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June 28, 2018

Board of Directors
Little Buns, Inc. 2
423 Ransdell Road
Lebanon, IN 46052

We have reviewed the report prepared by Little Buns, Inc. 2 and opined upon by Bogdanoff Dages and Co., PC, 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. 2 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.

We call your attention to the findings in the report on pages 21 through 23. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's response and planned corrective action may be found on page 24.

In our opinion, Bogdanoff Dages and Co., PC 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. 2
(A NON PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Little Buns, Inc. 2
(A NON PROFIT ORGANIZATION)

For the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Little Buns, Inc. 2 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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 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 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 positions of Little Buns, Inc. 2 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of Little Buns, Inc. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 audits performed in accordance with *Government Auditing Standards* in considering Little Buns, Inc. 2's internal control over financial reporting and compliance.

Bogdanoff Dages and Co., P. C.

Indianapolis, IN

May 31, 2018

LITTLE BUNS, INC. 2

STATEMENT OF FINANCIAL POSITION

December 31, 2016

ASSETS

	<u>2016</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 874
Accounts receivable - CACFP	509,314
	<hr/>
TOTAL CURRENT ASSETS	510,188
	<hr/>
PROPERTY AND EQUIPMENT:	
Property and equipment	2,646
Less accumulated depreciation	(271)
Undepreciated cost	2,375
	<hr/>
TOTAL ASSETS	\$ 512,563
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable - providers	\$ 470,392
	<hr/>
TOTAL CURRENT LIABILITIES	470,392
	<hr/>
LONG TERM LIABILITIES:	
Loan Payable-Ward	1,000
	<hr/>
TOTAL LONG TERM LIABILITIES	1,000
	<hr/>
TOTAL LIABILITIES	471,392
	<hr/>
NET ASSETS:	
Unrestricted Net Assets	41,171
	<hr/>
TOTAL NET ASSET	41,171
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 512,563
	<hr/> <hr/>

The accompanying notes to financial statements are an integral part of these financial statements.

LITTLE BUNS, INC. 2

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSE FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>
UNRESTRICTED REVENUES AND SUPPORT:	
Program Revenue - CACFP	\$ 2,829,627
Other Support Income	1,716
	<hr/>
TOTAL INCREASE IN UNRESTRICTED NET ASSETS	2,831,343
	<hr/>
EXPENSES:	
Salary and Wages	122,153
Payroll Taxes	9,345
Bank Charges	172
Communication	6,389
Consulting	30,425
Software Minute Menu	7,433
Travel	10,148
Professional Fees	950
Provider Payments	2,615,478
Training	605
Office Supplies	4,624
Postage	1,472
Small Equipment	440
Depreciation	255
Payroll Processing Fees	1,365
	<hr/>
TOTAL DECREASES IN UNRESTRICTED NET ASSETS	2,811,254
	<hr/>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	20,089
Unrestricted Net Assets - beginning	21,082
	<hr/>
Unrestricted Net Assets - ending	\$ 41,171
	<hr/> <hr/>

The accompanying notes to financial statements are an integral part of these financial statements.

LITTLE BUNS, INC. 2

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 20,089
Adjustments to reconcile increases in net assets to net cash provided (used) by operating activities:	
Depreciation	255
(Increase) decrease in operating assets:	
Accounts receivable - CACFP	(270,474)
Increase (decrease) in operating liabilities:	
Accounts payable - providers	250,111
Payroll Liabilities	(1,366)
Total adjustments	<u>(21,473)</u>
Net cash provided (used) by operating activities	<u>(1,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of new Equipment	<u>(1,647)</u>
Net cash Provided (used) by investing activities	<u>(1,647)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment on Loan Payable Director-Ward	(389)
Borrowings on Loan Payable Director-Ward	1,000
Repayment on Loan Payable-Jeglum	(700)
Net cash Provided (used) by financing activities	<u>(89)</u>
Net increase (decrease) in cash	(3,120)
Cash balance at January 1	<u>3,994</u>
Cash balance at December 31	<u><u>\$ 874</u></u>

The accompanying notes to financial statements are an integral part of these financial statements.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Programs

Little Buns, Inc. 2 is a sponsor in the Department of Agriculture's Child and Adult Care Food program, which flows through the Indiana Department of Education. A sponsor administers funds that are passed through to licensed child care providers, centers and ministries in Indiana.

