

*The Voice of the Donor
for a Cure*

Aaron Gorin

Director of Research Analysis

212.308.7433

apg@thejdca.org

**Organizations of
Focus:**

American Diabetes
Association (ADA)

Diabetes Research
Institute Foundation
(DRIF)

JDRF

Joslin Diabetes Center
(Joslin)

Juvenile Diabetes Cure Alliance

The Four S's of Good Giving

The Four S's of Good Giving: High-Impact Donations

Conclusions:

-By using the Four S framework, donors are empowered to identify their giving goals and to take steps to increase the impact of their donations.

-Donors intending to fund Practical Cure research can direct money towards three distinct avenues: (1) major charities, (2) medical research centers, and/or (3) specific research projects. The JDCA supports giving to major charities, as this group has the greatest potential to align incentives and can harness the considerable resources at their disposal to direct funds to Practical Cure research.

-Donors have the ability to increase funding for Practical Cure research by attaching stipulations to their donations, and/or structuring larger donations that specify how to fulfill donors' wishes. The JDCA, through its donor advisory service, encourages both structured giving and follow-up action to ensure research progress is on track and to improve accountability and transparency.

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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As we approach the end of the year, when many people engage in philanthropic giving, we would like to take this opportunity to discuss how donors can make more cost-effective donations. Most donors contribute to a particular non-profit out of habit, often without setting specific goals. They trust that the organization will spend their money well, but do not necessarily think about what would be the best use for their contribution.

Utilizing a structured framework to approach philanthropy empowers donors to identify their giving goals and to take steps to increase the return on their donations. This report will demonstrate that donors can increase the impact and cost-effectiveness of their charitable giving by utilizing the Four S's of good giving:

- **Strategy:** What are my goals and objectives for giving?
- **Select:** Given what I want to achieve, who is the best recipient for my gift?
- **Structure:** What is the best way to go about making my gift?
- **Substantiate:** Will my gift actually be used as I want it to be used?

Strategy: What are my wishes for what could be accomplished with my gift?

The major diabetes non-profits fund a range of activities in keeping with their missions and their diverse constituencies. In particular, funding is allocated towards five major areas: cure (both ideal and practical), treatment, education, prevention, and complications. Donors should strategically assess how they want their capital allocated: merely to support the overall work of the charity towards general type 1 research, or for a more specific goal. The donor's funding preference will identify them as either a "cure" donor (encompassing both Practical Cure and/or Ideal Cure), or a "non-cure" donor .

Over the past two years, JDCA surveys of the type 1 diabetes donor community have consistently found three themes: (1) donors expect a cure in the near future, (2) donors prioritize cure research over any other kind of activity that the non-profits fund, and (3) donors prefer to fund projects that could produce a cure sooner rather than later. Time and again, donors have emphatically asserted that their predominant wish is to fund a Practical Cure initiative; the real decision is which organization should be the beneficiary of this capital, and how it should be executed.

Select: What are my options for giving?

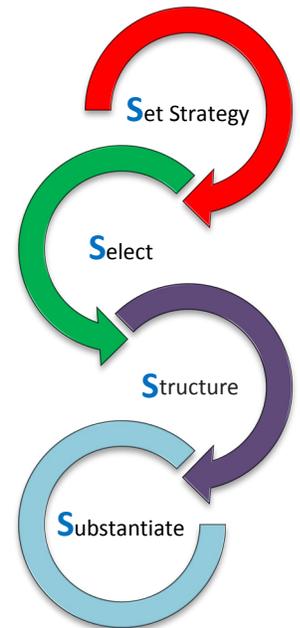
Once donors have clarified their funding intentions, and self-selected as a "non-cure" or a "cure" donor, the next step is to select the beneficiary of their goal-directed assets. For non-cure donors, who are likely the minority, the beneficiary of funds will probably be one of the large charities, as the other options (enumerated below) are actively involved in cure research projects that follow specific scientific approaches or platforms. The purpose of utilizing a strategic approach, even for a non-cure donor, is to proactively identify which of the major charities will most effectively deploy the capital alongside non-research wishes.

Donors who want their money to fund Practical Cure research- which is the vast majority of donors, according to JDCA research- have three main options when it comes to choosing a recipient for their gift. Donors can direct money:

1. To major charities (via either direct contributions or fundraising events)
2. To medical research centers
3. To specific research projects

Cure Donor Advisory Service

The JDCA provides a free advisory service for donors interested in giving with maximum impact. It covers the 4S's of good giving:



Strategy:

What are my goals and objectives for giving?

Select:

Given what I want to achieve, who is the best recipient for my gift?

Structure

What is the best way to actual go about making my gift? One year? Multi-year? Restricted? Contingent?

Substantiate:

Was the my gift actually used as I wanted it to be used?

