

Maintenance of the Non-Profit School Food Service Account

This fact sheet is intended to be a quick summary of the Federal Regulations in 7 CFR 210.14. If you have any questions regarding the maintenance of the non-profit school food service account, please contact our staff via email (cnp@isbe.net) or phone (217-782.2491).

General Ledger or Annual Financial Report (AFR)

Each School Food Authority (SFA) is required to maintain a non-profit school food service account with a **separate revenue and expense ledger**, also known as a General Ledger or AFR, that reports all food service revenues and incurred food service expenditures from July 1 through June 30. The **AFR** is required for all Public Schools, an AFR or General Ledger is required for all other SFAs.

- Previous years' Ending Fund Balance = current years' Beginning Fund Balance
- Revenues - recorded on an ACCRUAL basis, which recognizes income when it is earned and expenses when they are billed, or a cash basis, which recognizes revenue and expenses only when money changes hands.
 - Pursuant to Section 10-17 of the School Code [105 ILCS 5/10-17], each school board may use either a cash basis or an accrual basis of accounting.
- Expenses – recorded as they are INCURRED, not as they are paid.
- Beginning Fund Balance + Revenues earned – Expenses incurred = Ending Fund Balance.
- Negative Ending Fund Balance requires an operating transfer from non-federal funds to cover the deficit. An example of non-federal funds is the General Fund. Transfers into the food service fund must be permanent and may not be transferred out in the following year if the food service fund balance is positive.
- Positive Ending Fund Balance has a three-month net cash resource limitation.

Reference: [Accounting Rules Part 100](#)

Excess Cash Balance

If the SFA's food service ending fund balance is greater than 3 months' operating expenses, it exceeds the net cash resource limitation. To calculate, divide the SFA's total food service operating expenses by nine operating months to obtain the SFA's average monthly expenses. Multiply this amount by three to obtain the SFA's three-month average expenses. If the three-month net cash resource limit is exceeded, a spend-down plan is required. Some spend-down plan examples are:

- Provide reduced eligible students with free meals. See USDA Memo SP 17-2014.
- Increase marketing of the school meal program to increase participation.
- Purchase additional or updated kitchen equipment.

Allowable and Unallowable Costs

Revenues must be used for expenses that are necessary for child nutrition program operation and improvement. This includes, but is not limited to, food, equipment, supplies, and program personnel. School nutrition program (SNP) funds must not be used for expenditures that are not directly related to the SNP operation and improvement even though the SNP account may be part of the SFA's general fund. **All expenditures must be reasonable, allowable, allocable, and adequately documented.**

All financial transactions related to expenditures are subjected to the federal, state, and local procurement regulations.

For more information and guidance on General Expenditures you may visit [2 CFR 200](#): Uniform Administrative requirements, Cost Principles and Audit Requirements for Federal Award, [ISBE website for Expenditures](#), [ISBE Indirect Cost Plan](#), or [examples of allowable and unallowable costs guide](#).

Capital Expenditure / Equipment

A capital expenditure is an expense of \$5,000 or more for an item that is to be used for general purposes and is intended to be used for multiple years. This includes equipment which means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. For capital expenditures, SFAs must use the following guidance:

- **Prior Approval:** Before making a capital expenditure, the SFA must submit a request to ISBE Nutrition Department; the SFA must have ISBE approval before purchasing the capital expenditure item.
 - If an SFA seeks to purchase equipment on this [pre-approved list](#) using Child Nutrition Program Federal reimbursement funds to purchase, the SFA must complete and maintain on file the [Equipment Purchase Attestation form](#) and must follow all applicable procurement regulations.
- **Capital Improvements:** Capital expenditures for improvements to land, buildings, or equipment that materially increase their value or useful life are unallowable as a direct cost except with the prior approval of ISBE Nutrition Department.
- **Charge Period:** Capital expenditures must be charged in the period in which the expenditure is incurred unless ISBE approves a payment structure that spans multiple funding years.
- **Direct Cost:** Capital expenditures must be coded as a direct cost; they cannot be classified as an indirect cost.
 - See the "Expenditure" section in the [General Procurement for All Programs](#) for additional information on direct and indirect cost.
- **Procedure to Request a Capital Expenditure:** To request a capital expenditure, SFAs must complete the [capital expenditure form](#).
- See the "Equipment" section in the [General Procurement for All Programs](#) for additional information.

Internal Controls

SFA's are required to maintain effective oversight over federal funds and ensure all charges to the nonprofit school food service account are allowable as per 2 CFR 200.

- Training on financial management, including allowable costs.
- Separation of duties so that staff members who receive or manage the collection of money are not also involved in the disbursement of funds.
- A written policy that prohibits the use of school food service account funds to cover bad debt.
- Physical controls to ensure funds are not lost or stolen (examples: lockboxes for petty cash, unique passwords for employees collecting cash at the POS)

Where can additional information and resources be found?

- [ISBE Nutrition Resource Management Webpage](#)
- [USDA Resource Management Webinar](#)