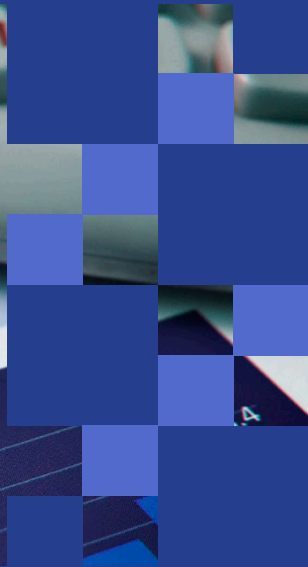


Financial Management:

A Course for School Nutrition Directors

2nd Edition



4
hour **Instructor's Manual**



Institute of Child Nutrition
The University of Mississippi
School of Applied Sciences

Financial Management:

A Course for School Nutrition Directors

2nd Edition

4 hour Instructor's Manual

Time: 4 Hours

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Key Area: 3

Code: 3300 Financial Management

2017

Institute of Child Nutrition The University of Mississippi

The Institute of Child Nutrition was authorized by Congress in 1989 and established in 1990 at The University of Mississippi in Oxford and is operated in collaboration with The University of Southern Mississippi in Hattiesburg. The Institute operates under a grant agreement with the United States Department of Agriculture, Food and Nutrition Service.

PURPOSE

The purpose of the Institute of Child Nutrition is to improve the operation of child nutrition programs through research, education and training, and information dissemination.

MISSION

The mission of the Institute of Child Nutrition is to provide information and services that promote the continuous improvement of child nutrition programs.

VISION

The vision of the Institute of Child Nutrition is to be the leader in providing education, research, and resources to promote excellence in child nutrition programs.

This project has been funded at least in part with Federal funds from the U.S. Department of Agriculture, Food and Nutrition Service through an agreement with the Institute of Child Nutrition at The University of Mississippi. The contents of this publication do not necessarily reflect the views or policies of the U.S. Department of Agriculture, nor does mention of trade names, commercial products, or organizations imply endorsement by the U.S. government

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Institute of Child Nutrition. (2017). *Financial management: A course for school nutrition directors* (2nd Ed). University, MS: Author.

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03/2017

TABLE OF CONTENTS

Background Information 1

Functional Areas and Competencies 7

Lesson Objectives 9

Course-at-a-Glance 11

Preparation Checklist 15

Key Terms and Definition Activity Master Cards 19

Introduction 27

Lesson 1 29

Lesson 2 45

Lesson 3 57

Lesson 4 71

Lesson 5 79

Lesson 6 95

Lesson 7 107

Lesson 8 125

ICN Financial Management Resources 139

Supplemental Websites 142

References 143

Calculator Tip Sheet 145

Pre/Post-Assessment Answer Key 147

Background Information

Note to Instructor: This section provides background information for review by the instructor prior to presenting the course and will familiarize the instructor with the context of the course and class logistics (e.g. class size, arrangement, and pre-training activities). This information does not include course detail or lessons and should not be used to teach.

Background Information for the Trainer

Instructor Course Information

The following information provides a review of the methods used to create the financial management materials taught in *Financial Management: A Course for School Nutrition Directors*. Specific teaching tips gathered from instructors experienced in teaching these materials are included. All course materials should be read prior to beginning instruction.

Rationale and Purpose of the Course

The U.S. Department of Agriculture (USDA) National School Lunch Program and School Breakfast Program provide free or low-cost meals to millions of school children each day. Managing the financial resources of these programs is critical to ensure programs uphold the highest standards for nutrition and quality.

The school meal programs represent a significant investment by the federal government, state governments, and families into the health of our nation's children. USDA indicates that in FY 2012, the National School Lunch Program served over 31.6 million lunches daily at an annual federal cost of \$11.6 billion. During the same year, the School Breakfast program delivered breakfast to over 12.9 million children each school day at an annual cost of 3.3 billion.

Note to Instructor: Updated data table information can be obtained from the USDA website: <http://www.fns.usda.gov/school-meals/about-child-nutrition-programs>

Unfortunately, the costs of serving school meals are outpacing the generation of revenue for many school districts. Many directors must make difficult decisions about long-term goals to ensure the sustainability of their programs. At the same time, demands are increasing for improved financial and nutritional accountability. School districts need financial management information systems that provide data for both evaluation and financial decision making.

The ability to interpret the financial outcomes of operational decisions is essential to effective management of school nutrition programs. With changing federal regulations, increasing program cost, and improvements to the quality and nutrition content of school meals, it is imperative that school nutrition program directors understand financial management as it relates to the school nutrition program. Directors must:

- understand how to read and interpret financial statements and related reports,
- effectively analyze data, and
- take action when expenditures consistently run higher than revenue generation.

Understanding program costs allows for greater control and more informed decision making. Upon completion of this course, directors should be able to demonstrate more effective management of resources to ensure the nutritional integrity and quality of meals served to students at school. While this course *cannot* teach participants everything they need to know about financial management, it will improve understanding of the relationship between financial management and school nutrition program quality.

Course Foundation

The Institute of Child Nutrition's (ICN) National Research Agenda Task Force identified the need for a resource to guide the collection and analysis of financial data using standard methods. As a result, The *ICN Financial Management Information System (FMIS)*, 2nd Edition was developed to assist school nutrition program administrators in interpreting the financial outcomes of operational decision making. The foundation for this course, *Financial Management: A Course for School Nutrition Directors* is the FMIS resource.

ICN research staff assembled a 25-member task force with nationwide geographic representation and a range of relevant areas of expertise. Participants included ICN staff, state agency directors, district school nutrition administrators, school business officials, an accountant, a USDA representative, and a computer software designer. A second, similar task force convened to update and finalize uniform reporting and analysis procedures. The task force outlined the content, format, and scope of a *Financial Management Information System (FMIS)* model and employed *The Financial Accounting for Local and State School Systems, 2009 Edition* handbook published by the National Center for Education Statistics to update information on financial data reporting.

