

## Financial Assessment of The Coulston Foundation

### The Coulston Foundation

The Coulston Foundation (CF), also known as the White Sands Research Center, is a not-for-profit research foundation located in Alamogordo, New Mexico. The Foundation was incorporated in 1993. It currently owns approximately 650 chimpanzees.

### NCCR Cooperative Agreement Award to the Coulston Foundation

NCCR supports a cooperative agreement with the Coulston Foundation, U42 RR 03582, "Establishment of a Breeding and Research Program." This award is currently in its 12<sup>th</sup> year, with a total cost budget of \$817,774 (\$489,279 direct costs and \$328,495 facilities and administration costs). The current budget period runs through August 31, 1999, and the project period end date is August 31, 2000. There is \$849,692 in total costs committed for the final noncompeting budget period scheduled to begin September 1, 1999. The NCCR award for the current budget period provides support for animal per diem for 100 chimpanzees for one year; salary for 10 staff, including the Principal Investigator (30%), a co-investigator (6%), a clinical veterinarian (20%), reproductive biologist (10%), behaviorist (20%), coordinator (25%), colony manager (10%), lead technician (50%), animal records manager (25%), and a secretary (25%); consultant costs, supplies, equipment, and other expenses. The 100 animals supported on this cooperative agreement are owned by the Coulston Foundation.

In April 1998, NCCR informed the five current recipient organizations under the Chimpanzee Biomedical Research Program (CBRP) that the program will terminate at the end of the current project periods, August 31, 2000. Based on the recommendations resulting from the Chimpanzee Management Program (CHiMP), in FY 1999 NCCR plans to issue a limited competition request for applications to the five current recipients offering them the opportunity to apply as one of two or three sites that will receive awards in FY 2000 to maintain a limited number of chimpanzees for breeding and research purposes.

### Recent Background on Coulston Foundation Financial Difficulties

In November 1998, NCCR became aware of serious administrative and financial concerns related to CF. We learned from Dr. Nelson Garnett, OPRR, that approximately 20 people were laid off by CF; that Dr. Travis Griffin, the President of CF, had resigned; and that there were approximately \$500,000 in unpaid bills to vendors and suppliers. Dr. Jerry Robinson, NCCR program official, and Ms. Joellen Harper, NCCR Chief Grants Management Officer, called Dr. Ron Couch, CF Vice President, on November 17 to gather information. He confirmed that there had been a reduction in force of approximately 20 people, which occurred due to corporate streamlining in response to economic downturns. He confirmed that Dr. Griffin had retired about two weeks previously and that he (Dr. Couch) had effectively taken over as President of the organization. We were assured that the unpaid bills had no relationship to and no effect on the activities supported by the NCCR award. We were informed that Dr. Scott Walden, a veterinarian supported in part by the NCCR cooperative agreement, had departed 3 to 4 weeks previously and had been replaced by Dr. Stouffer. Dr. Robinson and Ms. Harper requested the submission of a current budget page showing all personnel on the project. On December 14, NCCR revised the cooperative agreement award to recognize Dr. Edmond Staley as the Principal

Investigator, and to add a restrictive term requiring prior written approval from NCRR for any changes in key personnel and their levels of effort on the project.

On March 10, 1999, Dr. Coulston and Dr. Couch met with NCRR staff while they were in town for meetings with the USDA and OPRR. At the NCRR meeting, Dr. Coulston made no indication that CF was experiencing any types of financial difficulties; in fact, he reassured NCRR staff that CF "has never missed a payroll." He informed NCRR that he expects to have funding in place by October to begin construction of new animal facilities that will allow CF to move off the Holloman Air Force Base by the end of the year. NCRR staff met with Dr. Nelson Garnett of OPRR and Dr. Ron Dehaven from USDA on March 16, to discuss the three meetings with Dr. Coulston. There were very few commonalities in what the three parties were told. In fact, Dr. Coulston had told USDA that CF had about enough money left for a couple of more payrolls.

