



The Chordoma Foundation

Audited Financial Statements and Supplemental Information

*Years ended December 31, 2011 and 2010  
with Report of Independent Auditors*

The Chordoma Foundation

Audited Financial Statements and Supplemental Information

Years ended December 31, 2011 and 2010

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## Report of Independent Auditors

Board of Directors  
The Chordoma Foundation

We have audited the accompanying statement of financial position of the Chordoma Foundation (the "Foundation") as of December 31, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundations's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Foundation for the year ended December 31, 2010, were audited by other auditors whose report dated November 14, 2011, expressed an unqualified opinion on those statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of the Chordoma Foundation as of December 31, 2011, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 12 - 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Johnson Lambert & Co. LLP*

Raleigh, North Carolina  
April 18, 2012

The Chordoma Foundation

Statements of Financial Position

As of December 31, 2011 and 2010

**Assets**

**Current assets**

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 452,557	\$ 412,802
Unconditional promises to give	67,905	15,000
Sales tax refund receivable	-	301
Prepaid expenses	<u>6,291</u>	<u>4,966</u>
Total current assets	526,753	433,069

Furniture and equipment, net	9,131	11,722
Certificates of deposit	<u>143,930</u>	<u>141,829</u>

Total assets	<u>\$ 679,814</u>	<u>\$ 586,620</u>
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**Liabilities and net assets**

**Current liabilities**

Accounts payable	\$ 6,381	\$ 6,341
Grants payable to other organizations	83,210	-
Accrued wages and payroll taxes	5,002	2,702
Accrued vacation	<u>1,615</u>	<u>1,338</u>
Total current liabilities	96,208	10,381

**Net Assets**

Unrestricted net assets	397,456	535,830
Temporarily restricted net assets	<u>186,150</u>	<u>40,409</u>
Total net assets	<u>583,606</u>	<u>576,239</u>

Total liabilities and net assets	<u>\$ 679,814</u>	<u>\$ 586,620</u>
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*See accompanying notes to the financial statements.*

# The Chordoma Foundation

## Statement of Activities

For the year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Change in net assets:</b>			
<b>Revenue and support</b>			
Contributions	\$ 385,325	\$ 192,100	\$ 577,425
In-kind contributions	163,393	-	163,393
Community conference	26,985	-	26,985
Grants	7,000	-	7,000
Interest	<u>3,820</u>	<u>-</u>	<u>3,820</u>
Total revenue and support	586,523	192,100	778,623
Net assets released from restrictions	<u>46,359</u>	<u>(46,359)</u>	<u>-</u>
Total revenue and support	632,882	145,741	778,623
<b>Expenses</b>			
Program services	544,264	-	544,264
Management and general	117,518	-	117,518
Fundraising	<u>109,474</u>	<u>-</u>	<u>109,474</u>
Total expenses	<u>771,256</u>	<u>-</u>	<u>771,256</u>
Change in net assets	(138,374)	145,741	7,367
Net assets, beginning of year	<u>535,830</u>	<u>40,409</u>	<u>576,239</u>
Net assets, end of year	<u>\$ 397,456</u>	<u>\$ 186,150</u>	<u>\$ 583,606</u>

*Continued*

# The Chordoma Foundation

## Statement of Activities

For the year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Change in net assets:</b>			
<b>Revenue and support</b>			
Contributions	\$ 295,818	\$ 40,000	\$ 335,818
In kind contributions	182,343	-	182,343
Community conference	3,628	-	3,628
Grants	3,600	15,000	18,600
Interest	<u>9,615</u>	<u>-</u>	<u>9,615</u>
Total Revenue and support	495,004	55,000	550,004
Net assets released from restrictions	<u>18,835</u>	<u>(18,835)</u>	<u>-</u>
Total revenue and support	513,839	36,165	550,004
<b>Expenses</b>			
Program services	362,956	-	362,956
Management and general	120,821	-	120,821
Fundraising	<u>80,313</u>	<u>-</u>	<u>80,313</u>
Total expenses	<u>564,090</u>	<u>-</u>	<u>564,090</u>
Change in net assets	(50,251)	36,165	(14,086)
Net assets, beginning of year	<u>586,081</u>	<u>4,244</u>	<u>590,325</u>
Net assets, end of year	<u>\$ 535,830</u>	<u>\$ 40,409</u>	<u>\$ 576,239</u>

