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

Consolidated Financial Statements
and Supplementary Information
Year Ended December 31, 2019

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Contents

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Independent Auditor's Report

The Board of Directors
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 consolidated 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 consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated 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, 2019, and the changes in their net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidated schedule of financial position and the consolidated schedule of activities are presented for purposes of additional analysis and are not required parts of the basic consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and to certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and to 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 consolidated financial statements taken as a whole.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2018 financial statements and our report, dated March 11, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects with the audited financial statements from which it was derived.

BDO USA, LLP

March 10, 2020

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

Consolidated Statement of Financial Position
(with comparative totals for 2018)

December 31,		2019		2018
Assets				
Cash and cash equivalents (Note 2)	$	**8,063,589**	$	5,850,675
Investments, at fair value (Notes 2, 4, 8, 9 and 12)		**19,797,453**		14,957,266
Contributions receivable (Notes 2 and 6)		**139,805**		708,183
Pledges receivable, current portion (Notes 2 and 7)		**2,210,000**		2,010,000
Prepaid expenses and other assets		**72,644**		89,385
Total Current Assets		**30,283,491**		23,615,509
Assets Held in Charitable Remainder Trust (Note 8)		**1,500,421**		1,287,823
Fixed Assets, Net (Notes 2 and 10)		**25,053**		38,546
Pledges Receivable, Net, less current portion (Notes 2 and 7)		**6,263,110**		3,817,651
Total Assets	$	**38,072,075**	$	28,759,529
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	**79,548**	$	60,639
Grants payable (Notes 2 and 11)		**19,481,669**		19,863,771
Accrued compensation		**100,258**		102,095
Annuities payable (Note 8)		**767,679**		680,513
Charitable gift annuities payable (Note 9)		**172,450**		181,616
Total Liabilities		**20,601,604**		20,888,634
Commitments and Contingency (Notes 2, 3, 5, 8, 9, 11, 13,14, and 16)				
Net Assets (Deficit) (Notes 2, 3, 12 and 13)				
Net assets without donor restrictions:				
Unrestricted net assets		**8,410,779**		(1,551,867)
Board-designated fund		**-**		4,509,262
Total Net Assets Without Donor Restrictions		**8,410,779**		2,957,395
Net assets with donor restrictions		**9,059,692**		4,913,500
Total Net Assets		**17,470,471**		7,870,895
Total Liabilities and Net Assets	$	**38,072,075**	$	28,759,529

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Activities
(with comparative totals for 2018)

Year ended December 31,

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Support and Revenue				
Program services support and revenue:				
Contributions (Note 2)	$ -	$ 16,069,353	**$ 16,069,353**	$ 15,556,817
Special events, net of $132,079 and $158,081 in 2019 and 2018, respectively	-	345,041	**345,041**	381,244
Contribution of services (Note 15)	-	1,977,786	**1,977,786**	1,908,417
Bequests (Note 2)	5,127,130	4,078,985	**9,206,115**	2,330,941
Net realized and unrealized gains (losses) on investments (Note 2)	2,578,593	1,156,000	**3,734,593**	(450,793)
Net appreciation (depreciation) of assets held in charitable remainder trusts	212,598	-	**212,598**	(178,707)
Dividend and interest income (Note 2)	148,831	90,824	**239,655**	280,034
Net assets released from restrictions (Note 12)	19,571,797	(19,571,797)	**-**	-
Total Support and Revenue	27,638,949	4,146,192	**31,785,141**	19,827,953
Expenses				
Program services:				
Research grants and awards	14,797,331	-	**14,797,331**	14,052,583
Scientific advancement	2,268,335	-	**2,268,335**	1,986,729
Program support	2,487,570	-	**2,487,570**	2,530,355
Total Program Services	19,553,236	-	**19,553,236**	18,569,667
Supporting services:				
Fundraising*	889,015	-	**889,015**	908,528
Administration*	1,743,314	-	**1,743,314**	1,758,414
Total Supporting Services	2,632,329	-	**2,632,329**	2,666,942
Total Expenses	22,185,565	-	**22,185,565**	21,236,609
Change in Net Assets	5,453,384	4,146,192	**9,599,576**	(1,408,656)
Net Assets, beginning of year	2,957,395	4,913,500	**7,870,895**	9,279,551
Net Assets, end of year	$ 8,410,779	$ 9,059,692	**$ 17,470,471**	$ 7,870,895

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

See accompanying notes to consolidated financial statements.

