

Audited Financial Statements



December 31, 2019

Quigley & Miron

Pablove Foundation, Inc.
Audited Financial Statements
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Independent Auditor's Report

Board of Directors
Pablove Foundation, Inc.
Los Angeles, California

We have audited the accompanying financial statements of Pablove Foundation, Inc., a nonprofit organization, which comprise the statements of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement.

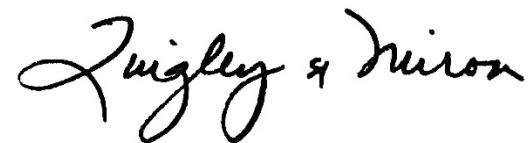
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Pablove Foundation, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pablove Foundation, Inc. as of December 31, 2019, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Ziegler & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
January 5, 2021

Pablove Foundation, Inc.
Statement of Financial Position
December 31, 2019

Assets

Current Assets

Cash and cash equivalents	\$ 519,913
Restricted cash	147,880
Contributions receivable, net—Note 4	173,640
Investments—Note 5	2,171,760
Prepaid expenses	14,692

Total Current Assets 3,027,885

Noncurrent Assets

Contributions receivable, net—Note 4	302,963
Works of art—Note 6	178,800
Deposits	8,800
Furniture and equipment, net of accumulated depreciation of \$65,841	8,519

Total Noncurrent Assets 499,082

Total Assets \$ 3,526,967

Liabilities and Net Assets

Current Liabilities

Grants payable—Note 7	\$ 96,250
Accounts payable and accrued expenses	80,099

Total Liabilities 176,349

Net Assets

Without donor restrictions	2,717,847
With donor restrictions—Note 9	632,771

Total Net Assets 3,350,618

Total Liabilities and Net Assets \$ 3,526,967

See notes to the financial statements.

Pablove Foundation, Inc.
Statement of Activities
Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Activities			
Revenue, Support, and Other Income			
Contributions	\$ 1,202,342	\$ 85,444	\$ 1,287,786
Merchandise sales, net of cost of sales of \$3,179	(513)		(513)
Interest and dividends	70,968		70,968
Special events			
Gross revenue	562,449		562,449
Less cost of direct benefits to donors	(455,284)		(455,284)
Special Events, Net	107,165		107,165
Total Revenue, Support, and Other Income Before Reclassifications	1,379,962	85,444	1,465,406
Net assets released from restrictions	226,618	(226,618)	
Total Revenue, Support, Other Income, and Reclassifications	1,606,580	(141,174)	1,465,406
Expenses			
Program services	1,447,075		1,447,075
General and administrative	641,728		641,728
Fundraising	373,509		373,509
Total Expenses	2,462,312		2,462,312
Change in Net Assets From Operations	(855,732)	(141,174)	(996,906)
Nonoperating Activities			
Rental income	7,500		7,500
Other income	10,178		10,178
Investment return, net	315,988		315,988
Total Nonoperating Activities	333,666		333,666
Change in Net Assets	(522,066)	(141,174)	(663,240)
Net Assets at Beginning of Year, as previously reported	3,321,453	773,945	4,095,398
Prior period restatement–Note 11	(81,540)		(81,540)
Net Assets at Beginning of Year, as restated	3,239,913	773,945	4,013,858
Net Assets at End of Year	\$ 2,717,847	\$ 632,771	\$ 3,350,618

See notes to financial statements.

Pablove Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services			General and Admin- istrative	Fundraising	Special Events	Total
	Research	Shutterbugs	Total Program Services				
Salaries	\$ 93,986	\$ 663,503	\$ 757,489	\$ 260,957	\$ 190,422	\$	\$ 1,208,868
Payroll taxes	7,092	34,845	41,937	19,299	28,165		89,401
Other employee benefits	8,346	41,639	49,985	23,002	33,570		106,557
Total Personnel Expenses	109,424	739,987	849,411	303,258	252,157		1,404,826
Advertising/promotion		189	189	482	465		1,136
Bank charges		74	74	7,774	20,130		27,978
Cost of direct benefit to donors						455,284	455,284
Depreciation		1,740	1,740		325		2,065
Dues and subscriptions	5,592	1,471	7,063	13,517	3,261		23,841
Grants made	310,798		310,798				310,798
Information technology	2,971	5,942	8,913	5,729	1,950		16,592
Insurance	532	1,100	1,632	7,024	266		8,922
Meals		3,243	3,243	3,573	4,426		11,242
Occupancy	1,347	65,446	66,793	25,490	39,474		131,757
Office expense		8,116	8,116	8,292	164		16,572
Parking and mileage		2,427	2,427	10,220	920		13,567
Postage		6,378	6,378	1,961	1,287		9,626
Printing	449	2,529	2,978	9,222	2,179		14,379
Professional fees	843	78,207	79,050	225,806	24,596		329,452
Supplies and equipment		65,662	65,662	13,523	3,293		82,478
Telephone	367	7,903	8,270	3,806	5,554		17,630
Travel		24,338	24,338	2,051	13,062		39,451
Total Expenses by Function	432,323	1,014,752	1,447,075	641,728	373,509	455,284	2,917,596
Less expenses included with revenues on the statement of activities							
Cost of direct benefits to donors						(455,284)	(455,284)
Total Expenses	\$ 432,323	\$ 1,014,752	\$ 1,447,075	\$ 641,728	\$ 373,509	\$	\$ 2,462,312

See notes to financial statements.