The Healthy, Hunger Free Kids Act of 2010; *Financial Accounting for Local and State School Systems: 2009 Edition* from the National Center for Education Statistics; *2009-2013 General Accounting Standards Board Statements*; and data from the United States Department of Agriculture, Food and Nutrition Service were utilized to update and improve the financial management course and to add currency, depth, and validity to the information presented.

A uniform reporting and analysis system such as the FMIS model allows school nutrition administrators to compare the financial position and operational performance of a particular school district to other programs in similar districts. A system based on national standards allows comparisons with other school districts comparable in type, size, location, meal service delivery, number of meals served, and other variables. While use of the reporting and analysis system outlined in FMIS is voluntary, directors are strongly encouraged to use the model as school nutrition programs move toward more national standardization.

Course Data Updates

Certain financial data changes annually such as reimbursement rates and USDA Food per meal value. These rates and values are used in various calculations and case studies throughout the course. It is not practical to update the entire course annually and so, it is important for the Instructor to note that the concept of teaching and learning the formulas and calculations is most critical, not the actual rate or value for a given year.

Course Overview

The Institute of Child Nutrition (ICN) developed *Financial Management: A Course for School Nutrition Directors* to give school nutrition program directors information to enable them to recognize sound financial principles and concepts as the primary foundations for school nutrition programs. Course materials include *Financial Management: A Course for School Nutrition Directors Instructor's Manual*, the *Financial Management Information System (FMIS)*, and *Financial Management: A Course for School Nutrition Directors Participant's Workbook*.

The *Instructor's Manual* is organized into lessons, each addressing a specific learning objective. All lessons begin with practical information for the instructor.

Included within each Lesson are

- Lesson title
- Learning objective
- Training tools
- Handout(s)/Activities
- Answer keys for all activities and case studies
- Instructor notes and/or reminders

Activities are planned to focus the learner's attention on financial management issues that impact school nutrition programs. These activities enable learners to identify the diverse factors that must be considered to ensure financial integrity and a fiscally sound school nutrition program. Instructors should become familiar with each activity by completing the necessary calculations before teaching the course. Answer keys are included in each lesson to allow the instructor to check the accuracy of the calculations. In addition, a list of key terms is included in Lesson 1, "Importance of Financial Management to the School Nutrition Program." The instructor should become thoroughly familiar with these terms before beginning instruction.

There is, of necessity, some overlapping of information in the course materials. Instructions do not always move from point A to B, but examples will be provided by the trainer to make the transition understandable to participants.

The *Financial Management Participant's Workbook* is a separate manual that accompanies the FMIS resource. It includes discussion notes, activities, case studies, answer sheets, PowerPoint slide handouts, list of resources, list of key terms, and references. It is important for the trainer to have a thorough understanding of the FMIS resource. It contains more detailed information on all the topics covered in the course and will assist the trainer in explaining and discussing the various topics.

Participants and Class Size

This course is designed for school nutrition directors from small to medium sized school districts. Some districts may wish to enroll the school business official in addition to the director. This should be encouraged if class size permits. Directors from large school districts who would like to learn ICN's methods for reporting financial information or reaffirm their accounting procedures also may find the course useful. In states where the *ICN Financial Management Information System* has been adopted by the state agency for all school nutrition programs, any director would benefit from attending this course. The optimum class size is no more than 30 participants because of the nature of the information and intensity of interactions.

Adult learners utilize a variety of learning styles. This course offers opportunities for the participant to benefit from learning styles that suit their needs. These include a workbook, visual charts, activities, handouts, instructor dialog, and PowerPoint slides. Participants should be encouraged to utilize methods that will allow them to understand and recall financial management concepts and principles.

Classroom Arrangement

Ideally, the classroom should be arranged in a grouping of large, round tables with 5-6 participants at a table and chairs arranged facing the instructor. If class size is small (12 or fewer) an open *U* arrangement works well and allows for group interaction. The speaker's podium with microphone should be situated to one side at the front of the room. A small table to the side of the podium provides space for instructor materials and handouts. The projection screen should be placed in a location that provides a clear view for all participants.

Instructional Time and Agenda

Financial Management: A Course for School Nutrition Directors contains 4 hours of instruction. The agenda allows for a 15 minute break.

Pre-Training Activities

Prior to the start of training:

- place class materials on the tables,
- post ground rules (if provided), and
- create a flip chart sheet labeled, "Bike Rack" and post for questions.

Functional Area and Competencies

Functional Area 2: Financial Management

Competency 2.1: Develops financial management guidelines that support school nutrition program operational goals and comply with regulations.

Knowledge Statements:

- Knows financial goals and objectives of the school district.
- Knows basic principles of accounting and the application of those principles.
- Knows process for budget development, justification, and implementation.
- Knows the impact of changing demographics and enrollment trends on the school nutrition program budget.
- Knows fundamentals of reporting school nutrition program budget as part of the district budget.

Competency 2.2: Establishes cost control goals to effectively manage the school nutrition program.

Knowledge Statements:

- Knows the importance of appropriate staffing and scheduling to control labor cost.
- Knows the role of the menu in controlling costs.
- Knows methods to determine staff productivity.
- Knows methods for establishing internal and external financial benchmarks.
- Knows the importance of providing cost-effective special functions, as appropriate.
- Knows costs associated with environmentally responsible practices.

Source: *Competencies, Knowledge, and Skills for District-Level School Nutrition Professionals in the 21st Century* available on the ICN website: www.theicn.org

Professional Standards

Financial Management – 3300

Employee will be able to manage procedures and records for compliance with Resource Management with efficiency and accuracy in accordance with all Federal, State, and local regulations, as well as the Administrative Review.

