

Audited Financial Statements



December 31, 2017

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, 2017, 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.

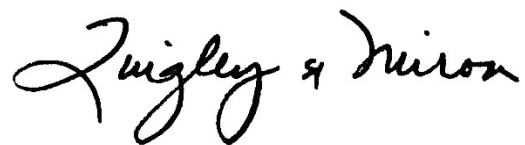
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2017, 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 "Quigley & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
October 15, 2018

Pablove Foundation, Inc.
Statement of Financial Position
December 31, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 1,002,841
Contributions receivable, net—Note 4	289,547
Investments—Note 5	3,179,888
Interest receivable	3,162
Inventory	10,156

Total Current Assets	4,485,594
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Noncurrent Assets

Contributions receivable, net—Note 4	288,028
Works of art—Note 7	275,340
Furniture and equipment, net of accumulated depreciation of \$61,019	13,341

Total Noncurrent Assets	576,709
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Total Assets	\$ 5,062,303
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Liabilities and Net Assets

Current Liabilities

Grants payable—Note 8	\$ 347,500
Accounts payable and accrued expenses	31,755

Total Liabilities	379,255
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Net Assets

Unrestricted	4,233,426
Temporarily restricted—Note 10	449,622

Total Net Assets	4,683,048
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Total Liabilities and Net Assets	\$ 5,062,303
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See notes to the financial statements.

Pablove Foundation, Inc.
Statement of Activities
Year Ended December 31, 2017

Unrestricted Net Assets

Revenue, Support, and Other Income

Contributions	\$ 1,633,094
Special events, net—Note 11	445,872
Merchandise sales, net of cost of sales of \$24,098	14,858
Interest and dividends	85,777
Loss on disposal of works of art	(12,750)
Investment gains, net	228,805

Total Unrestricted Revenue, Support, and Other Income	2,395,656
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Net assets released from restrictions	301,379
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Total Unrestricted Revenue, Support, Other Income, and Reclassifications	2,697,035
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Expenses

Program services	1,641,934
General and administrative	222,927
Fundraising	436,045

Total Expenses	2,300,906
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Change in Unrestricted Net Assets	396,129
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Temporarily Restricted Net Assets

Contributions	557,615
Net assets released from restrictions	(301,379)

Change in Temporarily Restricted Net Assets	256,236
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Change in Net Assets	652,365
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Net Assets at Beginning of Year	4,030,683
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Net Assets at End of Year	\$ 4,683,048
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See notes to financial statements.

Pablove Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017

	<u>Program Services</u>	<u>General and Admin- istrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 670,267	\$ 97,127	\$ 197,750	\$ 965,144
Payroll taxes	56,890	8,244	16,784	81,918
Other employee benefits	59,088	8,562	17,433	85,083
Total Personnel Expenses	786,245	113,933	231,967	1,132,145
Advertising/promotion	5,378		1,430	6,808
Bank charges	1,491	32,249	11,817	45,557
Conferences and meetings	8,700		2,488	11,188
Depreciation expense	5,145	745	1,518	7,408
Dues and subscriptions	21,187	6,183	12,926	40,296
Grants made	262,500			262,500
Information technology	1,098	1,967	470	3,535
Insurance	7,205	1,627	1,404	10,236
Meals	5,016	3,096	13,175	21,287
Occupancy	103,479	18,133	46,068	167,680
Office expense	9,668	4,297	4,213	18,178
Parking and mileage	6,383	1,627	2,956	10,966
Postage	7,399	655	7,184	15,238
Printing	15,788	1,157	11,417	28,362
Professional fees	276,324	28,061	53,416	357,801
Supplies and equipment	77,819	3,168	9,004	89,991
Telephone	8,829	1,901	1,407	12,137
Travel	32,280	4,128	23,185	59,593
Total Expenses	\$ 1,641,934	\$ 222,927	\$ 436,045	\$ 2,300,906

See notes to financial statements.

