Arkansas State University
Sponsored Programs Accounting
Guidance for Program Income

Purpose

The purpose of this guidance is to define program income and determine program income disposition during and after the program performance dates.

Definition of Program Income

The definition of program income, according to 2 CFR 200 (Uniform Guidance), is gross income earned by the University that is directly generated by a sponsored activity or earned as a result of an award during the period of performance. If a product or service is developed during the course of a sponsored project and the development of that product or service was funded by a sponsoring agency, then the net income received is considered program income.

Formula: Price for Product or Service – Costs of Producing Product or Service = Program Income

Examples of Program Income include:

- Fee for services performed, such as laboratory tests.
- Money earned from the use, sale or rental of equipment purchased with project funds.
- Sale of software, tapes or publications.
- Sale of research materials, such as animal models, tissue cultures or reagents.
- Registration fee paid by participants at workshops, conferences or symposia.
- Sale of products with an accompanying material transfer agreement.
- License fees and royalties from patents and copyrights.

Exclusions from Program Income are the following:

- Interest earned on advances of federal funds.
- Receipt of principal on loans, credits, discounts, etc. or interest earned on them.
- Taxes, special assessments, levies and fines raised by government recipients.

Treatment of Program Income

Sponsored Programs Accounting (SPA) will determine whether the program income associated with an award must be reported to the sponsor and will determine the appropriate method to be used. If required, program income information will be included in the official financial report and/or invoices submitted to the sponsor.

Reportable program income can be handled in one of 3 methods, depending on the sponsor's policies or the terms and conditions of the awards.

Additive Method

Income is added to the funds obligated by the sponsor (and the University if cost sharing is involved), therefore increasing the total project budget available to further eligible project activities and objectives.

Award Amount	$150,000.00
Plus Estimated Program Income	+ $15,000.00
Equals Total Available Funds for Project Expenses	= $165,000.00

Deductive Method

Income is deducted from the amount of project cost to be reimbursed by the sponsor therefore reducing the funds obligated by the sponsor.

Award Amount	$150,000.00
Minus Estimated Program Income	- $15,000.00
Equals Adjusted Award Amount	= $135,000.00
Total Funds Available for Project Expenses	$150,000.00

Matching Method

Income is used to finance the cost of the project not borne by the sponsor (i.e. used to fulfill match or cost share requirements).

Award Amount	$150,000.00
University Cost Share, which will be satisfied by generated Program Income estimated at $15,000.00	+ $15,000.00
Equals Total Funds Available for Project Expenses	= $165,000.00

Use of Program Income

In general, program income should be used before sponsor-obligated funds are used. Program income must be spent in accordance with the terms and conditions of the sponsor award. Expenses charged to the program income account must be allowable, allocable and reasonable in relation to the activity supported by the sponsor. Hence, expenses unallowable on the sponsored project are also unallowable on the program income account.

Starting July 1, 2016: Unless prohibited by the sponsor, all program income accounts will be setup with the same F&A rate as the parent account it is associated with. In other words, F&A costs will be charged to the program income accounts at the same F&A rate applied to the sponsored agreement which generates the income. F&A costs should be included when determining the registration fee, price of materials, etc. Any exceptions to this guideline must be approved by SPA.

Closing out Program Income Accounts

Starting January 11, 2016: All revenue and expenses charged to a program income should be incurred during the project period. For program income accounts with residual funds, SPA will transfer expenses from the main project account to the program income account to absorb the residual funds. For program income accounts with a deficit, SPA will transfer expenses from the program income account to the main project account to relieve the deficit. All program income accounts will close with revenue equal to expenses.

Program Income Generated after the Sponsored Project is Closed

As specified in 2 CFR 200 §200.307(f) “there is no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the Federal awarding agency regulations or terms and conditions of the Federal award provide otherwise.” This clause will also be applied to program income generated after a non-Federal award expires, unless the terms and conditions of the award specify otherwise.

SPA will advise the Unit/PI on the appropriate method of accounting for the program income earned after the award has expired. In the event the Uniform Guidance rule prevails, SPA will advise the PI to setup an unrestricted, non-sponsored account and the PI is responsible for the management of that account.