

Chordoma Foundation

FINANCIAL STATEMENTS

for the year ended December 31, 2016

CHORDOMA FOUNDATION

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Langdon & Company ^{LLP}

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, 2016, 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, 2016, 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 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danquon & Company LLP

Garner, North Carolina

May 11, 2017

CHORDOMA FOUNDATION

STATEMENT OF FINANCIAL POSITION

as of December 31, 2016
with comparative totals as of December 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,230,916	\$ 1,804,405
Unconditional promises to give	1,194,186	880,227
Prepaid expenses	28,393	22,892
Total current assets	<u>4,453,495</u>	<u>2,707,524</u>
Fixed assets:		
Computer equipment and furniture	27,713	28,943
Less accumulated depreciation	<u>17,180</u>	<u>17,504</u>
	<u>10,533</u>	<u>11,439</u>
Other assets:		
Unconditional promises to give in one to five years	<u>845,090</u>	<u>45,994</u>
Total other assets	<u>845,090</u>	<u>45,994</u>
Total assets	<u>\$ 5,309,118</u>	<u>\$ 2,764,957</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 46,966	\$ 30,288
Grants payable to other organizations - current	1,003,796	451,894
Accrued wages and payroll taxes	22,989	8,204
Accrued vacation	15,868	7,463
Total current liabilities	<u>1,089,619</u>	<u>497,849</u>
Grants payable to other organizations - long-term	<u>141,345</u>	<u>-</u>
Net assets:		
Unrestricted, undesignated	589,178	1,109,589
Unrestricted, board designated	1,016,729	563,077
Temporarily restricted net assets	<u>2,472,247</u>	<u>594,442</u>
Total net assets	<u>4,078,154</u>	<u>2,267,108</u>
Total liabilities and net assets	<u>\$ 5,309,118</u>	<u>\$ 2,764,957</u>

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

CHORDOMA FOUNDATION

STATEMENT OF ACTIVITIES

for the year ended December 31, 2016
with comparative totals for 2015

	2016			2015
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 939,366	\$ 3,178,562	\$ 4,117,928	\$ 1,915,121
In-kind contributions	165,700	-	165,700	144,756
Interest	439	-	439	711
Other income	15,044	-	15,044	424
Total revenue and support	<u>1,120,549</u>	<u>3,178,562</u>	<u>4,299,111</u>	<u>2,061,012</u>
Net assets released from restrictions	<u>1,300,757</u>	<u>(1,300,757)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,421,306</u>	<u>1,877,805</u>	<u>4,299,111</u>	<u>2,061,012</u>
Expenses:				
Program services	2,020,302	-	2,020,302	1,139,539
Management and general	189,031	-	189,031	170,534
Fundraising	278,732	-	278,732	282,088
Total expenses	<u>2,488,065</u>	<u>-</u>	<u>2,488,065</u>	<u>1,592,161</u>
Change in net assets	(66,759)	1,877,805	1,811,046	468,851
Net assets, beginning of year	<u>1,672,666</u>	<u>594,442</u>	<u>2,267,108</u>	<u>1,798,257</u>
Net assets, end of year	<u>\$ 1,605,907</u>	<u>\$ 2,472,247</u>	<u>\$ 4,078,154</u>	<u>\$ 2,267,108</u>

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

CHORDOMA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2016
with comparative totals for 2015

	2016			2015	
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Grand</u> <u>Total</u>
Compensation, taxes and benefits	\$ 449,493	\$ 76,481	\$ 141,346	\$ 667,320	\$ 513,869
Research grants and contracts	1,059,122	-	-	1,059,122	594,750
In-kind contributions	83,186	78,944	3,570	165,700	144,756
Conferences	104,962	2,264	10,532	117,758	52,813
Biorepository	61,821	-	-	61,821	76,394
Advertising and promotion	19,980	22	15,397	35,399	26,267
Information technology	36,780	8,127	23,559	68,466	41,413
Office and occupancy	39,922	4,731	26,549	71,202	51,638
Travel and meetings	32,942	2,428	8,394	43,764	34,476
Contracted services	118,938	12,723	47,901	179,562	32,670
Insurance	9,909	3,095	948	13,952	10,631
Bad debt expense	-	-	-	-	10,210
Depreciation	3,247	216	536	3,999	2,274
Total expenses	<u>\$ 2,020,302</u>	<u>\$ 189,031</u>	<u>\$ 278,732</u>	<u>\$2,488,065</u>	<u>\$ 1,592,161</u>

