

Hope for Depression Research Foundation

Financial Report
February 28, 2015

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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, 2015, 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, 2015, and the changes in its 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 18, 2015

Hope for Depression Research Foundation

Statement of Financial Position

February 28, 2015

Assets

Cash and cash equivalents	\$ 1,598,621
Property and equipment, net of accumulated depreciation of \$43,957	<u>1,482</u>
Total assets	<u>\$ 1,600,103</u>

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 67,544
Due to affiliate (Note 2)	<u>955</u>
Total liabilities	68,499

Commitments (Note 3)

Net Assets	<u>1,531,604</u>
Total liabilities and net assets	<u>\$ 1,600,103</u>

See Notes to Financial Statements.

Hope for Depression Research Foundation

Statement of Activities Year Ended February 28, 2015

Support and Revenue	
Contributions	\$ 3,049,254
Interest and other income	1,129
Total support and revenue	3,050,383
Expenses	
Program services:	
Research grants	2,499,978
Program support*	384,829
Total program services	2,884,807
Supporting services:	
Fundraising*	409,122
Administration*	270,697
Total supporting services	679,819
Total expenses	3,564,626
Changes in net assets	(514,243)
Net Assets	
Beginning	2,045,847
Ending	\$ 1,531,604

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, 2015

	Program Services		Total	Supporting Services		Total	Total
	Research Grants	Program Support		Fundraising	Administration		
Expenses							
Research grants	\$ 2,499,978	\$ -	\$ 2,499,978	\$ -	\$ -	\$ -	\$ 2,499,978
Salaries, payroll taxes and employee benefits*	-	105,436	105,436	90,374	152,963	243,337	348,773
Professional fees*	-	-	-	2,290	26,044	28,334	28,334
Occupancy*	-	43,898	43,898	37,627	43,899	81,526	125,424
Office expenses*	-	19,845	19,845	41,856	36,854	78,710	98,555
Travel*	-	7,196	7,196	19,897	5,706	25,603	32,799
Events*	-	208,115	208,115	208,114	-	208,114	416,229
Miscellaneous*	-	339	339	8,964	3,503	12,467	12,806
Depreciation	-	-	-	-	1,728	1,728	1,728
Total expenses	\$ 2,499,978	\$ 384,829	\$ 2,884,807	\$ 409,122	\$ 270,697	\$ 679,819	\$ 3,564,626

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, 2015

Cash Flows From Operating Activities	
Change in net assets	\$ (514,243)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	1,728
Changes in assets and liabilities:	
Decrease in:	
Contribution receivable	45,000
Increase (decrease) in:	
Accounts payable and accrued expenses	54,236
Due to affiliate	(881)
Net cash used in operating activities	<u>(414,160)</u>
 Cash Flows Used In Investing Activities	
Disbursements for property and equipment	<u>(682)</u>
 Net decrease in cash	 (414,842)
 Cash and Cash Equivalents	
Beginning	<u>2,013,463</u>
Ending	<u>\$ 1,598,621</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.

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.

Hope for Depression Research Foundation

Notes to Financial Statements

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

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, 2011.

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 18, 2015, the date on which the financial statements were available to be issued.

Note 2. Related Party Transactions

During the year ended February 28, 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 year ended February 28, 2015, was approximately \$173,000.

In addition, the affiliate provides other services to HDRF at cost. The balance due to the affiliate as of February 28, 2015, was \$955.

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 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 \$3.5 million per year.