In response to these conflicting accounts and other mounting concerns, NCRR, USDA, and OPRR decided to conduct a site visit to CF on April 6-7, 1999. NCRR wrote to Dr. Coulston on April 1 requesting that a response be sent by noon on April 5 to resolve the conflicting accounts provided to the three organizations and describe the overall financial stability of the CF. Dr. Coulston responded by letter on the afternoon of April 5 that did not adequately address the concerns. Drs. Ramm and Strandberg called Dr. Coulston to explain that a group would be arriving the next day to conduct a site visit.

#### Administrative Site Visit, April 6-7, 1999

Ms. Rose Farace, Deputy Director, Division of Financial Advisory Services, NIH Office of Contracts Management, accompanied the site visit team to provide accounting and audit expertise. Ms. Farace and Ms. Harper, NCRR Chief Grants Management Officer, met with Ms. Sonia Otero, CF Acting Business Manager (as of January 1999), and Dr. Ali Javadian, CF Vice President, on the afternoon of April 6 and the morning of April 7. During that time, Ms. Otero and Dr. Javadian provided extensive information and documentation regarding the financial status of the Foundation. Ms. Otero and Dr. Javadian explained that the grim financial situation did not occur overnight. CF has been experiencing financial difficulties for more than one year. Dr. Javadian indicated that CF had lost a number of private sources of funds over the last year or more due in part to unfavorable attention and press resulting from the USDA charges and allegations by In Defense of Animals. An NCI subcontract award had expired in December 1998, an NIAID contract expired March 31, 1999, and an FDA/CDC/NIAID indefinite quantity contract for breeding began its fourth and final option year in September 1998.

A Cash Flow Statement for the next 12 months showed that the Foundation anticipates income in the amount of \$100,000 to \$173,000 per month and more than \$500,000 in expenses per month. The current sources of income are the NCRR cooperative agreement (on which they draw approximately \$50,000 per month based on actual expenses), clinical lab work for CDC (\$12,900 per month), 3 subcontracts from universities (\$25,943 in April, but a portion of which is expected to expire at the end of May), and a number of small private/commercial sources of income. There is currently \$800,000 in unpaid bills. As a result of the unpaid bills, some vendors are refusing to honor new orders from CF. Dr. Javadian stated that their first priority in

paying bills is food and medicine for the animals, and the second priority is the payroll.

Dr. Coulston has loaned the Foundation a substantial amount of personal funds or funds resulting from other business enterprises over the last year amounting to more than \$1 million. According to Dr. Javadian, there are loans/notes totaling approximately \$2.6 million from the First National Bank secured by Dr. Coulston's assets and mortgages on property, including facilities and property at the LaVelle Road site. CF continues to pay the payroll every two weeks (>\$100,000) through funding provided by Dr. Coulston. However, he has indicated that he cannot continue to provide this support. As a result of the uncertain financial status of the Foundation, a number of staff have departed in order to find more secure work.

Based on the current cash flow of the CF, it appears unlikely that it can continue operating for much more than two or three months longer. It is a possibility that a declaration of bankruptcy could be necessary. While bankruptcy would provide some protection from creditors, Dr. Javadian fears that it will deter any potential sponsors from even considering a relationship with CF. In addition, under a bankruptcy filing, an organizational plan and operating capital is required to continue operations. CF has no realistic expectation of an influx of operating capital.

At the time of the site visit, Ms. Otero had been informed by the HHS Payment Management System (PMS) (the HHS component that handles payment of HHS grants and selected contracts) that the NCRF grant had less than \$22,000 available as of April 6, 1999. Since the current financial authorization for the budget period is supposed to sustain support through August 31, this was an extremely serious concern. Because of the turnover in CF business staff, Ms. Otero was not familiar with the reporting process and funds disbursement history in PMS for our grant. Upon review of the records by Ms. Harper and Ms. Farace, it was revealed that CF had attempted to draw substantial funds (> \$400,000) in September 1998 against the FDA/CDC/NIAID contract that had no additional funds authorized in PMS. Although there were contract modifications totaling almost \$600,000 approved by an FDA Contracting Officer in September 1998, these funds were apparently never authorized in PMS, thus causing all funds drawn by CF to be charged against its only active award, the NCRF cooperative agreement.

