

BUDGET HANDBOOK

**For
Administrative Budgets**

**Sponsoring Organizations of
Family Day Care Homes
And
Separate Legal Entities**



providing children the "tools" for good nutrition

Budget Handbook for Sponsors of Homes and Unaffiliated Centers

Introduction

As part of the annual requirements for the Child and Adult Care Food Program (CACFP), each sponsoring organization must submit a budget reflecting how it will spend CACFP reimbursement. This handbook is for sponsors of family day care homes and unaffiliated centers and the allocation of administrative reimbursement.

The budget must be prepared according to required budget line items using Generally Accepted Accounting Principles (GAAP) as guidance. Many regulations apply to the limits and allowability for the expenditures submitted to the program for the monthly administrative Claim for Reimbursement. All submitted costs require prior approval through the budget process prior to incurring them. Some items require additional specific prior written approval (SPWA) to be included as allowable reimbursable costs of the program. Refer to the Specific Prior Written Approval section for further details on these costs. All costs submitted to the program are required to be necessary and reasonable to be allowable program costs.

Resources for preparing a budget:

- FNS Instruction 96-2, Revision 3
<http://www.doe.in.gov/sites/default/files/nutrition/796-3-rev-3-financialmgmtmanual.pdf>
- 2 CFR Part 225 (OMB Circular A-87)
http://www.whitehouse.gov/omb/fedreg/2005/08315_a87.pdf
- 2 CFR Part 230 (OMB Circular A-122)
http://www.whitehouse.gov/omb/assets/omb/fedreg/2005/083105_a122.pdf
- 7 CFR Part 226
<http://www.gpo.gov/fdsys/pkg/CFR-2011-title7-vol4/pdf/CFR-2011-title7-vol4-part226.pdf>
- Items requiring Prior Approval, Specific Written Prior Approval, and FNS Approval, based on FNS 796-2, Revision 3

The State Agency has developed a Microsoft® Excel workbook to use as an electronic copy of the budget. This manual serves as a procedure and instruction manual to the Excel workbook. We encourage use of the worksheets as presented as any altering of the worksheets could cause data errors alerting the final amounts approved for each budget line submission. If you find any problems or errors in the workbook, please notify the State Agency so the issues can be addressed.

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Budget Summary Sheet—Administrative Budget Summary (Tab 1)

Enter the Name of the sponsoring organization, the sponsor ID number, and whether the budget is an original submission or a revision. The sponsor ID number will transfer to each sheet of the workbook

This worksheet is automated. All information is collected from data entered in the line item worksheets. **No changes should be made directly to the summary sheet.** If the total of the detailed individual supporting worksheets does not agree with the budget summary, this indicates an error on the individual detail worksheet. It is important that the budget worksheets support the budget summary when your budget is submitted for approval or your budget may understate your actual budget need.

All individual worksheet totals must be manually checked to the Budget Summary prior to submitting to the State Agency. It is the sponsor's responsibility to ensure the worksheets agree with the Budget Summary. Please notify the State Agency if you have difficulties with the formulas or any other automation of the workbook.

A completed copy of the budget summary will be completed as part of the CNPweb® packet. A signed copy of the Schedule A (list of required budget attachments), with all appropriate documentation as indicated on the Schedule A, must be submitted to the State Agency for the original submission of the budget. The electronic version of the workbook is to be emailed to Carol Markle at cmarkle@doe.in.gov.

Financial Viability—If the budget summary shows total expenses greater than the projected administrative CACFP revenue, a statement of financial viability disclosing funding sources other than the CACFP funds projected becomes a required attachment to Schedule A. The funding sources must be verifiable to be considered acceptable.

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Carry Over Funds Request

Federal regulations require the annual budget submission to include an **estimate** of the requested administrative fund carryover amounts and a description of the proposed purpose(s) for which those funds would be obligated or expended.

As soon as possible after the fy 2012 year end closeout, the sponsor must submit an amended budget with **actual** carry over funds and the purpose(s) for which the funds have been or will be used.

- A. Enter the total administrative funds available for fy 2012.
 - B. Enter the total administrative expenses for fy 2012.
 - C. Enter the excess administrative funds available (A – B).
 - D. Enter maximum administrative carry over for fy 2012 (10% x A).
 - E. Enter the maximum allowable carryover (LESSER of C or D).
- Explain what the carry over funds will be used for
 - Sign and date the form

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Projected Administrative CACFP Revenues (Tabs 3 & 4)

A. Sponsors of Family Day Care Homes

- Enter the highest number of homes claimed in fy 2012.
- Enter 10% of this number. This is the maximum amount of additional homes you can use in the budget for fy 2013.
- Enter the projected number of homes you will sponsor in 2013.
- Enter the homes in the chart to calculate the administrative reimbursement per month.
- The system will fill in the annual administrative reimbursement
- Enter the amount of carry over funds from 2012
- The system will calculate the total annual administrative funds available. This is the figure you will use to plan your FDCH administrative budget.

B. Sponsors of Unaffiliated Centers

- Enter the number of centers you are currently approved to sponsor
- Enter the number of projected centers for fy 2013 (5-10% growth is acceptable).
- Enter the name of each site and its estimated monthly meal reimbursement. The system will calculate the annual totals.
- The system will calculate 15% of the total meal reimbursement. This is the maximum dollar amount the center can use to pay for administrative costs.
- When the budget summary is complete, enter the total administrative budget to sponsor separate legal entities.

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Specific Prior Written Approval (SPWA) Log (Tab 5)

Although all expenditures are required to be pre-approved by the State Agency through the budget process to be an allowable cost to the Program, there are specific situations that require additional approval. This is referred to as specific prior written approval (SPWA). The SPWA Log lists all cost categories that require specific written prior approval. See the charts on pages 33-37. The log is required to be submitted as part of your budget process. The request and approval of these costs must be prior to expending the funds.

For each cost item listed, check yes or no, to indicate if that cost is included in the budget. Sign and date the lower section of the form in the area designated as sponsor representative. This then is considered the request for specific prior written approval for the cost items indicated.

State Agency staff will review the SPWA log and approve or deny each cost. If the cost is approved, a specific dollar amount will be given for the cost. The State Agency staff will sign and date the form and return a copy to the organization. This will be considered specific written prior approval.

Specific Prior Written Approval (SPWA) Worksheet (Tab 6)

- Identify the cost that requires specific prior written approval
- Explain why this cost is necessary to operate the CACFP
- Explain the total cost to the agency and include invoices, quotes, etc. to support the cost.
- If the cost is a less-than-arms-length transaction, explain the relationship and why this source was chosen over others
- Explain the amount to be charged to CACFP (explain if it is for centers or homes) and show how the cost was allocated to CACFP. If the organization sponsors homes and centers, the cost must be shared between the homes and center administrative costs.

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Salaries and Benefits (Tabs 7-10)

These worksheet pages are used to report salaries and benefits. Each position should be coded with the appropriate classification that individual is accomplishing. If an individual is fulfilling more than one classification, a separate line should be used for each classification reflecting the portion of hours for each job duty. The budget may not present an employee for more hours than a full-time equivalent (FTE). FTE is calculated by the full-time hours an employee works for the organization. Total maximum hours are presented as 2080 per year (40 hours X 52 weeks) or 173.33 monthly. A minimum of one line must be completed for each employee, displaying the name and position.

All employees (salaried and hourly) are required to complete time sheets or time distribution reports per FNS Instruction 796-2, Revision 3 (viii 23 c 2). The time sheets or time distribution reports signed by the employee must account for 100 percent of the hours per employee and must include hours not being claimed on CACFP. If during the year, it is found that the original time allocations do not support actual time allocations per the completed time sheets, a budget revision will be required to adjust to actual labor performance.

Salaries and benefits for general management staff and administrative staff that cannot be assigned to a specific program must be allocated by an approved cost allocation plan. Cost allocation plans are required on the Schedule A—Required Budget Attachments.