3310 - Meal Counting, Claiming, Managing Funds

3320 - Compliance with Regulations/Policies

3330 - Budgets

3340 - Financial Analysis

3350 - Pricing

3360 - Communicate Financial Information

Key Area: 3

Lesson Objectives

At the end of each lesson, participants will be able to accomplish the following:

1. Recognize the importance of financial management to the fiscal and nutritional integrity of school nutrition programs.
2. Describe basic financial recording and reporting processes and the procedures for directing the operation of a school nutrition program.
3. Demonstrate use of financial reports consistent with federal, state, and local guidelines to achieve a financial management system that supports a cost effective program with high integrity.
4. Utilize financial management tools and standards to operate a financially and nutritionally accountable school nutrition program consistent with federal and state guidelines.
5. Interpret, analyze, and use revenue data for program evaluation and improvement.
6. Interpret, analyze, and use expenditure data for program evaluation and improvement.
7. Apply cost control measures to operate a financially sound program with nutritional integrity.
8. Explain the importance of using the budget to analyze and control revenues and expenditures.

Course-at-a-Glance

Time Allowed	Topic	Activity	Materials
20 minutes	<ul style="list-style-type: none"> • General 	<ul style="list-style-type: none"> • Welcome & Course Introduction • Pre-Assessment 	<ul style="list-style-type: none"> • Participant's Workbook • Pre-Assessment
Objective 1: Recognize the importance of financial management to the fiscal and nutritional integrity of school nutrition programs.			
20 minutes	<ul style="list-style-type: none"> • Importance of Financial Management 	<ul style="list-style-type: none"> • Key Terms and Definitions 	<ul style="list-style-type: none"> • Key Term and Definition Activity Cards
Objective 2: Describe basic financial recording and reporting processes and the procedures for directing the operation of a school nutrition program.			
20 minutes	<ul style="list-style-type: none"> • Development of a Financial Management Information System 	<ul style="list-style-type: none"> • Classification of Revenue • Classification of Expenditures 	<ul style="list-style-type: none"> • Participant's Workbook
Objective 3: Demonstrate use of financial reports that are consistent with federal, state, and local guidelines to achieve a financial management system that supports a cost effective program with high integrity.			
20 minutes	<ul style="list-style-type: none"> • Financial Reporting of Revenue and Expenditure Transactions 	<ul style="list-style-type: none"> • Statement of Activities • Statement of Net Position • Budget Question 	<ul style="list-style-type: none"> • Participant's Workbook
Objective 4: Utilize financial management tools and standards to operate a financially and nutritionally accountable school nutrition program consistent with federal and state guidelines.			
20 minutes	<ul style="list-style-type: none"> • Setting a Meal Standard for Financial Management Analysis 	<ul style="list-style-type: none"> • Meal Equivalent Conversions 	<ul style="list-style-type: none"> • Participant's Workbook

Time Allowed	Topic	Activity	Materials
Objective 5: Interpret, analyze, and use revenue data for program evaluation and improvement.			
25 minutes	<ul style="list-style-type: none"> Managing Revenue in School Nutrition Programs 	<ul style="list-style-type: none"> Calculating Revenue per Meal/Meal Equivalent Pricing Nonprogram Food 	<ul style="list-style-type: none"> Participant's Workbook
Objective 6: Interpret, analyze, and use expenditure data for program evaluation and improvement.			
30 minutes	<ul style="list-style-type: none"> Managing Expenditures in the School Nutrition Program 	<ul style="list-style-type: none"> Calculating the Cost to Produce a Meal/Meal Equivalent Calculating Percentages of Costs to Total Revenue Comparing Revenues to Expenditures 	<ul style="list-style-type: none"> Participant's Workbook
Objective 7: Apply cost control measures to operate a financially sound program with nutritional integrity.			
35 minutes	<ul style="list-style-type: none"> Controlling Food and Labor Costs in School Nutrition Programs 	<ul style="list-style-type: none"> Calculating Meals per Labor Hour Using Meals per Labor Hour to Determine Staffing Needs Ways to Lower Food Costs in School Nutrition Programs 	<ul style="list-style-type: none"> Participant's Workbook
Objective 8: Explain the importance of using the budget to analyze and control revenues and expenditures.			
40 minutes	<ul style="list-style-type: none"> Developing and Analyzing a School Nutrition Program Budget 	<ul style="list-style-type: none"> Budget Building: A Case Study Analyzing the Budget Budget Revision 	<ul style="list-style-type: none"> Participant's Workbook

Time Allowed	Topic	Activity	Materials
10 minutes	<ul style="list-style-type: none"> • Review, Post-Assessment, Training Evaluation 	<ul style="list-style-type: none"> • Post-Assessment, and • Training Evaluation 	<ul style="list-style-type: none"> • Participant's Workbook • Post-Assessment • Training Evaluation • Certificate
Total: 240 Minutes (4 hours) Instructional Time			

Preparation Checklist

Instruction: The following tasks are necessary for presenting this lesson. Contact ICN to determine the contact person who will arrange for materials/equipment and the date that each task must be completed. Keep track of the progress by recording information on the tracking form and checking off tasks as they are completed.

Task	Person Responsible	Completion Date	Done ✓
<p>Pre-training activities:</p> <ul style="list-style-type: none"> • Reserve equipment and gather supplies as needed for use on the day of class (six weeks prior). • Remind on-site training contact to inform each participant to bring a calculator to the training prior to the session. • Check to identify availability of Internet access at the training site. 	<p>ICN Contact</p> <p>ICN Contact</p> <p>ICN Contact</p>		
<p>Day before training (or as soon as possible):</p> <ul style="list-style-type: none"> • Check room to ensure set-up is correct and equipment and supplies are in place. • Locate the participant workbooks, pre- and post- assessments, answer sheets, and evaluations. 	<p>Trainer</p> <p>Trainer</p>		
<p>Morning of training:</p> <ul style="list-style-type: none"> • Prior to arrival of participants post ground rules (if applicable). • Prepare the “Bike Rack” flip chart for questions. 	<p>Trainer</p> <p>Trainer</p>		

