

# HARVARD UNIVERSITY



## Program Income Guidance

Originally Issued: October 24, 2017

Last Revised: January 2026

Responsible Office: Office for Sponsored Programs (OSP)

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### Reason for Guidance

Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Section 2 CFR 200.307 (“Uniform Guidance”) defines program income as **“gross income earned by a recipient or subrecipient that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in § 200.307(c) ”**. Program income must be identified, appropriately documented, and the resulting revenue and expenses properly recorded and accounted for. Additionally, non-federal sponsored awards generally require similar diligence to identify, document, and account for program income. As a result, program income on federal and non-federal sponsored awards is subject to this guidance. However, if a non-federal sponsor, or a firm-fixed price sponsored award, is silent on the issue of program income, the income is not reportable and therefore not considered program income.

Examples of program income include, but is not limited to, the following when the source of funding is a sponsored award, or the revenue is directly generated by a sponsored activity.

- fees earned from services performed under the project, such as laboratory tests
- income generated from sales of commodities and research materials, such as tissue cultures, cell lines, and research animals
- registration fees from participants attending conferences, workshops, or Professional Development offerings (e.g., courses)
- income from sales of educational materials

- sale, rental, or usage fees, such as fees charged for the use of computing or laboratory equipment
- income generated from the sale of software, digital media, or publications
- income from certain federal prizes or challenges when scientific research funded by an existing federal grant is to be further developed with the prize (e.g., NIH Challenge Prizes). Note: a list of participating federal agencies can be found at [www.challenge.gov](http://www.challenge.gov).

The following are NOT considered program income unless specified in Federal statutes, regulations, or the terms and conditions of the Federal award:

- Proceeds from the sale of real property, equipment, or supplies. **Exception: applicable if PPE or supplies purchased using federal funding and the sale date occurred after the period of performance end date but prior to award close out**
- License fees and royalties for copyrighted material, patents, patent applications, trademarks, and inventions made under the Federal award
- rebates, credits, discounts, and interest earned on any of them

Principal Investigators (PIs) and department/local level managing units must identify program income on both federal and non-federal sponsored awards in order for the income to be administered by the University. This guidance is intended to ensure compliance with federal regulations and sponsored award terms and conditions. As a non-profit institution, the University's mission is not to seek profit from its research activities; therefore, not properly accounting for program income on sponsored awards may potentially affect the University's tax-exempt status.

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## Applicability

This guidance is applicable to all Principal Investigators (PIs) and administrators at Harvard University within all schools, units, divisions, University-wide initiatives, labs, and centers who are involved with the administration and conduct of sponsored awards.

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## Program Income Accounting Methods

There are three methods of applying program income: addition; deduction; and cost-sharing. The Federal agency should specify what program income method(s) will be used in the terms and conditions of the Federal award. Regardless of the accounting method used, program income may be used only for

allowable costs, incurred during the period of performance, in accordance with the applicable cost principles and the terms and conditions of the sponsored award. Additionally, program income earned must be used for the original purpose of the federal award. (Note: For Institutions of Higher Education (IHEs) and nonprofit research institutions, the addition method will be used when no method is specified in the award's terms and conditions.)

### **Addition Method**

Program income funds are added to the total allowable cost of the sponsored award commitment and used to further eligible project or program objectives. Funds may be retained and used to further eligible project or program objectives during the term of the award.

Example: The sponsored award amount was \$100,000. \$10,000 of program income is generated. The total allowable project costs are now \$110,000 (\$100,000 expenses on the original award amount and \$10,000 expense on the program income earned).

### **Deduction Method**

Program income is deducted, or offset, from the total award's allowable costs to determine the net allowable costs on which the sponsor's share of costs is based.

Example: The sponsored award amount was \$100,000. \$10,000 of program income is earned. The program income must be used to off-set the award amount from the sponsor and reduces the total award amount to \$90,000. Total available funds for the project remain at \$100,000 (\$90,000 from the sponsored award and \$10,000 from the program income earned).