To complete the salary worksheet:

- Indicate the agency standard for full time employment in hours per day
- Indicate the total FTE for the organization, including CACFP
- Enter the code for the job function of each employee. If an employee does more than one job function, a separate line should be used for each classification reflecting the portion of hours for each job duty. (column 1)
- Enter the employee's name and position (column 2)
- Enter the total hours per month for the specific job function. Allocate the total hours between centers and homes if applicable (column 3)
- Calculate the gross hourly rate. Is the rate the same for homes and centers? (column 4)
- The monthly cost for this person for this job will be automatically calculated. (column 5)
- Enter the total amount of monthly non-CACFP funding per month for the staff person. (column 6)
- The annual cost to CACFP for this position for this person will be automatically calculated and allocated between homes and centers based on prior information.
- Repeat this process for each staff person as well as each position per person. You may need additional worksheets.

If an employee terminates employment, the number of months may need to be adjusted to accommodate allowable payouts of vacation or sick time beyond their scheduled termination

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date. The budget must be revised to reflect the change in employee's employment as well as the hiring of replacement personnel.

General information – Employee Benefits

Employee benefits are fringe benefits. With the exception of FICA tax, unemployment tax, and organization benefits, in order for fringe benefits to be allowable, they must be offered to all staff according to institution criteria. The institution criteria should be included in a personnel or employee handbook and outline each benefit and the requirements of employee service to qualify for the benefit. Generally participation is limited by restrictions set by the sponsor based on hours of full-time or part-time employment. Benefits cannot be offered as an incentive for home recruiting.

On worksheets 8-10, each benefit is to be listed by the employee receiving the benefit. Only the amount paid for by the organization as per the benefit plan can be paid for with CACFP funds. Benefits provided and reimbursed by employees are not allowable costs of the CACFP. An example would be if an employee opted for family coverage for health insurance, but only employee health insurance is paid by the organization per the employee handbook. The additional family cost is not an allowable cost of the CACFP in that the employee would be reimbursing the organization for the family coverage.

If an employee is reflected at a prorated labor cost, the employee benefits associated with the employee must also be prorated. The allocation of all the employee benefits should be based on the same individual employee allocation as the portion of the salary and hourly wages charged to the CACFP in relation to the total salary and hourly wages of the employee.

All allocation calculations for employee benefits and organization benefits are required attachments for the Schedule A—List of Required Budget Attachments, to be submitted with the original budget each year.

Employee Benefits: Insurance, Unemployment Compensation, Social Security/FICA, Retirement, and others.

- (1) Enter the name of the employee with the corresponding benefits.
 - (2) Enter the total monthly cost to the agency for the benefit for the employee
 - (3) Enter the total monthly amount that is NOT paid for with CACFP funds. Be sure to allocate the cost between centers and homes if applicable.
 - (4) Enter the total monthly amount that is **paid for with CACFP funds**. Be sure to allocate the cost between centers and homes if applicable.
 - (5) The spread sheet will calculate the total cost to the agency and the total cost to CACFP and allocate between centers and homes if applicable.
- If an employee has prorated labor costs, the benefit must be prorated in the same method.

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- Costs of family health benefit plans are allowable to the extent the employee's benefit plan costs are allowable as per the organization employee handbook. It is the discretion of the sponsor to offer family benefits. All benefits must be offered equally to all employees meeting the organization criteria for benefits.
- For Life Insurance and Disability Insurance, the costs for employees' insurance are allowable if their family, not the organization, is the beneficiary. Restrictions on employee coverage must be reflected in the employee handbook.
- State employment tax is calculated by using the rate provided by the State. The maximum state unemployment expense per employee is calculated by the rate provided multiplied by the wages earned by the employee to a maximum level of wages per calendar year.
- Mandatory tax paid by the employer for all employees on all taxable wages and fringe benefits if found to be additional compensation. The allowable cost for CACFP is the **employer's portion** of the tax and to the portion charged (withheld) to the employee through payroll taxes.
- Retirement is a fringe benefit plan beyond that established by social security. Sponsors should seek the guidance of a tax professional before establishing the plan to make sure it meets the federal regulations as a deductible benefit plan. The CACFP requires adherence to all federal regulations to include the Internal Revenue Service Code. Before implementing, the plan must be presented to the State Agency for specific written prior approval. All information to be provided to the employees in the employee handbook offering the benefit to the employees with the criteria to earn the benefit should be included in the specific prior written approval.
- Incentive plans are another type of a fringe benefit plan available to employers. In order to be an allowable reimbursable cost, the plan must be approved by the State Agency and presented to employees prior to the onset of the measurement period for participation in the incentive. There are strict rules established by FNS Instruction 796-2, Revision 3 (VIII 123 i). All incentive plans must receive specific written prior approval prior to the period of implementation and prior to the incentive measurement period. All information to be provided to the employees and/or in the employee handbook offering the benefit to the employees with the criteria to earn the benefit should be included with the specific prior written approval.
- Deferred Compensation is another benefit area that has strict rules to be considered an allowable cost of the CACFP. Refer to FNS Instruction 796-2, Revision 3 (VIII 23k). Prior approval must be received prior to implementation. Sponsors should seek the assistance of a tax professional to be sure that the plan is handled correctly for payroll tax purposes and budget presentation. Benefits to select individuals may be treated as additional compensation and be subject to annual limits for rate increases.
- Other is the category for any employee benefit not included in other areas. If the benefit is an individual employee benefit, a description of the benefit must be included in the personnel manual with the criteria required to receive it. The description(s) of the other expense(s) must be noted on the worksheet to identify the costs of **Other**. Specific prior written approval must be obtained prior to implementation of the benefit. Generally, employee benefits offered to select individuals and not offered to all employees' will be

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treated as compensation subject to the annual limitations for increase. Consult with a tax professional or the IRS Code for specific treatment.

- Worker's compensation is the cost for the insurance policy required of all employers for its worker's protection.

After completing the worksheet, be sure all totals are carried to the budget summary correctly.

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Travel (Tabs 11-13)

This section of the budget is for reporting all costs associated with travel for Program Operations, In-State Travel, and Out-of-State Travel. Costs are itemized by person and by purpose of the travel.

Only travel associated with CACFP related events or CACFP program work are allowable travel costs to the Program. All meetings and conferences, if less than 100 percent CACFP related, require specific prior written approval. Meetings and conferences that are totally CACFP related require prior approval.

Travel costs are generally very specific to a program. If the travel does benefit more than one program in multi-program organizations, the costs should be allocated to the CACFP according to the direct CACFP portion versus the entire event. The allocation of the costs must be presented with specific prior written approval for the event. If outside funding is used for the event, it must be stated in the budget. All non-CACFP travel allocated to the CACFP must be included in cost allocation plans as required on Schedule A-List of Required Budget Attachments.

If travel costs are not totally paid for with CACFP funds, you must indicate on the spreadsheet other sources of revenue for travel expenses.

Travel for Program Operations

- Enter the rate per mile the agency will use for the upcoming fiscal year.
- List each employee's name on a separate line.
- What is the purpose for the travel? Enter the code. You must provide an explanation for "other."
- Indicate yes or no if the miles are claimed for a privately owned car. (If mileage is claimed for a commercially owned or leased car, the lease or car payment cannot be paid for with CACFP funds.)
- Enter the expected annual number of miles—be sure to allocate between centers and homes if applicable. The spread sheet will calculate the cost.
- Enter expected annual allowable lodging and meal costs for this employee.
- The spread sheet will calculate the annual cost to the agency.
- Enter the expected annual cost to CACFP and allocate between centers and homes if applicable.

Travel for In-State Training, Meetings, and Conferences

- Enter the rate per mile the agency will use for the upcoming fiscal year and the agency limit for parking, lodging, and meals.
- Allocate each cost between centers and homes if applicable.
- Enter the name of the meeting or training.
- Enter the number of staff that will be attending the training.

