**FAQ’s about Funders**

**All Funders are different – but there are important similarities**

**Background**

Research institutions and universities work with a broad range of organizations that fund biomedical research including federal and state entities, commercial or industry funders, and philanthropic organizations (including nonprofits / non-governmental organizations). Funders are often called “sponsors” by research institutions. Processes and procedures across these broad types of sponsors vary widely. The Federal Government has different constraints and policies than either industry or nonprofit nongovernmental funders. What is not as obvious is that the considerable variation among the sponsors within a sector is almost as great as the variation across sectors. There are important reasons for this including how an organization was founded, their stated mission, or how they are managed. It is entirely appropriate to paraphrase a cliché with respect to the philanthropic world. If you know the policies of **one** nonprofit funder you know the policies of **one** nonprofit funder.

However, all acknowledge that this diversity of funding is critical to health of the scientific enterprise which includes research and academic institutions, funders, and governmental entities. This diversity of funding is also extremely important to the individual researcher and the broader research and academic community. Each type of funder, and in fact each individual funder, contributes a different but very valuable set of benefits to the research enterprise.

Funders do recognize that this myriad of different processes, procedures, and funding mechanisms across the various sponsors of research creates an administrative challenge to research institutions and universities. We understand that universities, which are organized to manage federal grant process, must have faculty and staff understand and comply with the many policies, mechanisms, reporting requirements, and other procedures of nonfederal funders. Streamlining the administrative processes for research institutions is one of the positive outcomes we hope to gain as participants in the Nonprofit Funder Research Institution partnership.

The goal of these FAQ’s is to help universities and research institutions better understand the nonprofit nongovernmental partners with whom they work. Ideally a better understanding and respect for the differences among funders will lead to more effective working relationships with nonprofit nongovernmental funders who provide support critical to the research institution’s mission.

1. **What is the difference between a Private Foundation, a Public Charity, and other types of philanthropic organizations?**

**NOTE: HRA Members – if you want your organization used as an example below, please add your organization’s name where it goes.**

According to the Internal Revenue Service (IRS), private foundations and public charities are distinguished primarily by the level of public involvement in their activities. You cannot necessarily tell by the name of the organization to which category they belong. A list of funders who support biomedical research and training and are members of the Health Research Alliance can be found at [www.healthra.org](http://www.healthra.org/). This page links to about 90 nonprofit funders’ websites.

Public charities receive a large portion of their financial support from the general public and have greater interaction with the public. These organizations must raise funds to support their programming. At least 33% must come from relatively small donors (those who contribute less than 2% of the nonprofit organization’s income), from other public charities or the government. In addition, a public charity must represent the public interest by having a diversified board of directors. This often includes patients, patient advocates, business professionals, researchers, etc. These are founded in a variety of ways, often to address a specific disease area. Examples of public charities include: The American Cancer Society, the American Heart Association, the American Epilepsy Society, the Alzheimer’s Association and the BrightFocus Foundation.

A private foundation, on the other hand, can be controlled by parties who are related, and be governed and funded by a relatively small group. Private foundations derive much of their support from a small number of sources and from investment income. They do not solicit funds from the public. Many private foundations were founded or endowed by individuals or families, or from estates following the passing of their namesake. Because they are less open to public scrutiny, private foundations are subject to more stringent operating restrictions. Examples of private foundations include Helmsley Charitable Trust, Doris Duke Charitable Foundation, and Susan G. Komen.

There has also been an increase in the number of “Venture Philanthropies.” Venture philanthropies are a type of impact investment model that takes techniques from venture capital finance and applies them to achieving philanthropic goals. There are standalone venture philanthropies like The Multiple Myeloma Research Foundation and organizations that have a venture arm or specific programs like Foundation Fighting Blindness or the Leukemia and Lymphoma Society.

Finally, there are other types of organizations such as Charitable Trusts, Medical Research Organizations, and quasi-governmental funders. Howard Hughes Medical Institute and the Patient-Centered Outcomes Research Institute (PCORI) are examples of other types of funders.

