

May 24, 1963

Mr. C. J. Stratton
Financial Management Branch
Department of Health, Education and Welfare
Bethesda 14, Maryland

Dear Mr. Stratton:

The following letter and enclosures are submitted for the Division of Research Grants' review of the relationship between grant and overhead expenditures of this Foundation, in order to establish an overhead rate for grant applications during the next fiscal year. Enclosures are:

Petition For Pro Forma Decree of Incorporation
(Articles of Agreement)

Charter

By-Laws

Accountants' Report April 30, 1963

The Psychiatric Research Foundation of Missouri was created in the spring of 1962 in order to facilitate the management of grant funds for research and training programs within the facilities of the Division of Mental Diseases of the State of Missouri. Under the leadership of the Director of the Division, Dr. George A. Ulett, and with the concurrence and support of the Governor of the State of Missouri, a group of leading citizens, active in the mental health movement, were encouraged to form the Foundation. The Charter and the By-Laws of the organization are appended.

The motivation for the creation of the Psychiatric Research Foundation was the establishment in St. Louis, on the grounds of the St. Louis State Hospital, of a specialized research and train-

ing facility called Missouri Institute of Psychiatry. The Missouri Institute of Psychiatry is a unit of the Division of Mental Diseases with a specific mission of developing research programs related to the patient populations of the Division. Part of the financial support of the Institute is from funds of the State of Missouri.

The purposes of the Psychiatric Research Foundation are to support, by financial and other means, the research and training activities of the Missouri Institute of Psychiatry and other centers of the Division of Mental Diseases. To carry out these activities, the Foundation has been granted the privilege of operating on the grounds of the Missouri Institute of Psychiatry, and the Division of Mental Diseases has agreed to provide the Foundation with office space and utilities, other than telephone.

All other activities of the Foundation are supported by the Foundation's own funds from two principal sources - contributions from citizens and the Mental Health Association of St. Louis; and, overhead allowances from the grant programs of the Foundation.

The principal expenditures of the Foundation are in the following categories:

1. Administrative salaries for the Executive Director and the Associate Director.
2. Administrative expenses including accounting and legal fees, secretarial and bookkeeping fees, travel for the purposes of the Foundation, communication costs and advertising for personnel.
3. Publication costs such as reprints, photocopy of documents and interlibrary loans.
4. Pension plan costs.
5. Mal practice insurance.
6. Membership fees.

Following are explanations of each of these items:

1. Administrative Salaries: The Board of Directors of the Psychiatric Research Foundation serve without remuneration. They have appointed an Executive Director to hire and supervise all personnel, authorize research and training grant application requests as the approving official of the Foundation, maintain records, establish good public relations and solicit funds.

As of June 15, 1963, the Board of Directors have appointed an Associate Director (Dr. Sol Garfield). Both of these appointments are on part-time basis. The costs for these two items per month, as of July 1, 1963 will be \$462.50 (\$5,400 per year).

2. Administrative Expenses: While the administrative expenses for establishing the Foundation were high during the first six months, we anticipate that the following expenses will be maintained during the 1963-64 year:

Secretarial and bookkeeping services - the Foundation has hired one secretary at \$350.00 per month (\$4,200 per year).

Legal fees and accounting fee costs for the coming year are budgeted \$1,000.

During the first year's operation, it was possible to charge the communication costs to special funds of the Missouri Institute of Psychiatry. However, effective July 1, these will be paid directly by the Foundation at an anticipated monthly cost of \$75.00 (\$900 per year).

In addition, there are charges for supplies, postage, shipping charges, etc., which we would estimate at \$50 per month (\$600 per year).

The monthly cost for these services is \$558.00.

The annual cost for these services is \$6700.00.

3. Publications, etc.: The Division of Mental Diseases has placed the supervision of the medical library of the St. Louis State Hospital in the office of the Director of the Missouri Institute of Psychiatry. Routine costs including maintaining the library collections of books and journals, binding and salary for the librarian are supplied by the State. However, the Division of Mental Diseases has requested that since research workers incur special costs for photocopy of documents and interlibrary loans - that such costs be borne, in part, by the scientists themselves.

At the request of the Psychiatric Research Foundation, the Missouri Institute of Psychiatry has established a rental agreement with the Xerox Corporation. Charges for the use of this service are pro-rated and for the scientists of the Foundation, the costs will be paid by the Foundation. For some grants, these have been provided for in direct costs. However, in others, such charges were not anticipated and the Foundation has agreed, for the coming year, to pay such costs from overhead allowance for those scientists for whom funds were not available in direct costs. Such charges are estimated to be \$100 per month (\$1,200 per year).