Income Tax Status

Little Buns, Inc. 2 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, the financial statements contain no provision for income taxes. Little Buns, Inc. 2 is classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Generally accepted accounting principles in the United States require Little Buns, Inc. 2 to examine its tax positions for uncertain positions. Little Buns, Inc. 2 is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities. Little Buns, Inc. 2's policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and totaled \$-0- for December 31, 2016.

Little Buns, Inc. 2's federal and state income tax returns for fiscal year ended December 31, 2016 and 2015 are subject to examination by the applicable

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Tax Status - Continued

tax authorities. Generally, Returns of Organization Exempt From Income Tax may be examined for three years after the later of the original or extended due date. However, Little Buns, Inc. 2 is in the second year of operation, therefore, only Little Buns, Inc. 2's December 31, 2015 and 2016 returns are available to be examined.

Donated Services

The value of donated services is not reflected in the accompanying financial statements since there are no objective basis available by which to measure the value of such services.

Accounts Receivable

Accounts receivable - CACFP is recorded at the amount the Organization expects to collect on balances outstanding at year-end. These funds are reimbursed by the federal government and are entirely collectable; therefore, establishing a delinquency policy is not necessary. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been collected by the time the financial statements are issued. Federal regulations do not allow Little Buns, Inc. 2 to charge interest on outstanding receivables.

Allowance for Bad Debts

Little Buns, Inc. 2 uses the allowance for doubtful accounts method to record uncollected receivables. The allowance for doubtful accounts at December 31, 2016 was \$-0-. The Organization incurred bad debts of \$-0- for 2016, respectively.

Property and Equipment

Property and equipment are stated at cost and depreciated over the useful life of the asset, five to seven years, using the straight-line method. Management's policy is to capitalize property and equipment with a useful life of more than one

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment - Continued

year and a cost of \$500 or greater. Routine maintenance and repairs are expensed as incurred. Depreciation expense for the year ended December 31, 2016 was \$255.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, Little Buns, Inc. 2 considers all highly liquid instruments purchased with maturities of three months or less to be cash and cash equivalents.

Use of Estimates

The process of preparing financial statements in conformity with U. S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Impairment of Long-Lived Assets

Each year, the Organization evaluates whether there has been an impairment that is other than temporary in any of its long-lived assets. Impairment in value is considered to have occurred when the undiscounted future net operating cash flows associated with the long-lived assets are not sufficient to cover the carrying value of the long-lived assets. If it is determined that impairment in value has occurred, the carrying value will be written down to the present value of the future operating cash flows to be generated by the long-lived assets. Management has concluded that no such impairment occurred during the year.

Advertising

The Organization expenses advertising production costs as they are incurred. Advertising expense for the year ending December 31, 2016 was \$-0-.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, receivables, and other liabilities approximate their estimated fair values as presented in the financial statements.

Subsequent Events

The Organization has evaluated subsequent events through May 31, 2018, the date of the financial statements were available to be issued. This evaluation determined there are no subsequent events that necessitated further disclosure in and or adjustment to the accompanying financial statements.

Net Assets

The financial statements have been prepared in accordance with Financial Statements of Not-for-Profit Organizations that require, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted. The following class of net assets and a brief description is as follows:

Unrestricted Net Assets: The unrestricted net asset includes general assets and liabilities of Little Buns, Inc. 2 The unrestricted net assets may be used at the direction of management to support Little Buns, Inc. 2's purposes and operations. All Net Assets at December 31, 2016 are considered Unrestricted Net Assets.

Temporarily Restricted Net Assets: A donor-imposed restriction permits Little Buns, Inc. 2 to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of Little Buns, Inc. 2 When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Temporarily restricted net assets also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriate by the Board of Directors. There were no temporarily restricted net assets at December 31, 2016.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets - Continued

Permanently Restricted Net Assets: A donor-imposed restriction stipulates that resources be maintained permanently, but permits Little Buns, Inc. 2 to use up or expend part or all of the income (or other economic benefits) derived from the donated assets. There were no permanently restricted net assets at December 31, 2016.

If Little Buns, Inc. 2 receives other temporarily restricted contributions, where the restrictions are satisfied during the year, these amounts are shown in the unrestricted column in the statements of activities and changes in net assets. Board of Directors has an option to designate certain contributions as board restricted for future use.

NOTE 2 - ECONOMIC DEPENDENCY

Little Buns, Inc. 2 receives approximately 99.99% in 2016 of its revenue from the Indiana Department of Education (IDE) who, in turn, receives funding from the U.S. Department of Agriculture. Should funding of the Child and Adult Care Food Program cease, Little Buns, Inc. 2 would not be able to generate sufficient revenue to continue the Child and Adult Care Food Program. As of December 31, 2016 \$509,314, is due from the IDE and subsequently received.