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- Enter the number of days the training will last
- Enter the expected mileage and the spread sheet will calculate the cost.
- Enter the expected annual costs for parking, lodging and meals
- The spread sheet will calculate the total cost to the agency.
- Enter the annual cost charged to CACFP, allocating between homes and centers if applicable.
- Any cost for non CACFP staff for in-state training must be based on an approve cost allocation plan.

Travel for Out-of-State Training, Meeting, and Conferences

- Travel for training that is solely CACFP requires prior approval.
- Travel for training that is partially CACFP requires specific prior written approval.
- Any cost for non CACFP staff for out-of-state travel must be based on an approve cost allocation plan.
- Allocate each cost between centers and homes if applicable.
- Enter the name of the meeting or training.
- Enter the number of staff that will be attending the training.
- Enter the number of days the training will last
- Enter the expected mileage and the spread sheet will calculate the cost.
- Enter the annual expected costs for parking, lodging and meals, registration, travel costs, and mileage or airfare.
- The spread sheet will calculate the total cost to the agency.
- Enter the annual cost charged to CACFP, allocating between homes and centers if applicable.

After completing the worksheets, be sure all totals are carried to the budget summary correctly.

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Administrative Expenses (Tabs 14-19)

Advertising

Yellow pages listings and website services of an advertising nature are part of this category. Website services and advertising contracts would require contracts submitted with the budget attachments. Also submit copies of any advertisements and yellow pages listing. This could also include advertisement for employees.

- Enter the type of service, the name of the company, and the purpose
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Dues and Subscriptions

Membership costs in civic, business, technical and professional (TSA, IAFDCS) organizations and subscriptions to professional and technical periodicals are included in this category. Costs of public and **not-for-profit institutions memberships in civic or community organizations** require *specific prior written approval from FNS*.

Allowable costs are limited to membership fees and annual dues for ONE individual membership per institution in organizations related to the Program, when the organization will only accept individual and not institution membership.

- Enter the name of the organization
- Indicate if it is group or individual membership
- State how the membership applies to CACFP management
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Consulting Fees

This section includes accounting, data processing, legal, etc. This section is for services related to the administration of the Program performed by persons who are members of a particular profession or possess a particular skill and are not officers or employees of the institution.

All legal services require specific prior written approval for each occurrence. Budget line approval is not enough approval. Legal services associated with employee benefits should be recorded in the employee benefit section.

Accounting includes outside services for bookkeeping and payroll. Cost of completing general business related expenses such as tax form 990 preparation are not allowable costs of the CACFP per the regulations.

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If the cost associated with the service is a cost shared with other programs, indicate the percentage of the charge that is allocated to CACFP. The nature of contracted services can be very diverse. The allocation used to prorate the cost of the service must demonstrate the benefit to CACFP as well as the benefit to other programs. If the cost is associated with occupancy, using the same basis as rent would be appropriate. The cost of A-133 audits for multiple federal program participation would be by the share of CACFP revenue in relation to the total federal revenue. If the cost is associated with personnel services, FTEs would be an appropriate method. The allocation plan demonstrating the prorated costs must accompany Schedule A—List of Required Budget Attachments.

- Enter the type of service
- Enter the name of the person or group providing the service
- Enter the reason for the purpose
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Insurance

This section does not include insurance to cover occupancy or life, disability, or health care insurance provided to individuals.

The cost of insurance not required by the State Agency that is maintained by the institution in connection with the general activities of the program requires specific prior written approval. The type, extent, and cost of the coverage should be in accordance with general state or local government policy and sound business practices.

- Enter the type of policy
- Enter the name of the company and the policy number
- Describe the coverage
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

A copy of the declaration page must be submitted for each policy paid for in part or in whole with CACFP funds.

License Related Costs

Day care home sponsoring organizations are eligible to use up to \$300 of administrative funds per day care home to enable Tier I homes to meet licensing standards. The costs require specific prior written approval. Examples include supplies such as smoke detectors or fire extinguishers; minor alterations such as adding a handrail; and the cost of fire and safety inspections and licensing fees. Refer to FNS 796-2, Revision 3 (VIII I 12 c) for documentation requirements.

- Indicate the type of service
- Enter the name of the company to provide the service and the purpose

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- Indicate the projected number of providers to be assisted
- Enter the expected total annual cost to the agency
- Enter the expected total annual cost to CACFP

Communications

This category includes costs of supplies and services such as telephone, fax, and Internet services. Costs for supplies and services must be allocated between Program and nonprogram use. Allowable costs include the costs of supplies and services purchased or leased by the institution that are used for Program operations. Supplies or services leased or purchased by individuals are unallowable.

- Enter the name of the company and the service provided.
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Equipment Rent/Lease Agreements and Maintenance Agreements

An arms-length transaction for the maintenance, repair, or upkeep of administrative equipment that neither adds to its permanent value nor prolongs its intended life but keeps it in an efficient operating condition is an allowable expense. The program share of rental costs for equipment owned by third parties that is leased by the institution for program purposes when properly procured and a bona fide arms-length written rental exists is an allowable CACFP cost.

- Identify the service, the name of the company, and the purpose
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Submit a copy of all rent/lease/maintenance agreements for which CACFP bears part of the cost as part of Schedule A-- List of Required Budget Attachments.

Other Administrative Services-including audits

The cost of A-133 audits for multiple federal program participation would be by the share of CACFP revenue in relation to the total federal revenue. This section is for other services related to the administration of the Program performed by persons who are members of a particular profession or possess a particular skill and are not officers or employees of the institution.

- Identify the service, the name of the company, and the purpose
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Employee Incentives

Except for awards of minimal value, specific prior written approval is required for the costs of an incentive payment or award given to an employee. Incentive payments and awards are allowable to the extent the employee receiving the awards performed Program labor and the

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payment is based on actual services performed by the employee. The payment must take the form of cash or additional vacation leave.

- List the type of award and the expected number of employees who will receive the award.
- Enter the cost for each award/incentive
- Enter the reason for the award/incentive
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Indirect Costs

- Indirect costs may be allocated to the CACFP only if the sponsor has an Indirect Cost Plan that has been approved by the cognizant agency determined in accordance with the sponsor's applicable OMB cost principles.
- Indirect costs are those costs that have been incurred for several programs and cannot be readily identified for just the CACFP.
- Typical examples of indirect costs for many nonprofit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expense, such as salaries and expense of executive officers, personnel administration, and accounting.
- The indirect cost plan must include
 - How the plan was established
 - What costs are included as indirect costs
 - The reason the costs cannot be directly expensed.

Minute Menu Services

Since the majority of FDCH sponsors use the Minute Menu system, we have included a section for the costs for Minute Menu services. Do not include the cost of the forms in this section.

- Enter the type of service and its purpose
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

Submit any contract or agreements with Minute Menu as part of Schedule A-- List of Required Budget Attachments.

After completing the worksheets, be sure all costs transfer to the budget summary.

Postage, Office Supplies, Educational Supplies, and Printing (Tabs 19-22)

This section of the budget worksheets will project the amount of postage required for the fiscal year. If the costs of mailing will be shared by various programs, the costs should be prorated if actual mailing costs per program are not possible. A proper form of prorating the cost would

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be to use the revenue projected for the programs. The allocation calculation with the method of allocation should be included with Schedule A-- List of Required Budget Attachments.

- Enter the postage item, the quantity and unit, and the cost per unit.
- Enter the percent of the costs charged to homes and centers
- Enter the expected total annual cost to the agency
- The spread sheet will calculate the cost to CACFP

The worksheets are also used to record supplies needed to perform the required duties of the CACFP that cost less than \$100 each or are expected to have a useful life of less than one year. If the cost is greater than \$100 each but are expected to have a useful life of less than one year, the cost would still be considered a supply. Printer cartridges are an example of this.

Program costs are required to be necessary and reasonable to be an allowable cost of the CACFP. When records are reviewed, costs included for administrative reimbursement that do not meet the allowability test may be disallowed. For example, costs for greeting cards are not considered a necessary cost for the Program. Supplies listed on the worksheet should not be included on any other worksheet. For example, paper purchased for preparing training materials could appear either as an office supply or on the training worksheet, but not on both.