*See accompanying notes to the financial statements.*

# The Chordoma Foundation

## Statements of Cash Flows

For the year ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 7,367	\$ (14,086)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,138	1,768
Accrued interest on certificates of deposit	(2,101)	-
Changes in operating assets and liabilities:		
Unconditional promises to give	(52,905)	25,000
Sales tax refund receivable	301	272
Prepaid expenses	(1,325)	(76)
Accounts payable	40	(9,270)
Grants payable to other organizations	83,210	-
Accrued wages and payroll taxes	2,300	2,702
Accrued vacation	277	1,338
Net cash flows provided by operating activities	<u>40,302</u>	<u>7,648</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(547)	(7,950)
Proceeds from redemption of certificates of deposit	-	130,926
Net cash (used in) provided by investing activities	<u>(547)</u>	<u>122,976</u>
Change in cash and cash equivalents	39,755	130,624
Cash and cash equivalents, beginning of year	<u>412,802</u>	<u>282,178</u>
Cash and cash equivalents, end of year	<u>\$ 452,557</u>	<u>\$ 412,802</u>

*See accompanying notes to the financial statements.*

# The Chordoma Foundation

## Notes to Financial Statements

Years ended December 31, 2011 and 2010

### **Note A - Organizational Overview and Significant Accounting Policies**

#### *Organization*

The Chordoma Foundation (the “Foundation”) is a not-for-profit organization organized under the General Statutes of North Carolina. The Foundation was incorporated in February 2007 to work to improve the lives of chordoma patients by accelerating the development of effective treatments, and by helping patients get the best care possible.

The Foundation initiates and funds research, facilitates information exchange and collaboration among researchers, and provides scientific resources needed for research. Through the efforts of the Foundation, research projects are proactively funded as strategic priorities for advancing the development of new treatments for chordoma. The Foundation also helps create, collect, store, and distribute the information and biological materials that researchers need in order to study chordoma and develop new treatments. The Foundation further enhances the study of chordoma by connecting physicians, scientists, and companies from across the world to share information and collaborate on projects they can only achieve together. Finally, the Foundation is committed to patients dealing with the diagnosis of chordoma by providing accurate information about treatment options and clinical trials, referring patients to experienced doctors, and matching patients with trained peer-support mentors. The Foundation’s revenue primarily consists of contributions and public support.

#### *Basis of Presentation*

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

#### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.



# The Chordoma Foundation

## Notes to Financial Statements (Continued)

### **Note A - Organizational Overview and Significant Accounting Policies (Continued)**

#### *Certificates of Deposit*

The Foundation held certificates of deposit totaling \$143,930 and \$141,829 as of December 31, 2011 and 2010, respectively. As of December 31, 2011, certificates of deposit bear interest rates of .40% with maturity dates ranging from February through July 2013. As of December 31, 2010 the certificates of deposit bear interest rates from 2.40% to 3.55% with maturity dates ranging from January through July 2011.

#### *Unconditional Promises to Give*

The Foundation received unconditional promises to give that are shown at their net realizable value. Bad debts are reported using the specific charge-off method and are recognized when the contribution's collection becomes doubtful. An allowance for doubtful accounts has not been established as management believes all funds will be received.

#### *Furniture and Equipment*

Furniture and equipment are stated at cost if purchased, or at estimated fair value at the date of the gift, if donated, less accumulated depreciation. Assets are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	7 years
Computer equipment	5 - 7 years

Gains or losses on dispositions are included in the statements of activities. Purchases of \$500 or more are capitalized and depreciated. Maintenance, repairs, and minor improvements are charged to expense as incurred.

