



## **Financial Statements**

*For the Year Ended September 30, 2021*

*(With Summarized Financial Information for the Year Ended September 30, 2020)*



**and  
Report Thereon**



**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

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For the Year Ended September 30, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
ZERO TO THREE: National Center  
for Infants, Toddlers and Families

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

We have audited the accompanying financial statements of ZERO TO THREE: National Center for Infants, Toddlers and Families (ZERO TO THREE), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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### ***Opinion***

In our opinion, the 2021 financial statements referred to above present fairly, in all material respects, the financial position of ZERO TO THREE: National Center for Infants, Toddlers and Families as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited ZERO TO THREE's 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 3, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
January 31, 2022

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**  
**STATEMENT OF FINANCIAL POSITION**  
**September 30, 2021**  
**(With Summarized Financial Information as of September 30, 2020)**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,404,612	\$ 12,749,700
Federal and state government grants and contracts receivable	3,802,751	2,943,636
Other grants, contributions and contracts receivable, net	15,253,140	14,958,872
Accounts receivable, net	1,320,904	534,028
Prepaid expenses and other assets	523,447	453,924
Inventory	237,059	325,576
Investments	23,427,711	20,980,913
Property and equipment, net	570,580	537,248
	<u>570,580</u>	<u>537,248</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 57,540,204</u></b>	<b><u>\$ 53,483,897</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 4,447,901	\$ 3,119,055
Accrued compensation and benefits	2,642,327	2,419,254
Deferred conference registrations, membership and subscriptions	1,090,391	1,335,614
Deferred contract revenue	33,179	46,017
Deferred rent and construction allowance	1,593,384	601,255
Other liabilities	18,778	28,734
	<u>18,778</u>	<u>28,734</u>
<b>TOTAL LIABILITIES</b>	<b><u>9,825,960</u></b>	<b><u>7,549,929</u></b>
<b>Net Assets</b>		
<b>Without donor restrictions</b>		
Undesignated	11,429,325	8,780,166
Board-designated endowment	6,649,216	5,845,951
	<u>6,649,216</u>	<u>5,845,951</u>
<b>Total Without Donor Restrictions</b>	<b><u>18,078,541</u></b>	<b><u>14,626,117</u></b>
<b>With donor restrictions</b>		
Purpose restrictions	28,983,911	30,719,982
Time-restricted endowment	203,348	139,425
Perpetual in nature	448,444	448,444
	<u>448,444</u>	<u>448,444</u>
<b>Total With Donor Restrictions</b>	<b><u>29,635,703</u></b>	<b><u>31,307,851</u></b>
<b>TOTAL NET ASSETS</b>	<b><u>47,714,244</u></b>	<b><u>45,933,968</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 57,540,204</u></b>	<b><u>\$ 53,483,897</u></b>

The accompanying notes are an integral part of these financial statements.

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2021**

**(With Summarized Financial Information for the Year Ended September 30, 2020)**

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Federal and state government grants and contracts	\$ 1,149,342	\$ 21,391,409	\$ 22,540,751	\$ 21,182,835
Private grants, contributions and contracts	1,408,250	5,725,539	7,133,789	8,664,895
Conference income	1,627,806	-	1,627,806	1,937,435
Training and consulting fees	1,166,114	-	1,166,114	1,197,783
Resource sales	614,372	-	614,372	1,122,615
Memberships and subscriptions	348,993	-	348,993	357,072
HealthySteps grants, contributions and contracts	483,887	14,372,557	14,856,444	9,640,547
Investment earnings transferred to operations	590,750	-	590,750	553,750
Other revenue	76,216	-	76,216	82,344
Interest and dividend income on cash equivalents	1,564	-	1,564	76,111
Net assets released from restrictions:				
Satisfaction of program restrictions	43,225,577	(43,225,577)	-	-
<b>TOTAL OPERATING REVENUE AND SUPPORT</b>	<b>50,692,871</b>	<b>(1,736,072)</b>	<b>48,956,799</b>	<b>44,815,387</b>
<b>EXPENSES</b>				
<b>Program Services:</b>				
HealthySteps	9,481,183	-	9,481,183	9,018,034
National Center on Early Childhood				
Development, Teaching, and Learning	9,289,185	-	9,289,185	12,487,077
Safe Babies Court Teams	8,609,486	-	8,609,486	4,104,342
Policy Center	8,287,021	-	8,287,021	7,046,416
Training, consulting, professional and member services	3,286,814	-	3,286,814	4,480,196
Federal systems technical assistance	1,338,225	-	1,338,225	1,460,401
Communications	453,696	-	453,696	434,919
Military family projects	327,332	-	327,332	321,355
Other national centers for Head Start and child care projects	242,642	-	242,642	363,695
Parenting resources	235,590	-	235,590	371,659
Leadership development	181,018	-	181,018	251,047
Western office policy analysis and program consultation	170,689	-	170,689	218,116
Other	-	-	-	34,123
<b>Total Program Services</b>	<b>41,902,881</b>	<b>-</b>	<b>41,902,881</b>	<b>40,591,380</b>

The accompanying notes are an integral part of these financial statements.