4. Pension Plan Cost: Appointees to the Missouri Institute of Psychiatry are concurrently appointed to the faculty of Washington University. For example, with my appointment as Director of the Institute, I was concurrently appointed as Research Professor in the Department of Psychiatry at Washington University; Dr. Sol Garfield, who has been appointed as Principal Research Scientist (Psychology) has been appointed as Research Professor in the Department of Psychology.

At the initial meetings of the Board of Directors of the Psychiatric Research Foundation, the Board agreed to provide appointees of the Psychiatric Research Foundation with perquisites equivalent to those provided by Washington University to scientists in similar academic categories. Thus, the Foundation has established its participation with Teachers Insurance and Annuity Association (TIAA). It has also agreed that the pension plan of Washington University would be adopted by the Foundation, viz for scientists under the age of 50, the Foundation will contribute an amount up to, but not exceeding, 5% of annual salary matching the employees contribution. For scientists over the age of 50, the Foundation contributions will be increased to 10%. These programs were approved at the November 29, 1962 meeting of the Foundation for implementation July, 1963.

Since the Foundation has appointees on funds other than National Institutes of Health, and to maintain the same allowances for all appointees, the Board of Directors has recommended that, to the extent that funds are available, the pension costs will be paid from the Foundation's own funds, rather than as direct charges to grants.

However, in the event that the overhead allowances on grants are not sufficient to provide such funds for scientists paid from such grants, the Foundation has indicated that it may, at a later date, revise this decision and request pension plan costs as part of direct costs.

For the 1963-64 year, the retirement costs are estimated to be \$6,400.

Up to the present time, the Foundation has elected not to contribute to the OASI program. It is anticipated that OASI participation may be approved and OASI charges will probably be incurred by the Foundation rather than as direct charges to grants. However, no estimate for the 1963-64 year is included at this time.

5. Because the programs for the Foundation involve studies with patients, the Foundation has agreed, following the practice of the Department of Psychiatry and Neurology at Washington University, to pay mal-practice charges from the Foundation's funds. During this first year of operation, the Foundation has paid for coverage of three

physicians - the others having coverage from previous contracts. During the period 1963-64, the Foundation anticipates paying for seven physicians at an annual cost of \$700.00.

6. The costs for membership in various societies, again following the practices of the Department of Psychiatry and Neurology of Washington University, will be paid for each of the principal scientists. The Board of Directors has approved membership fees up to \$200 per year for Senior scientists and \$100 per year for Junior scientists. For 1963-64 the estimated amount is \$1,200.

The present accountants' report indicates that the Foundation now has received NIH awards in the sum of \$96,300. Applications outstanding are in the sum of \$26,910. Three grant awards, 07071, 07072 and 07432 end November, February and December respectively. Proposals are now being prepared for four programs for a total direct cost budget of approximately \$100,000. It is anticipated that during the 1963-64 year, the Foundation budgets for direct costs will average \$12,000 monthly, for an annual rate of \$144,000.

Thus, the Foundation's costs, which we believe are proper "overhead", include:

1. Administrative Salaries	\$ 5,400
2. Administrative Expenses	6,700
3. Publications, etc.	1,200
4. Pension Plan	6,400
5. Mal Practice Insurance	700
6. Membership	<u>11,200</u>

For an annual overhead cost of \$21,600

Calculated on the basis of grants in the sum of \$144,000, this represents 15%.

It is our intention to submit four grant applications during the month of June. We will request on each an overhead allowance of 15%, with an indication that this should be corrected at the time of award to that percentage determined by NIH.

In response to your specific questions, this Foundation has never been previously audited by a government agency. The Foundation's accounts are maintained and audited by Mr. Lee Schure, Resident Partner of the firm of LaFrance, Walker, Jackley & Saville, #7 North Brentwood Blvd., St. Louis, Missouri. In addition auditors reports are annually submitted to the Board

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of Directors and copies are filed with the Director of the Division of Mental Diseases of Missouri and the Superintendent of the St. Louis State Hospital.

I hope that this information makes it possible for your Division to establish an overhead percentage for this Foundation for the coming year. If any of the information is incomplete, we will be pleased to make our records available to you.

Thank you for your cooperation.

Sincerely yours,

Max Fink, M. D.
Executive Director

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