Task	Person Responsible	Completion Date	Done ✓
Equipment Needed <ul style="list-style-type: none"> • Podium • Side table and chair for trainer and materials • LCD projector for PowerPoint slides • Screen for PowerPoint slides • Microphone (if it's a large group or a large room) • Computer to present PowerPoint slides (unless prearranged that the computer is provided by the trainer) • Flip Chart (Post-It adhesive flip chart paper preferred) 	<p>On-site contact</p> <p>On-site contact</p> <p>On-site contact</p> <p>On-site contact</p> <p>On-site contact</p> <p>On-site contact</p> <p>On-site contact</p>		
Supplies Needed (Trainer's Toolkit) <ul style="list-style-type: none"> • Pre-printed term and definition cards • Name table tents (1 per participant) • Markers for each table (for Flip Chart Activities) • Sticky Notes (enough for each table of participants) • Pencils • Index cards (preferably lined and bright colors) • 10-12 calculators for participants who do not bring their own 	<p>ICN Contact</p> <p>ICN Contact</p> <p>ICN Contact</p> <p>ICN Contact</p> <p>ICN Contact</p> <p>ICN Contact</p> <p>ICN Contact</p>		
Optional (but useful) Supplies <ul style="list-style-type: none"> • Clock • Pencil Sharpener • 3-hole punch • Stapler 	<p>On-site Contact</p> <p>On-site Contact</p> <p>On-site Contact</p> <p>On-site Contact</p>		

Task	Person Responsible	Completion Date	Done ✓
<p>Resources needed for each participant</p> <ul style="list-style-type: none"> • Financial Management Participant Workbook • <i>ICN Financial Management Information System</i> reference • Pre and Post Training Assessments with one set of answer sheets • Handouts of PowerPoint Slides • Course evaluations • Certification of Completion 	<p>ICN Contact ICN Contact ICN Contact ICN Contact ICN Contact ICN Contact</p>		

Key Terms and Definitions

Instruction: Look for these cards in the Trainer's Toolkit. There are enough cards for 40 participants.

Accounts Payable	The amount the school nutrition program owes, but has not yet paid, for goods delivered and services rendered (unpaid bills).
Accounts Receivable	The amount of funds the school nutrition program has earned, but not yet collected, for services provided. Examples include meal reimbursement due from state and federal sources, and payments due from customers for such services as catering special school events, outside sales, and contract meals.
Assets	Something of value held by the school nutrition program for use in carrying out its mission. Examples include cash; amounts receivable; inventories of purchased food, USDA Foods, and supplies; equipment and other capital assets; etc.
Average Daily Participation (ADP)	The average number of student reimbursable meals served in the school nutrition program on a daily basis.

<p style="text-align: center;">Budget</p>	<p>A financial management plan for a specified future period of time, generally a fiscal year. The budget systematically considers planned activities and objectives for that period, forecasts the costs to carry out activities, and identifies the revenues projected to cover costs.</p>
<p style="text-align: center;">Capital Assets</p>	<p>Tangible personal property including equipment, technology hardware, software, vehicles, or furniture that is with a unit acquisition at or above a stated dollar amount, called the capitalization threshold, and a useful life greater than one year. The business entity sets the capitalization threshold.</p>
<p style="text-align: center;">Cost Controls</p>	<p>The systems and procedures established to provide reasonable assurance that; (1) assets and information are protected and used only for authorized purposes; and (2) reports submitted to management are complete, timely, and free of material misstatement. Examples may include restricted access to cash, computers, and other assets and review of invoices by someone other than the disbursing official before they are approved for payment.</p>
<p style="text-align: center;">Deferred Income</p>	<p>A liability account that represents revenues collected before they become due. An example of this is revenue received as prepayment for school meals.</p>

Encumbrances	The amount of money (fund balance) reserved for outstanding purchase orders and unpaid bills. It functions as a fund control device.
Expenditures	Those allowable costs that can be identified specifically with the production and service of meals to school children.
Federal Revenue Sources	Payments received from federal funds for reimbursable meals, afterschool care snacks, suppers, grants, and cash in lieu of commodities (USDA Foods). The value of USDA Foods received is also considered a federal revenue source.
Financial Reporting	The means of communicating financial information to users. Examples are the Statement of Activities and the Statement of Net Position.

Forecasting	The process of analyzing current and historical data to determine future trends. An example is monitoring current revenue and expenditures of a school nutrition program and studying trends that will impact both.
Fund Balance	As reported on the Statement of Net Position: $Assets - Liabilities = Fund\ Balance$. Fund balance includes unassigned funds that are available to spend as well as assigned funds designated for encumbrances.
Indirect Costs	The school nutrition program's share of general school districts' costs that are incurred for common or joint purposes and cannot be readily identified as a direct cost and are generally determined through a mathematical allocation process.
Inventory	The value of food and supplies on hand, whether at the food preparation site or in a central warehouse or facility, that are being held for future use.

<p>Liabilities</p>	<p>The amounts legally owed to others, generally as payment due for goods or services received. Liabilities may be short-term (due and payable in the current accounting period) or long term (payable over a longer period of time). Liabilities incurred in school nutrition program operations are generally short-term (e.g. salaries, wages, and benefits).</p>
<p>Meal Equivalent</p>	<p>Conversion of different meal services – snacks, breakfast, nonprogram food sales, suppers, and lunch – to a meal equivalent. All reimbursable lunches and suppers served to children and full paid adult lunches are considered to be one meal equivalent. In some state agencies, adult lunches may be recorded as nonprogram food sales.</p>
<p>Meals Per Labor Hour</p>	<p>The most common measure of productivity in school nutrition, calculated by dividing the number of meal equivalents produced and served in a day by the number of paid labor hours.</p>
<p>Nonspendable Assets</p>	<p>A category of program assets not in spendable forms, e.g. inventories, furniture, and equipment, less depreciation.</p>

Operating Ratios	An analysis of financial data in terms of relationships to measure the efficiency of the operation of the school nutrition program. An expenditure as a percentage of revenue are an example of an operating ratio.
Rebate	Money received from a company as an incentive to use a product. If the rebate is received during the year in which the food is purchased, it is recorded as a reduction to food costs. Rebates from the prior school year are recorded as revenue.
School Food Authority (SFA)	The local governing body that has the legal authority for the administration of USDA school nutrition programs.
Stakeholder	Individuals or groups that have a strong interest in the success of the school nutrition program's services.