Supplies should be listed by category, such as:

- ✓ Paper costs—computer paper, copy paper
- ✓ Office supplies—staples, tape, adding machine ribbons, pens and pencils, toilet paper, paper towels
- ✓ Computer and printer supplies—backup disks, flash drives, printer cartridges
- ✓ Copier supplies—copier cartridges, toner
- ✓ File supplies—manila folders, labels
- ✓ Mailing supplies—envelopes, labels, manila envelopes

You will enter an estimated maximum dollar amount you will be spending on the category without identifying the individual cost of each item.

Indicate the percentage of supply cost for the CACFP. For costs shared with other programs, indicate the percentage directly used for the CACFP. A cartridge for a printer or copier would need to be prorated if the facility has only one piece of equipment for several programs. A method of allocation would be FTEs. The allocation plan would be included with Schedule A-- List of Required Budget Attachments.

Educational supplies are used for staff and facility training and education. We encourage the purchase of nutrition education materials. Training and education supplies listed in other categories should not be listed under education supplies. Educational supplies could include books and electronic training materials. Sponsors of homes and centers should allocate these costs between the home and center budget.

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The section for printing is used for items that have been produced for used in the CACFP, e.g., forms, checks, etc. Anything preprinted with your sponsorship information should be presented in this section. In the event the document will be used by other programs (such as time sheets or employment forms), the cost would be required to be allocated between programs. The best method of allocation would be forms used by the separate programs in prior years. The allocation calculation must be included with the Schedule A--List of Required Budget Attachments. Plain paper costs are not included in printing.

- Enter the name and a brief description of the document to be printed
- Enter the number of copies to be printed
- Enter the cost per unit
- Enter the total cost to the agency
- Enter the percentage charged to homes and centers
- The annual cost to homes and centers will be calculated.

On the next page, enter the information for minute menus forms as you entered the costs for printing. Finally, there is a section for other supplies that have not been captured on prior worksheets. Define each cost item specifically.

After completing the worksheets, verify the totals and be sure all costs transfer to the budget summary.

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Training Costs (Tab 23)

All costs associated with training staff and family day care providers and center staff should be included on this worksheet. Such costs as printing or paper that are shown on the supplies or printing worksheet should not be included here.

- Enter the name of the training
- Enter the number of trainings per year for this topic
- Enter any rental cost for the training facility. If the costs are associated with space already rented by the sponsorship, no cost should be reflected on this worksheet.
- Enter the cost of any equipment rented for the training
- Enter any costs for speaker fees, registration, or training supplies (should not be listed on another worksheet)
- Enter the total cost for the workshops on this line
- Allocate the costs between centers and homes as applicable.

After completing the worksheet, verify the summary totals and make sure those transfer to the budget summary.

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Occupancy Costs (Tabs 24-26)

This section of the budget is for the costs of the space designated directly and indirectly to CACFP. Costs included in this section would be office space rent, office space utilities, building maintenance and repair, and building insurance. If the agency operates other programs, as well as CACFP, the costs for occupancy must be allocated. If the occupancy costs are associated with a less-than-arms-length agreement, they must be disclosed. If the agency sponsors homes and centers, the costs must be allocated between both budgets.

- A. Check the statements that apply to the lease arrangement. If CACFP funds are not used for occupancy costs, you must indicate what funding source is used for these costs.
- B. Complete the information regarding the lesser
- C. Enter the beginning and ending dates of the lease agreement
- D. Enter the square feet of the total rented space and the square feet of office space used for CACFP. (Costs for general space such as reception area must be included in a cost allocation plan.)

Annual Rental Costs

Leased costs associated with the space occupied by the CACFP are allowable costs to the Program. A copy of the contract is required to be submitted with the annual budget. If the space occupies more than one program, the costs must be allocated according to an acceptable cost allocation plan, which must accompany the budget.

- Mark the correct ownership status of the office space
- Indicate if utilities and/or maintenance are included in the lease agreement
- List the facility address
- Indicate the monthly lease cost
- Indicates the percentage allotted to CACFP
- The spread sheet will calculate the annual cost to CACFP

Annual Utilities

Costs of utilities associated with space occupied by the CACFP represent allowable costs of the Program. If the costs are shared with other programs, the costs must be allocated using the same method that was used for rent. If utilities are for a personal residence, the allocation for rent must be used to allocate allowable utility costs to the Program, specifically allocation for space and for hours of operation.

- For each utility listed, indicate the facility address.
- Indicate the monthly lease cost
- Indicates the percentage allotted to CACFP
- The spread sheet will calculate the annual cost to CACFP

Annual Office Maintenance

Costs of janitorial services, upkeep of grounds, necessary maintenance, and normal repairs that keep the property in an efficient operating condition are considered allowable costs. Any

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contracts for these services are required to be submitted with Schedule A--List of Required Budget Attachments with the original budget.

If the costs are shared with other programs, the costs must be allocated using the same method that was used for rent.

When a less-than-arms-length relationship exists with the parties contracted for office maintenance and the sponsorship, the relationship must be disclosed and further documentation is required to support the reasonableness of the contracted costs.

- Specify the maintenance cost
- Indicate the facility address.
- Indicate the monthly lease cost
- Indicate the percentage allotted to CACFP
- The spread sheet will calculate the annual cost to CACFP

Building Insurance

This type of insurance is for the building structure. Be sure to include a copy of the declaration page with Schedule A-- List of Required Budget Attachments. If the costs are shared with other programs, the costs must be allocated using the same method that was used for rent.

- Enter the name of the insurance company and provide the policy number
- Indicate the facility address.
- Indicate the annual cost of the policy
- Indicate the percentage allotted to CACFP
- The spread sheet will calculate the annual cost to CACFP

Other Space Related Costs

This section is for other allowable costs associated with occupancy of the CACFP. Examples of this section would be building security or off-site storage records. As with other costs in this section, if the cost is for more than one program, it should be allocated accordingly. All contracts associated with these costs require documentation that must be submitted with the original budget.

In summary, all costs associated with occupancy require contracts/agreements/leases, except utilities. All organizations with multiple programs must provide a cost allocation plan that demonstrates how costs are allocated to individual programs. Less-than-arms-length calculations must be included if less-than-arms-length transactions exist for the costs presented.

Verify each category total and make sure the cost transfers to the budget summary.

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Equipment (Tab 27)

Instead of using depreciation, an institution can be permitted to charge the Program, as a direct cost, certain types of equipment and improvements at the time the items are purchased or improvements are made. (NOTE: OMB Circular A-122 considers equipment costing less than \$5,000 to be supplies and are allowable as direct costs with specific prior written approval.)

Allowable costs: With **specific prior written approval**, the Program's share of the cost for most equipment and improvements for use in the Program can be directly expensed. For example, office furniture, computers, monitors, fax machines, and file cabinets.

Unallowable costs:

- ✓ The cost of improving rental space or facilities
- ✓ The cost of equipment or other property purchased by individuals
- ✓ The cost of equipment or other property donated to the institution
- ✓ The costs of the following under any circumstances; however, the institution's acquisition cost for these items may be depreciated
 - Buildings, additions, alterations and improvements to buildings and land
 - General purpose equipments, including office equipment and furnishings
 - Air conditioning equipment
 - Reproduction and printing equipment
 - Motor vehicles
 - Automated data processing equipment used for both Program and general administrative purposes.

Trade-in and Exchanges: When equipment or other property is traded for a new item, the maximum amount that can be charged to the Program is the net amount paid.

For equipment under \$5000

- Enter the name of the item
- Enter the purchase date
- Describe the item and give the location where it is used
- Enter the total cost
- Indicate the percentage allotted to CACFP
- The spread sheet will calculate the annual cost to CACFP

For equipment over \$5000:

For projected purchases of equipment costing \$5,000 or more, BUT LESS THAN \$10,000, three bids/quotes and a justification of need must be submitted to the STATE AGENCY CACFP OFFICE prior to purchase.

