CRIME VICTIM AND SURVIVOR SERVICES DIVISION (CVSSD)
PROGRAM INCOME POLICY

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I. ***Introduction***

The purpose of this document is to describe CVSSD's policies and requirements with regard to program income generated through the use of CVSSD-administered federal grant funding.

You can learn more about the requirements for the management of federal funds and program income in the Uniform Guidance and the 2017 DOJ Financial Guide.

What is Program Income?

Program Income is income received by a Grantee that is directly generated by performing program service activities for a fee. These fees may be paid for by the recipient of the service or by a third party (i.e. insurance provider).

Program income may be

- related to grant-supported activity during the award period or
- earned as a result of activities related to a federal award during the award period.

Federal regulations provide for three methods of recording and using program income, ***Deduction*, *Addition*,** and ***Matching***. If the federal awarding agency does not specify in its regulations or in the terms and conditions of the federal award how program income may be used, **most programs default to the deduction method.** Institutions of Higher Education and nonprofit research institutions default to the addition method. Grantees wishing to collect program income **may use the deduction method without prior approval**. **Grantees must receive prior approval from CVSSD if they wish to use the addition or matching methods for recording and using program income**.

The term "**realized**" is used throughout this document in reference to program income. Program income that is "realized" means income that is actually received, not just earned.

The Basics: Three Methods of Recording and Using Program Income:

A. ***Deduction Method***.
Program income realized is deducted from the funds committed to the project by the awarding agency. Under this method, the total amount available to support the project remains unchanged from the original award. ***The Deduction method will be used on***

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federally-funded projects if the Grantee generates program income that is not anticipated at the time of the application and a budget amendment is not requested or approved.

B. ***Addition Method***.
With prior approval of the awarding agency, program income realized is added to the funds committed to the project by the awarding agency. Under this method, the total amount available to support the project increases by the amount of program income realized.

C. ***Cost Sharing or Matching Method***.
With prior approval of the awarding agency, program income may be used to meet the cost sharing or matching requirement of the award.* The amount of the original award remains the same.
*<u>***PLEASE NOTE***</u>***: Programs must obtain CVSSD approval prior to using program income to finance the non-federal share of the project (i.e., meet matching requirements).***

CVSSD hopes and expects that by allowing the generation of program income using the addition method, Grantees will be able to leverage their federal award to expand victim services capacity.

The **money realized from program income must go into services that relate to the federally-funded project**. Grantees cannot generate program income from a federally-funded project then use those funds for non-project related costs or unallowable costs, such as hiring a lobbyist or paying for a staff trip to Hawaii. However, **Grantees can put their program income into project-related costs**, such as paying the salary for a new advocate or a part time mental health clinician, sending staff to training, or purchasing a new piece of equipment relevant to the work in their grant budget.

II. *General Requirements*

Adherence to the following guidelines and procedures for generating program income will ensure compliance with federal regulations.

A. General rules for generating and using program income:
   a. CVSSD administered Grantees may apply the ***Deduction*** method to record and use program income. This method is the default method when a program generates program income but does not seek approval from CVSSD to apply the Addition method. Program income realized under this method will be deducted from the award amount, leaving the grantee with the same total amount that was originally awarded.

b. CVSSD administered Grantees may apply the **Addition** method to record and use program income. Program income realized under this method shall be added to (i.e. supplement) the federal funds committed to the project. All Grantees must receive CVSSD approval ***before applying the addition method*** to program income generated with CVSSD-Administered federal funds.
c. All grant-generated program income is subject to the same allowances and restrictions as the federal grant used to generate the income, regardless of the method used to generate the income. If an expense is not allowable under the original award it's not allowable with program income.
d. All grant-generated program income is subject to the same terms and conditions in the Grant Agreement as the Grant itself, regardless of the method used to generate the income.

B. As it relates to CVSSD-administered federal funds, CVSSD only allows program income to be earned on income from fees for the following services:
   a. Event registration and tuition fees;
   b. Reimbursable costs for forensic interviews;
   c. Reimbursable costs for forensic exams;
   d. Reimbursable costs for counseling;
   e. Reimbursable costs for health advocacy; and
   f. Other reimbursable costs on a case-by-case basis with prior approval from CVSSD.

C. As it relates to CVSSD-administered federal funds, CVSSD does not allow program income to be earned on:
   a. Fees for services not cited above;
   b. The sale of commodities or items fabricated or produced under a federal award such as books and publications, software, child care, tutoring, etc.;
   c. Rental or usage fees for real or personal property purchased with federal grant funds;
   d. Income from license fees, royalties, copyrights and patents developed as a result of grant funded activities; and
   e. Membership fees.

