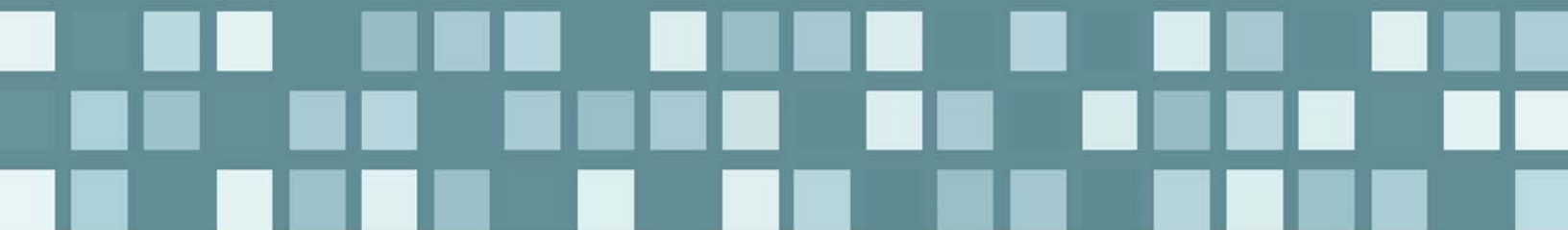


Hope for Depression Research Foundation

Financial Report
February 29, 2012



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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 29, 2012, 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 29, 2012, 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 LLP

West Palm Beach, Florida
May 30, 2012

Hope for Depression Research Foundation

Statement of Financial Position February 29, 2012

Assets	Unrestricted	Temporarily Restricted	Total
Current Assets			
Cash and cash equivalents	\$ 937,295	\$ -	\$ 937,295
Total current assets	<u>937,295</u>	<u>-</u>	<u>937,295</u>
Property and equipment, net of accumulated depreciation of \$35,732	4,434	-	4,434
Total assets	<u>\$ 941,729</u>	<u>\$ -</u>	<u>\$ 941,729</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	\$ 14,551	\$ -	\$ 14,551
Due to affiliate (Note 2)	27,175	-	27,175
Total current liabilities	<u>41,726</u>	<u>-</u>	<u>41,726</u>
Commitments (Note 3)			
Net Assets	900,003	-	900,003
Total liabilities and net assets	<u>\$ 941,729</u>	<u>\$ -</u>	<u>\$ 941,729</u>

See Notes to Financial Statements.

Hope for Depression Research Foundation

Statement of Activities Year Ended February 29, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Contributions	\$ 1,566,280	\$ -	\$ 1,566,280
Interest income	711	-	711
Total support and revenue	1,566,991	-	1,566,991
Expenses:			
Program services:			
Research grants	264,977	-	264,977
Program support*	312,153	-	312,153
Total program services	577,130	-	577,130
Supporting services:			
Fundraising*	363,693	-	363,693
Administration*	377,937	-	377,937
Total supporting services	741,630	-	741,630
Total expenses	1,318,760	-	1,318,760
Changes in net assets	248,231	-	248,231
Net assets:			
Beginning	651,772	-	651,772
Ending	<u>\$ 900,003</u>	<u>\$ -</u>	<u>\$ 900,003</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 29, 2012

	Program Services			Supporting Services			Total
	Research Grants	Program Support	Total	Fundraising	Administration	Total	
Expenses:							
Research grants	\$ 264,977	\$ -	\$ 264,977	\$ -	\$ -	\$ -	\$ 264,977
Salaries, payroll taxes and employee benefits*	-	85,825	85,825	175,551	202,177	377,728	463,553
Professional fees*	-	-	-	25,652	56,908	82,560	82,560
Occupancy*	-	64,397	64,397	64,397	64,397	128,794	193,191
Office expenses*	-	3,922	3,922	13,917	33,556	47,473	51,395
Website*	-	4,000	4,000	-	7,270	7,270	11,270
Travel*	-	53,403	53,403	13,185	3,970	17,155	70,558
Events*	-	97,834	97,834	59,900	-	59,900	157,734
Miscellaneous*	-	2,772	2,772	11,091	3,881	14,972	17,744
Depreciation	-	-	-	-	5,778	5,778	5,778
Total expenses	\$ 264,977	\$ 312,153	\$ 577,130	\$ 363,693	\$ 377,937	\$ 741,630	\$ 1,318,760

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 29, 2012

Cash Flows From Operating Activities	
Change in net assets	\$ 248,231
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,778
Changes in assets and liabilities:	
(Increase) decrease in:	
Due from affiliate	200,583
Prepaid expenses	20,214
Increase (decrease) in:	
Accounts payable and accrued expenses	(3,572)
Grants payable	(1,100,000)
Due to affiliate	27,175
Net cash used in operating activities	<u>(601,591)</u>
Cash Flows Used In Investing Activities	
Disbursements for property and equipment	<u>(947)</u>
Net decrease in cash	(602,538)
Cash and Cash Equivalents:	
Beginning	1,539,833
Ending	<u>\$ 937,295</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 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 and hardware over three and five years, respectively, 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 2008.

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 May 30, 2012, the date on which the financial statements were available to be issued.

Note 2. Related Party Transactions

During the year ended February 29, 2012, 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 29, 2012 was approximately \$260,000.

In addition, the affiliate provides other services to HDRF at cost. The balance due to the affiliate as of February 29, 2012 was \$27,175.

HDRF was initially funded by private contributions from the Audrey and Martin Gruss Foundation ("AMGF"). HDRF's founder is an officer of AMGF and an officer of the affiliate. Another member of the Board of Directors is also an employee of the affiliate.

A member of the Board of Directors has committed to underwrite all program support, fundraising and administrative expenses so that all funds raised by the foundation will support research activities.

During the year ended February 29, 2012, there were no contributions from AMGF.

Hope for Depression Research Foundation

Notes to Financial Statements

Note 3. Commitments

In June 2006, HDRF entered into an agreement with the University of Haifa ("University") in which HDRF agreed to contribute (or cause to be contributed) \$1,000,000 over a ten year period for research at the University. Through February 29, 2012, grants totaling \$825,000 have been awarded under terms of the agreement.

On March 7, 2012, the Board of Directors approved research grants for the 2012 – 2013 year totaling \$1.3 million.