Program Income
Frequently Asked Questions

The Office of Management and Budget expects all federal agencies to require grantees to use a new financial reporting form, the Federal Financial Report (FFR), beginning in October 2008. The new form combines data Corporation grantees report to HHS on the Federal Cash Transaction Report (FCTR) with data reported to CNCS on the Financial Status Report (FSR). When the Corporation begins using the FFR instead of the FSR, grantees will need to report program income somewhat differently. The information below will help grantees understand what program income is and how to report it.

1. What is program income?

For purposes of federal grants, program income is revenue earned as a direct result of activities funded under the grant. Revenue you receive from other sources to support the program that doesn't result from the grant activities is not considered program income. For example, if you place CNCS program participants in schools and the schools provide $1,000 per participant to the program, the revenue from the school is considered program income. If you receive a grant from a foundation that doesn't benefit directly from service activities supported under the grant, the grant is not considered program income. In most cases, program income earned under CNCS grants is used to meet match requirements.

2. What are some examples of program income?

Examples include but are not limited to:

- Fees charged to register participants for a workshop or conference.
- The sale of commodities, services or items fabricated or produced under a sponsored program such as books and publications, software, child care, tutoring, etc.
- Revenue received in return for committing to providing AmeriCorps members' services to a third party entity such as a school district, park management organization, etc.
- Rental or usage fees charged for use of supplies or equipment purchased with grant program funds.
- Revenue from license fees, royalties, copyrights and patents developed as a result of grant funded activities.
- Revenue realized through the sale of products made under a program involving vocational training.
- Sale of real property.
- Membership fees charged to individuals and organizations for grant related activities.

3. When are funds received by a grantee not considered program income?

The funds that an organization receives in the form of donations, contributions and income into their general fund, without any requirement that they be spent on a specific grant project are not

considered program income. In addition, funds donated to be used for a project, but without restriction that services be provided in return, are not considered program income.

4. Are all of the costs we charge to sites where CNCS program participants are placed considered program income?

When operating under Corporation rules that allow such arrangements, the revenue received is considered program income if the agreement you have with a placement site at which participants serve specifies that the placement site must cover some costs or provide an amount in exchange for the services provided. For example, fees collected that are associated with the service by members for a particular school, government entity, or similar recipient benefiting from the participants' service are considered program income. Revenues that are not considered program income include donations by third parties without association to participants' service, or funds that would have been received from an entity whether or not that other organization was or was not receiving the benefit of participants' service.

5. Are there limitations on what I can pay for with program income?

Program income must be used for the purposes of the grant. You can use program income to cover costs allowed for the federal and non-federal shares of the grant. During the project period, program income may not be used by the grantee for other organizational purposes.

6. What is the difference between gross program income and net income?

Gross program income includes all funds collected as a result of grant funded-activities. Net program income is the amount after deducting costs associated with generating the income.

7. What if I find that I have earned more program income than I need for matching share?

Your grant provisions or terms and conditions will specify how to use the funds as either additive or deductive.

Example 1. A program with excess income may request a budget amendment to add on an activity (e.g. independent evaluation) to the overall budget, funded with the excess income. The amendment, if approved by the Corporation, would add the evaluation costs as a line item in the overall budget against grantee share, thereby increasing the total grantee share by an amount equal to the increase in the total budget.

Example 2. A $100,000 program (funded with $74,000 federal share and $26,000 non-federal match) realizes $56,000 in program income revenue which is $30,000 beyond its matching requirement. The program has no plans to enlarge or enhance its activities, thus the grant will not be amended. The $30,000 excess program income reduces the total federal share since the matching requirements have already been fully met; federal funds that could be drawn are reduced from $74,000 to $44,000 but the program remains at $100,000 total since it is now funded with $56,000 in grantee share.

8. Where is program income reported?

Program income that is used to meet match is reported on the FSR as the recipient share of expenses. At this time, the Corporation does not have a specific line on our financial reporting forms to record program income earned in excess of amounts reported as recipient share. Instead, grantees must record excess program income in the comments block of the Financial Status Report. When the Corporation begins using the new government-wide Federal Financial Report, grantees will need to begin reporting program income differently than in the past.

9. Who can I contact if I have questions?

If you need assistance contact your grants officer and copy your program officer.

10. Is the use of program income subject to audit?

Yes, auditors may sample your revenue sources to identify any funds that would be considered program income under the grant and review your general ledger documentation to ensure you have used the program income as required under your grant provisions or terms and conditions.

11. Do the cash management requirements apply to program income?

Yes. A grantee must use program income on hand to defray eligible program costs before drawing funds from the HHS payment system for those costs. In some cases, a grantee may have to return the funds through a reverse drawdown or payment by check.

12. I have a program income revenue source that is not entirely a result of Corporation-funded grant activity, how do I account for the income that is not directly the result of my grant funded activities?

Program income is revenue earned as a direct result of activities funded under a federal grant. The income may result entirely and solely from grant funded activities or it may be the result of a grant activity plus some other activities not funded by the grant. In the latter case, it is necessary to prorate the program income to identify the proportion attributed to the grant that must be accounted for under the grant. To prorate program income, organizations must follow their established accounting rules and procedures; consulting with your accountant is highly recommended. The examples that follow are offered as generic models to provide a generalized view of how prorated program income might be handled by an organization.

Example: Grant Activities Partly Generate Income: An AmeriCorps grant provides 10 members serving in an environment where income in generated. The environment has a total of 20 individuals doing the activity, 10 members and 10 employees. The program income generated might be prorated at 50% against the grant, assuming all other cost factors were equivalent between the members and the employees.

13. Can program income be transferred from one program to another?

Program income cannot be transferred between programs, as with a cost, it is only allocable to the program that earned the income.