

Hope for Depression Research Foundation

Financial Report
February 28, 2014

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Hope for Depression Research Foundation ("HDRF") which comprise the statement of financial position of as of February 28, 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.

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, 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

West Palm Beach, Florida
May 29, 2014

Hope for Depression Research Foundation

Statement of Financial Position
February 28, 2014

Assets

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Current Assets	
Cash and cash equivalents	\$ 2,013,463
Contributions receivable	45,000
Total current assets	<u>2,058,463</u>
Property and equipment, net of accumulated depreciation of \$42,229	2,528
Total assets	<u><u>\$ 2,060,991</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	\$ 13,308
Due to affiliate (Note 2)	1,836
Total current liabilities	<u>15,144</u>
Commitments (Note 3)	
Net Assets	2,045,847
Total liabilities and net assets	<u><u>\$ 2,060,991</u></u>

See Notes to Financial Statements.

Hope for Depression Research Foundation

Statement of Activities
Year Ended February 28, 2014

Support and revenue:	
Contributions	\$ 3,188,865
Interest and other income	4,524
Total support and revenue	<u>3,193,389</u>
Expenses:	
Program services:	
Research grants	2,681,884
Program support*	220,297
Total program services	<u>2,902,181</u>
Supporting services:	
Fundraising*	305,372
Administration*	243,639
Total supporting services	<u>549,011</u>
Total expenses	<u>3,451,192</u>
Changes in net assets	(257,803)
Net assets:	
Beginning	2,303,650
Ending	<u>\$ 2,045,847</u>

See Notes to Financial Statements.

*Certain 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, 2014

	Program Services			Supporting Services			Total
	Research Grants	Program Support	Total	Fundraising	Administration	Total	
Expenses:							
Research grants	\$ 2,681,884	\$ -	\$ 2,681,884	\$ -	\$ -	\$ -	\$ 2,681,884
Salaries, payroll taxes and employee benefits*	-	57,007	57,007	91,211	124,975	216,186	273,193
Professional fees*	-	-	-	29,018	17,377	46,395	46,395
Occupancy*	-	50,382	50,382	80,611	70,534	151,145	201,527
Office expenses*	-	552	552	18,016	23,706	41,722	42,274
Travel*	-	11,326	11,326	11,193	1,078	12,271	23,597
Events*	-	101,030	101,030	67,932	-	67,932	168,962
Miscellaneous*	-	-	-	7,391	2,472	9,863	9,863
Depreciation	-	-	-	-	3,497	3,497	3,497
Total expenses	\$ 2,681,884	\$ 220,297	\$ 2,902,181	\$ 305,372	\$ 243,639	\$ 549,011	\$ 3,451,192

See Notes to Financial Statements.

*Certain 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, 2014

Cash Flows From Operating Activities	
Change in net assets	\$ (257,803)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,497
Changes in assets and liabilities:	
Decrease in:	
Contribution receivable	9,438
Decrease in:	
Accounts payable and accrued expenses	(9,242)
Due to affiliate	(3,653)
Net cash used in operating activities	<u>(257,763)</u>
Cash Flows Used In Investing Activities	
Disbursements for property and equipment	<u>(2,491)</u>
Net decrease in cash	(260,254)
Cash and Cash Equivalents:	
Beginning	<u>2,273,717</u>
Ending	<u>\$ 2,013,463</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. HDRF does not have any donor-imposed temporarily or 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 the double-declining method for 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 fiscal year ending February 28, 2010.

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 29, 2014, the date on which the financial statements were available to be issued.

Note 2. Related Party Transactions

During the year ended February 28, 2013, 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, 2014 was approximately \$247,000.

In addition, the affiliate provides other services to HDRF at cost. The balance due to the affiliate as of February 28, 2014 was \$1,836.

HDRF's founder and chairman is an officer of the affiliate and another member of the Board of Directors is 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.

Note 3. Commitments

In March 2013, the Board of Directors approved 3-year research grants totaling approximately \$2.5 million per year.

As of February 28, 2014, HDRF has second-year grant payments totaling approximately \$2.5 million pending receipt of interim research reports and approval by the Board of Directors.