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AN EQUAL OPPORTUNITY EMPLOYER

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July 8, 2020

Board of Directors
Little Buns, Inc. 2
P.O. Box 1247
Carmel, IN 46032

We have reviewed the audit report of Little Buns, Inc. 2, which was opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. 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, 2017 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 20 through 22. 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 25.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

LITTLE BUNS, INC. 2
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

LITTLE BUNS, INC. 2

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INDEPENDENT AUDITOR'S REPORT

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

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, 2017, 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. 2 as of December 31, 2017, 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 31, 2018, audited the prior year financial statements and expressed an unqualified opinion.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 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 audit performed in accordance with *Government Auditing Standards* in considering Little Buns, Inc. 2's internal control over financial reporting and compliance.

Pettit & Company, LLC

October 4, 2018

LITTLE BUNS, INC. 2

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND 2016

Assets

	2017	2016
Current assets		
Cash and cash equivalents	\$ 19,636	\$ 874
Accounts receivable - CACFP	257,943	509,314
Total current assets	277,579	510,188
Property and equipment		
Computers	2,646	2,646
Total property and equipment	2,646	2,646
Accumulated depreciation	(800)	(271)
Net property and equipment	1,846	2,375
Total assets	\$ 279,425	\$ 512,563

Liabilities and net assets

	2017	2016
Current liabilities		
Accounts payable - providers	\$ 236,115	\$ 470,392
Total current liabilities	236,115	470,392
Long-term liabilities		
Note payable	1,190	1,000
Total long-term liabilities	1,190	1,000
Total liabilities	237,305	471,392
Net assets		
Unrestricted	42,120	41,171
Total net assets	42,120	41,171
Total liabilities and net assets	\$ 279,425	\$ 512,563

LITTLE BUNS, INC. 2

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Unrestricted revenues and support		
Grant income	\$ 2,986,928	\$ 2,829,627
Other income	<u>6,679</u>	<u>1,715</u>
Total support and revenue	<u>2,993,607</u>	<u>2,831,342</u>
Expenses		
Child care food program	2,905,590	2,713,015
Management and general	<u>87,068</u>	<u>98,238</u>
Total cost of operations	<u>2,992,658</u>	<u>2,811,253</u>
Change in net assets	949	20,089
Net assets - beginning of year	<u>41,171</u>	<u>21,082</u>
Net assets - end of year	<u>\$ 42,120</u>	<u>\$ 41,171</u>

LITTLE BUNS, INC. 2

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Child care food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 116,366	\$ 116,366	\$ 38,789	\$ 155,155
Payroll taxes	10,067	10,067	3,356	13,423
Program costs - provider payments	2,779,157	2,779,157	-	2,779,157
Office supplies	-	-	4,339	4,339
Postage	-	-	1,350	1,350
Telephone	-	-	8,016	8,016
Bank charges	-	-	1,078	1,078
Professional fees	-	-	17,159	17,159
Vehicle expense	-	-	12,201	12,201
Printing and reproduction	-	-	251	251
Depreciation	-	-	529	529
Total Expenses	<u>\$ 2,905,590</u>	<u>\$ 2,905,590</u>	<u>\$ 87,068</u>	<u>\$ 2,992,658</u>

LITTLE BUNS, INC. 2

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

	<u>Child care food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 91,665	\$ 91,665	\$ 30,488	\$ 122,153
Payroll taxes	5,872	5,872	3,473	9,345
Program costs - provider payments	2,615,478	2,615,478	-	2,615,478
Office supplies	-	-	5,064	5,064
Postage	-	-	1,472	1,472
Telephone	-	-	6,389	6,389
Utilities	-	-	30,425	30,425
Bank charges	-	-	171	171
Professional fees	-	-	9,748	9,748
Vehicle expense	-	-	10,753	10,753
Depreciation	-	-	255	255
Total Expenses	<u>\$ 2,713,015</u>	<u>\$ 2,713,015</u>	<u>\$ 98,238</u>	<u>\$ 2,811,253</u>

