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April 2, 2018

Board of Directors  
Little Buns, Inc.  
423 Ransdell Road  
Lebanon, IN 46052

We have reviewed the report prepared by Little Buns, Inc. and opined upon by VonLehman & Company Inc., Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. 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, 2015 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 in the report on pages 16 and 17. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, VonLehman & Company Inc. prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**LITTLE BUNS, INC.**

**December 31, 2015**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



**Little Buns, Inc.**

**LITTLE BUNS, INC.  
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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Little Buns, Inc.  
Lebanon, Indiana

### Report on the Financial Statements

We have audited the accompanying financial statements of Little Buns, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Buns, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR), 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Buns, Inc.'s internal control over financial reporting and compliance.

*VonLehman & Company Inc.*

**LITTLE BUNS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	December 31,	
	2015	2014
Cash and Cash Equivalents	\$ 36,916	\$ 13,844
Grants Receivable, Net	308,337	538,216
Property and Equipment, Net	1,216	1,483
<b>Total Assets</b>	<b>\$ 346,469</b>	<b>\$ 553,543</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts Payable	\$ 267,234	\$ 480,620
Accrued Expenses	22,451	23,183
<b>Total Liabilities</b>	289,685	503,803
<b>Unrestricted Net Assets</b>	56,784	49,740
<b>Total Liabilities and Net Assets</b>	<b>\$ 346,469</b>	<b>\$ 553,543</b>

See accompanying notes.

**LITTLE BUNS, INC.  
STATEMENTS OF ACTIVITIES**

	<b>Years Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenue and Support</b>		
Grant Income	\$ 5,764,508	\$ 5,613,483
Other Income	126	293
	<u>5,764,634</u>	<u>5,613,776</u>
<b>Expenses</b>		
Program Services		
Child Care Food Program	5,560,631	5,432,056
Summer Food Program	43,144	-
Supporting Services		
Management and General	151,569	154,396
Fundraising	2,246	1,838
	<u>5,757,590</u>	<u>5,588,290</u>
Changes In Unrestricted Net Assets	7,044	25,486
<b>Unrestricted Net Assets, Beginning Of Year</b>	<u>49,740</u>	<u>24,254</u>
<b>Unrestricted Net Assets, End of Year</b>	<u>\$ 56,784</u>	<u>\$ 49,740</u>

See accompanying notes.

**LITTLE BUNS, INC.**  
**STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2015	2014
<b>Cash Flows From Operating Activities</b>		
Cash Received From Grants	\$ 5,994,387	\$ 5,519,355
Other Income Received	126	293
Cash Paid to Suppliers for Goods and Services	(5,522,863)	(5,148,428)
Cash Paid to or on Behalf of Employees for Services	(448,578)	(360,336)
	23,072	10,884
<b>Cash Flows From Financing Activities</b>		
Loan Principal Payments	-	(7,000)
	23,072	3,884
<b>Cash and Cash Equivalents - Beginning of Year</b>	13,844	9,960
<b>Cash and Cash Equivalents - End of Year</b>	\$ 36,916	\$ 13,844
<b>Reconciliation of Changes in Unrestricted Net Assets to Net Cash From Operating Activities</b>		
Changes in Unrestricted Net Assets	\$ 7,044	\$ 25,486
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash From Operating Activities		
Depreciation	267	647
Changes in		
Grants Receivable	229,879	(94,128)
Prepaid Expenses	-	-
Accounts Payable	(213,386)	86,132
Accrued Expenses	(732)	(7,253)
	23,072	10,884
<b>Net Cash Provided by Operating Activities</b>	\$ 23,072	\$ 10,884

See accompanying notes.

**LITTLE BUNS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2015

	Program Services		Supporting Services		Total
	Child Care Food Program	Summer Food Program	Management and General	Fundraising	
Salaries and Wages	\$ 314,911	\$ 5,278	\$ 29,908	\$ 1,759	\$ 351,856
Payroll Taxes	27,238	457	2,587	152	30,434
Employee Benefits	59,983	1,005	5,697	335	67,020
Total Salaries, Wages and Related Expenses	<u>402,132</u>	<u>6,740</u>	<u>38,192</u>	<u>2,246</u>	<u>449,310</u>
Program Costs - Provider Payments	5,102,513	36,404	-	-	5,138,917
Contract Services	28,946	-	1,080	-	30,026
Rent - Office	-	-	8,400	-	8,400
Office Supplies	1,586	-	14,627	-	16,213
Postage	-	-	2,392	-	2,392
Telephone	-	-	8,959	-	8,959
Utilities	-	-	2,897	-	2,897
Meals and Entertainment	-	-	32,004	-	32,004
Professional Fees	25,454	-	2,587	-	28,041
Vehicle Expense	-	-	23,661	-	23,661
Repairs and Maintenance	-	-	5,073	-	5,073
Property Taxes	-	-	7,741	-	7,741
Printing and Reproduction	-	-	1,388	-	1,388
Depreciation	-	-	267	-	267
Other Operating Expense	-	-	2,301	-	2,301
	<u>\$ 5,560,631</u>	<u>\$ 43,144</u>	<u>\$ 151,569</u>	<u>\$ 2,246</u>	<u>\$ 5,757,590</u>

See accompanying notes.