NOTE 3 - ECONOMIC CONCENTRATIONS

Little Buns, Inc. 2 maintains its cash balance in one financial institution located in Indianapolis, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE 4 - FINANCIAL STATEMENT PRESENTATION

Little Buns, Inc. 2 is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The organization only has unrestricted net assets at December 31, 2016.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily, or permanently restricted net assets depending on the existence or nature of any donor restriction.

NOTE 6 - CASH FLOW

Taxes paid in cash for the year ending December 31, 2016 was \$-0-.

Interest paid in cash for the year ending December 31, 2016 was \$-0-.

NOTE 7 - RELATED PARTY TRANSACTIONS

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

In 2015 Little Buns, Inc. 2 borrowed \$700 from a family member of the directors. The loan was repaid in 2016.

In 2015 Little Buns, Inc. 2 borrowed \$989 from the directors and the balance at December 31, 2015 was \$389. During 2016 Little Buns, Inc. 2 repaid \$389 and borrowed \$1,000.

For the budget year October 1, 2015 to September 30, 2016 Little Buns, Inc. 2 entered into a consulting agreement with a family member of the directors to provide guidance and training related to the Child and Adult Care Food Program, which was approved by the Indiana Department of Education. During 2016 Little Buns, Inc., 2 paid the consultant \$30,425. For the budget year October 1, 2016 to September 30, 2017, the cost of the consulting fee was denied by the Indiana Department of Education and Little Buns, Inc. 2 stopped paying the consultant in October 2016.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

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



*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
Little Buns, Inc. 2
Highland, Indiana

Report on Compliance for Each Major Federal Program

We have audited Little Buns, Inc. 2'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. 2's major federal programs for the year ended December 31, 2016. Little Buns, Inc. 2's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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. 2'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. 2'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. 2's compliance.

Opinion on Each Major Federal Program

In our opinion, Little Buns, Inc. 2 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004. Our opinion on each major federal program is not modified with respect to these matters.

Little Buns, Inc. 2's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Little Buns, Inc. 2's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Little Buns, Inc. 2 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. 2'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. 2'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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004, that we consider to be significant deficiencies.

Little Buns, Inc. 2's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Little Buns, Inc. 2's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bogdanoff Dages and Co., P. C.

Bogdanoff Dages and Co., P. C.
Indianapolis, IN
May 31, 2018

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

*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*



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
Little Buns, Inc. 2
Highland, 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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Little Buns, Inc. 2, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Little Buns, Inc. 2's basic financial statements and have issued our report thereon dated May 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Little Buns, Inc. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Buns, Inc. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Little Buns, Inc. 2's internal control.

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 in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2016-001 to 2016-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Buns, Inc. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2016-001 to 2016-004.

Little Buns, Inc. 2's Response to Findings

Little Buns, Inc. 2's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Little Buns, Inc. 2's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Bogdanoff Dages and Co., P. C.

Bogdanoff Dages and Co., P. C.
Indianapolis, IN
May 31, 2018

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

Section I-Summary of Auditor's Results

Financial Statements

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Little Buns, Inc. 2 were prepared in accordance with GAAP.
2. Four significant deficiencies were disclosed during the audit of the financial statements is reported in the 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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Little Buns, Inc. 2, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Four significant deficiencies in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Little Buns, Inc. 2 expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as major program was: The Child and Adult Care Food Program, CFDA # 10.558.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Little Buns, Inc. 2 was not determined to be a low-risk auditee.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

Section II - Financial Statement Findings

2016-001

Criteria: Generally accepted accounting principles, and *Government Auditing Standards* requires management of Little Buns, Inc. 2 to establish policies to safeguard assets.

Condition: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative responsibilities must be performed by one of two persons. One person has access to all books and records. Due to the size of the organization, proper segregation of duties cannot be achieved without the cost exceeding any benefit.

Cause: Little Buns, Inc. 2 lacks the size to adequately segregate duties.

Effect: Because of inherent limitations in any internal control system, errors, irregularities or instances of non-compliance may nevertheless occur and not be detected. Also, projection of any evaluation to future periods is subject to risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Recommendation: No recommendation. Due to the size of the organization, proper segregation of duties cannot be achieved without the cost exceeding the benefit.

Views of Responsible Officials and Planned Corrective Actions: See the Corrective Action Plan.