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

Consolidated Statement of Functional Expenses
(with comparative totals for 2018)

Year ended December 31,

	Program Services				Supporting Services			Total	
	Research Grants and Awards	Scientific Advancement	Program Support	Total	Fundraising*	Administration*	Total	**2019**	2018
Grants	$ 14,797,331	$ -	$ -	$ 14,797,331	$ -	$ -	$ -	**$ 14,797,331**	$ 14,052,583
Scientific advancement	-	2,268,335	-	2,268,335	-	-	-	**2,268,335**	1,986,729
Research symposia	-	-	61,769	61,769	-	-	-	**61,769**	66,107
Research newsletters, brochures and annual reports	-	-	197,243	197,243	-	-	-	**197,243**	201,671
Research awards and prizes	-	-	541,838	541,838	-	-	-	**541,838**	574,570
Research events and receptions	-	-	107,811	107,811	-	-	-	**107,811**	95,289
Payroll, related benefits and taxes	-	-	1,257,575	1,257,575	628,787	1,257,575	1,886,362	**3,143,937**	3,022,710
Temporary help	-	-	-	-	-	-	-	**-**	3,960
Travel	-	-	16,216	16,216	8,108	16,216	24,324	**40,540**	28,135
Professional fees	-	-	97,180	97,180	48,590	97,180	145,770	**242,950**	318,100
Donor mailings	-	-	-	-	93,395	-	93,395	**93,395**	100,210
Advertising and public relations	-	-	12,331	12,331	12,331	618	12,949	**25,280**	32,281
Printing, postage and shipping	-	-	9,723	9,723	4,862	9,723	14,585	**24,308**	39,628
Repairs and maintenance	-	-	14,228	14,228	7,114	14,228	21,342	**35,570**	39,113
Occupancy (Note 16)	-	-	104,082	104,082	52,041	104,082	156,123	**260,205**	304,900
Insurance	-	-	10,570	10,570	5,285	10,570	15,855	**26,425**	25,998
Office supplies	-	-	4,761	4,761	2,381	4,761	7,142	**11,903**	15,390
Office expenses	-	-	14,771	14,771	7,385	14,771	22,156	**36,927**	51,098
Computer	-	-	7,897	7,897	3,949	7,897	11,846	**19,743**	15,213
Telephone	-	-	8,516	8,516	4,258	8,516	12,774	**21,290**	21,582
Staff enrichment and training	-	-	48	48	24	48	72	**120**	1,520
Dues, books and subscriptions	-	-	14,039	14,039	7,019	14,039	21,058	**35,097**	41,238
State filing charges	-	-	-	-	-	2,939	2,939	**2,939**	2,052
Bank charges and investment manager fees	-	-	-	-	-	146,902	146,902	**146,902**	152,226
Board of directors' meetings	-	-	-	-	-	25,652	25,652	**25,652**	26,491
Other	-	-	-	-	-	625	625	**625**	625
Total Expenses, before depreciation	14,797,331	2,268,335	2,480,598	19,546,264	885,529	1,736,342	2,621,871	**22,168,135**	21,219,419
Depreciation	-	-	6,972	6,972	3,486	6,972	10,458	**17,430**	17,190
Totals	$ 14,797,331	$ 2,268,335	$ 2,487,570	$ 19,553,236	$ 889,015	$ 1,743,314	$ 2,632,329	**$ 22,185,565**	$ 21,236,609

See accompanying notes to consolidated financial statements.

