

**National Alliance for Research on
Schizophrenia and Depression,
Inc. (d/b/a Brain & Behavior
Research Foundation) and
NARSAD Research Institute, Inc.**

Combined Financial Statements and
Supplementary Information
Year Ended December 31, 2014

**National Alliance for Research on
Schizophrenia and Depression,
Inc. (d/b/a Brain & Behavior
Research Foundation) and
NARSAD Research Institute, Inc.**

Combined Financial Statements and
Supplementary Information
Year Ended December 31, 2014

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Contents

Independent Auditor's Report	3-4
Combined Financial Statements:	
Statement of Financial Position as of December 31, 2014	5
Statement of Activities for the Year Ended December 31, 2014	6
Statement of Functional Expenses for the Year Ended December 31, 2014	7
Statement of Cash Flows for the Year Ended December 31, 2014	8
Notes to Combined Financial Statements	9-23
Independent Auditor's Report on Supplementary Information	24
Supplementary Information:	
Combining Schedule of Financial Position as of December 31, 2014	25
Combining Schedule of Activities for the Year Ended December 31, 2014	26



Independent Auditor's Report

To the Board of Directors of the National Alliance
for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.
New York, New York

We have audited the accompanying combined financial statements of the National Alliance for Research on Schizophrenia and Depression, Inc. (d/b/a Brain & Behavior Research Foundation) and NARSAD Research Institute, Inc. (collectively, the "Foundation"), which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the National Alliance for Research on Schizophrenia and Depression, Inc. (d/b/a Brain & Behavior Research Foundation) and NARSAD Research Institute, Inc. as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2013 combined financial statements and our report, dated March 7, 2014, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented therein as of and for the year ended December 31, 2013 is consistent, in all material respects with the audited combined financial statements from which it was derived.

BDO USA, LLP

March 19, 2015

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

**Combined Statement of Financial Position
(with comparative totals for 2013)**

<i>December 31,</i>	2014	2013
Assets		
Cash and cash equivalents (Notes 2 and 17)	\$22,350,676	\$ 9,825,107
Investments, at fair value (Notes 2, 3, 4 and 14)	11,164,075	9,951,960
Contributions receivable (Notes 2 and 5)	1,436,500	1,873,281
Other receivables	12,009	87,031
Pledges receivable, net (Notes 2 and 6)	780,440	2,247,449
Prepaid expenses and other assets	21,415	19,868
Assets held in charitable remainder trusts (Note 7)	1,460,182	1,404,297
Fixed assets, net (Notes 2 and 9)	81,617	101,242
Security deposits	77,110	77,110
	\$37,384,024	\$25,587,345
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 209,211	\$ 269,558
Grants payable (Notes 2 and 15)	20,093,716	12,578,705
Accrued compensation	50,295	42,426
Annuities payable (Note 7)	871,832	861,080
Charitable gift annuities payable (Note 8)	317,912	360,716
Total Liabilities	21,542,966	14,112,485
Commitments and Contingency (Notes 2, 7, 8, 10, 12, 14, 15, 16, 17, 18 and 19)		
Net Assets (Notes 2, 10, 12, 13 and 14):		
Unrestricted	(1,081,384)	2,142,098
Unrestricted - board designated endowment	11,509,262	4,509,262
Total Unrestricted	10,427,878	6,651,360
Temporarily restricted	499,680	100,000
Permanently restricted	4,913,500	4,723,500
Total Net Assets	15,841,058	11,474,860
	\$37,384,024	\$25,587,345

See accompanying notes to combined financial statements.

National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.

Combined Statement of Activities
(with comparative totals for 2013)