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2021**

**(With Summarized Financial Information for the Year Ended September 30, 2020)**

*(continued)*

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
EXPENSES (continued)				
Supporting Services:				
General and administrative	\$ 7,045,528	\$ -	\$ 7,045,528	\$ 6,840,665
Fundraising and development	526,508	-	526,508	534,244
Total Supporting Services	<u>7,572,036</u>	<u>-</u>	<u>7,572,036</u>	<u>7,374,909</u>
TOTAL EXPENSES	<u>49,474,917</u>	<u>-</u>	<u>49,474,917</u>	<u>47,966,289</u>
Change in Net Assets From Operating Activities	1,217,954	(1,736,072)	(518,118)	(3,150,902)
NONOPERATING ACTIVITIES				
Investment income, net of earnings transferred to operations	<u>2,234,470</u>	<u>63,924</u>	<u>2,298,394</u>	<u>511,906</u>
CHANGE IN NET ASSETS	3,452,424	(1,672,148)	1,780,276	(2,638,996)
NET ASSETS, BEGINNING OF YEAR	<u>14,626,117</u>	<u>31,307,851</u>	<u>45,933,968</u>	<u>48,572,964</u>
NET ASSETS, END OF YEAR	<u>\$ 18,078,541</u>	<u>\$ 29,635,703</u>	<u>\$ 47,714,244</u>	<u>\$ 45,933,968</u>

The accompanying notes are an integral part of these financial statements.

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2021**

(With Summarized Financial Information for the Year Ended September 30, 2020)

	Program Services									
	HealthySteps	National Center on Early Childhood Development, Teaching, and Learning	Safe Babies Court Teams	Policy Center	Training, Consulting, Professional and Member Services	Federal Systems Technical Assistance	Communications	Military Family Projects	Other National Centers for Head Start and Child Care Projects	Parenting Resources
Salaries	\$ 4,073,846	\$ 3,056,795	\$ 2,697,641	\$ 3,039,936	\$ 1,239,294	\$ 857,780	\$ 49,196	\$ 250,279	\$ 191,330	\$ 133,201
Subcontracts	2,131,619	3,020,061	4,467,653	2,675,558	-	-	-	-	-	-
Contracted services	1,820,028	1,403,023	584,110	1,246,390	970,648	161,678	320,472	11,459	-	65,636
Fringe benefits	995,548	747,006	659,237	742,886	302,853	209,620	12,022	61,162	46,756	32,551
Occupancy	200,001	242,047	51,985	265,573	94,685	16,684	8,707	1,042	520	2,134
Equipment and software expense	127,411	5,499	25,999	46,994	181,858	1,234	5,821	145	31	120
Project and publication supplies	20,575	168,057	63,805	30,619	137,641	8,393	4,566	-	2,146	211
Printing and copying	14,709	382,159	2,005	7	47,273	-	-	-	-	-
Depreciation and amortization	18,226	21,783	4,924	25,576	9,460	1,355	960	152	53	183
Miscellaneous	-	-	-	58,950	152,188	-	25,123	-	-	-
Meeting expenses	35,367	25,211	5,477	129,809	40,511	72,414	2,400	-	-	-
Postage and delivery costs	2,577	131,601	3,592	3,218	98,178	531	-	-	125	-
Communication costs	7,782	8,035	21,555	11,673	6,528	5,391	711	2,880	1,681	334
Subscriptions and reference materials	4,394	61,174	809	3,229	2,296	1,781	22,972	-	-	31
Travel	29,100	16,734	20,694	6,603	3,401	1,364	746	213	-	1,189
<b>TOTAL EXPENSES</b>	<b>\$ 9,481,183</b>	<b>\$ 9,289,185</b>	<b>\$ 8,609,486</b>	<b>\$ 8,287,021</b>	<b>\$ 3,286,814</b>	<b>\$ 1,338,225</b>	<b>\$ 453,696</b>	<b>\$ 327,332</b>	<b>\$ 242,642</b>	<b>\$ 235,590</b>

The accompanying notes are an integral part of these financial statements.



