

*Established by
Evelyn F. McKnight
to Alleviate Memory Loss
in the Aging.*

Trustees

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Memorandum

From: J. Lee Dockery, MD

To: Fellow Trustees

Date: July 13, 2017

Subject: Succession Planning, July 25, 2107

A considerable amount of time will be devoted to succession planning at the strategic planning meeting component of the trustees' meeting, July 25-26, 2017. With the thought of providing choices for our discussion, I have asked Mr. Raattama to prepare three organizational models with support information for our consideration.

1. Continue status quo.
2. Reorganize the MBRF, establish an office of/for the MBRF (i.e., Function, Staff and Space).
3. Terminate the MBRF through transfer of assets to another worthy entity in combination with a scheduled phasing down while completing future obligations of the MBRF.

Included with this communication are the memoranda and power point display from Mr. Raattama outlining his thoughts and commentary. He has done an excellent job in responding to the request; and, as could be expected, hybrids of each of the models have evolved.

Also enclosed are two Excel spread-sheets showing cash flow requirements of the MBRF for the next five years with the retention of a fund balance of \$20M and \$10M respectively, after transferring the balance of the MBRF's assets to another entity. The figures used are estimates and the spread-sheets are for demonstration only and not presented to support one option over another. **Note:** The \$5M retention in option IV (Mr. Raattama's memorandum) is for bare bones operations. These attached spread sheets include committed programmatic distribution requirements in addition to operational expenses. Therefore, it is not intended for the two models to be consistent.

With regard to the consideration of the transfer of assets to another entity, guidelines for making gifts to the NIH/NIA and the FNIH are attached for your review and information.

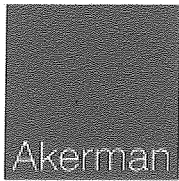
It is important for each of us to thoroughly review all of the documents in Mr. Raattama's report and the supporting information in advance of the meeting. To stress its importance, I'm asking the corporate trustee to distribute this packet of information separately from the agenda packages for the value of its separate and independent review.

Thank you for your thoughtful review and deliberation in advance of the meeting which will greatly facilitate our discussions in reaching thoughtful conclusions.

- Attachments:**
1. Raattama Memoranda and Power Point
 2. Excel Spread-Sheets: 2
 3. Gift administration to NIH/NIA
(Accompanied by Abbreviated Summary)
 4. Gift administration to the FNIH

Please address all correspondence to

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Memorandum

From: Henry H. Raattama
To: Trustees, McKnight Brain Research Foundation
Date: July 10, 2017
Subject: Notes Re: MBRF Proposed Organizational Alternatives

The purpose of this memorandum and accompanying power point display is to present for discussion ideas for MBRF's future organization and management from continuing as is, or to dissolving. There is no intent to prefer a particular option in whole or in part. The ultimate decision may be one of the five options, a mixed and matched decision or something entirely different. The goal for now is to discuss the possibilities without favoring a particular course of action.

Following is a narrative for each of the five options shown in the power point.

- I. **Continue As Is.** This option is to continue as is with no material (each person can define material) changes in MBRF governance or operations. It is noted that 4 (of 7) Trustees may rotate or retire within the next four years. While Trustee rotation is normal, the added possibility of Trustees retiring results in these Trustee changes being more significant than the heretofore normal Trustee rotation, since two of the four are founding Trustees. This option would incorporate the ongoing (2017) strategic planning decisions.
- II. **Continue As Is with the MBRF reinventing itself for the Future.** Reinventing in this case means the changes discussed and agreed upon as part of the 2017 strategic planning. "Probably" because some of these changes are more than the changes associated with typical strategic planning.
 - Governance Change – that is, continue with the current Trustee makeup. The current Trustee makeup was decided in April 2008, reaffirmed in March 2012 and

modified to increase the number of Trustees from 5 to 7 in 2014

- 5 Year Plan – The Trustees decide upon a plan for the next five years. For example, the Trustees will name a new institute with a plan and budget for implementation of the new institute.
- Reduce Trustee day-to-day work load – i.e. – reduce the time devoted to MBRF matters. Options to reduce Trustee burden.
- Establish a MBRF office. This could include hiring a director, office staff, space, etc. The relation with SunTrust would have to be considered and reworked. The goal is to eliminate Trustees having to do day-to-day administrative work, i.e.- correspondence, non-substantive decision-making, etc. Cost would have to be considered:

For Illustration:

Executive Director*	\$	150,000
Staff	\$	50,000
Space	\$	20,000
Miscellaneous (Travel, Supplies, etc.)	\$	30,000
	\$	<u>250,000</u>

* The executive director would be involved with substantive matters in addition to administrative duties. A job description would be needed.