Year ended December 31,

	Unrestricted	Unrestricted - Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Totals	
					2014	2013
Support and Revenue:						
Contributions (Note 2)	\$ -	\$ -	\$ 7,626,588	\$ 190,000	\$ 7,816,588	\$ 6,509,363
Special events (net of direct benefits to donors of \$161,000 and \$122,606 in 2014 and 2013, respectively)	-	-	584,805	-	584,805	428,779
Contribution of services (Note 18)	-	-	1,389,537	-	1,389,537	1,310,739
Bequests (Note 2)	21,683,838	-	-	-	21,683,838	4,442,392
Net realized and unrealized gains on investments (Note 3)	8,867	574,147	-	601,426	1,184,440	697,782
Net appreciation of assets held in charitable remainder trusts	55,885	-	-	-	55,885	271,676
Dividend and interest income	32,923	141,515	-	148,238	322,676	344,568
Net assets designated by the Board (Notes 10 and 14)	(7,000,000)	7,000,000	-	-	-	-
Net assets released from restrictions (Notes 11 and 14)	10,666,576	(715,662)	(9,201,250)	(749,664)	-	-
Total Support and Revenue	25,448,089	7,000,000	399,680	190,000	33,037,769	14,005,299
Expenses:						
Program services:						
Research grants and awards	22,681,953	-	-	-	22,681,953	8,915,971
Scientific advancement	1,747,843	-	-	-	1,747,843	1,641,936
Program support	2,101,977	-	-	-	2,101,977	1,954,619
Total Program Services	26,531,773	-	-	-	26,531,773	12,512,526
Supporting services:						
Fundraising *	793,219	-	-	-	793,219	877,139
Administration *	1,346,579	-	-	-	1,346,579	1,661,858
Total Supporting Services	2,139,798	-	-	-	2,139,798	2,538,997
Total Expenses	28,671,571	-	-	-	28,671,571	15,051,523
Change in Net Assets	(3,223,482)	7,000,000	399,680	190,000	4,366,198	(1,046,224)
Net Assets, Beginning of Year	2,142,098	4,509,262	100,000	4,723,500	11,474,860	12,521,084
Net Assets, End of Year	\$ (1,081,384)	\$ 11,509,262	\$ 499,680	\$ 4,913,500	\$ 15,841,058	\$ 11,474,860

* - All fundraising and administration expenses are funded by specially designated grants.

See accompanying notes to combined financial statements.

National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.

Combined Statement of Functional Expenses
(with comparative totals for 2013)

Year ended December 31,

	Program Services				Supporting Services			Totals	
	Research Grants and Awards	Scientific Advancement	Program Support	Total	Fundraising	Administration	Total	2014	2013
Grants	\$22,681,953	\$ -	\$ -	\$22,681,953	\$ -	\$ -	\$ -	\$22,681,953	\$ 8,915,971
Scientific advancement (Note 18)	-	1,747,843	-	1,747,843	-	-	-	1,747,843	1,641,936
Research symposia	-	-	54,219	54,219	-	-	-	54,219	71,685
Research newsletters, brochures and annual reports	-	-	261,570	261,570	-	-	-	261,570	236,008
Research awards and prizes	-	-	304,871	304,871	-	-	-	304,871	314,639
Research events and receptions	-	-	186,129	186,129	-	-	-	186,129	186,394
Payroll, related benefits and taxes	-	-	898,203	898,203	449,101	898,203	1,347,304	2,245,507	2,335,055
Temporary help	-	-	11,988	11,988	10,662	3,531	14,193	26,181	35,614
Travel	-	-	14,583	14,583	7,292	14,583	21,875	36,458	32,819
Professional fees	-	-	163,376	163,376	81,687	163,376	245,063	408,439	269,482
Donor mailings	-	-	-	-	116,784	-	116,784	116,784	138,752
Advertising and public relations	-	-	-	-	24,173	286	24,459	24,459	90,812
Printing, postage and shipping	-	-	15,946	15,946	7,973	15,946	23,919	39,865	37,598
Repairs and maintenance	-	-	15,394	15,394	7,697	15,394	23,091	38,485	33,524
Occupancy	-	-	109,146	109,146	54,573	109,146	163,719	272,865	350,920
Insurance	-	-	7,741	7,741	3,870	7,741	11,611	19,352	22,636
Office supplies	-	-	6,552	6,552	3,276	6,552	9,828	16,380	14,889
Office expenses	-	-	15,068	15,068	7,534	15,068	22,602	37,670	60,436
Computer	-	-	7,993	7,993	3,997	7,993	11,990	19,983	14,582
Telephone	-	-	5,771	5,771	2,886	5,771	8,657	14,428	20,054
Staff enrichment and training	-	-	1,006	1,006	503	1,006	1,509	2,515	4,211
Dues, books and subscriptions	-	-	8,114	8,114	4,057	8,114	12,171	20,285	20,717
State filing charges	-	-	-	-	-	3,464	3,464	3,464	3,894
Bank charges	-	-	-	-	-	27,698	27,698	27,698	28,123
Board of directors meetings	-	-	-	-	-	27,775	27,775	27,775	27,072
Depreciation and amortization	-	-	14,307	14,307	7,154	14,307	21,461	35,768	35,975
Bad debt losses	-	-	-	-	-	-	-	-	107,100
Other	-	-	-	-	-	625	625	625	625
Totals	\$22,681,953	\$1,747,843	\$2,101,977	\$26,531,773	\$793,219	\$1,346,579	\$2,139,798	\$28,671,571	\$15,051,523

See accompanying notes to combined financial statements.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