**LITTLE BUNS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

	Year Ended December 31, 2014			
	Program Services	Supporting Services		
	Child Care Food Program	Management and General	Fundraising	Total
Salaries and Wages	\$ 271,056	\$ 28,611	\$ 1,506	\$ 301,173
Payroll Taxes	22,028	2,325	122	24,475
Employee Benefits	37,745	3,984	210	41,939
	330,829	34,920	1,838	367,587
Total Salaries, Wages and Related Expenses				
Program Costs - Provider Payments	5,051,240	-	-	5,051,240
Contract Services	27,467	2,978	-	30,445
Rent - Office	-	8,400	-	8,400
Office Supplies	1,187	16,340	-	17,527
Postage	-	2,169	-	2,169
Telephone	-	7,323	-	7,323
Utilities	-	2,846	-	2,846
Bank Charges	-	1,555	-	1,555
Meals and Entertainment	-	31,883	-	31,883
Professional Fees	21,333	1,996	-	23,329
Vehicle Expense	-	31,304	-	31,304
Repairs and Maintenance	-	1,735	-	1,735
Property Taxes	-	5,406	-	5,406
Printing and Reproduction	-	621	-	621
Depreciation	-	647	-	647
Other Operating Expense	-	4,273	-	4,273
	\$ 5,432,056	\$ 154,396	\$ 1,838	\$ 5,588,290

See accompanying notes.

**LITTLE BUNS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 - 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 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.

The Organization also sponsors providers that participate in the Summer Food Service Program for Children of the United States Department of Agriculture. In this capacity, Little Buns, Inc. passes federal funds received from the Indiana Department of Education to the providers who have served meals to eligible children.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Grants Receivable**

Grants receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Grants are considered past due if any portion of a grant has not been paid in full within the contractual terms of the account. The Organization begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the grantor, and other pertinent factors. Based on these criteria, no allowance for doubtful accounts has been provided at both December 31, 2015 and 2014 since the Organization expects no material losses.

**Property and Equipment**

Property and equipment are stated at cost and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method. Maintenance and repairs are charged to operation when incurred. Significant betterments and renewals greater than \$500 are capitalized.

The estimated useful lives of property and equipment for purposes of computing depreciation are:

Furniture and Equipment	10 Years
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**Long-Lived Assets**

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount of the fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended December 31, 2015 and 2014.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Classes of Net Assets**

The accompanying financial statements have been prepared in conformity with the requirements of accounting pronouncements for nonprofit organizations. Accordingly, the net assets of the Organization are reported in each of the following classes: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Net assets of the two restricted classes are restricted only by donor imposed restrictions on their use. All other net assets, including board designated amounts, are legally unrestricted, and are reported as part of the unrestricted net assets class.

As of both December 31, 2015 and 2014 the Organization had no temporarily or permanently restricted net assets.

**Revenue and Support Recognition**

The Organization records revenue when earned. Revenue from government grants which are reimbursement based program revenue is recognized as costs are incurred and reimbursements are determinable.

**Recognition of Donor Restrictions**

Donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Public support and revenue, including unconditional promises to give, are considered available for unrestricted use unless temporarily or permanently restricted by the donor. Temporarily restricted support is reported as unrestricted support if the restriction expires in the reporting period in which the support is received.

**Functional Allocation of Expenses**

The costs of providing various programs and services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

**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.

**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, 2015 and 2014. 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, 2015 and 2014.

**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 with the presentation in the current year financial statements.

**Subsequent Events**

Management has evaluated subsequent events through May 16, 2016, which is the date the financial statements were available to be issued.

**NOTE 2 - CASH AND CASH FLOW INFORMATION**

At various times throughout the year, the Organization may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for each business depositor. At both December 31, 2015 and 2014, the Organization had no cash in financial institutions in excess of insured limits.

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.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	December 31,	
	2015	2014
Furniture and Equipment	\$ 10,385	\$ 10,385
Accumulated Depreciation	(9,169)	(8,902)
	<u>\$ 1,216</u>	<u>\$ 1,483</u>

**NOTE 4 - RELATED PARTY TRANSACTIONS**

The Organization leases its office facilities from the Executive Director and their spouse. The total amount recognized as office rent expense is \$8,400 for both years ended December 31, 2015 and 2014.

The Organization leases automobiles from a company owned by the spouse of the Executive Director of the Organization. The total amount recognized as auto lease expense was \$16,672 and \$23,506 for the years ended December 31, 2015 and 2014, respectively.

The Organization contracted with a company owned by a relative of the Executive Director to enhance the Organization's website to support internet-based instructional programs. The Organization expensed \$12,000 and \$9,000 in 2015 and 2014, respectively, for these services.

**NOTE 5 - RETIREMENT PLAN**

The total 401(k) expense for the years ended December 31, 2015 and 2014 was \$20,158 and \$17,590, respectively.

**NOTE 6 - OPERATING LEASES**

The Organization leases office space from a related party. In January 2014, a lease for two years was entered into, which provides for lease payments of \$700 per month. The lease provides for three annual renewals through December 31, 2018. Rent expense was \$8,400 and for both years ended December 31, 2015 and 2014.