- Delegate investments to a Trustee committee and/or independent manager. For example, delegate to SunTrust all investment responsibility, except asset allocation and spending policy. Full Board of Trustees discuss investments only once a year, but receive regular (monthly or quarterly) reports. Assign two Trustees to monitor investments as closely as the Trustees see fit. The Board of Trustees can delegate fiduciary responsibility (and liability) if delegation is done prudently.
- Site visits now require several days of Trustees' time. The site visits could be structured so that one or two Trustees visit each institute annually, or once every two years. Three Trustees could also monitor the Institutes during the course of the year using, for example, the required annual report. The visiting Trustees report to the other Trustees and recommend changes, if any.
- Depending on many factors, current Trustee meetings may require several days to complete. As functions are delegated, it may be possible to replace in-person, meetings with conference calls. One in-person meeting per year might be adequate to carry out MBRF's business. Assuming the Inter Institutional concept is retained, the annual meeting could be held at the same time and location as the annual Inter Institutional meeting as is now done.

- Budget – At present, there is no formal budget process. A budget process would assist Trustees in focusing and planning the activities for MBRF. A budget would provide a partial roadmap for day-to-day operations.
- Evaluate whether MBRF's accomplishments merit its continuing existence. This process would be very basic.
 - Is the MBRF Mission realistic?
 - Are others better able to accomplish the MBRF Mission?
 - Does the focus on "Clinical" application add or detract from accomplishing the goal? In other words, does pure research come closer to fulfilling the Mission than pure or partial clinical application?
 - Does requiring "clinical application" in the Mission limit the opportunity to achieve amelioration of age-related memory loss (or is it cognition)?

III. Change Governance Structure. Currently the MBRF is administered both by elected and founding Trustees. That structure has worked since inception. As founding Trustees rotate off, the historic synergy may be lost. Thus, the MBRF should consider alternative governance structures. This topic usually involves changing control.

- Create a closer relationship with the Institutes. This would involve bringing representatives of the institutes into the Trustee structure. These could be as voting or advisory members. The change would be for the Institute to participate in governance. There are obvious downsides (letting the fox guard the henhouse), but the Trustee decisions may be better and it may institutionalize MBRF, i.e. – perpetual existence.
- Advisory Board. Establish an Advisory Board (pure scientists and clinicians) to review MBRF scientific activities and suggest optional programs or projects. The Trustees are effectively acting as an advisory board currently, but fresh eyes and ideas might generate improved outcomes. This could be in association with the Institutes or separate.
- Self-perpetuation Board. Current Trustee selection is close to self-perpetuation now. Expand the election process and possibly move to staggered terms so a new Trustee joins each year, or something similar. Recognize that there is no correct number of Trustees or terms of years. Founding Trustees would remain until they cease serving as a Trustee.

IV. Partial Wind Down. The concept here is that the MBRF would continue with enough assets to support administration (monitoring) and several programs.

- The MBRF would retain \$5,000,000 that should produce \$250,000 per year. \$250,000 should be adequate for administration and allow some funds for small programs such as the Poster Reception (\$25,000) and Inter Institutional meetings

(\$100,000). See Dr. Dockery's memorandum and spread sheets. The spread sheets include currently obligated programmatic distributions, whereas this \$250,000 is only the costs of operations. Thus, the spread sheets are not intended to be consistent with this bullet point.

The balance of the assets (\$40,000,000) will be granted to one or more institutions to carry out the MBRF Mission. A Gift Agreement will be entered into and will be monitored by the TRUSTEES.

- Possible recipients will include institutions the Trustees believe are best able to carry out the MBRF Mission. These might include:
 - U.S. Government, e.g. – NIH;
 - Endow each current institute with a portion of the assets;
 - Identify a new institute, such as Columbia to be endowed; and
 - Mix and match.
- The Trustees would monitor adherence to the Gift Agreement. The Gift Agreement, to the extent possible, should give the Trustee authority to transfer the assets granted to the extent the recipient fails to fulfill the Gift Agreement.

V. **100% Wind Down.** Under this option, MBRF will, within 5 years (or some period) distribute 100% of its assets and cease all operations. Unlike a partial wind down, there will be no MBRF Trustees to monitor the use of funds and the transferees' adherence to the Mission, etc.

- The five-year time period is arbitrary. The period could be any terms or no term, instead final dissolution might occur. When Trustees believe it is appropriate, i.e. – all needed decisions are in place.
- Possible recipients – this would seem to be the same analysis as partial wind down.
- The Trustees would monitor, and possibly modify the Gift Agreement, during the wind down period. Thereafter the reliance must be in the good faith of the transferee unless a monitoring body is identified.
- Consider endowing NIH (\$5MM?) to monitor institutes and recipients. An entity monitor in perpetuity would institutionalize MBRF. Note: this could be combined with partial wind down.



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Memorandum

From: Henry H. Raattama
To: Trustees, McKnight Brain Research Foundation
Date: July 10, 2017
Subject: Random Thoughts re MBRF Proposed Organizational Alternatives

The purpose of this memorandum is to provide an overview of topics to consider when contemplating plans for MBRF's future. The goal for now is to discuss the possibilities, without favoring a particular course of action.

