



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 Pettit & Company, LLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. 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, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Pettit & Company, LLC 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.


Paul D. Joyce, CPA
State Examiner

LITTLE BUNS, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

LITTLE BUNS, INC.

TABLE OF CONTENTS

Independent auditor's report 1

Financial statements

 Statements of financial position 3

 Statements of activities 4

 Statements of functional expenses 5-6

 Statements of cash flows 7

 Notes to financial statements 8

Single audit section 13

Schedule of expenditures of federal awards 14

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* 15

Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance 17

Schedule of findings and questioned costs 19



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
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, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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, 2016, and the changes in its net assets and its cash flows for the year 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) 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Another auditor whose report was dated May 16, 2016, audited the prior year financial statements and expressed an unmodified opinion.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2017, 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.

Pettit & Company, LLC

August 18, 2017

LITTLE BUNS, INC.

**STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015**

Assets

	2016	2015
Current assets		
Cash and cash equivalents	\$ 19,601	\$ 36,916
Grants receivable	707,382	308,337
Total current assets	726,983	345,253
Property and equipment		
Furniture and fixtures	10,385	10,385
Total property and equipment	10,385	10,385
Accumulated depreciation	(9,436)	(9,169)
Net property and equipment	949	1,216
Total assets	\$ 727,932	\$ 346,469

Liabilities and net assets (deficit)

Current liabilities		
Accounts payable	\$ 691,195	\$ 267,234
Accrued wages payable	19,863	22,451
Total current liabilities	711,058	289,685
Total liabilities	711,058	289,685
Net assets (deficit)		
Unrestricted	16,874	56,784
Total net assets	16,874	56,784
Total liabilities and net assets (deficit)	\$ 727,932	\$ 346,469

LITTLE BUNS, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
UNRESTRICTED REVENUES AND SUPPORT		
Grant income	4,094,591	\$ 5,764,508
Other income	127	126
Total support and revenue	4,094,718	5,764,634
Expenses		
Child care food program	3,903,609	5,560,631
Summer food program	72,062	43,144
Management and general	158,957	151,569
Fund raising	-	2,246
Total cost of operations	4,134,628	5,757,590
Change in net assets (deficit)	(39,910)	7,044
Change in net assets	(39,910)	7,044
Net assets (deficit) - beginning of year	56,784	49,740
Net assets (deficit) - end of year	\$ 16,874	\$ 56,784

LITTLE BUNS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Child care food program	Summer food program	Total Program	Management and General	Total
Salaries	\$ 249,994	\$ 12,594	\$ 262,588	\$ 33,408	\$ 295,996
Employee benefits	48,477	-	48,477	7,037	55,514
Payroll taxes	17,605	-	17,605	1,365	18,970
Total Salaries and Related Expenses	316,076	12,594	328,670	41,810	370,480
Program costs - provider payments	3,570,592	57,630	3,628,222	-	3,628,222
Contract services	-	605	605	28,033	28,638
Rent - office	-	-	-	8,400	8,400
Office supplies	1,495	-	1,495	15,175	16,670
Postage	-	-	-	1,373	1,373
Telephone	-	-	-	9,183	9,183
Utilities	-	-	-	2,930	2,930
Meals and entertainment	-	1,233	1,233	15,008	16,241
Professional fees	15,446	-	15,446	3,260	18,706
Vehicle expense	-	-	-	19,197	19,197
Repairs and maintenance	-	-	-	2,021	2,021
Property taxes	-	-	-	6,920	6,920
Printing and reproduction	-	-	-	1,357	1,357
Depreciation	-	-	-	267	267
Other expense	-	-	-	4,023	4,023
Total Expenses	\$ 3,903,609	\$ 72,062	\$ 3,975,671	\$ 158,957	\$ 4,134,628

LITTLE BUNS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Child care food program</u>	<u>Summer food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 314,911	\$ 5,278	\$ 320,189	\$ 29,908	\$ 1,759	\$ 351,856
Employee benefits	63,824	457	64,281	2,587	152	67,020
Payroll taxes	23,397	1,005	24,402	5,697	335	30,434
Total Salaries and Related Expenses	402,132	6,740	408,872	38,192	2,246	449,310
Program costs - provider payments	5,102,513	36,404	5,138,917	-	-	5,138,917
Contract services	28,946	-	28,946	1,080	-	30,026
Rent - office	-	-	-	8,400	-	8,400
Office supplies	1,586	-	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	-	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 expense	-	-	-	2,301	-	2,301
Total Expenses	<u>\$ 5,560,631</u>	<u>\$ 43,144</u>	<u>\$ 5,603,775</u>	<u>\$ 151,569</u>	<u>\$ 2,246</u>	<u>\$ 5,757,590</u>

