

Hope for Depression Research Foundation

Financial Report
August 31, 2015

Contents

Independent Auditor's Report	1
<hr/>	
Financial Statements	
Statement of financial position	2
Statement of activities	3
Statement of functional expenses	4
Statement of cash flows	5
Notes to financial statements	6-8



RSM US LLP

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 August 31, 2015, and the related statements of activities, functional expenses and cash flows for the six months 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 August 31, 2015, and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

West Palm Beach, Florida
December 3, 2015

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Hope for Depression Research Foundation

Statement of Financial Position

August 31, 2015

Assets

Cash and cash equivalents	\$ 1,720,555
Contributions receivable	525
Prepaid expenses	5,080
Due from related party (Note 2)	15,508
Property and equipment, net of accumulated depreciation of \$44,478	<u>1,887</u>
Total assets	<u><u>\$ 1,743,555</u></u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 35,379
Deferred event contributions (Note 4)	194,340
Due to affiliate (Note 2)	<u>135,487</u>
Total liabilities	365,206
Net assets	<u>1,378,349</u>
Total liabilities and net assets	<u><u>\$ 1,743,555</u></u>

See notes to financial statements.

Hope for Depression Research Foundation

Statement of Activities

Six Months Ended August 31, 2015

Support and revenue:	
Contributions	\$ 3,926,386
Interest and other income	892
Total support and revenue	<u>3,927,278</u>
Expenses:	
Program services:	
Research grants	3,451,688
Program support*	203,261
Total program services	<u>3,654,949</u>
Supporting services:	
Fundraising*	213,015
Administration* (Note 5)	212,569
Total supporting services	<u>425,584</u>
Total expenses	<u>4,080,533</u>
Changes in net assets	(153,255)
Net assets:	
Beginning	<u>1,531,604</u>
Ending	<u>\$ 1,378,349</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

Six Months Ended August 31, 2015

	Program Services			Supporting Services			
	Research Grants	Program Support	Total	Fundraising	Administration	Total	Total
Expenses:							
Research grants	\$ 3,451,688	\$ -	\$ 3,451,688	\$ -	\$ 5,675	\$ 5,675	\$ 3,457,363
Salaries, payroll taxes and employee benefits*	-	75,777	75,777	64,952	103,599	168,551	244,328
Professional fees* **	-	-	-	-	28,998	28,998	28,998
Intangible development costs* **	-	-	-	-	28,140	28,140	28,140
Occupancy*	-	19,768	19,768	16,944	19,768	36,712	56,480
Office expenses*	-	20,739	20,739	23,756	21,570	45,326	66,065
Travel*	-	5,683	5,683	16,348	2,716	19,064	24,747
Events*	-	81,184	81,184	85,784	-	85,784	166,968
Miscellaneous*	-	110	110	5,231	1,581	6,812	6,922
Depreciation	-	-	-	-	522	522	522
Total expenses	\$ 3,451,688	\$ 203,261	\$ 3,654,949	\$ 213,015	\$ 212,569	\$ 425,584	\$ 4,080,533

See notes to financial statements.

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

** See Note 5.

Hope for Depression Research Foundation

Statement of Cash Flows
Six Months Ended August 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ (153,255)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	522
Changes in assets and liabilities:	
(Increase) in:	
Contribution receivable	(525)
Prepaid expenses	(5,080)
Due from related party	(15,508)
Increase (decrease) in:	
Accounts payable and accrued expenses	(32,165)
Deferred event contributions	194,340
Due to affiliate	134,532
Net cash provided by operating activities	<u>122,861</u>
Cash flows used in investing activities:	
Disbursements for property and equipment	<u>(927)</u>
Net increase in cash	121,934
Cash and cash equivalents:	
Beginning	<u>1,598,621</u>
Ending	<u>\$ 1,720,555</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 to fund the most innovative neuroscience research into the origins, diagnosis, treatment and prevention of depression and its related mood disorders – bipolar disorder, postpartum depression, post-traumatic stress disorder, anxiety disorder and suicide.

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.

Change in year-end: During 2015, HDRF changed its year-end from February 28 to August 31. In accordance with this change, the statements of activities, functional expenses and cash flows for the period ended August 31, 2015 cover a period of six months.

A summary of HDRF's significant accounting policies follows:

Basis of presentation: A nonprofit 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 nonprofit 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.

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 expensed upon approval by the Board of Directors.

Subsequent events: HDRF has evaluated subsequent events through December 3, 2015, the date on which the financial statements were available to be issued.

Note 2. Related Party Transactions

During the six months ended August 31, 2015, 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 six months ended August 31, 2015, was approximately \$84,000.

In addition, the affiliate provides other services to HDRF at cost. The balance due to the affiliate as of August 31, 2015, was \$135,487.

During the six months ended August 31, 2015, HDRF paid some expenses for an HDRF related dinner event hosted by the chairman. Upon review by the chairman, the chairman determined that HDRF should be reimbursed by the chairman for these expenses, including interest, totaling \$15,508.

HDRF's founder and chairman is an officer of the affiliate and the secretary/treasurer 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 February 2015, the Board of Directors decided to establish Phase II of its research plan. The new research plan preempts the third and final year of Phase I grants. Phase II consists of 2-year research grants expected to total approximately \$3.7 million per year.

Note 4. Deferred Event Contributions

HDRF's annual luncheon took place on November 10, 2015. During the six months ended August 31, 2015, HDRF received contributions specifically related to attendance at the annual luncheon. HDRF will defer recognition of these contributions until after the luncheon and accordingly recorded deferred income totaling \$194,340 as of August 31, 2015.

Hope for Depression Research Foundation

Notes to Financial Statements

Note 5. Development Costs

HDRF incurred \$28,140 in intangible development costs and \$8,903 in legal expenses during the six months ended August 31, 2015 toward the development of intellectual property which HDRF intends to license in future years. These costs are included in administration expenses on the statement of activities.