- In the future, who will be the driving force to energize MBRF and MBRF activities. Without a driving force, any organization (including MBRF) will flounder if it is not institutionalized.
- Adherence to Mission - In any alternative, it is imperative to strictly adhere to the Mission. Does strict adherence stifle imagination?
- Is it worthwhile to identify and evaluate MBRF's accomplishments?
- Has MBRF made a difference – Are its accomplishments worth the \$56,000,000 MBRF expenditures plus leveraged expenditures totaling approximately \$160,000,000?
- The MBRF has created an infrastructure which has focused scientists on the Mission and offered an opportunity to accomplish the Mission.
- To date, MBRF has partnered with universities and the Federal Government. Is there another type of partner that should be considered, e.g. – a foundation with a

similar mission? This does not really fit in options I – V.

Definitions

Mission Statement: The McKnight Brain Research Foundation strives to:

- Lead in generating interest and support of scientific research in the understanding and alleviation of age-related memory loss*
- Inspire commitment and shared vision in the understanding and alleviation of age-related memory loss
- Partner with research scientists, institutions, and organizations to promote research to understand and alleviate age-related memory loss
- Promote collaboration and communication among research scientists, institutions, and organizations engaged in research in age-related memory loss
- Nurture scientists dedicated to the exploration and innovative research in the understanding and alleviation of age-related memory loss
- Recognize and Reward achievement in discoveries leading to the understanding and alleviation of age-related memory loss

*The specific influence of aging on memory loss

Amended, February 6, 2107

Accomplishments - Anything that tangibly advances the Mission. To a degree, accomplishment is in the eye of the beholder. To some, publishing a peer-reviewed article is an accomplishment, even though it may not advance the Mission. To some, only a break-through that demonstrably advances amelioration of age-related memory loss is an accomplishment. It may be more accurate to use the word "outcomes". The goal is the outcome. Outcome is a current amelioration of age-related memory loss. For example, a published article does not directly ameliorate age-related memory loss; or teaching piano may alleviate age related memory loss; teaching person to play the piano may alleviate age related memory loss.

Future – What MBRF will look like in 5 and 10 years?

MBRF Proposed Organizational Alternatives 7/25/2017

I

CONTINUE AS IS

- No operational Change
- o 4 Trustees may rotate or retire in the next 2 years
- o 2017 strategic plan

II

CONTINUE AS IS

- Reinvent Trust
 - o No Governance change
 - o 5 Year Plan
 - o Reduce Trustees Work
 - Establish MBRF Office
 - Delegate Investment to 3d Party or Selected Trustees
 - Structure Site Visits more efficiently
 - Conference Call Meetings
 - Prepare Annual Budget
 - Formally evaluate whether MBRF accomplishments to date merit MBRF continuing

III

CHANGE MBRF GOVERNANCE STRUCTURE

- o Create a closer / synergistic relationship with Institutes
 - o Advisory Board
 - o Self Perpetuating Board of Trustees
 - Single Class of Trustees after Founding Trustees rotate

IV

PARTIAL WIND DOWN

- o Retain \$5M (\$5M x 4.5% = \$225M/yr)
- o Balance of Assets Go to Transferee Who Will carry out mission per a new Gift Agreement
 - o Trustees Monitor Transferee and sponsor limited Mission-related programs
 - o Transferee
 - Government, e.g. - NIH
 - Endow each Institute
 - Endow New Institute, e.g. - Columbia
 - Mix and Match

V

WIND DOWN 100% WITHIN 5 YEARS

- o MBRF Mission Continued by Transferee of Assets per a new Gift Agreement
 - o Trustees Monitor only during Wind Down
 - o Transferee
 - Government, e.g. - NIH
 - Endow each Institute
 - Endow New Institute, e.g. - Columbia
 - Mix and Match
 - o Dissolve MBRF after 5 years

McKnight Brain Research Foundation
Committed Expenditures; 2018-2022
(Retain \$20 Million Dollars for Investment)

	2018	2019	2020	2021	2022
1. University of Arizona	\$ 1,000,000.	\$1,000,000.	\$1,000,000.		
2. Foundation for NIH	\$ 1,000,000.				
3. Inter. Institutional Meetings	\$ 100,000.	\$ 100,000.	\$ 100,000.	\$ 100,000.	\$ 100,000.
4. SfN Poster Reception	\$ 25,000.	\$ 25,000.	\$ 25,000.	\$ 25,000.	\$ 25,000.
5. Trans. Research Scholarships	\$ 330,000.	\$ 330,000.	\$ 330,000.	\$ 330,000.	\$ 330,000.
6. Travel Awards (Block Grants)	\$ 700,000.	\$ 700,000.	\$ 500,000.	\$ 500,000.	\$ 500,000.
7. Trustees' compensation	\$ 280,000.	\$ 200,000.*	\$ 120,000.*	\$ 120,000.	\$ 120,000.
8. Trustees' Travel expenses	\$ 16,000.	\$ 16,000.	\$ 16,000.	\$ 16,000.	\$ 16,000.
9. Sun Trust Fees (30 basis pts)	\$ 60,000.	\$ 52,032.	\$ 47,108.	\$ 42,724.	\$ 41,245.
10. Attorney's fees	\$ 45,000.	\$ 30,000.	\$ 30,000.	\$ 30,000.	\$ 30,000.
	\$ 3,556,000.	\$2,453,032.	\$2,168,108.	\$1,163,724	\$1,162,245.
Investment income::					
\$20 M X 4.5% = \$900,000.	\$ 900,000.	\$ 780,498.	\$ 706,622.	\$ 640,855.	\$ 618,676.
Deficit:	\$ 2,656,000.	\$1,672,534.	\$1,461,486.	\$ 492,869.	\$ 443,569.
Balance of Corpus:	\$ 17,344,000.	\$15,702,708	\$14,241,222	\$13,748,353.	\$13,304,784
* 2019, Anticipates two vacant trustee positions will not be filled					
* 2020 anticipates the resignation of two trustees. Total of three remaining Trustees.					
#6. Esstimated continued block grant support					
#8. Average per year has been \$15,377.70.					
#9. Current balance is \$46 M					
Sun Trust Fees are 30 basis pts.					
Years, 2019, 2020 and beyond fees calculated at \$15 M balance					
#10, Average X 5 years =\$33K					
Years, 2019, 2020 and beyond are estimated anticipating less work requirements.					

