

FINANCIAL STATEMENT AUDIT REPORT OF
DOWN EAST PARTNERSHIP FOR CHILDREN
ROCKY MOUNT, NORTH CAROLINA
FOR THE YEAR ENDED JUNE 30, 2024

BOARD OF DIRECTORS

DR. TRENT MOHRBUTTER, BOARD CHAIR

ADMINISTRATIVE OFFICER

HENRIETTA ZALKIND, EXECUTIVE DIRECTOR

Down East Partnership for Children

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Independent Auditor's Report

To Board Members of
Down East Partnership for Children
Rocky Mount, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Down East Partnership for Children, which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2024, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Statement of Receipts, Expenditures and Net Assets - Modified Cash Basis of the Down East Partnership for Children as of and for the year ended June 30, 2024, and the Statement of Functional Expenditures - Modified Cash Basis for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Down East Partnership for Children, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Down East Partnership for Children's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Down East Partnership for Children's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Down East Partnership for Children's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedule 2 on page 24 and Schedule 5 on page 28 is presented for purposes of additional analysis as required by the North Carolina Office of the State Auditor, and is not a required part of the financial statements. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion or provide any assurance on Schedules 2 and 5.

The accompanying supplementary information in Schedules 1, 3, and 4 on pages 23, 25, and 27 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 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 December 11, 2024, on our consideration of Down East Partnership for Children'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 solely 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 the effectiveness of Down East Partnership for Children's 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 Down East Partnership for Children's internal control over financial reporting and compliance.



Charlotte, North Carolina
December 11, 2024

**Down East Partnership for Children
Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis
For the Year Ended June 30, 2024**

Exhibit A

	Without Donor Restrictions	With Donor Restrictions	Total Funds
Receipts:			
State Awards and Contracts	\$ 4,713,506	\$ 588	\$ 4,714,094
Federal Awards	1,922,083	-	1,922,083
Local Awards	15,000	-	15,000
Private Contributions	243,820	95,133	338,953
Special Fundraising Events	24,506	-	24,506
Interest and Investment Earnings	11,352	-	11,352
Sales Tax Refunds	12,194	-	12,194
Other Receipts	1,713	-	1,713
Total Receipts	6,944,174	95,721	7,039,895
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	43,600	(43,600)	-
	6,987,774	52,121	7,039,895
Expenditures:			
Programs:			
Child Care and Education Affordability	1,021,520	-	1,021,520
Child Care and Education Quality	531,751	-	531,751
Family Support	826,591	-	826,591
Health and Safety	244,327	-	244,327
NC Pre-K	3,539,995	-	3,539,995
Support:			
Fundraising	61,025	-	61,025
Management and General	643,133	-	643,133
Program Planning, Coordination and Evaluation	82,499	-	82,499
Other:			
Refund of Prior Year Grant	11,303	-	11,303
Sales Tax Paid	14,647	-	14,647
Total Expenditures	6,976,791	-	6,976,791
Excess (Deficiency) of Receipts Over Expenditures	10,983	52,121	63,104
Net Assets at Beginning of Year	370,533	65,040	435,573
Net Assets at End of Year	\$ 381,516	\$ 117,161	\$ 498,677
Net Assets Consisted of:			
Cash and Cash Equivalents	\$ 137,334	\$ 102,316	\$ 239,650
Investments	362,310	-	362,310
Beneficial Interest in the Community Foundation	-	14,845	14,845
	499,644	117,161	616,805
Less: Due to State	115,411	-	115,411
Funds Held for Others	2,717	-	2,717
Total Net Assets	\$ 381,516	\$ 117,161	\$ 498,677

The Accompanying Notes are an Integral Part of the Financial Statements.

Down East Partnership for Children
Statement of Functional Expenditures - Modified Cash Basis
For the Year Ended June 30, 2024