Pablove Foundation, Inc.
Statement of Cash Flows
Year Ended December 31, 2017

Cash Flows from Operating Activities

Change in net assets	\$ 652,365
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Loss on disposal of works of art	12,750
Depreciation	7,408
Investment gains, net	(228,805)
Changes in operating assets and liabilities:	
Contributions receivable	(497,868)
Inventory	18,774
Grants payable	60,000
Accounts payable and accrued expenses	(35,155)

**Net Cash Used in
in) Operating Activities** **(10,531)**

Cash Flows from Investing Activities

Proceeds from sale of work of art	2,250
Proceeds from sale of investments	430,485
Purchases of investments	(207,660)

**Net Cash Provided by
Investing Activities** **225,075**

**Increase in
Cash and Cash Equivalents** **214,544**

**Cash and Cash Equivalents
at Beginning of Year**

788,297

**Cash and Cash Equivalents
at End of Year** **\$ 1,002,841**

Supplemental Disclosures

Income taxes paid	\$
Interest paid	\$

See notes to financial statements.

Pablove Foundation, Inc.
Notes to Financial Statements
December 31, 2017

Note 1—Organization

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. Pablove's *Powered by Pablove* childhood cancer research grants program is focused on awarding \$50,000 seed grants to young, 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 2017, Pablove's received over 100 grant applications from all over the world. The Scientific Advisory Committee, comprised of esteemed scientists from childhood cancer research institutions, recommended four break-through researchers for seed grant funding.

Pablove Shutterbugs—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. Pablove's arts education program lets kids just be kids and find their creative voice through photography. We always say "cancer isn't invited to the party" and, by partnering with art institutions such as The Museum of Modern Art (MoMA) in New York City or The Getty Center in Los Angeles, 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 gallery show at a professional gallery space. *Pablove Shutterbugs* is currently located in seven cities across the country, including two new locations: Denver and Boston. In 2017, *Pablove Shutterbugs* launched its first Advanced Photography class in Los Angeles.

Alumni Summer Camp—The 3rd Annual Pablove Shutterbugs Alumni Summer Camp took place June 13-16, 2017 at the UCLA Conference Center in Lake Arrowhead, California, bringing together 34 *Pablove Shutterbugs* alumni, ages 8-19, to learn intermediate photography concepts and participate in traditional camp activities. For the first time at this event, Pablove was able to accommodate out-of-town campers and cover all of their travel expenses. Eight kids from Akron, New York, New Orleans, San Francisco, and Tacoma joined Los Angeles Shutterbugs for a unique camp experience.

Gallery Show—The 2016/2017 Gallery Show season was a success! Pablove partnered with galleries in each *Pablove Shutterbugs* city, bringing together thousands of students, families and their communities to celebrate the young photographers. All print sales at Pablove's annual gallery shows directly support Pablove's childhood cancer research grants program.

Latest Success Story—Dr. Gregory John Aune is a Stephanie Edlund Distinguished Professor in Pediatric Cancer Research at the Greehey Children's Cancer Research Institute at UT Health San Antonio, Texas. He earned his Ph.D. and M.D. from the University of Texas Health Science Center. His interest in pediatric cancer was fueled by his personal experience as a long-term survivor of Hodgkin's lymphoma, as well as professional experiences. He is a two-time Pablove Childhood Cancer Grant recipient, and the recipient of the first grant fully funded by Shutterbugs. Dr. Aune is currently a research contributor in a pre-clinical evaluation of anthracycline equivalency. The overall goal of his

Pablove Foundation, Inc.

Notes to Financial Statements—Continued

Note 1—Organization—Continued

research is to understand how pediatric cancer treatments damage the heart, and to develop new strategies to decrease heart disease in long-term cancer survivors of childhood cancer. His long-term career goal is to identify the mechanisms that cause cardiac disease in childhood cancer survivors.

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Pablove recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified on the existence or absence of donor-imposed restrictions. The net assets of Pablove and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Pablove.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Pablove and/or passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of Pablove's programs and operations. There were no permanently restricted net assets as of December 31, 2017.

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, 2017. 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

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2017 from the previous year.

