



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B55849

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

September 28, 2020

Board of Directors  
Little Buns, Inc.  
P.O. Box 1247  
Carmel, IN 46082

We have reviewed the audit report of Little Buns, Inc., which was opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Little Buns, Inc. as of December 31, 2019 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 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 22.

In our opinion, Pettit & Company, LLC prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit 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.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**  
**(With Single Audit Section)**

# LITTLE BUNS, INC.

## TABLE OF CONTENTS

<b>Independent auditor's report</b> .....	1-2
<b>Financial statements</b>	
Statements of financial position .....	3
Statements of activities .....	4
Statements of functional expenses .....	5-6
Statements of cash flows .....	7
Notes to financial statements .....	8-12
<b>Single audit section</b>	
Schedule of expenditures of federal awards .....	14
Summary schedule of prior audit findings .....	15
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 <i>Government Auditing Standards</i> .....	16-17
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.....	18-19
Schedule of findings and questioned costs .....	20-21
Corrective action plan .....	22



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Little Buns, Inc.  
Carmel, Indiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Little Buns, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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. as of December 31, 2019 and 2018, 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 August 26, 2020, on our consideration of Little Buns, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Little Buns, Inc.'s internal control over financial reporting and compliance.

*Pettit & Company, LLC*

August 26, 2020

**LITTLE BUNS, INC.**

**STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019 AND 2018**

**Assets**

	<b>2019</b>	<b>2018</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 27,946	\$ 22,697
Grants receivable	314,824	276,629
<b>Total current assets</b>	<b>342,770</b>	<b>299,326</b>
<b>Property and equipment</b>		
Furniture and fixtures	14,885	14,885
Total property and equipment	14,885	14,885
Accumulated depreciation	(11,193)	(10,550)
<b>Net property and equipment</b>	<b>3,692</b>	<b>4,335</b>
<b>Total assets</b>	<b>\$ 346,462</b>	<b>\$ 303,661</b>

**Liabilities and net assets**

	<b>2019</b>	<b>2018</b>
<b>Current liabilities</b>		
Accounts payable	\$ 311,040	\$ 269,571
Accrued wages payable	25,090	23,577
<b>Total current liabilities</b>	<b>336,130</b>	<b>293,148</b>
<b>Total liabilities</b>	<b>336,130</b>	<b>293,148</b>
<b>Net assets</b>		
Net assets without donor restrictions	10,332	10,513
<b>Total net assets</b>	<b>10,332</b>	<b>10,513</b>
<b>Total liabilities and net assets</b>	<b>\$ 346,462</b>	<b>\$ 303,661</b>

**LITTLE BUNS, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenue and other support</b>		
Grant income	\$ 4,261,070	\$ 3,957,353
Other income	36	15
<b>Total revenue and other support</b>	<u>4,261,106</u>	<u>3,957,368</u>
<b>Expenses</b>		
Child care food program	4,127,859	3,846,223
Management and general	133,428	135,516
<b>Total cost of operations</b>	<u>4,261,287</u>	<u>3,981,739</u>
<b>Change in net assets (deficit)</b>	<u>(181)</u>	<u>(24,371)</u>
<b>Change in net assets</b>	<b>(181)</b>	<b>(24,371)</b>
<b>Net assets - beginning of year without restrictions</b>	<u>10,513</u>	<u>34,884</u>
<b>Net assets - end of year without restrictions</b>	<u><u>\$ 10,332</u></u>	<u><u>\$ 10,513</u></u>

## LITTLE BUNS, INC.

### STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Child care food program	Total program	Management and general	Total
Salaries	\$ 300,243	\$ 300,243	\$ 32,340	\$ 332,583
Employee benefits	53,057	53,057	4,902	57,959
Payroll taxes	25,115	25,115	2,683	27,798
Program costs - provider payments	3,731,038	3,731,038	-	3,731,038
Contract services	-	-	26,977	26,977
Rent - office	-	-	19,530	19,530
Office supplies	16,254	16,254	209	16,463
Postage	-	-	1,407	1,407
Telephone	-	-	4,462	4,462
Utilities	-	-	2,188	2,188
Meals and entertainment	-	-	17,333	17,333
Professional fees	2,152	2,152	10,135	12,287
Vehicle expense	-	-	1,622	1,622
Repairs and maintenance	-	-	1,606	1,606
Printing and reproduction	-	-	1,151	1,151
Depreciation	-	-	643	643
Other expense	-	-	6,240	6,240
	<b>Total expenses</b>	<b>\$ 4,127,859</b>	<b>\$ 133,428</b>	<b>\$ 4,261,287</b>

