



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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July 8, 2020

Board of Directors
Little Buns, Inc. 2
2158 45th Street #602
Highland, IN 46322

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, 2018 to December 31, 2018. 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, 2018 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 finding in the report on page 20. 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 22.

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, 2018 AND 2017
(With Single Audit Section)

LITTLE BUNS, INC. 2

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Little Buns, Inc. 2 (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 position of Little Buns, Inc. 2 as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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 September 18, 2019, 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

September 18, 2019

LITTLE BUNS, INC. 2

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2018 AND 2017

Assets

	2018	2017
Current assets		
Cash and cash equivalents	\$ 2,481	\$ 19,636
Accounts receivable - CACFP	236,077	257,943
Total current assets	238,558	277,579
Property and equipment		
Computers	2,646	2,646
Total property and equipment	2,646	2,646
Accumulated depreciation	(1,329)	(800)
Net property and equipment	1,317	1,846
Total assets	\$ 239,875	\$ 279,425

Liabilities and net assets

	2018	2017
Current liabilities		
Accounts payable - providers	\$ 215,865	\$ 236,115
Total current liabilities	215,865	236,115
Long-term liabilities		
Note payable	1,190	1,190
Total long-term liabilities	1,190	1,190
Total liabilities	217,055	237,305
Net assets		
Net assets without restrictions	22,820	42,120
Total net assets	22,820	42,120
Total liabilities and net assets	\$ 239,875	\$ 279,425

LITTLE BUNS, INC. 2

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Unrestricted revenue and support		
Grant income	\$ 2,925,760	\$ 2,986,928
Other income	2,655	6,679
Total revenue and support	<u>2,928,415</u>	<u>2,993,607</u>
Expenses		
Child care food program	2,849,697	2,913,774
Management and general	98,018	78,884
Total cost of operations	<u>2,947,715</u>	<u>2,992,658</u>
Increase (decrease) in net assets	(19,300)	949
Net assets - beginning of year	<u>42,120</u>	<u>41,171</u>
Net assets - end of year	<u><u>\$ 22,820</u></u>	<u><u>\$ 42,120</u></u>

LITTLE BUNS, INC. 2

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Child care food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 120,734	\$ 120,734	\$ 38,789	\$ 159,523
Payroll taxes	9,205	9,205	3,356	12,561
Program costs - provider payments	2,719,758	2,719,758	-	2,719,758
Office supplies	-	-	6,765	6,765
Postage	-	-	906	906
Telephone	-	-	7,214	7,214
Bank charges	-	-	445	445
Professional fees	-	-	27,849	27,849
Vehicle expense	-	-	10,738	10,738
Printing and reproduction	-	-	1,427	1,427
Depreciation	-	-	529	529
Total Expenses	<u><u>\$ 2,849,697</u></u>	<u><u>\$ 2,849,697</u></u>	<u><u>\$ 98,018</u></u>	<u><u>\$ 2,947,715</u></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	\$ 124,667	\$ 124,667	\$ 30,488	\$ 155,155
Payroll taxes	9,950	9,950	3,473	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>\$ 2,913,774</u>	<u>\$ 2,913,774</u>	<u>\$ 78,884</u>	<u>\$ 2,992,658</u>

LITTLE BUNS, INC. 2

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (19,300)	\$ 949
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	529	529
(Increase) decrease in assets		
Accounts receivable - CACFP	21,866	251,371
Increase (decrease) in liabilities		
Accounts payable - providers	<u>(20,250)</u>	<u>(234,277)</u>
Net cash provided by (used in) operating activities	<u>(17,155)</u>	<u>18,572</u>
Cash flows from financing activities		
Proceeds on loan payable director - Ward	<u>-</u>	<u>190</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>190</u>
Net increase (decrease) in cash and cash equivalents	(17,155)	18,762
Cash and cash equivalents, beginning of fiscal year	<u>19,636</u>	<u>874</u>
Cash and cash equivalents, end of fiscal year	<u>\$ 2,481</u>	<u>\$ 19,636</u>

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 Organization, 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 preparation of the financial statements

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958. Under ASC 958 and the recently released ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – net assets that are not subject to donor- imposed stipulations.
- Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may be met by actions of the Organization and/or the passage of time and net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

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.

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.

Property and equipment

Property and equipment are recorded at cost and depreciation is computed using the straight line method. Depreciation is computed over the estimated useful lives of each individual asset. 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.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended December 31, 2018 and 2017.

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.

LITTLE BUNS, INC. 2

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the years ended December 31, 2018 and 2017. 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 the years ended December 31, 2018 and 2017.

Revenue recognition

Revenues and gains received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions.

Advertising

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended December 31, 2018 and 2017.

LITTLE BUNS, INC. 2

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2018, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2018. Management has performed their analysis of subsequent events through September 18, 2019, 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 Organization'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 September 18, 2019, 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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

NOTE 2 – ECONOMIC DEPENDENCY

Little Buns, Inc. 2 receives approximately 99% in 2018 and 99% in 2017 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, 2018 and 2017, \$215,867 and \$236,117, 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 at December 31, 2018 and 2017.

LITTLE BUNS, INC. 2

NOTE 4 - CASH FLOW

There were no taxes or interest paid in cash for the years ended December 31, 2018 and 2017.

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of contractual or donor-imposed restrictions and board designation within one year of the date of the statement of financial position. Amounts with board designations not available include amounts set aside for program related activity that could be drawn upon if the governing board approves that action. Amounts appropriated from either donor-restricted or board designation categories for general expenditures within one year of the date of the statement of financial position are available.

Financial assets available for general expenditure, which is without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 2,481	\$ 19,636
Accounts receivable	<u>236,077</u>	<u>257,943</u>
Total financial assets	<u>\$ 238,558</u>	<u>\$ 277,579</u>

There is no cash restricted. The total financial assets are available for operations within the next year.

SINGLE AUDIT SECTION

LITTLE BUNS, INC. 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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	\$ 2,719,758	\$ 2,925,760
Total Expenditures of Federal Awards			<u>\$ 2,719,758</u>	<u>\$ 2,925,760</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.



**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
Chicago, Illinois

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, 2018, 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 September 18, 2019.

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 a material weaknesses, finding 2018-001.

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

September 18, 2019



**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
Chicago Illinois

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, 2018. 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 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; 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.

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, 2018.

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. 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

September 18, 2019

LITTLE BUNS, INC. 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018**

Section II - Financial Statement Findings

Finding 2018-001

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.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings and question costs for the year ended December 31, 2018.

LITTLE BUNS, INC. 2

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section II - Financial Statement Findings

For the Year Ended December 31, 2017:

Finding 2017-001

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.

Section III - Federal Award Findings and Questioned Costs

For the Year Ended December 31, 2017:

Finding 2017-002

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

Status: Cleared.

Finding 2017-003

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

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, 2018.

The findings from the December 31, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2018-001

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