Pablove Foundation, Inc.
Statement of Cash Flows
Year Ended December 31, 2019

Cash Flows from Operating Activities

Change in net assets	\$ (663,240)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	2,065
Investment gains	(332,116)
Changes in operating assets and liabilities:	
Contributions receivable	108,648
Interest receivable	3,162
Prepaid expenses	(9,542)
Deposits	(8,800)
Grants payable	(176,250)
Accounts payable and accrued expenses	55,931

Net Cash Used in Operating Activities (1,020,142)

Cash Flows from Investing Activities

Proceeds from sale of investments	1,152,000
Purchases of investments	(78,204)

Net Cash Provided by Investing Activities 1,073,796

Increase in Cash, Cash Equivalents, and Restricted Cash 53,654

Cash, Cash Equivalents, and Restricted Cash
at Beginning of Year

614,139

Cash, Cash Equivalents, and Restricted Cash at End of Year \$ 667,793

Supplemental Disclosures

Income taxes paid	<u>\$</u>
Interest paid	<u>\$</u>

See notes to financial statements.

Pablove Foundation, Inc.
Notes to Financial Statements
December 31, 2019

Note 1—Organization

The Pablove Foundation, Inc. (Pablove) is a California nonprofit organization, founded in 2009 for the purpose of investing in underfunded, cutting-edge pediatric cancer research, and to improve the lives of children living with cancer through the arts.

Powered by Pablove—Pablove’s *Powered by Pablove* childhood cancer research grants program is focused on awarding \$50,000 seed grants to early-career, daring investigators, giving them the opportunity to prove their theories and leverage their findings for more funding. Pablove’s dream is to ensure that no brilliant, promising scientist goes unfunded in their initial phase of research, because there are kids waiting for the cures they might uncover. In 2019, Pablove awarded four (4) *Powered by Pablove* seed grants and extended funding for an additional ongoing project. Pablove’s research is conducted in prestigious institutions across the nation: Boston Children’s Hospital, Boston, MA; Baylor College of Medicine, Houston TX; and Children’s Hospital Los Angeles, Los Angeles, CA to name just a few. Each project is focused on a different rare cancer including Wilms Tumor and Ewing’s Sarcoma.

Pablove Shutterbugs—Pablove Shutterbugs is a participatory arts education program that lets kids just be kids and find their creative voice through photography. Living with cancer is no fun - especially for a child. Days are filled with doctors’ appointments for which kids are pulled out of school, thus limiting their contact with the outside world. That’s where *Pablove Shutterbugs* comes in. By partnering with art institutions such as The Museum of Modern Art (MoMA) in New York City or The Huntington Library, Art Museum and Botanical Gardens in Los Angeles, and Sawyer Yards in Houston, students get an opportunity to escape and focus on the task at hand: learning about photography. Through this program, students are guided through the basic principles of photography, including composition and lighting, in a supportive and fun environment. Each week, a project is assigned which gives students an opportunity for an increased sense of accomplishment and confidence. Every *Pablove Shutterbugs* session culminates in a graduation and yearly student gallery show at a professional gallery space to celebrate the young photographers. All print sales at Pablove’s annual gallery shows directly support Pablove’s *Powered by Pablove* childhood cancer research grants program.

Pablove Shutterbugs is located in seven cities and six states across the country: Los Angeles and San Francisco Bay Area (CA), Seattle (WA), Boston (MA), New York (NY), Houston (TX), and New Orleans (LA). In 2019, *Pablove Shutterbugs* launched its advanced photography class in NY. Previously, this class was only offered in Los Angeles. In the advanced classes, students learn to work with photography as a means to advocate for cancer research and explore their identity with cancer for the first time. As our students tell us “I can use photography to talk about cancer when I don’t know how to express myself with words.” Additionally, Pablove Shutterbugs held its 4th Alumni Summer Camp in Lake Arrowhead, CA where students from across the country come to learn intermediate photography lessons and to participate in normal camp activities. In total, we are proud that in the 2019 calendar year, we served over 170 children living with cancer through our nationwide Pablove Shutterbugs programs. 2019 was a year of big change for the Pablove Foundation. Change is difficult

Pablove Foundation, Inc.

