



WISCONSIN SCHOOL NUTRITION IN A NUTSHELL

Maintenance of the Nonprofit School Food Service Account

All SFAs must maintain a separate revenue and expense ledger that reports all accrued food service revenues and incurred food service expenditures from July 1 through June 30

Annual Financial Report (AFR) documents the SFA's non-profit status by program and expense category (<https://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/afr/instructions.pdf>).

- **Beginning Fund Balance** = Previous year Ending Fund Balance
- **Revenues** are recorded on an **ACCRUAL** basis and recognize income when it is **earned** (not a cash basis which recognizes when money received).
 - State reimbursements are the exception and are recorded when they are received.
 - Student deposits, used for meal purchases, are not recorded as revenue until the meal has been "sold" to the student. Funds in student accounts are treated as a deposit or liability account in either the foodservice fund (Fund 50) or the general fund (Fund 10) until the meal is served, at which point the sale is recorded as revenue.
- **Expenses** are recorded as **INCURRED** or billed, not as they are paid.
- **Ending Fund Balance** = Beginning Fund Balance + Revenues earned – Expenses incurred.
- **Negative Ending Fund Balance requires an operating transfer from non-federal funds** to cover the deficit. Some examples of non-federal funds are the General Fund (10), the Angel Fund (21), Gift Fund (60), donations etc. Transfers into the food service fund must be permanent and may not be transferred out in the following year if the food service fund balance is positive.
- **Positive Ending Fund Balance** has a three-month net cash resource limitation.

Excess Cash Balance – An ending fund balance greater than 3 months' operating expenses, exceeds the net cash resource limitation. To calculate, divide the SFA's annual food service operating expenses by nine operating months to obtain the SFA's average monthly expenses. Multiply this amount by three to obtain the SFA's three-month average expenses. If the three-month net cash resource limit is exceeded, a spend-down plan is required.

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

Allowable Costs - 2 CFR 200.403 [allowable cost](https://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/sp-60-2016-attachment.pdf) criteria (<https://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/sp-60-2016-attachment.pdf>):

- **Necessary** - establish that the nonprofit school food service cannot be operated without incurring the cost.
- **Reasonable** - cost must be the result of sound business practice and competitive prices.
- **Allocable** - cost must be direct and assigned solely to the food service program(s), function(s), activity(ies) or other cost objective(s). If used for other programs, must be prorated per all program usage.
- **Otherwise Compliant** with policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity.

- **Adequately Documented** – records must stand independently and not rely on interpretation by the program operator to support the source and use of funds. The State of Wisconsin uses WUFAR (Wisconsin Uniform Financial Accounting Requirements) or GAAP (generally accepted accounting principles)

Unallowable Costs

- **Food service revenue may not be used to purchase land or buildings** or to construct buildings.
- **Bad Debt** (2 CFR 200.426) - Once delinquent meal charges are determined to be uncollectable and reclassified as bad debt, food service funds may not be used to cover the operating loss. The loss must be restored using non-federal funds, and a transfer must be made into the Nonprofit School Food Service Account per [SP 23-2017 Unpaid Meal Charge Guidance Q & A](https://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/sp-23-2017.pdf) (<https://dpi.wi.gov/sites/default/files/imce/school-nutrition/pdf/sp-23-2017.pdf>).
- **Non-program Foods** – When provided without charge, these meals must be reimbursed to the food service account from non-federal funds to meet the non-program food revenue ratio.
- **Alternate Non-reimbursable Meals** - When payment is not received for these meals, **ALL** costs must be reimbursed to the food service account from non-federal funds to meet the non-program food revenue ratio.
- **Indirect Costs** cannot be applied to the non-profit food service account by using the Indirect Cost Ratio in Wisconsin.
 - o Indirect costs are incurred for the benefit of multiple programs, functions, or other cost objectives and therefore cannot be identified readily and specifically with a particular program or other cost objective. Indirect costs typically support administrative overhead functions, accounting, payroll, purchasing, facilities management, utilities, etc.
 - o All costs that are being charged to the non-profit school food service account must be converted to direct costs. Examples include:
 - Trash removal – Count or weigh bags of trash that are generated from food service operations only and calculate the ratio of the sanitation bill that applies to that number.
 - Non-food service labor, such as custodial, must be calculated via time study with only hours spent directly on food service charged to food service.
 - Rent – consultation with knowledgeable resource person on appropriate charges (i.e., local realty broker with knowledge of current rates for rent of similar facilities).
 - Utility charges - separately metered or current usage study by the local utility company.
 - Extermination services documentation of actual costs based on volume.
- **Equipment that is purchased over the capitalization threshold, not on the pre-approved list, not pre-approved by the School Nutrition Team, or not properly procured.**

Internal Controls are required to maintain effective oversight over federal funds and ensure all charges to the nonprofit school food service account are allowable [2 CFR 200.303](https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-303.pdf) (<https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-303.pdf>).

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