



The Federal Financial Report and Program Income Frequently Asked Questions [Updated March 27, 2012]

The Office of Management and Budget (OMB) expects all Federal agencies to use the government-wide financial reporting form – the Federal Financial Report (FFR). The FFR combines data that Corporation for National and Community Service (CNCS) grantees previously reported on two separate forms. However, grantees must submit the FFR (different fields) to both CNCS and the Payment Management System (PMS) operated by the U.S. Department of Health and Human Services (HHS). Detailed information about the FFR can be obtained at:

http://www.whitehouse.gov/omb/grants_forms/

The FFR includes data fields to report program income that grantees earn in excess of income earned that is used to meet the grantee share of expenditures.

The information below is intended to help grantees understand what program income is and how to report it.

1. What is program income?

Program income is defined as “gross income received by the grantee . . . directly generated by a grant supported activity, or earned only as the result of the grant agreement during the grant period” [CFR §2541.250(b) and §2543.249(a)]. Program income includes fees from services performed under the grant, and income from sale of commodities or items fabricated under a grant agreement. Revenue you receive from sources to support the program that doesn’t directly result from grant activities is not program income. For example, if you or your partners place CNCS program participants in schools and the schools provide \$1,000 per participant to the program in exchange for placing the participants in the school, the revenue from the school is considered program income. If you receive a grant from a foundation that isn’t in exchange for service activities supported, the foundation’s grant is not considered program income. In most cases, grantees use program income earned under CNCS grants to meet the grant’s non-Federal share requirements until the income is exhausted and then other non-Federal resources (and/or federal funds in AmeriCorps) are used to meet any remaining cost share requirements.

2. What are some examples of program income?

Examples include but are not limited to:

- Income from fees charged to register participants for a workshop or conference.
- Income from the sale of commodities, data and information records, services or items fabricated or produced under a sponsored program such as books and publications, software, child care, tutoring, etc., inclusive of license fees, royalties, copyrights and patents.
- Revenue received in return for 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 realized through the sale of products made under a program involving vocational training.
- Income from Membership fees charged to individuals and organizations for grant related activities.
- Income from the sale of real property, including debt obligations such as mortgages purchased with program funds.

3. For Senior Corps, are funds received by Medicaid Waiver contracts or other similar arrangements considered program income?

Yes. If a grantee enters into an agreement with a party other than a service beneficiary to provide support for additional Senior Corps volunteers, as is the standard practice with Medicaid Waiver contracts, the revenue generated is program income. However, because these funds will be used to increase the scope of the supported program, as will be reported on the new FFR, the receipt of this program income is NOT a compliance issue.

4. What funds received by a grantee are not considered program income?

The funds that an organization receives in the form of donations and contributions into its general fund, without any requirement that they be spent on a specific grant project are not program income. Also, funds donated to be used for a project, but without restriction that services be provided in return, are not program income.

5. Is reporting program income a new Federal requirement?

No. Program income administrative rules and requirements have always been in place, applicable to CNCS grantees and subgrantees. For CNCS grantees it may seem new because with the previous FSR, programs have not had to report what is considered excess program income. Grantees have always reported program income within the "Recipient Share of Outlays."

6. How do we determine if amounts we charge to organizations where we have individuals serving are considered program income?

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 service members perform at a particular school, government entity, or similar recipient benefiting from the participants' service are considered program income. Revenue is not considered program income if funding is received from an entity regardless of whether that organization is receiving the benefit of participants' service.

7. Where can I find the requirements that apply to the use of program income under my grant?

Grant award provisions or terms and conditions provide guidance on the treatment of program income. In most cases, CNCS grantees must use program income to meet matching requirements.

8. What options are there for the use of program income?

There are three ways that program income can be used as illustrated in the table below. For most CNCS grants, the matching alternative is specified in the grant provisions or terms and conditions. In some other cases, the CNCS instructs the grantee to use the funds to enhance or expand grant-approved activities (additive method). In some other cases, the CNCS requires the grantee to use the program income to replace approved Federal grant funds (deductive method).

Program Income Alternative	Use of Program Income (Specified in the terms and conditions or provisions of the grant)
Matching Alternative	Used to satisfy all or part of the required grantee share of the project or program
Additive Alternative	Added to funds committed to the project or program and used to further eligible project or program objectives
Deductive Alternative	Deducted from the total allowable costs of the project or program to determine the net allowable costs on which the federal share of costs will be based.

