

Hope for Depression Research Foundation

Financial Report
August 31, 2018

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Independent Auditor's Report

Board of Directors
Hope for Depression Research Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Hope for Depression Research Foundation (HDRF), which comprise the statements of financial position of as of August 31, 2018 and 2017, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

West Palm Beach, Florida
February 26, 2019

Hope for Depression Research Foundation

Statements of Financial Position
August 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 4,800,248	\$ 1,190,515
Contributions receivable	10,130	24,737
Prepaid expenses	46,600	52,635
Property and equipment, net of accumulated depreciation 2018 \$46,102; 2017 \$45,759	<u>262</u>	<u>606</u>
Total assets	<u><u>\$ 4,857,240</u></u>	<u><u>\$ 1,268,493</u></u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 30,201	\$ 20,012
Deferred event contributions	32,517	22,520
Due to affiliate (Note 2)	<u>5,538</u>	<u>17,044</u>
Total liabilities	68,256	59,576
Net unrestricted assets	<u>4,788,984</u>	<u>1,208,917</u>
Total liabilities and net unrestricted assets	<u><u>\$ 4,857,240</u></u>	<u><u>\$ 1,268,493</u></u>

See notes to financial statements.

Hope for Depression Research Foundation

Statements of Activities

Years Ended August 31, 2018 and 2017

	2018	2017
Support and revenue:		
Contributions	\$ 8,488,665	\$ 5,142,120
Interest and other income	36,281	2,945
Total support and revenue	8,524,946	5,145,065
Expenses:		
Program services:		
Research grants	3,649,970	3,853,188
Educational outreach	458,789	410,176
Total program services	4,108,759	4,263,364
Supporting services:		
Fundraising*	450,964	398,818
Administration*	385,156	377,004
Total supporting services	836,120	775,822
Total expenses	4,944,879	5,039,186
Change in net unrestricted assets	3,580,067	105,879
Net unrestricted assets:		
Beginning	1,208,917	1,103,038
Ending	\$ 4,788,984	\$ 1,208,917

See notes to financial statements.

*Certain program support, fundraising and administrative expenses are funded when incurred by certain contributions (see Note 2).

Hope for Depression Research Foundation

Statements of Functional Expenses Years Ended August 31, 2018 and 2017

	Program Services			Supporting Services			2018 Total
	Research Grants	Educational Outreach	Total	Fundraising	Administration	Total	
Expenses:							
Research grants	\$ 3,649,970	\$ -	\$ 3,649,970	\$ -	\$ 27,103	\$ 27,103	\$ 3,677,073
Salaries, payroll taxes and employee benefits*	-	175,203	175,203	150,175	253,254	403,429	578,632
Professional fees* **	-	429	429	-	26,816	26,816	27,245
Occupancy*	-	40,346	40,346	34,583	40,347	74,930	115,276
Office expenses*	-	2,659	2,659	37,330	31,711	69,041	71,700
Travel*	-	18,847	18,847	29,052	438	29,490	48,337
Events*	-	220,733	220,733	183,957	-	183,957	404,690
Miscellaneous*	-	572	572	15,867	5,143	21,010	21,582
Depreciation	-	-	-	-	344	344	344
Total expenses	\$ 3,649,970	\$ 458,789	\$ 4,108,759	\$ 450,964	\$ 385,156	\$ 836,120	\$ 4,944,879

	Program Services			Supporting Services			2017 Total
	Research Grants	Educational Outreach	Total	Fundraising	Administration	Total	
Expenses:							
Research grants	\$ 3,853,188	\$ -	\$ 3,853,188	\$ -	\$ 1,540	\$ 1,540	\$ 3,854,728
Salaries, payroll taxes and employee benefits*	-	168,704	168,704	144,603	255,155	399,758	568,462
Professional fees* **	-	5,910	5,910	-	24,318	24,318	30,228
Intangible development costs* **	-	-	-	-	-	-	-
Occupancy*	-	39,242	39,242	33,636	39,242	72,878	112,120
Office expenses*	-	28,931	28,931	51,846	48,736	100,582	129,513
Travel*	-	25,686	25,686	25,099	1,651	26,750	52,436
Events*	-	141,070	141,070	129,121	-	129,121	270,191
Miscellaneous*	-	633	633	14,513	5,868	20,381	21,014
Depreciation	-	-	-	-	494	494	494
Total expenses	\$ 3,853,188	\$ 410,176	\$ 4,263,364	\$ 398,818	\$ 377,004	\$ 775,822	\$ 5,039,186

See notes to financial statements.

