

Report of Independent Auditors

PricewaterhouseCoopers LLP
New York, NY

To the Board of Directors
The Juvenile Diabetes Research Foundation International:

In our opinion, the accompanying statements of financial position and the related statements of activities, cash flows and functional expenses present fairly, in all material respects, the financial position of The Juvenile Diabetes Research Foundation International and its Chapters (the "Foundation") at June 30, 2004 and 2003, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 8, 2004

Statements of Financial Position

	2004	2003
Assets		
Cash and cash equivalent	\$ 24,931	\$ 15,403
Investments (see Note 3)	89,855	78,562
Receivables		
Interest and dividends receivable	70	51
Accrued Income - Events	4,403	-
Contributions receivable (see Note 6)	18,980	25,422
Sundry receivables	142	252
Assets related to Charitable Remainder Trusts	2,716	2,617
Fixed assets, net (see Note 7)	1,667	1,790
Prepaid expenses and other assets	964	967
Total Assets	\$ 143,728	\$ 125,064
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities (see Note 5)	8,884	7,399
Liabilities related to Charitable Remainder Trusts	1,429	1,403
Accrued rent escalation	507	508
Deferred credit	252	298
Deferred revenue	2,220	411
Research grants payable (see Note 9)	107,665	104,024
Total Liabilities	\$ 120,957	\$ 114,043
Net Assets		
Unrestricted	(5,112)	(19,781)
Temporarily restricted	22,837	25,719
Permanently restricted	5,046	5,083
Total Net Assets	22,771	11,021
Total Liabilities and net assets	\$ 143,728	\$ 125,064

See accompanying notes to financial statements.
The Juvenile Diabetes Research Foundation and its chapters
years ended June 30, 2004 and 2003 (in thousands)

Statements of Activities

	2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Public support:				
Contributions	\$ 26,633	\$ 8,012		\$ 34,645
Special Events Proceeds	130,012			130,012
Direct Expenses	(22,152)			(22,152)
Transfers from affiliates	5,749			5,749
Total Public Support	140,242	8,012		148,254
Revenue				
Investment Income	9,485		(37)	9,448
Advertising Income	287			287
Other	1,156			1,156
Total Revenue	10,928	–	(37)	10,891
Net assets released from restrictions	10,894	(10,894)	0	
Total Public Support & revenue	162,064	(2,882)	(37)	159,145
Expenses				
Program services				
Research support	92,963			92,963
Public education	29,837			29,837
	122,800			122,800
Supporting services				
Management and general	10,819			10,819
Fundraising	13,776			13,776
	24,595			24,595
Total expenses	147,395			147,395
Change in Net Assets	14,669	(2,882)	(37)	11,750
Net Assets				
Beginning of year	(19,781)	25,719	5,083	11,021
End of year	\$ (5,112)	\$ 22,837	\$ 5,046	\$ 22,771

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The Juvenile Diabetes Research Foundation and its chapters
years ended June 30, 2004 and 2003 (in thousands)

2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	\$ 27,522	\$ 6,169		\$ 33,691
	117,047			117,047
	(20,838)			(20,838)
	5,127			5,127
	128,858	6,169		135,027
	4,031	3	60	4,094
	488			488
	693			693
	5,212	3	60	5,275
	5,383	(5,383)		
	139,453	789	60	140,302
	89,033			89,033
	29,077			29,077
	118,110			118,110
	11,550			11,550
	13,316			13,316
	24,866			24,866
	142,976			142,976
	(3,523)	789	60	(2,674)
	(16,258)	24,930	5,023	13,695
	\$ (19,781)	\$ 25,719	\$ 5,083	\$ 11,021

