

Chapter 2

Acceptance of Funds

SIBCR accepts funds in support of the research and education mission of VAPSHCS. All funds deposited in the Institute and all equipment purchased with Institute funds are the property of the Institute and are subject to policies and procedures established by the Board of Directors. Such policies and procedures will be consistent with applicable federal and state statutes and regulations.

The Institute may only invest in instruments backed by the full faith and credit of the U.S. Government.

Grantors or donors may send funds by check or electronic transfer. For direct deposits to SIBCR's account, the Controller will provide necessary information.

All checks or other funds directed to SIBCR should be made payable to the Seattle Institute for Biomedical and Clinical Research, Employer Identification Number (EIN) 91-1452438. Checks made payable to other individuals or organizations cannot be accepted. Prospective donors should be given a copy of the document "Information for Donors." This form is provided to all prospective members and is available at www.sibcr.org.

If funds are received in support of a specific research proposal, no funds may be expended until that project has received approval from the VAPSHCS R&D Committee.

If funds are received in support of a specific educational or training activity, no funds may be expended until that activity has received approval from the VAPSHCS Education Committee (EC).

SOURCES OF REVENUE

The general categories for revenue are: (A) voluntary health agency and private foundation grants; (B) corporate sponsored grants or studies or gifts; (C) federally-funded programs; (D) transfer funds and; (E) miscellaneous. SIBCR administration of the funding may vary depending on the stipulations of the funding source.

Funds derived from indirect support provided by the sponsored research or education activities administered by the Institute will be used to support the operation of the Institute. These institutional funds may also be used to respond to the needs for direct or indirect research costs or educational and training support as identified by the SIBCR Intramural Funds Committee, the VAPSHCS R&D Committee, the VAPSHCS EC and the SIBCR Board of Directors. The Board of Directors must approve all support provided.

A. Voluntary Health Agency/Private Foundation Research Studies

Funding in this category is derived from nonprofit entities to support a specific research or education proposal or a career development award. Indirect cost reimbursement rates vary among sponsors. Some sponsors in this category have written policies that either state the organization does not provide overhead costs or that set limits for this support. The

investigator should review the proposal and budget with SIBCR prior to submission to the sponsor. If required by the funder policy, SIBCR may accept and administer these sponsored awards with less than its approved indirect cost rate.

B. Federal Programs

This category consists of grants or contracts from federal agencies, other than VA but including the National Institutes of Health and Department of Defense. An indirect cost rate is negotiated with the relevant agency. For SIBCR, this is the Division of Cost Allocation, Department of Health and Human Services. The indirect costs are provided to the grantee institution in addition to the direct costs provided for support of the studies. The negotiated indirect cost rate is available at www.sibcr.org.

C. Corporate Sponsored Research or Education Grants

Funding in this category is usually provided by pharmaceutical or other commercial sponsors involved in the development of new drugs or devices, or in the support of medical research or education. The studies may be investigator-initiated or sponsored by the pharmaceutical company. Negotiations for this type of award should ensure that the SIBCR indirect cost rate is provided as an additional cost to the funding required for the study. The applicable rate should be reviewed with SIBCR administrative staff.

The Department of Veterans Affairs Office of General Counsel has determined that the appropriate mechanism for industry-sponsored or funded research is a Cooperative Research and Development Agreement (CRADA).

The Veterans Health Administration (VHA) Directive (2007-044) requires the use of a CRADA for industry-funded studies effective March 26, 2008. Clinical research agreements existing at that date will not need to be revised.

SIBCR cannot accept funds where the sponsor will acquire any services or product, other than review of intellectual materials or results, as an outcome of the research being supported.

D. Transfer Funds

Members may transfer to SIBCR funds from accounts at other nonprofit institutions. Indirect costs may have already been deducted or may not have been requested on these funds. Transfer funds will not be subject to SIBCR administrative overhead charges. Such exemption does not extend to funds in support of an active project being transferred; rather, project funds will follow the stipulations or guidelines of the funding agency or institution.

E. Miscellaneous Support

Sources for funding in this category may be broad and may include gifts or other donations from individuals or public or private entities. Single awards or donations or \$2,000 or less will not be charged overhead unless the award represents a portion of a larger contribution. Deposits totaling more than \$2,000 generally will have an overhead rate applied to unrestricted donations that are not related to a specific project or projects.

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SPECIAL CONSIDERATIONS

Ethical considerations: VA investigators sometimes wish to have an honorarium, consulting, or speaker fee directed to a VA-affiliated nonprofit corporation such as SIBCR as a donation in lieu of accepting it personally. Some apparently do this in the belief that donating a fee to a nonprofit relieves them of the need to make sure the subject of their presentation is not related to their official VA duties or the need to take annual leave. However, federal ethics regulations at 5 CFR §2635.807 allow federal employees to earn fees for presentations related to their official duties *only* if they are teaching a course requiring them to make multiple presentations during a program of education or training sponsored and funded by the federal government or by an institution of higher education, an elementary school, or a secondary school. As far as we have been able to determine, this is the only exception; there is no exception for turning the payment into a donation to a nonprofit.

Tax implications: Investigators sometimes also believe they will not be assessed personal income taxes on a speaker fee if they instruct the payer to send the check to a nonprofit. However, the IRS is likely to view as income amounts earned any time there is a *quid pro quo* - an exchange of goods or services for payment - or when an individual exercises control over dispensation of payment. Such payments may be taxable to that individual regardless of whether payment goes to a nonprofit or the individual accepts it personally. Acceptance of such funds may be viewed as tax avoidance by the IRS, affecting both the investigator and the nonprofit.

Personal benefit concerns: Finally, investigators often wish to specify - or simply expect -that their donation of speaking fees, writing fees and consulting payments will be available to support their own research. In some cases, investigators may want to direct a personal donation for their own research program.

In IRS terms, their expectation is that use of the gift is “restricted” to their own research. However, the IRS has asserted that such contributions could provide a prohibited actual or perceived benefit to the donor if the donor subsequently controlled or even influences use of the gift. This jeopardizes the nonprofit’s exempt status because no nonprofit assets may benefit an individual associated with the organization.

The SIBCR Board of Directors has formally determined that gifts from members will be accepted only if completely unrestricted or used for a research program other than the member’s program.

One option is for SIBCR to send a letter to the sponsor requesting an unrestricted donation to SIBCR in lieu of an honorarium. These funds may be deposited into general funds. Use of the funds will be under the control of the Board of Directors. Special requests for use of these funds can be directed to the Board. Members should contact the SIBCR Executive Director if such a donation request is contemplated.