2016-002

Criteria: Federal regulations require that Single Audits should be submitted within nine months from the end of the audit period.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

Section II - Financial Statement Findings - Continued

Condition: Little Buns, Inc. 2 did not submit the Single Audit within the required nine month period.

Cause: The Indiana Department of Education was also auditing Little Buns, Inc. 2 at the same time as the auditor. Some of the provider files were retained by The Indiana Department of Education, which did not allow the auditor to timely perform the compliance tests.

Effect: The delay in completion of the audit may lead to undetected transactions from being discovered timely.

Recommendation: Subsequent audits should begin earlier in the nine month period.

Views of Responsible Officials and Planned Corrective Actions: See the Corrective Action Plan.

2016-003

Criteria: Uniform Guidance Compliance Requirements mandate that Sponsors of the Child and Adult Care Food Program perform three monitoring reviews of the day care providers.

Condition: The auditor found that in three instances Little Buns, Inc. 2 did not perform the three required monitor reviews during the years.

Cause: Little Buns Inc. 2 system to monitor provider reviews did not properly track the number of reviews for these providers.

Effect: Little Buns, Inc. 2 was not in compliance with this requirement.

Information to Provide Perspective: Out of a population of 226 day care homes the auditor tested 30 homes and found three homes that did not have the required number of reviews.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

Section II - Financial Statement Findings - Continued

Recommendation: Little Buns, Inc. 2 should develop a more accurate system to track the number of monitoring visits that were performed during the year.

Views of Responsible Officials and Planned Corrective Actions: See the Corrective Action Plan.

2016-004

Criteria: Little Buns, Inc. 2's contract with the Department of Education and the Compliance requirements requires that Little Buns, Inc. 2 contract with licensed day care providers.

Condition: In one instance the auditor found that Little Buns, Inc. 2 was not able to produce a current licenses for the day care provider.

Cause: Little Buns, Inc. 2's and the day care provider's retention systems did not properly retain the day care provider's license for the period under audit.

Effect: In this one instance Little Buns, Inc. 2 was not in compliance with the CACFP contract and the Compliance Requirements.

Information to Provide Perspective: Out of a population of 226 day care homes the auditor tested 30 homes and found one day care provider that a valid licenses for the period under audit was not available. However, the day care provider was able to provide a valid licenses for the previous and subsequent years.

Recommendation: The organization needs to develop a document retention policy stores all of the required documents for the required time period.

Views of Responsible Officials and Planned Corrective Actions: See the Corrective Action Plan.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

Corrective Action Plan

Little Buns, Inc. 2 respectively submits the following corrective action plan for the year ended December 31, 2016.

The findings from the December 31, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Findings Financial Statement Audit:

Significant Deficiency

2016-001

Corrective Action-agreement with auditor of no recommendation.

Findings Federal Award Programs Audit:

Significant Deficiency

2016-002

Corrective Action-Subsequent audits should be begin earlier in the 9 month period- Agreement with auditor.

2016-003

Corrective Action- Little Buns Inc 2 will develop an accurate system through the Minute Menu software program to track the number of monitoring visits to be performed during the fiscal year. Agreement with auditor.

2016-004

Corrective Action-Little Buns Inc 2 will develop document retention policy of all required documents. Agreement with auditor.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Expenditures of Federal Awards

for the Year Ended December 31, 2016

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency		2016			
		Pass Through Grantor Number	Expenditures		
CFDA Number	From Pass Through Awards		From Direct Awards	Passed Through To Subrecipients	
Department of Agriculture					
<u>Federal Program</u>	<u>Number</u>	<u>Number</u>	<u>Awards</u>	<u>Awards</u>	<u>Subrecipients</u>
Child and Adult Care Food Program via Indiana Department of Education		10.558 1930029	\$ 2,561,143	\$ -	\$ 2,365,368

The Accompanying notes are an integral part of this schedule.

LITTLE BUNS, INC. 2
(A NON PROFIT ORGANIZATION)

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Note A – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal granting activity of Little Buns, Inc. 2 and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, 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 the preparation of the basic financial statements.

Note B – Risk-Based Audits Approach

The dollar threshold used to distinguish between Type A and Type B programs is \$750,000. The Organization does not qualify as a low-risk auditee.

Note C – De Minimis

Little Buns, Inc. 2 has not elected to use the 10-percent de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance.

Note D– Subrecipients

Of the federal expenditures presented in the schedule, Little Buns, Inc. 2 provided federal awards to subrecipients of \$2,365,368 for 2016