#### *Contributions*

All contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of any donor restrictions. In-kind contributions of services, materials, or facilities that meet the recording criteria as defined by accounting guidance are recorded at their estimated fair market value on the date of the donation. Such contributions are recorded as in-kind contributions and a corresponding expense on the statement of activities.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, such as when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

#### *Research Grants and Contracts*

All research grant and contract expenses are recognized when they are unconditionally promised to the recipient. Those expenses are recorded in the statement of activities as program expenses.

# The Chordoma Foundation

## Notes to Financial Statements (Continued)

### **Note A - Organizational Overview and Significant Accounting Policies (Continued)**

#### *Net Assets*

The statements of financial position reflect net assets as defined by the accrual basis of accounting. Net assets may be unrestricted, temporarily restricted, or permanently restricted.

Unrestricted - Assets that are not classified as either permanently or temporarily restricted.

Temporarily restricted – Assets subject to donor-imposed restrictions which either expire upon the passage of time or once specific actions have occurred. These assets are then released and reclassified to unrestricted support. At December 31, 2011 or 2010, amounts were released from temporarily restricted net assets as a result of incurring expenses that satisfy donor specified purposes.

Permanently restricted - Assets are subject to donor-imposed restrictions that the principal be invested in perpetuity. The Foundation does not maintain any such net assets as of December 31, 2011 or 2010.

#### *Expense Allocation*

The costs of providing program services and other activities are reflected on the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### *Income Taxes*

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. During the years ended December 31, 2011 and 2010, the Foundation did not have any income subject to taxation as unrelated business income.

The income tax filings are subject to audit by various taxing authorities. The Foundation believes their estimates are appropriate based on current facts and circumstances. The Foundation considers uncertain tax positions and management does not believe there are any significant income tax uncertainties. Tax returns filed within the past three years are subject to examination by the Internal Revenue Service. There are no examinations currently being conducted.

# The Chordoma Foundation

## Notes to Financial Statements (Continued)

### **Note A - Organizational Overview and Significant Accounting Policies (Continued)**

#### *Subsequent Events*

The Foundation has evaluated subsequent events for disclosure and recognition through April 18, 2012, the date on which these financial statements were available to be issued, and considered any relevant matters in the preparation of the financial statements.

#### *Unasserted Claims*

A former President of the Foundation threatened in 2010 to assert a claim against the Foundation. The Foundation is unable to assess the likelihood or magnitude of a loss to the Foundation, if any, resulting from this matter.

#### *Reclassifications*

Certain reclassifications have been made to the 2010 financial statements to conform to the current year's presentation. Net assets and changes in net assets have not been changed as a result of these reclassifications. Accordingly, no amounts have been accounted for in the accompanying financial statements.

### **Note B - Concentrations of Credit Risk**

The Foundation maintains its cash balances in several financial institutions in Durham County. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 per depositor on interest bearing accounts, all noninterest-bearing transaction accounts are fully insured, regardless of the balance of the account. For the year ended December 31, 2011 and 2010, the Foundation had \$65,916 and \$63,118 in uninsured cash amounts, respectively. Management believes there is minimal credit risk relative to its cash balances.

### **Note C - Furniture and Equipment**

Furniture and equipment at December 31 consisted of the following:

	<u>2011</u>	<u>2010</u>
Furniture and equipment	\$ 1,145	\$ 1,145
Computer equipment	14,669	14,119
Less accumulated depreciation	<u>(6,683)</u>	<u>(3,542)</u>
Furniture and equipment - net	<u>\$ 9,131</u>	<u>\$ 11,722</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$3,138 and \$1,768, respectively.

# The Chordoma Foundation

## Notes to Financial Statements (Continued)

### Note D - Temporarily Restricted Assets

The Foundation received funds restricted for certain purposes. Temporarily restricted net assets as of December 31 consisted of the following:

	<u>2011</u>	<u>2010</u>
Grants restricted for research	\$ 22,000	\$ 33,000
Contributions restricted for drug screening	100,000	-
Contributions restricted for model prizes	29,950	-
Contributions restricted for seed grants	25,000	-
Contributions restricted for research collaboration	9,200	-
Contributions restricted for research workshop	-	7,409
Total temporarily restricted net assets	<u>\$ 186,150</u>	<u>\$ 40,409</u>

Except for the ongoing projects listed above, funds are reported as unrestricted support if the restrictions are met in the reporting period.