Statement of Activities	The financial report of all revenues and expenditures earned and expended for a given period of time. The report tells program administrators whether the school nutrition program is operating with a gain or at a loss for the reporting period. Formerly referred to as the Statement of Revenues and Expenditures.
Statement of Net Position	A financial statement that reflects the financial position of the operation on any given day; also known as a Balance Sheet. Formerly referred to as the Statement of Net Assets.
Unassigned	Funds that have not been allocated and are available for new expenditures not already encumbered. Formerly referred to as Unreserved/Undesignated.

Introduction to Financial Management

SHOW SLIDE: *Financial Management: A Course for School Nutrition Directors*

Note to Instructor: Have slide on the screen as participants enter the classroom.

DO:

State your name if you haven't been introduced. Welcome class participants.

SAY:

Welcome to *Financial Management: A Course for School Nutrition Directors*. It's great to see all of you and I look forward to working with you. Let's briefly review the class materials. The Institute of Child Nutrition has provided each of you with a Participant's Workbook. The information and activities in the workbook were developed to help you gain a better understanding of financial management concepts and principles as they relate to school nutrition programs.

You have a copy of the *ICN Financial Management Information System (FMIS)* resource to which we will refer throughout the course. Additional resources and references used in developing the course are also included at the back of the workbook.

Other items on your table (e.g. index cards, sticky notes, table name tents) will be used throughout the day.

Housekeeping

SAY:

Now, we have a few "housekeeping" items to review.

- Point out the location of the restrooms and water fountain to the group.
- Be sure you are signed in on the sign-in sheets; there is one for ICN and one for the training sponsor.

Note to Instructor: From time to time ICN may include additional information for you to cover. Check your Instructor Envelope for details.

- There will be three breaks: morning, lunch, and afternoon. Of course, if you need to stretch or attend to a need at a different time, please do so. Starting and ending breaks and lunch on time will allow us to cover all the course information and activities.
- Although I'll try to answer questions throughout the training, sometimes a question requires research or a longer answer than time allows at that point. Because all your questions are important, I've posted a "Bike Rack" (the former parking lot concept). Write your question on a sticky note and post it to the Bike Rack. It's also an opportunity to be physically active and allows me to be sure I get to all of your questions and share the information with the class.
- Ground Rules help a class run smoothly and allow all participants to benefit from the course instruction and information.

ASK:

What are examples of ground rules? You will find them posted around the room. During the break, walk around the room and read them.

SAY:

Some examples of the ground rules are

- Turn your cell phone off or to vibrate. If you must take a call or answer a text message before a scheduled break, leave the room quietly. We encourage you to keep the conversation as short as possible so you don't miss important information.
- DO NOT carry on side bar conversations with your neighbor or others in your group. We recognize that most conversations are about the topics we are discussing, but constant talking or whispering interferes with others ability to hear and grasp information that may be extremely important to them. PLEASE BE CONSIDERATE.
- Always be considerate of other people's ideas. If you disagree, do so politely.
- Clear your table of trash such as cups, napkins, or empty water bottles at the end of the morning and afternoon.

Pre-Assessment

SAY:

Before we begin the training, we would like each of you to complete an assessment. The purpose is to review what you already know about financial management. It is anonymous and is not graded. Before you begin answering the questions, please write an identifier in the upper right hand corner of the top page. You may use any combination of numbers or letters, but it's important to remember them because you will use the same numbers on the Post-Assessment at the end of the course. One possibility is using numbers from your address or phone number, or letters from your name, street address, etc. The ID is used to match Pre-Assessment information with Post-Assessment answers to determine knowledge gained. You have approximately 10 minutes to complete the Pre-Assessment. When you are finished, please hold up the completed assessment for collection.

DO:

Collect the pre-assessments.

SAY:

In the back of your workbook, you will find a Post-Assessment and a Pre/Post-Assessment. The Post-Assessment will be filled out at the end of the course. ICN will compare the answers of the Pre-Assessment to the Post-Assessment to determine knowledge gained from this course.

The Pre/Post Assessment is for you to keep.

DO:

Begin Lesson 1.

Lesson 1: Importance of Financial Management

OBJECTIVE 1: Recognize the importance of financial management to the fiscal and nutritional integrity of school nutrition programs.

Introduction to Topic

SHOW SLIDE: *Importance of Financial Management*

Note to Instructor: After slide has been viewed, you can click to a blank screen until it is time for the next slide. To call up a blank screen, when you are in PowerPoint-Slide Show-View Show, press B to call up a dark screen. To return, press B again or press the down arrow.

SAY:

Refer to the Participant's Workbook as we begin the discussion about the importance of financial management to the school nutrition program. The cost of serving students meals at school continues to increase faster than the generation of revenue in many school districts, leaving directors with difficult decisions to make about long-term goals that will ensure sustainability of the program. At the same time, demands are increasing for more accountability in all nutrition programs.

Use of sound financial management concepts and principles in the operation of a school nutrition program are critical to ensure the program succeeds in meeting the nutritional standards, accountability requirements, and the district's identified financial program goals. The ability to interpret and analyze the financial outcomes of operational decisions is essential to effective management of school nutrition programs.

SAY:

To introduce the subject of financial management, let's start by thinking about the finances in your school nutrition program.

Financial Management Questions

SHOW SLIDE: *Financial Management Questions*

SAY:

Refer to the introductory financial management questions in your Participant's Workbook. There is space for you to note your answers and discussion points.

SAY:

1. What are the main sources of revenue for the school nutrition program in your district? (Hint – Student paid meals? Federal reimbursement? Nonprogram food sales?)
2. What percentage of total revenue is attributed to each source of revenue?
3. What different expenditure categories are used for the school nutrition program in your district? (Hint– Labor is one expenditure category; try to name at least 5 others.)

SHOW SLIDE: *More Financial Management Questions*

SAY:

4. How much does it cost, on average, to produce a meal in your school district?
5. What percentage of total revenue is the school nutrition program spending for labor? For food?
6. What is the labor productivity (Meals Per Labor Hour) index in your school/school district?