**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2021**

**(With Summarized Financial Information for the Year Ended September 30, 2020)**

(continued)

	Program Services (continued)			Supporting Services			2021 Total	2020 Total
	Leadership Development	Western Office Policy Analysis and Program Consultation	Total Program Services	General and Administrative	Fundraising and Development	Total Supporting Services		
Salaries	\$ 117,829	\$ 134,820	\$ 15,841,947	\$ 3,498,282	\$ 305,766	\$ 3,804,048	\$ 19,645,995	\$ 18,995,239
Subcontracts	-	-	12,294,891	-	-	-	12,294,891	10,683,427
Contracted services	14,800	-	6,598,244	1,073,872	46,503	1,120,375	7,718,619	7,957,433
Fringe benefits	28,795	32,947	3,871,383	878,784	74,721	953,505	4,824,888	4,511,573
Occupancy	-	2,299	885,677	579,640	45,820	625,460	1,511,137	1,428,827
Equipment and software expense	-	-	395,112	302,083	17,489	319,572	714,684	713,808
Project and publication supplies	1,043	62	437,118	129,245	9,098	138,343	575,461	453,917
Printing and copying	-	-	446,153	-	2,121	2,121	448,274	344,680
Depreciation and amortization	-	-	82,672	296,068	4,367	300,435	383,107	525,654
Miscellaneous	250	-	236,511	109,099	5,181	114,280	350,791	218,541
Meeting expenses	5,000	-	316,189	19,102	245	19,347	335,536	729,955
Postage and delivery costs	132	76	240,030	6,072	1,914	7,986	248,016	140,088
Communication costs	240	240	67,050	104,599	113	104,712	171,762	170,672
Subscriptions and reference materials	4,947	-	101,633	44,563	12,081	56,644	158,277	151,852
Travel	7,982	245	88,271	4,119	1,089	5,208	93,479	940,623
<b>TOTAL EXPENSES</b>	<b>\$ 181,018</b>	<b>\$ 170,689</b>	<b>\$ 41,902,881</b>	<b>\$ 7,045,528</b>	<b>\$ 526,508</b>	<b>\$ 7,572,036</b>	<b>\$ 49,474,917</b>	<b>\$ 47,966,289</b>

The accompanying notes are an integral part of these financial statements.

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**STATEMENT OF CASH FLOWS**

**For the Year Ended September 30, 2021**

**(With Summarized Financial Information for the Year Ended September 30, 2020)**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,780,276	\$ (2,638,996)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	383,107	525,654
Provision for doubtful accounts	-	7,311
Amortization of deferred rent and construction allowance	(357,614)	(390,269)
Unrealized gain on investments	(1,797,306)	(599,375)
Realized loss (gain) on sales of investments	(534,023)	6,473
Changes in assets and liabilities:		
Federal and state government grants and contracts receivable	(859,115)	1,474,056
Other grants, contributions and contracts receivable	(294,268)	1,274,875
Accounts receivable	(1,203,315)	136,198
Prepaid expenses and other assets	(69,523)	805,425
Inventory	88,517	(36,974)
Accounts payable and accrued expenses	1,328,846	(546,106)
Accrued compensation and benefits	223,073	99,780
Deferred conference registrations, membership and subscriptions	(245,223)	(433,544)
Deferred contract revenue	(12,838)	(134,284)
Deferred rent and construction allowance	1,349,743	(44,438)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(219,663)</b>	<b>(494,214)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(5,865,318)	(3,512,117)
Proceeds from sales of investments	5,749,849	5,957,280
Purchases of property and equipment	-	(60,242)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(115,469)</b>	<b>2,384,921</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on capital lease obligations	(9,956)	(9,760)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(9,956)</b>	<b>(9,760)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(345,088)</b>	<b>1,880,947</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>12,749,700</b>	<b>10,868,753</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 12,404,612</b>	<b>\$ 12,749,700</b>
<b>NONCASH INVESTING ACTIVITIES</b>		
Leasehold improvements paid directly by the landlord	<b>\$ (416,439)</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2021**

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1. Organization and Summary of Significant Accounting Policies

**Organization**

ZERO TO THREE: National Center for Infants, Toddlers and Families (ZERO TO THREE) is a nonprofit organization whose mission is to ensure that all babies and toddlers have a strong start in life. ZERO TO THREE works to help babies and toddlers benefit from family and community connections critical to their well-being and development. Since 1977, the organization has advanced the proven power of nurturing relationships by transforming the science of early childhood into helpful resources, practical tools and responsive policies for millions of parents, professionals and policy makers.

**Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid money market funds held for operating purposes.

**Receivables**

Receivables are recorded at net realizable value. Receivables that are past due are individually analyzed for collectibility. When all collection efforts have been exhausted, the account is written off against an allowance account. Management annually adjusts the allowance account based upon its estimate of those receivables it believes to be uncollectible.

**Inventory**

Inventory consists of published books, tools and work in process on certain publications. Inventory is stated at the lower of cost or net realizable value and is calculated using the first-in, first-out method of accounting.

**Investments**

Investment transactions are recorded on a trade-date basis and are reported in the accompanying financial statements 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 and dividend income is recorded as earned. Realized gains and losses are determined by a comparison of average costs at the investment's acquisition to the proceeds at the time of its sale. Unrealized gains and losses are determined by a comparison of the investment's average acquisition cost to its fair value at year-end.