## LITTLE BUNS, INC.

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

	Child care food program	Total program	Management and general	Total
Salaries	\$ 307,011	\$ 307,011	\$ 33,408	\$ 340,419
Employee benefits	44,561	44,561	7,037	51,598
Payroll taxes	26,877	26,877	1,365	28,242
Program costs - provider payments	3,454,595	3,454,595	-	3,454,595
Contract services	-	-	30,523	30,523
Rent - office	-	-	15,852	15,852
Office supplies	10,974	10,974	141	11,115
Postage	-	-	902	902
Telephone	-	-	8,452	8,452
Utilities	-	-	2,719	2,719
Meals and entertainment	-	-	16,028	16,028
Professional fees	2,205	2,205	9,365	11,570
Vehicle expense	-	-	-	-
Repairs and maintenance	-	-	821	821
Printing and reproduction	-	-	239	239
Depreciation	-	-	643	643
Other expense	-	-	8,021	8,021
	\$ 3,846,223	\$ 3,846,223	\$ 135,516	\$ 3,981,739
<b>Total expenses</b>	<b>\$ 3,846,223</b>	<b>\$ 3,846,223</b>	<b>\$ 135,516</b>	<b>\$ 3,981,739</b>

**LITTLE BUNS, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (181)	\$ (24,371)
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	643	643
(Increase) decrease in assets		
Grants receivable	(38,195)	15,094
Increase (decrease) in liabilities		
Accounts payable	41,469	7,084
Accrued wages payable	1,513	(131)
<b>Net cash provided by (used in) operating activities</b>	<b>5,249</b>	<b>(1,681)</b>
 <b>Cash flows from financing activities</b>		
Loan proceeds	15,000	-
Payments on loan	(15,000)	-
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>-</b>
 <b>Net increase in (decrease in) cash and cash equivalents</b>	<b>5,249</b>	<b>(1,681)</b>
 <b>Cash and cash equivalents, beginning of fiscal year</b>	<b>22,697</b>	<b>24,378</b>
<b>Cash and cash equivalents, end of fiscal year</b>	<b>\$ 27,946</b>	<b>\$ 22,697</b>

# LITTLE BUNS, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of operations**

Little Buns, Inc. (the “Organization”) was incorporated as a nonprofit organization under the laws of the State of Indiana. The Organization sponsors family day care providers, licensed centers, and registered daycare ministries who desire to participate in the Child and Adult Care Food Program (“CACFP”) of the United States Department of Agriculture. The CACFP is a major federal program as determined under the criteria of Title 2 U.S. Code of Federal Regulations (“CFR”), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. In this capacity, Little Buns, Inc. passes federal funds received from the Indiana Department of Education to the family day care providers who have served meals to eligible children.

#### **Use of estimates in the preparation of financial statements**

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.

#### **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 Statement 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.

There were no net assets with donor restrictions at December 31, 2019 and 2018.

## **LITTLE BUNS, INC.**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Grants receivable**

Grants receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Grants are considered past due if any portion of a grant has not been paid in full within the contractual terms of the account. The Organization begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the grantor, and other pertinent factors. Based on these criteria, no allowance for doubtful accounts has been provided at both December 31, 2019 and 2018 since the Organization expects no material losses.

#### **Property and equipment**

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

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

Furniture and equipment      5-7 years

#### **Long-lived assets**

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount of the fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during both the years ended December 31, 2019 and 2018.

#### **Functional expenses**

Expenses are reported when incurred. In the statements of functional expenses, costs not specifically related to program services are allocated in accordance with management's estimates of program support requirements. Salaries and related expenses are charged to program services based upon estimated time spent by personnel on the related programs. Direct expenses are charged to the various programs. Occupancy expenses are allocated based upon actual utilization of space.

## **LITTLE BUNS, INC.**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Retirement plan**

The Organization provides a 401(k) retirement plan for eligible employees who meet certain criteria such as age and term of employment. Eligible employees may elect to contribute a portion of their gross salary to the plan, subject to federal tax law. The Organization expenses matching contributions each year. The Organization's maximum contribution is 8% of employees' salaries. By its nature the plan is fully funded.

#### **Income taxes**

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for both of the years ended December 31, 2019 and 2018. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit nor has the Organization been contacted by these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for either of the years ended December 31, 2019 and 2018.

#### **Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

#### **Management's review of subsequent events**

The Management has performed an analysis of the activities and transactions subsequent to December 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. Management has performed their analysis of subsequent events through August 26, 2020, the date the financial statements were available to be issued and determined that no material subsequent events other than the following:

The worldwide spread of the COVID-19 coronavirus, and government mandated closures have impacted the Organization's operations to varying degrees. The Organization expects this matter to negatively impact its operating results in the future. While the disruption is expected to be temporary, the financial impact and duration cannot be reasonably estimated at this time.

## LITTLE BUNS, INC.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Recently adopted accounting pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASC 606 and all related amendments using the modified retrospective transition method. The Organization concluded that the adoption of the new standard did not require an adjustment to the opening net asset balance.

### NOTE 2 - CASH AND CASH FLOW INFORMATION

At various times throughout the year, the Organization may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 for each business depositor. At both December 31, 2019 and 2018, the Organization had no cash in financial institutions in excess of insured limits.

For the purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### NOTE 3 - RETIREMENT PLAN

The total 401(k) expense for the years ended December 31, 2019 and 2018 was \$19,694 and \$17,802, respectively.