The Organization leases two vehicles from a related party. These leases expire in October 2020. Lease expense for the vehicles was \$16,672 and \$23,506 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	
2016	\$ 18,735
2017	10,335
2018	10,335
2019	10,335
2020	<u>8,612</u>
	<u>\$ 58,352</u>

**NOTE 7 - ECONOMIC DEPENDENCY AND CONCENTRATION OF RISK**

Little Buns, Inc. receives 100% 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, 2015 and 2014, \$308,337 and \$538,216, respectively, were due from the IDOE.

**SUPPLEMENTARY INFORMATION**

LITTLE BUNS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Year Ended December 31, 2015			
	Federal CFDA Number	Entity Identifying Pass-Through Number	Passed Through to Subrecipients	Federal Expenditures
<b>US Department of Agriculture</b>				
<i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	29-0040	\$ 5,102,513	\$ 5,721,681
Summer Food Service Program	10.559	29-0040	<u>36,404</u>	<u>42,827</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 5,138,917</u>	<u>5,764,508</u>

See accompanying notes to the schedule of expenditures of federal awards.

**LITTLE BUNS, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal awards (the "Schedule") include the federal award activity of Little Buns, Inc. under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Little Buns, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Little Buns, Inc.

**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 Minimis indirect cost rate allowed under the Uniform Guidance. Per the major program requirements, Little Bun's 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 296 licensed home day care providers and registered day care ministries for carrying out the federal program totaling \$5,138,917 for 2015. The average amount received by sub-recipients is approximately \$1,447 per month.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Little Buns, Inc.  
Lebanon, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Little Buns, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2016.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Buns, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Little Buns, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described as items 2015-001 and 2015-002 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

**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 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*.

**Little Buns, Inc.'s Response to Findings**

Little Buns, Inc.'s responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Little Buns, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the responses.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*VonLehman & Company Inc.*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

The Board of Directors  
Little Buns, Inc.  
Lebanon, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited Little Buns, Inc.'s compliance with the types of compliance requirements described 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, 2015. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Little Buns, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Little Buns, Inc.'s compliance.

**Opinion on Each 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 major federal programs for the year ended December 31, 2015.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

### **Little Buns, Inc.'s Response to Finding**

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

### **Report on Internal Control over Compliance**

Management of Little Buns, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Little Buns, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Little Buns, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002 that we consider to be a significant deficiency.

### **Little Buns, Inc.'s Response to Finding**

Little Buns, Inc.'s responses to the deficiencies in internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and 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 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.

*VonLehman & Company Inc.*

**LITTLE BUNS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of Auditors' Report Issued	Unmodified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to consolidated financial statements noted?	No
<b>FEDERAL AWARDS</b>	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniformed Guidance	Yes
Identification of major programs:	<ul style="list-style-type: none"> <li>• Child and Adult Care Food Program [CFDA 10.558]</li> </ul>
Dollar threshold used to distinguish between type A and type B programs:	Type A: > \$750,000 Type B: > all others
Auditee qualified as low-risk auditee?	Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001 Preparation of Financial Statements**

*Criteria:* The Organizations financial statements were not prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

*Condition:* The financial statements were not adjusted to conform with U.S. GAAP.

*Cause:* Management did not adjust books to accrual basis for year end or involve board resources prior to release to auditors.

*Effect:* Financial statements were not in accordance with U.S. GAAP.

*Repeat Finding:* This is not a repeat Finding.

*Recommendation:* Little Buns, Inc. management should obtain training to understand the required accrual adjustments at year end, involve board members for assistance, or hire outside assistance to make adjustments in order be prepared in accordance with U.S. GAAP.

*Management Response:* Little Buns, Inc. management agrees with the finding and will determine the best course of action for the Organization either through training on accrual adjustments, more board involvement, or seeking outside assistance to make year end accrual adjustments.

**LITTLE BUNS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**(CONTINUED)**

**Finding 2015-002 Preparation of Schedule of Expenditures of Federal Awards**

*Criteria:* Schedule of Expenditures of Federal awards was not prepared in accordance with the Uniform Guidance.

*Condition:* Schedule of Expenditures of Federal awards was understated at December 31, 2015 by approximately \$291,000.

*Cause:* Management did not adjust books to accrual basis for year end causing federal program revenue and expenditures to be understated.

*Effect:* Understated program expenditures on schedule of expenditures of federal awards.

*Questioned Costs:* No Questioned Costs associated with this finding.

*Repeat Finding:* This is not a repeat Finding.

*Recommendation:* Little Buns, Inc. management should obtain training to understand the required accrual adjustments at year end or hire outside assistance to make adjustments in order to adhere with Uniformed Guidance.

*Management Response:* Little Buns, Inc. management agrees with the finding and will determine the best course of action for the Organization either through training on accrual adjustments or seeking outside assistance to make year end accrual adjustments.

**LITTLE BUNS, INC.**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**PRIOR YEAR - FINANCIAL STATEMENT FINDINGS**

None Reported

**PRIOR YEAR - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None Reported