D. The following items are **not program income**:
   a. Interest earned on advances of federal funds (for example, prospective grant payments);
   b. Proceeds from the sale of real property or equipment (separate regulations apply);
   c. License fees and royalties on research funded by a federal award;
   d. Rebates, credits, discounts, and interest earned on any of the aforementioned;
   e. Taxes, special assessment, levies and fines;
   f. Funds that a Grantee receives in the form of donations or contributions whether restricted or not restricted to a specific grant or grant-funded project; and
   g. Income earned by subcontractors or third parties unless it is passed through to the Grantee.

E. CVSSD ***prohibitions and restrictions*** related to the generation of program income:
   a. CVSSD will not allow program income to be used to finance the non-federal share of the project (i.e., meet matching requirements) unless Grantee obtains prior CVSSD approval.

b. CVSSD will not allow costs incidental to the generation of program income to be deducted from gross income to determine program income. The gross program income realized shall be recorded, used, and reported as program income.
c. CVSSD will not allow Grantees to generate program income by charging victims/survivors a fee for advocacy services. Federally funded programs shall continue to provide services to crime victims at no charge to victims.
d. CVSSD is under no obligation to approve Grantee requests to apply the addition method to program income earned on CVSSD-administered federally-funded grant services.
    i. ***The process for requesting CVSSD approval to apply the addition method to any program income generated is described in Section V of this document.***
e. CVSSD reserves the right to rescind approval to apply the addition method to program income generated on CVSSD-administered federally-funded grant services should the Grantee fail to adequately meet the requirements stipulated in this policy.

III. *Calculating and Reporting Program Income*

If Federal funds are used to generate program income, the portion of program income attributable to VOCA, VAWA or SASP must be reported. Grantees should consider program income as attributable to *VOCA, VAWA or SASP* if these federal funds contributed to a project that includes *any essential* VOCA, VAWA, or SASP-supported costs. The federal share of program income is determined by the *percentage* of the *total project costs* supported by VOCA, VAWA or SASP grant funds.

What Does This Mean?

If a Grantee has a project that generates program income, they have to determine:

1) if federal funds supported an **essential role** or cost of the project and, if so,
2) **what percentage** of the project was funded by those federal funds.

That percentage will determine the "**share**" of program income that belongs to the federal fund.

In order to make these calculations, a Grantee must first determine what constitutes a "project". This is often identified based on how the Grantee manages its funds. Like determining a "cost objective" for purposes of financial accounting, a Grantee may have a number of projects based on similar services or activities or the entire operation may be a single project.

When program income results from an activity funded partly with VOCA, VAWA or SASP and partly from the Grantee's existing operations (funded by other federal or non-federal funds) the

Grantee must determine what percentage of total funds come from VOCA, VAWA or SASP. The Grantee must then apply that percentage to the total program income to determine what amount of program income belongs to the federal fund.

For example:

- A project, as defined above, funded with 100% federal funds must account for and report on 100% of the total program income earned. If the total program income earned was $20,000, the Grantee must account for and report the $20,000 as program income on the Financial Report.
- If a project, as defined above, is funded with 75% federal funds and 25% non-federal funds the Grantee must attribute 75% of the program income to the federally-funded project. If the total program income generated by the project was $100,000, the Grantee must account for $75,000 as program income on the Financial Report.

LET'S PUT IT ALL TOGETHER …

DEFINE YOUR PROJECT

What is the scope of the project that generates income?

- Does your program's accounting system/practice naturally identify projects?
- Is there a logical definition of a project based on the type of services provided or the funding source?
  - For some programs, one grant funds an entire project.

DETERMINE WHAT COSTS ARE *ESSENTIAL* TO THE PROJECT AND THE GENERATION OF INCOME

- Is the cost absolutely necessary such that without this cost the income could not be generated? If so, it is ***essential*** to the generation of program income.
- Is the cost incidental or supplemental, such that the income could be generated even without this cost? If so, it is ***not essential*** to the generation of program income.

DETERMINE HOW THESE *ESSENTIAL* COSTS ARE FUNDED

- VOCA,
- VAWA,
- SASP,
- other federal grant funds,
- state funds,
- foundation, or
- other funds

DETERMINE THE PERCENTAGE OF TOTAL PROJECT COSTS FUNDED BY VOCA, VAWA, OR SASP

- This percentage is the federal "share" of program income
- This represents the percentage of program income that must either be "deducted" or "added" to your award depending upon which method you use.

