

The Chordoma Foundation

Audited Financial Statements

*Years ended December 31, 2012 and 2011
with Report of Independent Auditors*

The Chordoma Foundation

Audited Financial Statements

Years ended December 31, 2012 and 2011

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Report of Independent Auditors

Board of Directors
The Chordoma Foundation

We have audited the accompanying financial statements of the Chordoma Foundation (the "Foundation") which comprise the statements of financial position as of December 31, 2012 and 2011 and the related statements of activities, functional expenses, and cash flows for years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 over financial reporting. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Johnson Lambert LLP' in a cursive script.

Raleigh, North Carolina
March 29, 2013

The Chordoma Foundation

Statements of Financial Position

As of December 31, 2012 and 2011

| Assets | <u>2012</u> | <u>2011</u> |
|---------------------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 531,661 | \$ 452,557 |
| Certificates of deposit | 144,497 | 143,930 |
| Unconditional promises to give | 135,191 | 67,905 |
| Prepaid expenses | 13,711 | 6,291 |
| Furniture and equipment, net | <u>8,801</u> | <u>9,131</u> |
| Total assets | <u>\$ 833,861</u> | <u>\$ 679,814</u> |
| Liabilities and net assets | | |
| Accounts payable | \$ 14,769 | \$ 6,381 |
| Grants payable to other organizations | 82,954 | 83,210 |
| Accrued wages and payroll taxes | 6,509 | 5,002 |
| Accrued vacation | <u>1,772</u> | <u>1,615</u> |
| Total liabilities | 106,004 | 96,208 |
| Net Assets | | |
| Unrestricted net assets | 535,455 | 397,456 |
| Temporarily restricted net assets | <u>192,402</u> | <u>186,150</u> |
| Total net assets | <u>727,857</u> | <u>583,606</u> |
| Total liabilities and net assets | <u>\$ 833,861</u> | <u>\$ 679,814</u> |

See accompanying notes to the financial statements.

The Chordoma Foundation

Statement of Activities

For the year ended December 31, 2012

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| Change in net assets: | | | |
| Revenue and support | | | |
| Contributions | \$ 577,441 | \$ 197,640 | \$ 775,081 |
| In-kind contributions | 111,825 | - | 111,825 |
| Community conference | 6,400 | - | 6,400 |
| Interest | 1,075 | - | 1,075 |
| Net assets released from restrictions | <u>191,388</u> | <u>(191,388)</u> | <u>-</u> |
| Total revenue and support | 888,129 | 6,252 | 894,381 |
| Expenses | | | |
| Program services | 538,212 | - | 538,212 |
| Management and general | 83,395 | - | 83,395 |
| Fundraising | <u>128,523</u> | <u>-</u> | <u>128,523</u> |
| Total expenses | <u>750,130</u> | <u>-</u> | <u>750,130</u> |
| Change in net assets | 137,999 | 6,252 | 144,251 |
| Net assets, beginning of year | <u>397,456</u> | <u>186,150</u> | <u>583,606</u> |
| Net assets, end of year | <u>\$ 535,455</u> | <u>\$ 192,402</u> | <u>\$ 727,857</u> |

Continued

The Chordoma Foundation

Statement of Activities

For the year ended December 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|-------------------|
| Change in net assets: | | | |
| Revenue and support | | | |
| 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 | 3,820 | - | 3,820 |
| 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 |
| Expenses | | | |
| 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> |

See accompanying notes to the financial statements.

The Chordoma Foundation

Statement of Functional Expenses

For the year ended December 31, 2012

| | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------------|-----------------------------|-----------------------------------|--------------------|-------------------|
| Research grants and contracts | \$ 212,806 | \$ - | \$ - | \$ 212,806 |
| Personnel | 86,395 | 43,581 | 53,365 | 183,341 |
| In-kind contributions | 66,000 | 23,877 | 21,948 | 111,825 |
| Biorepository | 111,028 | - | - | 111,028 |
| Office | 8,638 | 4,700 | 10,165 | 23,503 |
| Advertising and promotion | 9,906 | 549 | 12,073 | 22,528 |
| Information technology | 7,233 | 1,569 | 13,166 | 21,968 |
| Travel and meetings | 13,908 | 123 | 6,553 | 20,584 |
| Contracted services | 10,750 | 3,091 | 3,669 | 17,510 |
| Occupancy | 5,685 | 2,991 | 3,324 | 12,000 |
| Events | 2,394 | 1,474 | 1,382 | 5,250 |
| Insurance | 2,201 | 914 | 1,127 | 4,242 |
| Depreciation | <u>1,268</u> | <u>526</u> | <u>1,751</u> | <u>3,545</u> |
| Total expenses | <u>\$ 538,212</u> | <u>\$ 83,395</u> | <u>\$ 128,523</u> | <u>\$ 750,130</u> |

Continued

The Chordoma Foundation

Statement of Functional Expenses

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

See accompanying notes to the financial statements.

