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, 2016

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

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

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Year End December 31, 2016

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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, 2016, 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, 2016, 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.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining statement of financial position and the combining statement of activities are presented for purposes of additional analysis and are not a required part of the basic 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.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 combined financial statements and our report, dated March 15, 2016, 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, 2015 is consistent, in all material respects with the audited combined financial statements from which it was derived.

BDO USA, LLP

March 17, 2017

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 2015)

December 31,	**2016**	2015
Assets		
Cash and cash equivalents (Notes 2 and 16)	**$ 8,263,754**	$14,408,546
Investments, at fair value (Notes 2, 3, 4 and 13)	**20,579,851**	20,664,680
Contributions receivable (Notes 2 and 5)	**75,121**	-
Pledges receivable, net (Notes 2 and 6)	**216,298**	505,583
Prepaid expenses and other assets	**61,869**	45,650
Assets held in charitable remainder trusts (Note 7)	**1,310,542**	1,363,469
Fixed assets, net (Notes 2 and 9)	**24,063**	48,577
Security deposits	**77,110**	77,110
	$30,608,608	$37,113,615
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 161,974**	$ 198,788
Grants payable (Notes 2 and 15)	**18,084,922**	22,943,344
Accrued compensation	**83,420**	61,919
Annuities payable (Note 7)	**737,604**	791,216
Charitable gift annuities payable (Note 8)	**284,323**	301,807
Total Liabilities	**19,352,243**	24,297,074
Commitments and Contingency (Notes 2, 7, 8, 10, 13, 14, 15, 16 and 17)		
Net Assets (Notes 2, 10, 11, 12 and 13):		
Unrestricted	**(5,166,397)**	(3,606,221)
Unrestricted – board designated endowment	**11,509,262**	11,509,262
Total Unrestricted	**6,342,865**	7,903,041
Permanently restricted	**4,913,500**	4,913,500
Total Net Assets	**11,256,365**	12,816,541
	$30,608,608	$37,113,615

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 2015)

Year ended December 31,

	Unrestricted	Unrestricted - Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Totals 2016	Totals 2015
Support and Revenue:						
Contributions (Note 2)	$ -	$ -	$ 9,337,444	$ -	**$ 9,337,444**	$11,608,273
Special events (net of $165,581 and $156,207 in 2016 and 2015, respectively)	-	-	429,584	-	**429,584**	509,498
Contribution of services (Note 17)	-	-	1,886,697	-	**1,886,697**	1,807,051
Bequests (Note 2)	5,047,159	-	-	-	**5,047,159**	8,847,835
Net realized and unrealized (losses) gains on investments (Note 3)	(51,690)	662,542	-	282,850	**893,702**	(405,214)
Net depreciation of assets held in charitable remainder trusts	(52,927)	-	-	-	**(52,927)**	(96,713)
Dividend and interest income (Note 3)	108,692	284,441	-	121,432	**514,565**	423,681
Net assets released from restrictions (Note 11)	13,004,990	(946,983)	(11,653,725)	(404,282)	**-**	-
Total Support and Revenue	18,056,224	-	-	-	**18,056,224**	22,694,411
Expenses:						
Program services:						
Research grants and awards	11,932,235	-	-	-	**11,932,235**	18,441,870
Scientific advancement	2,256,076	-	-	-	**2,256,076**	2,293,164
Program support	2,814,906	-	-	-	**2,814,906**	2,544,177
Total Program Services	17,003,217	-	-	-	**17,003,217**	23,279,211
Supporting services:						
Fundraising *	930,447	-	-	-	**930,447**	903,798
Administration *	1,682,736	-	-	-	**1,682,736**	1,535,919
Total Supporting Services	2,613,183	-	-	-	**2,613,183**	2,439,717
Total Expenses	19,616,400	-	-	-	**19,616,400**	25,718,928
Change in Net Assets	(1,560,176)	-	-	-	**(1,560,176)**	(3,024,517)
Net Assets, Beginning of Year	(3,606,221)	11,509,262	-	4,913,500	**12,816,541**	15,841,058
Net Assets, End of Year	**$ (5,166,397)**	**$11,509,262**	**$ -**	**$4,913,500**	**$11,256,365**	$12,816,541

* - 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 2015)