Verify each category total and make sure the cost transfers to the budget summary.

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Depreciation and Use Allowance (Tab 28)

Depreciation is the expense associated with the Program's use of space, facilities, and equipment. Depreciation is based upon the acquisition cost and the life expectancy of the item, and the costs of improvements, alterations, or repairs that extend the useful life of the item. A use allowance can only be applied to items that have been fully depreciated by the institution before being placed into use for the Program. A use allowance and depreciation cannot be used for the same set of items. An institution cannot use depreciation expense or use allowance charges to remove cash from its program accounts or to reduce the nonprofit food service account cash balance. The depreciation method used for the Program should be consistent with the method used by the institution for its other federally sponsored and non-federally sponsored activities.

All depreciation charged to the Program must be documented through depreciation records indicating the amount of depreciation taken each period and when appropriate, allocated between Program and non-program use. All depreciation charges must be supported by adequate property inventories that are taken at least once every two years to ensure the items exist, are in good working order, and actually used for Program purposes. All records must be retained during the life of the item and for three years after the end of the Federal fiscal year during which the item was fully depreciated or disposed of, whichever comes first. Records must be kept beyond this point if audit findings have not been resolved.

- Enter the name of the item
- Describe the item and give the location where it is used
- Enter the total depreciation or use cost
- Indicate the percentage allotted to CACFP
- The spread sheet will calculate the annual cost to CACFP

Verify each category total and make sure the cost transfers to the budget summary.

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Schedule A – Budget Attachments (Page 39)

This worksheet is the check-off of all the required budget attachments to be presented with the original budget.

Statement of Financial Viability—If your organization is projecting less CACFP revenue than total budgeted expenses as demonstrated on the Budget Summary, a statement of financial viability must be provided. The letter must explain how your organization plans to supplement the unfunded costs from sources other than CACFP. The letter must be signed by the individual who is responsible for the CACFP within your organization.

Allocation Plans—if your organization works with other programs in addition to CACFP or if your organization sponsors both homes and centers (affiliated and/or unaffiliated), the expenses of your organization will require allocation between different programs. Any item reflecting allocation in the budget must have an **allocation calculation** presented to support the allocated costs. The allocation calculation must demonstrate that the costs to the CACFP are reasonable in relation to the benefit the Program receives in relation to the benefit other programs served are receiving. Each cost on the budget has different criteria to allow an allocation plan to be equitable and reasonably allocate the costs to the different programs. Refer to the sections in this workbook for various costs and to the *Allocation Plans* section of the workbook.

Check-off all worksheets containing allocated costs and attach the required documentation in worksheet order.

Copies of Benefit Plans—A policy presenting the costs associated with the benefits provided to employees beyond the required tax benefits of FICA and unemployment taxes must be included as a budget attachment for each individual benefit. Check-off all benefits and attach copies of the policies or plans and attach the required documentation in worksheet order.

Contracts—the budget contains listings for contracted services of each organization. The State Agency requires copies of the contracts to support the costs to the Program. For each contracted cost, list the payee and check-off that a copy of the contract has been attached as one of the budget attachments.

Less-Than-Arms-Length Calculations—each less-than-arms-length transaction must be included by the budget line description and cost being calculated. Check off that you have included less-than-arms-length transaction disclosure and explanation on a SPWA worksheet.

Schedule A and the budget summary must be signed by the person responsible for the CACFP and submitted to the State Agency with all required forms as part of the original budget submission. An electronic version of the budget packet must be submitted to the State Agency.

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Budget Revision

General Information

When is it time for a budget revision? When it becomes apparent that the budgeted amount does not support the expenditures for the rest of the year a budget revision is necessary. Or, if the costs projected originally are no longer accurate of the cost to the CACFP. This could be due to changes in programs and program involvement. In the case of organizations that have multiple CACFP options or other non-CACFP programs, this may require a change in the appropriate allocation of cost and a revision of the allocation plan, as well as a budget revision.

Monthly comparison of the actual expenditures to the budget will assist the organization in staying within the constraints of budgeted costs. Each month a rough look at the remaining budget compared to actual monthly expenditure history will provide information on areas that may need revision.

Budget revisions will not be backdated. Changes to an approved budget will take place on the approval date through the end of the budget period. Budgets revisions will not be accepted after August 31. Providing detail and justification for changes in the budget will facilitate the review and approval process.

A budget revision is necessary anytime there has been a change in the re-assignment, addition, or decrease of personnel. The organization presented a plan to demonstrate how the monitoring and administration of the Program would be accomplished given the personnel, hours of performance and the responsible areas in the original budget. If there is a personnel change, particularly in monitoring, the sponsor must demonstrate continued compliance with the regulation requirements for Program monitoring.

When a position is listed on the budget as “to be hired”, the filling of the position does not necessarily require a budget revision if sufficient costs were included. If the position is a monitoring position, to be considered part of the monitor staffing report, the position is expected to be filled in a reasonable amount of time.

Each employee is entitled to a reasonable annual rate increase. Excessive increases require specific prior written approval. Two or more pay increases in a year would also require SPWA. Approval of pay increases must take place before the increase occurs.

Changes in employee benefits, such as changing health insurance policies, require submitting a copy of the new policy to the State Agency. When the new policy costs are greater than originally budgeted, a revision is required.

If the benefit is a new benefit to the organization, SPWA and a revised budget must receive the State Agency approval prior to implementation of the benefit to be considered an allowable Program cost.

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Changes in contracts relating to occupancy and contracted services require notice to the State Agency. Copies of the new contracts must be submitted to the State Agency. If the costs on the new contracts are higher than on the approved budget, a revision for the increase is required prior to the contract change. Prior approval of contracts assures that the cost will be considered an allowable cost to the Program.

For example, if a new rent contract took effect April 1, there would be 2 line items on the worksheet for rent. One for the original rate for six months and one for the new rate for the remaining six months of the fiscal year.

Equipment Purchases—If a sponsor required a piece of equipment after the submission of the original budget, a budget revision is required. The revision must include the estimated cost of the equipment.

If the equipment is under \$100, the cost is considered a supply and can be included as a supply on the budget. No prior approval or budget revision are necessary if sufficient supply budget is available.

If the equipment is over \$100 but less than \$5000, the value may be direct expensed by submitting a SPWA log and worksheet with the revised budget.

If the equipment cost is greater than \$5000, the item would be depreciated and will require an amended budget and the SPWA log and worksheet.

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Cost Allocation Plans

When a sponsoring organization has several functions or programs in addition to CACFP, the costs for the organization as a whole must demonstrate the method for allocating the cost to CACFP. Costs can be divided into two categories when multiple programs are involved, direct and indirect costs. Direct costs are costs for a specific program. Indirect costs are costs that are shared by programs. The indirect costs require a cost allocation plan.

Per FNS Instruction 796-2, revision 3, VII B and C:

B. Allocation of Costs. Some costs benefit more than one objective or activity. Only the share of the costs that benefit the program can be assigned as Program costs. A variety of methods are available to allocate these costs. Refer to paragraph C, below, for additional information.

C. Direct and Indirect Costs. Allowable costs can be either direct or indirect. Because of the diverse nature and accounting practices of institutions, it is not possible to identify which specific costs will be classified as direct or indirect.