SHOW SLIDE: *More Questions, continued*

SAY:

7. What was the net gain or loss in the school nutrition program over the past 3 years?

8. Do employees in your school nutrition program understand the importance of cost controls to the success of the program?
9. What do Average Daily Participation comparisons in your school/school district for the last 3 years indicate?

SAY:

These are only a few of the questions that must be answered if you are in charge of managing finances in a school nutrition program. This course will cover how to determine or calculate the data needed to answer each of these questions.

Financial Management Competencies

SHOW SLIDE: Financial Management Competencies

SAY:

This lesson focuses on the effective management of financial resources to ensure the nutritional integrity and quality of meals served to students at school. *The Competencies, Knowledge, and Skills for District Level School Nutrition Professionals in the 21st Century* published by the Institute of Child Nutrition identified two competencies in the functional area of financial management that are important for school nutrition directors. Refer to your workbook for the Financial Management Competencies. According to this resource, a school nutrition director that is competent in financial management

- develops financial management guidelines that supports school nutrition program operational goals and comply with regulations, and
- establishes cost control goals to effectively manage the school nutrition program.

Defining Financial Management

SHOW SLIDE: Defining Financial Management

SAY:

While there may be a variety of definitions for the term financial management, there are two components addressed in this lesson. Refer to your workbook as we discuss the term “financial management” and what it means as it relates to the school nutrition programs.

SAY:

Financial management includes the process of defining program objectives and financial goals for the school district's nutrition program. For example, improving nutrition integrity might be identified as a program objective. A financial goal might be to allocate a certain percentage of resources to purchasing locally produced products. A long term financial goal could identify replacing older equipment with new energy efficient equipment.

Roles of the School Nutrition Director

ASK:

Who would you say is the person most responsible in your district for managing the finances of the school nutrition program? (Allow 1 or 2 participants to answer the question voluntarily.)

SAY:

In most school districts, the school nutrition director or someone who acts in a similar capacity is either entirely or partially responsible for managing the finances of the nutrition program in accordance with the financial expectations of the board of education and other school officials. The achievement of accountability and integrity in school nutrition programs requires strong leadership skills.

SAY:

Refer to your workbook as we discuss the leadership responsibilities of the school nutrition director.

SHOW SLIDE: *Roles of the School Nutrition Director in Managing Finances*

SAY:

Regardless of the actual job requirements, there are several areas where the school nutrition program director should play a leadership role.

Note to Instructor: Use the following information to support each bullet point shown on the slide.

The school nutrition director must look at all program components.

- Management of the school nutrition program's financial resources requires continuous review and analysis.
- Financial accountability is maintained through understanding the most current school nutrition program policies and regulations and district accounting practices.
- Seeking input from district administrators, school board members, school nutrition managers, and nutrition staff in identifying desired financial goals can help to build buy-in and support for the school nutrition program.

SHOW SLIDE: *Roles of the School Nutrition Director (continued)*

- Utilizing a team approach in practicing good financial management principles acknowledges the important role all school nutrition program employees play in the use of program resources.
- Effective and efficient use of program resources requires continuous analysis, monitoring, and evaluation.
- An on-going training program for school nutrition program staff is essential to maximize effective and efficient use of program resources.

Note to Instructor: The Activity: Key Terms and Definitions can be a long activity depending on the size of the class. This activity can be optional. Try to keep it to 10 minutes or less.

Activity: Class Opener

Activity: Key Terms and Definitions

SAY:

Before we move further into the Financial Management course, it is important to review some of the terms and definitions that will be covered and get a little physical activity at the same time.

DO:

Distribute the two sets of cards found in your Trainer's Toolkit with (1) financial management terms and (2) the linking term definitions among the participants. Each participant should receive one card, either a term or a definition. Mix the cards several times so that people sitting together do not get matching cards.

Note to Instructor: A master for the cards with terms and a linking definition are provided as part of the course Trainer's Toolkit. Check to ensure that you have the exact number of cards needed for each participant to receive one card. Since the number of participants will vary from workshop to workshop, the instructor will need to carefully select cards to ensure that those distributed are linked terms and definitions. If the number of participants is uneven, the instructor should keep one of the cards and participate in the activity. If there are more cards provided than the number of participants in the class, pull the extra cards and set aside.

SAY:

You will receive a card that has either a general accounting or school nutrition financial management term or a card with a definition. Read your card; then get up and move around the room networking with other participants until you find the person with the card that links to your card. Once you link a term card with the corresponding definition card, stand to the side with your partner.

SAY:

An example of a term and linking definition could be

Card 1 – school nutrition programs (term)

Card 2 – The federal nutrition programs for school students that include lunch, breakfast, and afterschool snack service (definition)

When everyone is linked, participants will share the term and the definition with the class. We'll start on the left side of the room and move around until everyone has an opportunity to share their financial term and its definition.

DO:

(Keep the activity moving quickly.) Spend no more than 10 minutes on this activity. Offer clarifications if questions arise regarding a linked term and definition. Collect the cards and redirect the participants to their seats.

FEEDBACK:

(When everyone is seated, continue.) In order to make financial management decisions, school nutrition program directors must have knowledge of basic accounting and financial management key terms as they relate to the operation of a school nutrition program.

SAY:

The definitions in this activity were abbreviated. Your workbook contains a more detailed list of these key terms and others that will be used in this course. You may want to place a marker here so you can refer back to it or add to the list.

Key Terms for Financial Management

Key Term	Definition
Accountability	Responsibility to deliver what is expected and willingness to bear the consequences for failure to perform as expected.
Accounts Payable	The amount the school nutrition program owes, but has not yet paid, for goods delivered and services rendered (unpaid bills).
Accounts Receivable	The amount of funds the school nutrition program has earned, but not yet collected, for services provided. Examples include meal reimbursements due from state and federal sources, and payments due from customers for such services as catering special school events, outside sales, and contract meals.
Afterschool Care Snacks	Reimbursable snacks served in an afterschool care program operated by a school or school district that participates in the National School Lunch Program.
À la carte Sales	The overall category for food items that are priced separately and sold separately from a reimbursable meal.
Allowable Cost	Expenses that are readily identifiable as costs applicable to the school nutrition program.
Assets	Something of value held by the school nutrition program for use in carrying out its mission. Examples include cash (including petty cash and cash in cashiers' drawers); accounts receivable (due from customers, from units of government, etc.); inventories of purchased food, USDA Foods, and supplies; equipment and other capital assets; etc.
Assigned	Funds allocated for a specific purpose and already encumbered.
Attendance Factor	The average number of students present at school expressed as a percentage.
Average Daily Attendance (ADA)	The average number of students attending school(s) on a daily basis, less students without access to an offered meal service.