Exhibit B

	Total	Personnel	Contracted Services	Supplies and Materials	Other Operating Expenditures	Fixed Charges and Other Expenditures	Property and Equipment Outlay	Services/Contracts/Grants
Smart Start Fund:								
Programs:								
Child Care and Education Affordability	\$ 1,021,520	\$ 178,902	\$ 2,804	\$ 2,360	\$ 11,317	\$ 1,134	\$ 4,355	\$ 820,648
Child Care and Education Quality	283,417	149,805	1,122	4,331	32,850	3,062	2,900	89,347
Family Support	636,255	382,736	11,218	20,119	104,573	4,702	58,128	54,779
NC Pre-K	193,702	37,201	-	976	5,207	318	-	150,000
	<u>2,134,894</u>	<u>748,644</u>	<u>15,144</u>	<u>27,786</u>	<u>153,947</u>	<u>9,216</u>	<u>65,383</u>	<u>1,114,774</u>
Support:								
Fundraising	25,130	24,205	-	585	-	340	-	-
Management and General	235,424	205,311	5,225	1,781	13,132	9,975	-	-
Program Planning, Coordination and Evaluation	81,376	73,042	36	1,213	3,984	1,575	1,526	-
	<u>341,930</u>	<u>302,558</u>	<u>5,261</u>	<u>3,579</u>	<u>17,116</u>	<u>11,890</u>	<u>1,526</u>	<u>-</u>
Total Smart Start Fund Expenditures	<u>\$ 2,476,824</u>	<u>\$ 1,051,202</u>	<u>\$ 20,405</u>	<u>\$ 31,365</u>	<u>\$ 171,063</u>	<u>\$ 21,106</u>	<u>\$ 66,909</u>	<u>\$ 1,114,774</u>
Other Funds:								
Programs:								
Child Care and Education Quality	\$ 248,334	\$ 223,369	\$ -	\$ 7,860	\$ 9,575	\$ 6,634	\$ 208	\$ 688
Family Support	190,336	114,877	105	2,873	16,702	7,465	-	48,314
Health and Safety	244,327	185,043	217	11,865	27,984	719	-	18,499
NC Pre-K	3,346,293	130,370	3,074	839	4,998	1,731	76	3,205,205
	<u>4,029,290</u>	<u>653,659</u>	<u>3,396</u>	<u>23,437</u>	<u>59,259</u>	<u>16,549</u>	<u>284</u>	<u>3,272,706</u>
Support:								
Fund Raising	35,895	30,349	-	70	444	5,032	-	-
Management and General	407,709	358,568	8,970	4,993	22,348	9,427	3,403	-
Program Planning, Coordination and Evaluation	1,123	1,121	-	-	2	-	-	-
	<u>444,727</u>	<u>390,038</u>	<u>8,970</u>	<u>5,063</u>	<u>22,794</u>	<u>14,459</u>	<u>3,403</u>	<u>-</u>
Other:								
Refund of Prior Year Grant	11,303	-	-	-	-	11,303	-	-
Sales Tax Paid	14,647	-	-	14,647	-	-	-	-
	<u>25,950</u>	<u>-</u>	<u>-</u>	<u>14,647</u>	<u>-</u>	<u>11,303</u>	<u>-</u>	<u>-</u>
Total Other Funds Expenditures	<u>\$ 4,499,967</u>	<u>\$ 1,043,697</u>	<u>\$ 12,366</u>	<u>\$ 43,147</u>	<u>\$ 82,053</u>	<u>\$ 42,311</u>	<u>\$ 3,687</u>	<u>\$ 3,272,706</u>

The Accompanying Notes are an Integral Part of the Financial Statements.

DOWN EAST PARTNERSHIP FOR CHILDREN
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Purpose - The Down East Partnership for Children (Down East Partnership) is a legally separate nonprofit organization incorporated on December 7, 1993. Down East Partnership was established to develop and provide, through public and private means, early childhood education and developmental services for children and families. Down East Partnership is tax-exempt as an organization described in Section 501(c)(3) of the Internal Revenue Code.

B. Basis of Presentation - The accompanying financial statements present all funds for which the Down East Partnership's Board of Directors is responsible. Pursuant to the provisions of Financial Accounting Standards Board's Accounting Standard for *Not-For-Profit Entities*, the accompanying financial statements present information according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets without donor restrictions are the part of net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Net assets with donor restrictions are the part of net assets subject to donor-imposed restrictions. As permitted by this Standard, contributions with donor restrictions received and expended in the same year are reported as receipts without donor restrictions rather than receipts with donor restrictions.

Contributions with donor restrictions that are not expended within the year received are reported as an increase in net assets with donor restrictions. When the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as net assets released from restrictions.

C. Basis of Accounting - The accompanying financial statements were prepared on the modified cash basis of accounting. This basis differs from accounting principles generally accepted in the United States of America primarily because it recognizes long lived assets and other costs which benefit more than one period as expended in the year purchased; it recognizes revenue when received rather than when earned; and it recognizes expenditures when paid rather than when incurred.

However, unexpended advances to contractors that revert back to the State of North Carolina are recognized as a reduction to expenditures and an increase to net assets. In addition, amounts withheld from employee paychecks or other amounts received in an agency capacity are recorded as funds held for others. Additionally, Smart Start funds advanced to the Local

Partnership that are unexpended and unearned at year end are recorded as funds Due to the State.