McKnight Brain Research Foundation
Committed Expenditures; 2018-2022
(Retain \$10 Million Dollars for Investment)

	2018	2019	2020	2021	2022
1. University of Arizona	\$ 1,000,000.	\$1,000,000.	\$1,000,000.		
2. Foundation for NIH	\$ 1,000,000.				
3. Inter. Institutional Meetings	\$ 100,000.	\$ 100,000.	\$ 100,000.	\$ 100,000.	\$ 100,000.
4. SfN Poster Reception	\$ 25,000.	\$ 25,000.	\$ 25,000.	\$ 25,000.	\$ 25,000.
5. Trans. Research Scholarships	\$ 330,000.	\$ 330,000.	\$ 330,000.	\$ 330,000.	\$ 330,000.
6. Travel Awards (Block Grants)	\$ 700,000.	\$ 700,000.	\$ 500,000.	\$ 500,000.	\$ 500,000.
7. Trustees' compensation	\$ 280,000.	\$ 200,000.*	\$ 120,000.*	\$ 120,000.	\$ 120,000.
8. Trustees' Travel expenses	\$ 16,000.	\$ 16,000.	\$ 16,000.	\$ 16,000.	\$ 16,000.
9. Sun Trust Fees (30 basis pts)	\$ 30,000.	\$ 20,793.	\$ 14,763.	\$ 11,486.	\$ 8,605.
10. Attorney's fees	\$ 40,000.	\$ 30,000.	\$ 30,000.	\$ 30,000.	\$ 30,000.
	\$ 3,521,000.	\$2,421,793.	\$2,135,763.	\$ 1,132,486.	\$1,129,605.
Investment income::					
\$10 M X 4.5% = \$450,000	\$ 450,000.	\$ 311,895.	\$ 221,450.	\$ 172,288.	\$ 128,079.
Deficit:	\$ 3,071,000.	\$2,109,898	\$1,914,313.	\$ 960,198.	\$1,001,526.
Balance of Corpus:	\$ 6,931,000.	\$4,921,102.	\$3,828,626	\$ 2,868,428.	\$1,866,902.
<p>* 2019, Anticipates two vacant trustee positions will not be filled</p> <p>* 2020 anticipates the resignation of two trustees. Total of three remaining Trustees.</p> <p>#6. Estimated continued block grant support</p> <p>#8. Average per year has been \$15,377.70.</p> <p>#9. Current balance is \$46 M Sun Trust Fees are 30 basis pts. Years, 2019, 2020 and beyond fees calculated at \$20 M balance</p> <p>#10, Average X 5 years = \$33K Years, 2019, 2020 and beyond are estimated anticipating less work requirements.</p>					

Gifts to the NIH/ NIA
Abbreviated Summary

- 1. The National Institutes of Health cannot solicit gifts**
- 2. The various Institutes (such as National Institute on Aging) under the National Institutes of Health can accept conditional and unconditional gifts.**
- 3. Gifts can be made directly or through the Foundation for the National Institutes of Health.**
- 4. If made directly through the NIA, the management fee charged by the FNIH is avoided.**
- 5. Monetary gifts are deposited and managed through government accounts and income from these investments retain the same limitations or conditions as the original gift.**
- 6. Monetary Gifts are invested in US Securities and the investment income is deposited in respective gift account.**
- 7. Conditional Terms that are generally acceptable include:**
 - a. A grant directed to support a specific institute, lab or project.**
 - b. Agreement to collaborate with other scientific institutions.**
 - c. Provision of financial reports to the donor at appropriate intervals.**
 - d. Participation by the donor in public scientific meetings or conferences.**
 - e. Audits by the donor, as arranged between the parties.**

NIH POLICY MANUAL

1135 - Gifts Administration

Issuing Office: OD/OM/OFM - 301-443-3184

Release Date: 10/05/2011

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1. **Explanation of Material Transmitted:** The material transmitted contains policies and procedures to be followed when accepting gifts. This material includes updated guidance regarding gift terms and conditions to be considered when accepting gifts, applying for grants, and returning unused gift funds to the donor. In addition, the information in the chapter has been restructured.