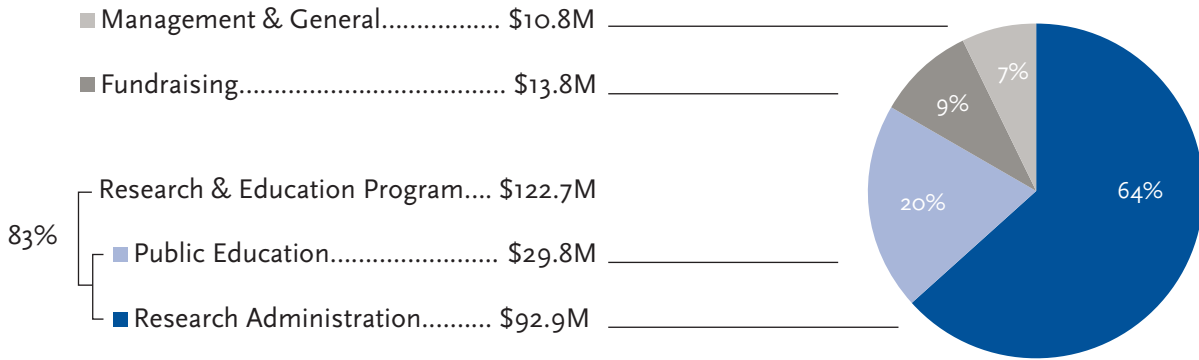
Statements of Cash Flows

	2004	2003
Cash flows from operating activities		
Change in net assets	\$ 11,750	\$ (2,674)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized loss (gain) from sale of investments	(1,356)	1,433
Net unrealized (appreciation) depreciation on investments	(6,308)	(3,561)
Depreciation and amortization	610	557
(Increase) decrease in receivables, net	(2,130)	(906)
Decrease (increase) in prepaid expenses and other assets	3	428
Decrease in split-interest agreements, net	74	26
Increase (decrease) in accounts payable and accrued liabilities	1,485	1,335
(Decrease) increase in accrued rent escalation	(1)	(17)
Decrease in deferred credit	(46)	(46)
Increase (decrease) in deferred revenue	1,809	11
(Decrease) increase in research grants payable	3,641	(15,259)
Net cash used in operating activities	\$ 9,531	\$ (18,673)
Cash flows from investing activities		
Purchase of fixed assets	(488)	(397)
Purchase of investments	(18,841)	(61,537)
Proceeds from sale of investments	19,326	81,404
Net cash provided by investing activities	(3)	19,470
Net increase (decrease) in cash & cash equivalents	9,528	797
Cash and cash equivalents		
Beginning of year	15,403	14,606
End of year	\$ 24,931	\$ 15,403

See accompanying notes to financial statements.
The Juvenile Diabetes Research Foundation and its chapters
years ended June 30, 2004 and 2003 (in thousands)

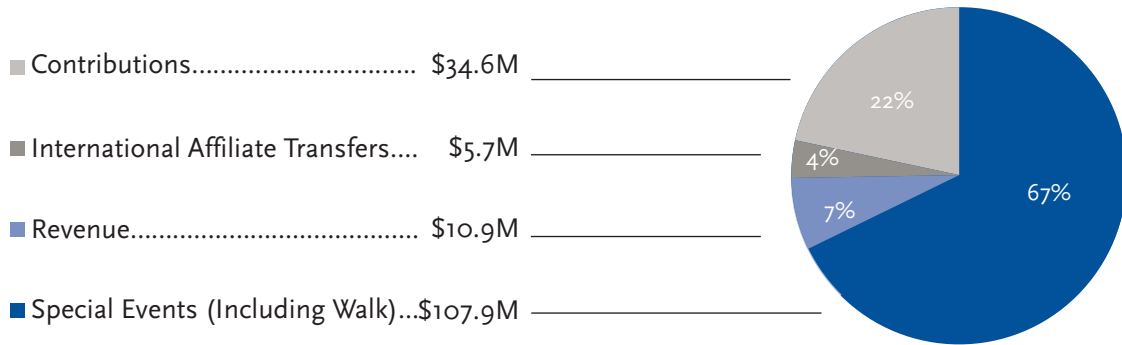
Functional Expenses \$147.3M

For the Year 2004



Public Support and Revenue \$159.1M

For the Year 2004



See accompanying notes to financial statements.
 The Juvenile Diabetes Research Foundation and its chapters
 years ended June 30, 2004 and 2003 (in thousands)

Statements of Functional Expenses

	PROGRAM SERVICES		
	Research Support	Public Education	Total
Research Grants	\$ 86,349		\$ 86,349
Payroll and related expenses	3,878	16,819	20,697
Printing & promotional expenses	295	2,736	3,031
Office rent & related expenses including depreciation and amortization	872	4,560	5,432
Meetings and conferences	1,067	1,883	2,950
Professional services	286	718	1,004
Miscellaneous	216	3,121	3,337
	92,963	29,837	122,800
Percentage of total	63.07%	20.24%	83.31%