LITTLE BUNS, INC. 2

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 949	\$ 20,089
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	529	255
(Increase) decrease in assets		
Grants receivable	251,371	(270,474)
Increase (decrease) in liabilities		
Accounts payable	(234,277)	250,111
Accrued wages payable	-	(1,365)
Net cash provided by (used in) operating activities	18,572	(1,384)
Cash from investing activities		
Purchase of property and equipment	-	(1,647)
Net cash used in investing activities	-	(1,647)
Cash flows from financing activities		
Repayment on loan payable director- Ward	-	(389)
Proceeds on loan payable director - Ward	190	1,000
Repayment on loan payable - Jeglum	-	(700)
Net cash provided by (used in) financing activities	190	(89)
Net increase (decrease) in cash and cash equivalents	18,762	(3,120)
Cash and cash equivalents, beginning of fiscal year	874	3,994
Cash and cash equivalents, end of fiscal year	\$ 19,636	\$ 874

LITTLE BUNS, INC. 2

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Little Buns, Inc. 2 is a nonprofit 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.

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.

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.

LITTLE BUNS, INC. 2

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. As of December 31, 2017 and 2016, cash and cash equivalents consisted of an operating checking account and petty cash.

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 Organization incurred no bad debt costs nor was an allowance for doubtful accounts recorded for years ended December 31, 2017 and 2016.

Property and equipment

The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. It is not the Organization's policy to imply time restrictions expiring over the useful life of the donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Accounting for the impairment or disposal of long-lived assets

Accounting for the Impairment or Disposal of Long-Lived Assets, requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Accounting for the Impairment or Disposal of Long-Lived Assets has not materially affected the Organization's reported earnings, financial condition or cash flows.

LITTLE BUNS, INC. 2

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. Little Buns, Inc. 2 has been classified as an Organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to income tax examinations by taxing authorities for tax years ending on or before December 31, 2014.

Advertising

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended December 31, 2017 and 2016.

Recent accounting standards

The Corporation has assessed the potential impact of accounting standards that have been issued, but not yet effective, and have determined that no such standards are expected to have a material impact to the financial statements.

During 2017, the Corporation adopted Accounting Standards Update (ASU) No. 2014-15, Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. ASU No. 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern for a period of one year from the date the consolidated financial statements are issued. When conditions or events that raise substantial doubt exist, additional disclosures will be required to enable financial statement users to understand those conditions or events, management's evaluation of them and management's plans that either alleviated substantial doubt or are intended to mitigate the conditions or events that raise substantial doubt. The adoption of ASU No. 2014-15 did not have a material effect on the accompanying consolidated financial statements.

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2017, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2017. Management has performed their analysis of subsequent events through October 4, 2018, the date the financial statements were available to be issued.

Going concern evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern for a period of one year from the date the financial statements are issued. Management has completed its evaluation as of October 4, 2018, and concluded that there are no conditions or events that raise substantial doubt about the entity's ability to continue as a going concern under ASU No. 2014-15.

LITTLE BUNS, INC. 2

NOTE 2 – ECONOMIC DEPENDENCY

Little Buns, Inc. 2 receives approximately 99% in 2017 and 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, 2017 and 2016, \$236,117 and \$470,392, respectively, are due from the IDE.

NOTE 3 - 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.

The directors have advanced the Organization funds for operations. The Organization owes the directors \$1,190 and \$1,000, at December 31, 2017 and 2016, respectively.

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.

NOTE 4 – CONTRIBUTIONS

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

NOTE 5 - CASH FLOW

There were no taxes or interest paid in cash for the years ended December 31, 2017 and 2016.

NOTE 6 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation.

SINGLE AUDIT SECTION

LITTLE BUNS, INC. 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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	1930029	\$ 2,779,157	\$ 2,986,928
Total Expenditures of Federal Awards			<u>\$ 2,779,157</u>	<u>\$ 2,986,928</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards includes the federal grant activity of Little Buns, Inc. 2 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. 2 has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. Per the major program requirements, Little Buns, Inc. 2 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. 2

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. 2 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 4, 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 opinion 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 the 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses, findings 2017-001 and 2017-002.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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

October 4, 2018



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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. 2

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, 2017. 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 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. 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; 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. 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.