Exchange Traded Funds: Valued at the closing price reported on the active market on which the funds are traded. These funds are deemed to be actively traded.

Bond Funds: Valued at the daily closing price as reported by the fund. Bond funds are open-ended mutual funds held by Pablove that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Bond funds held by Pablove are deemed to be actively traded.

Equity Funds: Valued at the daily closing price as reported by the fund. Equity funds are open-ended mutual funds held by Pablove that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. Equity funds held by Pablove are deemed to be actively traded.

Debt Securities: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Inventory—Inventory is stated at the lower of cost or market. Cost is determined under the first-in, first-out (FIFO) method. Inventory consists of apparel and accessories available through Pablove's website.

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.

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, 2017.

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.

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.

Note 3—Recent Accounting Pronouncements

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 Pablove for 2020; early adoption is permitted. Pablove is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for Pablove for 2018. Early adoption is permitted. PABLOVE is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 4—Contributions Receivable, Net

Contributions, net consist of the following at December 31, 2017

Receivable due in less than one year	\$	289,547
Receivable due in one to three years		309,148
	Gross	598,695
Less present value discount		(21,120)
	Net	\$ 577,575

Note 5—Investments

Investments consist of the following as of December 31, 2017:

Exchange traded funds	\$	193,833
Mutual funds		103,686
Equity funds		169,948
Fixed income securities		1,665,031
Equities		1,047,390
	Total	\$ 3,179,888

Net investment return for the year ended December 31, 2017, consists of the following:

Interest and dividends	\$	85,777
Investment gains		228,805
	Net	\$ 314,582

No unfunded commitments exist as of December 31, 2017 related to Pablove's investment holdings.

Pablove Foundation, Inc.

Notes to Financial Statements—Continued

Note 6—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, 2017.

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, 2017.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2017 are determined as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Exchange traded funds	\$ 193,833	\$ 193,833	\$
Mutual funds	103,686	103,686	
Equity funds	169,948	169,948	
Fixed income securities	1,665,031		1,665,031
Equities	1,047,390	1,047,390	
Totals	<u>\$ 3,179,888</u>	<u>\$ 1,514,857</u>	<u>\$ 1,665,031</u>

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 7—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, 2017, Pablove sold artwork valued at \$15,000 for a cash price of \$2,250.

Note 8—Grants Payable

Grants payable at December 31, 2017 consist of grants approved by Pablove to various domestic and foreign research institutions.

Note 9—Commitments

Pablove leases office space for its headquarter facilities under an operating lease that terminates on December 31, 2017. The monthly base rent under the agreement is \$8,125. Pablove was granted an option to renew the lease for a one-year term commencing January 1, 2018 through December 31, 2018, at a monthly base rent amount of \$8,369.

Rental expense, including utilities, related to this operating lease amounted to \$145,576 for the year ended December 31, 2017.

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 monthly base rent under the new agreement is \$9,100.

Note 10—Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2017:

Restricted to future periods	\$	317,527
OMS Fund		112,101
Shutterbugs		19,994
		<hr/>
Total	\$	<u>449,622</u>

Note 11—Special Events

Special events during the year ended December 31, 2017 represent activities related to various fundraising events held throughout the year and are summarized as follows:

Revenue	\$	699,335
Less direct expenses		(253,463)
		<hr/>
Net	\$	<u>445,872</u>

Pablove Foundation, Inc.
Notes to Financial Statements—Continued

Note 11—Special Events—Continued

Total fundraising expenses for the year ended December 31, 2017 consist of the following:

Fundraising expense per statement of functional expenses	\$	436,045
Special event expenses		<u>253,463</u>
Total	\$	<u>689,508</u>

Functional expenses, including special event expenses, totaled \$2,554,133 for the year ended December 31, 2017.

Note 12—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, 2017.

Note 13—Subsequent Events

Management has evaluated subsequent events through October 15, 2018, which is the date the financial statements were available to be issue, and concluded that, other than the new lease agreement signing in July 2018 described in Note 9, no other material subsequent events have occurred that would require adjustments to the financial statements or the notes to the financial statements.