

**Chordoma Foundation**

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**FINANCIAL STATEMENTS**

**for the year ended December 31, 2017**

# 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, 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 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, 2017, 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 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Langston & Company LLP*

Garner, North Carolina  
May 14, 2018

# CHORDOMA FOUNDATION

## STATEMENT OF FINANCIAL POSITION

as of December 31, 2017

with comparative totals as of December 31, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$2,171,608	\$3,230,916
Unconditional promises to give	1,432,459	1,194,186
Prepaid expenses	37,935	28,393
Total current assets	<u>3,642,002</u>	<u>4,453,495</u>
Fixed assets:		
Computer equipment and furniture	38,821	27,713
Leasehold improvements	4,463	-
Less accumulated depreciation	<u>20,070</u>	<u>17,180</u>
	<u>23,214</u>	<u>10,533</u>
Other assets:		
Unconditional promises to give in one to five years	<u>1,178,045</u>	<u>845,090</u>
Total other assets	<u>1,178,045</u>	<u>845,090</u>
Total assets	<u>\$4,843,261</u>	<u>\$5,309,118</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 76,210	\$ 46,966
Grants payable to other organizations - current	879,875	1,003,796
Accrued wages and payroll taxes	20,960	22,989
Accrued vacation	20,230	15,868
Deferred rent	<u>\$ 11,810</u>	<u>-</u>
Total current liabilities	<u>1,009,085</u>	<u>1,089,619</u>
Grants payable to other organizations - long-term	<u>399,192</u>	<u>141,345</u>
Net assets:		
Unrestricted, undesignated	331,221	589,178
Unrestricted, board designated	1,016,729	1,016,729
Temporarily restricted net assets	<u>2,087,034</u>	<u>2,472,247</u>
Total net assets	<u>3,434,984</u>	<u>4,078,154</u>
Total liabilities and net assets	<u>\$4,843,261</u>	<u>\$5,309,118</u>

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

# CHORDOMA FOUNDATION

## STATEMENT OF ACTIVITIES

for the year ended December 31, 2017  
with comparative totals for 2016

	2017			2016
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 895,596	\$ 1,083,239	\$ 1,978,835	\$ 4,117,928
In-kind contributions	194,215	-	194,215	165,700
Interest	3,685	-	3,685	439
Other income	4,345	-	4,345	15,044
Total revenue and support	<u>1,097,841</u>	<u>1,083,239</u>	<u>2,181,080</u>	<u>4,299,111</u>
Net assets released from restrictions	<u>1,638,615</u>	<u>(1,638,615)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,736,456</u>	<u>(555,376)</u>	<u>2,181,080</u>	<u>4,299,111</u>
Expenses:				
Program services	2,255,403	-	2,255,403	2,020,302
Management and general	258,280	-	258,280	189,031
Fundraising	510,759	-	510,759	278,732
Total expenses	<u>3,024,442</u>	<u>-</u>	<u>3,024,442</u>	<u>2,488,065</u>
Change in net assets from operations	(287,986)	(555,376)	(843,362)	1,811,046
Other changes in net assets:				
Foreign currency gain (see Note 2)	<u>30,029</u>	<u>170,163</u>	<u>200,192</u>	<u>-</u>
Change in net assets	(257,957)	(385,213)	(643,170)	1,811,046
Net assets, beginning of year	<u>1,605,907</u>	<u>2,472,247</u>	<u>4,078,154</u>	<u>2,267,108</u>
Net assets, end of year	<u>\$ 1,347,950</u>	<u>\$ 2,087,034</u>	<u>\$ 3,434,984</u>	<u>\$ 4,078,154</u>

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

# CHORDOMA FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

**for the year ended December 31, 2017  
with comparative totals for 2016**

	2017			2016	
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	<b>Grand Total</b>
Compensation, taxes and benefits	\$ 507,877	\$ 118,355	\$ 254,274	\$ 880,506	\$ 667,320
Research grants and contracts	1,296,872	-		1,296,872	1,059,122
In-kind contributions	124,202	60,315	9,698	194,215	165,700
Events	3,128	6,527	13,396	23,051	117,758
Biorepository	87,798	-		87,798	61,821
Advertising and promotion	9,093	9,697	18,749	37,539	35,399
Information technology	57,900	12,221	73,736	143,857	68,466
Office and occupancy	29,615	8,415	39,026	77,056	71,202
Travel and meetings	27,831	8,588	18,489	54,908	43,764
Contracted services	100,184	28,335	80,921	209,440	179,562
Insurance	7,434	5,082	958	13,474	13,952
Depreciation	3,469	745	1,512	5,726	3,999
Total expenses	\$ 2,255,403	\$ 258,280	\$ 510,759	\$ 3,024,442	\$ 2,488,065