9. Where is program income reported?

Program income that is used to meet cost-sharing requirements is reported as the “Recipient Share of Expenditures” on the FFR. Excess program income (if any) is reported in section 10 of the FFR. .

10. What if a grantee has earned more program income than needed for the required non-Federal share?

When program income is not used or needed to fund the non-Federal share, the grantee should contact the CNCS for guidance. Senior Corps and AmeriCorps VISTA grantees contact the CNCS state office and all other grantees contact the assigned Grants Officer. We anticipate that, in the majority of cases, the grantee will request and receive approval for a budget amendment to add a new budget activity (Additive Method). There will also be cases in which the Deductive Method applies, especially under AmeriCorps State and National. Because each grantee’s situation is different, the CNCS will provide guidance and instruction. See the examples below.

Example 1. A \$300,000 program (funded with \$200,000 Federal share and \$100,000 grantee share) anticipates funding the grantee share with \$75,000 in program income from its placement sites and \$25,000 from a foundation grant. The program actually realizes \$84,000 in program income. If total expenditures under the grant will still only be \$300,000, the grantee has \$9,000 in excess program income. The grantee 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 CNCS, 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. In this case, the budget becomes \$309,000 -- funded with \$200,000 Federal share and \$109,000 non-Federal share.

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 budgeted 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 down are reduced from \$74,000 to \$44,000. Program expenditures are \$100,000 and are funded with \$56,000 in grantee share.

11. Do contributions to Senior Corps from volunteer stations count as program income?

No. Program regulations preclude Senior Corps grantees from requiring volunteer stations to pay fees in return for volunteers. Because any resources provided by volunteer stations are strictly voluntary, they are classified as contributions or donations to the Senior Corps project and not as fees paid in return for volunteers to perform service.

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

Program income must be used for the purposes of the grant during the grant project period. You can use program income to cover allowable expenditures budgeted under the Federal and non-Federal shares of the grant. During the project period, program income may not be used by the grantee for other purposes.

13. Is a grantee accountable for program income earned after the end of the project period?

The grant provisions or terms and conditions may also specify whether a grantee is accountable for program income earned after the end of the project period. If the award is silent on that point, income earned after the project period ends can be retained by the organization and used for other purposes.

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

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

15. If I have enough match available (both cash and in-kind) to fund my non-Federal share, can I use my program income for non-grant purposes?

No. If you earn program income, that income must be used for grant-related purposes. Also, since program income must be used first (either fully or as allocated across the period of time in which it will be expended), it may displace your need for other cash or in-kind resources that you originally planned to use to meet your cost-sharing obligations. If that other cash resource is not restricted for use under the CNCS grant, you may have flexibility to use it for other purposes, with approval from your funder. You may also enlarge your grant budget or expenditures above budgeted amounts to use all of the excess program income.

16. 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.

17. When must program income be used, and do cash management requirements apply to program income?

OMB common rules as well as CNCS regulations require that to the extent available, grantees and subgrantees disburse funds earned as program income before requesting additional Federal cash payments. If program income is received before it is needed for the costs for which it was received (encumbered against future expenses such as AmeriCorps member living allowances), a program could allocate the income across the period in which it will be expended, if such a practice is consistent with the organization's cost allocation policies and procedures. Program income not yet earned may be considered deferred revenue and not expensed until earned. Otherwise, program income funds must be used as they are earned to defray eligible program costs before drawing funds from the HHS payment system for those costs. The same rules apply to any repayments to and interest earned from a revolving fund, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds. See § 2543.22 (g) for Universities and Non-profit Organizations, and § 2541.210 for State and Local Government rules. The CNCS and state governments must also operate under 31 CFR Part 205, Rules and Procedures for Efficient Federal-State Funds Transfers. In some cases, a grantee may have to return the funds through a reverse drawdown or payment by check.

