

**Chordoma Foundation**

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**FINANCIAL STATEMENTS**

**for the year ended December 31, 2015**

# CHORDOMA FOUNDATION

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**Langdon & Company** <sup>LLP</sup>  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Chordoma Foundation

We have audited the accompanying financial statements of Chordoma Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2015, 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 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 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.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chordoma Foundation as of December 31, 2015, 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 the Foundation's 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Langan & Company LLP*

Garner, North Carolina

May 6, 2016

# CHORDOMA FOUNDATION

## STATEMENT OF FINANCIAL POSITION

as of December 31, 2015  
with comparative totals as of December 31, 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,804,405	\$ 1,708,280
Unconditional promises to give	880,227	516,205
Prepaid expenses	22,892	22,368
Total current assets	<u>2,707,524</u>	<u>2,246,853</u>
Fixed assets:		
Computer equipment and furniture	28,943	21,301
Less accumulated depreciation	17,504	15,230
	<u>11,439</u>	<u>6,071</u>
Other assets:		
Unconditional promises to give in one to five years	45,994	126,750
Total other assets	<u>45,994</u>	<u>126,750</u>
Total assets	<u>\$ 2,764,957</u>	<u>\$ 2,379,674</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 30,288	\$ 21,783
Grants payable to other organizations	451,894	547,898
Accrued wages and payroll taxes	8,204	4,935
Accrued vacation	7,463	6,801
Total current liabilities	<u>497,849</u>	<u>581,417</u>
Net assets:		
Unrestricted, undesignated	1,109,589	976,159
Unrestricted, board designated	563,077	460,000
Temporarily restricted net assets	594,442	362,098
Total net assets	<u>2,267,108</u>	<u>1,798,257</u>
Total liabilities and net assets	<u>\$ 2,764,957</u>	<u>\$ 2,379,674</u>

*The accompanying notes are an integral  
part of the financial statements.*

# CHORDOMA FOUNDATION

## STATEMENT OF ACTIVITIES

for the year ended December 31, 2015  
with comparative totals for 2014

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 1,027,400	\$ 887,721	\$ 1,915,121	\$ 2,011,406
In-kind contributions	144,756	-	144,756	187,365
Interest	711	-	711	513
Other income	424	-	424	-
Total revenue and support	<u>1,173,291</u>	<u>887,721</u>	<u>2,061,012</u>	<u>2,199,284</u>
Net assets released from restrictions	<u>655,377</u>	<u>(655,377)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>1,828,668</u>	<u>232,344</u>	<u>2,061,012</u>	<u>2,199,284</u>
Expenses:				
Program services	1,139,539	-	1,139,539	1,366,832
Management and general	170,534	-	170,534	167,626
Fundraising	282,088	-	282,088	300,297
Total expenses	<u>1,592,161</u>	<u>-</u>	<u>1,592,161</u>	<u>1,834,755</u>
Change in net assets	236,507	232,344	468,851	364,529
Net assets, beginning of year	<u>1,436,159</u>	<u>362,098</u>	<u>1,798,257</u>	<u>1,433,728</u>
Net assets, end of year	<u>\$ 1,672,666</u>	<u>\$ 594,442</u>	<u>\$ 2,267,108</u>	<u>\$ 1,798,257</u>

*The accompanying notes are an integral  
part of the financial statements.*

# CHORDOMA FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2015  
with comparative totals for 2014

	2015				2014
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Grand Total</u>
Compensation, taxes and benefits	\$ 253,999	\$ 69,265	\$ 190,605	\$ 513,869	\$ 368,357
Research grants and contracts	594,750	-	-	594,750	976,932
In-kind contributions	78,035	54,756	11,965	144,756	187,365
Conferences	44,850	3,480	4,483	52,813	11,360
Biorepository	76,394	-	-	76,394	52,560
Advertising and promotion	12,938	102	13,227	26,267	19,477
Information technology	14,430	6,515	20,468	41,413	37,358
Office	7,228	466	16,558	24,252	29,866
Travel and meetings	22,744	4,027	7,705	34,476	57,170
Occupancy	14,519	3,854	8,767	27,140	29,600
Contracted services	11,642	16,115	4,913	32,670	51,106
Insurance	6,578	1,355	2,698	10,631	9,153
Miscellaneous	-	116	130	246	1,385
Bad debt expense	-	10,210	-	10,210	-
Depreciation	1,432	273	569	2,274	2,390
Loss on disposal of property and equipment	-	-	-	-	676
Total expenses	<u>\$ 1,139,539</u>	<u>\$ 170,534</u>	<u>\$ 282,088</u>	<u>\$1,592,161</u>	<u>\$ 1,834,755</u>

*The accompanying notes are an integral  
part of the financial statements.*

# CHORDOMA FOUNDATION

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2015  
with comparative totals for 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and programs	\$ 1,622,069	\$ 1,515,977
Cash paid to employees and suppliers	(1,519,013)	(1,306,417)
Interest and dividends received	711	513
Net cash provided by operating activities	<u>103,767</u>	<u>210,073</u>
Cash flows from investing activities:		
Purchases of property and equipment	(7,642)	(2,790)
Net cash used in investing activities	<u>(7,642)</u>	<u>(2,790)</u>
Net increase in cash	96,125	207,283
Cash at beginning of year	1,708,280	1,500,997
Cash at end of year	<u>\$ 1,804,405</u>	<u>\$ 1,708,280</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 468,851	\$ 364,529
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,274	2,390
Bad debt expense	10,210	-
Loss on disposal of assets	-	676
Changes in assets and liabilities:		
Unconditional promises to give	(293,476)	(495,429)
Prepaid expenses	(524)	(1,026)
Accounts payable	8,505	(87,078)
Grants payable to other organizations	(96,004)	428,637
Accrued wages and payroll taxes	3,269	(3,892)
Accrued vacation	662	1,266
Net cash provided by operating activities	<u>\$ 103,767</u>	<u>\$ 210,073</u>

*The accompanying notes are an integral  
part of the financial statements.*



# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Chordoma Foundation (the “Foundation”) is a not-for-profit organization formed 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 necessary 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 to 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.

