



Financial Statements

For the Year Ended September 30, 2020

(With Summarized Financial Information for the Year Ended September 30, 2019)



**and
Report Thereon**



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

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For the Year Ended September 30, 2020**

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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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Continued

Opinion

In our opinion, the 2020 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, 2020, 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 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
February 3, 2021

**ZERO TO THREE: NATIONAL CENTER FOR
INFANTS, TODDLERS AND FAMILIES**
STATEMENT OF FINANCIAL POSITION
September 30, 2020
(With Summarized Financial Information as of September 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 12,749,700	\$ 10,868,753
Federal and state government grants and contracts receivable	2,943,636	4,417,692
Other grants, contributions and contracts receivable, net	14,958,872	16,233,747
Accounts receivable, net	534,028	677,537
Prepaid expenses and other assets	453,924	1,259,349
Inventory	325,576	288,602
Investments	20,980,913	22,833,174
Property and equipment, net	537,248	1,002,660
	\$ 53,483,897	\$ 57,581,514
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,119,055	\$ 3,665,161
Accrued compensation and benefits	2,419,254	2,319,474
Deferred conference registrations, membership and subscriptions	1,335,614	1,769,158
Deferred contract revenue	46,017	180,301
Deferred rent and construction allowance	601,255	1,035,962
Other liabilities	28,734	38,494
	7,549,929	9,008,550
Net Assets		
Without donor restrictions		
Undesignated	8,780,166	8,302,145
Board-designated endowment	5,845,951	5,646,933
	14,626,117	13,949,078
With donor restrictions		
Purpose restrictions	30,719,982	34,046,388
Time-restricted endowment	139,425	129,054
Perpetual in nature	448,444	448,444
	31,307,851	34,623,886
	45,933,968	48,572,964
	\$ 53,483,897	\$ 57,581,514

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, 2020

(With Summarized Financial Information for the Year Ended September 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING REVENUE AND SUPPORT				
Federal and state government grants and contracts	\$ 1,179,693	\$ 20,003,142	\$ 21,182,835	\$ 20,380,352
Private grants, contributions and contracts	1,133,210	7,531,685	8,664,895	6,774,922
Conference income	1,937,435	-	1,937,435	1,977,454
Training and consulting fees	1,197,783	-	1,197,783	1,291,609
Resource sales	1,122,615	-	1,122,615	793,252
Memberships and subscriptions	357,072	-	357,072	445,672
HealthySteps grants, contributions and contracts	379,831	9,260,716	9,640,547	9,811,954
Investment earnings transferred to operations	553,750	-	553,750	486,217
Other revenue	82,344	-	82,344	62,716
Interest and dividend income on cash equivalents	76,111	-	76,111	187,215
Net assets released from restrictions:				
Satisfaction of program restrictions	40,121,949	(40,121,949)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	48,141,793	(3,326,406)	44,815,387	42,211,363
EXPENSES				
Program Services:				
National Center on Early Childhood				
Development, Teaching, and Learning	12,487,077	-	12,487,077	12,221,166
HealthySteps	9,018,034	-	9,018,034	7,279,907
Policy Center	7,046,416	-	7,046,416	7,122,039
Training, consulting, professional and member services	4,480,196	-	4,480,196	5,107,839
Safe Babies Court Teams	4,104,342	-	4,104,342	3,727,855
Federal systems technical assistance	1,460,401	-	1,460,401	1,471,230
Communications	434,919	-	434,919	842,209
Parenting resources	371,659	-	371,659	433,173
Other national centers for Head Start and child care projects	363,695	-	363,695	432,966
Military family projects	321,355	-	321,355	411,546
Leadership development	251,047	-	251,047	321,861
Western office policy analysis and program consultation	218,116	-	218,116	267,094
Other	34,123	-	34,123	11,853
Total Program Services	40,591,380	-	40,591,380	39,650,738

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

Continued

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

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

(With Summarized Financial Information for the Year Ended September 30, 2019)

(continued)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
EXPENSES (continued)				
Supporting Services:				
General and administrative	\$ 6,840,665	\$ -	\$ 6,840,665	\$ 7,565,399
Fundraising and development	389,401	-	389,401	365,483
HealthySteps fundraising and development	144,843	-	144,843	129,913
Total Supporting Services	7,374,909	-	7,374,909	8,060,795
TOTAL EXPENSES	47,966,289	-	47,966,289	47,711,533
Change in Net Assets From Operating Activities	175,504	(3,326,406)	(3,150,902)	(5,500,170)
NONOPERATING ACTIVITIES				
Investment income, net of earnings transferred to operations	501,535	10,371	511,906	658,872
CHANGE IN NET ASSETS	677,039	(3,316,035)	(2,638,996)	(4,841,298)
NET ASSETS, BEGINNING OF YEAR	13,949,078	34,623,886	48,572,964	53,414,262
NET ASSETS, END OF YEAR	\$ 14,626,117	\$ 31,307,851	\$ 45,933,968	\$ 48,572,964

