

**Chordoma Foundation**

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**FINANCIAL STATEMENTS**

**for the year ended December 31, 2018**

# 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, 2018, 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***

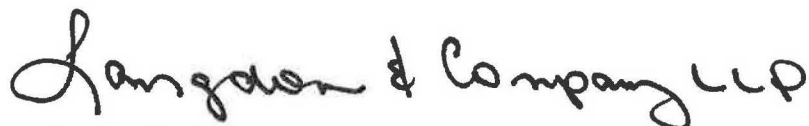
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chordoma Foundation as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in Note 1 to the financial statements, the Foundation adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

***Report on Summarized Comparative Information***

We have previously audited the Foundation's 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Langdon & Company LLP". The signature is written in a cursive, flowing style.

Garner, North Carolina  
May 20, 2019

# CHORDOMA FOUNDATION

## STATEMENT OF FINANCIAL POSITION

as of December 31, 2018  
with comparative totals as of December 31, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,242,180	\$2,171,608
Unconditional promises to give	1,236,026	1,432,459
Prepaid expenses	24,136	37,935
Total current assets	<u>3,502,342</u>	<u>3,642,002</u>
Fixed assets:		
Computer equipment and furniture	38,407	38,821
Leasehold improvements	4,463	4,463
Less accumulated depreciation	23,541	20,070
	<u>19,329</u>	<u>23,214</u>
Other assets:		
Unconditional promises to give in one to five years	997,280	1,178,045
Total other assets	<u>997,280</u>	<u>1,178,045</u>
Total assets	<u>\$ 4,518,951</u>	<u>\$4,843,261</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 134,632	\$ 76,210
Grants payable to other organizations - current	605,446	879,875
Accrued wages and payroll taxes	19,898	20,960
Accrued vacation	25,894	20,230
Deferred rent	7,050	11,810
Total current liabilities	<u>792,920</u>	<u>1,009,085</u>
Grants payable to other organizations - long-term	<u>239,336</u>	<u>399,192</u>
Net assets:		
Without donor restrictions:		
Undesignated	500,235	331,221
Board-designated fund	1,016,729	1,016,729
With donor restrictions	1,969,731	2,087,034
Total net assets	<u>3,486,695</u>	<u>3,434,984</u>
Total liabilities and net assets	<u>\$ 4,518,951</u>	<u>\$4,843,261</u>

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

# CHORDOMA FOUNDATION

## STATEMENT OF ACTIVITIES

for the year ended December 31, 2018  
with comparative totals for 2017

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 1,184,520	\$ 1,130,263	\$ 2,314,783	\$ 1,978,835
In-kind contributions	166,405	-	166,405	194,215
Interest	4,180	-	4,180	3,685
Other income	11,150	-	11,150	4,345
Total revenue and support	<u>1,366,255</u>	<u>1,130,263</u>	<u>2,496,518</u>	<u>2,181,080</u>
Net assets released from restrictions	<u>1,219,697</u>	<u>(1,219,697)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,585,952</u>	<u>(89,434)</u>	<u>2,496,518</u>	<u>2,181,080</u>
Expenses:				
Program services	1,666,722	-	1,666,722	2,255,403
Management and general	306,030	-	306,030	258,280
Fundraising	439,268	-	439,268	510,759
Total expenses	<u>2,412,020</u>	<u>-</u>	<u>2,412,020</u>	<u>3,024,442</u>
Change in net assets from operations	173,932	(89,434)	84,498	(843,362)
Other changes in net assets:				
Foreign currency (loss) gain (see Note 3)	<u>(4,918)</u>	<u>(27,869)</u>	<u>(32,787)</u>	<u>200,192</u>
Change in net assets	169,014	(117,303)	51,711	(643,170)
Net assets, beginning of year	<u>1,347,950</u>	<u>2,087,034</u>	<u>3,434,984</u>	<u>4,078,154</u>
Net assets, end of year	<u>\$ 1,516,964</u>	<u>\$ 1,969,731</u>	<u>\$ 3,486,695</u>	<u>\$ 3,434,984</u>