- 1. Direct Costs. Direct costs can be administrative or operating expenses or a combination of the two that benefit the institution's nonprofit food service.
 - a. Examples of these direct costs include:
 - (1) Operating and administrative nonprofit food service employee salaries;
 - (2) Depreciation or use allowances on equipment used in the nonprofit food service program; and
 - (3) Food purchased for use in the nonprofit food service program.*
 - b. Allocated direct costs. When the benefits of a direct cost cannot be specifically identified as an operating or administrative cost, or the direct cost benefits both allowable and unallowable activities, or the cost benefits more than one State for multi-state institutions, this shared cost must be allocated. The State agency must provide the institution with specific prior written approval of the method that the institution will use to prorate the cost. The method used must allocate the cost based on the benefits received, not the source of funds available to pay for the cost.**
- 2. Indirect Costs. For the purposes of this Instruction, indirect costs are those that have been incurred for common or joint objectives but cannot be readily identified or assigned to the food service, CACFP, other institution activities or a component (administrative versus operating) of the program.
 - a. Examples of common indirect costs are:
 - (1) Depreciation and use allowances on buildings and equipment used for common or joint objectives;
 - (2) Costs of operating and maintaining facilities;
 - (3) Salary of the receptionist; or
 - (4) Salaries of the central accounting staff, executive director, etc.*
 - b. Indirect costs must be allocated on a consistent and rational basis in accordance with the State agency's financial management system and are subject to review by FNS. An institution cannot use an indirect cost rate to assign costs to the program unless the rate has been developed through a cost allocation plan approved by the **cognizant** Federal or State agency.
 - (1) The institution must use OMB Circulars A-87 and A-122 and FAR Part 31, as applicable, when developing a cost allocation plan. An institution should contact its State agency for additional guidance.**

The allocation plan can be different for each individual cost. The allocation plan methods must be evaluated to choose the methods that most closely reflect the benefit to CACFP. All

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allocation plans must be submitted with Schedule A—List of Required Budget Attachments. If allocation plans change during the fiscal year, the revised allocation must accompany the amended budget.

Allocation Plans for Employee Costs Using Full-Time Equivalent (FTEs)

If the sponsoring organization has programs other than CACFP (or both homes and centers), it is very likely that CACFP staff may work in more than one program. Direct costs would be costs for the CACFP alone, such as personnel employed as monitors for the CACFP only. On the budget worksheet, the CACFP hours would be the same as the total hours for the institution.

If an employee works in multiple programs or multiple CACFP (centers and homes), the hours assigned to various programs would be less than the total hours worked for the agency. A secretary or director could be shared positions in a multiple program agency. The allocation for any employee should be based on actual prior year hours through time sheets or time distribution reports. Budgeted time may be projected to reflect changes in job duties for the new budget year. Actual time logs should be reviewed throughout the year to assure that actual costs supported by time sheets or time distribution reports compare to the budget projections. If the actual performance differs from the budget, an amended budget and a revised allocation may be required before the costs exceed the approved budget.

The allocation plan should include the total agency salary projected for the employee and the method used to allocate costs to the CACFP as well as other programs the agency works with. Costs allocated to CACFP cannot be presented as costs to any other program.

Total Program Hours per prior year timesheets-period of 1/1 to 6/30									
Employee	Title	Salary	Total Weekly Hours	Total Hours Reported	CACFP	Resource and Referral	Percent allocated to CACFP	Salary Allocated FY2012	Weekly Hours Allocated
Mary T.	Director	50,000	40	2080	1100	980	52.88%	26,442	21.15
Jane D.	Assistant	25,000	30	1560	1000	560	64.10%	16,026	19.23
Sally C.	Monitor	30,000	40	2080	2080	0	100 %	30,000	40.00
Totals		105,000						74,468	

EXAMPLES:

Formulas for Mary T.

$$1100 \text{ CACFP hours} \div 2080 \text{ Total hours} = .5288 \text{ or } .5 \text{ FTE}$$

$$\$50,000 \times .5288 = \$26,442 \text{ Salary for CACFP}$$

$$40 \text{ hours per week} \times .5288 = 21.15 \text{ hours per week for CACFP}$$

Formulas for Jane D.

$$1000 \text{ CACFP hours} \div 1560 \text{ total hours} = 64.10\% \text{ or } .6 \text{ FTE}$$

$$\$25,000 \times .6410 = \$16,026 \text{ salary for CACFP}$$

$$30 \text{ hours per week} \times .6410 = 19.23 \text{ hours per week for CACFP}$$

Formulas for Sally C.

Since she is 100% CACFP, the hours and salary will all be allocated to the Program.

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Employee Benefits should always be allocated according to the same allocation as the employee cost is associated.

Travel Expenses should be allocated according to the cost of the trip that was 100% CACFP versus the cost of the trip in its entirety. All less-than-100 percent CACFP events require specific prior written approval.

If a trip includes costs for more than one program, the costs must be allocated according to the time spent performing the related tasks. Travel time would be allocated according to the percentage of CACFP relative to the total tasks accomplished.

EXAMPLE:

Jane D. travels 100 miles (round trip). She reviews day care homes for a total of 2 hours. She then visits a site for resource and referral for 1 hour. The cost to CACFP would be 2/3 or 66% (2 hours divided by the total hours-3). The acceptable mileage to CACFP would be 66 miles times the allowable mileage rate.

Allocation Plans using Time and Space

Rental costs for facilities must be allocated between Program and non-program use. Rental costs must first be prorated by the ratio of the square footage of program space to the total square footage of the rented space. (796-2. Revision 3 VIII I 36 c 2)

Secondly, for all space, the cost of the Program rental space must be prorated by the ratios of the actual number of hours of Program use to the total number of hours that space is used.

EXAMPLE:

The sponsoring organization rents an office that is 2200 square feet. The organization operates the CACFP in homes, centers, and adult day care. It also has resource and referral and rents a small corner office to a licensing consultant. The total monthly rent is \$3600.

The organization uses 1200 square feet for CACFP, 800 for resource and referral, and 200 for the licensing consultant.

CACFP 1200 ÷ 2200 total = 54.5%	\$3600 X 54.5% = \$1962	} Monthly rent per program
R & R 800 ÷ 2200 total = 36.4%	\$3600 X 36.4% = \$1310.40	
Licensing 200 ÷ 2200 total = 9.1%	\$3600 X 9.1% = \$327.60	

Since the CACFP manages 3 different sub programs, the CACFP cost of \$1962 must be divided between homes, centers, and adult day care.

There are 3 employees working 80 hours per week for CACFP

#1 spends 20 hours per week on centers	20÷80= 25% X 1962 =\$490.50
#2 spends 40 hours per week on homes	40÷80= 50% X 1962=\$981.00
#3 spends 20 hours per week on Adult Day Care centers	20÷80= 25% X 1962 =\$490.50

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In this example, the sponsor would allocate rent as follow each month:

- \$490.50 to CACFP centers
- \$981.00 to CACFP homes
- \$490.50 to CACFP adult day care
- \$1310.40 to R&R
- \$327.60 to Licensing

\$3600 total rent per month.

- ✓ Sponsoring organizations that have more than one CACFP program may not charge the FDC portion for 100% of CACFP costs.

Allocation Using the Program Revenue

Some costs may be more accurately allocated by comparing the revenue the program is producing in relation to the revenue of the organization as a whole. The A-133 audit should be allocated using program revenue.

EXAMPLE:

CACFP revenue	\$1,000,000	÷ \$1,400,000 = 71%
R & R revenue	400,000	÷ \$1,400,000 = 29%
Total revenue	\$1,400,000	

The sponsor would allocate 71% of the audit cost to CACFP. Remember, too, sponsoring organizations that have more than one CACFP program may not charge the FDC portion for 100% of CACFP costs.

Other Options for Allocation

The acceptable allocation plan must be the plan that most closely represents the benefit to the CACFP. If another method of allocation presents itself, the sponsor should include that method with the Schedule A—Budget Attachments.

An example of another acceptable allocation would be actual usage. The actual usage for a given period would be compared to the other program usage to arrive at a reasonable method of allocation.

For **Example**, copier costs are coded to each program using the copier. From the previous year:

CACFP annual usage	2500 copies ÷ 3000 = 83%
R & R annual usage	500 copies ÷ 3000 = 16%
Total annual usage	3000 copies

CACFP would be charged for 83% of the copier costs. Sponsoring organizations that have more than one CACFP program may not charge the FDC portion for 100% of CACFP costs.

Allocation methods must be submitted by line item.

