

**TS Alliance**  
**2020 Budget Narrative - Updated**

The Proposed 2020 TS Alliance Budget aims to cautiously increase the investment in research and organizational infrastructure for growth as the organization enters the 2<sup>nd</sup> year of the Research Business Plan. This is how the numbers in the Proposed 2020 Budget compare to the benchmarks in the 2019 to 2023 Strategic Plan:

STRATEGIC PLAN – LEADING INDICATOR	PROPOSED 2020 BUDGET
Raise \$56.3 million for research over the next 5 years with \$13.8 million in revenue by 2023	The 2020 budget includes raising \$3,000,000 for research and total revenue of \$6,718,000.
Realize a \$250,000 annual contribution from the Endowment Fund by 2023	The 2020 contribution is budgeted at \$359,000 - with \$224,000 being a regular contribution and \$135,000 being paid out of prior-year unpaid contributions.
Mobilize grassroots community through budgeted special events to raise an average of \$1.5 million net annually over the next five years	Net special events revenue for 2020 is budgeted at \$1,341,000, which is (\$1,019,000) less than 2019 – there is no 45th Anniversary Gala in 2020.
Achieve at least an 8.7% annual increase in program expense growth, spending a total of \$56.3 million on research over the next 5 years	The 2020 Budget includes a 25.3% increase in program spending compared to the 2019 Projection and includes spending of \$3,442,000 on research.
Attain a program to admin/fundraising expense ratio of 85% to 15% by 2023	Program expenses are budgeted at 75.4% of total expenses in the second year of expanding research under the Research Business Plan.
Continue to retain a 4-star rating from Charity Navigator	The current 4-star rating was awarded on Sept. 5 but we expect our rating to drop to 3-stars when 2019 results are evaluated one year from now. This 2020 Budget aims to regain a 4-star rating by increasing program spending overall, and specifically on the Clinical Research Consortium while reducing revenue/expenses dependent on corporate sponsored Preclinical studies.

Budgeted 2020 **Revenue** will increase by \$171,091 (2.6%) compared to the 2019 projections, going from \$6.55 million to \$6.72 million. The primary increase in revenues is expected to come from increasing the

contributions for research by \$825,000 to \$3.0 million in the second year of the Research Business Plan while Net Special Events revenue is expected to be (\$1.0 million) less next year, without a blockbuster event such as the 45<sup>th</sup> Anniversary Gala scheduled for 2020.

**Expenses** will increase by \$1,254,278 (22.0%), from \$5.69 million projected this year to \$6.94 million budgeted for 2020. The largest increases in spending are for research grants and contracts, going from \$1.56 million this year to \$2.37 million in 2020. This research spending includes shifting of \$200k from the Preclinical Consortium to conduct the STOP-2 and other clinical trials and reducing the organization's dependency on corporate sponsors to initiate preclinical studies.

Following the projected \$857k positive change in net assets for 2019, the net effect of budgeted 2020 revenue and expenses is a **(\$226,100) decrease in net assets**, with a functional expense ratio of 75.4% for programs to 24.6% for general administrative and fundraising costs in the second year under the current 5-Year Strategic Plan. Although this budgeted deficit could be eliminated by accelerating program spending into 2019, that spending can be done more prudently by waiting until 2020 when it will have much more of an impact on attaining a 4-star Charity Navigator rating for 2020 than it would for 2019. It also projects that the organization will have \$4.12m of net assets as of December 31, 2020, including cash and investments of \$1.2m (\$300k more than the \$900k required cash reserve).

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**Revenue increases by \$171,091 - a 2.6% increase compared to the FY19 Projection**

**Special Events Net Revenue will decrease by (\$1,018,996) (43%)**

This is primarily due to:

1. Holding the 45<sup>th</sup> Anniversary Gala this year, which is brought in gross revenue of \$1,068,000, and not hosting a similar event in 2020 will significantly reduce net revenue from Special Events next year.
2. Besides the Walks and Other Community Events, there will be just 2 Major Events held in 2020: Comedy for a Cure and the Minnesota Sound Bites event.

***Walk revenues will decrease by (\$34,726)***

This is primarily due to:

1. There will be 1 less Walk next year – from 29 walks held in 2019 to 28 walks scheduled for next year
2. Walks are budgeted to bring in \$850,000 – approximately \$47,000 (5.2%) less than what they are projected to generate this year.

***Other Community Event revenues will decrease by (\$25,616)***

1. Facebook donations continue to be the largest component of the \$340,000 budgeted for Other Community Events, with the \$115,000 budgeted for next year slightly less than the \$128,000 projected for Facebook fundraisers this year.
2. We've seen revenue from Endurance Events stabilize, and are budgeting to bring in \$75,000 next year equal to the \$75,000 projected for 2019.

**Contribution Revenue will increase by \$1,133,567 – a 38% increase**

***Contributions designated for Research will increase by \$825,081***

1. As a key driver of the increased investment in research, revenues earmarked for research (including multi-year pledges) are budgeted to go from \$2,174,919 this year to \$3,000,000 in 2020. As described in the Research Business Plan, we'll want to make sure that these pledges include 15% to cover overhead costs.