**2.** **Does the IRS categorization impact how decisions are made among the various types of philanthropic organizations?**

Decisions within the philanthropic sector are strongly driven by mission. Though the IRS category of the organization *may* affect who has the power to make decisions, the decision-making process, and the reasons behind those decisions, of how funders determine the programs and strategic direction for their funding varies widely across philanthropies, no matter how the IRS categorizes the organization. Organizations have missions and through strategic planning strive to link funding priorities directly to that mission. Often funders use landscape analysis and solicit feedback from their research and patient community to help set strategic priorities and identify underserved areas or areas of highest impact. There is quite a bit of detail in this and the following paragraph. Maybe too much?

The decision-making structure can vary widely depending on the size, structure, and mission of the organization. For example, both professional societies and foundations may be categorized as public charities, but professional societies may involve a system of staff as well as committees, councils, and boards of medical and scientific professionals. Foundations are more likely to be staff-driven but with a strong influence of the board of directors. Meanwhile, some funders are disease-specific while others fund the whole spectrum of science. Some focus on career development for scientists while others focus on accelerating the development of new therapies. Some have targeted missions while others have diverse portfolios that can include funding for arts or humanities in addition to science. *It is critical to note that though some have flexibility to make and change policy quickly, or to negotiate on an individual basis, many do not.*

NOTE: These questions are specific to IDC. Can we add Q&A for royalty sharing and other IP/TT issues to this document?

3. **How does this decision-making process affect the policies with respect to Indirect Costs?**

The need to fundraise, in the specific case of a public foundation, can influence its decision-making. For example, the Board of a given nonprofit funder often consists, in part, of major donors who set parameters for their donations or have specific expectations. Some fundraising strategies and communications highlight the percentage of funds that go directly “to research.” Funders are hesitant to include F&A or “indirect” costs in that total number.

Two important concepts to appreciate when interacting with philanthropy are **impact** and **transparency**. Decisions are driven by each organization’s mission and must be justifiable to the organization’s specific stakeholders (board of directors, patients, trustees, etc.). Funders’ stakeholders require evidence of funding impact . To show this impact, funders need to know exactly what they funded and be able to directly point to what difference that funding has made to patients, the research field, or to the researcher. Transparency and impact are critical to the ability to secure additional funding for specific programs and even to the organization’s viability. Lack of transparency, and lack of ability to know what is covered in “indirect costs,” hinders the ability to identify the impact of all funding and is one of the main reasons many nonprofit nongovernmental funders do not include support for Indirect Costs in their policies.

The need to increase transparency while covering the real cost of the research project is also why many funders will fund “research project support costs.” These are costs that are often characterized as indirect, but for a specific project can be budgeted as a direct cost as they are in direct support of research under that project. For instance, many funders pay for part of a tech transfer officer’s salary if the goal is to get a therapy to market, and computer network charges can be direct if the project will have substantial computational needs. The participants of NFRI have created an [RPSC Menu](https://www.healthra.org/research-project-support-costs-menu-draft/) and companion [Definitions Document](https://www.healthra.org/wp-content/uploads/2019/05/NFRI_may222019_meeting_ResearchProjectSupportCosts_defintions_and_chart.xlsx) that can help researchers, institutions and even funders learn more about the potential for RPSC’s to be direct charged in the budget.

NOTE: Need to make sure the link to the RPSC menu and definitions are updated.

Universities and Research Institutions working with the various types of philanthropic funders would be well-served to study the organizations’ website to determine the mission, the governance structure, and the stakeholders the organization serves. Keep in mind that different programs or funding mechanisms even within the same organization might have different policies, depending on the goals of the program (people vs project for instance). As a specific example, it is more common for postdoctoral fellowships to have a lower support for Indirect Costs (if any) than a very large consortium grant.

Researching the funder can be useful in developing a productive relationship, though not all philanthropic organizations have the resources to put the same level of information on their website. Remember, the key to an effective working relationship with the funder is to understand, either via their website or by personal communication, what they can and can’t do and to work within those boundaries to advance the research which is the goal of both funders and research institutions.

