

Juvenile Diabetes Cure Alliance

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Peter Miselis, CFA

Director of Research Analysis

212.308.7433

pdm@thejdca.org

Non-Profit Revenue and Spending Review for Fiscal Year 2012

Conclusions:

- Total donor contributions to the four major type 1 non-profits increased 5% to \$398 million in 2012, and accounted for three-fourths of their total revenues
- Type 1 research grants funded by the four non-profits combined decreased 2% in absolute dollars in 2012, and also decreased as a percentage of total donor contributions
- JDRF remains the largest funder of type 1 research, but it is de-prioritizing research grants and allocating more money to non-research activities such as public education
- The ADA is the largest type 1 charity measured by total revenues. However, it spends relatively little on type 1 research grants as it is foremost a diabetes information, awareness, and advocacy organization.

Organizations of Focus:

American Diabetes
Association (ADA)

Diabetes Research
Institute Foundation
(DRIF)

JDRF

Joslin Diabetes Center
(Joslin)

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212-308-7433

The four major type 1 non-profits generate revenues from a variety of sources, including donor philanthropy. This revenue is the foundation for spending on research and non-research activities. This report analyzes the non-profits' revenues and the utilization of those revenues in 2012.

In looking at revenue and expense data it is important to keep in mind that there are meaningful differences in the missions of each of the organizations. Please see Appendix A on page 6 for the non-profits' mission statements. Understanding these differences helps to place their individual revenues and spending in context. One of the key differentiating features of the ADA and Joslin is their focus on both type 1 and type 2. The DRIF and JDRF are focused solely on type 1.

Annual revenues

We first examine revenue which is all of the money received from a variety of sources including donors. Revenue provides the basis for what an organization can spend in pursuit of its mission. Table A depicts the key sources of revenues for 2012.

Table A: Non-Profits' 2012 Revenues (\$ mil.)*

Revenue	ADA		DRIF ¹		JDRF		Joslin		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Donor Contributions	178	78%	11	100%	196	102%	13	15%	398	76%
Subscriptions	22	10%	-	0%	-	0%	-	0%	22	4%
Government Grants	-	0%	-	0%	-	0%	35	40%	35	7%
Clinic	-	0%	-	0%	-	0%	17	19%	17	3%
Other/Misc.	26	11%	-	0%	-	0%	20	23%	46	9%
Investment Income	3	1%	-	0%	-3	-2%	3	3%	3	1%
Total Revenue	229	100%	11	100%	193	100%	88	100%	521	100%
Change from 2011										
Donor Contributions	18	11%	1	10%	(3)	-2%	4	44%	20	5%
Total Revenue	20	10%	0	0%	(27)	-12%	8	10%	1	0%

Source: 2012 audited financial statements for the ADA, DRIF, JDRF, and Joslin. Fiscal Year ended June 30, 2012 for the DRIF and JDRF, September 30, 2012 for Joslin, and December 31, 2012 for the ADA.

* Please see Appendix B on page 6 for additional details of individual revenue categories

¹ DRIF Donor Contributions have 2 components: 1) \$7 million from 2012 donor contributions and 2) \$4 million from donations collected in prior years.

Table A Summary Observations

- Donor contributions, critical to all of the charities, represented three-fourths of their combined annual revenues of \$521 million and is the key revenue source for funding research
- **Donor contributions for the four non-profits increased 5% in 2012 from the prior year, which provided a potentially greater source of funding for research grants**
- While all donor contributions are critical, the relative importance of donations to total revenues varies considerably by organization; with the highest percentages at JDRF and the DRIF and the lowest at Joslin
- Although aggregate Total Revenue was virtually flat, there are different dynamics within each non-profit. The ADA and Joslin were driven by increased Donor Contributions, and JDRF by decreased Investment Income.

How was the money spent?

We next examine how these funds, most of which were donor contributions, were allocated among major expense areas. A detailed breakdown of the key expense categories is depicted in Table 2.