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

CHORDOMA FOUNDATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2016
with comparative totals for 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and programs	\$ 3,019,917	\$ 1,622,069
Cash paid to employees and suppliers	(1,590,752)	(1,519,013)
Interest and dividends received	439	711
Net cash provided by operating activities	<u>1,429,604</u>	<u>103,767</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,093)	(7,642)
Net cash used in investing activities	<u>(3,093)</u>	<u>(7,642)</u>
Net increase in cash	1,426,511	96,125
Cash at beginning of year	1,804,405	1,708,280
Cash at end of year	<u>\$ 3,230,916</u>	<u>\$ 1,804,405</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 1,811,046	\$ 468,851
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,999	2,274
Bad debt expense	-	10,210
Changes in assets and liabilities:		
Unconditional promises to give	(1,113,055)	(293,476)
Prepaid expenses	(5,501)	(524)
Accounts payable	16,678	8,505
Grants payable to other organizations	693,247	(96,004)
Accrued wages and payroll taxes	14,785	3,269
Accrued vacation	8,405	662
Net cash provided by operating activities	<u>\$ 1,429,604</u>	<u>\$ 103,767</u>

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

CHORDOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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 at December 31, 2016 and 2015 is \$283,540 and \$307,330, respectively, 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, 2016, 94% of unconditional promises to give is due from two donors and as of December 31, 2015, 62% of unconditional promises to give was 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, 2016 and 2015 the Foundation received in-kind services, facilities, and advertising totaling \$165,700 and \$144,756, respectively.

Reclassifications

Certain items included in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Change in net assets of the Foundation previously reported 2015 was not affected by these reclassifications.

CHORDOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015, 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, 2016 or 2015.

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 \$35,399 and \$26,267 in advertising costs for the year ended December 31, 2016 and 2015, 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, 2015, 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>2016</u>	<u>2015</u>
Unconditional promises to give in less than one year	\$ 1,194,186	\$ 880,227
Unconditional promises to give in greater than one year	\$ 872,500	\$ 45,994
Less discounts to net present value (average discount rate of 1.93%)	27,410	-
Total unconditional promises to give in greater than one year	<u>\$ 845,090</u>	<u>\$ 45,994</u>

3. GRANTS PAYABLE

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.

Grants payable are summarized as follows:

	<u>2016</u>	<u>2015</u>
To be paid in 2016	\$ -	\$ 451,894
To be paid in 2017	1,003,796	-
To be paid in 2018	50,000	-
To be paid in 2019	90,000	-
To be paid in 2020	10,000	-
Total grants payable	<u>1,153,796</u>	<u>451,894</u>
Less discounts to net present value (average discount rate of 3.5%)	8,655	-
Net grants payable	<u>\$ 1,145,141</u>	<u>\$ 451,894</u>

4. TEMPORARILY RESTRICTED NET ASSETS

The Foundation received funds restricted for certain purposes. Temporarily restricted net assets as of December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Contributions restricted for public awareness	\$ 32,217	\$ 105,000
Contributions restricted for healthcare improvement	26,299	5,668
Contributions restricted for patient education	101,053	31,000
Contributions restricted for research	2,222,678	452,774
Contributions restricted for time	90,000	-
Total temporarily restricted net assets	<u>\$ 2,472,247</u>	<u>\$ 594,442</u>

Net assets released from donor restrictions by accomplishing purpose and/or time restrictions was \$1,300,757 and \$655,377 for the years ended December 31, 2016 and 2015, respectively.

5. BOARD OPERATING RESERVE

The Board of Directors has designated \$1,016,729 and \$563,077 of the Foundation's unrestricted net assets as of December 31, 2016 and 2015, respectively, to be used in the event of a downturn in donations or an increase in expenses due to an unforeseen circumstance.

CHORDOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

6. OPERATING LEASE

The Foundation's non-cancelable sublease agreement, as amended, expires March 2021 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>	
2017	\$ 34,832
2018	36,524
2019	37,619
2020	38,748
2021	9,758
Total future minimum lease payments	<u>\$ 157,481</u>

The rental expense for the years ended December 31, 2016 and 2015 was \$31,636 and \$53,540, respectively, and includes \$26,400 of donated in-kind rent in 2015.

7. 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 \$76,350 and \$49,911 for the years ended December 31, 2016 and 2015, 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 \$162,250 and \$178,400 for the years ended December 31, 2016 and 2015, respectively. Included in accounts receivable is \$30,541 and \$13,047 from board members for the years ended December 31, 2016 and 2015, respectively.

8. RETIREMENT PLAN

The Foundation offers 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, 2016 and 2015 totaled \$7,970 and \$4,246, respectively.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2017, the date which the financial statements are available for issue.