**Combined Statement of Cash Flows
(with comparative totals for 2013)**

<i>Year ended December 31,</i>	2014	2013
Cash Flows From Operating Activities:		
Change in net assets	\$ 4,366,198	\$ (1,046,224)
Adjustments to reconcile change in net assets provided by (used in) operating activities:		
Contributions restricted for long-term purposes	(190,000)	
Depreciation	35,768	35,975
Realized losses on investments	72,419	55,802
Unrealized gains on investments	(1,256,859)	(753,584)
Donated investments	(2,472,667)	(2,242,292)
Bad debt expense	-	107,100
Change in present value of pledges receivable	(17,796)	33,759
(Increase) decrease in:		
Contributions receivable	436,781	(355,241)
Other receivables	75,022	(60,770)
Pledges receivable	1,484,805	1,036,000
Prepaid expenses	(1,547)	(621)
Assets held in charitable remainder trusts	(55,885)	(271,676)
Increase (decrease) in:		
Accounts payable and accrued expenses	(60,347)	190,359
Grants payable	7,515,011	(2,645,503)
Accrued compensation	7,869	(142,405)
Annuities payable	10,752	24,976
Charitable gift annuities payable	(42,804)	(113,405)
Net Cash Provided By (Used In) Operating Activities	9,906,720	(6,147,750)
Cash Flows From Investing Activities:		
Purchase of fixed assets	(16,143)	(34,407)
Increase in security deposits	-	(40,357)
Purchases of investments	(215,609)	(208,150)
Proceeds from sale of investments	2,660,601	3,270,703
Net Cash Provided By Investing Activities	2,428,849	2,987,789
Cash Flows From Financing Activities:		
Proceeds from contributions restricted for the Research Endowment Fund	190,000	-
Increase (Decrease) in Cash and Cash Equivalents	12,525,569	(3,159,961)
Cash and Cash Equivalents, Beginning of Year	9,825,107	12,985,068
Cash and Cash Equivalents, End of Year	\$22,350,676	\$ 9,825,107

See accompanying notes to combined financial statements.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

1. Nature of the Organization

The National Alliance for Research on Schizophrenia and Depression, Inc. d/b/a Brain & Behavior Research Foundation (“BBRF”) is a not-for-profit corporation organized in 1981 under the Commonwealth of Kentucky Not-For-Profit Corporation Act. BBRF is committed to alleviating the suffering caused by mental illness by awarding grants that will lead to advances and breakthroughs in scientific research. BBRF raises and provides funding for scientific research to discover better treatments and cures for depression, schizophrenia, bipolar disorder, autism, anxiety disorders, obsessive-compulsive disorder and post-traumatic stress disorder.

In September 1997, NARSAD Research Institute, Inc. (the “Institute”) was organized under Section 501(c)(3) of the New York Not-for-Profit Corporation Law. All contributions received by the Institute are available to BBRF for grant distribution. The Institute, an organization affiliated with BBRF, did not have any activity until 1998. As BBRF demonstrates both control over and economic interest in the Institute, the accounts of BBRF and the Institute (collectively, the “Foundation”) have been combined for presentation in these financial statements.

On April 4, 2011, after legally filing the assumed name, BBRF announced its new assumed name, Brain & Behavior Research Foundation.

2. Summary of Significant Accounting Policies

(a) Principles of Combination

The accompanying combined financial statements include BBRF and the Institute, which are related through common board membership, financial control and identical management. Intercompany accounts and transactions have been eliminated in combination.

(b) Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(c) Financial Statement Presentation

The classification of a not-for-profit organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

- (i) Unrestricted*** - The part of net assets that is neither permanently nor temporarily restricted by donor-imposed (or internally imposed) stipulations.
 - **Unrestricted - Board Designated Endowment** - Net assets not restricted by donor-imposed stipulations but internally restricted by the Foundation’s Board of Directors for a specific purpose.

National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.

Notes to Combined Financial Statements

- (ii) **Temporarily Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.
- (iii) **Permanently Restricted** - Net assets resulting from contributions and other inflows of assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

(d) ***Cash and Cash Equivalents***

Cash equivalents represent short-term investments with original maturities of three months or less.

(e) ***Investment Valuation and Income Recognition***

Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurement", establishes a three-level hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Foundation would use in pricing the Foundation's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that can not be obtained from a broad active market in which assets or liabilities identical or similar to those of the Foundation are traded. The Foundation estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers for each investment based on the best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 - Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. Examples include cash and cash equivalents, mutual funds and debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2 - Valuation based on quoted market prices of investments that are not actively traded or for which certain significant inputs are not observable, either directly or indirectly, such as municipal bonds. The fair value of municipal bonds is estimated using recently executed transactions, bid/asked prices and pricing models that factor in, where applicable, interest rates, bond spreads and volatility. This category generally includes certain U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 - Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value. This category generally includes certain private debt and equity instruments and alternative investments (i.e., hedge funds and limited partnership interests).

National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.