### NOTE 4 - OPERATING LEASES

In January 2018, the Organization cancelled its related party leases and entered into a new office lease. The office lease is for 63 months. The monthly base rent is \$1,585 for months 4-15, \$1,631, for months 16-27, \$1,676 for months 28-40, \$1,721 for months 41-52 and \$1,766 for months 53-65.

Future minimum lease payments are as follows:

Years Ending December 31,	
2020	\$ 19,928
2021	20,426
2022	20,970
2023	8,832
	<u>\$ 70,156</u>

## LITTLE BUNS, INC.

### NOTE 5 - ECONOMIC DEPENDENCY AND CONCENTRATION OF RISK

Little Buns, Inc. receives 100% of its revenue from the Indiana Department of Education (IDOE). The IDOE receives funding from the U.S. Department of Agriculture (USDA). Should this funding cease, the Organization would not be able to continue operations. The Organization only operates in the state of Indiana. As of December 31, 2019 and 2018, \$314,824 and \$276,629, respectively, were due from the IDOE.

### NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2019 and 2018. There are no contractual or donor-imposed restrictions and board designation within one year of the date of the statement of financial position.

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 27,946	\$ 22,697
Grants receivable	<u>314,824</u>	<u>276,629</u>
Total financial assets unrestricted	<u>\$ 342,770</u>	<u>\$ 299,326</u>

### NOTE 7 – RELATED PARTY TRANSACTIONS

During the fiscal year, a director loaned the Organization \$15,000. The loan was paid off during the year.

### NOTE 8 – CREDIT RISK

The Organization may at times maintain cash balances in financial institutions in excess of the federally insured limits of \$250,000. Organization management monitors the financial ratings of such financial institutions and believes the risk of loss is minimal.

**SINGLE AUDIT SECTION**

**LITTLE BUNS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<b><i>Passed Through the State of Indiana Department of Education</i></b>				
Child and Adult Care Food Program	10.558	29-0040	<u>\$ 3,731,038</u>	<u>\$ 4,261,070</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 3,731,038</u></b>	<b><u>\$ 4,261,070</u></b>

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards includes the federal grant activity of Little Buns, Inc. and is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Little Buns, Inc. has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. Per the major program requirements, Little Buns' is awarded a 15% administration fee on centers served and a per meal served fee on homes served.

**NOTE 3 – SUB-RECIPIENTS**

The Organization provided grants to approximately 145 licensed home day care providers and registered day care ministries for carrying out the federal program.

**LITTLE BUNS, INC.**

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

**Section II Financial Statement Findings**

There were no financial statement findings for the year ended December 31, 2018.

**Section III Federal Award Findings**

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



**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.  
Carmel, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Little Buns, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 26, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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, finding 2019-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Little Buns, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

August 26, 2020



**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.  
Carmel, Indiana

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

We have audited Little Buns, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Little Buns, Inc.'s major federal programs for the year ended December 31, 2019. Little Buns, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Little Buns, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Little Buns, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Little Buns, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Little Buns, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Pettit & Company, LLC*

August 26, 2020

**LITTLE BUNS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Going concern explanatory paragraph included? \_\_\_Yes XNo

Internal control over financial reporting:

Material weakness(es) identified? XYes \_\_\_No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_Yes XNone Reported

Noncompliance material to financial statements noted? \_\_\_Yes XNo

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_Yes XNo

*Significant deficiency(ies) identified that are not considered to be material weaknesses?* \_\_\_Yes XNone Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance? \_\_\_Yes XNo

Identification of major programs tested:

<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.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019 (CONTINUED)**

**Section II Financial Statement Findings**

Finding 2019-001

**Statement of condition:** The financial statements required material adjusting journal entries from the auditor.

**Criteria:** AU Section 325 “Communicating Internal Control Related Matters Identified in an Audit”, clarifies management’s responsibility to have internal controls in place to apply appropriate accounting principles and to provide information to produce the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). While management is not required to prepare the financial statements, management does need to demonstrate the level of qualifications to prepare and review the report without significant deficiencies or material weaknesses in these controls.

**Effect or potential effect:** The financial statements were materially misstated before the auditor proposed adjusting journal entries.

**Cause:** Management does not have a proper review of the financial statements on a monthly basis to enable them to catch and correct misstatements.

**Recommendation:** Management should established procedures to review the financial statements on a monthly basis to detect misstatements so they can be corrected in a timely manner.

**Reporting views of responsible officials:** See corrective action plan.

**Section III Federal Award Findings**

No federal award findings for the year ended December 31, 2019.

LITTLE BUNS, INC.  
P.O. BOX 1247  
CARMEL, IN 46082  
317-663-8276  
317-218-3267 (fax)  
[littlebunsinc@gmail.com](mailto:littlebunsinc@gmail.com)  
littlebunsinc.com

### **CORRECTIVE ACTION PLAN**

Little Buns, Inc. respectively submits the following corrective action plan for the year ended December 31, 2019.

The findings from the December 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

#### **2019-001**

Corrective Action: Management will book the adjusting journal entries from the audit and have a board member view bank reconciliations on a monthly basis.