

Financial Management: Resource Management

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Additional Resources

- ISBE Nutrition Monitoring and Review Information
<https://www.isbe.net/Pages/School-Nutrition-Monitoring-and-Review.aspx>

Maintenance of Nonprofit School Food Service Accounts

Revenues received by the nonprofit school food service account are to be used only for the operation or improvement of food service operation, except that such revenues shall not be used to purchase land or buildings or to construct buildings. General expectations for uses of net cash resources/excess cash: better quality foods, updating equipment, more staffing or increased salaries.

Revenues looked at during review against expenses, found in the Annual Financial Report (Non-public schools must be able to show as well):

- Sales to Pupils – Lunch (Acct # 1611)
- Sales to Pupils – Breakfast (1612)
- Sales to Pupils – A la Carte (1613)
- Sales to Adults (1620)
- Other Food Service (Describe & Itemize) [(1620) Fundraisers, Vending, and Catering]
- State Free Lunch & Breakfast (3360)
- National School Lunch Program (4210)
- School Breakfast Program (4220)
- Summer Food Service Program (4225)
- Child Adult Care Food Program (4226)
- Fresh Fruits & Vegetables (4240)

Carryover balance from Previous School Year
+ Total Revenues - Total Expenses =
Profit or Loss

Total Expenses included everything under Food Services [Accounting Function # 2560, under Support Services – Business (Two lines)] on the Annual Financial Report. Nonpublic entities must maintain records of this as well to include; Salaries and Benefits, Purchased Goods and Services and any capital expenses charged to the food program.

The SFA shall limit its net cash resources (profit) to an amount that does not exceed three months average expenditures for its nonprofit school food service. Equation for net cash below:

Expenses ÷ Months of Operation x 3 =
Net Cash Resources

Again, general expectations for uses of net cash resources: better quality foods, updating equipment, more staffing or increased salaries.

If school food service account funds are used to purchase non-program foods for sale outside a meal period(s) or outside a food service area(s) during meal periods, such purchases must be self-sustaining. This means funds must be deposited in the school food service account in an amount sufficient to cover all direct and indirect costs relating to the purchase and service of non-program foods with school food service account funds. This does include labor for foods prepared for school events or catering. Records documenting the recovery of these costs must be maintained and available for review.

During a review, a 10% sample (one continuous month or sporadic selection) of invoices will be done to ensure purchases for the SFA are allowable. If the 10% sample finds unallowable expenses, all invoices may be requested for review. In the event of unallowable expenses, repayment must be made to the Nonprofit School Foodservice Account above a \$600 threshold. If total unallowable expenses are \$599 or below, technical assistance will be granted. In the event unallowable purchases are found, a corrective action plan must be put in place for the Nonprofit School Foodservice Account to be restored.

Equipment purchases over \$5,000 should be approved by ISBE's Nutrition Department, UNLESS the equipment is on the [pre-approved equipment list](#). If a district seeks to purchase equipment not on this pre-approved list, they must email details of the item for purchase, along with cost, to cnp@isbe.net. Any purchase over \$5,000 up to \$9,999 will require 3 bids/quotes prior to purchase. Equipment purchases over \$10,000 will require going out to bid. If during a review, any equipment purchases are identified as unallowable, ISBE is required to disallow these purchases and implement their debt collection procedures.

If the SFA received a USDA equipment grant award within prior three years, invoices for purchases must be maintained. If the grant award was higher than needed, a refund must be given back to the state agency.

* Equipment is defined as tangible personal property (including information technology systems) having a useful life of one year or longer and a per-unit acquisition cost that equals or exceeds the lesser capitalization level established for financial statement purposes (the lesser of \$5,000 or local level regulations).

Meal Pricing: Paid Lunch Equity (PLE)

Meals served during the 2022-23 school year will return to National School Lunch Program reimbursements and pricing.

Pricing of Free Meals

Children eligible for free meals must be offered one reimbursable meal at no charge. Second meals cannot be claimed for reimbursement. Second meals would fall under Revenue from Nonprogram Foods and would have to be charged at same rate for all students.

Pricing of Reduced-Price Meals

Children eligible for reduced-price meals must be offered one reimbursable meal at reduced rate. Second meals cannot be claimed for reimbursement. The current maximum prices for reduced-price meal, as per Federal Regulation §245.2, are:

- 40 cents for lunch
- 30 cents for breakfast
- 15 cents for after-school snacks

https://www.isbe.net/Documents/school_reimbursement-fy23.pdf

Pricing of Paid Meals

Paid breakfast and after-school snack prices are at the discretion of the local SFA. Some basic considerations before establishing a price for a paid student: daily revenue, cost of food, cost of labor, including per hour fringe benefits, and cost of overhead and any other costs.

Paid lunch prices are established using the Paid Lunch Equity tool. School Food Authorities must ensure that schools are providing the same level of support for paid lunches as they are for free lunches. Therefore, weighted average price across the SFA charged for paid meals must be moving towards the difference between the current year's free and paid reimbursements. The SFA may however charge more for paid lunches.