- D. Cash and Cash Equivalents** - This classification appears on the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis and includes all demand and savings accounts and certificates of deposit and other short-term investments with an original maturity of three months or less.
- E. Investments** - This classification includes money market funds, mutual funds, and stocks. Under the modified cash basis of accounting, investments in marketable securities are reported at cost, which may differ significantly from their fair values.
- F. Beneficial Interest in Community Foundation-** This classification consists of funds invested with NC Community Foundation as reported in Note 15. These amounts are included in the amounts shown in the With Donor Restrictions column of Exhibit A and represent the irrevocable principal in an endowment fund as described more fully in Note 16.
- G. Due to State** - The funding provided by the State of North Carolina for the Smart Start Initiative is funded on a cost-reimbursement basis. The money is earned to the extent of allowable costs incurred. Any unexpended funds as of June 30 are required to be reverted to The North Carolina Partnership for Children, Inc. to be returned to the State of North Carolina.
- H. Funds Held for Others** - Funds Held for Others includes amounts received that are fiduciary in nature in which Down East Partnership acts in an agency capacity. The Down East Partnership offers its employees the opportunity to participate in a Section 125 of the Internal Revenue Code. A Cafeteria plan allows employees to pay for certain employee benefits with pre-tax deductions. At June 30, 2024, Funds Held for Others consisted of the following:

Accounts	Amount
Flexible Spending Accounts	\$ 1,077
Amount of 403(b) waiting for agent to set up accounts	763
Health Insurance Premium	297
Dental Insurance Premium	38
Colonial Life	8
United Way	313
Workshops	221
	\$ 2,717

- I. Property and Equipment** - Under the modified cash basis of accounting, purchases of property and equipment are reported as expenditures in the year incurred. However, Down East Partnership is required by contract regulation to track and maintain property and equipment items as presented in Schedule 4 of this report. Down East Partnership has a policy to track purchases of

property and equipment items with an individual cost of \$500 or more and an estimated useful life greater than one year. Such items are valued at their original purchase price, which may be different from their valuation as of June 30, 2024. Donated items are recorded on the property and equipment log at estimated fair market value at the date of donation, which is defined as the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date.

- J. Compensated Absences** - As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures related to compensated absences are recorded when paid. The amount of accrued compensated absences for accumulated, unpaid leave that would be due to employees upon termination is reported as a commitment in Note 11.

- K. Use of Estimates** - The preparation of financial statements in conformity with the modified cash basis of accounting used by Down East Partnership requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as allocation of joint costs); accordingly, actual results could differ from those estimates. It is management's belief that these estimates are reasonable and fair.

- L. Qualifying Match and Contributions of Financial and Nonfinancial Assets** - Down East Partnership, in accordance with applicable Smart Start legislation, reports qualifying match provided at both the Partnership and the contractor level; the qualifying match is reported in supplemental Schedule 5. The match includes contributions of cash and other financial assets, and nonfinancial assets. Contributions of cash and other financial assets, received and expended at the Partnership level, are recognized as revenue when they are received and as expenditures when they are paid and are included in the modified cash basis financial statements. For valuation of contributions of other financial assets and nonfinancial assets, the Down East Partnership utilizes fair value on the date of the gift. Nonfinancial assets could be donated equipment, supplies, office space, or services. The Down East Partnership also benefits from donor volunteer hours which do not require special expertise, but which are nonetheless central to Down East Partnership's operations. During the year ended June 30, 2024, Down East Partnership did not receive any contributions of other financial assets. Under the modified cash basis of accounting, the qualifying match reported on Schedule 5 for cash provided at the contractor level and for donated assets and services at both the Partnership and contractor levels is not recorded. See supplemental Schedule 5 for more information on the contributions of nonfinancial assets.

NOTE 2 - DEPOSITS

All funds of Down East Partnership are deposited with commercial banks and insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank.

Deposits over insured amounts subjects the Down East Partnership to a concentration of credit risk. At June 30, 2024, the Down East Partnership's bank deposits in excess of the FDIC insured limit was \$104,221.

NOTE 3 - INVESTMENTS

Investments as of June 30, 2024 are summarized as follows:

	Cost	Unrealized Gains	Unrealized Loss	Fair Value
Money Market	\$ 3,172	\$ -	\$ -	\$ 3,172
Stocks and Options	62,184	37,527	-	99,711
Mutual Funds	296,954	-	3,171	293,783
Total Investments	<u>\$ 362,310</u>	<u>\$ 37,527</u>	<u>\$ 3,171</u>	<u>\$ 396,666</u>

The Down East Partnership records interest and dividend earnings and realized gain and losses in the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis under the heading interest and investment earnings. Investment fees are recorded in the charges expense account.

Interest and investment earnings for the year ending June 30, 2024 are as follows:

Investment earnings	\$ 11,324
Interest on bank accounts	<u>28</u>
Total interest and investment earnings	<u>\$ 11,352</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820-10 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market, or actively traded over-the-counter markets.

Level 2 - Valuation is based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the

determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mutual Funds - Mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and asked prices on such exchange. The Down East Partnership's interests in such investments are classified within Level 1 of the valuation hierarchy.

Stocks - Valued based on quoted market prices in active markets at year end.

The following table sets forth by level within the fair value hierarchy, the Down East Partnership's investment as of June 30, 2024:

	Level 1	Level 2	Level 3	Total Fair Value
Money Market	\$ 3,172	\$ -	\$ -	\$ 3,172
Stocks and Options	99,711	-	-	99,711
Mutual Funds	293,783	-	-	293,783
Beneficial Interest in Community Foundation	-	-	34,318	34,318
	<u>\$ 396,666</u>	<u>\$ -</u>	<u>\$ 34,318</u>	<u>\$ 430,984</u>

NOTE 5 - FUNDING FROM GRANT AWARDS AND CONTRACTS

Smart Start Program - One of Down East Partnership's major sources of revenue and support is from the State of North Carolina based on cost-reimbursement contracts with The North Carolina Partnership for Children, Inc. (NCPC) for the Smart Start program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of Down East Partnership and represents a concentration of credit risk as to the generation of revenue.

