

COMMON FINANCIAL REPORT PROBLEMS and TIPS

Since 1990 when the financial reports became quarterly, it was difficult for us to insure all sponsors were doing this report and doing it properly. So there have been many problems. Now that it is online, we can monitor it more closely. Call for assistance to help you correct any problems.

The middle five columns (B-F) are USDA reimbursable programs, the last column is for everything NOT reimbursable: ala carte, banquets, vending sales. Every public SFA is going to have something in Other Food column because they all sell milk and often some other foods separately. If the non-public school is elementary, they often have very little a la carte, just extra milk.

Income Section:

Some schools may have lumped all 'prepaid' money into Lunch or Other Food even when it could have been spent on Breakfast – this is not correct. All "Sales To Children" are for meals that were served. Prepaid money that is left on account on June 30 goes into Box 23 only. This is money collected but NOT yet used for any food and therefore NOT income. It should not be anywhere in the income section. State Board of Accounts says that money received is NOT income until a meal has been given in exchange. So be sure to collect prepaid money separately and then 'move' it to 'income' after it is spent on food.

Other Income, Line 6 is usually all in Other Food, but some could be Lunch. If vending to a Head Start the exact same meal as the elementary kids get, then their lunch expenses would be in this column of the expense section already, so their income should be also in that column.

Rebates are usually all Lunch, though some can be in Breakfast and Other Food, too.

Expense Section:

This is best done by allocation percentages for columns B-G. For every column that has income, there should be appropriate expenses in the same column below. Other Food income should always have food, labor and miscellaneous expenses to support that income. Otherwise it implies that school lunch is paying for these items! A la carte items must be priced high enough to cover ALL the costs involved with it.

Note the total expense dollars in Other Food column – the total shouldn't be more than the total income for Other Food - everyone says they 'make money' in ala carte sales. If the expenses are greater than the income, either expenses are artificially too high on the report or the prepaid money hasn't been properly assigned or the ala carte program is losing money by pricing too low, e.g. only 2x raw food cost instead of 2.5x raw food cost. Most labor costs are as great as and often greater than the food cost.

Some have not separated Food and Non Food. If there are no expenses in the Miscellaneous line because the non-food supplies are lumped in the Food expense, it will be difficult to do the food expense percentages.

The Milk Program doesn't need any Equipment expense and usually little or no Labor.

If there are doubtful figures in the allocated Expense section, it is time to refigure the data using percentages based on the actual food costs of average breakfasts and lunches from a week or two during last year. See the Expense Allocation Procedure.

Balance of Accounts – This should be only unspent money in student/adult accounts and which should also not be anywhere else in this report.

Actual Balance - Adding the Balance of Accounts to the Ending Balance should be what is actually “in the bank” and works also if you need to ‘balance’ with the school’s Treasurer.

Net Income/Loss - This allows one to see how well each program is doing and where improvements are needed if there is a loss. It also can be a ‘red flag’ as to whether the percentages used are reasonable. Most schools should come out about even or better on Lunch, some will be lose money on Breakfast, but no one should be losing money in Other Food.

Average per Meal Cost of Lunch or Breakfast:

The system takes the food, labor, and supplies expense total (line 16) from each column and divides it by the total number of those meals that were served to students and adults for the entire year – thus providing an average cost per meal at the bottom of the AFR. This can only be as accurate as your percentage allocations for each line item in the expense section.

It is another way to see how well each program is doing and to check the validity of the report. If the cost per meal does not seem likely (either too high or low) based on other data you have collected, then perhaps this is a ‘red flag’ that the expense percentages are not quite right. For example, if the average cost of a breakfast works out to \$.55, there is no way that the expense percentages are correct because one can barely buy only the food for that amount and there should be some labor cost. Conversely, if the average breakfast cost shows as \$2.50, that is extremely high and you have to decide if it makes sense based on your menus and the amount of labor involved for that meal. Since this cost is way over the free rate of reimbursement, you would be losing money on most of the meals. Again, maybe the expense percentages are not quite right.

If either the breakfast or lunch average cost is greater than the free reimbursement rate for that year, then it’s likely you are losing money and need to figure out where to make improvements. We would expect average breakfast costs to be somewhere between \$1.00 and \$1.70 for Program Year 2008. The lunch average cost is most likely to be \$1.80 - \$2.50.

Report Filer:

Where the treasurer files this report, she can do all of it until expense allocation and then she needs food service to do the percentages. It is not likely she will know what is on the menu or how many hours are being used for lunch and for breakfast. So the treasurer and food service have to work together to get this report done appropriately. Food service should always have a final copy - it can be a ‘tool’ for how well food service is doing financially by program.