If a district is charging on average less than \$3.56 [difference between 2022-23 federal reimbursement provided for free lunches (\$ 4.03) and the federal reimbursement provided for paid lunches (\$.47)] for a paid lunch in School Year 2022-23, it must make up the difference in the level of funding to the program by either:

1) Gradually increase paid meal prices. The USDA/ISBE cannot require a school to increase by more than \$0.10 per meal, however a district can increase by as much as it feels is warranted to meet program requirements. The district need not increase paid meal prices across all schools. In other words, paid lunch prices can vary by school (e.g. charging lower prices in lower-income area or charging lower prices in elementary vs secondary) if the average revenue requirement is met across the district.

OR

2) In lieu of raising prices, provide additional non-federal support (state and local funding) to the non-profit food service account to make up the difference between \$3.56 and what is currently being charged for a paid meal on average across the district.

OR

3) Combination of increasing price and contributing non-federal funds to the non-profit school food service account.

OR

4) File for a Paid Lunch Equity Exemption approved by USDA/ISBE

To determine how much a district is required to increase its weighted average paid meal price and/or how much non-federal funding it is required to contribute it must complete the Paid Lunch Equity Calculator. This calculator for Paid Lunch, as well as Nonprogram Foods is available using the following link: <https://www.isbe.net/Pages/Paid-Lunch-Equity.aspx>

Paid Lunch Equity Exemption

There are two applicable exemptions available to SFAs currently for the 2022-23 school year:

- Net Cash Resources Exemption

In the event that raising lunch prices will put Net Cash Resources over the three month limit, an Exemption Request Form to not raise prices can also be found at the following link.

<https://www.isbe.net/Documents/PLE%20Exemption%20Request%20SY17-18.pdf>

- Zero/Positive Balance Account Exemption

In Section 767, of Division A of the Appropriations Act, for school year 2022-2023, only a school food authority that had a negative balance in the nonprofit school food service account as of June 30, 2022, shall be required to establish a price for paid lunches served through the National School Lunch Program (NSLP) in accordance with section 12(p) of the Richard B. Russell National School Lunch Act ([42 USC 1760\(p\)](#)).

*****USDA has approved a statewide waiver for Illinois that allows all School Food Authorities, regardless of account balance, to not be required to increase lunch prices for the 2022-23 school year. The same exemption as the Zero/Positive Balance Account Exemption. *****

Revenue from Non-Program Foods

School food service account funds are intended to purchase food for reimbursable meals. The Healthy Hunger Free Kids Act of 2010 establishes requirements for school district revenue when foods sold outside of reimbursable meals are purchased with school food service account funds. The purpose of the Non-Program Revenue requirement is to ensure revenues from the sales of non-program foods cover food cost in the SFA food service account.

Non-program food includes, but is not limited to:

- A la carte items
- Adult meals
- Fundraisers
- Vending machines
- Seconds of entrée items* (not fruits or vegetables)
- Catering (Catering meals to off-site locations; private schools, special education centers or any other facility within the district that does or does not receive NSLP monies)

This would not include accidental over production and service of meal items which total less than 10% of total meals prepared (i.e. 100 meals prepared, only 90 meals claimed).

Pricing of Non-program Foods and Beverages

Any food or beverage sold in a participating school outside of the reimbursable meal and purchased using school food service funds is considered a competitive food including a la carte items, second entrees, vending, and school stores. (See section entitled *Sale of Foods and Beverages*.) The USDA requires that each SFA limit competitive foods to encourage consumption of the reimbursable meals.

Therefore, when pricing non-program items and adult meals, the SFA must set prices at a level high enough to:

- Encourage students to select the reimbursable school lunch or breakfast meal, and
- If food is purchased using school food service funds, generate at least the same proportion of SFA revenues as they contribute to the SFA food costs. The price must recover all the costs involved in the item including labor, overhead, paper supplies, value of USDA-donated foods used in preparation, etc. and should reflect a profit on the item.

EXAMPLE

IF:

The total operating costs (food, labor, paper products, overhead, etc) is \$800,000 of which \$400,000 is for food (\$50,000 non-program foods and \$350,000 reimbursable meals).

The total revenue is \$800,000.

THEN:

The proportion of non-program food cost is 12.5% ($\$50,000/\$400,000$). Therefore, the required revenue from non-program foods would need to be at least 12.5% of total revenue or \$100,000 ($.125 \times 800,000$).

A Non-Program Food Revenue Tool was created to help SFAs calculate the amount of revenue required and is available at <https://www.fns.usda.gov/guidance-paid-lunch-equity-and-revenue-nonprogram-foods>. Use the Non-Program Revenue Tool to:

- Ensure that a high enough fee is being charge to cover the cost of non-program foods.
- Ensure that enough money is being contributed from the general fund into the school food account to cover the cost of seconds.

All students must be charged the same price for each non-program food and beverage regardless of the eligibility status of the student; only the reimbursable meal must be provided free or at a reduced price for those that qualify. All students must be charged for second entrees according to the established price set by the SFA.

