



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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October 25, 2021

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, 2020 to December 31, 2020. 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, 2020 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Pettit & Company, LLC prepared 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.

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



LITTLE BUNS, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(With Single Audit Section)

LITTLE BUNS, INC.

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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, 2020 and 2019, 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, 2020 and 2019, and the change 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, 2021, 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

Indianapolis, Indiana
August 26, 2021

LITTLE BUNS, INC.

**STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019**

Assets

	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 38,214	\$ 27,946
Investments	180,059	-
Grants receivable	265,415	314,824
Total current assets	<u>483,688</u>	<u>342,770</u>
Property and equipment		
Furniture and fixtures	14,885	14,885
Total property and equipment	14,885	14,885
Accumulated depreciation	(11,836)	(11,193)
Net property and equipment	<u>3,049</u>	<u>3,692</u>
Total assets	<u><u>\$ 486,737</u></u>	<u><u>\$ 346,462</u></u>

Liabilities and net assets

	<u>2020</u>	<u>2019</u>
Current liabilities		
Accounts payable	\$ 249,869	\$ 311,040
Accrued wages payable	22,173	25,090
Total current liabilities	<u>272,042</u>	<u>336,130</u>
Long-term liabilities		
COVID-19 economic income disaster loan	150,000	-
Total long-term liabilities	<u>150,000</u>	<u>-</u>
Total liabilities	<u><u>422,042</u></u>	<u><u>336,130</u></u>
Net assets		
Net assets without donor restrictions	64,695	10,332
Total net assets	<u>64,695</u>	<u>10,332</u>
Total liabilities and net assets	<u><u>\$ 486,737</u></u>	<u><u>\$ 346,462</u></u>

LITTLE BUNS, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenue and support		
Grant income	\$ 3,212,099	\$ 4,261,070
Other income	12	18
Unrealized gain on investments	35,059	-
Total revenue and support	<u>3,247,170</u>	<u>4,261,088</u>
Expenses		
Child care food program	3,053,149	4,120,701
Management and general	139,658	140,568
Total cost of operations	<u>3,192,807</u>	<u>4,261,269</u>
Change in net assets	<u>54,363</u>	<u>(181)</u>
Change in net assets	54,363	(181)
Net assets - beginning of year without restrictions	<u>10,332</u>	<u>10,513</u>
Net assets - end of year without restrictions	<u><u>\$ 64,695</u></u>	<u><u>\$ 10,332</u></u>

LITTLE BUNS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Child care food program</u>	<u>Total program</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 282,793	\$ 282,793	\$ 32,340	\$ 315,133
Employee benefits	24,771	24,771	4,902	29,673
Payroll taxes	37,196	37,196	2,683	39,879
Program costs - provider payments	2,707,569	2,707,569	-	2,707,569
Contract services	-	-	34,458	34,458
Rent - office	-	-	19,974	19,974
Office supplies	-	-	13,085	13,085
Postage	-	-	511	511
Telephone	-	-	4,588	4,588
Utilities	-	-	1,803	1,803
Meals and entertainment	-	-	6,717	6,717
Professional fees	820	820	9,552	10,372
Vehicle expense	-	-	1,754	1,754
Repairs and maintenance	-	-	1,099	1,099
Printing and reproduction	-	-	274	274
Depreciation	-	-	643	643
Other expense	-	-	5,275	5,275
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 3,053,149	\$ 3,053,149	\$ 139,658	\$ 3,192,807

LITTLE BUNS, INC.

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

	<u>Child care food program</u>	<u>Total program</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 299,176	\$ 299,176	\$ 33,408	\$ 332,584
Employee benefits	50,922	50,922	7,037	57,959
Payroll taxes	26,433	26,433	1,365	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	10,974	10,974	5,489	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	2,158	2,158	10,129	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	-	-	6,221	6,221
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	\$ 4,120,701	\$ 4,120,701	\$ 140,568	\$ 4,261,269

LITTLE BUNS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 54,363	\$ (181)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	643	643
Unrealized gain on investments	(35,059)	-
(Increase) decrease in assets		
Grants receivable	49,409	(38,195)
Increase (decrease) in liabilities		
Accounts payable	(61,171)	41,469
Accrued wages payable	(2,917)	1,513
	<u>5,268</u>	<u>5,249</u>
Net cash provided by (used in) operating activities		
Cash from investing activities		
Purchase of investments	(145,000)	-
	<u>(145,000)</u>	<u>-</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from COVID-19 economic income disaster loan	150,000	-
Loan proceeds - related party	-	15,000
Payments on loan - related party	-	(15,000)
	<u>150,000</u>	<u>-</u>
Net cash provided by (used in) financing activities		
Net increase in (decrease in) cash and cash equivalents	10,268	5,249
Cash and cash equivalents, beginning of fiscal year	<u>27,946</u>	<u>22,697</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 38,214</u></u>	<u><u>\$ 27,946</u></u>

LITTLE BUNS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

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

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, 2020 and 2019.