*Certain program support, fundraising and administrative expenses are funded when incurred by certain contributions (see Note 2).

**See Note 4.

Hope for Depression Research Foundation

Statements of Cash Flows
Years Ended August 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net unrestricted assets	\$ 3,580,067	\$ 105,879
Adjustments to reconcile change in net unrestricted assets to net cash provided by operating activities:		
Depreciation	344	494
Changes in assets and liabilities:		
Decrease (increase) in:		
Contribution receivable	14,607	(18,567)
Prepaid expenses	6,035	(47,611)
(Decrease) increase in:		
Accounts payable and accrued expenses	10,189	(4,480)
Deferred event contributions	9,997	11,020
Due to affiliate	(11,506)	(31)
Net cash provided by operating activities	3,609,733	46,704
Cash and cash equivalents:		
Beginning	1,190,515	1,143,811
Ending	\$ 4,800,248	\$ 1,190,515

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 advance the understanding and treatment of depression. Our mission is two-fold: First and foremost, HDRF funds 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. Our second goal is to raise awareness of depression as a medical illness and to educate the public about the facts of depression. We educate and inform in order to help remove the stigma of depression.

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 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 did not have any donor-imposed temporarily or permanently restricted net assets as of August 31, 2018 or 2017.

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 hardware over three and five years, respectively, of estimated useful life.

Hope for Depression Research Foundation

Notes to Financial Statements

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

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 statements 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.

Recent accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2017-14 amends the requirements for financial statements and notes in Topic 958 to require a not-for-profit entity (NFP) to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period rather than the three classes currently required, and on the face of the statement of activities the amount of the change in each of the two classes of net assets. A NFP will now report amounts for net assets with donor restrictions and net assets without donor restrictions. In addition, a NFP will be required to present the amounts of expenses by both their natural classification and their functional classification. Additional qualitative and quantitative disclosure information on the NFP's liquidity and availability of the NFP's financial assets will be required, as well as the elimination of the requirement to present or disclose the indirect method (reconciliation) if the NFP uses the direct method for the presentation of the statement of cash flows. ASU No. 2017-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early application permitted, applied on a retrospective basis in the year adopted. HDRF has evaluated the effect the adoption of this standard will have on the presentation of its financial statements.

Subsequent events: HDRF has evaluated subsequent events through February 26, 2019, the date on which the financial statements were available to be issued.

Note 2. Related Party Transactions

During the years ended August 31, 2018 and 2017, 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 statements of activities, for the years ended August 31, 2018 and 2017, was \$193,326 and \$198,572, respectively.

In addition, the affiliate provides other services to HDRF at cost. The balance due to the affiliate, as of August 31, 2018 and 2017, was \$5,538 and \$17,044, respectively.

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.

Hope for Depression Research Foundation

Notes to Financial Statements

Note 3. Commitments

During the year ended August 31, 2017, the Board of Directors established Phase III of its research plan, which included committed grants of approximately \$7,400,000. Approximately \$3,700,000 was paid during the year ended August 31, 2017, and the remaining payments of approximately 3,700,000 were paid as of August 31, 2018.

Note 4. Restricted Contributions

During the year ended August 31, 2018, the Foundation received certain contributions which were restricted by the donor to be used for the Teens, Social Media and Mental Health Symposium. These donations were released from donor restrictions by incurring expenses satisfying the restricted purposes.

Teens, Social Media and Mental Health Symposium restricted donations	\$ 30,500
Release of appropriated amounts with purpose restriction	<u>(30,500)</u>
Total restricted net assets as of August 31, 2018	<u><u>\$ -</u></u>