Notes to Combined Financial Statements

The Foundation's holdings consist principally of U.S. government debt securities and equity funds carried at their stated unit values provided by the investment managers of the funds. Each of these investment managers provides observable detailed information about the underlying securities, all of which are publicly-traded securities (equities and treasuries). The valuation of these investments is based on Level 1 inputs within the hierarchy used in measuring fair value.

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity (i.e., hedge funds) concerns, all of which are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated using information provided to the Foundation by the investment managers or general partners. Because of the inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk associated with its concentrations of investments in one geographic region and in certain industries. The limited partnership's ability to liquidate certain of its investments may be inhibited since the issuers may be privately held or the limited partnership may own a relatively large portion of the issuers' equity securities.

Investment income is recognized when earned and consists of interest, dividends and realized and unrealized gains and losses. Dividends are recorded on the ex-dividend date. Purchases and sales are recorded on a trade-date basis.

(f) Investment Impairment

The Foundation's investments consist of U.S. government debt securities, equity funds, privately held company and limited partnerships. At December 31, 2014, the Foundation has deemed that all securities, which were in an unrealized loss position, were temporarily impaired. Positive evidence considered in reaching the Foundation's conclusion that the investments in an unrealized loss position are not other-than-temporarily impaired consisted of:

- (i) there were no specific events which caused concerns;
- (ii) the Foundation's ability and intent to retain the investment for a sufficient amount of time to allow an anticipated recovery in value; and
- (iii) the Foundation also determined that the changes in market value were considered normal in relation to overall fluctuations in market conditions.

(g) Depreciation and Amortization

The cost of furniture, fixtures and equipment is depreciated over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of the assets are as follows:

Furniture, fixtures and equipment	5 years
Proprietary information systems	5 years
Leasehold improvements	Over the term of lease

Repairs and maintenance are charged to operations in the period incurred.

It is the Foundation's policy to capitalize all fixed asset purchases greater than \$1,000.

National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.

Notes to Combined Financial Statements

(h) Impairment of Fixed Assets

The Foundation reviews fixed assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2014, there have been no such losses.

(i) Income Taxes

The Foundation was incorporated in the State of Kentucky and is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for 2014. In addition, the Institute has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the Code.

Under ASC 740, "Income Taxes", an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained upon examination by a taxing authority. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Foundation has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Foundation has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the year ended December 31, 2014, there were no interest or penalties recorded or included in the combined statement of activities. As of December 31, 2014, the years still subject to examination by a taxing authority are 2011 through 2013.

(j) Grants Payable

The Foundation records appropriations for research grants as an expense and liability for the first year of the commitment after initial approval by the Board of Directors, based upon (i) the recommendations, guidance and input of the Foundation Scientific Council who serve on grant review committees specializing in mental health research, and (ii) the availability of funding. For multi-year commitments, the second year of the research grants is recorded as an expense and liability in the subsequent year, based upon the availability of funding.

(k) Contributions and Bequests

Contributions and promises to give are recorded as revenue when either unsolicited cash is received or when donors make a promise to give. Contributions and promises to give are classified as either unrestricted, temporarily restricted, or permanently restricted support. Income from trusts and estates are recorded as bequests revenue when the probate courts declare the wills valid and the proceeds are measurable.

(l) Allowance for Uncollectible Pledges

The Foundation provides an allowance for pledges receivable which are specifically identified as to their uncertainty in regards to collectability.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

(m) Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on an individual basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(o) Comparative Financial Information

The combined financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the prior year combined financial statements from which the summarized information was derived. With respect to the combined statement of activities, the prior year information is not presented by net asset class. With respect to the combined statement of functional expenses, the prior year functional expenses are presented in total but not by functional classification.

(p) Net Asset Classification

Effective March 25, 2010, the State of Kentucky enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the provisions of which apply to endowment funds existing on or established after that date. This law sets standards for endowment spending and preservation of the original gift in accordance with donor intent. Based on its interpretation of the provisions of UPMIFA, the Foundation is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. As a result of this interpretation, the Foundation classifies as permanently restricted net assets the original value of gifts donated to be held in perpetuity. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA, for the purposes and duration for which the endowment fund is established.

(q) Reclassification

Certain information in the prior year's combined financial statements has been reclassified to conform with the current year's presentation.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

3. Investments, at Fair Value

The Foundation's cost and fair value of investments are summarized as follows:

December 31, 2014

	Fair Value	Cost
Fixed income:		
U.S. government debt securities	\$ 2,382,236	\$ 2,212,867
Equity funds	5,417,983	6,178,099
Privately-held company	225	225
Limited partnerships	3,363,631	2,008,800
Total investments, at fair value	\$11,164,075	\$10,399,991

One partnership investment is covered by a contribution agreement whereby a contributor personally guarantees that the Foundation's return will be equal to the invested amount plus interest thereon, compounded at an annual rate of six percent. As of December 31, 2014, there was no amount recorded as a receivable under such agreement.