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, 2020**

(With Summarized Financial Information For the Year Ended September 30, 2019)

	Program Services									
	National Center on Early Childhood Development, Teaching, and Learning	HealthySteps	Policy Center	Training, Consulting, Professional and Member Services	Safe Babies Court Teams	Federal Systems Technical Assistance	Communications	Parenting Resources	Other National Centers for Head Start and Child Care Projects	Military Family Projects
Salaries	\$ 4,273,968	\$ 3,357,649	\$ 2,595,987	\$ 1,503,651	\$ 1,487,077	\$ 879,266	\$ 83,314	\$ 230,087	\$ 285,721	\$ 225,588
Subcontracts	4,725,477	2,497,370	2,120,249	-	1,340,331	-	-	-	-	-
Contracted services	1,389,855	1,806,503	1,211,347	1,278,218	668,224	245,441	224,229	56,580	2,500	10,447
Fringe benefits	1,015,065	797,516	616,546	357,116	353,180	208,825	19,787	54,570	67,859	53,577
Occupancy	308,558	170,190	256,594	122,954	16,126	13,998	10,825	8,019	3,054	1,402
Travel	234,583	162,413	79,619	169,672	97,717	25,658	24,253	9,212	144	20,842
Meeting expenses	15,115	6,108	13,399	524,856	15,310	73,722	5,276	705	-	345
Equipment and software expense	17,048	106,039	19,932	150,129	10,753	1,153	21,976	36	-	-
Depreciation and amortization	46,138	26,982	40,803	18,528	2,371	2,221	1,704	1,274	483	225
Project and publication supplies	105,813	15,893	27,204	129,380	80,359	2,593	20,647	7,202	1,398	1,903
Printing and copying	239,288	19,792	1,498	54,360	1,010	131	3,590	2,780	-	2,831
Communication costs	15,225	12,040	27,065	21,627	17,996	6,945	11,214	796	2,100	2,985
Subscriptions and reference materials	29,797	34,974	31,959	993	10,386	127	4,482	75	436	9
Postage and delivery costs	71,147	2,955	892	49,557	2,689	321	358	248	-	456
Miscellaneous	-	1,610	3,322	99,155	813	-	3,264	75	-	745
TOTAL EXPENSES	\$ 12,487,077	\$ 9,018,034	\$ 7,046,416	\$ 4,480,196	\$ 4,104,342	\$ 1,460,401	\$ 434,919	\$ 371,659	\$ 363,695	\$ 321,355

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

Continued

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

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2020**

(With Summarized Financial Information For the Year Ended September 30, 2019)

(continued)

	Program Services (continued)			Supporting Services				2020 Total	2019 Total	
	Leadership Development	Western Office Policy Analysis and Program Consultation	Other	Total Program Services	General and Administrative	Fundraising and Development	HealthySteps Fundraising and Development			Total Supporting Services
Salaries	\$ 127,865	\$ 161,661	\$ -	\$ 15,211,834	\$ 3,469,970	\$ 214,218	\$ 99,217	\$ 3,783,405	\$ 18,995,239	\$ 17,479,979
Subcontracts	-	-	-	10,683,427	-	-	-	-	10,683,427	10,710,334
Contracted services	12,250	-	34,000	6,939,594	1,003,684	14,155	-	1,017,839	7,957,433	7,188,094
Fringe benefits	30,368	38,394	-	3,612,803	824,329	50,877	23,564	898,770	4,511,573	5,149,836
Occupancy	16,192	12,808	-	940,720	442,662	28,015	17,430	488,107	1,428,827	1,426,944
Travel	50,425	4,894	-	879,432	48,163	11,172	1,856	61,191	940,623	2,011,262
Meeting expenses	9,063	-	-	663,899	65,694	362	-	66,056	729,955	818,360
Equipment and software expense	1,250	-	-	328,316	371,474	14,018	-	385,492	713,808	711,039
Depreciation and amortization	2,573	65	-	143,367	375,064	4,458	2,765	382,287	525,654	477,363
Project and publication supplies	383	-	-	392,775	59,535	1,607	-	61,142	453,917	460,786
Printing and copying	35	34	-	325,349	-	19,320	11	19,331	344,680	225,380
Communication costs	-	260	-	118,253	51,673	746	-	52,419	170,672	245,029
Subscriptions and reference materials	613	-	123	113,974	18,367	19,511	-	37,878	151,852	126,810
Postage and delivery costs	-	-	-	128,623	4,930	6,535	-	11,465	140,088	167,658
Miscellaneous	30	-	-	109,014	105,120	4,407	-	109,527	218,541	512,659
TOTAL EXPENSES	\$ 251,047	\$ 218,116	\$ 34,123	\$ 40,591,380	\$ 6,840,665	\$ 389,401	\$ 144,843	\$ 7,374,909	\$ 47,966,289	\$ 47,711,533