2. **Filing Instructions:**

Remove: NIH Manual 1135 dated 09/20/2005.

Insert: NIH Manual 1135 dated 10/05/2011.

PLEASE NOTE: For information on:

- Content of this chapter contact the issuing office listed above.
- The NIH Manual System, contact the Division of Management Support, OMA, on (301) 496-2832 or enter this URL:
<http://oma.od.nih.gov/manualchapters/>.

A. Purpose:

This chapter establishes policy and procedures concerning the

acceptance, acknowledgment, and administration of gifts (including bequests, devises of real property, legacies, grants, and donations from living donors) to the National Institutes of Health (NIH) or to support its activities or components. This manual chapter applies to the receipt of gifts, both monetary and non-monetary that are accepted under the authority established in Sections 231, 405(b)(1)(H), and 497 of the Public Health Service (PHS) Act, as amended (42 U.S.C. §§238, 284(b)(1)(H), and 289f)

This chapter does not govern interagency agreements (IAAs) accepted under the gift authority. These transactions are governed by Manual Chapter 1165, "Agency Agreements." Also, there are exceptional circumstances when an employee, with agency approval, may accept a gift on behalf of the agency from a foreign government or international organization. The guidelines for such acceptance, which fall under the Foreign Gifts and Decorations Act (5 U.S.C. 7342) are not covered in this manual chapter. For additional information, please confer with your Institute or Center (IC) Deputy Ethics Counselor.

B. Background:

This information is intended to enable the NIH to take full advantage of its statutory and delegated authorities to accept gifts while preserving public trust by maintaining the objectivity of the NIH in carrying out its activities. Compliance will enable NIH management to efficiently control the acquisition and use of such resources and ensure NIH complies with appropriations laws and maintains the integrity of its operations.

The NIH is authorized to receive gifts to supplement appropriated funds to support its research efforts under: 1) the statutory authority for the acceptance of conditional and unconditional gifts, including grants as

conditional gifts; 2) the Stevenson-Wydler Technology Innovation Act of 1980, as amended, for the acceptance of funds pursuant to a Cooperative Research and Development Agreement; 3) the Federal Technology Transfer Act of 1986, as amended, for the acceptance of royalties resulting from government inventions; and 4) the statutory authority for the Foundation for the National Institutes of Health (FNIH) to transfer funds to the NIH. This manual chapter establishes policy only for the statutory authority for the acceptance of conditional and unconditional gifts, including grants as conditional gifts.

The NIH is authorized to accept both gifts and transfers of funds from the FNIH. Gifts from the FNIH are authorized pursuant to Sections 231, 405(b)(1)(H), and 497 of the PHS Act, are governed by this policy, and must fulfill all the requirements of this policy. Transfers of funds from the FNIH are authorized by section 499(j)(10) of the PHS Act (42 USC 290(j)(10)) and governed by the policy on Public Private Partnerships, Manual Chapter 1167, "Public-Private Partnerships." Transfers from the FNIH do not need to comply with the requirements of this gift policy. Similarly, there are various authorities under which other federal agencies may transfer funds to NIH. Although NIH generally accepts these interagency transfers under its gift authority, such interagency transfers do not need to comply with the requirements of this gift policy.

C. Policy:

Gifts are categorized as unconditional or conditional. A gift will be considered unconditional if it is made to the NIH, an IC, or any other constituent part of the NIH for the benefit of all or any of these organizations, or for the carrying out of any of their functions, without further specification as to its purpose or manner of use. A gift will also be considered unconditional if it is limited to one or more of the general

purposes of any part of the PHS Act administered by the NIH or to one or more of the general purposes of any institute, agency, or component established pursuant to Title IV of the PHS Act. Examples of gifts considered unconditional include gifts limited by donors for the following purposes: "the National Institutes of Health," "the National Cancer Institute," "cancer research," without further specification.

A gift will be considered conditional if the donor restricts its purpose, or imposes conditions, to support a specific research study, project, or conference; to support activities of an NIH employee identified by organizational affiliation; to support specifically identified functions, such as observances, ceremonies, particular public information or health promotion campaigns, community outreach activities; or purchase of specific items or types of equipment, or other specific uses.

Examples of purposes that would be considered conditional include a gift to the NIH: 1) to support a specific activity conducted by, e.g., the "Office of Research on Women's Health"; 2) to support an identified research project performed by a specific IC laboratory or extramural grant or contract; 3) to support certain categories of expenditure, such as personnel, equipment, or supplies; or 4) under a grant mechanism that imposes specific terms and conditions on NIH in the expenditure of the gift. Gifts to support activities of individual employees may be accepted only if the principal beneficiary of the gift is the NIH rather than the employee, and the gift is given in such a form that the money can be used even if the employee leaves NIH.

