

*The Voice of the Donor
for a Cure*

Juvenile Diabetes Cure Alliance

July 22, 2014

JDRF 2013 Financial Review: Annual Research Spending Down by \$50 Million Since 2008 Peak

Conclusions:

- 2013 research spending **has dropped substantially** (-\$50.4 MM) compared to the 2008 peak, while all non-research spending **has increased**.
- Research was only one half of total spending in 2013 (51%), **the lowest proportion** for any single year in the past decade.
- JDRF raises \$200MM annually, demonstrating its continued effectiveness at fundraising.
- JDRF's decreased research spending is not aligned with donor wishes, and we feel this trend must be reversed in order for us to have a chance for a Practical Cure in the near future.

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TAKE ACTION NOW

Ensure it's for a Cure



- ✓ **Specify** for Practical Cure research. Use our letter at www.thejdca.org/
- ✓ **Call us** for an advisory meeting at 212-308-7433

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This report reviews JDRF's fundraising and spending during fiscal year 2013 (July 1, 2012-June 30, 2013). Revenue and spending numbers show where an organization applies its resources and indicate how effective and focused an organization is at fulfilling its mission.

Outside of the United States government, JDRF is the largest funder of type 1 diabetes research in the world. It has global reach, well-honed fundraising operations, and relationships with most of the top research centers. No diabetes organization is as well positioned to bring about a cure for type 1 in the near future. As such, JDRF has a great responsibility to their donor community to use funds as effectively as possible to advance cure research.

This report will show that while JDRF is excellent at raising money, they do not appear nearly as adept at spending it in a way that would bring about game-changing near-term research results.

In 2013 spending increased in all categories *except* research, which hit its lowest proportional level in the past ten years. For an organization whose mission mandates funding T1D research, it is concerning that JDRF only used half of their budget for research; the other half was used for a variety of non-research activities including overhead, salaries, fundraising, advocacy and education. ***This trend of decreased research spending is like putting the car in reverse when donors want to speed forward.***

Financial Data: Ten Years of Revenue and Spending

Exhibit A presents JDRF's revenue and expenses over the past ten years. Each is broken into key categories.

Exhibit A: JDRF Annual Revenue and Expenses (\$ Millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues:										
Direct Donor Contributions	34.7	43.5	44.9	49.1	56.9	40.6	45.3	48.1	51.4	57.5
Special Fundraising Events (e.g. walks)	107.8	120.6	128.3	142.4	147.8	120.0	123.6	128.2	123.7	123.7
Affiliate Contributions	5.8	7.0	8.0	12.2	20.1	18.6	24.7	22.9	20.9	15.8
Investment Gain/Loss and Other	10.8	12.0	15.5	25.0	7.2	-35.7	13.5	21.1	-2.9	8.9
Total Revenue	159.1	183.1	196.7	228.7	232.0	143.5	207.1	220.3	193.1	205.9
Expenses:										
Type 1 Research Grants	86.3	98.2	122.3	137.8	156.4	100.9	107.5	116.1	110.1	106.0
Type 2 Research Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Education	29.8	33.4	36.8	39.9	36.2	36.1	38.7	39.9	43.3	46.0
Research Support Expenses	6.7	7.3	8.9	8.8	9.7	9.0	10.4	12.2	13.9	17.4
SGA+Fundraising	24.6	25.4	28.2	30.1	34.5	31.6	34.4	35.6	37.5	39.5
Total Expenses	147.4	164.3	196.2	216.6	236.8	177.6	191.0	203.8	204.8	208.9

Sources: 2013 audited financial statement for JDRF, and previous JDRF financial statements (sources also apply to all following charts in this report)

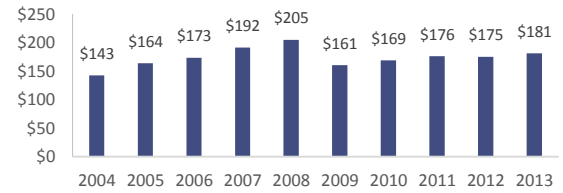
Appendix A gives definitions for the various revenue and expenditure categories.

Appendix B shows each category as a percentage of total annual revenue or spending, indicating each category's relative importance.

Observations

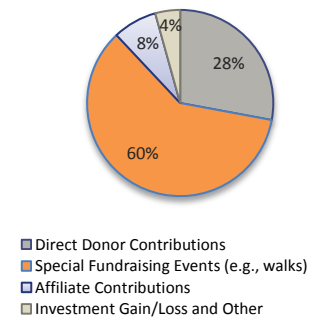
➤ With an ability to generate \$200MM annually, JDRF’s fundraising capability is exceptional. While revenue has not returned to pre-crisis levels, it remains strong (See Exhibit B).