### Note E - Conditional Promises to Give

During 2010, the Foundation granted a contract totaling \$29,795 to another organization. This contract contained donor conditions. Since this contract represents conditional promises to give, it was not recorded as grant expense until donor conditions were substantially met. In 2011, the conditions of this contract were met and the corresponding amount was recorded as grant expense.

### Note F - Donated Services, Materials, and Facilities

Volunteers and members of the community perform various services for the Foundation, and these services are significant and form an integral part of the efforts of the Foundation. The Foundation does not control the activities of the volunteers as it would paid employees, and there is not a clearly measurable basis for an amount of contributed services to be recorded. Therefore, the Foundation does not record the amount of volunteer services rendered as a contribution or a corresponding amount as an expense.

During the years ending December 31, 2011 and 2010, respectively, the Foundation received in-kind services, facilities, advertising, and computers totaling \$163,393 and \$182,343.

## The Chordoma Foundation

### Notes to Financial Statements (Continued)

#### **Note G - Operating Leases**

The Foundation is committed under a non-cancelable operating sublease expiring in July 2012 for office space in a building owned by an unrelated third party. Future minimum lease payments for the year ended December 31, 2012 are \$7,000.

Net rental expense for the years ended December 31, 2011 and 2010 was \$21,600 and \$21,480, respectively, which includes \$9,600 and \$11,851 of donated in-kind rent, respectively.

#### **Note H - Related Party Transactions**

The Foundation received an in-kind donation of legal services from a law firm in which one of the partners is also a member of the Board of Directors for the Foundation. The donation of services was estimated to be \$57,628 and \$141,216 for the years ending December 31, 2011 and 2010, respectively. The donation is included in contributions on the Foundation's statements of activities and a corresponding expense has been recorded as in kind contributions. Additionally, during 2010, the Foundation reimbursed their past President \$3,629 for rent payments made for office space.

# The Chordoma Foundation

## Schedule of Functional Expenses

Year ended December 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Research grants and contracts	\$ 179,321	\$ -	\$ -	\$ 179,321
In-kind contributions	84,556	63,920	14,917	163,393
Personnel	51,006	28,769	36,192	115,967
Events	93,977	815	814	95,606
Biorepository	70,434	-	-	70,434
Information technology	17,302	1,046	16,284	34,632
Contracted services	15,014	11,988	5,670	32,672
Office	11,338	4,704	15,662	31,704
Travel and meetings	7,081	1,236	7,476	15,793
Advertising and promotion	6,708	1,240	6,211	14,159
Occupancy	5,415	2,734	3,851	12,000
Depreciation	1,122	466	1,550	3,138
Insurance	990	600	847	2,437
Total expenses	<u>\$ 544,264</u>	<u>\$ 117,518</u>	<u>\$ 109,474</u>	<u>\$ 771,256</u>

# The Chordoma Foundation

## Schedule of Functional Expenses

Year ended December 31, 2010

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Research grants and contracts	\$ 82,392	\$ -	\$ -	\$ 82,392
In-kind contributions	109,303	47,418	25,622	182,343
Personnel	93,446	52,543	26,540	172,529
Events	4,626	445	152	5,223
Biorepository	22,992	-	-	22,992
Information technology	12,453	3,711	7,787	23,951
Contracted services	6,574	3,666	1,730	11,970
Office	8,796	5,932	5,066	19,794
Travel and meetings	12,648	2,318	3,844	18,810
Advertising and promotion	1,969	242	7,806	10,017
Occupancy	6,053	2,259	1,317	9,629
Depreciation	1,046	446	276	1,768
Insurance	658	1,841	173	2,672
Total expenses	<u>\$ 362,956</u>	<u>\$ 120,821</u>	<u>\$ 80,313</u>	<u>\$ 564,090</u>