LITTLE BUNS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (39,910)	\$ 7,044
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	267	267
(Increase) decrease in assets		
Grants receivable	(399,045)	229,879
Increase (decrease) in liabilities		
Accounts payable	423,961	(213,386)
Accrued wages payable	<u>(2,588)</u>	<u>(732)</u>
Net cash provided by (used in) operating activities	<u>(17,315)</u>	<u>23,072</u>
Net decrease in cash and cash equivalents	(17,315)	23,072
Cash and cash equivalents, beginning of fiscal year	<u>36,916</u>	<u>13,844</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 19,601</u>	<u>\$ 36,916</u>

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.

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.

Basis of accounting

The Organization's financial statements have been prepared on the accrual basis of accounting. The financial statements presentation is in accordance with Accounting Standards Codification 958 ("ASC 958") – *Not For-Profit Organizations*. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be used at the Organization's discretion.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the Organization maintains the assets permanently.

LITTLE BUNS, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

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, 2016 and 2015 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

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, 2016 and 2015.

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.

LITTLE BUNS, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016 and 2015. 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, 2016 and 2015.

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.

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2016. Management has performed their analysis of subsequent events through August 18, 2017, the date the financial statements were available to be issued.

LITTLE BUNS, INC.

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, 2016 and 2015, 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 - RELATED PARTIES

The Organization leases its office facilities from the Executive Director and her spouse. The total amount recognized as office rent expense is \$8,400 for both years ended December 31, 2016 and 2015.

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 \$9,474 and \$16,672 for the years ended December 31, 2016 and 2015, 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 in 2015 for these services.

NOTE 4 - RETIREMENT PLAN

The total 401(k) expense for the years ended December 31, 2016 and 2015 was \$16,365 and \$20,158, respectively.

NOTE 5 - 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, 2016 and 2015.

The Organization leases two vehicles from a related party. These leases expire in October 2020. Lease expense for the vehicles was \$9,474 and \$16,672 for the years ended December 31, 2016 and 2015, respectively.

LITTLE BUNS, INC.

NOTE 5 - OPERATING LEASES (CONTINUED)

Future minimum lease payments are as follows:

Years Ending December 31,	
2017	\$ 10,335
2018	10,335
2019	10,335
2020	<u>8,612</u>
	<u>\$ 39,617</u>

NOTE 6 - 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, 2016 and 2015, \$707,382 and \$308,337, respectively, were due from the IDOE.

SINGLE AUDIT SECTION

LITTLE BUNS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass-Through <u>Grantor/ Program Title</u>	Federal CFDA <u>Number</u>	Pass- through Grantor's <u>Number</u>	Passed Through to Subrecipients	Federal <u>Expenditures</u>
U.S. Department of Agriculture:				
<i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	29-0040	\$ 3,570,592	\$ 4,027,275
Summer Food Service Program	10.559	29-0040	<u>57,630</u>	<u>67,315</u>
Total Expenditures of Federal Awards			<u>\$ 3,628,222</u>	<u>\$ 4,094,590</u>

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.



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

To the Board of Directors of
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, 2016, 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 August 18, 2017.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Pettit & Company, LLC

August 18, 2017



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

To the Board of Directors of
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, 2016. 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 laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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; 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). 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, 2016.

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 audits 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

August 18, 2017

LITTLE BUNS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

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 federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported.

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)
10.558

Name of Federal Program or Cluster
Child Care Food Program

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

Auditee qualified as low-risk auditee? No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section II Financial Statement Findings

For the Year Ended December 31, 2016:

Our audit disclosed no findings that are required to be reported herein under Uniform Administrative Requirements.

For the Year Ended December 31, 2015:

Finding 2015-001

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

Status: Cleared.

Finding 2015-002

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

Status: Cleared.

Section III Federal Award Findings

For the Year Ended December 31, 2016:

Our audit disclosed no findings that are required to be reported herein under Uniform Administrative Requirements.

For the Year Ended December 31, 2015:

There were no findings that were required to be reported herein under Uniform Administrative Requirements.