

PROGRAM INCOME POLICIES AND PROCEDURES

Sponsored Project Program Income: Policy & Operational Procedure

Policy Sections

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Policy Statement

This policy sets forth requirements for identifying, treating, recording, and reporting program income associated with sponsored projects awarded to the Aspen Center for Physics (ACP). ACP is responsible for the programmatic and financial monitoring of Program Income as required by Federal regulations and/or the terms and conditions of an award.

Reason for Policy

This policy provides information and guidance on the management of Program Income on sponsored projects. Regulations issued by the National Science Foundation (NSF) and the Office of Management and Budget (OMB) Circular A-110 set forth rules governing the accounting for and treatment of Program Income. As a recipient of Federal funding, ACP is required to follow sponsor regulations and award terms and conditions regarding Program Income.

Who Should Know This Policy

- Principal Investigators
 - Administrative Staff
 - Winter Conference/Summer Workshop Organizers
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- Proposal Committee
 - Officers
 - Trustees
 - General Members
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Contacts

Subject	Contact
Policy Questions	Corporate Secretary
Finance Procedure Questions	Administrative Vice President Finance Manager

Applicable ACP Policies

- Direct & Indirect Charging of Sponsored Projects: Policy & Operational Procedure
 - Participant Support Costs: Policy & Operational Procedure
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Program Income Operations at ACP

Introduction and Definition

Program Income is earned income that is directly generated by a supported activity or earned as a result of a sponsored award. The vast majority of Program Income earned at ACP is generated from registration fees paid by ACP winter and summer conference participants. Program Income is to be accounted for in accordance with the terms and conditions of the award. The guidelines and procedures that follow are intended to ensure compliance with Federal regulations and sponsor terms and conditions.

Treatment of Program Income

The treatment of program income on Federal awards is stipulated by the administrative requirements of the awarding agency and/or award instrument. Similarly, non-Federal sponsors may have terms and conditions that govern the treatment of program income.

Program income earned during a project period shall be retained by the Center and is usually treated using one of the methods (described in OMB Circular A-110 C.24.(b).(1) and NSF Award and Administration Guide VI.F.3.a), depending on the terms and conditions of the award:



- **Additive:** Program income funds are added to those funds committed to the project by the awarding agency and recipient, thus increasing the amount available to accomplish program objectives (increase in available budget).
- **Matching:** Program income is used to finance the non-Federal share of the project (offset to cost sharing or matching).
- **Deductive:** Total funds available to the project remain the same and the funds generated through program income are deducted from the sponsor's financial commitment (offset to sponsor's funding).
- **Combination:** Program income up to, and including, \$25,000 is treated as specified under the additive alternative and any amount of program income exceeding \$25,000 is treated under the deductive alternative.

Generally, the ACP manages Program Income according to the additive method, unless otherwise stated in the terms and conditions of the award or sponsor regulation or policy.

Program Income and Proposal Preparation

Given the nature of ACP and its activities, Program Income is commonly a consideration on sponsored projects. ACP requires principal investigators to identify and document potential program income on projects from both Federal and non-Federal sponsors during the proposal stage, including the nature of the income and the anticipated revenue.

Sponsored project proposals are completed based on funding agency guidelines, and when applicable, include Program Income budgets outlining how anticipated Program Income funds will be disbursed. As the Project Period for Program Income spending is the same as the Project Period for the generating award, a single Program Income budget is prepared for the entire period of performance.

Establish Registration Fee Rates

Program Income is generated via Registration Fees for the Summer Program and winter conferences at the Center. Registration Fees are maintained at a competitive level with other workshops, schools and conferences. When necessary, the ACP Board has directed Administrative Staff to conduct a survey of fees paid to institutions similar to ACP. Based on these findings and the Center's financial needs and position, the ACP Board determines the registration fee rate for a given activity (Summer Program or winter conferences).

Recording Program Income

Registration Fees paid by individual participants are classified as Program Income for a sponsored award when that sponsored award is providing direct Participant Support funds for that individual. Registration Fee deposits made before the participant's arrival are posted to the liability account for participant deposits in the ACP accounting system. Registration Fee revenue, received when the participant pays the fee at the conclusion of the Program, is posted or transferred from the liability



account (using the Registration Fees Object Code) into the designated accounting system Fund for Program Income for the specific sponsored project.

If a participant is supported from multiple awards or sources, the associated Program Income is apportioned to each Fund, based on the amount of support contributed from each source.

A list of individual participants and the associated amount of Program Income (Registration Fees) received from each is printed and retained as documentation supporting posted Program Income associated with particular sponsored projects.