### **Cost Sharing**

With prior approval of the sponsor, program income funds are used towards fulfillment of a committed cost sharing requirement for the sponsored award.

Example: The sponsored award amount was \$100,000 with a cost-sharing commitment of \$20,000. \$10,000 of program income is generated. The expenditure of the program income may be used to account for \$10,000 of the cost sharing commitment.

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## **Roles and Responsibilities**

Responsibilities for management of program income on sponsored awards are shared among the following:

### **PI & Department/Local Level Managing Unit**

- Identify sources of potential program income at the proposal stage and during the award
- Submit a request to the Office for Sponsored Programs (OSP) or Sponsored Programs Administration (SPA) to establish a program income account in GMAS upon receipt of award or during the award when program income is identified
- Deposit the program income to the designated program income account using the appropriate object code (see Appendix A for recommended object codes for booking sponsored program income)
- Post the appropriate expenses related to the generation of the program to the designated program income account
- Ensure program income-related expenses comply with the allowability of costs in accordance with the sponsored award and federal regulations
- Understand and comply with sponsor-approved program income accounting method
- Verify and confirm the total program income earned, and the amount expended to be included in the financial report prepared by the OSP Research Finance Team

### **School/tub level officials**

- Review proposal for potential program income and determine whether it is appropriate to include or exclude program income in the proposal submission

- Discuss with PI and department/local level managing units' potential shortfall of funding if the program income is identified in the proposal as a source of cost sharing commitment for the project
- Negotiate program income terms in sponsored awards and understand the sponsor-approved program income accounting method
- Establish a program income account when setting up the award in GMAS or when program income is identified during the award by the PI and department/local level managing units

### **Office for Sponsored Programs (OSP) Research Finance Team**

- Review and determine the program income sponsor reporting requirements
- Coordinate with the PI and department/local level managing units to confirm the allowable program income amount to be reported to the sponsor
- Reconcile program income account for award closeout
- Return unspent program income balance to the sponsor according to the sponsored award terms and conditions

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## **Procedures**

The following procedures outline the process for managing program income on sponsored awards.

### **Proposal Process**

The PI and department/local level managing units should review the proposal to identify sources of actual or potential program income from the project. If program income is identified, select "Yes" to the program income question on the "Edit approval attribute" screen in GMAS.

If there is program income that will fund a portion of the project as committed cost sharing, consult with school/tub level research administration offices to determine an alternative funding source to cover any potential shortfall in program income revenue.

## **Award Initiation**

Upon award acceptance, the PI and department/local level managing unit should submit a request to their school/tub-level research administration office to establish a GMAS program income account (part-of account) for tracking the program income generated during the project period if program income was included in the proposal budget/narrative. If program income is identified after the award is initiated, a request for setting up a program income account should be submitted to the cognizant research administration office as soon as the actual or potential program income revenue is identified.

The following information should be included in the request:

- Description of the activity and relationship to the sponsored award
- Approximate annual level of income for each award budget period
- A proposed fee schedule for the services to be performed, or cost of commodities to be sold, together with a breakdown of the major fee or cost components
- Assurance that the service or commodity is not being provided to non-Harvard customers at a price that is less than outside vendors charge for the same goods or services
- Budget estimate for utilizing the program income
- Proposed beginning and end dates of the program income account, which must fall within the sponsored award period of performance

Upon receipt and approval of the request, the school/tub-level research administration office will establish a program income account under the award segment (using the same fund value and activity value as the main account), and set up the account as follows:

- Enter “program income” in the part of account description field
- Enter a zero obligated amount in the account’s funds allocated field
- Enter a zero % overhead rate for the part-of account

Generally, a single program income account will be used over the entire period of the award when task logic is utilized. When a year logic account is utilized for a multi-year award, a program income account is required for individual account groups to coincide with individual budget reporting periods. In general, if

the award has automatic carryover authority, the unspent program income balance at the end of the budget year should be moved to the next budget year program income account without requiring sponsor prior approval.

