

## Definition of Pass-Through Awards or Revenue

### Purpose:

To clearly define revenue or income received by an affiliate or a related party of an affiliate for purposes of determining dues assessed by UCPA.

### Background:

The affiliate services committee has been asked to review and discuss the issue of "pass-through revenue", generally revenue received by an affiliate or a controlled group or affiliated service group member of an affiliate where services or control is not provided. It became evident that neither a definition nor any guidelines exist currently for what would comprise "pass-through revenue".

The committee recommends that the Internal Revenue Code and the American Institute of Certified Public Accountants (AICPA) audit guidelines (as amended) to be used to provide fair and equal treatment between all affiliates. Thus, revenue includes all program service revenue (revenue consistent with the tax exempt purpose of the organization) and contributions made by governmental entities or other third parties. The exception will be pass-through awards. Circular A-133 of the AICA Audit Guide describes pass-through awards as grants or other awards given to an individual indirectly through another entity. These awards shall be treated as though they were given directly to the individual by the governmental entity. Note that this does not apply to individuals receiving services from the affiliate for which the award was given.

### Example:

A governmental agency provides a monthly benefit of \$1,000 directed to John Smith, for the purposes of direct housing and living expenses. A UCP affiliate is named in the award as the custodial recipient of the money which is then paid over to an *unrelated third party who provides these services*. This revenue would not be considered affiliate revenue for purposes of dues calculations.

### Example:

An affiliate receives a specific use grant for developing and delivering a series of educational seminars throughout their region regarding disability issues. The affiliate's customary and primary source of revenue is an adult day program. In this case the services provided *are consistent with the tax exempt purpose of the organization, services are actually delivered by the affiliate*, and the revenue would be subject to UCPA dues.