Under Section 231 of the PHS Act, gifts may not be accepted that are conditioned upon any expenditure that cannot be met from the gift itself or from the income of the gift. In addition, neither the gift nor any conditions associated with it should exert influence over NIH program priorities.

Accordingly, the NIH may accept a gift to support a mission-related priority if it is already conducting the activity or is prepared to conduct the activity even without the gift. However, the NIH is precluded from accepting a gift to support an activity that would not be conducted but for the gift and thereby reorders the programmatic priorities of the agency and diverts the use of appropriated dollars from activities with higher priorities.

EXAMPLE: An IC would like to engage in a high priority, but very expensive multi-year clinical trial but does not have adequate appropriated funds. Fortunately, a donor has offered to fund the trial. In this scenario, an IC is legally permitted to accept the gift provided that there is no condition on the government to expend appropriated funds towards the clinical trial. In the event the donor ceases to fund what is presumably a multi-year trial, the IC should be prepared to complete the trial with appropriated dollars, because the IC has established the trial as a program priority.

When making a determination whether or not to accept a gift, the IC must consider the identity of the immediate donor of the gift to the agency, and may consider the identity of any entity that may have funded the donor. For example, if a gift comes to the agency from a private foundation (for instance, FNIH), it is not necessary to determine if another entity (for instance, a tobacco company) is the original source of the foundation's money. If, however, the agency knows that the foundation's source of funds is from an entity or individual with whom the agency does not want to be affiliated, then the agency, as a discretionary matter, may choose to decline the gift even though the immediate donor poses no concerns. In another example, an NIH grantee making a gift to the agency would still be considered a prohibited source even if the grantee were making a subaward of funds from a private foundation that is not a prohibited source.

activities, may not serve as a financial intermediary for a third party in the donation of funds, equipment, supplies, or other resources to be used in support of NIH activities or employees in the performance of their official duties, such as intramural research, unless authorized by law. Currently, the only authorized financial intermediary for a third party donation of funds is the FNIH which operates under explicit statutory authority to solicit, accept, invest, and manage third party donations to support the NIH in its mission. Except for FNIH-administered gifts, the statutory gift acceptance authority of the NIH provides an adequate basis for accepting all donations, if otherwise proper, directly from the donors, while allowing NIH managers to control their administration. In the use of gift acceptance authority, employees and managers must determine whether acceptance of a gift would compromise or appear to compromise the integrity of the NIH or any of its employees. Authority to accept gifts is set forth in Delegation of Authority, Finance No. 5, "Accept Gifts Under Section 231 of the PHS Act," unless exceptions or waivers have been otherwise granted under a specific separate statutory authority.

Solicitation Prohibited:

NIH policy prohibits employees, either directly or through another party, from requesting or suggesting donations to the NIH or to any of its components, of funds or other resources intended to support activities. The Comptroller General has determined that application for grant funds does not constitute gift solicitation. Comptroller General Decision B-255474 (April 3, 1995).

When an outside organization or individual expresses an unsolicited interest in supporting NIH activities, an employee may provide information on the authority of the NIH to accept gifts and the procedures for offering and accepting gifts. The Information Fact Sheet on Donations to the NIH

may be sent to potential donors (see Appendix 4). The policy against solicitation of gifts precludes the solicitation of funds and other in-kind gifts, but does not preclude NIH employees from seeking and engaging in collaborative activities, such as co-sponsored conferences, Cooperative Research and Development Agreements, grants, or public private partnerships.

Appendix 5: Standard Operating Procedures:

1. Monetary Gifts

a. Cash and Checks - one time

Step 1: Once an IC receives a donor's check, cash, or similar instrument, within two business days, the IC must send the instrument along with a copy of the Gift Transmittal Form (see Appendix 1) and the donor's letter (if applicable) to the OFM Cashiers Office.

Step 2: Within twenty business days after receipt of a monetary gift, the recipient IC must determine whether to accept the gift and must notify the donor of the decision. This time frame may be extended in cases where the decision whether or not to accept a gift is still under review or negotiation. When an extension is required, consultation with OGC is encouraged.

Step 3: Once an IC has determined that acceptance of a gift is appropriate, it must forward a copy of the Acceptance Letter (see Appendix 3) along with a copy of the Gift Acceptance Checklist (see Appendix 2), if applicable, to the OFM Cashiers Office.

b. Wire Transfer Donations

Once a recipient IC becomes aware that a donor plans to send a wire transfer donation, the recipient IC should prepare an Acceptance Letter in the most expeditious manner. A copy of the completed and signed Acceptance Letter, along with the Gift Transmittal Form, Donor's Letter, and Gift Acceptance Checklist (if applicable) are to be faxed to the GLB.