### **Program Income and Associated Expenses Coding/Recording**

The department/local level managing units are responsible for depositing and posting award-generated revenue to the designated income account using the appropriate income object codes (see Appendix A for recommended object codes for sponsored program income). Program income should only be posted to the designated income account and should not be posted as a credit to other expense Object Codes.

In addition, the department/local level managing units are responsible for posting any expenses associated with the generation of the gross program income to the designated program income account using appropriate expenses object codes as used for other expenses on the project. Examples of expenses include supplies and travel expenses for hosting a conference or labor and materials costs for the distribution of the goods or services being sold. Program income expenses do not take overhead.

### **Use of Program Income**

Program income funds should be utilized to cover project expenditures according to the program income treatment required by the award. If a portion of the income is the result of activities that are not directly related to the sponsored award, it is necessary to prorate the program income to identify the proportion attributed to the sponsored award. All Program Income should be expended prior to sponsored funds being used during the sponsored award period of performance.

Additionally, PIs and departments/local level managing units should coordinate with their school/tub level officials in order to understand and comply with the sponsored award terms and conditions regarding allowability of costs and the required sponsor-approved program income accounting method.

### **Sponsor Reporting**

As required in the sponsored award terms, program income is reported to the sponsor annually and/or

at the end of the award via a standard financial report (e.g., federal financial report) or a separate program income report (e.g., NSF annual consolidated program income report). Prior to the financial reporting due date, the OSP Research Finance Team will coordinate with the department/local level managing unit to verify the total program income amount to be reported according to the sponsor-required program income accounting method.

Federal regulations define program income as “gross income” and must be reported in the financial reports. Some federal agencies, (e.g., NIH, NASA, U.S. Department of Education) may allow costs associated with the generation of the gross amount of program income that is not charged to the grant to be deducted from the gross income earned. Reporting of “net amount of program income” may be appropriate in some circumstances when the sponsor requires using the deductive accounting method for program income, where the costs of generating program income have not been charged to the federal award.

### **Award Closeout**

Unless specified otherwise in the award, federal regulations require the University to expend program income funds before spending award funds. For federal awards, funds remaining in the project or program income account after the project has been terminated will be returned to the sponsor. For non-federal awards without terms and conditions regarding the treatment of unspent program income after the project has terminated, the program income balance may be transferred to a departmental account. If the funds are needed to further project or program objectives after the expiration of the award, a no-cost extension request should be submitted to the sponsor.

### **Program Income Account Reconciliation and Closeout**

When the award is expired, as the final financial report is being prepared, the OSP Research Finance Team should adhere to the guidance outlined in the [Sponsored Closeout Procedure](#), including the reconciliation of expenditures, income, and GMAS Final Figure. Income and expenditures related to Program Income (PI) should remain on the designated GL Account String and NOT re-allocated to the Main. Generally, income and expense on a PI account net to zero, but cumulative transactions can result in an income deficit or surplus. The sub sections below provide guidance on how to manage both scenarios.

## **Income Deficit**

If a PI account string has an income deficit, following the Final Figure (FF) confirmation, the Central Finance Administrator (CFA) should determine if additional sponsor income is anticipated (e.g. unpaid invoices). If not, the CFA should assess all active account string(s) for any income surplus, including retainable interest, for re-allocation. If the former scenarios are not applicable, the CFA will notify the Department Administrator to remove the overspent deficit balance.

## **Income Surplus**

If the receipt of program income results in an income surplus, following the Final Figure (FF) confirmation, the Central Financial Administrator should analyze other active account string(s) for deficits. If an income deficit exists, program income should be re-allocated, without exceeding the net surplus. If there is no deficit, the program income balance may be transferred to a departmental account.