Less-Than-Arms-Length Transactions

The definition of a *less-than-arms-length* transaction is one under which one party to the transaction is able to control or substantially influence the actions of the other(s). Such transactions include, but are not limited to, those between divisions of an organization; organizations under common control through common officers, directors, or members; and an organization and a director, trustee, officer, key employee of the institution or immediate family members, either directly or through corporations, trusts, or similar arrangements in which a controlling interest is held. All less-than-arms-length transactions require specific prior written approval. (FNS Instruction 796-2, Revision 3, Exhibit A Glossary T)

All less-than-arms-length transactions involving CACFP must be disclosed to the State Agency. All less-than-arms-length transactions require scrutiny and the allowable costs to CACFP may be limited.

FNS Instruction 796-2, Revision 3 VIII (B) states:

The failure of the institution to identify related party transactions, less-than-arms-length transactions, ownership interests in equipment, supplies, vehicles, and facilities, or disclose any other information to the State Agency that inhibits the State Agency's ability to make an informed assessment of the allowability of a particular cost will result in the disallowance of the cost and may subject the institution, its principals, employees, consultants, and others to the administrative and legal remedies available to the State Agency and FNS.

Less-than-arms-length allowable lease costs are limited to:

1. Space and Facilities-The amount that results from applying 30 year life expectancy to the property's acquisition cost less the value of the land;
2. Equipment-The amount that results from applying 15 year life expectancy to the acquisition cost of the equipment (excluding automobiles and ADP equipment); and
3. Automobiles and ADP Equipment-The amount that results for applying 5 year life expectancy to the acquisition cost of automobiles and ADP equipment.

Less-Than-Arms-Length Transactions for Rental Costs

When the space or equipment rented by the CACFP is owned by a party related to the sponsoring organization, specific rules limiting the amount of costs allowed to be charged to the CACFP must be followed. When the space is part of a residence, the square feet of space occupied by the CACFP and the amount of time used for the CACFP must be considered. FNS Instructions 796-2, Revision 3 (VII I 36 d) states: *Costs under less-than-arms-length arrangements, no matter how represented, may not exceed the amount that would be allowed had the item been owned by the institution. All transactions between related parties are less-than-arms-length.*

The calculation for the annual rental amount for less-than-arms-length arrangements is:

$\frac{\text{Property acquisition cost minus value of land}}{30 \text{ years}} \times \frac{\text{Square Foot of CACFP}}{\text{Total square foot}}$

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If this area also has personal use, the amount would then be further prorated by the amount of time used for CACFP, as follows:

<u>Value from above calculation</u>	X	<u>Hours of operation for the CACFP</u>
		<u>Total hours available for use</u>

Less-Than-Arms-Length Transactions for Other than Rental Costs

When a less-than-arms-length relationship exists for the sponsor for other costs, the required guidance for procurement must be fully supported to establish that the costs presented were obtained in good faith and at reasonable rates for the services or product offered. All less-than-arms-length transactions require disclosure to the State Agency when included as a budget cost of the CACFP. Calculations for all submitted budget costs must be included.

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FNS Instruction 796-2, Revision 3

Items Requiring PRIOR APPROVAL, SPECIFIC PRIOR WRITTEN APPROVAL, and FNS RO APPROVAL

Topic	Section	Page #	Specific Item	Prior Approval	Specific Prior Written Approval	FNS RO Approval
Advertising and Public Relations Costs	3 a (2)	20	Public relations cost for pamphlets, news releases, and other information services	Yes		
Communications	8 a (1)	23	Cellular phones and pagers owned or leased by the institution—SAs may impose prior approval or specific prior written approval	Up to SA	Up to SA	
Contributions and Donations Costs	10 a	24	Costs required to make goods or services to the institution usable for the Program		Yes	
Day Care Home Licensing Standards Costs	12 a (1, 2, 3)	27	Supplies such as smoke detectors and fire extinguishers; minor alterations such as adding handrails; and the cost of fire and safety inspections and licensing fees that are required to permit an eligible day care home to meet licensing approval standards		Yes	
Depreciation and Use Allowance	13 a (1)(b)	29	All space and facility depreciation methods other than 30-year straight line or a method used and accepted for Federal income tax reporting purposes		Yes	
	13 a (1)(c)	29	For publicly owned buildings, the amount assigned as the acquisition cost		Yes	
	13 a(2)(a)	30	All equipment depreciation methods other than 15-year straight line depreciation or a method used and accepted for Federal income tax reporting purposes		Yes	
	13 d (1)	31	Unknown acquisition cost		Yes	
	13 e	31	Life expectancies		Up to SA	
Employee Morale, Health, and Welfare Costs and Credits	14	31	All costs in this category		Yes	
Expensing Equipment and other Property	16 a	33	The Program's share of the cost for most equipment and improvements can be directly expensed. (Note: See 16 b of unallowable costs.)		Yes	

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Topic	Section	Page #	Specific Item	Prior Approval	Specific Prior Written Approval	FNS RO Approval
Facilities and Space Costs	17 a (3)	35	The costs for arrangement and alterations to facilities owned by the institution that are necessary for efficient and effective Program operations but do not result in capital improvements (Note: see unallowable costs.)		Yes	
Insurance	21 a (1)(a)	37	Cost of other insurance, not required by the SA, maintained by the institution in connection with the general activities of the Program when the type, extent, and cost of coverage in accordance with general state or local government policy and sound business practices		Yes	
	21 a (1)(b)	37	Costs of insurance or contributions to a self insurance reserve covering the risk, loss, or damage to Federal Government property to the extent that the institution is liable for such loss or damage		Yes	
	21 a (1)(c)	37	Contributions to a reserve for self insurance to the extent that the reserve meets state insurance requirements and the type of coverage, extent of coverage, and the rates and premiums would have been allowed had insurance been purchased to cover the risks		Yes	
Interest, Fund Raising, & other Financial Costs	22 a (1)(a) i	38	Stop payment charges for facility advance and reimbursement payments and other Program disbursements, whether by check or EFT		Yes	
	22 a (1)(a) ii	38	Program account reconciliation and analysis fees, including the allocated share of fees charged for comingled accounts		Yes	
	22 a (2)	38	Interest incurred after 10/10/98, for non-profit institutions and after 10/1/80 for public institutions on institutional debt used to acquire or replace allowable equipment or other property or make allowable improvements (Note: See unallowable costs.)		Yes	

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Topic	Section	Page #	Specific Item	Prior Approval	Specific Prior Written Approval	FNS RO Approval
	22 c (1)	40	Arms length transactions (Note: See section on information required when requesting specific prior written approval		Yes	
Interest, Fund Raising, & other Financial Costs continued	22 c (2)	41	Less-than-arms-length transactions (Note: See section on information needed when requesting specific prior written approval		Yes	
Labor Costs	23 d (1)	48	Compensation to members of nonprofit institutions, trustees, directors, associates, officers, or the immediate families thereof require special consideration and specific prior written approval		Yes	
	23 d (2)	48	Stipends to compensate board members for the costs of attending corporate meetings when Program business is conducted requires special consideration and specific prior written approval		Yes	
	23 d (3)	48	Any change to an institution's compensation policy that results in a substantial increase in the institution's level of compensation to an individual or all employees requires special consideration and specific prior written approval		Yes	
Overtime, Holiday Pay, & Compensatory Leave	23 h	51	Payment of overtime, holiday pay for work performed on a non-work holiday and compensatory leave (Note: See section regarding exceptions.)		Yes	
	23 i	52	Incentive payments & awards (except for awards of minimal value, see i(6).)		Yes	
	23 j	54	Severance pay when it does not constitute excess compensation and is required by law, written employer/employee agreement, written policies of the institution, or the terms of a negotiated written labor relations agreement		Yes	

