

Letter from Leadership

It would be difficult to imagine two more dramatically different periods in JDRF's 39 years of history than the past fiscal year, and this one.

Fiscal year 2008--the 12-month-period which this annual report details--was easily the best year JDRF has seen to date: we funded more research to find a cure for type 1 diabetes and its complications, and saw more scientific progress, than in any previous year in our history. While that ultimate goal was not yet within reach, the past fiscal year marked two incredibly important developments on that path toward a cure.

We accelerated the pace of scientific investigation across a range of disciplines and areas of investigation. During the year, we continued shifting the strategic focus of JDRF-funded science from discovery to development, with an emphasis on funding programs and projects that hold near-term potential for moving drugs, therapies, and cures into the product development pipeline.

Buttressed by a terrific fundraising year, which saw JDRF raise more money for research than ever before, we funded \$156 million in science, and saw multiple advances in our portfolio of five cure therapeutic areas--autoimmunity, regeneration, replacement, complications, and metabolic control.

Then the world began to change. Toward the end of the fiscal year, we began to see signs of a tougher economy in some of our galas. But no one anticipated the significant economic upheavals, across all markets and geographies, that we have seen since that time. Before that we outline our response to those issues, let's look quickly back at a very good year for JDRF.

Research

In fiscal year 2008, JDRF continued to create positive change in the diabetes research landscape.

We moved more and more science into human clinical trials, a clear sign that JDRF science is progressing. We created unique partnerships and relationships with researchers, governments, and others focused on diabetes that can advance the field further, and make cures a reality sooner.

The \$156 million in research represented more science than we had ever funded in a 12-month period, and brought to \$1.3 billion the total amount JDRF has devoted to science since its founding almost 40 years ago. The lion's share of that funding has come in just the last few years; in fact, in fiscal year 2008, JDRF funded more than 1,000 projects, scientists, centers, and laboratories.

More important than the size and scope of JDRF's research are the clear signs of progress toward a cure that our science is achieving. Significantly, JDRF is focused on research aimed at cures involving all populations with type 1 diabetes: the newly diagnosed, both children and adults, people who have been living with the disease for years (in some cases, decades) and people with complications. Details of some of the key accomplishments achieved in fiscal year 2008, and some of the most promising programs begun, are featured in the research section of this [annual report](#), beginning on page four.

One visible sign of progress is the dramatic growth of human clinical trials. During the year we began funding for our 42nd human clinical trial-testing therapeutics in people, rather than in test tubes or animal models of diabetes. Just a few short years ago, we were funding no more than a handful of trials in people, meaning we were not very far along in bringing to market the drugs, therapies, and cures that can improve the lives of people with type 1 diabetes and ultimately lead to a cure.

Another clear reflection that we are moving quickly and effectively in the right direction: at three different points during fiscal year 2008, small companies that JDRF was funding—businesses with drugs and therapies to reverse or stop the progression of diabetes that would otherwise not have had the resources to conduct human clinical trials—signed development and commercialization agreements with major drug and diabetes enterprises. That brings the deep pockets and distribution expertise of those large businesses to bear on these promising diabetes treatments, including financial resources and product development experience that JDRF is not focused on providing.

Fundraising

As noted, fiscal year 2008 was a record year for JDRF financially. Total public support and revenue was \$232 million, enabling the organization to fund more than \$156 million in research. That compares with \$137 million in the previous fiscal year, and only \$40 million just 10 years ago.

Across our major fundraising programs it was a record year, despite an increasingly difficult market environment in the second half of the fiscal year. JDRF had more million-dollar walks and special events than ever before; we saw growth and record totals in major giving. Our efficiency ratios are among the best of all diabetes organizations, health-care related charities, and not-for-profit organizations in general. We continued a long and admirable tradition of effectively and efficiently managing the organization—with a record year in fundraising, driving a record year in research funding, resulting in high marks from third-party charity watchdogs.

But the world began to change toward the end of fiscal year 2008.

The Current Environment

Although we entered fiscal year 2009 from a position of strength, the unprecedented economic upheaval we have seen in the first months of our new year have quickly changed the outlook for our total public support and revenue in fiscal year 2009, and thus will impact our available funds for research.

Clearly, JDRF is not alone in this situation. All not-for-profit organizations, in fact most businesses and individuals, are feeling the impact of the economy: negative investment returns, reduced availability of credit, layoffs, and significantly lower levels of spending. JDRF is making budgetary adjustments to reflect this reality, and we have extended our assumptions about the length and severity of this downturn through 2009 and possibly 2010. These adjustments include not just a reassessment of projected revenues, but associated reductions in operating expenses and research grants.

JDRF's safety, soundness, and liquidity are not impacted—we are financially capable of weathering an extended downturn. Our goals during this period of uncertainty are to both maintain JDRF's financial soundness and our leadership in driving the diabetes research agenda. Every effort is still being made to maximize revenues in the face of the macro-economic situation, but the challenges are daunting. Our goal is to reduce expenses foundation-wide, while continuing the progress we have achieved. To do this in the face of a sustained recession calls upon the good nature and commitment of the extended JDRF family. Within the research function, for instance, a methodology has been designed to reduce expenses while preserving the momentum we have built.

New Leadership

At the beginning of the new fiscal year, we were thrilled to announce that Alan J. Lewis, Ph.D., had accepted the position as JDRF's president and chief executive officer. Dr. Lewis, who has more than 30 years of experience in biomedical research, comes to JDRF from Novocell, a cell and drug therapy company focused on

diabetes, where he was president and chief executive officer. He joined JDRF at the beginning of calendar year 2009.

Dr. Lewis has a long and successful track record in biomedical research, as president of the signal division of Celgene, and at Signal Pharmaceuticals Wyeth Laboratories. He has a track record of advancing therapies to the clinic, of managing complex scientific organizations, and of spurring innovation across a range of diseases, including diabetes. In addition to his outstanding qualifications, he is committed to and passionate about JDRF's mission to find a cure for type 1 diabetes and its complications.

This is an exciting, though certainly challenging time for JDRF. Under Dr. Lewis' leadership, we are confident that as an organization we will continue to accelerate the pace of science leading to a cure, and move forward aggressively toward our goal of a world without diabetes.

Conclusion

As you know, type 1 diabetes does not track economic markets--whether the economy is good or bad, more children and adults will be diagnosed over the next 12 months, more people will develop complications, and everyone with the disease will feel the daily burden that diabetes imposes. That means we have challenges ahead-but they are challenges we are certain all of JDRF is up to.

Markets come and markets go. Whether we are in a temporary dip in the economy, or a recession, or a depression does not matter. We have a job to do, a promise to keep. Be assured that we will not, for a moment, lose sight of the vision we all share--a world without diabetes.

Thank you, as always, for your passion, your dedication, and your generosity.

Leo F. Mullin
Chairman, Board of Directors

Mary Tyler Moore
International Chairman

Robert Wood Johnson IV
Chairman of JDRF International