



DATE: July 8, 2016
DIRECTIVE NO: 34-16
RECISSION: La Cooperativa Directive No. 19-09
TO: All La Cooperativa Subrecipients
SUBJECT: Program Income

PURPOSE:

The purpose of this directive is to provide subrecipients with policy and procedural guidance for income generated with the use of funds awarded through programs funded by La Cooperativa.

REFERENCES:

- 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Final Rule

BACKGROUND:

On December 26, 2013, the Office of Management and Budget revised the Uniform Administrative Requirements for Federal grants, combining those requirements with those of the audit requirements and cost principles. These regulations are codified at 2 CFR Chapter I and Chapter II, Parts 200, 215, 220, 225, and 230, became effective December 26, 2014, and are referred to as the Uniform Guidance. These rules contain the requirements for the income generated with the use of subgrant funds.

DEFINITIONS:

Period of performance means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award. (2 CFR 200.77)



Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. 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 Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. (2 CFR 200.80)

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract. (2 CFR 200.92)

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency. (2 CFR 200.93)

POLICY:

Subrecipients and their contractors will account for program income earned in accordance with the procedures described below:

USE:

Program Income is earned income that is directly generated by a supported activity or earned as a result of a subaward. Subrecipients are required to identify and document program income generated from programs funded by La Cooperativa. The nature of this income must be appropriately documented and the resulting revenue and expenses properly recorded and accounted for. The guidelines and procedures that follow are intended to ensure compliance with federal regulations and subaward terms and conditions.

Examples of program income include:

- Fees earned from services performed under the subaward
- The difference between the fixed fee and the actual cost of any delivered service
- Funds generated from sales of commodities such as the sale of meals
- Conference fees charged when the subaward funds the conference
- Income from registration fees

- Sale, rental, or usage fees, such as fees charged for the use of space already paid for with subaward funds
- Funds generated from the sale of software, tapes, or publications

(This is not an exhaustive list but is representative of what is considered program income. Contact your program manager for specific questions.)

METHODS OF CALCULATION:

Different fund sources use different methods of calculating program income. Please refer to your subaward to ensure the proper methodology is applied.

Addition Method

Program income funds are added to the funds committed to the subaward and used to further eligible program objectives. Under the addition method, the cost of generating the income is subtracted from the gross resulting in net program income which is to be added to the subaward.

EXAMPLE: The initial program budget was \$100,000. \$10,000 of program income is generated increasing the program budget to \$110,000. The total subaward costs may now be \$110,000. (\$100,000 expensed on the initial budget and \$10,000 expensed on the program income earned).

Deduction Method

Program income funds are deducted from the total program allowable costs to determine the net allowable costs attributable to the subaward.

EXAMPLE: The initial program budget was \$100,000. \$10,000 of program income is earned. The adjusted program budget amount is reduced to \$90,000 after gross program income is taken into account. Total program costs remain at \$100,000. (\$90,000 on the initial budget and \$10,000 on the program income earned.)

Any program income not applied to the subaward prior to its expiration shall revert to CSS.

Income after the Period of Performance

There are no Federal requirements governing the disposition of income earned after the end of the period of performance for the subaward, unless the Federal awarding agency regulations or the terms and conditions of the subaward provide otherwise.

REVENUES NOT CONSIDERED PROGRAM INCOME:

Governmental Revenues. Taxes, special assessments, levies, fines, and other such revenues raised by a non-Federal entity are not program income unless the revenues are

specifically identified in the subaward or Federal awarding agency regulations as program income.

Refunds and Rebates. Rebates, refunds including workers compensation refunds, contract settlements, audit recoveries and interest earned on such funds are not program income. If these funds are returned in the year in which the costs were incurred, the subrecipient should reduce costs in the appropriate subaward and liquidate the associated cash prior to requesting additional cash payments.

Interest Income. Interest income is not program income. The funds associated with interest income are to be liquidated prior to requesting additional cash payments. No reductions in costs are to be made as a result of the interest earned.

Property. Proceeds from the sale of real property or equipment are not program income; such proceeds will be handled in accordance with the requirements for the disposal of property.

Profit. Contracts with for profit entities will have a negotiated amount of payment which will represent the entity's profit and be clearly identified as profit in the contract instrument. This is not considered program income.

ACCOUNTING AND REPORTING:

Regardless of the accounting method used, program income may be used only for allowable costs in accordance with the applicable cost principles and the terms and conditions of the subaward.

All subrecipients shall maintain records sufficient to determine the amount of such income received and the purposes for which such income is expended.

ACTION:

La Cooperativa and its subrecipients shall follow this policy. This policy shall remain in effect until such time that a revision is required.

If you have any questions regarding this Directive, please contact Fernando Gonzalez at (916) 388-2225 or e-mail at fgonzalez@lacooperativa.org .



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