



Program Income from Sponsored Projects

POLICY STATEMENT

Cornell University, through its operating units, generates income from sponsored projects or federal appropriations. It is the responsibility of each operating unit to use, account for, and report such program income properly.

REASON FOR POLICY

Proper management of program income is essential to meet the fiduciary responsibilities of the university. Program income must be used correctly, accounted for, and reported in accordance not only with the terms and conditions of each sponsored agreement, but also with all applicable governmental regulations.

ENTITIES AFFECTED BY THIS POLICY

- All units of the university, excluding Weill Cornell Medicine

WHO SHOULD READ THIS POLICY

- University employees involved in administering and conducting sponsored projects at Cornell University, including principal investigators, department managers, and sponsored project administrators.

WEB ADDRESS FOR THIS POLICY

- This policy: www.dfa.cornell.edu/policy/policies/program-income-sponsored-projects
- University Policy Office: www.policy.cornell.edu

POLICY 3.8

Program Income from Sponsored Projects

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RELATED RESOURCES

University Policies and Documents

[University Policy 3.10, Recharge Entities, Ithaca Campus Units](#)

[University Policy 3.18, Charging Directly to Sponsored Projects Costs that are Normally Considered Indirect](#)

[University Policy 3.20, Costs Transfers on Sponsored Agreements](#)

[Office of Sponsored Programs Subcontracting Procedure](#)

External Documentation

[2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)

[Agency-specific implementations of 2 CFR 200](#)

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CONTACTS

Direct any general questions about this policy to your college or unit administrative office. If you have questions about specific issues, contact the following offices.

Contacts

Subject	Contact	Telephone	E-mail/Web Address
Proposal Preparation Federal Agency-Specific Implementations of 2 CFR 200 Interpretation of Award Terms	Office of Sponsored Programs (OSP)	(607) 255-5014	osp-help@cornell.edu
Account Information Financial Management of Grants and Contracts Fiscal Reporting Requirements	Sponsored Financial Services (SFS)	(607) 255-5085	sfs-help@cornell.edu
Receivable Accounts Information	General Accounting	(607) 255-2084	accounting@cornell.edu

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DEFINITIONS

These definitions apply to terms as they are used in this policy.

Cost Accounting Standards	Federal compliance rules for assigning cost for goods and services procured with federal and non-federal funds.
Cost Sharing	Portion of total project costs related to a sponsored project that is not provided by the sponsor. Other terms used to describe cost sharing include matching, third party, and in-kind contributions.
Direct Costs	Costs that can be identified specifically with a particular sponsored project, primarily research, instruction, or service, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.
Facilities and Administrative (F&A) Costs	Costs that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. These include such items as utilities and other facility costs; departmental, college, and institutional administration; library operation; depreciation of equipment and facilities; and certain general expenses that are, to some degree, attributable to sponsored programs.
Federal Allowable Costs	Costs identified in 2 CFR 200, Subpart E as reimbursable by the federal government, unless specifically superseded by terms and conditions of the sponsored project.
Federal Appropriations	Funds received by Cornell University from the federal government relating to its land grant status. This includes Hatch, Smith-Lever, and McIntire-Stennis programs.
Federal Flow-Through Funds	Funds that the university receives from external sponsors via a subcontract that originates with the federal government.
Federal Unallowable Costs	Costs specifically identified in 2 CFR 200, Subpart E as non-reimbursable by the federal government.
Program Income	Gross income earned by the university that is directly generated by a supported activity or earned as a result of a sponsored award during the period of performance. Examples: income from fees for services performed, the sale of commodities or items fabricated under a sponsored project, and registration fees for workshops or conferences. Normally excludes interest earned on advances of funds and income from license fees or royalties on patents.
Project Period	Period of time between the sponsored project start date and the termination date specified in the agreement. Also known as period of performance.
Sponsor	An entity that funds a project.
Sponsored Project	A project funded by a grant, contract, or cooperative agreement under which the university agrees to perform a certain scope of work, according to specified terms and conditions, for a specific budgeted monetary compensation.
Subcontract	A written agreement between Cornell University and a third party, issued under a sponsored project, to procure substantive programmatic effort. A subcontract generally involves services over a period of one or more years.

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DEFINITIONS, continued

Uniform Guidance

2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Subparts C and D provide federal requirements for obtaining consistency and uniformity among federal agencies in the administration of grants and other agreements with the university. Subpart E provides federal principles for determining reimbursable costs applicable to grants, contracts, and other agreements with the university. These principles govern the share of total cost reimbursable by the federal government.