Table B: Non-Profits' 2012 Expenses (\$ mil.)*

Program Service Expenses	ADA ¹		DRIF		JDRF		Joslin ²		Total	
	\$	%	\$	%	\$	%	\$	%	\$	%
Type 1 Research Grants ³	15	7%	7	64%	110	54%	13	15%	145	29%
Type 2 Research Grants	20	10%	-	0%	-	0%	19	22%	39	8%
Non-Grant Research Expense	11	5%	-	0%	14	7%	-	0%	25	5%
Education/Information/Awareness/Advocacy	102	50%	1	9%	43	21%	12	14%	158	31%
Patient Care	-	0%	-	0%	-	0%	20	23%	20	4%
Overhead and Fundraising Expenses										
General and Administrative	11	5%	1	9%	15	7%	19	22%	46	9%
Fundraising	47	23%	2	18%	23	11%	3	3%	75	15%
Total Expenses	206	100%	11	100%	205	100%	86	100%	508	100%
Change from 2011										
Type 1 Research Grants	2	15%	0	0%	(6)	-5%	1	8%	(3)	-2%
Education/Information/Awareness/Advocacy	1	1%	0	0%	3	8%	1	9%	5	3%
Total Expenses	6	3%	0	0%	1	0%	3	4%	10	2%
Type 1 Research Grants as % of Donor Contributions										
2012		8%		64%		56%		100%		36%
2011		8%		70%		58%		133%		39%

Source: 2012 audited financial statements for the ADA, DRIF, JDRF, and Joslin

* Please see Appendix C on page 6 for additional details of individual expense categories

1 ADA financial statements only list an aggregate total for Type 1 and Type 2 Research Grants. The ADA separately provided the JDCA with the breakdown between Type 1 and Type 2.

2 Joslin's Type 1/Type 2 Research Grant breakdown is a JDCA estimate. It is based on a 40/60 split, a split similar to the breakdown in 2010, the most recent year for which we have data.

3 Including Practical Cure, Idealized Cure, glucose control, prevention, and complications research

Table B Summary Observations

- **Type 1 Research Grants as a percentage of Donor Contributions decreased to 36% in 2012 from 39% in 2011 for the four organizations combined**
- JDRF remains the largest funder of Type 1 Research Grants by far, but its decrease in research grant funding in both absolute dollars and as a percentage of Donor Contributions drove the decline for the combined organizations
- **Absolute dollar allocations to Type 1 Research Grants for the four non-profits combined decreased 2% from the prior year; solely due to JDRF's diminished funding of research grants**
- The category of Education/Information/Awareness/Advocacy (EIAA) is the largest expense area due to the ADA's commitment to this activity
- **EIAA spending for the four non-profits increased 3% in 2012 from the prior year while allocations to Type 1 Research Grants decreased 2%. This was driven by JDRF's 5% decrease in Type 1 Research Grants and an 8% increase in EIAA. JDRF's de-prioritization of Type 1 Research Grants is not what type 1 cure donors would like to see.**

Examining aggregate data for the four non-profits combined may not capture important details specific to an organization. Each non-profit has a different revenue and expense profile and analyzing their individual contributions helps to complete the picture. Below we provide commentary relevant to each of the four non-profits for 2012.

Organization Specific Observations

ADA

- Donor Contributions increased \$18 million or 11% to \$178 million
- Total Revenues were \$229 million making the ADA the largest diabetes non-profit in terms of Total Revenues and Total Expenses
- **Only 8% of Donor Contributions, and 7% of Total Expenses, were allocated to Type 1 Research Grants; the smallest percentage commitment to Type 1 Research Grants by far of any of the four non-profits. Unless a donation is restricted for a specified purpose, such as type 1 cure research, it can be expected that less than one in ten dollars donated would be utilized for Type 1 Research Grants.**
- One-half of Total Expenses, or \$102 million, was allocated to Education/Information/Awareness/Advocacy, a non-research activity.