Associated with these contracts, Down East Partnership is responsible for developing a comprehensive, collaborative, long-range plan of services to children and families for the service-delivery area. During the year, the North Carolina Division of Health and Human Services (DHHS) entered into contracts with and made payments to service providers selected by Down East Partnership. These service provider contracts are not reflected on the accompanying financial statements. However, a summary of the service provider contracts entered into DHHS is presented on Schedule 2 accompanying the financial statements.

Down East Partnership was awarded and has received \$2,592,235 under a current year Smart Start contract with NCPC. The unexpended balance of this contract is subject to reversion to the State. Down East Partnership refunded \$115,411 of this

contract to the State based on financial status reports submitted to NCPC subsequent to June 30, 2024.

Down East Partnership expects to receive continued funding through new Smart Start contracts with the State.

NC Pre-K - Down East Partnership received revenue and support from the State of North Carolina and DHHS for the NC Pre-K program. A significant reduction in the level of funding from the State could have an adverse effect on the operations of Down East Partnership and represents a concentration of credit risk as to the generation of revenue. Down East Partnership was awarded \$3,560,473, received \$3,514,494 and expended \$3,514,494 under a current year financial assistance contract. The Down East Partnership also received \$42,861 and refunded \$11,303 under a prior year NC Pre-K contract during the year ended June 30, 2024. The unexpended balance of this contract is subject to reversion to the State based on receipts and expenditures recorded as of June 30, 2024.

Down East Partnership expects to receive continued funding through new NC Pre-K contracts with the State and DHHS.

Child Care and Development Block Grant - Down East Partnership also received revenue and support from Child Care Services Association, Inc. (CCSA) based on cost-reimbursement contracts. Down East Partnership was awarded \$386,616, received \$220,896 and expended \$253,877 under a current year contract. The unexpended balance is subject to reversion to the government. Additionally, Down East Partnership received \$34,303 and expended \$0 from a prior year contract during the year ended June 30, 2024.

Down East Partnership expects to receive continued funding through CCSA.

Family Support Services Program - Down East Partnership also received support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the Family Support Services (FSS) Program. Down East Partnership was awarded \$155,000, received \$133,749 and expended \$145,146 under a current year FSS contract with DHHS. Additionally, Down East Partnership received \$41,301 and expended \$20 from a prior year contract during the year ended June 30, 2024.

Down East Partnership expects to receive continued funding through new FSS Program contracts with the State.

SNAP-Ed Grant - Down East Partnership also received support from the State of North Carolina based on a cost-reimbursement contract with DHHS for the SNAP-Ed program. Down East Partnership was awarded \$235,941, received \$135,801 and expended \$174,364 under a current year SNAP-Ed contract with DHHS. The current contract is for October 1, 2023 through September 30, 2024. Additionally, Down East Partnership received \$12,743 and expended \$0 under a prior year contract during the year ended June 30, 2024.

Down East Partnership expects to receive continued funding through a new SNAP-Ed Program contracts with the state.

Dolly Parton Imagination Library Expansion Program - Down East Partnership received support from NCPC in the form of \$3,237 of carry-forward funds on a prior year DPIL contract. During the year ended June 30, 2024, Down East Partnership received \$0 and expended \$3,237 under the prior year grant with NCPC. As allowed by program regulation, the unexpended balance of the current year contract is available to carry forward to the subsequent year.

Down East Partnership does not expect to receive continued funding under DPIL grants with NCPC.

Multi-Partnership Accounting & Contracting (MAC) Program - Down East Partnership also received revenue and support from the State of North Carolina based on cost-reimbursement contracts with NCPC for their participation in the MAC program. Down East Partnership was awarded, received and expended \$23,205 under a current year contract for the payment of administrative and accounting services. The unexpended balance of this contract is subject to reversion to the State. There was no unexpended balance at June 30, 2024.

Down East Partnership expects to receive continued funding through new contracts with the State.

NOTE 6 - RELATED PARTY TRANSACTIONS

Service Provider Contracts with Board Member Organizations - The board members of Down East Partnership are representative of various organizations that benefit from actions taken by the Board. It is the policy of Down East Partnership that board members not be involved with decisions regarding organizations they represent. During the year, Down East Partnership entered into contracts with board member organizations for program activities as identified on Schedule 1 accompanying the financial statements.