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.

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.

LITTLE BUNS, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of credit risk

With the exception of investment income, 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, 2020 and 2019, \$265,415 and \$314,824, respectively, were due from the IDOE.

Investments

The Organization accounts for investments with readily determinable fair values in the statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific identification method. Unrealized gains and losses are included in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

Grants receivable

Grants receivable consists of grant revenue expected to be received shortly after year-end. Management considers grants receivable at December 31, 2020 and 2019, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and equipment

Furniture and fixtures are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts will be reduced by the related costs and accumulated depreciation.

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 either of the years ended December 31, 2020 and 2019.

LITTLE BUNS, INC.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 program.

Revenue and support

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Revenue funded by contracts, which represents revenue from exchange transactions, is recognized as the Organization performs the contracted services. Support funded by grants is recognized when the contributions are made. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit. Support and revenue with donor-imposed restrictions which are met in the same reporting period are reported as net assets without donor restrictions in the statement of activities.

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, 2020 and 2019. 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, 2020 and 2019.

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

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2020. Management has performed their analysis of subsequent events through August 26, 2021, the date the financial statements were available to be issued.

LITTLE BUNS, INC.

NOTE 2 - RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606). The standard requires an entity to recognize revenue in a manner that depicts the transfer of goods or services (performance obligations) to customers at an amount that reflects the consideration to which the entity expects to be entitled to receive. The Organization adopted this standard on January 1, 2019 using the modified retrospective method of adoption applied to all contracts at that date. Adoption of the ASU did not require an adjustment to the opening balance of net assets. The standard did not have a significant effect on its results of operations or financial position in 2019.

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending December 31, 2022. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2020 and 2019. 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>2020</u>	<u>2019</u>
Financial assets at year end		
Cash and cash equivalents	\$ 38,214	\$ 27,946
Investments	180,059	-
Grants receivable	<u>265,415</u>	<u>314,824</u>
Total financial assets	483,688	342,770
Less amounts not available to be used within one year:	-	-
Financial assets not available to be used within one year	-	-
Financial assets available to be used within one year	<u>\$ 483,688</u>	<u>\$ 342,770</u>

LITTLE BUNS, INC.

NOTE 5 - INVESTMENTS

Investments are composed of the following:

	<u>2020</u>	<u>2019</u>
Bank sweep	\$ 7,575	\$ -
Equity securities	<u>172,484</u>	<u>-</u>
	<u>\$ 180,059</u>	<u>\$ -</u>

Net return on investments is as follows:

	<u>2020</u>	<u>2019</u>
Unrealized gain (loss)	<u>\$ 35,059</u>	<u>-</u>
	<u>\$ 35,059</u>	<u>\$ -</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

The Organization utilizes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1:** Quoted prices for identical assets or liabilities traded in active exchange markets, such as the New York Stock Exchange.
- **Level 2:** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- **Level 3:** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. While the Organization believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determining the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

LITTLE BUNS, INC.

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

During the years ended December 31, 2020 and 2019, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

Assets measured at fair value as of December 31, 2020 and 2019 are summarized as follows:

	<u>December 31, 2020</u>			
	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Bank sweep	\$ 7,575	\$ 7,575	\$ -	\$ -
Equities	<u>172,484</u>	<u>172,484</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 180,059</u>	<u>\$ 180,059</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>December 31, 2019</u>			
Bank sweep	\$ -	\$ -	\$ -	\$ -
Equities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - 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.

The total 401(k) expense for the years ended December 31, 2020 and 2019 was \$7,081 and \$19,694, respectively.

NOTE 8 - OPERATING LEASES

The Organization leases office space under a non-cancelable operating lease expiring in 2023. Total rental expense for under this lease for the years ended December 31, 2020 totaled \$19,974 and \$19,530, respectively.

Future minimum lease payments are as follows:

Years Ending December 31,	
2021	\$ 20,426
2022	20,970
2023	<u>8,832</u>
	<u>\$ 50,228</u>

LITTLE BUNS, INC.

NOTE 9 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, a director loaned the Organization \$15,000. The loan was paid off during the year ended December 31, 2019.

NOTE 10 – COVID-19 PANDEMIC, PAYCHECK PROTECTION PROGRAM LOAN & ECONOMIC INCOME DISASTER LOAN

COVID-19 Pandemic

During fiscal year 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its fiscal year 2020 and 2021 operations and financial results including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of health care personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2020.