Exhibit B: Revenue generated from fundraising activities (\$Millions)



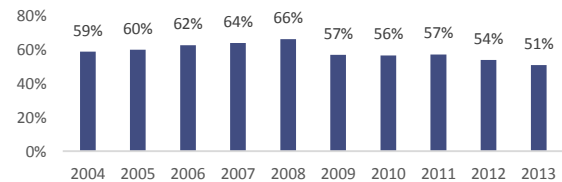
➤ The majority of revenue consistently comes from “special fundraising events,” such as walks and galas, which mobilize a broad donor base (See Exhibit C). Unlike many other charities where a small group of very high-net worth individuals contribute a significant portion of total donations through large gifts, most of JDRF’s revenue is from small gifts from a very high number of people.

Exhibit C: 2013 Sources of Revenue (% of \$205.9)



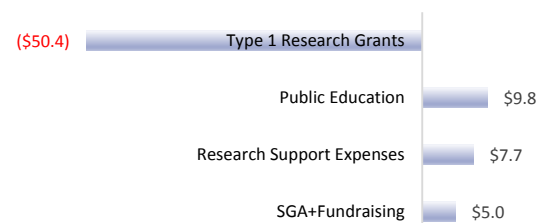
➤ In 2013, research expenses were only half of total spending, the lowest level in ten years, and were offset by increases in the non-research categories (See Exhibit D). As noted in previous survey-based reports on donor sentiment, this trend away from research is not in line with the wishes of donors who continue to overwhelmingly indicate that when giving to diabetes non-profits, their top priority is to fund cure research.

Exhibit D: Type 1 Research Grants % of Total Annual Spending



➤ Furthermore, and perhaps most importantly, spending on research grants dropped substantially from \$156MM in 2008, the ten-year high-water mark, to \$106MM in 2013– a decline of nearly one third. During the same time frame, spending in *all* non-research categories increased (See Exhibit E). These moves raise a red flag of concern; either JDRF is deprioritizing research grants relative to other activities, or they have taken their eye off the cure prize that donors seek.

Exhibit E: Spending Change Per Category 2008 versus 2013



➤ **The JDCA strongly believes that any reduction in research spending, as noted above, decreases the probability of finding a cure in the near future, which is the primary reason why the T1D community chooses to donate hundreds of millions of dollars each year. We urge JDRF to shift gears and send research spending back in the right direction.**

Appendix A: Definitions

Revenue Categories:

Term	Basic Definition
Direct Donor Contributions	Contributions received directly from individual or organizations.
Special Fundraising Events	Money raised as a result of special events such as walks, galas, rides, etc.
Affiliate Contributions	Contributions from JDRF's international affiliate organizations, generally for specific projects or initiatives
Investment Gain/Loss and Other	Earnings from investments utilized in a given year

Expense Categories:

Term	Basic Definition
Type 1 Research Grants	All money allocated to fund any type of type 1 diabetes research projects
Type 2 Research Grants	All money allocated to fund any type of type 2 diabetes research projects
Public Education	Any funds spent for the purpose of education materials, related meetings, lobbying, advocacy, etc.
Research Support Expenses	The operating cost of maintaining professional staff for determining research allocations
SGA & Fundraising	Basic operating costs of overhead and the money spent specifically for fundraising activities

Appendix B: Major Categories as a Percentage of Annual Revenue and Expenses

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue:										
Direct Donor Contributions	22%	24%	23%	21%	25%	28%	22%	22%	27%	28%
Special Fundraising Events (e.g., walks)	68%	66%	65%	62%	64%	84%	60%	58%	64%	60%
Affiliate Contributions	4%	4%	4%	5%	9%	13%	12%	10%	11%	8%
Investment Gain/Loss and Other	7%	7%	8%	11%	3%	-25%	7%	10%	-2%	4%
Total Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Expenses:										
Type 1 Research Grants	59%	60%	62%	64%	66%	57%	56%	57%	54%	51%
Type 2 Research Grants	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Public Education	20%	20%	19%	18%	15%	20%	20%	20%	21%	22%
Research Support Expenses	5%	4%	5%	4%	4%	5%	5%	6%	7%	8%
SGA+Fundraising	17%	15%	14%	14%	15%	18%	18%	17%	18%	19%
Total Expenses	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: Totals may be off by 1 percentage point due to rounding



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