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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Hope for Depression Research Foundation
New York, New York

We have audited the accompanying statements of financial position of the Hope for Depression Research Foundation ("HDRF") as of February 29, 2008 and February 28, 2007, and the related statements of activities and cash flows for the year ended February 29, 2008, and for the initial period of operations ended February 28, 2007. These financial statements are the responsibility of HDRF's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of the Hope for Depression Research Foundation as of February 29, 2008 and February 28, 2007, and the changes in its net assets and its cash flows for the year ended February 29, 2008, and for the initial period of operations ended February 28, 2007, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Eisner LLP".

New York, New York
September 5, 2008

HOPE FOR DEPRESSION RESEARCH FOUNDATION

Statements of Financial Position

	<u>February 29, 2008</u>	<u>February 28, 2007</u>
ASSETS		
Cash and cash equivalents	\$ 300,517	\$ 20,985
Prepaid expenses	<u>25,500</u>	<u> </u>
Total assets	<u>\$ 326,017</u>	<u>\$ 20,985</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 150,535	\$ 33,553
Due to affiliate	<u>59,155</u>	<u>19,724</u>
Total liabilities	209,690	53,277
Net assets - unrestricted	<u>116,327</u>	<u>(32,292)</u>
Total liabilities and net assets	<u>\$ 326,017</u>	<u>\$ 20,985</u>

HOPE FOR DEPRESSION RESEARCH FOUNDATION

Statements of Activities

	Year Ended February 29, 2008	Initial Period of Operations Ended February 28, 2007
Support and revenue:		
Contributions	\$ 1,228,238	\$2,525,000
Interest income	<u>335</u>	<u>915</u>
Total support and revenue	<u>1,228,573</u>	<u>2,525,915</u>
Expenses:		
Grants	651,710	2,350,000
Salaries, benefits and payroll taxes	98,321	38,853
Professional fees	107,295	145,706
Office-related	56,502	11,491
Travel, lodging and meals	148,993	11,220
Occupancy	12,760	
Miscellaneous	<u>4,373</u>	<u>937</u>
Total expenses	<u>1,079,954</u>	<u>2,558,207</u>
Increase (decrease) in unrestricted net assets	148,619	(32,292)
Unrestricted net assets - beginning of period	<u>(32,292)</u>	<u>0</u>
Unrestricted net assets - end of period	<u>\$ 116,327</u>	<u>\$ (32,292)</u>

HOPE FOR DEPRESSION RESEARCH FOUNDATION

Statements of Cash Flows

	Year Ended February 29, 2008	Initial Period of Operations Ended February 28, 2007
Cash flows from operating activities:		
Increase (decrease) in unrestricted net assets	\$ 148,619	\$ (32,292)
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Changes in:		
Increase in prepaid expenses	(25,500)	
Increase in accounts payable and accrued expenses	116,982	33,553
Increase in due to affiliate	<u>39,431</u>	<u>19,724</u>
Net cash provided by operating activities	<u>279,532</u>	<u>20,985</u>
Increase in cash and cash equivalents	279,532	20,985
Cash and cash equivalents - beginning of period	<u>20,985</u>	<u>0</u>
Cash and cash equivalents - end of period	<u>\$ 300,517</u>	<u>\$ 20,985</u>

HOPE FOR DEPRESSION RESEARCH FOUNDATION

Notes to Financial Statements February 29, 2008 and February 28, 2007

NOTE A - ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Hope for Depression Research Foundation ("HDRF") was incorporated in Delaware in March 2006. Its primary mission is to fund scientific research into the origins, diagnosis, treatment and prevention of depression and related disorders, with the ultimate goal of finding a cure. In addition, HDRF sponsors public education about depression and related affective disorders, including their nature, symptoms, causes, treatments and related research.

HDRF's founder is a member of the HDRF Board of Directors and appoints the remaining four members of the Board. The Board is responsible for managing the affairs and property of HDRF, including grant-making decisions.

HDRF is a public charity exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

[2] Basis of accounting:

The accompanying financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

[3] Use of 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, liabilities, income and expenses. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

Cash and cash equivalents consist of cash, money-market funds, and highly liquid investments with original maturities of three months or less at the date of acquisition.

[5] Contributions:

Contributions to HDRF are recorded as revenue upon the receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use, unless specifically restricted by the donor.

[6] Grants:

Grants to other organizations are recorded as a liability and expense upon approval by the Board of Directors.

[7] Net assets:

HDRF's net assets, which are unrestricted, represent resources available for current operations, as there are no donor restrictions as to their use. For the initial period of operations ending February 28, 2007, there was a deficit in the net asset balance. During fiscal-year 2008, HDRF received funding adequate to remove the deficit.

HOPE FOR DEPRESSION RESEARCH FOUNDATION

Notes to Financial Statements

February 29, 2008 and February 28, 2007

NOTE B - RELATED-PARTY TRANSACTIONS

During fiscal-year 2008 and the initial period of operations ended February 28, 2007 HDRF received administrative services from an affiliate of the founder, including (i) office space, (ii) telephone and equipment usage and (iii) employee assistance. The fair value of these services included in the accompanying financial statements for fiscal-year 2008 was approximately \$63,000.

In addition, certain operating expenses were paid by the affiliate on behalf of HDRF. The balances due to the affiliate for fiscal year-ends 2008 and 2007 were \$59,155 and \$19,724, respectively.

HDRF was initially funded by private contributions from the Audrey and Martin Gruss Foundation ("AMGF") which also committed to underwrite all of HDRF's administrative expenses. During fiscal-year 2008 and the initial period of operations ended February 28, 2007, 92% and 100% of HDRF's total support and revenue were provided by AMGF and other entities related to the founder of HDRF.

HDRF's founder is also a trustee of AMGF and an officer of the affiliate. Another member of HDRF's Board of Directors is also an officer of the affiliate.

NOTE C - GRANTS AGREEMENT

In accordance with a June 2006 Endowment and Research Agreement between HDRF and the University of Haifa ("University"), HDRF has stated an intention to see that \$1 million in research grants is made to the University, either "directly or indirectly", between June 2006 and May 2016. HDRF has no commitment to make such grants from its own resources. Through February 29, 2008, HDRF procured research grants totaling \$200,000 for the University from sources other than its own.

NOTE D - PROGRAM AND SUPPORTING SERVICES EXPENSES

Generally accepted accounting principles require that HDRF's expenses be reported on a functional basis. Accordingly, total expenses were allocated among program and support services as follows:

	Year Ended February 29, 2008	Initial Period of Operations Ended February 28, 2007
Program	\$ 853,600	\$ 2,550,436
General and administrative	210,236	7,771
Fund-raising	<u>16,118</u>	<u> </u>
Total expenses	<u>\$ 1,079,954</u>	<u>\$ 2,558,207</u>

NOTE E - CONCENTRATION OF CREDIT RISK

HDRF maintains its cash at one financial institution. At times, the balance in its accounts may exceed federally insured limits. Management believes that HDRF is not exposed to any significant risk of loss due to the failure of this institution.