Paycheck protection program loan

In March 2020, Congress established the Paycheck Protection Program (“PPP”) to provide relief to small businesses during the coronavirus pandemic (“COVID-19”) as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The legislation authorized the Treasury to use the Small Business Administration’s (“SBA’s”) 7(a) small business lending program to fund forgivable loans that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities during the “Covered Period” defined as the 8-week period starting on the date the PPP loan proceeds are received. Upon meeting certain criteria as specified in the PPP program, the loans are eligible for partial or total forgiveness. On June 5, 2020, the PPP Flexibility Act of 2020 (the “Act”) was signed into law, giving borrowers flexibility with certain criteria under the PPP program including extension of the Covered Period to 24 weeks from 8 weeks, reduction to 60% of the payroll costs requirements (previously 75%), extension of the payment deferral period, extension of the full-time equivalent (“FTE”) restoration deadline to December 31, 2020, and safe harbor provisions to remove the FTE reduction in forgiveness under limited circumstances.

In June 2020, the AICPA issued Technical Question and Answer (“TQA”) 3200.18, Borrower Accounting for a Forgivable Loan Received under the Small Business Administration Paycheck Protection Program. The TQA addresses accounting for nongovernmental entities that are not Not-For-Profits, i.e. business entities, that believe the PPP loan represents, in substance, a grant that is expected to be forgiven, it may account for the loan as a deferred income liability. The TQA further states that if such an entity expects to meet the PPP’s eligibility criteria and concludes that the PPP loan represents in substance, a grant that is expected to be forgiven, it may account for such PPP loans in accordance with FASB ASC 958-605 as a conditional contribution.

The Organization applied for and received proceeds of \$59,473 through the PPP program on May 5, 2020, prior to the enactment of the Act. The Organization has determined both through internal calculations and those provided by the AICPA’s forgiveness model, that all criteria for forgiveness based on both the CARES Act and the Act have been met as of December 31, 2020 and that the PPP loan will be 100% forgiven. The Organization considers the PPP loan a grant that is expected to be forgiven and as such, has recorded the proceeds as a grant as of December 31, 2020.

LITTLE BUNS, INC.

NOTE 10 – COVID-19 PANDEMIC, PAYCHECK PROTECTION PROGRAM LOAN & ECONOMIC INCOME DISASTER LOAN (CONTINUED)

Paycheck protection program loan (Continued)

For the period May 1, 2020 through December 31, 2020, the Organization incurred the following costs related to and compensated through the PPP proceeds and which have been forgiven in its entirety:

Salaries and wages	<u>\$ 59,473</u>
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COVID-19 economic injury disaster loan

On June 19, 2020, the Organization received a \$150,000 COVID-19 Economic Injury Disaster Loan (EIDL), administered by the SBA available under the provisions of the CARES Act for the purpose of meeting obligations and operating expenses that could have been met had the disaster not occurred. The EIDL carries a fixed interest rate of 2.75%. Interest accrued on the loan beginning with the initial disbursement; and monthly payments of principal and interest in the amount of \$641 are due starting two years from the date of the initial disbursement through June 19, 2050. At December 31, 2020 the total outstanding balance of the EIDL loan was \$150,000.

Future maturities of the EIDL loan as of December 31, 2020, are as follows:

2021	\$ -
2022	-
2023	3,441
2024	3,537
2025	3,636
Thereafter	<u>139,386</u>
	<u>\$ 150,000</u>

The loan is collateralized by all tangible and intangible personal property of the Organization. As part of the EIDL program, the Organization also received an \$8,000 advance payment which will not require repayment.

SINGLE AUDIT SECTION

LITTLE BUNS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/Pass-Through <u>Grantor/ Program Title</u>	Federal CFDA <u>Number</u>	Pass- through Grantor's <u>Number</u>	Passed Through to <u>Subrecipients</u>	Federal <u>Expenditures</u>
U.S. Department of Agriculture:				
<i>Passed Through the State of Indiana Department of Education</i>				
Child and Adult Care Food Program	10.558	29-0040	\$ 2,707,569	\$ 3,144,626
U.S. Small Business Administration				
COVID-19 Disaster Assistance Loans	59.008		_____ -	_____ 150,000
Total Expenditures of Federal Awards			<u>\$ 2,707,569</u>	<u>\$ 3,294,626</u>

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – SUB-RECIPIENTS

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

LITTLE BUNS, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section II Financial Statement Findings

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

Status: Cleared.

Section III Federal Award Findings

There were no federal award findings for the year ended December 31, 2019.



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

INDEPENDENT AUDITOR'S REPORT

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

We have audited 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, the financial statements of Little Buns, Inc., which comprise the statement of financial position as of December 31, 2020, 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, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Little Buns, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Little Buns, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Pettit & Company, LLC

Indianapolis, Indiana
August 26, 2021



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

INDEPENDENT AUDITOR'S REPORT

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, 2020. 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* (CFR) 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, 2020.

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 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

Indianapolis, Indiana
August 26, 2021

LITTLE BUNS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Going concern explanatory paragraph included?	No
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None Reported
Type of auditor’s report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance?	No

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

Section II Financial Statement Findings

No financial statement findings for the year ended December 31, 2020.

Section III Federal Award Findings

No federal award findings for the year ended December 31, 2020.