NOTE 7 - FUNCTIONAL EXPENDITURES

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis. Also, the Statement of Functional Expenditures - Modified Cash Basis, provides detail of the functional costs by their natural classification. Following are the services associated with the functional categories presented in the accompanying financial statements and the methods utilized to allocate joint cost:

A. Program Functions

Child Care and Education Affordability - Used to account for service activities associated with State subsidy contract and services support (Division of Child Development and Early Education) [DCDEE], Head Start wraparound/extended day, dual subsidy and dual subsidy administration. Head Start classrooms and coordination, child care transportation for subsidized children, part-day subsidy programs, subsidy preschool classes and public pre-K subsidy. Also, support for part-day programs for children not in full time care.

Child Care and Education Quality - Used to account for service activities quality enhancement and maintenance, child care resource and referral, professional development and supplements, literacy for child care providers, child care substitutes, provider training, mentoring programs, AmeriCorps, special needs – early intervention support for child care professionals, learning materials and teaching aids, curriculum enhancements, child care needs and resources assessments, kindergarten orientation/transition, or health insurance benefits for child care providers.

Family Support - Used to account for service activities including family resource centers, teen parent/child programs, ongoing parenting education, general family support, family intervention, literacy or family literacy projects, transportation services, community systems building and public awareness, and home visiting.

Health and Safety - Used to account for service activities including oral health services, comprehensive medical home services, child care health consultations, prenatal/newborn services, health care access and support including transportation, special needs – early intervention services/special education, or nutrition programs.

NC Pre-K - Used to account for development and implementation of NC Pre-K prekindergarten program for four-year-olds. The goal is to provide quality prekindergarten services in order to enhance kindergarten readiness.

B. Support Functions

Fundraising - Expenditures that are incurred in inducing others to contribute money, securities, time, materials, or facilities for which the contributor will receive no direct economic benefit.

Management and General - Expenditures that are not identifiable with a single program or fund-raising activity but are indispensable to the conduct of those activities and to an organization's existence, including expenditures for the overall direction of the organization, its general board activities, business management, general recordkeeping, budgeting, and related purposes.

Program Planning, Coordination and Evaluation - Expenditures that are incurred to coordinate the policies, procedures, and daily practices of service delivery. Also, costs associated with monitoring in-house and direct service provider activities as to the delivery of services and adherence to the specific terms and conditions of the contracts.

C. Allocation of Joint Costs

The Down East Partnership uses an indirect cost pool to collect administrative expenses that are not directly attributable to the various programs the Partnership operates. Types of costs included in the pool were salaries, contracted services, supplies and materials, other operating expenses, fixed

charges and other expenses, property and equipment, and participant training.

Indirect costs are allocated using a Basis of Allocation that most accurately reflects the usage of funds. Facility repairs and maintenance, Utilities, and Janitorial Supplies were allocated based of pro rata square footage of building utilized. Telephone, Centralized Office Supplies and server cost were allocated based on number of employees, Equipment Rental was allocated based on meter readings from the postage and copier machines.

NOTE 8 - OPERATING LEASE OBLIGATIONS

Operating Lease Obligations - Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2024:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2025	<u>\$ 2,145</u>
Total Minimum Lease Payments	<u><u>\$ 2,145</u></u>

Rental expense for all operating leases during the year was \$6,160.

NOTE 9 - PENSION PLAN

IRC Section 403(b) Plan - All permanent employees who are at least half time can participate in a tax sheltered annuity plan (Plan) created under Internal Revenue Code Section 403(b). The Plan is a defined contribution plan in which each employee of the Down East Partnership, as a condition of employment, is provided an individual annuity through an outside insurance company. Down East Partnership does not contribute to the plan. The employee's eligible contributions, made through salary reduction agreements, are exempt from federal and State income taxes until the annuity is received or the contributions are withdrawn. These Plans are exclusively for employees of universities and certain charitable and other nonprofit organizations. All costs of administering and funding these Plans are the responsibility of the Plan participants. The Down East Partnership did not contribute retirement benefits during the year.

NOTE 10 - RISK MANAGEMENT

Down East Partnership is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. Down East Partnership manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk of Loss Retained</u>
Torts, errors and omissions, health and life	Purchased commercial insurance	None
Workers Compensation - employee injuries	Purchased commercial insurance	None
Physical property loss and natural disasters	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant losses to Down East Partnership. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Compensated Absences - As a result of Down East Partnership's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation only; sick leave does not vest) and any employer-related costs earned and unpaid, are not reflected in the financial statements. The compensated absences commitment for vacation leave at June 30, 2024 is \$115,714. No funds or reservation of net assets has been made for this commitment.