	PROGRAM SERVICES		
	Research Support	Public Education	Total
Research Grants	\$ 80,912		\$ 80,912
Payroll and related expenses	3,907	16,245	20,152
Printing & promotional expenses	354	3,328	3,682
Office rent & related expenses, including depreciation and amortization	1,880	3,730	5,610
Meetings and conferences	1,335	3,069	4,404
Professional services	458	1,868	2,326
Miscellaneous	187	837	1,024
	\$ 89,033	\$ 29,077	\$ 118,110
Percentage of total	62.27%	20.34%	82.61%

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The Juvenile Diabetes Research Foundation and its chapters
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2004

SUPPORTING SERVICES			TOTAL EXPENSES
Management and General	Fund Raising	Total	
			\$ 86,349
6,815	7,672	14,487	35,184
553	1,916	2,469	5,500
1,955	1,980	3,935	9,367
320	662	982	3,932
227	285	512	1,516
949	1,261	2,210	5,547
10,819	13,776	24,595	147,395
7.35%	9.35%	16.69%	100.00%

2003

SUPPORTING SERVICES			TOTAL EXPENSES
Management and General	Fund Raising	Total	
			80,912
6,606	7,544	14,150	34,302
672	2,260	2,932	6,614
2,617	1,677	4,294	9,904
672	854	1,526	5,930
610	571	1,181	3,507
373	410	783	1,807
\$ 11,550	\$ 13,316	\$ 24,866	\$ 142,976
8.08%	9.31%	17.39%	100.00%

1. ORGANIZATION

The mission of the Juvenile Diabetes Research Foundation International and its Chapters (the "Foundation") is to find a cure for diabetes and its complications through the support of research.

The Foundation solicits contributions from the public and engages in various fund raising activities. Funds raised are used to support Type 1 diabetes research. In addition, the Foundation engages in advocacy efforts aimed at increasing federal funding of Type 1 diabetes research.

The financial statements of the Foundation include the accounts of The Juvenile Diabetes Research Foundation International and its Chapters located throughout the United States. The Foundation has international affiliates located in Canada, Australia, U.K. and a number of other countries. The financial statements of these organizations are not included in the foregoing financial statements of the Foundation since the Foundation does not exercise control over the management and operations of the international affiliates.

The Foundation is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Asset Classifications

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the Foundation.

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Contributions

Contributions are recognized as income when they become unconditional promises to contribute, at their fair value.

The Foundation records contributions as temporarily restricted if they are received with donor stipulations that limit their use, either through purpose or time restrictions, and those stipulations have not expired. When donor restrictions expire in subsequent years, that is, when a purpose restriction is fulfilled or a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor stipulations that limit their use which expire in the same reporting period are recorded as unrestricted contributions.

The Foundation administers two types of split interest agreements – Charitable Gift Annuities and Charitable Remainder Trusts. With Charitable Gift Annuities, the Foundation receives cash or marketable securities from a donor in exchange for an annuity to be distributed for a fixed amount over the lifetime or lifetimes of the donor or other beneficiaries, not to exceed two persons. Upon the death of the annuitant or survivor of the annuitants, the Foundation is entitled to full use of the remainder. With Charitable Remainder Trusts administered by the Foundation, the Foundation receives donated assets as Trustee under a trust agreement established by the donor in exchange for an income stream to be distributed to the donor and/or other beneficiaries over a specified period of time. The distribution to the donor or other beneficiaries may be a fixed dollar amount (an annuity trust) or percentage of the fair market value of the trust as determined annually (unitrust). Upon the termination of the trust, the Foundation is entitled to full use of the remainder. For both Charitable Gift Annuities and Charitable Remainder Trusts, a related liability is recorded for the actuarially determined present value of the obligation to the annuitant or annuitants. The discount rates used to calculate the liability range between 3.6% and 8.27% at June 30, 2004. For Charitable Gift Annuities, the assets received are held as general assets of the Foundation, and the annuity liability is a general obligation of the Foundation.