**Fair Value Measurement**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP) and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2021**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Fair Value Measurement (continued)**

measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, or unobservable, whereby assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of September 30, 2021, only ZERO TO THREE's investments and the assets and liability related to the deferred compensation plan, were measured at fair value on a recurring basis and subject to FASB ASC Topic 820, *Fair Value Measurement*, as described in Note 5.

**Property and Equipment and Related Depreciation and Amortization**

Property and equipment acquisitions totaling \$5,000 and over and with an economic life in excess of one year are capitalized and are depreciated using the straight-line method over three to 10 years, with no salvage value. Capital leased assets are stated at the net present value of future minimum lease payments and are amortized using the straight-line method over the life of the lease. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of the remaining lease period or the useful life of the improvements. Expenditures for major repairs and improvements that extend the life of the asset are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts, and the resulting gain or loss is included in revenue or expenses.

**Classification of Net Assets**

ZERO TO THREE's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of ZERO TO THREE at the discretion of ZERO TO THREE's management and the Board of Directors (the Board). From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2021**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Classification of Net Assets (continued)**

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of ZERO TO THREE or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

**Revenue Recognition**

ZERO TO THREE recognizes unconditional contributed support in the reporting period in which the commitment is made. Grants and support are considered to be available for general operations unless specifically restricted by the donor. ZERO TO THREE reports unconditional grants of cash and other assets as donor-restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Contributions receivable are discounted to net present value if due beyond one year, unless such discount is insignificant.

Conditional promises to give – that is, those with a measurable performance or other barriers and a right of return – are not recognized until the conditions on which they depend have been met. ZERO TO THREE has grants with the U.S. federal government, state government agencies and other organizations conditioned upon certain requirements. Revenue recognized on grants for which payments have not been received is reflected as federal and state government grants and contracts receivable in the accompanying statement of financial position. Grant awards received in advance, but not yet expended, are reflected as refundable advances in the accompanying statement of financial position, if any.

ZERO TO THREE also has fixed-price contracts with the U.S. federal government, state government agencies and private companies in exchange for services. These contracts contain performance obligations, and revenue under these contracts is recognized at the point in time that the performance obligations are provided under the contract. Revenue recognized on fixed-price contracts for which payments have not been received is included in federal and state government grants and contracts receivable in the accompanying statement of financial position. Contract payments received but not yet expended for the purpose of the contract are reflected as deferred contract revenue in the accompanying statement of financial position. Deferred contract revenues are short-term in nature and are recognized as contract revenue in the following fiscal year.

ZERO TO THREE holds an annual conference for professionals working with families with children prenatal through age three. Revenue from this conference consists of conference registrations, exhibitor fees and sponsorship fees and is recognized in the year in which the conference is held.

**ZERO TO THREE: NATIONAL CENTER FOR  
INFANTS, TODDLERS AND FAMILIES**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2021**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition (continued)**

Training and consulting fees relate to customized trainings developed by ZERO TO THREE in accordance with agreements. The delivery of the training is the primary performance obligation and therefore the revenue is recognized at the point in time the training program is held.

Revenue from resource sales of published books is recognized when the product is delivered.

Memberships and subscriptions revenue is recognized ratably over the membership or subscription agreement period. Member and subscription benefits are considered a bundled group of performance obligations that are delivered throughout the agreement period.

Other revenue consists mainly of honoraria recognized at the point in time the related event took place, a tax refund recognized at the point in time ZERO TO THREE was notified of the refund and licensing fees which are recognized ratably over the licensing period.

Receipts collected that relate to the conference, memberships and subscriptions and are applicable to a future period are reported as deferred conference registrations, memberships and subscriptions in the accompanying statement of financial position.

**Measure of Operations**

ZERO TO THREE includes in its definition of operations all revenue and support that are an integral part of its programs and supporting activities. Also, included in operations is interest and dividend income earned on short-term investments that are not part of the endowment fund and the aggregate authorized payout of endowment earnings. Interest and dividend income earned on long-term investments and realized and unrealized gains and losses on investments in excess of ZERO TO THREE's aggregate authorized payout to operations are considered to be nonoperating in nature.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area are reported as expenses of those functional areas. ZERO TO THREE allocates rent and depreciation of leasehold improvements related to the Washington, D.C. office based on the full-time equivalent of D.C.-based personnel for each program and supporting service.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

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**NOTES TO FINANCIAL STATEMENTS  
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2. Receivables

As of September 30, 2021, ZERO TO THREE had receivables from federal and state government grants and contracts totaling \$3,802,751 that included unbilled receivables of \$3,626,464. All billed and unbilled receivable amounts were deemed to be fully collectible.

As of September 30, 2021, foundations, individuals, and corporate contributors to ZERO TO THREE had unconditionally promised to give another \$15,260,140 to be used for particular programs and general support in the coming years. Other grants, contributions and contracts receivable were to be collected as follows:

Less than one year	\$ 11,299,189
One to five years	<u>3,960,951</u>
Total Other Grants, Contributions and Contracts Receivable	15,260,140
Less: Discount on Multiyear Grants	<u>(7,000)</u>
Other Grants, Contributions and Contracts Receivable, Net	<u>\$ 15,253,140</u>

All amounts were deemed to be fully collectible. The discount rate used to calculate the discount component was 0.08% for the year ended September 30, 2021.

