**TS Alliance**

**2018 Budget Narrative**

With the coming year being the final year of the 2014-2018 TS Alliance Strategic Plan, we have taken into consideration the financial goals included in the Plan and strived to attain those goals in developing the 2018 Budget. While reviewing the numbers it’s important to keep in mind a few key factors:

1. Hosting the 2018 World TSC Conference in Dallas boosts next year’s revenue and expenses by significant amounts: $754k of budgeted revenues and ($733k) of budgeted expenses.
2. Adhering to GAAP financial reporting rules required the organization to recognize the full amount of the Engles Family Foundation’s $1.5 million multi-year pledge as revenue last year in FY2016 but spending those dollars is treated differently. The additional research expenses required by the pledge are recognized as they are paid out from 2016 through 2019. This is the primary reason that a budget with a ($474,426) deficit is being proposed for 2018.
3. Although still significant, the proposed 2018 Budget’s effect on the organization’s cash balance is not quite as large as the proposed financial statement deficit. The projected 2018 cash flows are expected to reduce our cash balance by $235,642, which would bring the projected December 31, 2018 cash balance down to approximately $2,235,000.

This is how the Proposed 2018 Budget stacks up compared to the Strategic Plan’s benchmarks:

|  |  |
| --- | --- |
| **STRATEGIC PLAN – LEADING INDICATOR** | **PROPOSED 2018 BUDGET** |
| Reach a level of annual research funding of $3.25 million by 2018 | The 2018 budget includes $2,768,208 in spending for research. |
| Realize $250,000 contribution from the Endowment Fund on an annual basis | The 2018 contribution would be $216,000 based on the average Endowment portfolio balance over the past 5 years, but the 2018 Budget uses an additional $69,000 of the $183,500 of unused contributions deferred from prior years, for a total of $285,000. The $69,000 funds the salary & benefits of a new FTE to support Community Alliance programming. |
| Mobilize grassroots community through budgeted special events to raise an average of $1.5 million net annually over the five years | Net special events revenue is budgeted at $1,299,845, which is 2.7% more than the 2017 projection of $1,265,080. If 2017 ends as projected, with this proposed 2018 Budget, special events will have averaged $1,372,799 over the 5-year period. |
| Achieve at minimum a 3% annual increase in program expenses while maintaining a balanced budget | Although the 2018 Budget has a deficit of ($474,426), program expenses are $4,960,865, an increase of 17.5% over budgeted 2017 program expenses and 32.1% over actual 2016 expenses. |
| Attain a program to admin/fundraising expense ratio of 80% to 20% by 2018 | Program expenses are budgeted at 80.5%, compared to the 79.2% budgeted for 2017, and actual program expenses of 76.3% for 2016. |
| Increase revenue to $5.5 million by 2018 | 2018 Revenue is budgeted at $5,689,744, which is higher than projected 2017 revenue of $4,805,784. The World Conference revenues account for all but $130,275 of the year-to-year increase. |
| Obtain a 4-star rating from Charity Navigator | We are again rated as a 4-star charity, with an overall score of 90.71 based upon our 2016 Form 990. We anticipate retaining that rating when the 2017 Form 990 is evaluated by Charity Navigator. |

Budgeted 2018 **Revenue** will increase by $883,960 (18.4%) compared to the 2017 projections, going from $4.81 million to $5.69 million. Over 85% of the increase is due to the organization’s hosting of the 2018 World TSC Conference. The rest of the increase is primarily from additional major donor contributions and additional revenues generated by Preclinical Consortium testing.

**Expenses** will increase by $729,351 (13.4%), from $5.43 million projected this year to $6.16 million budgeted for 2018. Again, the World TSC Conference plays a central role in increased spending, accounting for the entire increase. Looking at spending by program in 2018, the World TSC Conference falls under the Family Services umbrella, so that is helping increase overall Family Services spending by over $965,000 from the amount budgeted for 2017. In addition, the restructuring of Outreach staffing and having more personnel to coordinate Community Alliances activities will increase spending in that area. Although Family Services will see a large increase in spending next year, Science and Research will remain the largest program area in total dollars expended, with over $2.7 million dedicated to research in the 2018 Budget.

The net effect of budgeted 2018 revenue and expenses is a **($474,426) decrease in net assets,** with a strong functional expense ratio of 80.5% for programs to 19.5% for general administrative and fundraising costs.

**----------------------------------------------------------------------------------------------------------------------------------------**

**Revenue increases by $883,960 - an 18.4% increase compared to the FY17 Projection.**

**Special Events Net Revenue will increase by $34,765 (2.7%)**

This is primarily due to:

***Major event revenues decrease by ($135,319)***

1. There will just be 2 major events scheduled for 2018 (Comedy for a Cure and the Art for a Cure) compared to the 3 events held this year (Comedy for a Cure plus the DC and Minnesota Sound Bites events).

***Walk revenues will increase by $86,219***

This is primarily due to:

1. A walk being scheduled to bring in $35,000 next year in Houston, which had to cancel its walk this year due to Hurricane Harvey.
2. A new walk planned to bring in $10,000 in Ohio.
3. Significant increases for the Atlanta ($18,579) and Northern California ($16,221) walks.
4. Most other walks are being budgeted at amounts fairly close to the amounts they are projected to bring in this year.

***Other Community Event revenues will increase by $69,787***

1. We expect to see continued growth of the Endurance Events (“Team TSC”), which accounts for $70,000 of the $200,000 budgeted for next year.