\*See Appendix B for more detailed examples of re-allocation journals of retainable PI

## **Program Income Generated *After* Award Expiration**

There are no requirements governing the disposition of program income earned after the end of the period of performance of the Federal award unless stipulated in the Federal agency regulations or the terms and conditions of the Federal award. The Federal agency may negotiate agreements with recipients regarding appropriate uses of income earned after the end of the period of performance or is otherwise specified by the federal agency.

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### **Related Policies and Documents**

- [Sponsored Financial Reporting and Closeout Policy](#)
- [Sponsored Expenditure Guidelines](#)
- [Internal Billing Transactions Policy](#)
- [Cost Sharing Policy](#)

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### **Definitions**

#### **Sponsored award**

Funding arrangement in which the University is providing a return benefit to or agrees to provide a defined deliverable or complete a set of activities for, the sponsor in exchange for the funds, regardless of whether the funding instrument is designated a contract, cooperative agreement, grant, consortium agreement, or otherwise.

#### **Harvard Customers**

Academic users who pay for goods or services using Harvard's general ledger 33-digit account coding.

#### **Non-Harvard Customers**

An entity or person that is legally separate from Harvard that typically purchases goods or services for reasons of convenience, quality, or uniqueness of goods or services offered. Examples include PIs at affiliated hospitals, commercial research labs, collaborators at other institutions, and non-consolidating tubs.

## Period of performance

The time period during which the proposed work will be completed and the funds awarded are available for expenditure by the recipient.

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## Revision History

- Revision December 2025 initiated by Uniform Guidance 2024 updates.
- October 24, 2017
  - Released as University guideline document

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## Additional Resources

For questions related to program income, please contact your Tub and/or OSP contact listed below.

<b>Tub</b>	<b>Point of Contact</b>	<b>Email</b>
HSPH	Kay Sullivan	<a href="mailto:ksulliva@hsph.harvard.edu">ksulliva@hsph.harvard.edu</a>
HMS & HSDM	Sheila Doyle	<a href="mailto:sheila_doyle@hms.harvard.edu">sheila_doyle@hms.harvard.edu</a>
GSE	Tiffany Blackman	<a href="mailto:tiffany_blackman@harvard.edu">tiffany_blackman@harvard.edu</a>
SEAS	Pam Baker-Weber	<a href="mailto:bakerwebber@fas.harvard.edu">bakerwebber@fas.harvard.edu</a>
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FAS	Nuala McGowan	<a href="mailto:nmcgowan@fas.harvard.edu">nmcgowan@fas.harvard.edu</a>
HLS	Jason Calieri	<a href="mailto:jcalieri@law.harvard.edu">jcalieri@law.harvard.edu</a>
HKS	Sarah Svenson	<a href="mailto:sarah_svenson@hks.harvard.edu">sarah_svenson@hks.harvard.edu</a>
OSP	Charlotte Galant	<a href="mailto:charlotte_gallant@harvard.edu">charlotte_gallant@harvard.edu</a>
OSP	Darryl Walker	<a href="mailto:darryl_walker@harvard.edu">darryl_walker@harvard.edu</a>

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## Appendix A: Recommended Object Codes for Depositing Program Income in General Ledger

For accurate tracking and accounting of the program income that was generated from the sponsored awards, the department/local level managing units should use the appropriate income object codes below when depositing/recording sponsored program income (checks and wire payments) in the General Ledger.

*Table 1 - Income Object Codes*

<b>Examples of program income generated from sponsored awards</b>	<b>Object Codes</b>	<b>Object Description</b>
Registration fees from participants attending conference, workshop, seminar and other events	5360	Event + Program Svcs, External, <b>General</b>
Fees earned from services performed under the project, such as laboratory tests	5400	Lab Svcs, External, <b>General</b>
Fees earned from services performed under the project, such as laboratory tests or prize/challenge income	5490	Other Svcs, External, <b>General</b>
Income generated from sales of commodities and research materials, such as tissue cultures, cell lines, and research animals	5100	Merchandise+Materials Sales, External, <b>General</b>
Income generated from sales of commodities and research materials, such as tissue cultures, cell lines, and research animals	5040	Animal Sales, External, <b>General</b>