Expenses Posted Against Program Income

Expenditures that are posted against Program Income must be allowable and in compliance with terms and conditions of the designated sponsored award. For Federal sponsors, this includes regulations incorporated into OMB Circular A-122 and OMB Circular A-110. Applicable regulations may also include those published by the sponsoring agency (e.g. the NSF Award Administration Guide) and other terms included in the award documents. Investigators and Administrative Staff carefully review the sponsor terms and conditions to determine the allowability of Program Income expenditures.

In general, when Program Income has been earned on a sponsored award, expenditures should first be posted against the Program Income account prior to expensing sponsor provided funds.

Treatment of Remaining Program Income

In the event Program Income remains at the end of the award, the additional income is considered part of the award funding. In accordance with sponsor policy, excess Program Income earned during the period of the award is returned to the sponsor.

If the PI wishes to continue to use excess Program Income funds to further project or program objectives, an extension of the award must be requested and approved by the sponsor.

To return excess Program Income to the sponsor, at the end of the award period, the ACP accounting office will transfer allowable, appropriate expenditures from the sponsored award Fund to the associated Program Income Fund to reach a zero balance in the Program Income Fund. Any unexpended balance in the sponsored award account will be returned to the sponsor, as required.

Program Income after the Project End Date

Unless otherwise specified in the terms and conditions of the award, ACP is not required to report Program Income earned and accrued after the generating project's period of performance expires. Income earned during the award period but received up to 90 days after the end of the award period must be considered Program Income and treated in accordance with the Program Income guidelines.



Reporting Program Income to Sponsors

Total Program Income received and expended will be reported on the appropriate sponsors' financial report form (e.g., Program Income Reporting Worksheet, FFR, etc.).

Reconciliation of Program Income with the ACP Database

To ensure that all program income is recorded, the Finance Manager reconciles and informally audits total program income deposited in the bank and recorded in the GL with the ACP database list of participants. Should a registration fee be missing, the participant is immediately billed.

Budgeting Program Income

In general, summer participation is based on the number of weeks with a maximum weekly capacity 86 physicists. For a 16-week summer program, that would allow for 1,376 participant weeks. Divide that by the average stay of 2.4 weeks, one gets a maximum of 573 summer participants. There is always attrition, at about an average of 10%, which leaves a reasonable estimate of 516 summer participants spread across all sponsored awards. Multiply 516 by the current registration fee to arrive at the summer budget for program income.

Winter participants average about 60-70 per conferences time the number of conferences, to arrive at winter program income.

Variances between budget and actual are reported to the Board at its annual meeting. If there is a wild variance, heads will roll.

Control Activities:

Most registration fees/program income are paid in deposits before the participant arrives in Aspen. Payment for balance due is expected before the physicist leaves Aspen. The Administrative Vice President and the Finance Manager ensure full payment from all participants. ACP has a 100% payment rate. Prices are programmed into the ACP database so error is nearly impossible. The ACP Whistleblower Policy allows employees to report any program income misuse.

Roles & Responsibilities

Principal Investigator: Responsible for identifying sources of actual and potential program income at the proposal stage; completing required program income sections in the sponsored proposal, as necessary; developing a plan for using program income; verifying program income on reports; and addressing account balance issues at final project termination



Administrative Staff: Responsible for properly billing for Registration Fees; reconciling revenue invoiced and received against financial reports; monitoring levels of Program Income and any limits that are set by the sponsor; properly depositing Program Income received in accordance with ACP procedure; and reporting Program Income receipt on financial reports.

Proposal Committee: Responsible for developing a proposal budget for anticipated Program Income.

Designated Officers: Responsible for supervising the Administrative Staff and reviewing and approving certain transactions and financial reports impacted by Program Income (as outlined in applicable policies and procedures).

Appendix: Applicable Federal Regulations & Criteria

ACP must comply with the OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, as it pertains to Program Income (Current version revised September 30, 1999):

SUBPART A – General, 2 Definitions:

(x) Program income means gross income earned by the recipient that is directly generated by a supported activity or earned as a result of the award (see exclusions in paragraphs __.24 (e) and (h)). Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under Federally-funded projects, the sale of commodities or items fabricated under an award, license fees and royalties on patents and copyrights, and interest on loans made with award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal awarding agency regulations or the terms and conditions of the award, program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

SUBPART C - POST-AWARD REQUIREMENTS, 24 Program Income:

(a) Federal awarding agencies shall apply the standards set forth in this section in requiring recipient organizations to account for program income related to projects financed in whole or in part with Federal funds.

(b) Except as provided in paragraph (h) below, program income earned during the project period shall be retained by the recipient and, in accordance with Federal awarding agency regulations or the terms and conditions of the award, shall be used in one or more of the ways listed in the following.