The Foundation has volunteers who have donated significant amounts of their time to the Foundation's program services and to its fund-raising campaigns. Such contributed services do not meet the criteria for recognition as the value of such services cannot be readily measured and, accordingly, are not reflected in the accompanying financial statements.

Cash and Cash Equivalents

Cash and cash equivalents includes cash balances of the Foundation and money market accounts. At times, cash and money market balances may be in excess of the Federal Deposit Insurance Corporation limits. The Foundation has not experienced any losses in such accounts.

Investments

Investments, including assets related to split-interest agreements, are carried at fair value. Realized and unrealized gains and losses are recorded on the statement of activities and determined by comparison of cost, computed on a first-in, first-out

basis, with proceeds or fair value. Cost of securities is determined by purchase price, if purchased, or fair value at date of receipt, if donated. Valuations of securities are based on published closing prices on the last day of the fiscal year.

Fixed Assets

Fixed assets, which consist of furniture, equipment and leasehold improvements, are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which approximate three to ten years for furniture and equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the life of the asset or the lease term.

Fair Value of Financial Instruments

Financial instruments are defined to include: cash and cash equivalents, investments, receivables, assets related to split-interest agreement, accounts payable and liabilities related to split-interest agreements. The fair value of investments is discussed in Note 3. The carrying amount of the Foundation's remaining financial instruments approximates fair value.

Allocation of Joint Costs

The Foundation allocates joint costs between fund raising and program services or management and general in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising".

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. INVESTMENTS

Included in investments are amounts related to Charitable Gift Annuities totaling \$1,546 and \$1,428 at June 30, 2004 and 2003, respectively.

	2004		2003	
	Cost	Fair Value	Cost	Fair Value
Fixed income securities	\$28,706	\$28,893	\$30,364	\$31,609
Equity securities including mutual funds	40,595	60,962	33,957	46,953
Total investments	\$69,301	\$89,855	\$64,321	\$78,562

The Foundation's investments are exposed to various risks, such as market and credit risks. Because of the risk associated with such investments, it is possible that changes in their values will occur and that such changes could materially affect the Foundation's financial statements.

The Foundation is exposed to credit risk in the event of nonperformance by the issuers of the fixed income securities. However, the Foundation does not anticipate such nonperformance.

Investment return and its classification in the Statement of Activities for the years ended June 30, 2004 and 2003 were as follows:

	2004			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$1,768	\$1	\$15	\$1,784
Unrealized (losses) gains	6,291	(2)	19	6,308
Realized gains (losses)	1,426	1	(71)	1,356
	\$9,485	\$0	\$(37)	\$9,448

	2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$1,955	\$1	\$10	\$1,966
Unrealized (losses) gains	3,531	1	29	3,561
Realized gains (losses)	(1,455)	1	21	(1,433)
	\$4,031	\$3	\$60	\$4,094

Investment expenses relating to investment advisors, managers and custodians and other bank charges were \$240 and \$341 for the years ended June 30, 2004 and 2003, respectively. Investment expenses are recorded as reductions to interest and dividend income.

4. PENSION PLAN

The Foundation has a defined contribution pension plan which covers substantially all employees. Employer contribution amounts are determined by the Board of Directors. The Foundation's expense due to the amounts it contributed to the plan for the years ended June 30, 2004 and 2003 was \$1,416 and \$1,245, respectively.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2004 and 2003 consist of:

	2004	2003
Accounts payable and accrued expenses	\$6,516	\$4,982
Accrued vacation	1,377	1,319
Charitable gift annuity	942	1,059
Other	49	39
Total accounts payable and accrued liabilities	\$8,884	\$7,399

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2004 and 2003 consisted of:

	2004	2003
Gross contributions receivable, due		
Less than one year	\$10,393	\$10,458
One to five years	11,788	17,250
	\$22,181	\$27,708
Less:		
Unamortized discount to present value	(814)	(1,286)
Allowance for doubtful accounts	(2,387)	(1,000)
	\$18,980	\$25,422

Contributions receivable have been discounted to their present value at the date the original unconditional promise to give was made. As of June 30, 2004 and 2003 such contributions receivable were discounted using weighted average rates of 3.80% and 2.46%, respectively. Contributions deemed uncollectible are recorded as bad debt expense. During the year ended June 30, 2004 and 2003, the Foundation provided for \$3,171 and \$2,885 of contributions receivable, respectively, deemed to be uncollectible.

