

Hope for Depression Research Foundation

Financial Report
02.28.2011

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Independent Auditor's Report

To the Board of Directors
Hope for Depression Research Foundation
New York, New York

We have audited the accompanying statement of financial position of Hope for Depression Research Foundation ("HDRF") as of February 28, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of HDRF's management. 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 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hope for Depression Research Foundation as of February 28, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

McGladrey & Pullen, LLP

West Palm Beach, Florida
June 22, 2011

Hope for Depression Research Foundation

Statement of Financial Position
February 28, 2011

Assets	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash and cash equivalents	\$ 1,539,833	\$ -	\$ 1,539,833
Prepaid expenses	20,214	-	20,214
Due from affiliate (Note 2)	200,583	-	200,583
Total current assets	1,760,630	-	1,760,630
Property and equipment, net of accumulated depreciation of \$29,955	9,265	-	9,265
Total assets	\$ 1,769,895	\$ -	\$ 1,769,895
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	\$ 18,123	\$ -	\$ 18,123
Grants payable (Note 3)	1,100,000	-	1,100,000
Total current liabilities	1,118,123	-	1,118,123
Commitments (Note 3)			
Net Assets (Note 4)	651,772	-	651,772
Total liabilities and net assets	\$ 1,769,895	\$ -	\$ 1,769,895

See Notes to Financial Statements.

Hope for Depression Research Foundation

Statement of Activities
Year Ended February 28, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 3,306,778	\$ 1,430,000	\$ 4,736,778
Interest income	244	-	244
	<u>3,307,022</u>	<u>1,430,000</u>	<u>4,737,022</u>
Net assets released from restrictions	1,430,000	(1,430,000)	-
Total support and revenue	<u>4,737,022</u>	<u>-</u>	<u>4,737,022</u>
Expenses:			
Program services:			
Research grants	3,463,468	-	3,463,468
Program support*	265,610	-	265,610
Total program services	<u>3,729,078</u>	<u>-</u>	<u>3,729,078</u>
Supporting services:			
Fundraising*	204,603	-	204,603
Administration*	455,460	-	455,460
Total supporting services	<u>660,063</u>	<u>-</u>	<u>660,063</u>
Total expenses	<u>4,389,141</u>	<u>-</u>	<u>4,389,141</u>
Changes in net assets	<u>347,881</u>	<u>-</u>	<u>347,881</u>
Net assets:			
Beginning	303,891	-	303,891
Ending	<u>\$ 651,772</u>	<u>\$ -</u>	<u>\$ 651,772</u>

See Notes to Financial Statements.

*Program support, fundraising and administrative expenses are underwritten by specific grants (see Note 2).

Hope for Depression Research Foundation

Statement of Functional Expenses
Year Ended February 28, 2011

	Program Services			Supporting Services			Total
	Research Grants	Program Support	Total	Fundraising	Administration	Total	
Expenses:							
Research grants	\$ 3,463,468	\$ -	\$ 3,463,468	\$ -	\$ -	\$ -	\$ 3,463,468
Salaries, payroll taxes and employee benefits*	-	80,592	80,592	109,396	170,582	279,978	360,570
Professional fees*	-	9,537	9,537	-	24,378	24,378	33,915
Occupancy*	-	57,727	57,727	48,408	86,287	134,695	192,422
Office expenses*	-	1,462	1,462	534	30,103	30,637	32,099
Website*	-	5,008	5,008	-	77,301	77,301	82,309
Travel*	-	17,355	17,355	-	45,785	45,785	63,140
Events*	-	89,541	89,541	42,357	-	42,357	131,898
Miscellaneous*	-	4,388	4,388	3,908	6,980	10,888	15,276
Depreciation	-	-	-	-	14,044	14,044	14,044
Total expenses	\$ 3,463,468	\$ 265,610	\$ 3,729,078	\$ 204,603	\$ 455,460	\$ 660,063	\$ 4,389,141

See Notes to Financial Statements.

*Program support, fundraising and administrative expenses are underwritten by specific grants (see Note 2).