A. How to Estimate a Program Income Budget

Grantees may generate program income on their federally-funded grant in one of two ways:

1. **Facilitate a Training:**
   If Grantees facilitate a training using federal dollars, and they charge a registration or admission fee per person, they would calculate an estimate based on a reasonable expectation of the number of attendees and cost per person. Their program income is the total amount of money they generate from the registration fees.

2. **Charge for Direct Service Delivery:**
   If Grantees generate program income from direct service delivery, such as billing OHP for a mental health session or a forensic interview or exam, estimating their program income will be trickier.
   - They must develop a formula to reflect the number of services they expect to provide and the amount of money per each service that they expect to recoup.
   - They should consider using last year's totals, or last quarter's totals and estimate for a year or two.
     - How many victims did the program support with this service, and how much does OHP or combination of insurers reimburse?
   - Their program income is the total amount of reimbursements that they generate from billing third parties.
   - **It is important to consider the actual amounts billed vs. the actual amounts reimbursed when estimating the program income budget.**

To Apply the Addition Method:

- Grantees must have a reasonable projection for the amount of income they might generate.
- Grantees must build the program income budget projection into the appropriate program income columns in E-Grants.
- Grantee's program income budget must show their initial plans for spending the program income.
- Grantees must show that they plan to reinvest the program income back into their federally-funded project.
- The program income budget will become an estimated *addition* to their overall project budget.

B. Cautions for applying the Addition method:

- ⚠ Remember, when using the addition method, if a grantee does not generate the projected program income they will not have that income available to cover all the expenses included in their budget.
  - Unlike grant funds, they do not have the program income that they projected in the E-Grants budget until they actually generate and receive the income.
  - After they have entered their program income estimates in E-Grants, begin delivering program income-generating services, and begin realizing program income, they must track their program income and be prepared to report program income expenditures in their next financial report.

- ⚠ Grantees must monitor their program income projections regularly and carefully. They must make prompt adjustments to their budget if they determine that they over- or under-estimated the amount of program income they expected to generate.

- ⚠ Grantees should be aware of the potential impact on their program-income supported expenditures, FTE, training, etc., if they don't end up generating enough program income to support those expenditures. They should be conservative and have contingencies.

- ⚠ Grantees should be prepared for the potential impact that an increase in revenue can have on an organization.

- ⚠ Program income is subject to audit. Auditors may
  - sample a grantee's revenue sources to identify any funds that would be considered program income and
  - review a grantee's general ledger documentation to ensure they have used the program income as required under their grant provision, grant terms and conditions, and their program income policy.

C. What if a Grantee underestimates their program income while applying the Addition method?

If the amount of program income a Grantee generates is more than the amount they projected, they may be allowed to amend their budget to include the additional program income. They may also need to amend their program description/performance to account for the use of these additional funds. As a general guideline, CVSSD will allow Grantees to request a budget/program amendment once per year and 45 days before the close of the award. In addition, as a general guideline for requesting an Amendment, the amount of additional program income should be at least $1,000. If the increased program income generated does not meet this threshold, then any program income generated in excess of the amount budgeted will default to the deduction method. This means that the program income will be deducted from expenditures and any remaining federal funds will be deobligated at grant termination.

HOW DOES THIS PLAY OUT IN PRACTICE?

Example #1:
A $110,000 program (funded with $100,000 federal funds and $10,000 program income) realizes $15,000 in program income revenue which is $5,000 beyond its budgeted program income. The program plans to enlarge or enhance its activities, so the Grantee requests an amendment. The amendment, if approved by CVSSD, would increase the total project budget to $115,000, funded with $100,000 federal funds and $15,000 program income. The Grantee would also likely need to note any programmatic changes that will result due to the increase in available funds.

Example #2:
Continuing with the previous example, toward the end of a project period, the Grantee determines that the anticipated program income generated will likely exceed the revised budgeted amount ($15,000) by approximately $250. The CVSSD Fund Coordinator determines that a budget amendment will not be allowed (based on the general guidance that the amount of additional program income should be at least $1,000 to warrant a budget amendment). When the final financial report is submitted, the program income in excess of the amounts specified in the budget must be deducted from expenditures resulting in a deobligation of federal grant funds in the amount equal to the excess program income realized. In summary, the total project budget remains at $115,000 – funded with $99,750 federal share and $15,250 program income share.