3. Conditional Revenue

As of September 30, 2021, ZERO TO THREE had the following conditional grants receivable which are not reflected in the accompanying statement of financial position:

HealthySteps	\$ 2,501,000
National Center on Early Childhood Development	
Teaching and Learning	10,172,361
Safe Babies Court Teams	24,832,669
Other National Centers for Head Start and Child Care Projects	<u>176,951</u>
Total Conditional Revenue	<u>\$ 37,682,981</u>

ZERO TO THREE records revenue and support on these conditional grants as the conditions are met, therefore, ZERO TO THREE has not recognized any revenue and support from the conditional portions of these grants.

4. Investments

Investments, at fair value, consisted of the following as of September 30, 2021:

Bond mutual funds	\$ 10,565,216
Equity mutual funds and exchange-traded funds	12,204,705
Money market funds	510,415
Multi asset mutual funds	<u>147,375</u>
Total Investments	<u>\$ 23,427,711</u>

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4. Investments (continued)

Investment income is summarized as follows for the year ended September 30, 2021:

Interest and dividends	\$ 640,622
Unrealized gain	1,797,306
Realized gain	534,023
Investment fees	<u>(82,807)</u>
Investment Income, Net	<u>\$ 2,889,144</u>

Investment income is reported in the accompanying statement of activities as follows:

Transfer to operations from endowment earnings	<u>\$ 91,139</u>
Transfer to operations from investment income – without donor restrictions and undesignated	<u>499,611</u>
Investment Earnings Transferred to Operations	<u>590,750</u>
Nonoperating activities:	
Investment gain, excluding endowment	1,930,816
Endowment investment gain	958,328
Endowment returns appropriated for operations	(91,139)
Investment returns appropriated for operations – without donor restrictions and undesignated	<u>(499,611)</u>
Total Nonoperating Activities	<u>2,298,394</u>
Investment Income, Net	<u>\$ 2,889,144</u>

5. Fair Value Measurement

The following table summarizes ZERO TO THREE's assets measured at fair value on a recurring basis as of September 30, 2021:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets measured at fair value:				
Investments:				
Bond mutual funds	<u>\$ 10,565,216</u>	<u>\$ 10,565,216</u>	<u>\$ -</u>	<u>\$ -</u>



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5. Fair Value Measurement (continued)

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<i>(continued)</i>				
Assets measured at fair value:				
Investments:				
Equity mutual funds and exchange-traded funds:				
Domestic equity funds	\$ 6,604,300	\$ 6,604,300	\$ -	\$ -
International equity funds	4,563,125	4,563,125	-	-
Real estate	<u>1,037,280</u>	<u>1,037,280</u>	<u>-</u>	<u>-</u>
Total Equity Mutual Funds and Exchange- Traded Funds	<u>12,204,705</u>	<u>12,204,705</u>	<u>-</u>	<u>-</u>
Money market funds	<u>510,415</u>	<u>510,415</u>	<u>-</u>	<u>-</u>
Multi asset mutual funds	<u>147,375</u>	<u>147,375</u>	<u>-</u>	<u>-</u>
Total Investments	<u>23,427,711</u>	<u>23,427,711</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$ 23,427,711</u>	<u>\$ 23,427,711</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities measured at fair value:				
Deferred compensation plan	<u>\$ 147,375</u>	<u>\$ -</u>	<u>\$ 147,375</u>	<u>\$ -</u>

ZERO TO THREE estimated the fair value of these assets using quoted market prices in active markets. The deferred compensation plan liability was valued based on the fair value of investments corresponding to the employee's investment selections plus the value of cash accruals for amounts not yet transferred to the plan assets, if any.

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6. Property and Equipment and Related Depreciation and Amortization

ZERO TO THREE held the following property and equipment as of September 30, 2021:

Leasehold improvements	\$ 2,446,067
Software	785,536
Computer equipment	257,126
Furniture and fixtures	<u>159,060</u>
Total Property and Equipment	3,647,789
Less: Accumulated Depreciation and Amortization	<u>(3,077,209)</u>
Property and Equipment, Net	<u>\$ 570,580</u>

Depreciation and amortization expense was \$383,107 for the year ended September 30, 2021.

7. Net Assets

**Net Assets Without Donor Restrictions**

ZERO TO THREE's net assets without donor restrictions are composed of undesignated amounts and board-designated endowment funds. As of September 30, 2021, ZERO TO THREE's net assets without donor restrictions were as follows:

Undesignated	\$ 11,429,325
Board-designated endowment	<u>6,649,216</u>
Total Net Assets Without Donor Restrictions	<u>\$ 18,078,541</u>

The board-designated net assets were instituted to provide funding for various strategic initiatives of ZERO TO THREE.