Examples of program income generated from sponsored awards	Object Codes	Object Description
Income from sales of educational materials that is directly generated by a sponsored activity	5100	Merchandise+Materials Sales, External, <b>General</b>
Income from sales of educational materials that is directly generated by a sponsored activity	5050	Copying, Network Printing Sales, External, <b>General</b>
<p>Rental or usage fees charged for computing or laboratory equipment.</p> <p><i><b>Note:</b> Please contact your tub equipment manager or tub central finance office for guidance on booking the sale of equipment and other capital assets including the posting of the sales revenue.</i></p>	4690	Eqpt + Other Property Rentals, Nonstudent, External, <b>General</b>
<p>Rental or usage fees charged for computing or laboratory equipment.</p> <p><i><b>Note:</b> Please contact your tub equipment manager or tub central finance office for guidance on booking the sale of equipment and other capital assets including the posting of the sales revenue.</i></p>	5720	Fees + Fines, Other, Nonstudent External, <b>General</b>
Income generated from the sale of software, digital media, or publications	4660	Publications, External Sales, <b>General</b>
Income generated from the sale of software, digital media, or publications	5120	Tech Sales, External, <b>General</b>

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## Appendix B: Journal Object Codes for Sponsored Program Income Reconciliation

The OSP Research Finance Team is responsible for processing the journals to reconcile and reallocate the program income and associated expenses to the appropriate sponsored and non-sponsored accounts according to the sponsored required accounting method during the award closeout. The examples of the journals and object codes provided here should only be used by OSP Research Finance.

### Examples of surplus income re-allocation

A program income account has a surplus balance of \$15,000 generated from program activities.

And a part-of account has a \$2,000 deficit, after the final figure confirmation. The project is non-federal, and the award terms and conditions do not require Harvard to return unspent funding. OSP Research Finance Team will reconcile the program income account and process the journals as follows:

- Process a journal in the amount of \$2,000 to debit the program income account and credit the project part-of. Additionally, transfer \$13,000 to the department designated discretionary account as shown in the following example:

Credit: 265.21767.5910.108842.255280.0003 (\$2,000)

Debit: 265.21767.5910.108842.255280.0004 (\$2,000)

Credit: 265.21767.5910.108842.255280.0002 (\$13,000)

Debit 265.45342.4530.027305.730001.0000 (\$13,000)

A program income account has a surplus of \$15,000 generated from program activities. A part-of account has a \$7,000 deficit, after the final figure confirmation. Also, a sub-award has a deficit of \$8,000 due to institutional liquidity issues and no additional funding is anticipated. The project is non-federal, and the award terms and conditions do not require a return of unspent funding. OSP Research Finance Team will

reconcile the program income account and process the journals as follows:

- Process a journal in the amount of \$7,000 to debit the program income account and credit the project part-of. Including \$8,000 to debit the program income account and credit the sub-award account.

Credit: 265.21767.5910.108842.255280.0002 (\$7,000)

Debit: 265.21767.5910.108842.255280.0004 (\$7,000)

Credit: 265.21767.5910.108842.255280.0006 (\$8,000)

Debit: 265.21767.5910.108842.255280.0004 (\$8,000)

A program income account has a surplus of \$10,000 generated from activities. After assessment, the Central Finance Administrator determines the other 3 account strings do NOT have an income deficit. The project is non-federal, and the award terms and conditions do not require a return of unspent balances. OSP Research Finance Team will reconcile the program income account and process the journals as follows:

- Process a journal in the amount of \$10,000 to debit the program income account and credit the departmental designated discretionary account

Credit: 265.45342.4530.027305.730001.0000 (\$10,000)

Debit: 265.21767.5910.108842.255280.0004 (\$10,000)