Upon return from the site visit, Ms. Harper spoke with Paul Scarborough, FDA Contracting Officer, about the financial status of the contract. Upon investigation, Mr. Scarborough learned that the FDA budget office had made errors the result of which was that almost \$600,000 in funds obligated in the contract for CF did not get authorized in PMS. As of April 14, this error had been corrected. Ms. Otero will work with PMS staff to correct the system records for the cash disbursements on the NCRF and FDA awards. This will provide some temporary fiscal relief for CF and will reinstate funds for the NCRF cooperative agreement allowing it to continue operations for the duration of the budget period, but will not resolve the extremely serious financial status of the organization.

Mr. Scarborough informed Ms. Harper that this FDA contract was for breeding chimps (about 10-12 per year) to be used by FDA, CDC, and NIAID. It was a five-year contract with four option years, the last of which was invoked in September 1998. The funds were to provide an "endowment" to CF to support the chimps for the rest of their lives after they were returned to

CF following the completion of the research effort. Mr. Scarborough explained that the contract requirements specified restrictions on the use of the endowment funds so that the funds would continue to be available throughout the life of the chimp. However, during the site visit Dr. Javadian informed Ms. Harper and Ms. Farace that all of the endowment funds received by CF have been expended.

Joellen M. Harper  
Office of Grants Management, NCR  
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## REPORT OF ADMINISTRATIVE SITE VISIT TO THE COULSTON FOUNDATION

A team of six NIH members, including Louise Ramm, NCCR; John Strandberg, NCCR; Louis Sibal, OER/OD; Joellen Harper, NCCR; Bobby Brown, OPRR; and Rose Farace, OCM as well as the local USDA inspector, Denise Sofranko, visited the Coulston Foundation (CF), Alamogordo, New Mexico, on April 6-7, 1999.

**Background:** There are about 600 chimpanzees at the Coulston Foundation (CF), and about 50 on lease elsewhere. About 100 are NCCR-supported through the Chimpanzee Biomedical Research Program (of these, about 36 belonged to the Air Force). NIH does not own any of these animals. NIAID and NCI had contracts using chimpanzees; however, these contracts have since expired. Currently, NIDDK (extramural, U of Tenn) will use about 50 of these chimps for a prostate cancer proposal. NIAID intramural (Purcell) uses about 50 chimps for hepatitis vaccine research. Intramural use of these chimps has been high, whereas extramural use is low. Two-thirds of the animals are located in New Mexico State-owned buildings on Holloman Air Force Base. The lease expires September 1999, but it is likely to be renewed for another year. The rest of the animals are in a CF-owned site on LaVelle Road.

The Air Force is being sued for transferring ownership of its chimpanzee to the Coulston Foundation. Chimpanzees from the Air Force pool designated to be sent to a sanctuary (Primarily Primates) are still at CF because the sanctuary doesn't have housing for them. The USDA has cited CF for a number of violations and OPRR has written to CF on several occasions to express their concern about the adequacy of veterinary care at the CF.

**Current Situation:** Through several sources, the NIH was alerted the week of March 29 that the CF was having severe financial problems and that staff at the CF were concerned about the possible impact on the animals and their care. At this point, it was decided that an administrative site visit was imperative. To obtain the most information at the site in the shortest time, the members formed three groups: the first (Ramm, Sibal) met with Dr. Fred Coulston (Chairman of CF); the second (Harper, Farace) met with Dr. Ali Javadian (Vice Pres, CF) and the acting business manager, Sonia Otero; the third (Strandberg, Brown, and Sofranko) reviewed the animal care program and facilities, accompanied by Dr. Ron Couch, CF President.

**Discussion with Dr. Coulston:** Dr. Coulston stated that in the past the CF has had sufficient funding from both Federal and non-Federal sources to maintain the facility. Recently several organizations have phased out their projects, resulting in a significant drop in income. He attributed the loss of funds to the allegations of misconduct by an animal protection organization (IDA) and unresolved compliance issues with the USDA and the OPRR. He stated that the CF plans to reply to all of the compliance charges soon.