**Net Assets With Donor Restrictions**

As of September 30, 2021, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

Programs:

Policy Center	\$ 12,380,991
HealthySteps	11,045,980
Safe Babies Court Teams	2,674,704
Parenting resources	1,251,011
Leadership development	1,042,536
Western office policy analysis and program consultation	203,768
Military family projects	28,359
Professional development	18,941
Other	<u>337,621</u>

Total Subject to Expenditure for Specified Purpose	<u>28,983,911</u>
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**NOTES TO FINANCIAL STATEMENTS  
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7. Net Assets (continued)

**Net Assets With Donor Restrictions (continued)**

*(continued)*

Subject to occurrence of passage of time:	
Time-restricted endowment	\$ <u>203,348</u>
Total Subject to Passage of Time	<u>203,348</u>
Subject to donor restriction in perpetuity:	
Endowment	<u>448,444</u>
Total Subject to Restriction in Perpetuity	<u>448,444</u>
Total Net Assets With Donor Restrictions	<u>\$ 29,635,703</u>

The interest earned on the endowment fund is available for use in supporting the general activities of ZERO TO THREE.

8. Availability and Liquidity

ZERO TO THREE regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. ZERO TO THREE's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2021, were as follows:

Cash and cash equivalents	\$ 12,404,612
Federal and state government grants and contracts receivable	3,802,751
Other grants, contributions and contracts receivable	15,253,140
Accounts receivable	1,320,904
Investments	<u>23,280,336</u>
Total Financial Assets	56,061,743
Less:	
Amounts unavailable for general expenditures within one year due to donor's purpose or time restriction	(29,635,703)
Amounts unavailable to management without Board approval	<u>(6,649,216)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 19,776,824</u>

ZERO TO THREE has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of ZERO TO THREE throughout the year. This is done through monitoring and reviewing ZERO TO THREE's cash flow needs on a weekly basis. As a result, management is aware of the

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8. Availability and Liquidity (continued)

cyclical nature of ZERO TO THREE's cash flow related to ZERO TO THREE's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, ZERO TO THREE has a committed line of credit of \$1,000,000, which was unused and available to draw upon as of September 30, 2021. If ZERO TO THREE uses the line of credit, it is secured by deposits and investments at Truist Bank (formerly SunTrust Bank). Additionally, ZERO TO THREE has board-designated net assets that could be available for current operations with Board approval, if necessary.

9. Commitments, Risks and Contingencies

**Operating Leases**

On September 27, 2010, ZERO TO THREE entered into a noncancelable operating lease for office space for its headquarters in Washington, D.C. The lease term is for the period April 1, 2011, through December 31, 2021. ZERO TO THREE took possession of the leased space on January 15, 2011, pursuant to a provision in the lease agreement whereby the lessor allowed ZERO TO THREE to occupy the premises without payment of fixed rent. The lease provided for eight months of rent abatement for the entire premises and an additional six months of rent abatement for a portion of the premises. The lease also contained a fixed escalation clause for increases in the annual minimum rent. Additionally, the agreement included a tenant improvement allowance of \$75 per square foot, or a total of \$2,406,300, as an incentive to enter into the lease agreement. ZERO TO THREE is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord. ZERO TO THREE secured a standby letter of credit agreement of \$113,631 for this lease agreement. The letter of credit was issued by a financial institution naming the landlord as the beneficiary thereof. The letter of credit is held as security for the payment of any rent payable and for the faithful performance of all covenants by ZERO TO THREE.

On March 10, 2017, ZERO TO THREE entered into a lease amendment for its headquarters lease in Washington, D.C. This amendment, which was effective April 23, 2018, represented a partial termination of the lease for square feet located on the second floor and added replacement square feet located on the fourth floor.

On June 9, 2021, ZERO TO THREE entered into a noncancelable operating lease for new office space for its headquarters in Washington, D.C. The lease term is for the period January 1, 2022 through December 31, 2033. ZERO TO THREE took possession of the leased space on June 23, 2021, pursuant to a provision in the lease agreement whereby the lessor allowed ZERO TO THREE to occupy the premises without payment of fixed rent. The lease provides for twenty-four months of rent abatement. The lease also contains a fixed escalation clause for subsequent increases in the annual minimum rent. Additionally, the agreement includes a tenant improvement allowance of \$140 per square foot, or a total of \$1,350,020, as an incentive to enter into the lease agreement. ZERO TO THREE is also responsible for its proportionate share of real estate taxes and operating and maintenance costs of the landlord.

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**NOTES TO FINANCIAL STATEMENTS  
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9. Commitments, Risks and Contingencies (continued)

**Operating Leases (continued)**

As part of the lease agreement, ZERO TO THREE paid a security deposit of \$48,215 which is included in prepaid expenses and other assets on the statement of financial position in the accompanying financial statements.