NOTE 12 - RESTRICTIONS ON NET ASSETS

A. Net Assets With Donor Restrictions - Net assets with donor restrictions not in perpetuity at June 30, 2024 are restricted for the following purposes:

Purpose	Amount
NC Pre-K	\$ 588
Tuesday's for Tots	261
Ready Schools Campaign	166
Prevent Child Abuse	376
Healthy Kids Collaborative	8
United Way - Ready for Schools	298
Nash Health - NAPSAC	41
Give 5 Read 5	12
Vidant	132
PNC - Play to Learn	4,142
Cummings - Read to Rise	42,316
Summer Feeding / Learning	665
Kate B. Reynolds - Farm to Early Ed	4,758
Z. Smith Reynolds	23,744
Child Trust	23,507
Staff Wellness	1,302
	<u>\$ 102,316</u>

B. Net Assets Released From Donor Restrictions - Net assets were released from donor restrictions during the fiscal year ended June 30, 2024 by incurring expenditures satisfying the restricted purposes as follows:

Purpose	Amount
Dolly Parton Imagination Library	\$ 3,237
Ready Schools Campaign	1,922
United Way - Ready Schools	298
Cummings - Read to Rise	62
Z Smith Reynolds - Ops Support	23,744
Child Trust	10,819
Corning	3,500
Staff Wellness	18
	<u>\$ 43,600</u>

C. Net Assets With Donor Restrictions - Endowments restricted in perpetuity at June 30, 2024 were restricted for the following purposes:

Purpose	Amount
Beneficial Interest in Community Foundation	\$ 14,845

NOTE 13 - FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS

The following reflects Down East Partnership financial assets as of June 30, 2024 reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2024:

Financial assets at year-end	\$ 498,677
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time and purpose restrictions (See Note 12A)	(102,316)
Restricted in perpetuity by donor (see Note 12C)	<u>(14,845)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 381,516</u>

Down East Partnership is supported by contributions with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Down East Partnership must maintain sufficient resources to meet these responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As part of the Down East Partnership's liquidity management, it has a policy to structure its financial assets so that funds can be available in the case of unforeseen or emergency circumstances, as its general expenditures and other obligations come due. The Down East Partnership maintains one deposit/checking account where all agency funds are contained including unrestricted reserves, and this account is easily accessible and the funds are readily available. The Down East Partnership does have investment accounts. These funds combined have averaged at least \$300,000.

NOTE 14 - INCOME TAXES

Down East Partnership is exempt from payment of income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code, except to the extent of taxes on any unrelated business income.

FASB ASC 740 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing financial statements to determine whether the tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. Management has analyzed the tax positions taken by the Down East Partnership and has concluded that, as of June 30, 2024, there are no uncertain tax positions taken or expected to be taken that would require recognition or disclosure in the financial statements.

Income tax returns for 2021 through 2023 remain open to examination by the tax authorities.

NOTE 15 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Down East Partnership is the beneficiary of an endowment established through the North Carolina Community Foundation (Community Foundation). The agreement between the Down East Partnership and the Community Foundation provides that all the contributions to the endowment are irrevocable. The Community Foundation will make distributions of the income earned on the endowment, subject to the Community Foundation's spending policy. The agreement also permits the Community Foundation to substitute another beneficiary in the place of Down East Partnership if the Down East Partnership ceases to exist or if the Down East Partnership ceases to be an organization described in Internal Revenue Code Sections 170c and 501c(3). Therefore, the Down East Partnership has explicitly granted variance power to the Community Foundation. The Down East Partnership's endowment position is identified on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis as the beneficial interest in the Community Foundation. The fair value of the endowment administered by the Community Foundation on behalf of the Down East Partnership at June 30, 2024 was \$34,318; however, under the modified cash basis of accounting, the original cost basis of contributions are reported on the Statement of Receipts, Expenditures, and Net Assets – Modified Cash Basis.

NOTE 16 - ENDOWMENT

Interpretation of Endowment Under Uniform Prudent Management of Institutional Funds Act (UPMIFA)

Through June 30, 2024, the Down East Partnership's management and investment of donor-restricted endowment funds was subject to the provisions of the Uniform Management of Institutional Funds Act (UMIFA). In 2006, the Uniform Law Commission approved the model act, Uniform Prudent Management of Institutional Funds Act (UPMIFA) that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of historic dollar threshold, the amount below which

an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. The Down East Partnership's endowment consists of a beneficial interest in a community foundation. Endowments include donor-restricted endowment funds.

Basis of Endowment Accounting

Under the modified cash basis of accounting, the Down East Partnership records contributions and endowment investment earnings on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Contributions from funds held, raised or collected by Down East Partnership and processed through its bank accounts are recorded as net assets restricted in perpetuity.

Contributions from funds held, raised or collected by Down East Partnership but not processed through its bank accounts are not recorded. Contributions restricted in perpetuity sent directly by a third party to the community foundation are not recorded in the general ledger of the Down East Partnership. There were no such third party contributions directly to the foundation during the year ended June 30, 2024. Similarly, investment earnings and expenses of endowments held by the North Carolina Community Foundation are not recorded in the general ledger of the Down East Partnership, unless such earnings and expenses pass through its bank accounts.

Under the terms of the agreement between the Down East Partnership and the North Carolina Community Foundation, the endowment will provide for an annual distribution in investment earnings to the Down East Partnership. In the current year the Down East Partnership waived the physical receipt of its annual distribution. As a result, the reinvestment of annual investment earnings back into the endowment funds is not reflected on the financial statements of the Down East Partnership.