Dr. Coulston claimed that he (personally) has funds to support several payrolls. The current shortage of funds apparently had resulted from an earlier failure to pay about \$500,000 in bills. He contends that the CF is gradually recovering from this debt but needs immediate additional

support. Dr. Coulston hoped that the NCCR might opt to cover the cost of supporting an additional 100 animals. He cited ongoing projects, e.g., an HIV vaccine, Spinal Dynamics' vertebral replacement studies, that should bring in new funds in the near future. In addition, Dr. Coulston has submitted a proposal to Representative Skeen (R-NM) for \$15.6 M to fund an Aging Center for Chimpanzees. The funds would be used primarily to construct new buildings at the LaVelle Road facility and allow him to move all of the chimpanzees now located at the Holloman AFB to the that facility. Clearly, despite his age and the current financial status of the Coulston Foundation, Dr. Coulston is planning projects well beyond the present time.

### **Facility and Animals**

1) Facilities: In general, the facilities are acceptable at all sites.

a. LaVelle Road (230 animals)- The facilities are reasonable with good maintenance. There are still some relatively small housing areas with singly housed animals. All of the caging appeared to meet or exceed the recommended guidelines. Cages and rooms appeared to be in good repair. One room, which was closed for repairs/refurbishing, exhibited plastic laminates on the walls and ceiling and the floor was recently resurfaced and recovered with epoxy.

b. Holloman AFB (400 animals) - The University of New Mexico-owned facility at Holloman contains many animals and is in reasonable repair. Most of the old facilities have been vacated. The animals that are infectious and considered a biohazard are housed in individual cages. Although the animals could not be seen very well from the door, the cages appeared of adequate size. The buildings in use are in reasonable shape.

c. Laboratories on the AFB are well-equipped but there is little or no sign of use. Food storage areas on base have chow, fruit, vegetables, though not in huge quantities.

2) Animal Condition:

a. LaVelle Road: No obvious problems were seen. All animals seen appeared alert and behavior is appropriate. They appeared to be in good physical condition with normal appearing hair coat, weight, etc. No evidence of any significant disease processes, such as runny eyes or noses, diarrhea, coughing, listlessness, etc. Most of the animals were in social groups of 2 to 4 animals with access to larger outside enclosures on a rotating basis. No animals were in the outside areas during our visit since it was near the end of the workday and they had been brought inside for the evening.

The rhesus monkeys who were observed were all housed in pairs in cages that had been modified to join 2 regular cages with a removable partition. They all appeared to be in good condition except for a few elderly animals that were thin.

b. Holloman AFB-The nursery area had about 15 animals that ranged from infants to about 18 mo. old in several rooms. Looking through the glass windows, they all appeared to be in good health and well cared for. They had access to a large outside play area when weather permitted.

The larger chimps were observed through doors and in their outside exercise areas of the new buildings. All that were seen were in social groups in proper size caging and appeared to be in good health.

**General Veterinary Impressions:** The animals appeared to be in good condition and appeared to be receiving good care from the animal care staff. A senior supervisor at TCF, who Dr. Brown has known for many years, assured him that they had adequate supplies of feed, medicines, and that anything they needed for the animals, they were able to obtain.

**Veterinary Concerns:** Although most animals were either paired or in social groups, there was little evidence of any other psychological enrichment materials available, other than in the nursery area.

A senior staff member stated that the IACUC was not given information on test materials etc to be used in their evaluation of some of the protocols. This was cited by the USDA Units complaint. It is Dr. Brown's understanding that this issue is also being addressed through the Compliance Branch, DAW.

### 3) Staff

a. Animal care staff is attentive, concerned. Good quality is reflected in high sanitary level and obvious interest by staff. Dr. Sofranko, USDA, stated that the animal care staff was excellent.

b. Veterinary care is problematic. The veterinarian who is the PI of the NCRF-supported grant does not appear to be at the facility with any regularity. Three other veterinarians are very junior with no formal training in primate medicine, and may be inadequate for the job at hand.

c. Administrative/research staff. Very little research appears to be taking place; the lab logs reflect a lapse of about a year since experiments/assays were done.

1. Dr. Couch was evasive and lacked familiarity with the facilities, especially on AFB. It is unclear what his role is at the Foundation..

2. Dr. Javadian seemed anxious about the future operations, has great financial responsibility, and does not appear to be engaged in any research.

3. Dr. Coulston does not appear to have faced the reality of his dire financial situation. He controls the CF, especially the finances. He has made many contradictory statements. His approach may well have driven away financial backers.