Under GAAP, all lease incentives and fixed rent increases, less any rental abatements and other concessions, are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and construction allowance in the accompanying statement of financial position.

ZERO TO THREE leased space in Long Beach, California, on a month-to-month basis until November 2020.

The future minimum rental payments required under these leases were as follows as of September 30, 2021:

<u>For the Year Ending September 30,</u>	
2022	\$ 436,262
2023	-
2024	455,921
2025	619,322
2026	634,847
Thereafter	<u>5,101,436</u>
Total	<u>\$ 7,247,788</u>

Rent expense was \$1,480,420 for the year ended September 30, 2021, which included a pass-through of the prior year's operating expenses and taxes billed to ZERO TO THREE in 2021.

**Line of Credit**

ZERO TO THREE has a \$1,000,000 revolving line of credit with a bank dated August 4, 2014. The line of credit is renewed annually and, as of September 30, 2021, has a maturity date of July 13, 2022. Funds drawn against this line of credit accrue interest at the London Interbank Offered Rate plus 1.5% and are secured by the investments of ZERO TO THREE at Truist Bank. As of September 30, 2021, and throughout the year then ended, ZERO TO THREE had no outstanding balance on this line of credit.

**Compliance Audit**

ZERO TO THREE has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims

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9. Commitments, Risks and Contingencies (continued)

**Compliance Audit (continued)**

disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although ZERO TO THREE expects such amounts, if any, to be insignificant.

**Concentration of Credit Risk**

ZERO TO THREE's cash is held in an account at a creditworthy financial institution. While the amounts, at times, exceed the amount guaranteed by various agencies and insurers, and therefore bear some risk, ZERO TO THREE has never experienced, nor does management anticipate, any losses on its funds. As of September 30, 2021, the cash balance exceeding the \$250,000 per depositor per institution Federal Deposit Insurance Corporation insured limit was \$6,061,518.

**Concentration of Risk**

During the year ended September 30, 2021, ZERO TO THREE earned revenue of \$22,540,751 from a diversified set of U.S. federal government and state government agencies through both conditional grants and fixed-price contracts. Revenue was earned from the U.S. Department of Health and Human Services and the U.S. Department of Defense, in addition to several state government agencies. Revenue earned from the U.S. federal government and state government agencies represented approximately 46% of the total operating revenue and support recognized by ZERO TO THREE for the year ended September 30, 2021. If a significant reduction in funding from these federal and state government agencies occurs, it may adversely impact ZERO TO THREE's financial position and ability to carry out its program activities.

**Employment Agreement**

ZERO TO THREE signed an employment agreement with its Executive Director on January 1, 2010. The agreement was amended effective January 1, 2020, to continue through December 31, 2024. Under the terms of the agreement, if ZERO TO THREE terminates the agreement for reasons other than cause, the Executive Director is entitled to receive severance pay in the amount of one month's salary, up to 12 months, for each year of employment.

**Risk and Uncertainty**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States. ZERO TO THREE is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. ZERO TO THREE has been able to continue operations in a remote environment with minimal impact to the organization's financial condition; however, the extent to which COVID-19 will impact ZERO TO THREE's financial condition or result of operations in the future is uncertain and is evaluated continuously by management and the Board.

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**NOTES TO FINANCIAL STATEMENTS  
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9. Commitments, Risks and Contingencies (continued)

**Contractual Commitments**

ZERO TO THREE has entered into various letters of agreement for commitments for hotel accommodations and meeting rooms for its future planned conferences. In the event ZERO TO THREE were to cancel these conferences or fail to use a specified percentage of the total space reserved, ZERO TO THREE would be required to pay liquidated damages based upon the date the facility was notified of the cancellation or reduction in requested rooms as well as the facility's ability to fill the resulting vacancies. During the year ended September 31, 2021, ZERO TO THREE made the decision to cancel the in-person component of its Annual Conference scheduled for October 2021 and expensed \$470,677 in cancellation fees which is included in contracted services in the accompanying statement of functional expenses.

10. Endowment Funds

ZERO TO THREE's endowment consists of individual donor-restricted funds established for the purpose of generating earnings to support general activities. In addition, there are funds internally designated by the Board of Directors to function as endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

ZERO TO THREE's policy is to preserve the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. ZERO TO THREE's Board of Directors has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing ZERO TO THREE to appropriate for expenditure or accumulate so much of an endowment fund as ZERO TO THREE determines is prudent. As a result of this interpretation, ZERO TO THREE classifies as net assets with donor restrictions a) the original value of gifts donated to the donor restricted endowment; (b) the original value of subsequent gifts to the donor restricted endowment; and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Investment income from the donor restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by ZERO TO THREE in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, ZERO TO THREE considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;

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10. Endowment Funds (continued)