Hope for Depression Research Foundation

Statement of Cash Flows
Year Ended February 28, 2011

Cash Flows From Operating Activities	
Change in net assets	\$ 347,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	14,044
Changes in assets and liabilities:	
(Increase) decrease in:	
Due from affiliate	(22,279)
Prepaid expenses	(15,996)
Increase (decrease) in:	
Accounts payable and accrued expenses	(82,020)
Grants payable	385,000
Due to affiliate	(33,681)
Net cash provided by operating activities	<u>592,949</u>
Cash and Cash Equivalents:	
Beginning	946,884
Ending	<u>\$ 1,539,833</u>

See Notes to Financial Statements.

Hope for Depression Research Foundation

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: 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.

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

A summary of HDRF's significant accounting policies follows:

Basis of presentation: A not-for-profit organization 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, based on the existence or absence of donor-imposed restrictions. A specific financial statement format has been established for not-for-profit organizations and requires the statement of activities to reflect all changes in each of the three classes of net assets.

Net assets: Unrestricted net assets are presently available for use by HDRF at the discretion of the Board of Directors. Temporarily restricted net assets are expendable only for purposes specified by the donor. HDRF does not have any donor-imposed permanently restricted net assets.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 differ from those estimates.

Contributions: Contributions receivable, and the related contributions revenue, include unconditional promises to give and are recognized at their fair values when the promise is made. HDRF reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or 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. A promise to give with a donor-imposed condition is not reported until the condition has been substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

In-kind contributions: Donated assets are reflected as contributions and are recorded at their fair value on the date of contribution. Donated services are recognized at fair value if the services would typically need to be purchased, require specialized skills and are provided by individuals with those skills.

Cash and cash equivalents: For the purposes of reporting cash flows, HDRF considers money-market funds and highly-liquid investments with original maturities of three months or less at the date of acquisition to be cash equivalents. All of HDRF's cash and cash equivalents are held at one financial institution, which, at times, may exceed federally-insured limits. HDRF has not experienced any losses in such accounts.

Hope for Depression Research Foundation

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment is stated at cost. Depreciation is provided using the straight-line method for computer software over three years of estimated useful life.

Income taxes: HDRF is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local taxes under comparable laws. The Code provides for taxation of unrelated business income under certain circumstances.

HDRF has evaluated its tax positions and concluded that HDRF has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the accounting guidance for uncertainty in income taxes within the Income Taxes Topic of the FASB Accounting Standards Codification. With few exceptions, HDRF is no longer subject to income tax examinations by the U.S. federal or state tax authorities for years prior to 2007.

Functional allocation of expenses: Expenses by function have been allocated among program and supporting services classifications on the basis of estimates and summarized in the accompanying statement of activities on a functional basis.

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

Subsequent events: HDRF has evaluated subsequent events through June 22, 2011, the date on which the financial statements were available to be issued.

Note 2. Related Party Transactions

During the year ended February 28, 2011, 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 statement of activities for the year ended February 28, 2011 was approximately \$278,000.

In addition, the affiliate provides other services to HDRF at cost. As of February 28, 2011, HDRF had prepaid for those services resulting in a receivable of \$200,583.

HDRF was initially funded by private contributions from Audrey and Martin Gruss Foundation ("AMGF") which also committed to underwrite all of HDRF's program support, fundraising and administrative expenses. During the year ended February 28, 2011, 36% of HDRF's total support and revenue was provided by AMGF and other entities related to the founder of HDRF.

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

Hope for Depression Research Foundation

Notes to Financial Statements

Note 3. Commitments

In accordance with a June 2006 agreement between HDRF and the University of Haifa (the "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, although HDRF has no commitment to make such grants from its own resources. As of February 28, 2011, the minimum amount remaining due to the University is \$100,000 for each of the following five years.

As of February 28, 2011, HDRF had grants authorized and unpaid in the amount of \$1,100,000, all of which is expected to be paid within one year.

Note 4. Temporarily Restricted Net Assets

During 2011, HDRF received \$1,430,000 in contributions which were restricted for use as a research grant to the American Society of the University of Haifa for the ultimate benefit of the Institute for the Study of Affective Neuroscience at the University of Haifa. There were no temporarily restricted net assets as of February 28, 2011 since all contributions with restrictions have been satisfied.