Example 1: A program has a \$120,000 budget, funded with \$60,000 in CNCS grant funds and \$60,000 in grantee share. The grantee expects to raise \$36,000 in program income and fund the remaining \$24,000 for

its non-Federal share from foundation grants. The program receives the \$36,000 in program income at the beginning of the budget period. The \$36,000 covers a portion of the volunteer living allowance or stipend which is paid out in equal increments throughout the year. The grantee is not required to use all \$36,000 in program income before drawing any Federal funds. The organization can allocate the amount over the period it will be expended in the appropriate increments, e.g. \$3,000 per month for 12 months, following its normal accounting procedures. If total monthly expenditures are \$10,000 per month, the grantee can draw between \$5,000 and \$7,000 in Federal funds to cover the expenditures. At the end of the 12 months, the \$36,000 in program income is expended along with the Federal share and other grantee share revenue.

Example 2: A program has a \$500,000 budget, funded with \$250,000 in CNCS grant funds and \$250,000 in grantee share. The grantee expects to raise \$50,000 in program income and fund the remaining \$200,000 in non-Federal share from foundation grants (\$150,000) and other unrestricted revenue (\$50,000). In fact, the program raises \$75,000 in program income. However, staff salary expenditures are also \$15,000 higher than budgeted. The grantee can report as follows:

Recipient Share:	\$265,000
Federal Share:	<u>\$250,000</u>
Total Expenditures:	\$515,000

In its accounting system, the grantee accounts for all \$75,000 in program income against the grantee share of grant expenditures and \$150,000 from foundation grants for the program. Because \$50,000 was budgeted from unrestricted funds, the accounting system identifies \$35,000 used to cover the remaining grant expenditures. The remaining \$15,000 in unrestricted funds can be used for other purposes.

18. I have a program income revenue source that is not entirely a result of CNCS-funded grant activity. How do I account for the income that is not directly the result of my grant funded activities?

Program 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 portion attributed to the grant. To prorate program income, organizations must follow their established cost allocation policies and procedures. Consulting with an accountant is highly recommended. For example, if an AmeriCorps grant program has 10 members serving in an environment where income is generated and there is a total of 20 individuals whose activities collectively contribute to the generation of the income, the program income generated might be prorated at 50% against the grant (10 members are 50% of 20 individuals) assuming all other cost factors were equivalent between the members and the other individuals.

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

Program income cannot be transferred between organizations, grants or subgrants. As with the costs incurred under a grant, income is also only allocable to the grant or subgrant funding the programs and activities earning the income. Therefore, when dealing with subgrants, one subgrantee's excess program income can not be used to make up a different subgrantee's matching funds shortage.

20. Do we have to amend our grant if we are earning excess program income?

If you are earning program income and you have not included all of the program income in the grant budget, you may need to amend the grant. Such an amendment would enlarge the non-Federal matching share of the budget to include the amounts and uses of program income. In some cases, you may just need to report the excess income against higher expenditures than originally budgeted (see Examples above in #15). Since each situation may be different, you should consult with your CNCS grants officer (or for Senior Corps or AC*VISTA

with the CNCS State Office) to determine how to record and report program income. Without an amendment, it is more likely that the matching share budget would be exceeded by the income which in turn would result in left over Federal funds at grant closeout. The CNCS can direct the return of Federal funds prior to closeout when appropriate.

21. Are Fixed-Amount Award Program grants exempt from the program income rules since they do not need to submit financial reports?

No. While fixed-amount awards are not required to submit FFRs, they are not exempt from requirements to follow generally accepted accounting principles to account for all revenues, including grant-related program income. If the total cost of conducting a fixed-amount grant program is less than the combined Federal grant and the program income earned, contact your CNCS grants officer for guidance.

22. How do program income rules impact our ability to create sustainable programs?

The Federal government encourages programs to earn program income to offset program costs. Under the matching alternative, as program income is earned, the organization has a resource to use to meet its cost sharing obligation. Using program income to meet those obligations enables organizations to either directly spend their other resources enlarging their grant project with even more resources, or spend those other resources to strengthen the organization's overall capacity and performance.

23. Is soliciting for program income considered fundraising?

Not generally. Activities to carry out an award which result in program income are not fundraising, per se. For example, discussion with a possible project sponsor is negotiating for service activities to be accomplished under an award, regardless of whether or not that project would include a fee-for-service arrangement. However, a more generalized campaign to expand a program beyond the scope of the grant (including expanding fee-for-service sites) could be interpreted as fundraising. Programs should carefully consider their activities and consult with their program officers to address these concerns.