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

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

Consolidated Statement of Cash Flows
(with comparative totals for 2018)

Year ended December 31,		**2019**		2018
Cash Flows from Operating Activities				
Change in net assets	$	**9,599,576**	$	(1,408,656)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation		**17,430**		17,190
Realized gains on investments		**(271,696)**		(1,553,900)
Unrealized (gains) losses on investments		**(3,462,897)**		2,004,693
Donated investments		**(5,465,096)**		(2,713,459)
Change in present value of pledges receivable		**154,541**		145,713
(Increase) decrease in:				
Contributions receivable		**568,378**		146,952
Pledges receivable		**(2,800,000)**		(3,492,595)
Prepaid expenses		**16,741**		(48,690)
Assets held in charitable remainder trusts		**(212,598)**		178,707
Increase (decrease) in:				
Accounts payable and accrued expenses		**18,909**		(41,707)
Grants payable		**(382,102)**		(416,471)
Accrued compensation		**(1,837)**		21,226
Annuities payable		**87,166**		(122,073)
Charitable gift annuities payable		**(9,166)**		(81,618)
Net Cash Used in Operating Activities		**(2,142,651)**		(7,364,688)
Cash Flows from Investing Activities				
Purchases of fixed assets		**(3,937)**		(41,803)
Decrease in security deposits		**-**		76,848
Purchases of investments		**(4,889,136)**		(2,902,814)
Proceeds from sale of investments		**9,248,638**		11,448,401
Net Cash Provided by Investing Activities		**4,355,565**		8,580,632
Increase in Cash and Cash Equivalents		**2,212,914**		1,215,944
Cash and Cash Equivalents, beginning of year		**5,850,675**		4,634,731
Cash and Cash Equivalents, end of year	$	**8,063,589**	$	5,850,675

See accompanying notes to consolidated 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. As BBRF demonstrates both control over and economic interest in the Institute, the accounts of BBRF and the Institute (collectively, the Foundation) have been consolidated for presentation in these financial statements.

In July 2015, the Pardes Humanitarian Prize, Inc. (Pardes Prize), a nonstock corporation in Delaware, was organized under Section 501(c)(3) of the Internal Revenue Code (IRC) and determined to be a Type II supporting organization under IRC 509(a)(3), which will be supervised or controlled in connection with BBRF. Pardes Prize received its tax-exempt determination letter from the Internal Revenue Service (IRS) in 2016 and has had no activity. Pardes Prize will be furthering BBRF's purpose by sponsoring the Pardes Humanitarian Prize in order to broaden attention to and understanding of the burden of mental illness on individuals and on society.

2. Summary of Significant Accounting Policies

Principles of Combination

The accompanying consolidated 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.

Basis of Presentation

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP). In the consolidated 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.

Net Asset Classification

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 the two classes of net assets—with donor restrictions and without donor restrictions—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:

With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. BBRF reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Foundation to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board of Director (Board) approved spending policy.

See Note 12 for more information on the composition of net assets with donor restrictions and the release of restrictions.

Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Cash and Cash Equivalents

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

Investment Valuation and Income Recognition

Professional standards establish a framework for measuring fair value and expand the disclosures about fair value measurements. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in a principal or most advantageous market. Fair value is a market-based measurement that is determined based on inputs, which refer broadly to assumptions that market participants use in pricing assets or liabilities. These inputs can be readily observable, market corroborated, or unobservable. U.S. GAAP established a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value in three broad levels. The standard requires that assets and liabilities be classified in their entirety based on the level of input that is significant to the fair value measurement. Assessing the significance of a particular input may require judgment considering factors specific to the asset or liability and may affect the valuation of the asset or liability and their placement within the fair value hierarchy. The Foundation classifies fair value balances based on the fair value hierarchy defined by U.S. GAAP, as follows:

Level 1 – Valuation is based on quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Valuations are based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuation is based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

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.

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.

