

## FINANCIAL MANAGEMENT

### Recordkeeping

There are financial recordkeeping requirements for the NSLP and SBP. Sponsors should either establish a separate account for the nonprofit food service or maintain a separate line item fund in order to track expenditures and revenue related to child nutrition programs. This information must be available for review by the state agency at any time. It is required that RCCIs complete a food service Annual Financial Report in our online CNPweb system. This form is available at the end of claims list each year and must be completed by September 1st. Instructions for its completion are in Resources on the CNPweb.

Records should demonstrate compliance with program requirements and should include revenue and expenditure records sufficient to establish the nonprofit status of the food service operations. All records, including supporting documents such as bills and invoices, must be retained for a minimum of three years after the end of each program year, June-July.

RCCIs may use a bookkeeping system of their choice. The following section specifies the types of financial records that must be retained. Not every RCCI will have all types of assets and expenses.

Cash and Cash-Like Records	Examples of Minimum Records
Savings and/or checking account	Bank statements
Cash-on-hand	Cash count record and petty cash account
Cash due the program	Federal Reimbursement due, charged lunches, discounts earned
Negotiable securities	Market value of T-bills, bonds and stocks owned by the nonprofit foodservice
Cash payable (a debit item)	A bill that is on hand to cover a legitimate nonprofit foodservice expense

Expenses	Examples of Minimum Records
Net purchases*	Food purchases, less discounts and returns
Commodity charges	State processing, handling and delivery charges
Labor	Payroll records, including employee/employer contributions to FICA, etc.
Other Expenses	The nonprofit food service may pay these costs. Supporting bills must be retained. Examples are trash, utilities, insurance, paper, cleaning supplies, repairs, equipment, and depreciation.**

**\*Food Costs:** At the end of any program year, the nonprofit food service will need to know an average food cost per meal in order to allocate expenses on the AFR appropriately. The AFR instructions in the CNPweb system give complete guidance on this process. For a quicker idea of your meal cost, there is a sample on how to cost a meal in Appendix M.

**\*\*Depreciation of Equipment:** This is defined as depreciation of nonexpendable food service equipment costing more than \$300 and having a useful life of more than one year. If equipment is depreciated, it should be depreciated over a twelve year period. Equipment costing under \$300 per unit may be expensed when purchased.

The following **non-financial** records must also be kept:

1. **Meal Counts** - RCCIs must keep a record of each site's daily meal count by meal and by category to support its Claim for Reimbursement.
2. **Free and Reduced Price Meal Data** - RCCIs must maintain an accurate record of the number of children eligible for free and reduced price meals (applications of day students), including any source documentation. This can be accomplished by maintaining your eligibility roster and any free and reduced price application files. Active applications should be divided into free and reduced categories, and should indicate the dates of any eligibility changes for children who have withdrawn from the site, or had a change in income or family size.
3. **Production Records and Menus** - Menus and production records must be maintained to demonstrate that the required number of food components and food items are offered on any given day. Production records should include sufficient information to evaluate the menu's contribution to the meal pattern.

### **Specific Prohibitions**

1. Meals for both program and non-program adults may **not** be claimed for reimbursement. However, food service revenues may be used to pay for, or subsidize, meals for program adults.\* Non-program adults, however, are not to be supported by food service revenue. If you wish to charge non-program adults less than it costs to produce the meal, revenue must be transferred to the food service account from another source.

\*Note: A program adult is an individual whose job description includes some on-site responsibility for food service, i.e. SBP and NSLP. A non-program adult is an individual whose responsibilities do not include food service programs.

2. Revenues may not be used to purchase land or buildings or to construct buildings.

3. The RCCI must limit its net cash resources to an amount that does not exceed three months' average expenditures for its nonprofit food service or such other amount as may be approved by the SA in accordance with 7 CFR Part 210.19(a).

### **Reimbursement**

Reimbursement rates are adjusted annually in mid-July and vary for each program (NSLP & SBP). For the NSLP and SBP, there are three reimbursement rates: free, reduced priced and paid. The rates are posted on the School Nutrition page of our regular website: [www.doe.in.gov/food](http://www.doe.in.gov/food).

Non-pricing programs are those programs which do not charge children for meals. If your RCCI operates a pricing program, where children eligible for the reduced price and paid meal rate are required to pay for their meals, you should contact the SA for further instruction.

RCCIs are eligible for an additional 2 cents per lunch reimbursement if 60% or more of lunches in the second preceding year were served to children eligible for free and/or reduced price meals. This will be noted in the Sponsor Information Sheet in the year the RCCI becomes eligible.

The Severe Need Breakfast rates allow qualified sites to receive additional per breakfast reimbursement. Sites are designated in the Site Sheet Breakfast Program section as "severe need" if 40% or more of its lunches from the second preceding school year were served to children eligible for free or reduced price meals. This must be met on a site-by-site basis and is automatically figured from the online claims. If the same sponsor is operating more than one RCCI, eligibility is determined for each RCCI site separately.

### **Question about Reimbursement**

**Q. How does an RCCI qualify for Severe Need Rates when it was not participating in the NSLP two years ago?**

**A.** RCCIs that were not in the NSLP during the second preceding school year are not eligible for Severe Need Rates. After the RCCI has participated in the NSLP for the two year period and has necessary participation data, it would then be eligible to qualify for the higher reimbursement rate. This will be automatically determined in the CNPweb system each year.