Nonprogram Foods with an FSMC

For an SFA under a Food Service Management Contract to be in compliance on Nonprogram Foods, their A la carte Equivalents Fee **MUST** be below the annual A la carte Equivalency Factor unless stated otherwise within the terms of your original contract. Annual A la carte equivalency factors can be found on the School-Based Child Nutrition Programs, Rates of Reimbursement. <https://www.isbe.net/Pages/Seamless-Summer-Option-Eligibility-Information.aspx>

Adult Meals

Meals served to adults who are directly involved in the operation and administration of the school nutrition programs may, at the discretion of the school food authority, be furnished at no charge. As such, their costs may be fully attributed to and supported by the nonprofit food service operation. Meals served to these adults may not be claimed for reimbursement or counted towards the donated foods entitlement.

For FY24, meals served to adults must be charged at a minimum \$0.50 over the highest lunch price/reimbursement served in the district.

[The \$0.50 is based on the Planned Assistance Level (Entitlement and Bonus) given as part of reimbursement with the commodities section (\$0.43 for 2022-23), combined with the \$0.08 received for menu certification for a rounded down requirement.]

EXAMPLES

For nonpricing programs [or CEP (Community Eligibility Provision)], where there is no charge to students for the meals, the \$0.50 charge must be over the free reimbursement rate:

FY23 Free reimbursement is \$4.01 for School Lunch & Supper Program – Less than 60%

FY23 Free reimbursement is \$4.03 for School Lunch & Supper Program – **60% or more Eligible**

Free Reimbursement \$4.01 (or **\$4.03 depending on reimbursement rate**) + \$0.50 adult meal coverage equals adult meal price \$4.51 (or **\$4.53**) is the minimum price for adult meals in 2023-24 (rounded down to \$4.50).

For Pricing programs (non CEP), where the district sets prices based off the Paid Lunch Equity (PLE) tool, the \$0.50 charge must be over the highest student price.

Paid lunch prices by the SY 2022-23 Weighted Average Price Calculator on PLE Tool

Monthly # of Paid Lunches	Paid Lunch Price	Monthly Revenue	Weighted Average Price
40,229	\$2.45	\$98,561.05	
37,672	\$2.60	\$97,947.20	
298	\$2.70	\$804.60	
45,223	\$2.70	\$122,129.10	
123,432		\$319,441.95	\$2.59

Highest student price in district \$2.70 + \$0.50 adult meal coverage equals adult meal price \$3.20.

Indirect Cost

First and foremost, the meaning of Indirect cost is that of benefit to the Food Service Department and the school district. The School Food Service accounts are made up of Direct Costs and Indirect Costs. Direct costs are those of the wages and benefits of the direct staff, food and products purchased, and other supplies used only in the program. Indirect Costs are those distributed throughout the school building with a portion used in the cafeteria.

The use of Indirect Cost is to take revenue away from the Food Service account and put it back towards the school district funds. One of the key situations in when to use Indirect Cost is if the Nonprofit School Food Service accounts seems near the point of going over the 3 month threshold of revenue.

Indirect cost is a mechanism of sharing the cost associated with running the schools. Every school has power, gas, trash and water supply coming in and out of the school. The Indirect Cost method is a way for the Food Service Department to pay their share. Custodial Services, Trash Collection, Utilities (gas, electricity, water, etc.), personnel's time used for accounting services of the food service program, payroll services, Workers' Compensation, and post-retirement health benefits are examples of when indirect cost can generally be used.

ISBE determines the Indirect Cost rate for each district for 2021-22 which can be found at this link: <https://www.isbe.net/Pages/Indirect-Cost-Rate-Plan.aspx>

The "Unrestricted Rate" is the rate that is solely used for the Food Services section. If your district is not listed, you are allowed to use the State Indirect Cost Rate with the RCDT Number listed 9999999999 at the top of the form. Each year, the rates change, so please refer to the list each year if you plan to use Indirect Cost.

Non-public schools would not be found on the list of schools in the indirect cost rate plans, as they are not required to submit Annual Financial Reports. Non-public schools are allowed to use the de minimis rate of 10% as found in 2 CFR 200.414 [Indirect Cost](#). Outside of this rate, a non public school may use a Cost Allocation Plan, which requires documentation of exact square footage of property and approval by the state agency.

Questions to ask when determining whether a cost is direct or indirect:

- Does the cost benefit multiple programs or other cost objectives, or solely the school food service?
- Does the cost have a direct relationship to the school food service?
- What guidance do the Federal cost principles provide for this cost?
- How are similar costs treated in other cost objectives of the SFA?
- How has the cost been treated historically by the SFA?

Questions to ask when determining your SFA's need to implement the use of indirect cost:

- Is my SFA near the 3 month expense threshold in our Maintenance of the Nonprofit School Food Service Account?
- Will the SFA School Food Service Account still be profitable after withdraw?

If the answer to either of those questions would be 'no,' indirect cost would not be useful to the SFA.