Endowment net asset composition by fund type as of June 30, 2024 follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Funds	\$ -	\$ 14,845	\$ 14,845

NOTE 17 - SUBSEQUENT EVENTS

Down East Partnership has evaluated events and transactions that occurred between June 30, 2024 and December 11, 2024, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Events or transactions that provided evidence about conditions that did not exist at June 30, 2024 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2024.

This information is an integral part of the financial statements.

SUPPLEMENTARY INFORMATION

Down East Partnership for Children
Schedule of Contract and Grant Expenditures - Modified Cash Basis
For the Year Ended June 30, 2024

Schedule 1

Organization Name	Smart Start Funds		Other Funds	
	Amount Advanced	Refund Due	Amount Advanced	Refund Due
Organizations:				
Braswell Memorial Library	\$ 50,814	\$ -	\$ -	\$ -
Edgecombe Public Schools *	44,607	-	821,116	-
Nash Public Schools *	44,607	-	1,142,327	-
Foundation Builders Academy *	8,478	-	184,271	-
Think & Grow Child Care *	50,847	-	70,260	-
Various Providers - DEPC Subsidy	910,823	-	-	-
Various Providers - NC Pre-K	-	-	987,233	-
Halifax/Warren Partnership	-	-	688	-
Nash DSS	-	-	510	-
Edgecombe DSS *	-	-	2,014	-
	<u>1,110,176</u>	<u>-</u>	<u>3,208,419</u>	<u>-</u>
Individuals:				
Various Individuals - Family Scholarship Incentives	500	-	-	-
Various Individuals - Triple P Incentives	1,768	-	3,036	-
Various Individuals - Kaleidoscope Incentives	2,330	-	250	-
Various Individuals - Playgroup Leaders	-	-	9,000	-
Various Individuals - Healthy Environment Incentives	-	-	5,000	-
Various Individuals - ARPA Support	-	-	13,859	-
Various Individuals - Incredible Years Incentives	-	-	3,907	-
Various Individuals - Circle of Parent Incentives	-	-	922	-
Various Individuals - Healthy Living Incentives	-	-	3,180	-
Various Individuals - Faithful Family Action Plan Incentives	-	-	2,174	-
Various Individuals - Summer Learning Materials	-	-	12,891	-
Various Individuals - Healthy Environment Materials	-	-	1,794	-
Various Individuals - Faith Expo Materials	-	-	134	-
Various Individuals - Healthy Eating Materials	-	-	6,140	-
	<u>4,598</u>	<u>-</u>	<u>62,287</u>	<u>-</u>
	<u>\$ 1,114,774</u>	<u>\$ -</u>	<u>\$ 3,270,706</u>	<u>\$ -</u>

* These organizations are represented on the Partnership's Board as described in Note 6 - Service Provider Contracts with Board Member Organizations.

See Independent Auditor's Report

**Down East Partnership for Children
 Schedule of State Level Service Provider Contracts (Unaudited)
 For the Year Ended June 30, 2024**

Schedule 2

Organization Name	DHHS Contracts
Child Care Services Association - WAGE\$	\$ 260,000
	<u>\$ 260,000</u>

The information on this schedule provides a listing of service provider contracts entered into by the North Carolina Department of Health and Human Services (DHHS) as described in Note 5 - Funding from Grant Awards and Contracts.

Down East Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2024

Schedule 3

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Contract Number	Receipts	Expenditures
Federal Awards:				
United States Department of Health and Human Services				
Pass-through from North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Pass-through from Child Care Services Association, Inc.				
Child Care and Development Block Grant (Core Services) (Current Year)	*	93.575	\$ 120,159	\$ 130,626
Child Care and Development Block Grant (Core Services) (Prior Year)		93.575	21,391	-
Child Care and Development Block Grant (Birth to Three) (Current Year)	*	93.575	15,461	23,262
Child Care and Development Block Grant (Birth to Three) (Prior Year)		93.575	439	-
Child Care and Development Block Grant (Healthy Social Behaviors) (Current Year)	*	93.575	71,616	78,228
Child Care and Development Block Grant (Healthy Social Behaviors) (Prior Year)		93.575	12,473	-
Child Care and Development Block Grant (Family Child Care) (Current Year)	*	93.575	13,660	21,761
United States Department of Health and Human Services				
Pass-through from North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
Child Care and Development Block Grant (NC Pre-K) (Current Year)	*	93.575	60,240	60,240
COVID-19 - Child Care and Development Block Grant (ARPA) (NC Pre-K) (Current Year)	*	93.575	68,625	68,625
Temporary Assistance for Needy Families (NC Pre-K) (Current Year)	** *	93.558	1,038,897	1,038,897
Temporary Assistance for Needy Families (NC Pre-K) (Prior Year)		93.558	28,816	9,323
United States Department of Health and Human Services				
Pass-through from North Carolina Department of Health and Human Services				
Division of Social Services				
Marylee Allen Promoting Safe and Stable Families (Family Support) (Prior Year)		93.556	41,301	20
Marylee Allen Promoting Safe and Stable Families (Family Support) (Current Year)		93.556	106,875	117,158
COVID-19 - Community Based Child Abuse Prevention Grants (ARPA) (Family Support) (Current Year)		93.590	15,000	15,000
Stephanie Tubbs Jones Child Welfare Services Program (Family Support) (Current Year)		93.645	5,937	6,509
Child Abuse and Neglect State Grants (Family Support) (Current Year)		93.669	5,937	6,509
United States Department of Education				
Pass-through from North Carolina Department of Health and Human Services				
Division of Child Development and Early Education				
COVID-19 - Emergency Assistance to Non-Public Schools Grant (CRRSA) (EANS) (NC Pre-K) (Current Year)	*	84.425R	146,712	146,712
United States Department of Agriculture				
Pass-through from North Carolina Department of Health and Human Services				
Division of Child and Family Well-Being				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP-Ed) (Current Year)		10.561	135,801	174,364
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP-Ed) (Prior Year)		10.561	12,743	-
Total Receipts and Expenditures of Federal Awards			<u>1,922,083</u>	<u>1,897,234</u>