Basis for Qualified Opinion on the Child and Adult Food Care Program

As described in the accompanying schedule of findings and questioned costs, Little Buns, Inc. 2 did not comply with requirements regarding the CFDA 10.558 Child and Adult Food Care Program as described in findings 2017-001 and 2017-002 for other compliance requirements and monitoring. Compliance with such requirements is necessary, in our opinion, for Little Buns, Inc. 2 to comply with the requirements applicable to that program.

Qualified Opinion on the Child and Adult Food Care Program

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, 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 Child and Adult Food Care Program for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed other 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 item finding 2017-003. 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 audits 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 to be material weaknesses.

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.

Pettit & Company, LLC

October 4, 2018

LITTLE BUNS, INC. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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: Qualified

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	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

LITTLE BUNS, INC. 2

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section II - Financial Statement Findings

Finding 2017-001

Criteria: Generally accepted accounting principles and Government Auditing Standards require management to safeguard assets.

Condition: In order to comply with generally accepted accounting principles (GAAP) and Government Auditing Standards certain accounting and administrative functions there should be a segregation of duties. One person has records the transactions and has access to the financial accounts of the Organization. This is a repeat finding.

Cause: The Organization does not have enough individuals to have proper segregation of duties.

Effect: Because of inherent limitations in any internal control system, errors, irregularities or instances of non-compliance may 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. Proper segregation of duties cannot be achieved without the costs exceeding the benefit.

Finding 2017-002

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: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative functions there should be a segregation of duties. One person has records the transactions and has access to the financial accounts of the Organization. This is a repeat finding.

Cause: The Organization's system to monitor provider reviews did not properly track the number of reviews for these providers.

Effect: The Organization did not properly review the day care providers.

Recommendation: The Organization should develop a more accurate system to track the number of monitoring visits that were performed during the year.

LITTLE BUNS, INC. 2

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section III - Federal Award Findings and Questioned Costs

Finding 2017-001

Criteria: Generally accepted accounting principles and *Government Auditing Standards* require management to safeguard assets.

Condition: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative functions there should be a segregation of duties. One person has records the transactions and has access to the financial accounts of the Organization. This is a repeat finding.

Cause: The Organization does not have enough individuals to have proper segregation of duties.

Effect: Because of inherent limitations in any internal control system, errors, irregularities or instances of non-compliance may 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. Proper segregation of duties cannot be achieved without the costs exceeding the benefit.

Finding 2017-002

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: In order to comply with generally accepted accounting principles (GAAP) and *Government Auditing Standards* certain accounting and administrative functions there should be a segregation of duties. One person has records the transactions and has access to the financial accounts of the Organization. This is a repeat finding.

Cause: The Organization's system to monitor provider reviews did not properly track the number of reviews for these providers.

Effect: The Organization did not properly review the day care providers.

Recommendation: The Organization should develop a more accurate system to track the number of monitoring visits that were performed during the year.

LITTLE BUNS, INC. 2

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section III - Federal Award Findings and Questioned Costs (Continued)

Finding 2017-003

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

Condition: Little Buns, Inc. 2 did not submit the Single Audit within the required nine month period. This is a repeat finding.

Cause: Unknown.

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.

LITTLE BUNS, INC. 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II - Financial Statement Findings

For the Year Ended December 31, 2016:

Finding 2016-001

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.

Status: Open.

Finding 2016-002

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

Status: Cleared.

Finding 2016-003

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

Status: Open.

Finding 2016-004

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

Status: Cleared.

LITTLE BUNS, INC. 2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017**

Section III - Federal Award Findings and Questioned Costs

For the Year Ended December 31, 2016:

Finding 2016-001

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.

Status: Open.

Finding 2016-002

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

Status: Open.

Finding 2016-003

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

Status: Cleared.

Finding 2016-004

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.

Status: Cleared.

LITTLE BUNS, INC. 2

CORRECTIVE ACTION PLAN

Little Buns, Inc. 2 respectively submits the following corrective action plan for the year ended December 31, 2017.

The findings from the December 31, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2017-001

Corrective Action: there is no recommendation due to the size of our Organization.

2017-002

Corrective Action: Management will engage the auditor earlier in the year.

2017-003

Corrective Action: Management will develop an accurate system through the Minute Menu software program to track the number of monitoring reviews to be performed during the fiscal year.