Investment Impairment

At December 31, 2019, the Foundation has deemed that the 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:

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

Risks and Uncertainties

The Foundation's investments consist of a variety of investment securities and investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the value of the Foundation's investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Depreciation and Amortization

The cost of furniture, fixtures and equipment are stated at their original cost or at their value on the date of donation and are 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.

Impairment of Long-Lived Assets

The Foundation reviews long-lived assets including 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, 2019, there have been no such losses.

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 IRC and, therefore, has made no provision for income taxes in the accompanying consolidated financial statements. In addition, the Foundation has been determined by the IRS not to be a "private foundation" within the meaning of Section 509(a) of the IRC. There was no unrelated business income for 2019.

Under U.S. GAAP, 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, 2019, there were no interest or penalties recorded or included in the consolidated statement of activities. The Foundation is subject to a routine audit by a taxing authority.

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, based upon (i) the recommendations, guidance and input of the Foundation's 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.

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 with or without donor restrictions. Income from trusts and estates are recorded as bequests revenue when the probate courts declare the wills valid and the proceeds are measurable. Contributions to be received over periods longer than one year are discounted at interest rates commensurate with the risk involved.

Allowance for Uncollectible Pledges

The Foundation provides an allowance for pledges receivable for the pledges that are specifically identified as to their uncertainty in regard to collectability. At December 31, 2019, there was no allowance for pledges receivable.

Use of Estimates

In preparing consolidated financial statements in conformity with U.S GAAP, 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 consolidated financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The majority of expenses can generally be directly identified with program or supporting services to which they relate and are allocated accordingly. Other expenses have been allocated among program and supporting service classifications, as determined by management. These expenses include depreciation and amortization, utilities, information technology and facilities operations and maintenance. Depreciation and amortization is allocated based on square footage. Costs of other categories were allocated on estimates of time and effort.

Comparative Financial Information

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

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 set 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 net assets with donor restrictions the original value of gifts donated to be held in perpetuity. Additionally, net assets with time restrictions are classified within net assets with donor restrictions, until those amounts are appropriated for expenditure by the Foundation.

Reclassifications

Certain prior-year balances have been reclassified to be consistent with the current-year financial statement presentation.

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers (Topic 606),” which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cashflows arising from contracts with customers, including significant judgements and changes in judgements. The provisions of ASU 2014-09 became effective for the Foundation beginning January 1, 2019. The adoption of the ASU did not have a material impact on the consolidated financial statements.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU No. 2018-08, “Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.” The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the Foundation follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the Foundation’s fiscal year 2019, and the adoption of this update did not have a material impact on the Foundation’s consolidated financial statements.

Accounting Pronouncement Issued but Not Yet Adopted

Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure *Leases (Topic 842)*

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842),” to increase transparency and comparability among foundations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU, the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundation's fiscal years beginning after December 15, 2020, with early adoption permitted. Management is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Liquidity and Availability of Resources

The Foundation's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

Year ended December 31, 2019		
Total Current Assets	$	30,283,491
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other assets		(72,644)
Restricted by donor with time or purpose restrictions		(9,059,692)
Total Financial Assets Available to Management for General Expenditure Within One Year	$	21,151,155

Liquidity Management

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available, as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Foundation has a committed line of credit in the amount of $2 million, which is further described in Note 14.

4. Investments, at Fair Value

Below sets forth a table of assets measured at fair value:

December 31, 2019		Level 1		Total
Equities	$	11,841,012	$	11,841,012
Fixed income		3,391,249		3,391,249
Privately held company*		-		225
Limited partnerships*		-		4,564,967
Total Investments, at fair value	$	15,232,261	$	19,797,453

* Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy table. The fair value amounts presented in the preceding table are intended to permit reconciliation of the fair value hierarchy to the accompanying consolidated statement of financial position.

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 6%. As of December 31, 2019, 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, 2019, 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 Foundation had no financial assets or financial liabilities that were measured at fair value on a non-recurring basis during the year ended December 31, 2019. In addition, there were no transfers between levels during the year ended December 31, 2019.