**4.**  **Can you give other examples of why support for Indirect Costs or F&A would not be included?**

Many nonprofits lack the bandwidth to fund research programs in their entirety. Instead, their mission is to provide “seed” funds similar to the seed funding that research institutions often offer their own investigators. The funding is not intended to compete with NIH dollars and rarely covers the entire cost of the research. Instead, it is intended to help investigators obtain the preliminary data to compete for the large government grants that will fully enable the research. Nonprofits may monitor the success of those granting programs by tracking the amount of follow-on grants or investment achieved by the research program after the initial modest nonprofit investment. For such “seed” grants, diverting funds to F&A costs can be difficult because the nonprofit already understands that its grant does not fully cover the cost of the research but instead aims to leverage resources to help the professionals succeed in obtaining the follow-on funds needed to do the work.

Similarly, career development grants may not be expected to cover the entire costs of research. Instead, the grants provide young investigators with experience in writing research proposals and strengthen their competitiveness for larger long-term grants while they work on research projects for which their advisor has already received larger government grants. In some cases, such nonprofit grants will go beyond the financial support of the fellowship to include additional resources of mentorship, career development, and networking opportunities with the broader field beyond the institution. As with seed grants, the intent is not to fund the research in its entirety but to help an investigator compete for larger, long-term funds.

**NOTE: Q5 and Q6 are relevant to the streamlining group. Does this work for you? What else needs to be in here?**

**5.** **What are some examples of challenges funders face in communicating with faculty and other representatives from universities and research institutions on programmatic and administrative matters?**

Each funding organization will have its own process for communicating with faculty and institutional officials. The contacts will vary across funders, across programs, and with respect to where in the process the research project is. For an individual research grant for instance, at the proposal or application stage, the applicant is most commonly the researcher (or the primary investigator) and the individual responsible for submitting the application. However, a university official is often required to “sign off” when the primary investigator submits the application or when an award is made. Many funders ask the applicant for contact information for key institutional officials on the application in order to ensure that all parties are following required institutional procedures.

Once the primary investigator receives the award, funders generally include university officials in the next stages of the process. Most funders request that BOTH the PI and a university official sign off noting that they have read and accept the terms detailed in the award agreement. However, funders often have a difficult time identifying the correct university representatives with whom they need to be engaged, even if contact information is requested on the application. Sometimes it is because the applicant listed the wrong office, or the office that signed off on the application is not involved after the application stage. Turnover at universities also exacerbates the issue. The bottom line is that funders realize the value of including university officials but don’t always have an effective way of identifying the correct person at the correct stage in the process.

Special circumstances also require special signatories. There are cases where there is a different institutional representative who signs for the terms and conditions and the intellectual property, especially if the institution has a for-profit or nonprofit external or wholly-owned subsidiary that completes the tech transfer function of the institution, and to whom the employees assign their IP. An official at that subsidiary may need to be the signatory. Funders and research institutions need to work with the research scientists to make sure the correct officials (at both the funder and the research institution) are involved at every step of the way. This is an area where funders and research institutions need to work more closely to address this challenge.

**6. How and with whom do you follow-up when there are late financial and progress reports or other administrative issues?**

This varies among funders and the answer is different for financial and progress reports, as well as for different research institutions and different types of funding mechanisms.

For progress reports the key contact is generally the primary investigator. Progress report content is mostly scientific, and the PI is best suited to address scientific progress. Funders may have to use university officials to put pressure on the researcher to turn in a late report, but in general (though not universally) progress report content is driven by the scientific progress of researchers and they are the most appropriate people to complete that report.

However, with respect to financial reports, the process varies across funders. Some include both the PI and university officials on all financial report correspondence . Some start with the PI as the first point of contact; others with the university official. Universities will have different processes for how financial reports are completed, reviewed and submitted. These processes might mean that there are different points of contact at the university for those who: are responsible for completing the financial report; reviewing it for accuracy; submitting it to the funder; and advising who to contact if it’s late.

For other administrative issues, especially when there are other reporting requirements such as deliverables from the institution to the funder (e.g. informing the foundation about provisional patent filings, research misconduct, anti-terrorism clause obligations, etc.) funders are often reliant on the university to contact the funder. Funders can contact the officials designated on the application and on the award agreement but would need something to trigger the need to reach out to the institution for information. Put simply – funders don’t know what they don’t know and often must rely on the institution to keep the funder apprised of developments related to IP, research misconduct, etc.