Example #3:
A $100,000 program (funded with $74,000 federal funds and $26,000 program income) realizes $30,000 in program income revenue which is $4,000 beyond its budgeted program income. The program has no plans to enlarge or enhance its activities, so the Grantee does not request an amendment. The $4,000 excess program income reduces the total federal share since the program income must be spent before the federal funds; federal funds that can be drawn down are reduced from $74,000 to $70,000. In summary, program expenditures are $100,000 and are funded with $70,000 from federal funds and $30,000 from program income.

D. What if a Grantee overestimates their program income while applying the Addition method?

If a Grantee overestimates the amount of program income they proposed to generate, no amendment is required. **There is no penalty for overestimating**; however, Grantees must be cautious not to plan budget expenditures that cannot be supported should the anticipated program income not be generated. **Remember, if a Grantee does not generate the total projected program income, they cannot bill the total project budget**.

- Expenses which exceed the approved Grant budget cannot be billed and will not be reimbursed. The total Grant award will not increase to offset the loss of program income;
- Failure to achieve program income goals will result in lowering the total amount of funding available for the program. A Grantee will need to either augment the shortfall with unrestricted funds or reduce the total amount expended for the program; and
- Program income collected that exceeds the final project budget cannot be retained by the Grantee. Excess program income will be used to reduce the amount of the federal award (see scenario 3 below).

WHAT MIGHT THIS LOOK LIKE?

	Approved Budget	Scenario 1 Final FR – Rejected	Scenario 2 Final FR – Approved	Scenario 3 Final FR – Approved
Total Project Budget ($100,000 Grant funds + Program Income)	$110,000	$110,000	$108,000	$105,000
Total Program Income	$10,000	$8,000	$8,000	$8,000
Total Grant Funds	$100,000	$102,000	$100,000	$97,000
Deobligated Funds			$0	$3,000

Scenario 1*:* The Grantee only generated $8,000 in program income (rather than the planned $10,000) and reported $110,000 in total project expenditures resulting in $102,000 in total grant costs. The maximum reportable project expenditures should be $108,000 ($100,000 grant funds and $8,000 program income funds). Since the Grantee reported $110,000 in total project expenditures, the FR is rejected. Regardless of how much or how little program income is generated, the Grantee can only expend $100,000 in grant funds.

Scenario 2*:* The Grantee also generated only $8,000 in program income (rather than the planned $10,000), but only reported $108,000 in total project expenditures ($100,000 grant funds and $8,000 program income funds). The FR is approved because the Grantee did not request grant funds in excess of the $100,000 award amount.

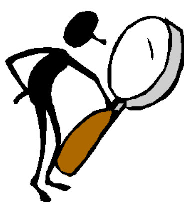
Scenario 3*:* The Grantee again generated only $8,000 in program income (rather than the planned $10,000), but only reported $105,000 in total project expenditures. The FR is approved because the Grantee did not request grant funds in excess of the $100,000 award amount. In fact, the total billable project expenditures ($105,000) are reduced by the amount of program income generated ($8,000) resulting in a deobligation of $3,000 in grant funds.

Program income is most commonly recorded in the following ways:

1. Program income can be recorded as revenue to the project(s) that generated the income, prorated according to the portion attributed to each project.
2. Program income may be recorded in a separate Project cost center dedicated to the tracking of program income activity.

Program income ***must be recorded when it is earned*** (using the **accrual basis of accounting**). Grantees should determine the methodology for recording program income based on current accounting practices and based on the likelihood that the program income received will vary from the billed amount.

Using the accrual basis for recording program income requires that the revenue be recorded even if the revenue has not been received.



HOW SHOULD PROGRAM INCOME BE RECORDED USING THE **ACCRUAL BASIS OF ACCOUNTING**?

Example #1 – billed amount likely equal to the revenue received:

- In March Grantee receives a Purchase Order for a registration fee for $300;
- In March Grantee records program income of $300; and
- In April Grantee receives $300 as payment for the registration fee.

Example #2 – billed amount likely to vary from the revenue received:

- In March Grantee bills OHP $750 for a forensic exam;
- In March Grantee records program income of $750 and an Account Receivable for $750 (reflecting the fact that OHP has an obligation to pay for the service). Because Grantee knows that OHP does not always pay the full amount billed, they establish an *Allowance for Doubtful Accounts** (a contra asset which reduces the net value of the receivable) and an expense account for *Losses Through Non-collection Account**. If their best estimate is that they will collect 90% of all the amounts they bill and with 10% of all amounts billed become uncollectible, they will also record a *Losses Through Non-collection Account** expense of $75 and an increase in their *Allowance for Doubtful Accounts** of $75.
- In June Grantee receives $675 from OHP; they adjust the *Allowance for Doubtful Accounts** and Accounts Receivable accordingly.