Year ended December 31,

	Program Services				Supporting Services			Totals	
	Research Grants and Awards	Scientific Advancement	Program Support	Total	Fundraising	Administration	Total	**2016**	2015
Grants	$11,932,235	$ -	$ -	$11,932,235	$ -	$ -	$ -	**$11,932,235**	$18,441,870
Scientific advancement (Note 17)	-	2,256,076	-	2,256,076	-	-	-	**2,256,076**	2,293,164
Research symposia	-	-	56,376	56,376	-	-	-	**56,376**	59,268
Research newsletters, brochures and annual reports	-	-	226,300	226,300	-	-	-	**226,300**	200,416
Research awards and prizes	-	-	903,102	903,102	-	-	-	**903,102**	702,106
Research events and receptions	-	-	40,078	40,078	-	-	-	**40,078**	173,579
Payroll, related benefits and taxes	-	-	1,120,739	1,120,739	560,370	1,120,739	1,681,109	**2,801,848**	2,467,345
Temporary help	-	-	12,337	12,337	751	-	751	**13,088**	41,674
Travel	-	-	18,214	18,214	9,107	18,214	27,321	**45,535**	36,203
Professional fees	-	-	180,650	180,650	90,325	180,650	270,975	**451,625**	507,400
Donor mailings	-	-	-	-	125,985	-	125,985	**125,985**	132,964
Advertising and public relations	-	-	30,707	30,707	30,707	293	31,000	**61,707**	50,663
Printing, postage and shipping	-	-	14,491	14,491	7,245	14,491	21,736	**36,227**	30,843
Repairs and maintenance	-	-	15,990	15,990	7,995	15,990	23,985	**39,975**	39,258
Occupancy (Note 18)	-	-	126,490	126,490	63,245	126,490	189,735	**316,225**	276,497
Insurance	-	-	10,931	10,931	5,466	10,931	16,397	**27,328**	25,142
Office supplies	-	-	6,000	6,000	3,000	6,000	9,000	**15,000**	15,368
Office expenses	-	-	12,196	12,196	6,098	12,196	18,294	**30,490**	37,373
Computer	-	-	5,514	5,514	2,757	5,514	8,271	**13,785**	12,735
Telephone	-	-	6,537	6,537	3,269	6,537	9,806	**16,343**	15,210
Staff enrichment and training	-	-	4,145	4,145	2,072	4,145	6,217	**10,362**	2,248
Dues, books and subscriptions	-	-	12,287	12,287	6,144	12,287	18,431	**30,718**	18,025
State filing charges	-	-	-	-	-	3,238	3,238	**3,238**	3,391
Bank charges	-	-	-	-	-	107,640	107,640	**107,640**	73,232
Board of directors meetings	-	-	-	-	-	24,933	24,933	**24,933**	28,117
Other	-	-	-	-	-	625	625	**625**	625
Total Expenses Before Depreciation	11,932,235	2,256,076	2,803,084	16,991,395	924,536	1,670,913	2,595,449	**19,586,844**	25,684,716
Depreciation	-	-	11,822	11,822	5,911	11,823	17,734	**29,556**	34,212
Totals	**$11,932,235**	**$2,256,076**	**$2,814,906**	**$17,003,217**	**$930,447**	**$1,682,736**	**$2,613,183**	**$19,616,400**	$25,718,928

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 2015)

Year ended December 31,	**2016**	2015
Cash Flows From Operating Activities:		
Change in net assets	**$ (1,560,176)**	$ (3,024,517)
Adjustments to reconcile change in net assets used in operating activities:		
Depreciation	**29,556**	34,212
Realized losses on investments	**324,804**	1,152,578
Unrealized gains on investments	**(1,218,506)**	(747,364)
Donated investments	**(1,647,393)**	(5,924,874)
Change in present value of pledges receivable	**(10,715)**	(10,143)
(Increase) decrease in:		
Contributions receivable	**(75,121)**	1,436,500
Other receivables	**16,908**	(5,029)
Pledges receivable	**300,023**	285,000
Prepaid expenses	**(33,127)**	(7,197)
Assets held in charitable remainder trusts	**52,927**	96,713
Increase (decrease) in:		
Accounts payable and accrued expenses	**(36,814)**	(10,423)
Grants payable	**(4,858,422)**	2,849,628
Accrued compensation	**21,501**	11,624
Annuities payable	**(53,612)**	(80,616)
Charitable gift annuities payable	**(17,484)**	(16,105)
Net Cash Used In Operating Activities	**(8,765,651)**	(3,960,013)
Cash Flows From Investing Activities:		
Purchases of fixed assets	**(5,042)**	(1,171)
Purchases of investments	**(1,959,674)**	(10,549,245)
Proceeds from sale of investments	**4,585,575**	6,568,299
Net Cash Provided By (Used In) Investing Activities	**2,620,859**	(3,982,117)
Decrease in Cash and Cash Equivalents	**(6,144,792)**	(7,942,130)
Cash and Cash Equivalents, Beginning of Year	**14,408,546**	22,350,676
Cash and Cash Equivalents, End of Year	**$ 8,263,754**	$ 14,408,546

