

Chordoma Foundation

FINANCIAL STATEMENTS

for the year ended December 31, 2014

CHORDOMA FOUNDATION

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Langdon & Company ^{LLP}
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Chordoma Foundation

We have audited the accompanying financial statements of the Chordoma Foundation (the "Foundation"), which comprise the statement of financial position as of December 31, 2014, 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 the Chordoma Foundation as of December 31, 2014, 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.

Other Matters

Report on Summarized Comparative Information

The 2013 financial statements of the Foundation were audited by other auditors whose report dated March 31, 2014, expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Garner & Company LLP

Garner, North Carolina
June 23, 2015

CHORDOMA FOUNDATION

STATEMENT OF FINANCIAL POSITION

December 31, 2014
with comparative totals as of December 31, 2013

ASSETS		2014	2013
Current assets:			
Cash and cash equivalents	\$	1,708,280	\$ 1,500,997
Unconditional promises to give		516,205	147,526
Prepaid expenses		22,368	21,342
Total current assets		<u>2,246,853</u>	<u>1,669,865</u>
Fixed assets:			
Computer equipment and furniture		21,301	20,201
Less accumulated depreciation		<u>15,230</u>	<u>13,854</u>
		<u>6,071</u>	<u>6,347</u>
Other assets:			
Unconditional promises to give in one to five years		<u>126,750</u>	<u>-</u>
Total other assets		<u>126,750</u>	<u>-</u>
Total assets	\$	<u>2,379,674</u>	<u>\$ 1,676,212</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$	21,783	\$ 108,859
Grants payable to other organizations		547,898	119,261
Accrued wages and payroll taxes		4,935	8,827
Accrued vacation		<u>6,801</u>	<u>5,537</u>
Total current liabilities		<u>581,417</u>	<u>242,484</u>
Net assets:			
Unrestricted, undesignated		976,159	918,743
Unrestricted, board designated		460,000	380,000
Temporarily restricted net assets		<u>362,098</u>	<u>134,985</u>
Total net assets		<u>1,798,257</u>	<u>1,433,728</u>
Total liabilities and net assets	\$	<u>2,379,674</u>	<u>\$ 1,676,212</u>

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

CHORDOMA FOUNDATION

STATEMENT OF ACTIVITIES

for the year ended December 31, 2014
with comparative totals for 2013

	2014			2013
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 910,096	\$ 1,101,310	\$ 2,011,406	\$ 1,589,063
In-kind contributions	187,365	-	187,365	242,142
Community conference	-	-	-	7,649
Grants	-	-	-	20,000
Interest	513	-	513	622
Total support and revenue	<u>1,097,974</u>	<u>1,101,310</u>	<u>2,199,284</u>	<u>1,859,476</u>
Net assets released from restrictions	<u>874,197</u>	<u>(874,197)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	1,366,832	-	1,366,832	821,873
Management and general	167,626	-	167,626	144,595
Fundraising	300,297	-	300,297	187,137
Total expenses	<u>1,834,755</u>	<u>-</u>	<u>1,834,755</u>	<u>1,153,605</u>
Change in net assets	137,416	227,113	364,529	705,871
Net assets, beginning of year	<u>1,298,743</u>	<u>134,985</u>	<u>1,433,728</u>	<u>727,857</u>
Net assets, end of year	<u>\$ 1,436,159</u>	<u>\$ 362,098</u>	<u>\$ 1,798,257</u>	<u>\$ 1,433,728</u>

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

CHORDOMA FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

December 31, 2014
with comparative totals for December 31, 2013

	2014				2013
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Grand Total</u>
Salaries and benefits	\$ 120,143	\$ 76,046	\$ 172,168	\$ 368,357	\$ 235,382
Research grants and contracts	976,932	-	-	976,932	266,727
In-kind contributions	122,936	55,776	8,653	187,365	242,142
Conferences	1,035	3,662	6,663	11,360	126,288
Biorepository	52,560	-	-	52,560	58,092
Advertising and promotion	5,650	113	13,714	19,477	40,926
Information technology	6,421	4,221	26,716	37,358	29,851
Office	5,707	1,542	22,617	29,866	24,750
Travel and meetings	22,168	6,382	28,620	57,170	22,567
Occupancy	9,869	6,168	13,563	29,600	16,986
Contracted services	37,151	11,472	2,483	51,106	73,274
Insurance	4,324	1,530	3,299	9,153	8,954
Miscellaneous	452	286	647	1,385	4,040
Depreciation	808	428	1,154	2,390	3,626
Loss on disposal of property and equipment	676	-	-	676	-
Total expenses	<u>\$ 1,366,832</u>	<u>\$ 167,626</u>	<u>\$ 300,297</u>	<u>\$1,834,755</u>	<u>\$ 1,153,605</u>

