
 NET CASH FROM (USED IN) OPERATING ACTIVITIES	 <u>(5,827)</u>	 <u>6,177</u>
 NET INCREASE (DECREASE) IN CASH	 (5,827)	 6,177
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	 <u>9,077</u>	 <u>2,900</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u>\$ 3,250</u>	 <u>\$ 9,077</u>
 RECONCILIATION OF CHANGES IN UNRESTRICTED NET ASSETS TO NET CASH FROM (USED IN) OPERATING ACTIVITIES		
CHANGES IN UNRESTRICTED NET ASSETS	\$ 12,392	\$ (2,592)
Adjustments to reconcile changes in unrestricted net assets to net cash from (used in) operating activities:		
Depreciation	772	772
(Increase) in grants receivable	(18,071)	(5,575)
Increase (decrease) in accounts payable	<u>(920)</u>	<u>13,572</u>
 NET CASH FROM (USED IN) OPERATING ACTIVITIES	 <u>\$ (5,827)</u>	 <u>\$ 6,177</u>

LITTLE BUNS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS - Little Buns, Inc. (the Organization) was incorporated as a not-for-profit organization under the laws of the State of Indiana. The Organization sponsors family day care providers 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 Office and Management Budget Circular A-133. In this capacity, Little Buns, Inc. will pass federal funds received from the Indiana Department of Education to the family day care providers who have served meals to eligible children.

BASIS OF ACCOUNTING - The financial statements of the Organization have been prepared on the accrual basis of accounting, recognizing income when earned and expenses when incurred.

CASH AND CASH EQUIVALENTS - For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONCENTRATION OF RISK - During the year, the Organization may have a balance in excess of \$100,000 in a financial institution which is not insured directly by the FDIC. As of December 31, 2007 and 2006, the Organization had amounts of \$108,294 and \$-0-, respectively in excess of the FDIC limits.

GRANTS RECEIVABLE - Grant revenue is recognized as earned as the eligible expenses are incurred and the Organization performs the contracted services under grant agreements. Grant expenditures are subject to audit and acceptance by the granting agency or foundation and, as a result of such audit, adjustments could be required. Grants receivable represent amounts actually received after December 31, 2007 and 2006; therefore, no allowance for doubtful accounts was established.

INCOME TAXES - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not considered to be a private foundation. Accordingly, no provision is made for federal income taxes on the Organization's exempt activities.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUPPORT AND REVENUE - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

LITTLE BUNS, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED
December 31, 2007 and 2006

NOTE A - CONTINUED

PROPERTY AND EQUIPMENT - Property and equipment are stated on the basis of cost. Depreciation is computed on a straight-line method over the estimated useful lives of the assets or ten years. The Organization has a policy of capitalizing property and equipment valued in excess of \$500. Depreciation expense was \$772 for the years ended December 31, 2007 and 2006.

EXPENSE CLASSIFICATIONS AND ALLOCATION - The primary functions of the Organization are as follows: child care food program, management and general, and fundraising. The expenses directly related to these divisions are presented in corresponding classifications, combined with allocation of certain common costs of the Organization, such as administrative services, which are allocated based on time incurred.

NOTE B - RELATED PARTY TRANSACTIONS

The Organization leases an automobile from a company owned by the spouse of the Executive Director of the Organization as described in Note E. The total amounts recognized as auto lease expense for the years ended December 31, 2007 and 2006 are \$12,720 and \$12,180, respectively. The Organization leases its office facilities from the Executive Director and her spouse beginning in October 2004. The total amounts recognized as office lease expense is \$22,800 and \$17,823 for the years ended December 31, 2007 and 2006, respectively. There are no amounts owed at December 31, 2007 and 2006.

NOTE C - ECONOMIC DEPENDENCY AND CONCENTRATION OF RISK

Little Buns, Inc. receives 100 percent of its revenue from the Indiana Department of Education (IDOE). The IDOE receives funding from the U.S. Department of Agriculture (USDA). 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, 2007 and 2006, \$217,442 and \$199,371, respectively, were due from the IDOE.

NOTE D - RETIREMENT PLAN

The Organization adopted a SEP plan effective October 1, 1999. An employee qualifies if he/she has attained 21 years of age by the last day of the plan year, which is December 31 of each year, performed services in three of the immediately preceding five years, and compensation exceeds \$300 for the plan year. As of January 1, 2006, the plan allows for employee contributions only.

LITTLE BUNS, INC.
NOTES TO FINANCIAL STATEMENTS CONTINUED
December 31, 2007 and 2006

NOTE E - LEASES

The Organization leases office space from a company owned by the Executive Director and her spouse. The lease payment was \$1,347 per month through September 30, 2006 and \$1,900 per month through September 30, 2009. For the years ended December 31, 2007 and 2006, rent expense was \$22,800 and \$17,823, respectively.

The Organization leases two vehicles for \$1,060 per month under 24-month non-cancelable leases through October 1, 2008. Both leases are from a company owned by the spouse of the Executive Director of the Organization. For the years ended December 31, 2007 and 2006, lease expense for the vehicles was \$12,720 and \$12,180, respectively.

The Organization leases software for \$322 per month under a 36-month non-cancelable lease through June 30, 2011. For the years ended December 31, 2007 and 2006, lease expense for the software was \$1,514 and \$0-, respectively.

Future minimum lease payments are as follows:

2009	\$ 20,966
2010	3,866
2011	1,933

SINGLE AUDIT SECTION

LITTLE BUNS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2007

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Entity Identifying Pass-Through Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture Indiana Department of Education: Child and Adult Care Food Program	10.558	29-0040	\$ <u>2,712,691</u>

LITTLE BUNS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Little Buns, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - SUB-RECIPIENTS

The Organization provided grants to approximately 215 licensed home day care providers and several registered day care ministries for carrying out the federal program totaling \$2,425,607 and \$2,074,787 for 2007 and 2006, respectively. The average amount received by sub-recipients is approximately \$1,000 per month for 2007 and 2006.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Little Buns, Inc., as of and for the year ended December 31, 2007, and have issued our report thereon dated October 4, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Little Buns' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Buns' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 4, 2008

Dunbar, Cook & Shepard, P.C.

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

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

We have audited the compliance of Little Buns, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. Little Buns, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of Little Buns, Inc.'s management. Our responsibility is to express an opinion on Little Buns, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Little Buns, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Little Buns, Inc.'s compliance with those requirements.

In our opinion, Little Buns, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Little Buns, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Little Buns, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, board of directors, management, the U.S. Department of Agriculture and the Indiana Department of Education. However, this report is a matter of public record and its distribution is not limited.

October 4, 2008

Dunbar, Cook & Shepard, P.C.

LITTLE BUNS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **unqualified.**

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: **unqualified.**

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

LITTLE BUNS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED
For the Year Ended December 31, 2007

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

PRIOR YEAR AUDIT FINDINGS - December 31, 2006

Condition

The organization does not have proper segregation of duties as one individual has custody, authorizations, recording, and reconciliation duties. Audit procedures did not detect any significant misstatements resulting from this condition.

Management's response

Management agrees with the auditor's recommendation of segregating duties.

Narrative

The Organization has hired an outside person to assist in the accounting functions and control procedures. This finding has been cleared.