The market or fair value of the investments detailed above is determined by reference to market quotations at December 31, 2014 except for the fair market value of the limited partnerships, which are determined on a quarterly basis upon receipt of reports submitted by the investment entities.

The following summarizes the Foundation's total investment return and its classification in the combined financial statements for the year ended December 31, 2014:

Year ended December 31, 2014

Realized losses from investments	\$ (72,419)
Change in unrealized gain on investments	1,256,859
Net gain from investments	1,184,440
Appropriations from investments for operations	(1,184,440)
Investment return in excess of amounts appropriated for operations	\$ -

The Foundation received donated investments with a fair value of \$2,472,667 during the year ended December 31, 2014, all of which was to be used for temporarily restricted purposes.

As of December 31, 2014, \$3,363,631 (30%) of the Foundation's investment portfolio consisted of interests in limited partnerships, which are engaged in a variety of investment strategies.

The investments in limited partnerships are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners in the absence of readily ascertainable market values.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

Redemptions of the Foundation's investments in these investments vary, but are primarily available at month-end, quarter-end, or year-end with appropriate notice. Management fees and incentive fees are charged by these investment entities at an annual rate ranging from .5% to 1.5% plus an incentive allocation, which is 15% of the net income allocated above a threshold return.

In general, risks associated with such investments include those related to their underlying investments. There can be no assurance that the Foundation will continue to achieve the same level of returns on its investments in limited partnerships and other investment companies that it has received during the past periods or that it will achieve any returns on such investments at all. In addition, there can be no assurance that the Foundation will receive a return of all or any portion of its current or future capital investments in limited partnerships and other investment companies. The failure of the Foundation to receive the return of a material portion of its capital investments in these investments, or to achieve historic levels of returns on such investments, could have a material adverse effect on the Foundation's financial condition and results of operations.

Investment Impairment

The following table represents the fair market value and gross unrealized losses for investments where the estimated fair value had declined and remained below cost by less than 12 months or 12 months or more as of December 31, 2014:

	Less Than 12 Months		Twelve Months or More		Total	
	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
<i>Securities</i>						
Equity funds	\$ -	\$ -	\$1,576,246	\$1,826,804	\$1,576,246	\$1,826,804
Limited partnerships	-	-	398,340	601,660	398,340	601,660
	\$ -	\$ -	\$1,974,586	\$2,428,464	\$1,974,586	\$2,428,464

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

4. Fair Value Measurements

Below sets forth a table of assets measured at fair value as of December 31, 2014:

Description	Fair Value Measurement at Reporting Date Using			Balance at December 31, 2014
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	
Equity funds:				
International equities	\$ 101,880	\$ -	\$ -	\$ 101,880
Balanced fund	209,099	-	-	209,099
Dividend fund	1,474,366	-	-	1,474,366
Income and growth fund	3,632,638	-	-	3,632,638
Privately held company	-	-	225	225
Fixed income:				
U.S. Government debt securities	2,382,236	-	-	2,382,236
Limited partnerships	-	-	3,363,631	3,363,631
Total investments, at fair value	\$7,800,219	\$ -	\$3,363,856	\$11,164,075

The following table sets forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the year ended December 31, 2014:

Year ended December 31, 2014

Description	Balance at December 31, 2013	Total Realized Gain (Loss)	Total Unrealized Gain (Loss) Relating to Instruments Still Held at End of Reporting Period	Sales, Other Settlements and Issuances, Net	Balance at December 31, 2014
Limited partnerships	\$2,967,893	\$ -	\$395,738	\$ -	\$3,363,631

In accordance with Accounting Standards Update (“ASU”) 2009-12, “Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)”, the Foundation expanded its disclosures to include the category, fair value, redemption frequency, and redemption notice period for those assets whose fair value is estimated using the NAV per share or its equivalent for which the fair value is not readily determinable, as of December 31, 2014. The following table sets forth a summary of the Foundation’s investments with a reported NAV as of December 31, 2014:

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Limited partnerships	\$3,363,631	N/A	Monthly, quarterly or year-end	15 days’ prior written notice

National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.

Notes to Combined Financial Statements

5. Contributions Receivable

Contributions receivable of \$1,436,500 at December 31, 2014 represents additional residual distributions to be received by the Foundation as a beneficiary in one estate.