See accompanying 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.

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 did not have any activity in 2015 or 2016. 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

(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 combined 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.

(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, "Fair Value Measurement," defines fair value, establishes a framework for measuring fair value and expands the disclosures about fair value measurements. ASC 820 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. ASC 820 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 ASC 820 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).

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.

(f) Investment Impairment

The Foundation's investments consist of U.S. government debt securities, equity funds, a privately held company and limited partnerships. At December 31, 2016, 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) 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 combined financial statements.

(h) 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.

(i) 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, 2016, there have been no such losses.

(j) 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 combined 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 2016.

Under ASC 740, "Accounting for Uncertainty in 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, 2016, there were no interest or penalties recorded or included in the combined statement of activities. As of December 31, 2016, the years still subject to examination by a taxing authority are 2013 through 2015.

(k) 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.

(l) 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.

(m) Allowance for Uncollectible Pledges

The Foundation provides an allowance for pledges receivable which are specifically identified as to their uncertainty in regards to collectability. At December 31, 2016 the allowance for pledges receivable was $-0-.

(n) Use of Estimates

In preparing combined 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 combined financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) 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 by management among the programs and supporting services benefited.

(p) 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's 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.

(q) 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.

(r) Relevant Accounting Developments

(i) In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, "Disclosures for Investments in Certain Entities That

Calculate Net Asset Value per Share (or Its Equivalent)." ASU 2015-07 was issued to address diversity in practice related to how certain investments measured at net asset value ("NAV") with redemption dates in the future (including periodic redemption dates) are categorized within the fair value hierarchy. The amendments eliminate the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. As such, certain fair value levelling disclosures are no longer required, although information must be disclosed so that users can reconcile amounts reported in the fair value hierarchy to the combined statement of financial position. The amendments are effective retrospectively for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Foundation has elected to early adopt ASU 2015-07.

(ii) Revenue From Contracts With Customers (Topic 606)

In May 2014, the FASB issued 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 the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 that deferred the effective date for the Foundation until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its combined financial statements.

(iii) 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, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its combined financial statements.

(iv) Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit foundations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for the Foundation's combined financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its combined financial statements.

3. Investments, at Fair Value

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

December 31, 2016

	Fair Value	Cost
Fixed income	$ 4,666,409	$ 4,570,348
Equity funds	12,243,166	11,268,194
Privately-held company	225	225
Limited partnerships	3,670,051	2,008,800
Total investments, at fair value	$20,579,851	$17,847,567

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, 2016, 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, 2016 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, 2016:

Year ended December 31, 2016	
Realized losses from investments	$ (324,804)
Change in unrealized gain on investments	1,218,506
Net gain from investments	893,702
Appropriations from investments for operations	(893,702)
Investment return in excess of amounts appropriated for operations	$ -

The Foundation received donated investments with a fair value of $1,647,393 during the year ended December 31, 2016, all of which was to be used for temporarily restricted purposes.

As of December 31, 2016, $3,670,051 (18%) 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.

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, 2016:

	Less Than 12 Months		Twelve Months or More		Total	
Securities	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses	Fair Market Value	Unrealized Losses
Equity funds	$-	$-	$ 431,871	$420,666	$ 431,871	$420,666
Limited partnerships	-	-	616,489	383,511	616,489	383,511
	$-	$-	$1,048,360	$804,177	$1,048,360	$804,177

4. Fair Value Measurements

Below sets forth a table of assets measured at fair value as of December 31, 2016:

December 31, 2016	Level 1	Total
Equities	$12,243,166	$12,243,166
Fixed income	4,666,409	4,666,409
Privately held company*	-	225
Limited partnerships*	-	3,670,051
Total investments, at fair value		$20,579,851

* 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 combined statement of financial position.