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RESPONSIBILITIES

The major responsibilities each party has in connection with this policy are as follows:

You	<p>Read and understand this policy.</p> <p>Contact Office of Sponsored Programs (OSP) during the proposal stage if program income is anticipated.</p> <p>Submit a KFS Account e-doc to create a program income account.</p> <p>Request a pre-award account, if necessary.</p> <p>Record receivables as necessary.</p> <p>Charge only allowable, direct expenses, unless prior approval has been obtained from Sponsored Financial Services (SFS).</p> <p>Follow terms and conditions for disposition of program income.</p> <p>Account for any uncollected receivable balances.</p> <p>Where permitted, submit a request to SFS for transfer of program income after project closeout and receivables are collected.</p> <p>Close out and request closure of accounts no later than the end of the project.</p>
Office of Sponsored Programs	<p>Advise the principal investigator in proposing use of program income in proposal narrative.</p> <p>Negotiate terms with respect to program income.</p> <p>Determine method of program income use.</p> <p>Provide notifications to the department and SFS for changes in terms of sponsored projects.</p>
Sponsored Financial Services	<p>Establish the program income account upon request.</p> <p>Determine the program income reporting requirements, and report program income to the agencies.</p> <p>Use excess program income to offset sponsor billings.</p> <p>Assist department in transferring program income balances or return to sponsor, as appropriate.</p> <p>Report program income funds received by a subcontractor to the sponsoring agency.</p>

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PROCEDURES

Introduction

Cornell University requires its colleges and units to use, account for, and report program income that is generated in connection with sponsored projects or federal appropriations during the project period.

◆ **Caution:** There may be instances when program income is earned outside of the project period. Its use may require agency approval.

Typically, program income is received by the university from a third party, not from the sponsoring agency. This policy provides procedures to account for program income for both federal and non-federal awards.

Examples of program income is a registration fee charged to participants for a workshop or conference held under a sponsored project award, or user fees from provision of grant-supported resources. The costs of putting on the workshop, or making available the resource, are borne by the award. The registration or user fees collected must be accounted for as program income and used to offset project costs.

If you are not certain whether any income earned as a result of a sponsored project or federal appropriation is program income, contact Sponsored Financial Services (SFS) for guidance.

Use of and Accounting for Program Income from Federal or Federal Flow-Through Funds

The Uniform Guidance subsection 307 specifies two methods for use of program income from federal funds earned during the sponsored project period:

1. Addition: add the program income to funds awarded to the project, and use this income during the life of the award to advance project or program objectives.
2. Deduction: deduct the income from the overall total project cost.

Unless the sponsored project document specifies otherwise, universities use the addition method.

◆ **Caution:** Sponsor approval is required for any variances from the above methods.

Use of and Accounting for Program Income from Non-federal Funds

During the project period, program income earned is retained by the university and, unless the sponsored agreement specifies how such income will be used, departments may use it in the following ways:

1. To cover increased costs of the project and to further the project
2. To fulfill a cost sharing requirement

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PROCEDURES, continued

3. To support other projects

Each department chair and/or center director is responsible for determining which use applies.

Instructions for Proposal Preparation

1. When developing a proposal, consider whether any program income will be generated during the project period.
2. If you anticipate that program income will be generated during the project period, contact the Office of Sponsored Programs (OSP), which will assist the unit to include program income in the proposal appropriately.
◆ Note: Facilities and Administrative (F&A) costs are assessed on program income expenses, except on the expenditure of revenue from interdepartmental user fees.
3. Complete the proposal based on the funding agency guidelines.

Establishing New Accounts

When program income is included in the proposal budget, OSP will notify the unit on the *Award Summary* of the method for administering the income.

Units must account for program income in a separately identified related account, and establish a program income account for each project that will generate program income. The program income account must bear the same function code, employee benefit rate, and F&A cost rate as the project account.

- Program income accounts are in a separate sub-fund group (CGPROG), and are linked to the same award as the accounts used for project expenditures. Program income accounts will not have budget entries, and income received will be recorded as revenue.
 - F&A costs and employee benefits will be charged on expenses related to program income at the same rate and basis as the main account. Exception: F&A is not charged on the expenditure of the revenue from interdepartmental user fees. A separate account or subaccount is required for this purpose.
1. Submit a KFS Account e-doc for the program income account.
 2. Request a pre-award account in cases where program income revenue will be generated prior to receiving the fully executed agreement.
 3. You must record receivables on an appropriate object code in the program income account for the project to account properly for revenue invoiced to an entity outside the university.

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PROCEDURES, continued

Reporting Program Income

The financial records maintained by the Division of Financial Affairs (DFA) are the official records of program income. The sponsored project terms or agency-specific regulations, in most cases, determine the program income-reporting requirements.

1. Ensure that all program income is identified and recorded properly as revenue in the correct account(s).
2. Charge only federal allowable costs to the program income account unless previously approved by SFS. An expense that is federal unallowable on a main account is not recoverable on a program income account, unless prior approval has been obtained from SFS.

◆ **Caution:** The flow down of funds to a subcontractor makes the subcontractor responsible for reporting program income to the university. When a report is received, SFS will report program income funds received by a subcontractor to the sponsoring agency as appropriate.

Closing Out the Program Account

The disposition of any program income remaining in the program income account at the termination of the project must be in accordance with the terms and conditions of the sponsored project agreement and/or sponsor regulations. Normally, program income on federal awards must be spent during the term of the award. In such cases remaining program income shall be used to offset the sponsor's share.

1. If there are no limitations, you must request from SFS a transfer of the balance at the end of the period to close out the account.
◆ **Note:** The department chair or center director has the authority to approve the future use of these funds for the department.
2. Account to SFS for any uncollected receivables.
3. Close out and request closure of program income accounts that have a zero balance when these accounts are no longer needed, or when the primary sponsored project has terminated, whichever is earlier.

◆ **Note:** Unless stated in the award document, there is no obligation to the sponsor for program income earned after the project period. Following the project period, such earnings are no longer considered program income.

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