**Interpretation of Relevant Law (continued)**

- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

**Endowment Composition and Activity**

ZERO TO THREE's endowment net asset composition by fund type was as follows as of September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 6,649,216	\$ -	\$ 6,649,216
Donor-restricted endowment:			
Historical gift value	-	448,444	448,444
Appreciation	-	203,348	203,348
Total Funds	<u>\$ 6,649,216</u>	<u>\$ 651,792</u>	<u>\$ 7,301,008</u>

For the year ended September 30, 2021, the endowment funds had the following activity:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 5,845,950</u>	<u>\$ 587,869</u>	<u>\$ 6,433,819</u>
Investment earnings, net	870,765	87,563	958,328
Contributions	-	-	-
Amounts appropriated for expenditure	<u>(67,499)</u>	<u>(23,640)</u>	<u>(91,139)</u>
Endowment Net Assets, End of Year	<u>\$ 6,649,216</u>	<u>\$ 651,792</u>	<u>\$ 7,301,008</u>

**Investment Objectives and Risk Parameters**

ZERO TO THREE has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Investment Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to create a diversified investment program in order to provide return opportunities that are consistent with ZERO TO THREE's risk tolerance.



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**NOTES TO FINANCIAL STATEMENTS  
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10. Endowment Funds (continued)

**Strategies Employed for Achieving Objectives**

ZERO TO THREE's investment policy governs the management of investments for operating reserves as well as intermediate-term and long-term investments that comprise the endowment assets. It defines general investment principles; identifies duties and responsibilities; and specifies investment objectives, goals, allowable assets, and asset allocations.

**Spending Policy**

The investment policy provides for reasonable and prudent spending from the long-term fund on an annual basis to support ZERO TO THREE's general operations. The spending rule for the long-term fund is to spend no more than 3.5% of the average market value of the long-term fund over the prior four years.

**Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires ZERO TO THREE to retain as a fund of perpetual duration. There were no fund deficiencies as of September 30, 2021. ZERO TO THREE's policy is to continue to appropriate from such individually-deficient funds in accordance with the fund's spending policy.

11. Pension Plans

Pursuant to Section 403(b) of the Internal Revenue Code (the IRC), ZERO TO THREE sponsors a defined contribution retirement plan that is available to all eligible employees. Under the 403(b) plan, eligible employees may elect to contribute up to the federal tax limitation. The plan provides for an employer contribution equal to 6% of the salary of all eligible employees. Employer contributions are made on behalf of employees with at least 12 months of service. Employees who have completed 10 years of service receive an additional 2% of their earnings, for a total contribution of 8%. Both employer and employee contributions are fully vested. Pension expense was \$1,063,622 for the year ended September 30, 2021, and is included in fringe benefits in the accompanying statement of functional expenses.

Effective January 1, 2010, ZERO TO THREE adopted deferred compensation plans for its eligible executives under the IRC Sections 457(f) and 457(b). The plan under Section 457(f) is an unfunded, nonqualified deferred compensation plan. ZERO TO THREE makes non-elective contributions under this plan. Contributions to the plan are vested upon fulfillment by the executive of certain requirements as set forth in the plan agreement. There were no contributions to the plan for the year ended September 30, 2021. Contributions to the Section 457(b) plan are fully vested and non-forfeitable at all times. For the year ended September 30, 2021, investment earnings of \$29,425 were allocated to the plan. The liability for the vested deferred compensation at September 30, 2021, of \$242,000 is included in accrued compensation and benefits in the accompanying statement of financial position.

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11. Pension Plans (continued)

In addition, effective January 1, 2020, ZERO TO THREE adopted a new Section 457(b) deferred compensation plan for its eligible executives under the IRC Section 457(b). ZERO TO THREE makes non-elective contributions under this plan, and contributions are fully vested and non-forfeitable under the plan. Under the plan, contributions of \$54,375 were made in the fiscal year ended September 30, 2021. Amounts are included in fringe benefits in the accompanying statement of functional expenses. The asset and liability for the vested deferred compensation at September 30, 2021, of \$147,375 is included in investments and accrued compensation and benefits in the accompanying statement of financial position.

Balances from the deferred compensation Section 457(b) plan adopted in January 1, 2010, will continue to earn investment earnings until transferred to the new 457(b) plan.

12. Income Taxes

Under Section 501(c)(3) of the IRC, ZERO TO THREE is exempt from the payment of taxes on income other than net unrelated business income. For the year ended September 30, 2021, no provision for income taxes was made, as ZERO TO THREE had no significant unrelated business income.

ZERO TO THREE follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. ZERO TO THREE evaluated its uncertainty in income taxes for the year ended September 30, 2021, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2021, there are no tax examinations pending or in process. It is ZERO TO THREE's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of September 30, 2021, ZERO TO THREE had no accruals for interest and/or penalties.

13. Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ZERO TO THREE's financial statements for the year ended September 30, 2020, from which the summarized financial information was derived.

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14. Subsequent Events

In preparing these financial statements, ZERO TO THREE has evaluated events and transactions for potential recognition or disclosure through January 31, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.