If a wire donation is received by GLB staff but they do not receive a copy of the corresponding backup documentation within 5 working days, GLB will notify the IC by email. If GLB does not receive a copy of the backup documentation within 10 working days the wired funds may be sent back to the donor.

c. Donations/Pledges to be given Incrementally

Scenario 1: Should an IC receive a donation or pledge that is to be submitted to the NIH in increments over a period of one fiscal year and should the total value of the gift be for an amount that is \$5,000 or greater, the IC is required to: 1) Complete the Gift Acceptance Checklist; and 2) Submit a copy of the Acceptance Letter, Gift Transmittal Form, Donor's Letter, and Gift Acceptance Checklist to the OFM Cashiers Office, for the initial donation received. For all subsequent donation/pledge receipts, an IC is to submit a copy of ONLY the Gift Transmittal Form.

Scenario 2: If the total value of the gift being donated in increments is less than \$5,000, the IC is to submit a copy of

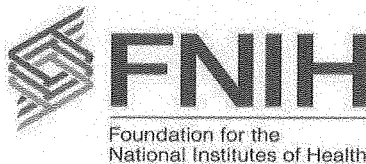
the Acceptance Letter, Gift Transmittal Form, Donor's Letter, and Gift Acceptance Checklist (if applicable) to the OFM Cashiers Office, for the initial donation; and ONLY a copy of the Gift Transmittal Form for subsequent donation/pledge receipts.

The Acceptance Letter should state that the gift is being deposited to the "component's appropriate gift fund account," the purpose for which the funds will be used (reference to a "Breast Cancer Gift Fund" or an "Emphysema Gift Fund," for example, is technically incorrect and, therefore, should not be used), and, if it is a conditional gift, a statement acknowledging the donor's wishes regarding the disposition of unobligated funds. Unobligated funds are either transferred to the component's unconditional gift fund account for the support of any other objectives of the recipient component or returned to the donor. The OFM Cashiers Office will then deposit the money. Gift checks more than 90 calendar days old will not be accepted by OFM for deposit and will be returned by the IC to the donor for reissuance.

Acceptance Letters must be signed by an authorized official, and must state the purpose for which the gift will be used. Copies of the Acceptance Letter must be forwarded to the OFM, DDM, DDIR, and DDER, as outlined above in Section F. If a gift is not accepted or the donor refuses to accept NIH terms, any uncashed checks tendered by the donor must be promptly returned to the donor. If the donor's check has already been cashed, OFM will draw a refund check from the Treasury and send it to the donor.

In the case of conditional monetary gifts, if it is determined at any time after acceptance that the condition(s) cannot be met, or if residual funds exist, the IC will deal with the funds in accordance with the wishes of the donor that were arranged during gift acceptance. If the disposition of unobligated funds was not negotiated during gift acceptance the IC will contact the donor to find out the donor's wishes.

- d. The OGC and the Executive Secretariat are available to assist in reviewing an Acceptance Letter.



Information on Gift Opportunities and Mechanisms

PREPARED FOR THE MCKNIGHT BRAIN RESEARCH FOUNDATION

July 2017

By contributing to the Foundation for the National Institutes of Health (FNIH), the McKnight Brain Research Foundation (MBRF) becomes a partner in groundbreaking biomedical research and discoveries.

Working together, the National Institutes of Health (NIH), the private sector, academia and advocacy organizations offer hope for the continued discovery and development of scientific and medical breakthroughs that will lead to better prevention, diagnoses, therapies and cures. The FNIH is uniquely positioned to form and manage these collaborations.

The FNIH is the only entity authorized by the United States Congress to raise private funds for and establish public-private partnerships with the NIH, including the National Institute on Aging (NIA) and the other Institutes and Centers that together comprise the agency. An independent, 501(c)(3) not-for-profit organization, the FNIH works with its partners to accelerate biomedical research and strategies to fight against diseases in the U.S. and across the world.

The FNIH has raised more than \$1 billion to date; 96 cents of every dollar support programs. Since 1996, the FNIH has established and managed more than 500 programs and partnerships—including the decade-long Research Partnership in Cognitive Aging with the MBRF and the NIA—with efficiency, effectiveness and accountability. By supporting the mission of the NIH, the FNIH and its donors help turn discovery into health. Each gift builds on the nation's investment in the cutting-edge biomedical research of the NIH.

How are contributions handled by the FNIH?

- The FNIH treats contributions large and small in accordance with the donor's wishes.
- Contributions of more than a few thousand dollars may be deposited into a Named Fund.
- Contributions to a Named Fund are typically governed by a Letter of Agreement (LOA) between the donor and the FNIH. The LOA sets forth the donor's intentions, the amount of the gift, the purpose(s) to which the gift will be put, the payment schedule (lump sum or payable over time), how the donor's funds will be distributed and over what period of time (lump sum or in set, or variable, increments), the programmatic and financial management and reporting requirements and other key considerations.
- The LOA may:
 - set a general framework of intent for the gift
 - establish specific requirements for its use
 - define a process and structure for making future decisions concerning the use of the gift, or
 - use a combination of such approaches.
- The donor, or its representative, may relinquish or retain advisory privileges with respect to the distribution of funds and, if desired, the investment of assets in the account.