#### Cash and Cash Equivalents

For purposes of the statement 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 Foundation maintains its cash accounts with various financial institutions which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. Also, included in cash and cash equivalents is \$307,330 of restricted donations from one donor, which are required to be kept in a separate bank account.

#### 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. Management believes all amounts are fully collectible; thus no allowance for doubtful accounts is necessary. Unconditional promises to give due in subsequent years are reported at their net realizable value using a risk-adjusted discount rate. As of December 31, 2015 and December 31, 2014, 62% and 83%, respectively of unconditional promises to give is due from one donor.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 1. **OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **Computer Equipment and Furniture**

Computer equipment and furniture are recorded at cost if purchased or at estimated fair value at the date of the gift, if donated, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. Purchases of \$500 or more are capitalized and depreciated. Assets are depreciated using the straight-line method over the estimated useful lives, which range from 3 – 7 years.

#### **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 statement of activities as net assets released from restrictions. The Foundation's revenue primarily consists of contributions from individuals, corporations and foundations.

The Foundation recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) required specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. 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 and a corresponding amount as an expense.

During the years ended December 31, 2015 and 2014 the Foundation received in-kind services, facilities, and advertising totaling \$144,756 and \$187,365, respectively.

#### **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 functional expenses as program expenses.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 1. **OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

#### **Functional Classification of Expense**

Expenditures not directly attributable to specific programs or support services are allocated to program or supporting services by the Foundation's management based on what it considers to be the best available objective criteria, such as hours worked or relative benefit.

#### **Income Taxes**

The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization. During the years ended December 31, 2015 and 2014, the Foundation did not have income subject to taxation as unrelated business income.

The Foundation evaluates any uncertain tax positions. Accordingly, the Foundation's policy is to record a liability for any tax position taken that is beneficial to the Foundation, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of December 31, 2015 or 2014.

#### **Estimates**

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, the 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 differ from those estimates.

#### **Advertising Expenses**

The cost of advertising is expensed as incurred. The Foundation incurred \$26,267 and \$19,477 in advertising costs for the year ended December 31, 2015 and 2014, respectively.

#### **Comparative Totals**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are summarized as follows:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give in less than one year	\$ 880,227	\$ 516,205
Unconditional promises to give in one to five years	\$ 45,994	\$ 126,750

### 3. TEMPORARILY RESTRICTED NET ASSETS

The Foundation received funds restricted for certain purposes. Temporarily restricted net assets as of December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Contributions restricted for public awareness	\$ 105,000	\$ -
Contributions restricted for drug screening	49,750	49,700
Contributions restricted for model prizes	-	10
Contributions restricted for patient education	31,000	42,500
Contributions restricted for seed grants	-	20,000
Contributions restricted for research	408,692	249,888
Total temporarily restricted net assets	<u>\$ 594,442</u>	<u>\$ 362,098</u>

Net assets released from donor restrictions by accomplishing purpose and/or time restrictions was \$655,377 and \$874,197 for the years ended December 31, 2015 and 2014, respectively.

### 4. BOARD OPERATING RESERVE

The Board of Directors has designated \$563,077 and \$460,000 of the Foundation's unrestricted net assets as of December 31, 2015 and 2014, respectively, to be used in the event of a downturn in donations or an increase in expenses due to an unforeseen circumstance.

### 5. OPERATING LEASE

The Foundation's non-cancelable sublease agreement, as amended, expires March 2017 for office space in a building owned by an unrelated party. The future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 31,970
2017	8,042
Total future minimum lease payments	<u>\$ 40,012</u>

The rental expense for the years ended December 31, 2015 and 2014 was \$53,540 and \$41,310, which includes \$26,400 and \$11,710 of donated in-kind rent, respectively.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 6. 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 of the Foundation. The donation of services was estimated to be \$49,911 and \$45,155 for the years ended December 31, 2015 and 2014, respectively. The donation is included in in-kind contributions on the Foundation's statement of activities and a corresponding expense has been recorded as in-kind contributions on the statement of functional expenses.

The Foundation also receives significant contributions from Board members. Contributions received from Board members were \$178,400 and \$196,683 for the years ended December 31, 2015 and 2014, respectively. Included in accounts receivable is \$13,047 and \$25,710 from board members for the years ended December 31, 2015 and 2014, respectively.

### 7. RETIREMENT PLAN

In 2015 the Foundation began offering a simple IRA plan which allows all employees who receive at least \$5,000 in compensation during the calendar year and have earned at least \$5,000 in the two prior years to participate. The Foundation matches up to 3% of the employee's compensation. Employee contributions are subject to certain limitations. Employer contributions for the year ended December 31, 2015 totaled \$4,246.

### 8. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 6, 2016, the date which the financial statements are available for issue.