***Direct benefit to donor expenses will decrease by $14,078***

1. We expect most of the savings to come from reduced venue costs of holding 2 major events in 2018 rather than the 3 that were held this year.

**Contribution Revenue will decrease by $89,973 (4.1%)**

***Major Donors will increase by $229,615***

1. The 2018 Budget includes contributions of $250,000 each from two donors. One of these donors recently made a multi-year commitment for that same amount, with the final payment on that commitment to be made next year.

***Appeals will decrease by ($207,388)***

1. 2017 Revenue included $224,741 from the Keith Hall Memorial Fund, including the $100,000 matching grant. We hopefully will not face a similar loss in 2018 and have reduced the budget accordingly.

***Grants will decrease by ($114,645)***

1. With a number of grantors being asked to sponsor the World TSC Conference, we expect to see a decline in other grant activity.

**Sponsorship revenue will increase by $504,635**

1. The 2018 revenue is all for the World TSC Conference, coming from 18 sponsors that have been identified and approached regarding the opportunity. 2017 Revenue was generated by sponsorships of the International Research Conference, which was shared on a 50/50 basis with the LAM Foundation.

**Contracts will increase by $388,647**

1. 2018 is the final year of the Novartis Natural History Database contract. It is budgeted to bring in $302,588, which is slightly more than this year.
2. Preclinical consortium membership and testing fees are budgeted to bring in $884,600 in 2018, with $734,600 coming from revenue from performing tests and $150,000 from membership fees.

**Registration fee revenue will increase by $155,185**

1. This amount is entirely attributable to the World TSC Conference. There was no registration fee income this year.

**Annual contribution from the Endowment Fund will decrease by $118,000**

1. In 2017 the basic annual Endowment contribution was supplemented by $120,000 that was paid out of contributions that were planned (but not paid) in prior years plus an additional $75,000 to expand research grant funding. The 2018 Budget supplements the basic annual contribution with $69,000 of similar deferred and unpaid funds. This would leave the Endowment with $114,500 remaining from prior year deferred funds available for contribution to the TS Alliance going into 2019.

**Expenses increase by $729,351 – a 13.4% increase compared to the 2017 Projection.**

***Staff related expenses will increase by $193,216***

1. Budgeting for 17.5 full-time employees in 2018, adding a Regional Program Manager position in addition to a half-time Conference Manager position for part of the year, to coordinate the World TSC Conference and 8% increase for the Director of Community Programs (formerly Director of Special Events and Corporate Partnerships) with the assumption of significantly more duties.
2. Base compensation for almost all employees being held to 2% with the most recent 12-month increase in the Consumer Price Index (CPI-U) being 2.0%.
3. Benefits will be increasing to be 25.2% of salaries in 2018, primarily due to a 12.5% increase in health insurance premiums and the cost of adding benefits for new staff positions added as part of the community outreach restructuring.

***World TSC Conference will cost $732,988***

1. The main costs of hosting the event are budgeted to be:

* Food $360,740
* Facilities 98,844
* Childcare 43,000
* Speakers(travel) 96,433
* Scholarships, printing

and promotions 119,001

* TS Alliance & childcare

Staff (travel) 14,970

TOTAL $732,988

***Travel expenses will decrease by ($52,197)***

1. With the World TSC Conference taking place, and its travel included under the World TSC Conference Budget (and excluded here), there will be fewer other events and reduced travel in 2018 compared to the $270,325 projected for this year.

***Other Meeting and Conferences will decrease by ($115,563)***

1. Other Meetings and Conferences will likewise be reduced in 2018, with much of the organization’s focus on hosting the World TSC Conference.

***Legal fees will decrease by ($53,093)***

1. Guidance provided by the attorneys regarding modifications to the Bylaws and updating membership rules in addition to consultation on science matters and applying for a patent raised legal costs in 2017. The resolution of the membership issue this year should lead to lower costs in 2018.

***Science spending on grants, contracts and consulting will increase by $25,438***

1. Preclinical consortium contract and consulting fees spending takes up the largest portion of the 2018 Science Budget, growing from the $1,113,757 projected for this year, to $1,224,500 in 2018. Over 72% of spending in this area is supported by contract revenue, which is budgeted to bring in $884,600 in 2018.
2. Biosample Repository spending will also grow, from $166,057 projected for this year, to $211,306 in 2018.
3. The final $50,000 payout of Courage Grants will be made in 2018, which is less than this year’s $100,000 Courage Grant award.
4. Other grants will decrease by $74,847 in 2018, going from $425,847 to $351,000, excluding the $23,000 in global outreach grants.
5. Natural History Database spending will continue at the same pace, with $248,134 projected for this year and $247,971 budgeted for 2018.

**Additional Revenue Opportunities**

1. With the board undergoing fundraising training, there are opportunities to increase major donor revenue from additional resources yet to be identified.
2. The CEO and Development Staff are conducting prospect research on members of the Giving Pledge, including previous donors to the TS Alliance– T. Boone Pickens and Mark Cuban.
3. TS Alliance may explore grant opportunities through the Department of Developmental Disabilities or PCORI.
4. TS Alliance will apply for PERF research grant but not include it in the budget for 2018. (There is a separate $25,000 PERF grant to support a nurses meeting at the World TSC Conference which has been already received as is included in the budget.)

|  |
| --- |
|  |