As of December 31, 2019, $4,564,967 (23%) 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.

In accordance with ASU No. 2009-12, the Foundation's disclosures 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, 2019.

The following table for December 31, 2019 sets forth a summary of the Foundation's investments with a reported NAV:

Investment Type	Fair Value**	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Limited partnership - International and domestic $	4,564,967	N/A	Monthly	14 days prior written notice

** The fair value of the investment has been estimated using the NAV of the investment.

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.

The Foundation received donated investments with a fair value of $5,465,096 during the year ended December 31, 2019, these donated investments were immediately sold in accordance with the Foundation's policy.

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, 2019:

	Less Than 12 Months		12 Months or More		Total	
Securities	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Equity funds	$ -	$ -	$ 117,432	$ 71,212	$ 117,432	$ 71,212
	$ -	$ -	$ 117,432	$ 71,212	$ 117,432	$ 71,212

5. Concentrations of Credit Risk

Financial instruments that 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 Federal Deposit Insurance Corporation limits.

6. Contributions Receivable

Contributions receivable of $139,805 at December 31, 2019 represents one donor contribution and one distribution to be received by the Foundation as a beneficiary in an estate and have been fully collected in 2020 prior to issuance of these financials.

7. 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, 2019		
Pledges receivable	$	8,820,000
Present value discounts ranging from 1.69% to 2.69%		(346,890)
Net Present Value of Pledges Receivable	$	8,473,110
Amounts due, excluding discounts, in:		
Less than one year	$	2,210,000
One to five years		6,610,000
	$	8,820,000

8. Assets Held in Charitable Remainder Trust

In 1994, a charitable remainder annuity trust was 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 donor 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. As of December 31, 2019, the fair value of net assets held for the charitable remainder trust amounted to $1,500,421.

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% 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 trust fluctuates, so do the annuities payable to the life tenants, less any payments made. As of December 31, 2019, the present value of future payments due to the life tenants amounted to $767,679.

Below sets forth a table of assets held in the charitable remainder trust and (liabilities) measured at fair value:

December 31, 2019

Description	Level 1	Level 2	Level 3	Total
Equity funds	$ 1,500,421	$ -	$ -	$ 1,500,421
Annuities payable	-	-	(767,679)	(767,679)
Net Assets Held in Charitable Remainder Trusts and (Liabilities), at fair value	$ 1,500,421	$ -	$ (767,679)	$ 732,742

9. 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 consolidated statement of financial position. After the term of the agreement, the remaining assets belong to the Foundation. At December 31, 2019, the Charitable Gift Annuity investment account, included in investments, at fair value, had a fair market value of $260,623 and the related liability amounted to $172,450.

10. Fixed Assets, Net

Fixed assets, net, consist of the following:

December 31, 2019		
Furniture, fixtures and equipment	$	367,400
Proprietary information systems		305,980
Leasehold improvements		66,357
Total Fixed Assets		739,737
Less: accumulated depreciation		(714,684)
Fixed Assets, Net	$	25,053

Depreciation expense was $17,430 for the year ended December 31, 2019.

11. Grants Payable

Grants payable of $19,481,669 at December 31, 2019 do not include the second year of the multi-year commitment, relating to the Young Investigator research grants totaling $6,926,176 awarded in 2018. This is due to the second year of the grants being contingent upon the availability of funding, which follows the Foundation's policy for multi-year commitments. The Foundation is committed to these research grant awards when funding is available.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following:

December 31, 2019		
Research Endowment Fund	$	2,868,465
Endowed Research Partnership Program		2,581,652
Moritz Hilder Innovative Brain Research Fund		3,609,575
	$	9,059,692

During the year ended December 31, 2019, net assets with donor restrictions of $19,571,797 were expended satisfying the restriction stipulated by the donor and, accordingly, were released from restrictions.