7. FIXED ASSETS

Fixed assets at June 30, 2004 and 2003 consisted of:

	2004	2003
Furniture and equipment	\$2,080	\$3,762
Leasehold improvements	1,494	1,484
	3,574	5,246
Less accumulated depreciation and amortization	(1,907)	(3,456)
Fixed assets, net	\$1,667	\$1,790

Depreciation and amortization expense for the years ended June 30, 2004 and 2003 amounted to \$610 and \$557, respectively.

8. RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2004 and 2003, the Foundation received the following contributions from affiliates which are included in the statement of activities:

	2004	2003
JDRF - Canada	\$3,008	\$2,641
JDRF - Australia	1,731	1,589
JDRF - United Kingdom	932	776
JDRF - Greece	53	45
JDRF - Israel	25	25
JDRF - Puerto Rico	-	25
JDRF - Others	-	26
	\$5,749	\$5,127

9. RESEARCH GRANTS PAYABLE

Research grants payable at June 30, 2004 and 2003 consisted of:

	2004	2003
Gross Research Grants Payable	\$107,816	\$104,081
Less:		
Unamortized Discount to present value	(151)	(57)
	107,665	\$104,024
The gross amount of the payables are due as follows		
Less than one year	\$94,448	\$90,467
One to two years	13,217	13,557
	\$107,665	\$104,024

Research grants payable have been discounted to their present value as of June 30, 2004 using discount rates ranging from 1.05% to 3.6%.

10. COMMITMENTS AND CONTINGENCIES

Research Grants

As of June 30, 2004, there were conditional research grant commitments of \$104,660 payable over the next five years. Such additional conditional commitments may not be recognized in the Foundation's financial statements until the conditions have been substantially met and are currently estimated to be due as follows:

2005	\$61,572
2006	\$29,294
2007	8,185
2008	5,609
	\$104,660

Leases

Effective January 1, 1995, the Foundation entered into a 15-year lease agreement for executive office space in New York City. The lease provides for rental concessions at the beginning of the lease term and for rental increases over the minimum rent for the Foundation's pro-rata share of increases in building operating expenses. As of June 2001, the Foundation leased additional office space for the executive office in the same building which also provides for rental increases over the minimum rent for the Foundation's pro-rata share of increases in building operating expenses. Rent expense for the executive office was \$830 and \$771 for the years ended June 30, 2004 and 2003, respectively. As of June 30, 2004, a liability of \$496 remains for the excess of the straight-line rent over the actual lease payments. The Foundation was also reimbursed for certain construction costs associated with leasehold improvements. The leasehold improvements and a corresponding deferred credit were recorded in 1995, both of which are being amortized on a straight-line basis over the term of the lease.

The Foundation is also obligated under various leases for space occupied by certain U.S. Chapters. Rent expense including maintenance costs for the U.S. Chapters was \$2,689 and \$2,489 for the years ended June 30, 2004 and 2003, respectively.

As of June 30, 2004, the minimum annual lease payments under operating leases for rental of premises in the next five years and thereafter are as follows:

2005	\$3,446
2006	\$3,476
2007	2,975
2008	2,289
2009 and thereafter	5,700
	\$17,886

Line of Credit

On February 6, 2004, the Foundation entered into an agreement with JP Morgan Chase ("Chase") for a line of credit in the aggregate amount of \$5 million. The term of the agreement expires on December 31, 2004 and is subject to an interest rate based on Prime or LIBOR plus 50 basis points. The line of credit was unused as of June 30, 2004.

11. RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

At June 30, 2004 and 2003, temporarily restricted net assets were available for the following purposes:

	2004	2003
Periods after June 30, 2004 and 2003, respectively	\$22,796	\$25,677
Research scientist award	41	42
	\$22,837	\$25,719

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. At June 30, 2004 and 2003, the investment income derived from the following components of the permanently restricted net asset balance, exclusive of a minor portion of investment income reinvested in perpetuity in accordance with donor wishes, was expendable to support:

	2004	2003
Unrestricted program activities	\$1,575	\$1,576
Restricted Program activities	2,000	2,000
Research grants at Virginia Mason Research Center	1,471	1,507
	\$5,046	\$5,083