Key Term	Definition
Average Daily Participation (ADP)	The average number of student reimbursable meals served in the school nutrition program on a daily basis.
Bonus USDA Foods	Foods provided to schools as they are available from surplus agricultural stocks.
Break even	The point at which expenditures and total revenue are exactly equal. It can be expressed as dollars or a percent of revenue.
Budget	A business entity's financial management plan for a specified future period of time, generally a fiscal year. The budget systematically considers the entity's planned activities and objectives for that period, forecasts the costs the entity must incur in carrying out those activities, and identifies the revenues projected to cover those costs. Formulating and executing a budget enables a business entity to achieve its objectives (in the case of school nutrition programs, providing quality meals) while living within its means.
Capital Assets* (Capital Equipment)	Equipment, technology hardware (e.g. computers or network equipment), software, vehicles, or furniture that is tangible personal property with a unit acquisition cost at or above a stated dollar amount, called the capitalization threshold, and a useful life greater than one year. The business entity sets the capitalization threshold.
Communication	The exchange of ideas, messages, and information by speech, signals, writing, or behavior.
Competitive Foods	All foods and beverages sold to students on the school campus during the school day, other than those meals reimbursable under programs authorized by the National School Lunch Program and Child Nutrition Act.

Key Term	Definition
Cost Controls	The systems and procedures established by a business entity to provide reasonable assurance that: (1) assets and information are protected and used only for authorized purposes; and (2) reports submitted to management are complete, timely, and free of material misstatement. Examples may include restricted access to cash, computers, and other assets and review of invoices by someone other than the disbursing official before they are approved for payment.
Cost of Food Used	The value or cost of food used in a specific accounting period.
Deferred Income	A liability account that represents revenues collected before they become due. An example of this is revenue received as prepayment for school meals.
Encumbrances	The amount of money (fund balance) reserved for outstanding purchase orders and unpaid bills. It functions as a fund control device.
Entitlement USDA Foods	The level of donated food assistance mandated by federal laws and offered to schools based on the number of reimbursable lunches served during the previous school year.
Ethics	Principles of right or good conduct.
Expenditures	Those allowable costs that can be identified specifically with the production and service of meals to school children.
Federal Revenue Sources	Payments received from federal funds for reimbursable meals, afterschool care snacks, suppers, grants, and cash in lieu of USDA Foods (7 CFR 240.5). The value of USDA Foods received is also considered a federal revenue source.
Financial Goals/Objectives	Framework for making deliberate financial decisions that enable the school nutrition program to better manage finances.
Financial Reporting	The means of communicating financial information to users. Examples are the Statement of Activities and the Statement of Net Position.

Key Term	Definition
Financial Integrity	Maintaining a fiscally sound school nutrition program by continually monitoring and analyzing the revenue and expenditures of the program.
Financial Management Information System (FMIS)	A standard system of data collection and financial analyses that can be used as a management tool and to evaluate financial management decisions.
Forecasting	The process of analyzing current and historical data to determine future trends. An example is monitoring current revenue and expenditures of a school nutrition program and studying trends that will impact both.
Fringe Benefits	Compensation for employees that is in addition to salaries/wages, such as health insurance, retirement, or paid vacation.
Fund Balance	As reported on Statement of Net Position: Assets – Liabilities = Fund Balance. Fund balance includes unassigned funds that are available to spend as well as assigned funds designated for encumbrances.
Indirect Costs	The school nutrition program's share of general school districts' costs that are incurred for common or joint purposes and cannot be readily identified as a direct cost. Indirect costs include the costs of the Superintendent's office, human resources, payroll, accounting, budgeting, purchasing, utilities (light, heat, etc.), building maintenance and report, auditing, etc. Such costs benefit all activities of the school district, and the portion that benefits any specific activity, such as foodservice, is generally determined through a mathematical allocation process.
Inventory	The value of food and supplies on hand, whether at the food preparation site or in a central warehouse or facility, that are being held for future use.

Key Term	Definition
Liabilities	The amounts legally owed to others, generally as payment due for goods or services received. Liabilities may be short-term (due and payable in the current accounting period) or long-term (payable over a longer period of time). Liabilities incurred in school nutrition program operations are generally short-term; they may include accounts payable, accrued personnel costs (salaries, wages, and fringe benefits), unearned revenue (amounts received in advance for meals and other services), taxes owed, and funds due to other entities (such as the General Fund).
Meal Equivalent	Conversion of different meal services – snacks, breakfasts, suppers, lunches, and nonprogram food sales – to the equivalent of a reimbursable student lunch. All reimbursable lunches and suppers served to children and full paid adult lunches are considered to be one meal equivalent. In some state agencies, adult lunches may be recorded as nonprogram food sales. NOTE: The Food and Nutrition Service (FNS) and USDA do not prescribe one particular method in order to calculate meal equivalency.
Meals Per Labor Hour (MPLH)	The most common measure of productivity in school nutrition, calculated by dividing the number of meal equivalents produced and served in a day by the number of paid labor hours.
Meal Reimbursement	A federal cash payment received from the state agency for snacks, breakfast, lunch, and supper that meet federal standards and are served to eligible children.
Noncurrent Assets	A category of fixed assets, also known as tangible assets or property, plant, and equipment, that cannot be easily converted into cash.