Notes to Financial Statements—Continued

Note 1—Organization—Continued

and can be costly, and 2019 laid the foundation to continue innovation and impactful programs – and to build upon our strong mission and community. Mid-year, we recruited our new CEO and we finished the year with record early registrations for our most impactful fundraising event in fall, our one-week Pablove Across America bicycle ride. Simultaneously, we streamlined operations, and added critical community based committees to advise staff and the Board to fight childhood cancer with love.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Pablove’s net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of Pablove and changes therein are presented and reported as follows:

Net Assets Without Donor Restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of Pablove. These net assets may be used at the discretion of Pablove’s management and the board of directors.

Net Assets With Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of Pablove and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit Pablove to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a time restriction expires or a purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. It is the policy of Pablove to record contributions that are restricted by the donor as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Recently Adopted Accounting Principles

Contributions—In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies and improves the scope of the accounting guidance for contributions received and contributions made. The clarifications and improved scope assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or as exchange (reciprocal) transactions, and 2) determining whether a contribution is conditional. The clarified guidance applies to all entities that

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

receive or make contributions (grants). ASU No. 2018-08 has been adopted by Pablove for the year ended December 31, 2019, however, the retrospective approach requires that organizations reflect the effect of the new guidance in the earliest year presented in the financial statements. Pablove has determined that adopting ASU No. 2018-08 has had no material effect on the financial statements.

Restricted Cash—In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU No. 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities are required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. Pablove has adopted ASU No. 2016-18 on a retrospective basis for the year ended December 31, 2019, and has adjusted the presentation of the financial statements accordingly

Measure of Operations—The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of Pablove’s program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—Pablove is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code) and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the financial statements. In addition, Pablove is not a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered ‘*more likely than not*’ to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2019. Generally, Pablove’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash Equivalents—Pablove considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Restricted Cash—Restricted cash represents cash held in a separate account specifically for activities under Pablove’s OMS program. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement the statement of financial position to the cash, cash equivalents, and restricted cash total shown in the statement of cash flows at December 31, 2019.

Cash and cash equivalents	\$	519,913
Restricted cash		147,880
Total	\$	<u>667,793</u>

Investments—Investments are valued at fair market value and investment transactions are recorded on the trade date. Investment income and realized and unrealized gains and losses are reported as increases or decreases in the appropriate net asset category.

Furniture and Equipment—Furniture and equipment are capitalized if there is a useful life greater than one year and the cost is above a minimum threshold established by management of \$1,000. Furniture and equipment are valued at cost or the fair market at the date of donation. Pablove provides for depreciation and amortization of furniture and equipment on a straight-line basis over the estimated useful lives of five years.

Concentration of Credit Risk—Financial instruments which potentially subject Pablove to concentrations of credit risk consist of cash and cash equivalents, investments, and contributions receivable. Pablove places its cash and cash equivalents with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution.

Cash held in investment accounts at investment custodians are insured by the Securities Investors Protection Corporation (SIPC) up to \$250,000 and the investments in securities are insured up to \$500,000. At times, in the normal course of business, such balances are in excess of the FDIC/SIPC insurance limits, but management deems the risk of loss due to these concentrations to be minimal.

Conservative estimate guidelines established by the Board of Directors govern Pablove’s investments in securities to achieve diversification of the portfolio.

Contributions receivable consists of balances from local foundations. Pablove has determined that no allowance for potential losses due to uncollectible receivables is necessary at December 31, 2019.

Contributions—Temporarily restricted and unrestricted contributions are recorded in the period received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Pablove Foundation, Inc.

Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, payroll taxes, other employee benefits, advertising/promotion, bank charges, depreciation, dues and subscriptions, information technology, insurance, meals, occupancy, office expense, parking and mileage, postage, printing, professional fees, supplies and equipment, telephone, and travel are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to programs.

Note 3—Availability and Liquidity

Pablove’s goal is generally to maintain financial assets to meet six months of operating expenses (approximately \$1.3 million dollars). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

The following represents the availability and liquidity of Pablove’s financial assets at December 31, 2019 to cover operating expenses for the next fiscal year:

Financial assets	
Cash and cash equivalents	\$ 331,219
Contributions receivable, net	173,640
Investments	2,171,760
	<hr/>
Current Availability of Financial Assets	\$ 2,676,619

Note 4—Contributions Receivable, Net

Contributions, net consist of the following at December 31, 2019

Receivable due in less than one year	\$ 173,640
Receivable due in one to three years	343,645
	<hr/>
Gross	517,285
	<hr/>
Less present value discount	(40,682)
	<hr/>
Net	\$ 476,603

Note 5—Fair Value Measurements

Fair Value Measurement of Financial Instruments—In determining the fair value of investments, Pablove utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Pablove determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. Pablove held no Level 3 assets at December 31, 2019.