**7. How and by whom is the decision made with respect to details of support for research? This includes level of funding, type of funding, and support of indirect costs.**

When developing a new program (or evaluating an existing one) the exact parameters of the program are designed specifically to achieve the goals of that program. Parameters such as eligibility, award amount, award terms, allowable expenses, etc. will be evaluated to ensure that the levels set will be best suited to achieve the program’s success. For instance, if a program is geared to keep early physician-scientists in academic research in a specific disease area, eligibility might include a requirement for a tenure-track or equivalent position, but no more than two R01-like awards. It may also state that travel expenses for international meetings are acceptable but only if the meeting is focused on that specific disease area. Funders may include more support for indirect costs for a team or consortium grant. Again, the award mechanisms for any program are specifically designed to achieve the goals of that program.

As noted above, nonprofits acknowledge that in general their funding cannot fully cover the costs of research and is not meant to. Instead, it is designed to leverage resources that would not otherwise exist to help specific programs or professionals compete to succeed long-term. Specifically, with respect to supporting indirect costs, it is important to note that sponsoring organizations strive to provide the support that their awardees need to successfully carry out the proposed project. Yet sponsors are also cognizant of the fact that any money supporting indirect costs is money that can’t be spent on the direct conduct of research. Donors know this as well, which means that raising more funds to support the research program is easier when the donor can see that his or her donation is applied directly to the research.

The decision-making process for how a program is created and how the parameters are set will vary across organizations. In some cases, the details of programs are established through input and approval from external or internal advisory groups. Some foundation program directors have the authority to create programs designed to achieve specific goals, and sometimes it’s the Board of Directors or Trustees who define the goals of the program and the specific aspects of the program that will best achieve those goals. Many organizations publicize the details of the process used to develop a new program when they announce the RFP, but not all. However, if the goals of the program or the mechanisms to achieve those goals are not clear, applicants are usually encouraged to contact the program contact.

**8. How is the decision made to fund specific applications submitted in response to a request for proposals?**

This again varies widely across funders. Some use a process similar to the NIH Peer Review system. Some use a scientific review board. But in all cases proposals are evaluated based on the criteria set forth in the RFP. Scientific merit, demonstration of institutional support, appropriateness of the budget, training environment, innovation, likelihood of a therapeutically-relevant discovery, are all examples of evaluation criteria that may be in an RFP. Successful applicants target their application package to the specific goals of the program. In most cases, the funding organization does not have sufficient funds to cover all meritorious proposals though success rates vary widely across funders and programs.

Funders may (or may not) use a Letter of Intent as a first stage and invite a subset of applicants to submit a full application. The LOI stage and the full proposal stage could be reviewed using the same mechanism or a different one. The extent of administrative review varies across funders as well. For instance, in many cases, the proposal must include a budget with clear justification for the different costs. The proposal is reviewed by a set of expert reviewers. That review might also include the budget, or the budget could be reviewed for appropriateness administratively. The criteria for the review process vary across organizations depending on their mission and the award program.

One common mechanism is to have scientific staff at the funder complete initial administrative, scientific and programmatic review, and then assign the most meritorious (and responsive) applications to reviewers in a “Scientific Review Committee”. The SRC rank orders the proposals or makes recommendations for funding. Many disease-specific organizations include lay reviewers in the review to ensure funded proposals are not just scientifically meritorious but also target the mission of the organization. Often board approval is needed as the final step in the process.

Royalty sharing:

"Do funders require royalty sharing in situations where licensing revenue results from an invention arising from your funding?"

"If so, how is a fair share calculated and what is the timing and limit of such sharing?"

Control of Licensing:

"What role do funders play in the licensing process if an invention results from their funding?"

"Do funders typically allow the grantee/contractor to manage interactions and license negotiations with prospective licensees?"

Definition of IP:  I am skipping this as I think it gets too technical for the FAQ document.

Patient access:

"How do funders approach the issue of strategies for ensuring patient access to medical or health-related innovation resulting from their funding?"