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

CHORDOMA FOUNDATION

STATEMENT OF CASH FLOWS

for the year ended December 31, 2014
with comparative totals for 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and programs	\$ 1,515,977	\$ 1,604,377
Cash paid to employees and suppliers	(1,306,417)	(778,988)
Interest and dividends received	513	622
Net cash provided by operating activities	<u>210,073</u>	<u>826,011</u>
Cash flows from investing activities:		
Purchases of property and equipment	(2,790)	(1,172)
Proceeds from redemption of certificates of deposit	-	144,497
Net cash (used in) provided by investing activities	<u>(2,790)</u>	<u>143,325</u>
Net increase in cash	207,283	969,336
Cash at beginning of year	1,500,997	531,661
Cash at end of year	<u>\$ 1,708,280</u>	<u>\$ 1,500,997</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 364,529	\$ 705,871
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,390	3,626
Loss on disposal of assets	676	-
Changes in assets and liabilities:		
Unconditional promises to give	(495,429)	(12,335)
Prepaid expenses	(1,026)	(7,631)
Accounts payable	(87,078)	94,090
Grants payable to other organizations	428,637	36,307
Accrued wages and payroll taxes	(3,892)	2,318
Accrued vacations	1,266	3,765
Net cash provided by operating activities	<u>\$ 210,073</u>	<u>\$ 826,011</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

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 need 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 \$361,481 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, 2014, 83% of unconditional promises to give is due from one donor.

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 5 – 7 years.

CHORDOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

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. During 2014, approximately 51% of the Foundation's contributions, excluding in-kind contributions, were from one donor.

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, 2014 and 2013 the Foundation received in-kind services, facilities, advertising, and computers totaling \$187,365 and \$242,142, 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.

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.

CHORDOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

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

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, 2014 and 2013, the Foundation did not have income subject to taxation as unrelated business income.

The Foundation evaluates its uncertain tax positions using the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 740-10-25, *Recognition of a Tax Position*. 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, 2014 or 2013.

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 estimates.

Advertising Expenses

The cost of advertising is expensed as incurred. The Foundation incurred \$19,477 and \$40,926 in advertising costs for the year ended December 31, 2014 and 2013, 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, 2013, from which the summarized information was derived.

Reclassifications

Certain items included in the 2013 financial statements have been reclassified to conform to the 2014 presentation. Change in net assets of the Foundation previously reported for 2013 was not affected by these reclassifications.

CHORDOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. TEMPORARILY RESTRICTED NET ASSETS

The Foundation received funds restricted for certain purposes. Temporarily restricted net assets as of December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Grants restricted for genomic research	\$ -	\$ 3,451
Contributions restricted for drug screening	49,700	49,600
Contributions restricted for model prizes	10	40,010
Contributions restricted for patient education	42,500	-
Contributions restricted for seed grants	20,000	20,000
Contributions restricted for research	249,888	21,924
Total temporarily restricted net assets	<u>\$ 362,098</u>	<u>\$ 134,985</u>

Net assets are released from restrictions as restrictions are satisfied. Net assets released from restrictions for the years ended December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Grants restricted for genomic research	\$ 3,452	\$ 16,733
Contributions restricted for drug screening	-	66,666
Contributions restricted for model prizes	40,000	-
Contributions restricted for seed grants	-	12,107
Contributions restricted for research	830,745	921
Contributions restricted for research workshop	-	74,324
Total net assets released from restrictions	<u>\$ 874,197</u>	<u>\$ 170,751</u>

3. BOARD OPERATING RESERVE

The Board of Directors has designated \$460,000 and \$380,000 of the Foundation's unrestricted net assets as of December 31, 2014 and 2013, respectively, to be used in the event of a downturn in donations or an increase in expenses due to an unforeseen circumstance.

4. OPERATING LEASE

The Foundation's non-cancelable sublease agreement, as amended, expires March 2016 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>	
2015	\$ 30,702
2016	<u>7,845</u>
Total future minimum lease payments	<u>\$ 38,547</u>

The rental expense for the years ended December 31, 2014 and 2013 was \$41,310 and \$25,419, which includes \$11,710 and \$8,433 of donated in-kind rent, respectively.

CHORDOMA FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. 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 \$45,155 and \$45,184 for the years ended December 31, 2014 and 2013, 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 \$196,683 and \$583,943 for the years ended December 31, 2014 and 2013, respectively.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 23, 2015, the date which the financial statements are available for issue.