Net assets with donor restrictions were released for the following purposes:

December 31, 2019		
Supporting services (designated grants)	$	2,632,329
Contributed services		1,977,786
Research grants		13,782,064
Grant expenses		1,134,583
MIRA Fund		35,000
Admin Endowment Fund		10,035
	$	19,571,797

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. This amount is included in net assets with donor restrictions within the Research Endowment Fund.

Endowed Research Partnership Program

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

Moritz Hilder Innovative Brain Research Fund

The Moritz Hilder Innovative Brain Research Fund was established by the Trustee of the Jane Hilder Harris Trust to be held in perpetuity to advance medical research, the objective of which is to gain a basic understanding of post-traumatic stress disease (PTSD) and its prevention, treatment and cure, with primary emphasis to be given to research involving innovative concepts where, although there may be a high risk of failure, the rewards of success would be substantial, and that typically would not be in a position to secure funding from more traditional funding sources.

13. Board-Designated Fund

In 2000, the Board established a 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.

The Foundation's Board-designated fund consists of investments that are without donor restrictions, but Board-designated. Under U.S. GAAP, the following applies to the fund:

In 2013, the Board approved a formal written policy on the management of the endowment and investment funds. As part of that policy, the amount available to be spent in the next fiscal year is calculated as 4%, with a target rate of up to 5%, of the average market value of the 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 fund. The goal is to maintain the fund in perpetuity to ensure a consistent and reliable level of investment income. The Board-designated fund is invested in vehicles such as government and equity securities.

During 2019, upon approval of the Board, the entire balance of the board–designated fund has been released into unrestricted net assets. Both of these two categories are within net assets without donor restrictions.

The Foundation considers the following factors in making a determination to appropriate or accumulate the Board-designated fund:

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

The following table represents the reconciliation of changes in Board-designated fund net assets:

Year ended December 31, 2019

	Without Donor Restrictions - Board-Designated Endowment Fund
Board-Designated Fund Functioning as Endowment, beginning of year	$ 4,509,262
Release of Board designation	(4,509,262)
Board-Designated Fund Functioning as Endowment, end of year	$ -

14. 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 based on length of balance outstanding. At December 31, 2019, there is no balance outstanding on the line of credit and it was not utilized in 2019.

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

15. Contribution of Services

In 2019, the Foundation's Scientific Council contributed services of $1,501,072 included within contribution of services in the consolidated statement of activities. Expenses related to the contributed services are included in the scientific advancement column in the consolidated statement of functional expenses. 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.

In 2019, the Foundation utilized a grant that provided online advertising, at no cost, having a value of $476,714, which is recorded in the accompanying consolidated statement of activities as contribution of services revenue and offsetting expense.

16. Commitments and Contingency

Lease Commitments

Rent expense is recognized using the straight-line method over the terms of the lease. 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, 2019, the rent payable amount is $25,314 and is included with accounts payable and accrued expenses in the accompanying consolidated statement of financial position.

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

Year		Annual Amount
2020	$	257,169
2021		108,164
	$	365,333

The expense under the operating rent lease and equipment leases was $260,205 in 2019.

Contingency

As described in Note 12, 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, 2019, such endowments amounted to $1,000,000 and are included as net assets with donor restrictions in the accompanying consolidated statement of financial position.

17. Subsequent Events

The Foundation's management has performed subsequent event procedures through March 10, 2020, which is the date the consolidated financial statements were made available to be issued. There were no subsequent events requiring adjustment to the consolidated financial statements or disclosures.