***Major Donors- Non-Research will increase by \$122,983***

1. We expect to see a 21% increase in this category, primarily coming from donations in the \$1,000 to \$5,000 range, with a few sizable exceptions (with Ocean Properties at \$125,000 being the largest).

***Grants-Non-Research will increase by \$185,503***

1. These grants are expected to support the annual leadership training, the regional conferences, and in some cases for general operations, going from \$191,797 this year to \$377,300 in 2020.

***Appeals, Honoraria and Membership contributions will increase by \$21,393***

1. These revenues will be slightly higher than the \$248,907 projected for this year, with most of the funds coming during the last quarter of the year, for the research and holiday appeals.

***Contributed services will decrease by (\$112,900)***

1. In 2019 we received the donation of preclinical studies valued at almost \$113,000 by one of the labs we work with. We do not expect that to be repeated next year and have reduced that revenue category by \$112,900.

***Sponsorship revenue will decrease by (\$113,500)***

1. The International Research Conference in Toronto brought in \$113,500 in sponsorships this year, but no conferences are scheduled for 2020 that would generate sponsorship revenue.

***Contracts will increase by \$275,787***

1. Preclinical consortium membership and testing fee revenues went from over \$1.1 million in 2018 to just \$363,288 in 2019. The 2020 Budget assumes a substantial increase in new preclinical studies but not as high as the level of activity that we saw in 2018 and not as much as we included in our initial drafts of the 2020 Budget.

***Annual contribution from the Endowment Fund will increase by \$57,000***

1. The normal annual contribution for 2020 would be \$224,000, based upon 5% of the value of the Endowment's investment portfolio. In addition, we expect to draw down \$135,000 of the contributions that were approved by the Endowment in prior years, but were never paid out. This will cover the organization's 50% share of the cost of retaining the fundraising consultants, Graham-Pelton for 2020.

***Expenses increase by \$1,254,278 – a 22.0% increase compared to the 2019 Projection***

***Staff related expenses will increase by \$462,238***

1. We are budgeting for 22 full-time employees in 2019, which includes 3 new positions: a Major Gifts Officer, an Associate Director of Research and a Chief of Staff. All the positions are either related to building the organization's infrastructure to raise more funds for Research or putting more dollars into research itself.

2. In addition, the Compensation Committee approved a general cost-of-living increase of 2% for most of the employees in the salary pool, with a few exceptions for special circumstances. The most recent Consumer Price Index had a 1.8% increase in costs over the past 12-months.
3. Benefits will be increasing slightly, to be 24.7% of salaries in 2020, primarily due to a 10.2% increase in premiums on our CareFirst BlueCross BlueShield high-deductible health plan.

***Rent will increase by \$31,239***

1. Rent will increase with the move to the new headquarters in March and expanding the amount of space by 52%. Rent is reflected on a straight-line basis over the 11-year term of the new lease and reduced by the amortization of over \$400,000 in landlord-paid leasehold improvements to be made prior to our move-in date. Due to rent abatement for the first 10 to 12 months of the new lease, no actual cash payments should be made for office rent until 2021.

***Travel expenses will decrease by (\$27,080)***

1. Travel costs should decrease by 8% next year, which will not have two major events that incurred substantial travel this year: the 2019 International Research Conference in Toronto and the 45<sup>th</sup> Anniversary Gala in New York. Travel costs for the Toronto Conference were \$89,921. There are expected to be additional travel costs for the new Major Gifts Officer, who is expected to spend a good portion of his or her time building donor relationships on the road.

***Fundraising Fees will increase by \$55,000***

1. The 2020 Budget includes continuing to retain Graham-Pelton as fundraising consultants for the full year, at a cost of \$22,500 per month. The Endowment Fund decided to continue its support of the fundraising campaign and share in these costs, so the \$22,500 per month will be split on a 50/50 basis between the two organizations.

***Science spending on grants, contracts and consulting will increase by \$810,485 in the second year of the Research Business Plan***

1. This budget represents a conservative increase in research activity, which can be scaled up if revenues exceed our initial budgeted expectations for 2020.
2. Preclinical consortium contract and consulting fees spending takes up the largest portion of the 2020 Science Budget, growing from the \$715,776 projected for this year, compared to \$1,125,972 budgeted for 2020. A good portion of the spending in this area is supported by contract revenue, which is budgeted to bring in \$624,075 next year, but is less dependent on corporate initiated studies than our current 2019 Budget.
3. Spending on the Clinical Research Consortium increases significantly, from \$92,691 this year to \$283,909 next year, with \$200,000 being spent on the STOP-2 and other clinical trials.
4. Biosample Repository spending is expected to grow next year with the new Associate Director of Research spending much of her time working on the project. The 2020 Budget for the Biosample Repository is \$288,490, a \$104,902 increase over the current year.
5. Grant spending for 2020 will also see an increase, with \$545,767 budgeted for science grants and an additional \$5,000 budgeted for a grant to support our global alliance partners in Thailand and \$5,000 grant related to the Community Alliance Leadership Training.
6. Funding for the Natural History Database will also increase next year, going from \$63,065 this year to \$117,075 in 2020.