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

# CHORDOMA FOUNDATION

## STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2018  
with comparative totals for 2017

	2018						2017	
	Program Services			Supporting Services			Grand Total	Grand Total
	Research	Patient Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Compensation, taxes and benefits	\$ 373,385	\$ 174,512	\$ 547,897	\$ 150,607	\$ 232,285	\$ 382,892	\$ 930,789	\$ 880,506
Research grants and contracts	692,109	2,607	694,716	-	-	-	694,716	1,384,670
In-kind contributions	16,711	116,497	133,208	25,093	8,104	33,197	166,405	194,215
Events	74,873	50,735	125,608	6,165	11,287	17,452	143,060	27,052
Advertising and promotion	513	1,702	2,215	4,428	10,342	14,770	16,985	21,063
Information technology	10,926	30,717	41,643	21,032	34,718	55,750	97,393	143,857
Office and occupancy	19,086	9,226	28,312	7,863	34,916	42,779	71,091	77,056
Travel and meetings	33,703	7,114	40,817	19,642	18,298	37,940	78,757	54,908
Contracted services	20,775	20,196	40,971	24,294	86,823	111,117	152,088	221,915
Insurance	4,692	3,426	8,118	6,745	1,262	8,007	16,125	13,474
Depreciation	2,091	1,126	3,217	911	1,233	2,144	5,361	5,726
Bad debt expense	-	-	-	39,250	-	39,250	39,250	-
Total expenses	<u>\$ 1,248,864</u>	<u>\$ 417,858</u>	<u>\$ 1,666,722</u>	<u>\$ 306,030</u>	<u>\$ 439,268</u>	<u>\$ 706,048</u>	<u>\$ 2,412,020</u>	<u>\$ 3,024,442</u>

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

# CHORDOMA FOUNDATION

## STATEMENT OF CASH FLOWS

for the year ended December 31, 2018  
with comparative totals for 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and programs	\$ 2,663,881	\$ 1,612,144
Cash paid to employees, grantees and suppliers	(2,596,013)	(2,656,730)
Interest and dividends received	4,180	3,685
Net cash provided by (used in) operating activities	<u>72,048</u>	<u>(1,040,901)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(1,476)</u>	<u>(18,407)</u>
Net cash used in investing activities	<u>(1,476)</u>	<u>(18,407)</u>
Net increase (decrease) in cash	70,572	(1,059,308)
Cash at beginning of year	<u>2,171,608</u>	<u>3,230,916</u>
Cash at end of year	<u>\$ 2,242,180</u>	<u>\$ 2,171,608</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, 2018 and 2017 is \$8,014 and \$165,402, 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. During the years ended December 31, 2018 and 2017 unconditional promises to give due from three donors was 64% and 89%, respectively.

# 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.

#### **Revenue Recognition**

All contributions are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor-imposed 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. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using a risk adjusted discount rate. 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, 2018 and 2017 the Foundation received in-kind services and advertising totaling \$166,405 and \$194,215, respectively.

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. As discussed in Note 6, the governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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

#### **Net Assets** *(Continued)*

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses that are allocated include compensation, tax and benefits, in-kind contributions, contracted services, events, information technology, office and occupancy, travel and meetings, advertising and promotion, insurance, and depreciation, which are all allocated on the basis of estimates of time and effort.

#### **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, 2018 and 2017, 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, 2018 or 2017.

#### **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.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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

#### **Advertising Expenses**

The cost of advertising is expensed as incurred. The Foundation incurred \$16,985 and \$21,063 in advertising costs for the year ended December 31, 2018 and 2017, 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, 2017, from which the summarized information was derived.

#### **Reclassifications**

Certain items included in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Change in net assets of the Foundation previously reported for 2017 was not affected by these reclassifications.