For more information contact

Cara Murphy
212-308-7433

We outline the major advantages and disadvantages of these three platforms in the chart below. The JDCA believes that large charities offer the greatest potential to harness the considerable resources at their disposal and align incentives to fund Practical Cure research. Additionally, the major diabetes charities can, and do, direct funds to the other two platforms (medical research centers and specific research projects). With a structured approach and critical mass, donors can sway the charities to increase their portfolio allocation towards Practical Cure research projects.

	1 To the Major Charities	2 To the Medical Research Centers	3 To Specific Projects
Summary	<ul style="list-style-type: none"> The non-profits are very well positioned to steward donations. Excellent option if you specify how you want your money to be used. 	<ul style="list-style-type: none"> Many major research centers are associated with universities and have diabetes clinics Good option for the donor who is committed to funding a local institution 	<ul style="list-style-type: none"> Some projects accept donations directly A decent option for those focused on a specific project
Benefits	<ul style="list-style-type: none"> Broad view of the diabetes landscape Existing relationships Scientific expertise Experience 	<ul style="list-style-type: none"> In your local area May be providing treatments to you or your loved ones 	<ul style="list-style-type: none"> Good for those who know what project they want to fund
Drawbacks	<ul style="list-style-type: none"> Prefer blanket donations Have a range of priorities Currently no specific initiative toward Practical Cure projects, except at the DRIF 	<ul style="list-style-type: none"> Difficult to determine the quality of research and what types and projects are underway Giving is often through the parent medical center Centers may be for-profit Poor transparency 	<ul style="list-style-type: none"> Burden of choice placed on donor Difficult to identify, select, and manage

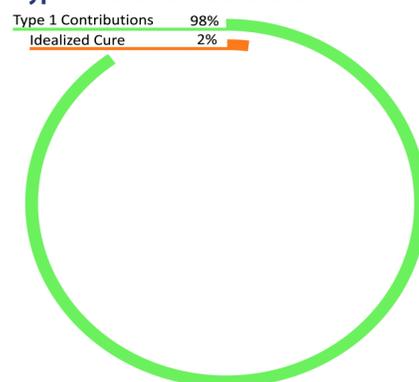
Structure: How do I ensure that my money goes where I want it to go?

Structuring a gift is appropriate for both a hundred-dollar donor and a million-dollar donor. It is as simple as writing down with specifics how you want your donation to be used. The format might be as simple as a few sentences in a letter, or a more complex legal contract. In either case, all charitable organizations are required by law to use the contribution in the way that the donor specifies. By structuring a gift, the donor is empowered to not only specify the objective that the capital is intended to fund, but also to control the timing and pace of deployment such that returns on philanthropic capital are maximized by setting goals, objectives, and monitoring research milestones and progress.

A clear way to structure a gift is through a mechanism of stipulation, which has two key features:

- A stipulation is a donation that the giver requires be used for a specific purpose.
- A stipulation is legally binding; a donation given with a stipulation must either be used for that purpose or returned.

PC Research Funding as a % of Total Type 1 Donor Contributions



SOURCE: JDCA Report: "Only 20% of Funds Raised for a Cure Allocated to Cure Research," Sept 2013

As covered in our *State of the Cure* report published last month, the JDCA has found that the non-profits use only 18 cents of every donated dollar to fund cure research of any type, and only 2 cents of every donated dollar to fund Practical Cure research. Donors have the ability to increase funding for Practical Cure work by stipulating in writing that their donation be used only for Practical Cure research. To this end, the JDCA recommends that donors attach a letter to contributions that designates that their donation be used solely for Practical Cure research. A template for the stipulation letter is available at www.thejdca.org/donor-tools.

Substantiate: Once I've given, how do I know if my money is being used the way I wanted?

At any level of giving, donors are stakeholders in the organization they support. If a stipulation letter is attached to the donation, the recipient is legally obligated to demonstrate how the money is used. This can be done through several means:

- Review publically available materials like the organization's website, annual reports, etc. However, these are often not current or transparent.
- ASK DIRECTLY. Place a phone call or send an email to the organization, whose response should match your stipulation request.

This type of review is useful for the donor to determine whether or not to make additional gifts to the recipient. If the donor is not satisfied with the recipient's responses, they can choose to give to a different organization.

In the case of multi-year gifts, substantiation becomes essential since most multi-year gifts are structured so that the dollars are conferred only upon achievement of annual milestones. Multi-year gifts might therefore require a progress report that includes benchmarks to determine funding continuance, Practical Cure performance clauses, and metrics to measure if the stipulation in the giving agreement was achieved.

A checklist of follow-up questions to address might include:

- 1) Was the donation used as stipulated? If not, why?
- 2) Which project(s) was it used for?
- 3) What percentage of the donation was used for research versus administration? Was any of it not used?
- 4) What progress was made since the donation was given? What milestones were achieved?
- 5) Is/are the selected project(s) on track?
- 6) What are the next steps?

Simply put, following up on the use of your donation promotes accountability and transparency at the organization you support.

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

Phone: 212-308-7433

Email: info@thejdca.org

Website: thejdca.org

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