Supplementary Information

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

Consolidated Schedule of Financial Position
(with comparative totals for 2018)

December 31,

	BBRF	The Institute	Eliminations	Total 2019	Total 2018
Assets					
Cash and cash equivalents	$ 8,012,995	$ 50,594	$ -	**$ 8,063,589**	$ 5,850,675
Investments, at fair value	19,797,453	-	-	**19,797,453**	14,957,266
Contributions receivable	7,234,505	-	(7,094,700)	**139,805**	708,183
Pledges receivable, current portion	210,000	2,000,000	-	**2,210,000**	2,010,000
Prepaid expenses and other assets	72,644	-	-	**72,644**	89,385
Total Current Assets	35,327,597	2,050,594	(7,094,700)	**30,283,491**	23,615,509
Assets Held in Charitable Remainder Trusts	1,500,421	-	-	**1,500,421**	1,287,823
Fixed Assets, Net	25,053	-	-	**25,053**	38,546
Pledges Receivable, Net, less current portion	590,015	5,673,095	-	**6,263,110**	3,817,651
Total Assets	$ 37,443,086	$ 7,723,689	$ (7,094,700)	**$ 38,072,075**	$ 28,759,529
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued expenses	$ 79,548	$ -	$ -	**$ 79,548**	$ 60,639
Grants payable	19,481,669	7,094,700	(7,094,700)	**19,481,669**	19,863,771
Accrued compensation	100,258	-	-	**100,258**	102,095
Annuities payable	767,679	-	-	**767,679**	680,513
Charitable gift annuities payable	172,450	-	-	**172,450**	181,616
Total Liabilities	20,601,604	7,094,700	(7,094,700)	**20,601,604**	20,888,634
Commitments and Contingency					
Net Assets (Deficit)					
Net assets without donor restrictions:					
Unrestricted net assets	7,781,790	628,989	-	**8,410,779**	(1,551,867)
Board-designated fund	-	-	-	**-**	4,509,262
Total Net Assets Without Donor Restrictions	7,781,790	628,989	-	**8,410,779**	2,957,395
Net assets with donor restrictions	9,059,692	-	-	**9,059,692**	4,913,500
Total Net Assets	16,841,482	628,989	-	**17,470,471**	7,870,895
Total Liabilities and Net Assets	$ 37,443,086	$ 7,723,689	$ (7,094,700)	**$ 38,072,075**	$ 28,759,529

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

Consolidated Schedule of Activities
(with comparative totals for 2018)

Year ended December 31,

	BBRF	The Institute	Eliminations	Total 2019	Total 2018
Support and Revenue					
Contributions	$ 12,078,803	$ 3,990,550	$ -	$ **16,069,353**	$ 15,556,817
Special events, net	345,041	-	-	**345,041**	381,244
Contribution of services	1,977,786	-	-	**1,977,786**	1,908,417
Bequests	9,206,115	-	-	**9,206,115**	2,330,941
Net realized and unrealized gains (losses) on investments	3,735,563	(970)	-	**3,734,593**	(450,793)
Net appreciation (depreciation) of assets held in charitable remainder trusts	212,598	-	-	**212,598**	(178,707)
Dividend and interest income	239,556	99	-	**239,655**	280,034
Grants from the Institute	3,700,000	-	(3,700,000)	**-**	-
Total Support and Revenue	31,495,462	3,989,679	(3,700,000)	**31,785,141**	19,827,953
Expenses					
Program services:					
Research grants and awards	14,797,331	-	-	**14,797,331**	14,052,583
Scientific advancement	2,268,335	-	-	**2,268,335**	1,986,729
Program support	2,487,570	-	-	**2,487,570**	2,530,355
Grants to BBRF	-	3,700,000	(3,700,000)	**-**	-
Total Program Services	19,553,236	3,700,000	(3,700,000)	**19,553,236**	18,569,667
Supporting services:					
Fundraising*	889,015	-	-	**889,015**	908,528
Administration*	1,743,187	127	-	**1,743,314**	1,758,414
Total Supporting Services	2,632,202	127	-	**2,632,329**	2,666,942
Total Expenses	22,185,438	3,700,127	(3,700,000)	**22,185,565**	21,236,609
Change in Net Assets	9,310,024	289,552	-	**9,599,576**	(1,408,656)
Net Assets, beginning of year	7,531,458	339,437	-	**7,870,895**	9,279,551
Net Assets, end of year	$ 16,841,482	$ 628,989	$ -	$ **17,470,471**	$ 7,870,895

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