6. Pledges Receivable, Net

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Included in pledges receivable are the following unconditional promises to give:

December 31, 2014

Pledges receivable	\$805,000
Discount at 1.75% to 2.69%	(24,560)
Net present value of pledges receivable	\$780,440
Amounts due in:	
Less than one year	\$345,000
One to five years	460,000
	\$805,000

7. Assets Held in Charitable Remainder Trusts

During 1994, two charitable remainder annuity trusts were established naming the Foundation as both trustee of the assets maintained in trust and the recipient of all remainder assets after the death of the respective donors and/or their beneficiaries (the "life tenants"). The donor put certain assets in trust from which the Foundation, in its role as trustee, remits annuity payments to the life tenants, until such a time that the life tenants are deceased. Upon the death of the life tenants, all principal and income of the trusts will be distributed to the Foundation. On November 1, 2007, one of the trusts was distributed to the Foundation. As of December 31, 2014, the fair value of net assets held for the one remaining charitable remainder trust amounted to \$1,460,182.

A liability has been recorded for the present value of the future cash flows expected to be paid to the life tenants over their estimated lives. In each taxable year of the trust, the trustee shall pay to the donor, during their lifetime, a unitrust amount equal to the lesser of (a) the net income of the trust for the taxable year, or (b) 6 percent (6%) of the fair market value of the assets of the trust valued as of the first day of each taxable year of the trust (the "valuation date"). Thus, as the market value of the respective trusts fluctuates, so do the annuities payable to the life tenants, less any payments made. As of December 31, 2014, the present value of future payments due to the life tenants amounted to \$871,832.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

Below sets forth a table of assets held in charitable remainder trusts and (liabilities) measured at fair value as of December 31, 2014:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
Equity funds:				
International equities	\$ 109,299	\$ -	\$ -	\$ 109,299
U.S. equities	1,141,369	-	-	1,141,369
Property funds	186,365	-	-	186,365
Money market funds	9,175	-	-	9,175
Dividend fund	13,974	-	-	13,974
Annuities payable	-	-	(871,832)	(871,832)
Total assets held in charitable remainder trusts and (liabilities), at fair value	\$1,460,182	\$ -	\$(871,832)	\$ 588,350

8. Charitable Gift Annuities Payable

Under the Charitable Gift Annuity agreement, donors make contributions in exchange for a promise to receive a fixed amount over a specified period of time, usually the life of donor or beneficiary. During the term of the agreement, the Foundation acts as custodian of these funds, whereby the asset and the net present value of the related liability are reflected in the combined statement of financial position. After the term of the agreement, the remaining assets belong to the Foundation. At December 31, 2014, the Charitable Gift Annuity investment account, included in investments, at fair value, had a fair market value of \$394,700 and the related liability amounted to \$317,912.

9. Fixed Assets, Net

Fixed assets, net consist of the following:

December 31, 2014

Furniture, fixtures and equipment	\$355,653
Proprietary information systems	305,979
Leasehold improvements	23,754
Total fixed assets	685,386
Less: Accumulated depreciation and amortization	603,769
Fixed assets, net	\$ 81,617

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

10. Unrestricted - Board Designated Endowment

In 2000, the Board of Directors established an endowment fund for the benefit of BBRF and the Institute. The use of principal is to be retained for future growth and income may be applied periodically to current projects at the discretion of the Board of Directors.

In 2013, the Board of Directors approved a formal written policy on the management of the endowment and investment funds. As part of that policy effective for 2013 and future years, the amount available to be spent in the coming fiscal year is calculated as 4%, with a target rate of up to 5%, of the average market value of the endowment fund over the last 12 quarters using a September 30 quarter end. This policy is designed to ensure that current and future generations share equally in the benefits of the endowment. The goal is to maintain the endowment in perpetuity to ensure a consistent and reliable level of investment income.

In 2014, by resolution of the Board of Directors the amount of \$7,000,000 was added to the unrestricted-board designated endowment.

11. Net Assets Released From Restrictions

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose set by the donor as follows:

Supporting services (designated grants)	\$2,139,798
Contributed services	1,389,537
Research grants	5,671,915
	<hr/>
	\$9,201,250

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of the following:

December 31, 2014

Research grants	\$100,000
Pardes Humanitarian Prize	399,680
	<hr/>
	\$499,680

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

13. Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following:

December 31, 2014

Research Endowment Fund	\$2,868,465
Endowed Research Partnership Program	2,000,000
Mental Illness Research Award Fund	35,000
Administrative Endowment Fund	10,035
	<hr/>
	\$4,913,500

Research Endowment Fund

The Research Endowment Fund was established by donors to accumulate endowments. These funds may be invested, at the discretion of the Foundation's Finance Committee, in fixed income and equity funds.

In accordance with donor restrictions, a portion of the principal, in the amount of \$1,000,000, is to remain preserved in this fund until a cure for schizophrenia is found. Investment income is restricted by the donor for use in research.

Endowed Research Partnership Program

The Endowed Research Partnership Program was established in 2003 to support the Research Partnership Program.