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, 2020

(With Summarized Financial Information for the Year Ended September 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,638,996)	\$ (4,841,298)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	525,654	477,363
Provision for doubtful accounts	7,311	15,519
Amortization of deferred rent and construction allowance	(390,269)	(390,269)
Unrealized gain on investments	(599,375)	(502,694)
Realized loss (gain) on sales of investments	6,473	(21,717)
Changes in assets and liabilities:		
Federal and state government grants and contracts receivable	1,474,056	(801,963)
Other grants, contributions and contracts receivable	1,274,875	3,926,963
Accounts receivable	136,198	585,707
Prepaid expenses and other assets	805,425	5,798
Inventory	(36,974)	31,009
Accounts payable and accrued expenses	(546,106)	(106,017)
Accrued compensation and benefits	99,780	(215,456)
Deferred conference registrations, membership and subscriptions	(433,544)	(384,886)
Deferred contract revenue	(134,284)	42,222
Deferred rent and construction allowance	(44,438)	(3,627)
NET CASH USED IN OPERATING ACTIVITIES	(494,214)	(2,183,346)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,512,117)	(2,020,492)
Proceeds from sales of investments	5,957,280	1,897,622
Purchases of property and equipment	(60,242)	(228,703)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	2,384,921	(351,573)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(9,760)	(10,352)
NET CASH USED IN FINANCING ACTIVITIES	(9,760)	(10,352)
NET INCREASE (DECREASE) IN CASH	1,880,947	(2,545,271)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,868,753	13,414,024
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 12,749,700	\$ 10,868,753

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, 2020**

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, 2020**

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, 2020, only ZERO TO THREE's investments, as described in Note 4, were measured at fair value on a recurring basis and subject to FASB ASC Topic 820, *Fair Value Measurement*.

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.

Continued

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

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.

Continued

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

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 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.

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

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

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

New Accounting Pronouncements

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions, and determining whether a contribution is conditional. ZERO TO THREE adopted the standard on October 1, 2019, using the modified prospective basis and the adoption of the standard did not result in a material change to the financial statements or the timing of revenue recognition for ZERO TO THREE's grants and contributions.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. ZERO TO THREE adopted ASU 2014-09 and related amendments on October 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact ZERO TO THREE's results of operations or change in net assets.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The standard did not have an impact on the statement of cash flows presentation.

2. Receivables

As of September 30, 2020, ZERO TO THREE had receivables from federal and state government grants and contracts totaling \$2,943,636 that included unbilled receivables of \$2,476,211. All billed and unbilled receivable amounts were deemed to be fully collectible.

As of September 30, 2020, foundations, individuals, and corporate contributors to ZERO TO THREE had unconditionally promised to give another \$14,991,538 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	\$ 8,700,194
One to five years	<u>6,291,344</u>
Total Other Grants, Contributions and Contracts Receivable	14,991,538
Less: Discount on Multiyear Grants	<u>(32,666)</u>
Other Grants, Contributions and Contracts Receivable, Net	<u>\$ 14,958,872</u>

Continued

**ZERO TO THREE: NATIONAL CENTER FOR
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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

2. Receivables (continued)

All amounts were deemed to be fully collectible. The discount rate used to calculate the discount component was 0.5% for the year ended September 30, 2020.