(1) Added to funds committed to the project by the Federal awarding agency and recipient and used to further eligible project or program objectives.

(2) Used to finance the non-Federal share of the project or program.

(3) Deducted from the total project or program allowable cost in determining the net allowable costs on which the Federal share of costs is based.

(c) When an agency authorizes the disposition of program income as described in paragraphs (b)(1) or (b)(2), program income in excess of any limits stipulated shall be used in accordance with paragraph (b)(3).

(d) In the event that the Federal awarding agency does not specify in its regulations or the terms and conditions of the award how program income is to be used, paragraph (b)(3) shall apply automatically to all projects or programs except research. For awards that support research, paragraph (b)(1) shall apply automatically unless the awarding agency indicates in the terms and



conditions another alternative on the award or the recipient is subject to special award conditions, as indicated in Section __.14.

(e) Unless Federal awarding agency regulations or the terms and conditions of the award provide otherwise, recipients shall have no obligation to the Federal Government regarding program income earned after the end of the project period.

(f) If authorized by Federal awarding agency regulations or the terms and conditions of the award, costs incident to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the award.

(g) Proceeds from the sale of property shall be handled in accordance with the requirements of the Property Standards (See Sections __.30 through __.37).

(h) Unless Federal awarding agency regulations or the terms and condition of the award provide otherwise, recipients shall have no obligation to the Federal Government with respect to program income earned from license fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions produced under an award. However, Patent and Trademark Amendments (35 U.S.C. 18) apply to inventions made under an experimental, developmental, or research award.

Further, ACP policies regarding Program Income on awards funded by the NSF adhere to the guidelines in the NSF's Award and Administration Guide (Current version revised February 2014):

Section III-5, 4. Program Income

a. If, in accordance with the award terms and conditions, program income is designated for standard (additive) treatment, efforts should be made to avoid having unexpended program income remaining at award expiration. Program Income earned during the project period should be expended prior to requesting reimbursement against the award. In the event an awardee has unexpended program income remaining at award expiration, it will be remitted to NSF by crediting costs otherwise chargeable against the award. If it is not possible to record the credit via the electronic system, the excess program income will be remitted to NSF electronically or by check payable to the National Science Foundation.

If, in accordance with the award terms and conditions program income is designated for deductive treatment, it will be remitted to NSF by crediting costs otherwise chargeable against the award. Program Income in excess of the award will be remitted to NSF electronically or by check payable to the National Science Foundation.

b. Program Income Reporting Requirements. On an annual basis, awardee institutions will be required to submit a Program Income Reporting Worksheet to NSF in order to report program income earned/expended for any of their awards during the previous twelve months or to validate that they did not earn/expend program income for any of their awards during the applicable period. The Program Income Reporting Worksheet will be made available to awardees through Research.gov. Awardees will be required to report the award number, amount of program income earned, amount of program income expended, and the amount of unexpended program income remaining as of the report date. Awardees that have no program income to report will be able to validate that status by an email response. NSF will establish a reporting/response deadline of 45 days after the announcement of Program Income Report availability. Failure to report program income or to validate that no program income was earned/expended could result suspension of future award payments.

Section VI.F: Program Income

1. Background

The following provisions implement the applicable portions of 2 CFR §215.24 on program income as well as the principle on income from copyrightable material adopted by the NSB. (See AAG Chapter VI.D.2a.)

2. Definition



PROGRAM INCOME means gross income earned by the grantee that is directly generated by a supported activity or earned as a result of the grant. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under the grant, the sale of commodities or items fabricated under the grant, license fees for, and royalties on, copyrights and interest on loans made with grant funds. Interest earned on advances of Federal funds is not program income. Program income does not include the receipt of principal on loans, rebates, credits, discounts, etc., or interest earned on any of them.

3. NSF Policy

a. Standard Treatment. Unless otherwise specified in the grant, program income received or accruing to the grantee during the period of the grant is to be retained by the grantee, added to the funds committed to the project by NSF, and thus used to further project objectives. The grantee has no obligation to NSF with respect to: 1) license fees and royalties for copyrighted material, patents, patent applications, trademarks and inventions; or 2) program income received beyond the period of the grant.

b. Special Treatment. In exceptional circumstances, the NSF Grants and Agreements Officer, in collaboration with Program Officers and other appropriate NSF offices, may approve use of a special grant provision to restrict or eliminate a grantee's control of income earned through NSF-supported activities if it determines that this would best serve the purposes of a particular program or grant. The special provisions may require the Federal share of program income be kept in a separate account, reported on and/or remitted for such periods as may be reasonable under the circumstances.