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, 2016. In addition, there were no transfers between levels during the year ended December 31, 2016.

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, 2016. The following table for December 31, 2016 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 partnerships	$3,670,051	N/A	Monthly, quarterly or year-end	15 days' prior written notice

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

5. Contributions Receivable

Contributions receivable of $75,121 at December 31, 2016 mostly represents distributions to be received by the Foundation as a beneficiary in two estates and have been fully collected in 2017.

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, 2016	
Pledges receivable	$220,000
Discount at 1.75% to 2.69%	(3,702)
Net present value of pledges receivable	$216,298
Amounts due in:	
Less than one year	$210,000
One to five years	10,000
	$220,000

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, 2016, the fair value of net assets held for the one remaining charitable remainder trust amounted to $1,310,542.

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, 2016, the present value of future payments due to the life tenants amounted to $737,604.

Below sets forth a table of assets held in charitable remainder trusts and (liabilities) measured at fair value as of December 31, 2016:

December 31, 2016

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	$ 113,233	$-	$ -	$ 113,233
U.S. equities	785,687	-	-	785,687
Property funds	125,514	-	-	125,514
Money market funds	280,049	-	-	280,049
Dividend fund	6,059	-	-	6,059
Annuities payable	-	-	(737,604)	(737,604)
Total assets held in charitable remainder trusts and (liabilities), at fair value	$1,310,542	$-	$(737,604)	$ 572,938

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, 2016, the Charitable Gift Annuity investment account, included in investments, at fair value, had a fair market value of $316,003 and the related liability amounted to $284,323.

9. Fixed Assets, Net

Fixed assets, net consist of the following:

December 31, 2016	
Furniture, fixtures and equipment	$361,869
Proprietary information systems	305,979
Leasehold improvements	23,754
Total fixed assets	691,602
Less: Accumulated depreciation	(667,539)
Fixed assets, net	$ 24,063

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.

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)	$ 2,613,183
Contributed services	1,886,697
Research grants	7,153,845
	$11,653,725

There are no temporarily restricted net assets at December 31, 2016.

12. Permanently Restricted Net Assets

Permanently restricted net assets are comprised of the following:

December 31, 2016	
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
	$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.

13. 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.

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, 2016:

December 31, 2016

	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, 2016:

Year ended December 31, 2016

	Unrestricted - Board Designated Endowment	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$11,509,262	$-	$4,913,500	$16,422,762
Investment income	284,441	-	121,432	405,873
Net appreciation (realized and unrealized)	662,542	-	282,850	945,392
Net transfers to unrestricted	(946,983)	-	(404,282)	(1,351,265)
Endowment net assets, end of year	$11,509,262	$-	$4,913,500	$16,422,762

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. At December 31, 2016, there is no balance outstanding on the line of credit and it was not utilized in 2016.

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. Grants Payable

Grants payable of $18,084,922 at December 31, 2016 do not include the second year of the multi-year commitment, relating to the Young Investigator research grants awarded in 2015 totaling $6,409,525, based upon the availability of funding, which follows the Foundation’s policy for multi-year commitments. The Foundation is committed to these research grant awards as funding becomes available.

16. 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.

17. Contribution of Services

(a) In 2016, the Foundation's Scientific Council contributed services of $1,411,334, which is included in the scientific advancement column in the combined 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.

(b) In 2016, the Foundation utilized a grant which provided online advertising, at no cost, having a value of $475,363, which is recorded in the accompanying combined statement of activities as revenue and expense.

18. Commitments and Contingency

Lease Commitments

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, 2016, the rent payable amount is $40,206 and is included with accounts payable and accrued expenses in the accompanying combined statement of financial position.

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

Year	Annual Amount
2017	$307,394
2018	115,273
	$422,667

The expense under the operating rent and equipment leases was $316,225 and $14,335, respectively, in 2016.

Contingency

As described in Note 13, 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, 2016, such endowments amounted to $1,000,000 and are included as permanently restricted net assets in the accompanying combined statement of financial position.