DRIF

- Donor Contributions increased \$1 million, or 10%, to \$11 million
- Type 1 Research Grants of \$7 million were 64% of Donor Contributions, the second highest percentage among the four organizations
- All research grants are directed to the Diabetes Research Institute (DRI) at the University of Miami, thereby limiting the scope of funded projects to the DRI's work
- A relatively small percentage of donations, less than 10%, were directed to diabetes education, as has been the case in recent years

JDRF

- Donor Contributions fell by \$3 million, or 2% to \$196 million; but Research Grants decreased more, falling \$6 million, or 5%, to \$110 million
- **Research Grants as a percentage of Donor Contributions decreased from 58% to 56%, the second lowest percentage in more than ten years**
- **Public Education funding increased 9% to \$43 million, or 21% of Total Expenses, evidence of a continuing shift away from funding Research Grants toward non-research grant activities**
- Total Revenues decreased \$27 million or 12% to \$193 million. This is mostly due to a \$24 million decrease in Investment Income, from a gain of \$21 million in 2011 to a loss of \$3 million in 2012.
- JDRF is by far the largest funder of Type 1 Research Grants among the four non-profits

Joslin

- Joslin has one of the more diverse revenue streams and is the only one of the four non-profits that operates a diabetes patient clinic
- Donor Contributions of \$13 million equaled estimated Type 1 Research Grants. However, most of Joslin's research is funded by government sources, therefore, donor contributions fund only a portion of its research program
- The patient clinic perennially operates at a loss, with the deficit funded from either donations or other operating revenue

Summary and Conclusion

The JDCA's review of expenses in this report excludes an evaluation of the charities' operating efficiency. We instead focus on the funding of program services of the charities, the activities that are funded in pursuit of their mission.

Together, the four major type 1 non-profits generated in excess of \$520 million in revenues in 2012. Donor contributions accounted for \$398 million or approximately three-fourths of the total and is evidence of the organizations' professional fundraising capability. Total donor contributions increased 5% last year, however, funding of type 1 research grants decreased 2%. As we note in the body of the report, the percentage of donor contributions that are directed to type 1 research grants varies considerably across the four organizations, with the highest percentage at the DRIF and the lowest at the ADA.

There was an overall shift in 2012 away from funding research toward non-research activities such as education/information/awareness/advocacy. This category alone accounted for around one-third of the four organizations' total expenses and is an activity not directly aimed at curing type 1. **This shift in spending is in the opposite direction from what research-oriented donors or cure donors would like to see.**

Appendix A Charity and Foundation Mission Statements

ADA

To prevent and cure diabetes and to improve the lives of all people affected by diabetes.

Source: www.diabetes.org/about-us/2011-ada-annual-report.pdf as of June 20, 2013

DRIF

To provide the Diabetes Research Institute with the funding necessary to cure diabetes now.

Source: diabetesresearch.org/page.aspx?pid=881 as of June 20, 2013

JDRF

To find a cure for diabetes and its complications through the support of research.

Source: jdrf.org/2012annualreport/ as of June 20, 2013

Joslin

To improve the lives of people with diabetes and its complications through innovative care, education, and research that will lead to prevention and cure of the disease.

Source: www.joslin.org/about_joslin.html as of June 20, 2013

Appendix B Description of Revenue Categories

Subscriptions

ADA: Subscription fees and advertising revenue from a variety of magazines and journals including *Diabetes Forecast*

Government Grants

Primarily from the U.S. National Institutes of Health to fund specific research projects or programs

Other/Misc.

ADA: Book sale revenue, revenue from holiday promotional items, meeting registration and exhibit fees for diabetes conferences and expos, camp fees, fees for diabetes education programs, abstract fees, and local government grants

Joslin: Diabetes training programs for professionals, revenue from diabetes publications, Joslin Clinic franchise revenue, and real estate rental income

Investment Income

Includes income from investments and realized and unrealized gains/losses on investments

Appendix C Description of Expense Categories

Non-Grant Research Expense

Costs for scientific staff, scientific meetings, conferences, printing, publications, legal and accounting services, and other expenses that support research

Patient Care

Clinical care for diabetes patients

Management and General

Management compensation, general overhead and related costs

Fundraising

Personnel costs and other expenses directly related to fundraising efforts

Juvenile Diabetes Cure Alliance

14 East 60th Street
Suite 208
New York, NY 10022

Phone: 212.308.7433
E-mail: info@thejdca.org
www.thejdca.org

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