The Chordoma Foundation

Statements of Cash Flows

For the years ended December 31, 2012 and 2011

| | <u>2012</u> | <u>2011</u> |
|---|--------------------------|--------------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 144,251 | \$ 7,367 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 3,545 | 3,138 |
| Accrued interest on certificates of deposit | (567) | (2,101) |
| Changes in operating assets and liabilities: | | |
| Unconditional promises to give | (67,286) | (52,905) |
| Sales tax refund receivable | - | 301 |
| Prepaid expenses | (7,420) | (1,325) |
| Accounts payable | 8,388 | 40 |
| Grants payable to other organizations | (256) | 83,210 |
| Accrued wages and payroll taxes | 1,507 | 2,300 |
| Accrued vacation | <u>157</u> | <u>277</u> |
| Net cash flows provided by operating activities | 82,319 | 40,302 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | <u>(3,215)</u> | <u>(547)</u> |
| Net cash used in investing activities | <u>(3,215)</u> | <u>(547)</u> |
| Change in cash and cash equivalents | 79,104 | 39,755 |
| Cash and cash equivalents, beginning of year | <u>452,557</u> | <u>412,802</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 531,661</u></u> | <u><u>\$ 452,557</u></u> |

See accompanying notes to the financial statements.

The Chordoma Foundation

Notes to Financial Statements

Years ended December 31, 2012 and 2011

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.

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 \$144,497 and \$143,930 as of December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, certificates of deposit bear interest rates of .40%. Maturity dates range from February through July 2013.

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 statements 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 restrictions.

The Chordoma Foundation

Notes to Financial Statements (Continued)

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

Contributions (continued)

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 ending December 31, 2012 and 2011 the Foundation received in-kind services, facilities, advertising, and computers totaling \$111,825 and \$163,393, 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 statements of functional expenses as program expenses.

Advertising

The Foundation expenses advertising costs as incurred. Advertising costs were \$22,528 and \$14,159 for the years ended December 31, 2012 and 2011, respectively.

Net Assets

For financial reporting purposes the statements of financial position classify net assets into one of three categories: 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, 2012 or 2011, 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 which stipulate that the principal be invested in perpetuity. The Foundation does not maintain any such net assets as of December 31, 2012 or 2011.

The Chordoma Foundation

Notes to Financial Statements (Continued)

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

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 program services, management and general, and fundraising.

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, 2012 and 2011, the Foundation did not have any income subject to taxation as unrelated business income.

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.

Subsequent Events

The Foundation has evaluated subsequent events for disclosure and recognition through March 29, 2013, 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 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.

Note B - Concentrations of Credit Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist of cash and cash equivalents and certificates of deposit. The Foundation maintains its cash and cash equivalents and certificates of deposit in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

The Chordoma Foundation

Notes to Financial Statements (Continued)

Note C - Furniture and Equipment

Furniture and equipment at December 31 consisted of the following:

| | 2012 | 2011 |
|-------------------------------|-----------------|-----------------|
| Furniture and equipment | \$ 1,762 | \$ 1,145 |
| Computer equipment | 17,267 | 14,669 |
| Less accumulated depreciation | <u>(10,228)</u> | <u>(6,683)</u> |
| Furniture and equipment - net | <u>\$ 8,801</u> | <u>\$ 9,131</u> |

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:

| | 2012 | 2011 |
|---|-------------------|-------------------|
| Grants restricted for research | \$ - | \$ 22,000 |
| Contributions restricted for drug screening | 115,666 | 100,000 |
| Contributions restricted for model prizes | 20,010 | 29,950 |
| Contributions restricted for seed grants | 12,107 | 25,000 |
| Contributions restricted for research collaboration | 22,845 | 9,200 |
| Contributions restricted for research workshop | <u>21,774</u> | <u>-</u> |
| Total temporarily restricted net assets | <u>\$ 192,402</u> | <u>\$ 186,150</u> |

Net assets are released from restrictions as restrictions are satisfied. Net assets released from restrictions for the years ended December 31 consist of the following:

| | 2012 | 2011 |
|---|-------------------|------------------|
| Grants restricted for research | \$ 34,343 | \$ 11,000 |
| Contributions restricted for drug screening | 100,000 | - |
| Contributions restricted for model prizes | 10,000 | - |
| Contributions restricted for seed grants | 41,750 | - |
| Contributions restricted for research collaboration | 5,295 | 3,000 |
| Contributions restricted for research workshop | <u>-</u> | <u>32,359</u> |
| Total net assets released from restrictions | <u>\$ 191,388</u> | <u>\$ 46,359</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 - Board Operating Reserve

The Board of Directors has designated \$210,000 of the Foundation's unrestricted net assets as of December 31, 2012 to be used in the event of a downturn in donations or an increase in expenses due to an unforeseen circumstance. There were no designations as of December 31, 2011.

The Chordoma Foundation

Notes to Financial Statements (Continued)

Note F - Operating Leases

The Foundation's non-cancelable sublease agreement expired July 2012 for office space in a building owned by an unrelated third party. The Foundation did not renew the lease agreement, and now occupies the space on a month-to-month bases. Therefore, there are no future minimum lease payments for the year ended December 31, 2012.

Total rental expense for the years ended December 31, 2012 and 2011 was \$21,600, which includes, in both years, \$9,600 of donated in-kind rent.

Note G - 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 \$40,449 and \$57,628 for the years ending December 31, 2012 and 2011, 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 on the statements of functional expenses.