3. Conditional Revenue

As of September 30, 2020, ZERO TO THREE had the following conditional grants receivable which are not reflected in the accompanying statement of financial position:

HealthySteps	\$ 16,064,435
National Center on Early Childhood Development	
Teaching and Learning	11,143,839
Safe Babies Court Teams	10,395,141
Policy Center	1,390,929
Other National Centers for Head Start and Child Care Projects	<u>60,381</u>
Total Conditional Revenue	<u>\$ 39,054,725</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, 2020:

Bond mutual funds	\$ 8,968,559
Equity mutual funds and exchange-traded funds	10,175,729
Multi-strategy alternative mutual funds	1,335,942
Money market funds	<u>500,683</u>
Total Investments	<u>\$ 20,980,913</u>

Investment income is summarized as follows for the year ended September 30, 2020:

Interest and dividends	\$ 523,053
Unrealized gains	599,375
Realized loss	(6,473)
Investment fees	<u>(50,299)</u>
Investment Income, Net	<u>\$ 1,065,656</u>

Continued

**ZERO TO THREE: NATIONAL CENTER FOR
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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

4. Investments (continued)

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

Transfer to operations from endowment earnings	\$ <u>132,207</u>
Transfer to operations from investment income – without donor restrictions and undesignated	<u>421,543</u>
Investment Earnings Transferred to Operations	<u>553,750</u>
Nonoperating activities:	
Investment gain, excluding endowment	724,061
Endowment investment gain	341,595
Endowment returns appropriated for operations	(132,207)
Investment returns appropriated for operations – without donor restrictions and undesignated	<u>(421,543)</u>
Total Nonoperating Activities	<u>511,906</u>
Investment Income, Net	<u>\$ 1,065,656</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, 2020:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual funds	<u>\$ 8,968,559</u>	<u>\$ 8,968,559</u>	<u>\$ -</u>	<u>\$ -</u>
Equity mutual funds and exchange-traded funds:				
Domestic equity funds	5,143,887	5,143,887	-	-
International equity funds	3,904,307	3,904,307	-	-
Real estate	<u>1,127,535</u>	<u>1,127,535</u>	<u>-</u>	<u>-</u>
Total Equity Mutual Funds and Exchange- Traded Funds	<u>10,175,729</u>	<u>10,175,729</u>	<u>-</u>	<u>-</u>
Multi-strategy alternative mutual funds	<u>1,335,942</u>	<u>1,335,942</u>	<u>-</u>	<u>-</u>
Money market funds	<u>500,683</u>	<u>500,683</u>	<u>-</u>	<u>-</u>
Total Assets at Fair Value	<u>\$20,980,913</u>	<u>\$20,980,913</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

**ZERO TO THREE: NATIONAL CENTER FOR
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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

5. Fair Value Measurement (continued)

ZERO TO THREE estimated the fair value for all of these funds using quoted market prices in active markets.

6. Property and Equipment and Related Depreciation and Amortization

ZERO TO THREE held the following property and equipment as of September 30, 2020:

Leasehold improvements	\$ 2,029,628
Software	1,048,650
Computer equipment	257,126
Furniture and fixtures	<u>159,060</u>
Total Property and Equipment	3,494,464
Less: Accumulated Depreciation and Amortization	<u>(2,957,216)</u>
Property and Equipment, Net	<u>\$ 537,248</u>

Depreciation and amortization expense was \$525,654 for the year ended September 30, 2020.

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, 2020, ZERO TO THREE's net assets without donor restrictions were as follows:

Undesignated	\$ 8,780,166
Board-designated endowment	<u>5,845,951</u>
Total Net Assets Without Donor Restrictions	<u>\$ 14,626,117</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, 2020, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:

Programs:

Policy Center	\$ 18,589,493
HealthySteps	8,161,930
Safe Babies Court Teams	685,934

Continued

**ZERO TO THREE: NATIONAL CENTER FOR
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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

7. Net Assets (continued)

Net Assets With Donor Restrictions (continued)

Subject to expenditure for specified purpose (continued):

Programs (*continued*):

Parenting resources	\$ 1,291,560
Leadership development	1,157,689
Western office policy analysis and program consultation	316,824
Military family projects	15,000
Professional development	18,941
Other	<u>482,311</u>

Total Subject to Expenditure for Specified Purpose	<u>30,719,982</u>
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Subject to occurrence of passage of time:

Time-restricted endowment	<u>139,425</u>
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Total Subject to Passage of Time	<u>139,425</u>
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Subject to donor restriction in perpetuity:

Endowment	<u>448,444</u>
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Total Subject to Restriction in Perpetuity	<u>448,444</u>
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Total Net Assets With Donor Restrictions	<u>\$ 31,307,851</u>
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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, 2020, were as follows:

Cash and cash equivalents	\$ 12,749,700
Federal and state government grants and contracts receivable	2,943,636
Other grants, contributions and contracts receivable	14,958,872
Accounts receivable	534,028
Investments	<u>20,980,913</u>
Total Financial Assets	52,167,149

Continued

**ZERO TO THREE: NATIONAL CENTER FOR
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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

8. Availability and Liquidity (continued)

(continued)

Less:

Amounts unavailable for general expenditures within one year due to donor's purpose or time restriction	\$(31,307,851)
Amounts unavailable to management without Board approval	<u>(5,845,951)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 15,013,347</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 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, 2020. If ZERO TO THREE uses the line of credit, it is secured by deposits and investments at 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.