**Down East Partnership for Children
Schedule of Federal and State Awards - Modified Cash Basis
For the Year Ended June 30, 2024**

Schedule 3 Continued

Federal/State Grantor/Pass-through Grantor/Program	Federal Assistance Listing Number	Contract Number	Receipts	Expenditures
State Awards:				
North Carolina Department of Health and Human Services Division of Child Development and Early Education Pass-through from The North Carolina Partnership for Children, Inc. Early Childhood Initiatives Program (Current Year)	*	N/A	2,476,824	2,476,824
Dolly Parton Imagination Library Expansion (Current Year)		N/A	-	3,237
Multi-Partnership Accounting and Contracting Grant (Current Year)		N/A	23,205	23,205
North Carolina Department of Health and Human Services Division of Child Development and Early Education NC Pre-K (Current Year)	*	45712	2,200,020	2,200,020
NC Pre-K (Prior Year)		43828	14,045	1,980
Total Receipts and Expenditures of State Awards			<u>4,714,094</u>	<u>4,705,266</u>
Total Receipts and Expenditures of Federal and State Awards			<u>\$ 6,636,177</u>	<u>\$ 6,602,500</u>

* Programs with compliance requirements that have a direct and material effect on the financial statements.
** Major Programs per Uniform Guidance

Down East Partnership for Children
Schedule of Property and Equipment - Modified Cash Basis
For the Year Ended June 30, 2024

Schedule 4

Furniture and Noncomputer Equipment	\$ 197,744
Computer Equipment/Printers	108,473
Buildings	807,619
Leasehold Improvements	<u>624,728</u>
Total Property and Equipment	<u>\$1,738,564</u>

Note: The information on this schedule provides a summary of property and equipment with acquisition or donated cost of \$500 or more which were held by the Partnership at year end. The valuations represent historical cost. On the modified cash basis of accounting, these items are expensed in the year of

**Down East Partnership for Children
 Schedule of Qualifying Match (Non-GAAP) (Unaudited)
 For the Year Ended June 30, 2024**

Schedule 5

Match Provided at the Partnership Level:

Cash	\$ 495,074
Contributions of Nonfinancial Assets	<u>14,159</u>
	<u>\$ 509,233</u>

Match Provided at the Contractor Level:

Cash	\$ -
Contributions of Nonfinancial Assets	<u>33,276</u>
	<u>\$ 33,276</u>

Note: This schedule is presented in accordance with the program match requirement as provided for by North Carolina Session Law 2023-134, Section 9D.5(d). The match is comprised of both cash and contributions of nonfinancial assets. Only contributions of nonfinancial assets that are verifiable, quantifiable, and related to the Smart Start Program can be applied to the match requirement, including volunteer services. The law allows for volunteer services to be valued for match purposes, a concept that deviates from generally accepted accounting principles. This schedule identifies those amounts allowable for this partnership in meeting the statewide match requirement.

For the fiscal year ended June 30, 2024, Smart Start met the legislative statewide match requirement and will be waiving penalties for local partnerships that do not meet their match requirement for the fiscal year ended June 30, 2024.

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 Board Members of
Down East Partnership for Children
Rocky Mount, North Carolina

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 Down East Partnership for Children (a nonprofit organization), which comprise the Statement of Receipts, Expenditures, and Net Assets - Modified Cash Basis as of and for the year ended June 30, 2024, and the related Statement of Functional Expenditures - Modified Cash Basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2024.

As described in Note 1, the financial statements were prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Down East Partnership for Children's internal control over financial reporting as a basis for designing 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 Down East Partnership for Children's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness Down East Partnership for Children's internal control over financial reporting.

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 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Down East Partnership for Children'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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina
December 11, 2024