#### **Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

### 2. **LIQUIDITY AND AVAILABILITY**

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Foundation considers all expenditures related to its ongoing activities of research and patient education as well as the conduct of services undertaken to support those activities to be general expenditures. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 2. LIQUIDITY AND AVAILABILITY (Continued)

In accordance with the Foundation's liquidity plan, the board of directors internally designates funds with a targeted goal of maintaining six months of operating expenses in reserves, which was \$1,016,729 as of December 31, 2018. The Foundation can access reserve funds by obtaining approval from the board of directors.

The following reflects the Foundation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include the board-designated contingency fund, which could be drawn upon if the governing board approves that action.

	<u>2018</u>
Financial assets at year-end:	
Cash and cash equivalents	\$2,242,180
Unconditional promises to give	1,236,026
	<u>3,478,206</u>
Less amounts not available to be used within one year, due to:	
Donor-imposed restrictions	(1,969,731)
Board-designated fund	(1,016,729)
	<u>(2,986,460)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 491,746</u>

### 3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are summarized as follows:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give in less than one year	<u>\$1,236,026</u>	<u>\$1,432,459</u>
Unconditional promises to give in greater than one year	\$1,018,377	\$1,220,115
Less discounts to net present value (average discount rate of 2.14%)	<u>21,097</u>	<u>42,070</u>
Total unconditional promises to give in greater than one year	<u>\$ 997,280</u>	<u>\$1,178,045</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. Foreign currency transaction (losses) gains resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency totaled approximately \$(32,787) and \$200,192 in 2018 and 2017, respectively, and have been reported separately in the accompanying statement of activities.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 3. UNCONDITIONAL PROMISES TO GIVE(Continued)

The Foundation has \$39,999 of existing conditional promises to give at December 31, 2018 and 2017. Payment is contingent upon the Foundation receiving matching funds from other donors in future years.

### 4. 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 to be paid in more than one year are discounted using a rate of 5.5%.

Grants payable are summarized as follows:

	<u>2018</u>	<u>2017</u>
To be paid in 2018	\$ -	879,875
To be paid in 2019	605,446	300,209
To be paid in 2020	175,000	100,000
To be paid in 2021	77,500	17,500
Total grants payable	<u>857,946</u>	<u>1,297,584</u>
Less: Discount on long-term grants	<u>(13,164)</u>	<u>(18,517)</u>
Net grants payable	<u>\$ 844,782</u>	<u>\$ 1,279,067</u>

Amortization of discounts on grants payable is reported in the statement of activities in the same program service functional expense classification in which the promise to give was initially reported.

### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

	<u>2018</u>	<u>2017</u>
Subject to the passage of time	\$ 1,094,038	\$ 815,755
Patient education	22,706	54,871
Research	852,987	1,216,408
Total	<u>\$ 1,969,731</u>	<u>\$ 2,087,034</u>

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

### 5. NET ASSETS WITH DONOR RESTRICTIONS(Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Subject to the passage of time	\$ 281,117	\$ 250,000
Subject to expenditure for specified purpose:		
Research	847,395	1,269,563
Patient education	91,185	60,536
Healthcare improvement	-	26,299
Public awareness	-	32,217
Total	<u>\$1,219,697</u>	<u>\$1,638,615</u>

### 6. BOARD OPERATING RESERVE

The Board of Directors has designated \$1,016,729 of the Foundation's net assets without donor restrictions as of December 31, 2018 and 2017, to be used in the event of a downturn in donations or an increase in expenses due to an unforeseen circumstance.

### 7. 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>	
2019	37,803
2020	<u>9,663</u>
Total future minimum lease payments	<u>\$ 47,466</u>

The rental expense for the years ended December 31, 2018 and 2017 was \$31,942 and \$32,613.

### 8. 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 \$20,729 and \$56,208 for the years ended December 31, 2018 and 2017, 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 \$92,109 and \$1,023,917 for the years ended December 31, 2018 and 2017, respectively. Included in accounts receivable is \$63,100 and \$756,011 from board members for the years ended December 31, 2018 and 2017, respectively.

# CHORDOMA FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

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### 9. 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 one prior year 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, 2018 and 2017 totaled \$17,837 and \$13,055, respectively.

### 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 20, 2019, the date which the financial statements are available for issue.