E. Reporting program income earned after the award period

Any program income that is earned prior to the end of the grant period using the accrual method must be reported in the final Financial Report regardless of when it is collected. Program income earned ***after*** the project period ends can be retained by the organization and used for other purposes.

V. ***Requirements for Requesting Approval to Apply the Addition Method to Generate Program Income***

A. Required process to make request to CVSSD

Grantees may request to apply the addition method to generate program income when completing a grant application or, if further along in the grant cycle, as a mid-cycle amendment request. CVSSD approval to apply the addition method to program income is valid only during the grant period in which that program income is requested and approved. Future requests will be considered during future grant application determinations. ***CVSSD will not allow first-time grantees to apply the addition method to generate program income on CVSSD-administered federally-funded grant services-in the first year of an award.*** However, those Grantees may choose to apply in the second or later years of a multi-year award.

CVSSD considers program and fiscal risk assessments conducted during the grant application review process when evaluating requests to apply the addition method to program income. CVSSD will not approve high risk programs to apply the addition method to program income generated on CVSSD-administered federally-funded grant services. CVSSD will reconsider such requests after the high risk status is successfully addressed and documented in subsequent risk assessments.

B. Questions to be Addressed by the Applicant During Application Process (Program Income Page in E-Grants Application):

All Grantees requesting to use the addition method must be prepared to respond to the **following questions** in E-Grants:

Does your organization earn any program income (typically generated by performing program service activities for a fee that are paid for by the recipient of the service or by a third party)?
Yes No

a. If no, provide an explanation that substantiates that no grant funds included in the budget for this application will support essential costs that contribute to your agency's ability to deliver the program service activities that result in the collection of program income.

b. If yes, will the program service activities that result in the generation of program income be financed, in whole or in part, by grant funds included in the budget for this application (consider costs that are essential to the collection of program income which could include personnel and supervisory costs, space costs, communication costs, equipment and supply costs, administrative costs, etc.)?
   Yes   No

If yes, please respond to the following additional questions:

1. During the course of this grant, how much program income does the applicant estimate generating? ________
   c. How much of this total program income will be attributed to this award?_______
   d. How did you arrive at these estimates?

2. What is the source of the agency's anticipated program income associated with this grant?

3. Generation of program income requires a written policy statement assuring that services will be provided to crime victims at no cost, without concern for their financial resources or availability of third party payor. The agency's policy must be uploaded.

4. Describe how revenues from program income will be used.

5. Explain how the agency will track program income separately from the grant funds.

6. How will your agency ensure that program income is spent prior to grant funds?

1. Grantees shall use program income to **expand or enhance** appropriate and allowable victim service activities. This program income is subject to the same terms and conditions as the original grant funding.
2. Grantees must confirm that services available to eligible persons are not dependent upon those persons' abilities to pay, including through third party insurance. VOCA, VAWA, and SASP funded victim services shall be available to all eligible persons at no cost to the victim.
3. Grantees shall provide reasonable estimates for the amount of program income to be incorporated into the total budget for the grant cycle. Grantees must provide the basis for their estimates (i.e. the process used to generate program income and how their totals were derived).
4. Grantees must seek approval prior to applying the addition method to generation of program income. However, in exceptional circumstances approved by CVSSD, a grantee may seek approval in the quarter in which the grantee first realizes program income.
5. Grantees shall account for program income using the accrual accounting methodology and provide regular reporting of program income billed, collected, and expended.
6. Grantees with approved program income plans shall use financial reports in CVSSD E-Grants to report program income activity to CVSSD on the same schedule as regularly required grant reporting.
7. Grantees must account for the federal portion of program income up to the same ratio of federal participation in the funded grant. When two or more funding sources are involved in the generation of program income (e.g., two federal grant sources, or a federal grant source and a non-federal source), the program income must be prorated based on the direct participation of the funding sources.
8. Program income must be expended prior to expending federal or other sources of funding.
9. In general, program income cannot be saved. However, if program income is generated before it is needed for its intended purpose (for example, registration fees paid in advance of an event), a Grantee could allocate the program income to the period in which it will be expended, if such a practice is consistent with the Grantee's cost allocation policies and procedures. In such a situation, the Grantee would not be required to use such program income before requesting federal funds.
10. Approved Grantees must keep fiscal documentation of program income in the same manner as required for grant funds. These records shall be made available to CVSSD and federal funders by request during quarterly fiscal review, desk review, or in-person site visit.
11. Grantees must expend and report in the final Financial Report all program income that is earned prior to the end of the grant period, regardless of when it is collected.