Mental Illness Research Award Fund

The Mental Illness Research Award Fund was established in 1987 from the San Diego Alliance for the Mentally Ill. Investment income earned annually is restricted by the donor for use in research. The funds may be invested, at the discretion of the Finance Committee, in fixed income and equity securities.

Administrative Endowment Fund

The Administrative Endowment Fund was established in 1988 to fund administrative expenses for support of research in schizophrenia and depression.

14. Endowments - Net Asset Classifications

The Foundation's endowments consist of investments that are Board designated and permanently restricted. Under ASC 958-205, the following applies to the endowment funds.

Investment and spending policies - the Foundation has adopted investment and spending policies for endowment assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity, and as directed by the donors, and those assets that are Board designated, as approved by the Board of Directors of the Foundation. The endowment funds are invested in vehicles such as government and equity securities.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- the duration and preservation of the funds;
- the purposes of the Foundation and the donor-restricted endowment funds;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- other resources of the Foundation; and
- the investment policy of the Foundation.

The following table represents the endowment net asset composition by type of fund as of December 31, 2014:

December 31, 2014

	Unrestricted - Board Designated Endowment	Permanently Restricted	Total
Donor-imposed restrictions	\$ -	\$4,913,500	\$ 4,913,500
Board designated funds functioning as endowment	11,509,262	-	11,509,262
	\$11,509,262	\$4,913,500	\$16,422,762

The following table represents the reconciliation of changes in endowment net assets for the year ended December 31, 2014:

Year ended December 31, 2014

	Unrestricted - Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$4,509,262	\$ -	\$4,723,500	\$9,232,762
Investment income	141,515	-	148,238	289,753
Net appreciation (realized and unrealized)	574,147	-	601,426	1,175,573
Net transfers to unrestricted	(715,662)	-	(749,664)	(1,465,326)
Endowment contribution	-	-	190,000	190,000
Board designation	7,000,000	-	-	7,000,000
Endowment net assets, end of year	\$11,509,262	\$ -	\$4,913,500	\$16,422,762

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

15. Grants Payable

Grants payable of \$20,093,716 at December 31, 2014 include the second year of the multi-year commitment relating to the Young Investigator research grants awarded in 2012, totaling \$5,718,538. These research grants were not included at December 31, 2013 based upon the availability of funding, which follows the Foundation's policy for multi-year commitments.

16. Line of Credit

The Foundation has an established line of credit with a bank of up to \$2,000,000, payable at various interest rate options. At December 31, 2014, there is no balance outstanding on the line of credit and it was not utilized in 2014.

The line of credit is secured by pledged securities from the Foundation in a specifically designated account for the benefit of the lender bank.

17. Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of temporary cash investments. The Foundation places its temporary cash investments with high quality financial institutions and, by policy, limits the amount of credit exposure to any one institution. At times, such investments may be in excess of FDIC insurance limits.

18. Contribution of Services

(a) In 2014, the Foundation's Scientific Council contributed services of \$1,223,700, which is reflected in the scientific advancement column in the combined statement of activities. The Foundation's Scientific Council consists of a group of scientists who are leaders in neuroscience and psychiatry. These volunteers primarily review research grants and projects on behalf of the Foundation.

Additionally, a substantial number of individuals volunteer significant amounts of their time to the Foundation's fundraising and other activities; the value of these contributed services is excluded since they do not meet criteria for financial statement recognition.

(b) In 2014, the Foundation utilized a grant which provided online advertising, at no cost, having a value of \$165,837.

19. Commitments and Contingency

Lease Commitments

In 2013, the Foundation moved the location of their office to Manhattan, New York with the expiration of their prior lease for office space in Great Neck, New York on September 30, 2013. The Foundation entered into a new sublease agreement for office space in Manhattan that commenced in August 2013 and expires in May 2018. In addition, the Foundation also leases office equipment.

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

Notes to Combined Financial Statements

Rent expense is recognized using the straight-line method over the terms of the sublease. The difference between rent expense incurred and the rental amounts paid is recorded as rent payable and is included in accounts payable and accrued expenses. At December 31, 2014, the rent payable amount is \$115,050.

Future minimum rental payments, exclusive of escalation charges and electric (billed actual), are as follows:

Year	Annual Amount
2015	\$ 307,394
2016	307,394
2017	307,394
2018	115,273
	<hr/>
	\$1,037,455

The expense under the operating rent and equipment leases was \$272,865 and \$13,135, respectively, in 2014.

Contingency

As described in Note 14, the Foundation preserves certain endowments, which, in the event a cure for schizophrenia is found, would be required to be forwarded to organizations specified by the donor. As of December 31, 2014, such endowments amounted to \$1,000,000 and are included as permanently restricted net assets in the accompanying combined statement of financial position.