19. Subsequent Events

The Foundation's management has performed subsequent event procedures through March 17, 2017, 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.

Supplementary Information

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

Combining Statement of Financial Position
(with comparative totals for 2015)

December 31,				Total	
	BBRF	The Institute	Eliminations	**2016**	2015
Assets					
Cash and cash equivalents	$ 8,236,670	$27,084	$-	**$ 8,263,754**	$14,408,546
Investments, at fair value	20,579,851	-	-	**20,579,851**	20,664,680
Contributions receivable	75,121	-	-	**75,121**	-
Other receivable	130	-	-	**130**	17,038
Pledges receivable, net	216,298	-	-	**216,298**	505,583
Prepaid expenses	61,739	-	-	**61,739**	28,612
Assets held in charitable remainder trusts	1,310,542	-	-	**1,310,542**	1,363,469
Fixed assets, net	24,063	-	-	**24,063**	48,577
Security deposits	77,110	-	-	**77,110**	77,110
	$30,581,524	**$27,084**	**$-**	**$30,608,608**	$37,113,615
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	$ 161,974	$ -	$-	**$ 161,974**	$ 198,788
Grants payable	18,084,922	-	-	**18,084,922**	22,943,344
Accrued compensation	83,420	-	-	**83,420**	61,919
Annuities payable	737,604	-	-	**737,604**	791,216
Charitable gift annuities payable	284,323	-	-	**284,323**	301,807
Total Liabilities	19,352,243	-	-	**19,352,243**	24,297,074
Commitments and Contingency					
Net Assets:					
Unrestricted	(5,193,481)	27,084	-	**(5,166,397)**	(3,606,221)
Unrestricted – board designated endowment	11,509,262	-	-	**11,509,262**	11,509,262
Permanently restricted	4,913,500	-	-	**4,913,500**	4,913,500
Total Net Assets	11,229,281	27,084	-	**11,256,365**	12,816,541
	$30,581,524	**$27,084**	**$-**	**$30,608,608**	$37,113,615

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

Combining Statement of Activities (with comparative totals for 2015)

Year ended December 31,

	BBRF	The Institute	Eliminations	Total 2016	Total 2015
Support and Revenue:					
Contributions	$ 7,289,350	$ 2,048,094	$ -	**$ 9,337,444**	$11,608,273
Special events (net of direct benefits to donors of $165,581 and $156,207 in 2016 and 2015, respectively)	429,584	-	-	**429,584**	509,498
Contribution of services	1,886,697	-	-	**1,886,697**	1,807,051
Bequests	5,043,381	3,778	-	**5,047,159**	8,847,835
Net realized and unrealized gains (losses) on investments	923,723	(30,021)	-	**893,702**	(405,214)
Net depreciation of assets held in charitable remainder trusts	(52,927)	-	-	**(52,927)**	(96,713)
Dividend and interest income	511,070	3,495	-	**514,565**	423,681
Grants from the Institute	3,038,680	-	(3,038,680)	**-**	-
Total Support and Revenue	19,069,558	2,025,346	(3,038,680)	**18,056,224**	22,694,411
Expenses:					
Program services:					
Research grants	11,932,235	-	-	**11,932,235**	18,441,870
Scientific advancement	2,256,076	-	-	**2,256,076**	2,293,164
Program support	2,814,906	-	-	**2,814,906**	2,544,177
Grants to the Foundation	-	3,038,680	(3,038,680)	**-**	-
Total Program Services	17,003,217	3,038,680	(3,038,680)	**17,003,217**	23,279,211
Supporting services:					
Fundraising*	930,447	-	-	**930,447**	903,798
Administration*	1,682,461	275	-	**1,682,736**	1,535,919
Total Supporting Services	2,612,908	275	-	**2,613,183**	2,439,717
Total Expenses	19,616,125	3,038,955	(3,038,680)	**19,616,400**	25,718,928
Change in Net Assets	(546,567)	(1,013,609)	-	**(1,560,176)**	(3,024,517)
Net Assets, Beginning of Year	11,775,848	1,040,693	-	**12,816,541**	15,841,058
Net Assets, End of Year	**$11,229,281**	**$ 27,084**	**$ -**	**$11,256,365**	$12,816,541

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