Pablove utilizes a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by Pablove to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Pablove held no such assets at December 31, 2019.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2019 are determined as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Exchange traded funds	\$ 1,077,473	\$ 1,077,473	\$
Mutual funds	683,595	683,595	
Fixed income securities	410,692		410,692
Totals	<u>\$ 2,171,760</u>	<u>\$ 1,761,068</u>	<u>\$ 410,692</u>

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 5—Fair Value Measurements—Continued

Net investment return for the year ended December 31, 2019 consists of the following:

Realized loss on investments	\$ (45,987)
Unrealized gain on investments	378,103
Investment management fees	<u>(16,128)</u>
Investment Return, Net	315,988
Investment interest and dividends	<u>70,968</u>
Total Return on Investments	<u>\$ 386,956</u>

Note 6—Works of Art

During the year ended December 31, 2016, Pablove received contributions of fine art which totaled \$290,340. The fair values of these works of art were determined by a third-party insurance agency. It is the intent of Pablove to sell these works of art to collect cash and thus fund its operations, including its research grant program. During the year ended December 31, 2018, Pablove sold artwork valued at \$96,540 for a cash price of \$6,900. There were no such sales during the year ended December 31, 2019.

Note 7—Grants Payable

Grants payable at December 31, 2019 consist of grants approved by Pablove to various domestic and foreign research institutions.

Note 8—Commitments

Pablove signed a new lease agreement in June 2018 for a term of three years, commencing on January 1, 2019 and terminating on December 31, 2021. The base rent for the initial year of the lease is \$9,300 per month. The base rent shall be increased by 3% annually commencing on the first anniversary date. The lease offers two 1-year options to extend the lease, commencing initially on January 1, 2022 and ending December 31, 2022, and commencing on January 1, 2023 and ending December 31, 2023. Future minimum payments under this lease are as follows:

<u>Year Ending December 31,</u>	
2020	\$ 112,476
2021	<u>115,850</u>
Total	<u>\$ 228,326</u>

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 9—Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2019:

Subject to purpose restrictions:	
OMS Fund	\$ 147,879
Shutterbugs	8,289
	<hr/>
Total Subject to Purpose Restrictions	156,168
Subject to time restrictions:	
Pledges receivable	476,603
	<hr/>
Total Net Assets With Donor Restrictions	<u>\$ 632,771</u>

Net assets released from donor restrictions for the year ended December 31, 2019 are as follows:

Satisfaction of purpose restrictions:	
OMS Fund	\$ 170
Research	50,000
	<hr/>
Total Satisfaction of Purpose Restrictions	50,170
Satisfaction of passage of time:	
Pledges receivable	176,448
	<hr/>
Total Net Assets Released from Donor Restrictions	<u>\$ 226,618</u>

Note 10—Retirement Benefits

Pablove has established a defined contribution plan (Plan) whereby all employees with three consecutive months of service to Pablove may contribute to the Plan. Pablove made no employer contributions to the Plan during the year ended December 31, 2019.

Note 11—Prior Period Restatement

During the year ended December 31, 2018, Pablove sold donated works of art with a carrying value totaling \$81,540 for \$5,550. The cash proceeds from these sales were incorrectly recorded as contribution revenue and the carrying value of the donated works of art was not removed from Pablove's accounting records. As a result, the works of art balance at December 31, 2018 was overstated by \$81,540 and net assets were overstated by the same amount. To correct this error, Pablove decreased its beginning of year net assets without donor restrictions by \$81,540.

Note 12—Recent Accounting Pronouncements

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2019; early adoption is permitted for fiscal years beginning after December 15, 2016. The guidance permits the use of either a retrospective or cumulative effect transition method. Pablove is evaluating whether this will have a material impact on its financial statements.

Leases—In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for nonprofit organizations with fiscal years beginning after December 15, 2021, with early adoption permitted. Pablove is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Note 13—Subsequent Events

In early March 2020, the COVID-19 virus was declared a global pandemic. Since then, business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Pablove is continuing to conduct its activities primarily on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations.

On April 30, 2020, Pablove received \$244,130 in Paycheck Protection Program (PPP) funding from the U.S. Small Business Administration. The funding is designed to provide a direct incentive for small businesses which are struggling, or unable, to keep their workers on the payroll during the pandemic. While these funds carry loan repayment terms, it is the opinion of management that all funds received will be forgiven under the present terms of the PPP.

Since the future cumulative financial impact of the pandemic on Pablove cannot be assessed at the time of this reporting, no corresponding adjustment has been made to these financial statements.

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 13—Subsequent Events—Continued

Management evaluated all activities of Pablove through January 5, 2021, which is the date the financial statements were available to be issued, and concluded that, other than the operational changes made by Pablove in response to the global pandemic and receipt of the PPP funding described above, no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.