20. Subsequent Events

The Foundation's management has performed subsequent event procedures through March 19, 2015, which is the date the combined financial statements were made available to be issued and there were no subsequent events requiring adjustment to the combined financial statements or disclosures as stated herein.

Independent Auditor's Report on Supplementary Information

Our audit of the combined financial statements included in the preceding section of this report was conducted for the purpose of forming an opinion on those statements taken as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

BDO USA, LLP

New York, New York

March 19, 2015

National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.

Combining Schedule of Financial Position
(with comparative totals for 2013)

December 31,

	BBRF	The Institute	Eliminations	Total	
				2014	2013
Assets					
Cash and cash equivalents	\$22,293,613	\$57,063	\$ -	\$22,350,676	\$ 9,825,107
Investments, at fair value	11,164,075	-	-	11,164,075	9,951,960
Contributions receivable	1,436,500	-	-	1,436,500	1,873,281
Other receivable	12,009	-	-	12,009	87,031
Pledges receivable, net	780,440	-	-	780,440	2,247,449
Prepaid expenses	21,415	-	-	21,415	19,868
Assets held in charitable remainder trusts	1,460,182	-	-	1,460,182	1,404,297
Fixed assets, net	81,617	-	-	81,617	101,242
Security deposits	77,110	-	-	77,110	77,110
	\$37,326,961	\$57,063	\$ -	\$37,384,024	\$25,587,345
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 209,211	\$ -	\$ -	\$ 209,211	\$ 269,558
Grants payable	20,093,716	-	-	20,093,716	12,578,705
Accrued compensation	50,295	-	-	50,295	42,426
Annuities payable	871,832	-	-	871,832	861,080
Charitable gift annuities payable	317,912	-	-	317,912	360,716
Total Liabilities	21,542,966	-	-	21,542,966	14,112,485
Commitments and Contingency					
Net Assets:					
Unrestricted	(1,138,447)	57,063	-	(1,081,384)	2,142,098
Unrestricted - board designated endowment	11,509,262	-	-	11,509,262	4,509,262
Total Unrestricted	10,370,815	57,063	-	10,427,878	6,651,360
Temporarily restricted	499,680	-	-	499,680	100,000
Permanently restricted	4,913,500	-	-	4,913,500	4,723,500
Total Net Assets	15,783,995	57,063	-	15,841,058	11,474,860
	\$37,326,961	\$57,063	\$ -	\$37,384,024	\$25,587,345

**National Alliance for Research on Schizophrenia and Depression, Inc.
(d/b/a Brain & Behavior Research Foundation)
and NARSAD Research Institute, Inc.**

**Combining Schedule of Activities
(with comparative totals for 2013)**

Year ended December 31,

	BBRF	The Institute	Eliminations	Total	
				2014	2013
Support and Revenue:					
Contributions	\$ 7,713,108	\$ 103,480	\$ -	\$ 7,816,588	\$ 6,509,363
Special events (net of direct benefits to donors of \$161,000 and \$122,606 in 2014 and 2013, respectively)	356,865	227,940	-	584,805	428,779
Contribution of services	1,389,537	-	-	1,389,537	1,310,739
Bequests	21,683,838	-	-	21,683,838	4,442,392
Net realized and unrealized gains on investments	1,189,434	(4,994)	-	1,184,440	697,782
Net appreciation of assets held in charitable remainder trusts	55,885	-	-	55,885	271,676
Dividend and interest income	322,676	-	-	322,676	344,568
Grants from the Institute	1,312,986	-	(1,312,986)	-	-
Total Support and Revenue	34,024,329	326,426	(1,312,986)	33,037,769	14,005,299
Expenses:					
Program services:					
Research grants	22,681,953	-	-	22,681,953	8,915,971
Scientific advancement	1,747,843	-	-	1,747,843	1,641,936
Program support	2,101,977	-	-	2,101,977	1,954,619
Grants to the Foundation	-	1,312,986	(1,312,986)	-	-
Total Program Services	26,531,773	1,312,986	(1,312,986)	26,531,773	12,512,526
Supporting services:					
Fundraising	793,219	-	-	793,219	877,139
Administration	1,346,304	275	-	1,346,579	1,661,858
Total Supporting Services	2,139,523	275	-	2,139,798	2,538,997
Total Expenses	28,671,296	1,313,261	(1,312,986)	28,671,571	15,051,523
Change in Net Assets	5,353,033	(986,835)	-	4,366,198	(1,046,224)
Net Assets, Beginning of Year	10,430,962	1,043,898	-	11,474,860	12,521,084
Net Assets, End of Year	\$15,783,995	\$ 57,063	\$ -	\$15,841,058	\$11,474,860

* - All fundraising and administration expenses are funded by specially designated grants.