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

# CHORDOMA FOUNDATION

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2017  
with comparative totals for 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and programs	\$ 1,612,144	\$ 3,019,917
Cash paid to employees, grantees and suppliers	(2,656,730)	(1,590,752)
Interest and dividends received	3,685	439
Net cash (used in) provided by operating activities	<u>(1,040,901)</u>	<u>1,429,604</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(18,407)</u>	<u>(3,093)</u>
Net cash used in investing activities	<u>(18,407)</u>	<u>(3,093)</u>
Net (decrease) increase in cash	(1,059,308)	1,426,511
Cash at beginning of year	<u>3,230,916</u>	<u>1,804,405</u>
Cash at end of year	<u>\$ 2,171,608</u>	<u>\$ 3,230,916</u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ (643,170)	\$ 1,811,046
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	5,726	3,999
Bad debt expense	32,500	-
Changes in assets and liabilities:		
Unconditional promises to give	(603,728)	(1,113,055)
Prepaid expenses	(9,542)	(5,501)
Accounts payable	37,899	16,678
Grants payable to other organizations	125,271	693,247
Accrued wages and payroll taxes	(2,029)	14,785
Accrued vacation	4,362	8,405
Deferred rent	11,810	-
Net cash (used in) provided by operating activities	<u>\$ (1,040,901)</u>	<u>\$ 1,429,604</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 at December 31, 2017 and 2016 is \$165,402 and \$283,540, 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, 2017, 89% of unconditional promises to give is due from three donors and as of December 31, 2016, 94% of unconditional promises to give was from two donors.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2017 and 2016 the Foundation received in-kind services and advertising totaling \$194,215 and \$165,700, respectively.

# 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, 2017 and 2016, 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, 2017 or 2016.

#### 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 \$37,538 and \$35,399 in advertising costs for the year ended December 31, 2017 and 2016, 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, 2016, 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>2017</u>	<u>2016</u>
Unconditional promises to give in less than one year	\$1,432,459	\$1,194,186
Unconditional promises to give in greater than one year	\$1,220,115	\$ 872,500
Less discounts to net present value (average discount rate of 1.93%)	42,070	27,410
Total unconditional promises to give in greater than one year	<u>\$1,178,045</u>	<u>\$ 845,090</u>

The Foundation has donors located in foreign countries whose promises to give may be denominated in a foreign currency. Related receivables are translated using exchange rates in effect at the end of the period. As of December 31, 2017, a foreign currency transaction gain of \$200,192 is recorded in the accompanying Statement of Activities related to one contributor's multi-year promise to give.

### 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>2017</u>	<u>2016</u>
To be paid in 2017	\$ -	1,003,796
To be paid in 2018	879,875	50,000
To be paid in 2019	300,209	90,000
To be paid in 2020	100,000	10,000
To be paid in 2021	17,500	-
Total grants payable	1,297,584	1,153,796
Less discounts to net present value (average discount rate of 3.5%)	18,517	8,655
Net grants payable	<u>\$1,279,067</u>	<u>\$1,145,141</u>

### 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Contributions restricted for public awareness	\$ -	\$ 32,217
Contributions restricted for healthcare improvement	-	26,299
Contributions restricted for patient education	54,871	101,053
Contributions restricted for research	1,192,163	2,222,678
Contributions restricted for time	840,000	90,000
Total temporarily restricted net assets	<u>\$2,087,034</u>	<u>\$2,472,247</u>

Net assets released from donor restrictions by accomplishing purpose and/or time restrictions was \$1,638,615 and \$1,300,757 for the years ended December 31, 2017 and 2016, respectively.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 5. BOARD OPERATING RESERVE

The Board of Directors has designated \$1,016,729 of the Foundation's unrestricted net assets as of December 31, 2017 and 2016, to be used in the event of a downturn in donations or an increase in expenses due to an unforeseen circumstance.

### 6. OPERATING LEASE

The Foundation's non-cancelable sublease agreement, as amended, expires March 2020 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>	
2018	36,702
2019	37,803
2020	9,663
Total future minimum lease payments	<u>\$ 84,169</u>

The rental expense for the years ended December 31, 2017 and 2016 was \$32,613 and \$31,636.

### 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 \$56,208 and \$76,350 for the years ended December 31, 2017 and 2016, 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 \$1,023,917 and \$162,250 for the years ended December 31, 2017 and 2016, respectively. Included in accounts receivable is \$756,011 and \$30,541 from board members for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 totaled \$13,055 and \$7,970, respectively.

### 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 14, 2018, the date which the financial statements are available for issue.