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## 2121 ACCOUNTING FOR PROGRAM INCOME

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Effective: December 1986  
Last Reviewed: April 2018  
Last Revised: May 2017  
Responsible Office: Research Services  
Approval: Research Services

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### PURPOSE:

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To establish accounting policy for program income earned on sponsored projects. Certain sponsored projects generate income which, depending on sponsor regulations or the terms of the award, either is required to be remitted to the sponsor, or may be used as additional project support.

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### DEFINITION:

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Program income is gross income earned that is directly generated by a sponsored activity or earned as a result of the sponsored activity. Federal regulations (Uniform Guidance Subpart D Part 200.307) provide three alternatives for accounting for program income:

1. Additive method whereby the income is added to the funds committed to the project to further the objectives of the award;
2. Matching, used to finance the non-federal share of the project; or
3. Deductive method whereby the funds are used to reduce the federal share of the project.

Program income earned on non-federal awards must be accounted for according to the terms and conditions of the award.

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### POLICY:

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1. Research Services will establish a separate fund to account for program income when the additive method is required to be used, unless the amount of program income is nominal, i.e., less than \$5,000. The fund will have the same F&A rate as the sponsored project fund.
2. When the matching or deductive method is required, the program income must be deposited and accounted for in the fund established for the sponsored project.
3. The deductive method will necessitate that the billable amount in Ben Financials be reduced by the amount of program income since the income is required to off-set the sponsor share of the project cost.
4. Types of program income include, but are not limited to:

- a. Income from fees or service performed from external entities;
- b. Revenue from fees or services performed within the University;
- c. Rental fees; or
- d. Proceeds from the sale of tangible property or items fabricated under an Award.

**Note:** Income earned from license fees and royalties on patents and copyrighted material is not considered program income for federal awards unless agency regulations or the terms and conditions of the award provide otherwise. Refer also to the terms and conditions of non-federal awards for the requirements related to patent and copyright income.

5. Program income received from external entities must be deposited by the recipient into object code 4620 in order to preclude the commingling of such funds with regular project payments received from the sponsor.
6. Revenue earned by a university department for fees or selling goods or services to another university department is considered internal revenue. Internal revenue between university departments must be recorded via object code 5500.
7. A Program Income fund is to be set-up to account separately for the costs of collecting and spending the Program Income Awards in which Gross Program income may be off-set by the costs of collecting the income to enable reporting Net Program Income.
8. Research Services has the responsibility to report program income earned, and, when applicable, to either remit such income to the sponsor or to apply the income as funding for related project expenses in accordance with sponsor requirements.

The source of this document is Research Services.