Program Management

- Donor funds may support education and training, biomedical research or other activities consistent with the mission of the FNIH. These activities may be conducted:
 - by or under the auspices of the NIH or any of its Institutes and Centers
 - by or under the auspices of the FNIH
 - a combination of the two, or
 - any other mechanism agreed upon by the donor and the FNIH.
- The FNIH works with its donors to design programs that meet the needs of the science and of the donor, respecting its unique relationship with the NIH and the associated opportunities and limitations.
- The FNIH's management role may include:
 - short-term or long-term project or program management
 - scientific, education, fellowship or other grant making, management and oversight, employing a peer review process if appropriate
 - research management, including clinical research oversight
 - event management
 - development and support of capital projects
 - assigning staff or others to serve as Trustee(s) or otherwise aid in governance or decision making for a Fund
 - promoting or communicating research findings or other program outcomes
 - asset management
 - other mutually agreed upon responsibilities

Administrative Costs

- To support its staff and operations, the FNIH must recover its direct and indirect costs. Direct costs include but are not limited to staff, legal and investment services, travel, supplies, etc. Indirect costs may be computed as a percentage of the gift or of direct costs
- An agreement regarding administrative costs is articulated in the LOA.

Fund Management

- With donor agreement, contributed funds may be managed in a way to generate investment returns commensurate with:
 - low-risk vehicles such as short-term treasury and government securities,
 - more moderate risk intermediate-term fixed income vehicles, such as a core or intermediate bond fund, or
 - a balanced long-term portfolio of equities and bonds
- Investment income may be partly or completely reinvested in the Fund.
- Donors receive a financial report annually, unless otherwise determined in the LOA.
- A Finance & Audit Committee, appointed by the FNIH Board of Directors, is responsible for directing and monitoring the investment management of funds held by the FNIH. Funds are managed in accordance with standard accounting and financial management practices and the FNIH's investment policy, which may change from time to time.

- The FNIH is a 501(c)(3) charitable organization. Gifts to the FNIH may take the form of cash and cash equivalents, stocks or non-publicly traded assets such as real estate, private business interests and private company stock.

For further information, please contact:

Julie Wolf-Rodda
Director of Development
Foundation for the National Institutes of Health
301-402-6027 direct
jwolf-rodde@fnihi.org
fnihi.org

Our Donors

Donors are critical to providing resources that are vital to the FNIH's success. Unrestricted gifts allow the flexibility to use donations where they are most needed, while restricted gifts serve a specific area of interest. Individuals and organizations also can establish funds and endowments to pay tribute to loved ones or join a giving society. Donors are recognized in a variety of ways and some societies include membership benefits. Learn more at the following links:

Annual Contributions:

Join the Partners for Innovation, Discovery and Health Society at fnih.org/PartnersSociety.

Planned Giving:

For questions regarding bequests or transferring stock, visit fnih.org/PlannedGiving and join others who included the FNIH in their estate plans at fnih.org/LegacySociety.

Funds and Endowments:

Establish a fund or endowment that advances research in a particular area of interest by searching FNIH programs at fnih.org/Programs.

Tribute Giving:

Learn more about gifts to honor or memorialize a loved one at fnih.org/TributeGiving.

For a complete list of donors, funds and endowments, visit fnih.org/AnnualReport.

Please call 301.402.4976 or email advancement@fnih.org with listing concerns or questions.

² Superscript Indicates Number of Years of Consecutive Giving

✧ Indicates Gifts in Kind

∞ Member of the Partners for Innovation, Discovery and Health Society

▲ New Members of the Legacy Society

\$2,500,000+

AbbVie Inc.³
Anheuser-Busch InBev²
Bristol-Myers Squibb Company¹⁷
Carlsberg Breweries A/S
Diageo Plc
Bill & Melinda Gates Foundation¹⁵
HEINEKEN
Eli Lilly and Company¹⁷
Merck Sharp & Dohme Corp.¹⁹
National Football League³
Pernod Ricard
Pfizer Inc.¹⁹

\$1,000,000 - \$2,499,999

Alzheimer's Association¹²
Amgen, Inc.¹⁴
AstraZeneca Pharmaceuticals, LP¹⁵ ∞
Biogen⁶
Genentech, Inc.¹⁰
GlaxoSmithKline¹⁸
Craig R. Gochanour, Ph.D. ▲
Good Ventures Foundation
Johnson & Johnson¹⁶
McKnight Brain Research Foundation¹¹
National Institutes of Health⁸
Regeneron Pharmaceuticals, Inc.⁴
ROCHE⁹
SABMiller
Sanofi¹⁵
Takeda Pharmaceuticals International, Inc.⁸

\$500,000 - \$999,999

Boehringer Ingelheim Pharmaceuticals, Inc.⁸
Buffy Cafritz¹³ ∞
Clinical Research Associates, LLC, an affiliate of the Simons Foundation²
Doris Duke Charitable Foundation³
Eisai Inc.
Institut De Recherches Internationales Servier and ADIR²
Lundbeck²
Project C.U.R.E. ✧
Mrs. Lily Safra¹⁵
James T. Wendel ▲
Wyeth Nutrition²