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Topic	Section	Page #	Specific Item	Prior Approval	Specific Prior Written Approval	FNS RO Approval
	23 k (1)	54	Deferred compensation when SA determines the deferral is in the best interest of the Program, and it does not represent the establishment of a contingency fund, an attempt to defer compensation as a result of an over-claim, repayment request, or funding limitation or an attempt to acquire Program funds for unallowable cost purposes		Yes	
Overtime, Holiday Pay, & Compensatory Leave continued	23 k (11)	58	Amendments of modifications to approved deferral plans		Yes	
Legal Expenses & Other Professional Services	24 a (1)	58	The sponsoring organization's cost to pursue administrative and judicial recovery of funds due from sponsored facilities		Yes	
	24 a (2)	58	The institution's cost for services performed by individuals who are not officers, employees, or members of the institution (Note: See section for additional information.)		Yes	
Management Studies	26	61	The cost of studies directly related to the Program that are performed by entities other than the institution itself		Yes	
Material & Supplies	27	62	SAs may establish specific prior written approval requirements for durable supply acquisitions		Yes	
Meetings & Conferences	28 a (1)	63	Travel and registration fees for attending meetings and conferences devoted solely to the CACFP	Yes; however SA may waive		
	28 a (2)	63	Prorated share of travel and registration fees when CACFP is only a portion of a larger child and adult care related agenda		Yes	
Membership, Subscriptions, & Professional Organization Activities	29 a (4)	64	Cost of public and not-for-profit institution's memberships in civic and community organizations			YES
Participant Training & Other Participant Support Costs	30 a (1)	65	Training-administrative costs (Note: See section for a list of these costs.)	Yes		

Budget Handbook for Sponsors of Homes and Unaffiliated Centers

Topic	Section	Page #	Specific Item	Prior Approval	Specific Prior Written Approval	FNS RO Approval
	30 a (2)	65	Training-operating costs (Note: See section for a list of these costs.)	Yes		
	30 a (3)	66	Facility appeal costs (Note: See section for more information.)	Yes		
Proposal Costs	32	66	Costs of preparing proposals on potential FNS Child Nutrition Program grants		Yes	
Publication, Printing, & Reproduction	33	67	All allowable cost required prior approval	Yes		
Purchases Services—Other	34 a (1) (a)	67	Arms-length transactions for maintenance, repair, or upkeep of administrative and food service equipment that neither adds to its value nor prolongs its intended life	Yes		
	34 a (1) (b)	68	Costs of utilities, purchased security, and janitorial service, etc., not included in space or labor compensation costs	Yes		
	34 a (2)	68	All less-than-arms-length transactions; maintenance & service repair contracts on Program equipment; & all other purchased service costs needed for Program		Yes	
Rental Costs	36 d	72	Special lease arrangements—capital leases, sale-with-lease-back leases, less-than-arms-length transactions, and lease with option-to-purchase (Note: See section for more information.) These also require special consideration.		Yes	
Termination Costs	38 a	75	Institution's necessary and reasonable costs of ceasing CACFP operations		Yes	
Travel	39	76	Costs for Program Travel (Note: See section for more information.)	Yes		

FNS RO = Food and Nutrition Service Regional Office

SA = State Agency

Prior Approval = Item is reasonable & necessary; is included in annual budget and has been approved by SA. Approval must be prior to incurring the cost. Generally completed during annual budget submission

Specific Prior Written Approval (SPWA) = Sponsor must complete SPWA Log and SPWA worksheet and submit to the SA prior to incurring the cost and including it in the annual budget.

FNS RO Approval = SPWA + submission to the regional office for approval prior to incurring the cost and including it in the annual budget.

Budget Handbook for Sponsors of Homes and Unaffiliated Centers

Monitor Staffing Standards

Sponsors must demonstrate how the federal requirement of one FTE (full-time equivalent) of monitoring for every 50-150 homes and/or 25-150 centers is met.

USDA is very specific about what is considered a monitoring activity and what is not. Please review the worksheet carefully. Supervision of an entire agency and all its job functions is not a monitoring activity.

1. Enter the full name of each person with monitoring related activities and his/her position within the organization.
2. Enter the number of hours per day the person works.
3. Enter the number of days per year the person works.
4. The system will calculate the total number of hours per year worked.
5. Enter the number of hours per year the employee does not do CACFP work.
6. Enter the number of hours per year the employee does not work with monitoring related activities.
7. The system will calculate the net yearly hours spent on CACFP monitoring.

State Agency staff will determine if the organizations meets the requirements. If your agency has homes and centers, you must separate monitoring for homes and centers.

In accordance with Federal Law and U.S. Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, or disability.

To file a complaint of discrimination, write USDA, Director, Office of Adjudication, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (866) 632-9992 (Voice). Individuals who are hearing impaired or have speech disabilities may contact USDA through the Federal Relay Service at (800) 877-8339; or (800) 845-6136 (Spanish). USDA is an equal opportunity provider and employer.

It is the policy of the Indiana Department of Education not to discriminate on the basis of race, color, religion, sex, national origin, age, or disability, in its programs, activities, or employment policies as required by the Indiana Civil Rights Laws (I.C. 22-9-1), Title VI and VII (Civil Rights Act of 1964), the Equal Pay Act of 1973, Title IX (Educational Amendments), Section 504 (Rehabilitation Act of 1973), and the Americans with Disabilities Act (42 USCS § 12101,et.seq.).

Inquiries regarding compliance by the Indiana Department of Education with Title IX and other civil rights laws may be directed to the Human Resources Director, Indiana Department of Education, 151 West Ohio Street, Indianapolis, IN 46204, or by telephone to 317-232-6610, or the Director of the Office for Civil Rights, U.S. Department of Education, 111 North Canal Street, Suite 1053, Chicago, IL 60606-7204
-Dr. Tony Bennett, State Superintendent of Public Instruction.

SCHEDULE A—List of Required Budget Attachments

Sponsor ID #

If information is included, indicate with an “x” in the box. Organize your attachments in the order listed below.
PRINT THIS FORM AND SUBMIT the original form with copies of all required documents. It must be signed by a sponsor representative.

⇒STATEMENT OF FINANCIAL VIABILITY

Budget summary-required if requested budgeted expenses exceed projected homes revenue

⇒ALLOCATION PLANS (IF PRORATED COSTS ARE PRESENTED IN THE BUDGET)

- | | |
|---|--|
| <input type="checkbox"/> Tab 7a-e: Salaries | <input type="checkbox"/> Tab 23: Staff and Facility Training |
| <input type="checkbox"/> Tabs 8-10: Benefits | <input type="checkbox"/> Tabs 24-26: Occupancy Costs |
| <input type="checkbox"/> Tabs 11a-b-13: Travel | <input type="checkbox"/> Tab 27-28: Equipment, Depreciation, Use Allowance |
| <input type="checkbox"/> Tabs 14-22: Contracted Services, Supplies, Postage, Printing | |

⇒COPIES OF INFORMATION FOR BENEFIT POLICIES (EMPLOYEE HANDBOOK) (TO SUPPORT COSTS BUDGETED TO THE PROGRAM)

- | | |
|---|---|
| <input type="checkbox"/> Health Insurance | <input type="checkbox"/> Retirement |
| <input type="checkbox"/> Life Insurance | <input type="checkbox"/> Incentive Programs |
| <input type="checkbox"/> Disability | <input type="checkbox"/> Other (itemize) |
| <input type="checkbox"/> Retirement | |

Check if contract attached	Check if Less Than Arms Length	<u>⇒FOR ALL CONTRACTS LIST PAYEE AND NATURE OF ARRANGEMENTS</u>
OCCUPANCY: RENTAL AGREEMENTS, STORAGE RENTAL [LIST NAME OF PAYEE]		
<input type="checkbox"/>	<input type="checkbox"/>	
Contracted Services : rental agreements, storage rental [list name of payee]		
<input type="checkbox"/>	<input type="checkbox"/>	
Contracted Services : computer services, consulting fees, legal fees, accounting fees, advertising [list name of payee]		
<input type="checkbox"/>	<input type="checkbox"/>	
Provider & Staff Training: space rental, equipment rental [list name of payee]		
<input type="checkbox"/>	<input type="checkbox"/>	
<input type="checkbox"/>	<input type="checkbox"/>	

SIGNATURE OF AUTHORIZED REPRESENTATIVE _____ DATE _____