Continued

**ZERO TO THREE: NATIONAL CENTER FOR
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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

9. Commitments, Risks and Contingencies (continued)

Operating Leases (continued)

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.

Under GAAP, all lease incentives and all 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.

The future minimum rental payments required under these leases were as follows as of September 30, 2020:

<u>For the Year Ending September 30,</u>	
2021	\$ 1,723,713
2022	<u>436,262</u>
Total	<u>\$ 2,159,975</u>

Rent expense was \$1,395,113 for the year ended September 30, 2020, which included a pass-through of the prior year's operating expenses and taxes billed to ZERO TO THREE in 2020.

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, 2020, has a maturity date of June 19, 2021. 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 SunTrust Bank. As of September 30, 2020, 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 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.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

9. Commitments, Risks and Contingencies (continued)

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, 2020, the cash balance exceeding the \$250,000 per depositor per institution Federal Deposit Insurance Corporation insured limit was \$4,970,281.

Concentration of Risk

During the year ended September 30, 2020, ZERO TO THREE earned revenue of \$21,182,835 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 47% of the total operating revenue and support recognized by ZERO TO THREE for the year ended September 30, 2020. 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.

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

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

9. Commitments, Risks and Contingencies (continued)

Contractual Commitments (continued)

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. Subsequent to year end, 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 in fiscal year 2021.

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

Continued

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

10. Endowment Funds (continued)

Endowment Composition and Activity

ZERO TO THREE's endowment net asset composition by fund type was as follows as of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment	\$ 5,845,950	\$ -	\$ 5,845,950
Donor-restricted endowment:			
Historical gift value	-	448,444	448,444
Appreciation	-	139,425	139,425
Total Funds	<u>\$ 5,845,950</u>	<u>\$ 587,869</u>	<u>\$ 6,433,819</u>

For the year ended September 30, 2020, 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>\$ 5,646,933</u>	<u>\$ 577,498</u>	<u>\$ 6,224,431</u>
Investment earnings, net	309,902	31,693	341,595
Contributions	-	-	-
Amounts appropriated for expenditure	<u>(110,885)</u>	<u>(21,322)</u>	<u>(132,207)</u>
Endowment Net Assets, End of Year	<u>\$ 5,845,950</u>	<u>\$ 587,869</u>	<u>\$ 6,433,819</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.

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.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

10. Endowment Funds (continued)

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, 2020. 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 \$1,097,623 for the year ended September 30, 2020, 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, 2020. Contributions to the Section 457(b) plan are fully vested and non-forfeitable at all times. For the year ended September 30, 2020, investment earnings of \$10,467 were allocated to the plan. The liability for the vested deferred compensation at September 30, 2020, of \$212,575 is included in accrued compensation and benefits in the accompanying statement of financial position.

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 new deferred compensation 457(b) plan, contributions of \$97,500 were made in the fiscal year ended September 30, 2020. Amounts are included in fringe benefits in the accompanying statement of functional expenses. The liability for the vested deferred compensation at September 30, 2020, of \$97,500 is included in accrued compensation and benefits in the accompanying statement of financial position.

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

11. Pension Plans (continued)

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. Related Party Transactions

During the year ended September 30, 2020, ZERO TO THREE received training and technical assistance services totaling \$513,257 from an organization considered to be a related party since an executive officer of the organization is related to an executive officer of ZERO TO THREE. As of September 30, 2020, \$38,327 was payable to the related organization. Management believes no preferential treatment has been afforded to either organization.

13. 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, 2020, 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, 2020, 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, 2020, 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, 2020, ZERO TO THREE had no accruals for interest and/or penalties.

14. 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, 2019, from which the summarized financial information was derived.

15. Reclassifications

Certain amounts in 2019 were reclassified to conform to the 2020 presentation.

Continued

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2020**

16. Subsequent Events

In preparing these financial statements, ZERO TO THREE has evaluated events and transactions for potential recognition or disclosure through February 3, 2021, the date the financial statements were available to be issued. Other than the matter disclosed in Note 9, there were no other subsequent events that require recognition or disclosure in these financial statements.