Key Term	Definition
Nonprogram Food Sales	Foods, including beverages, that are sold in a participating school, other than a reimbursable meal, and are purchased using funds from the School Food Authority; include, but are not limited to à la carte items sold in competition with school meals, adult meals, items purchased for fundraisers, vending machines, school stores, etc. and items purchased for catering and vended meals.
Nonspendable Assets	A category of program assets not in spendable forms e.g. inventories, furniture and equipment, less depreciation.
Operational Costs	Costs directly attributable to the production and service of meals and other foods in the school nutrition programs.
Operating Ratios	An analysis of financial data in terms of relationships to measure the efficiency of the operation of the school nutrition program. Expenditures as a percentage of revenue (food cost percentage) are an example of an operating ratio.
Productivity	The rate at which goods or services are produced, especially output per unit of labor.
Rebate	Money received from a company as an incentive to use a product. If the rebate is received during the year in which the food is purchased, it is recorded as a reduction to food costs. Rebates from the prior school year are recorded as revenue.
Reduced Price Meals	Meals served to students who are eligible to receive reduced price meal benefits under USDA eligibility guidelines.
Revenue	Money received in exchange for goods or services provided by the school nutrition program.
School Food Authority (SFA)	The local governing body that has the legal authority for the administration of USDA school nutrition programs.
Special Functions	Meals or refreshments provided to groups outside the school nutrition program. Examples are athletic banquets, faculty functions, and PTA/PTO refreshments.

Key Term	Definition
Stakeholder	Individuals or groups that have a strong interest in the success of the school nutrition program's services.
State Matching Funds	State appropriated revenue that is required by USDA to be paid to school districts for use in the school nutrition program.
Statement of Activities* (Statement of Revenues and Expenditures)	The financial report of all revenues and expenditures earned and expended for a given period of time. The report tells program administrators whether the school nutrition program is operating with a gain or at a loss for the reporting period.
Statement of Net Position* (Statement of Net Assets)	A financial statement that reflects the financial position of the operation on any given day; also known as a Balance Sheet.
Unassigned* (Unreserved/Undesignated)	Funds that have not been allocated and are available for new expenditures not already encumbered.

*Denotes updated accounting terminology. The previous term used is in parentheses.

Lesson 2: Development of a Financial Management Information System

OBJECTIVE 2: Describe basic financial recording and reporting and processes and the procedures for directing the operation of a school nutrition program.

Introduction to Topic

SHOW SLIDE: *Development of a Financial Management System*

SAY:

As a school nutrition director, you should know the basic financial recording and reporting processes and the procedures that provide information for directing the operation of a school nutrition program. This is the objective of our lesson as it relates to the development and use of a financial management information system. The basis for any financial management information system is a well-defined set of reports that provide reliable and useful information about the school nutrition program. The value of financial reports to document accountability is directly related to how revenues and expenditures are classified.

Using Financial Information to Manage

SAY:

Look in your workbook as we discuss the importance of classifying revenue and expenditures in a financial management information system.

SHOW SLIDE: *Financial Management Information System*

SAY:

A useful financial management information system:

- provides a uniform and consistent financial reporting structure,
- provides meaningful and timely financial management information, and
- supports federal, state, and local reporting requirements.

SHOW SLIDE: *Financial Management Information System (cont.)*

SAY:

A useful financial management system also:

- adheres to Generally Accepted Accounting Principles (known as GAAP), and
- provides a basis for determining accountability in your program.

Generally Accepted Accounting Principles (GAAP)

SAY:

We should pause a moment to define what we mean by Generally Accepted Accounting Principles also known as GAAP.

SHOW SLIDE: *Generally Accepted Accounting Principles*

Definition

- The term “Generally Accepted Accounting Principles” represents a uniform standard of guidelines for financial accounting established by the Governmental Accounting Standards Board, which you may know as GASB.
- The principles are used in school districts for compliance with the Federal Department of Education requirements.

ICN Financial Management Information System

SHOW SLIDE: *ICN Financial Management Information System*

SAY:

To assist school nutrition programs with the financial reporting requirements of GAAP, the Institute for Child Nutrition developed and published the *ICN Financial Management Information System* resource. For purposes of this course, we will refer to the resource as FMIS. While the FMIS model provides guidance for developing a district financial management system, school districts should consider adapting the model to each school in the district for better site evaluation.

Note to Instructor: This resource is provided to each participant as part of the course materials. One for each participant should be placed at participant tables before the beginning of the Financial Management session.

SHOW: Display a copy of the *ICN Financial Management Information System* resource as you present information on the publication.

SAY:

ICN is providing one copy for you as part of this course. If you want more copies you can download the document from the document library at www.theicn.org. During this course we will look at several areas of specific information in the resource that can help you do a better job of managing the finances of your school's nutrition operation. I encourage you to read the document and use it as a reference. You may also want to use the publication to work with your business and accounting officials to set up school nutrition program accounting categories and subcategories for revenue and expenditures. Use of the model will facilitate meaningful recordkeeping and provide guidelines for more detailed reports.

Classification of Revenue

SAY:

The source of revenue determines its classification. If you look at the list of key terms in the first lesson of your workbook, you will see that revenue is defined as income received in exchange for goods or services provided by the school nutrition program.

SAY:

The two major sources of revenue in most school districts are student payments for meals and other food items and federal reimbursement. However, there are other sources.

Note to Instructor: Ask participants to follow along as you point out the pages in FMIS describing the sources of revenue. Go over the sources of revenue one by one and point out the definitions that are available to provide more detail. Ask if any are capturing revenue from contract sales and the various other sources of nonprogram revenue. Ask these volunteers to share their experiences with these sources of funds.

SHOW SLIDE: *Classification of Revenue*

SAY:

Look in the FMIS publication for a list of the sources most often used to classify revenue in school nutrition programs. As we discuss the various sources of revenue, ask yourself if you are capturing all the possible sources of funds available for your program.

1. Local Sources – As you can see, student and adult meal sales, contract meal sales, other food sales, and interest on bank deposits are considered local sources. FMIS is a good place to identify new sources of revenue for your program by looking at the revenue classifications definitions. If you look in the FMIS resource, you see that revenue received from sources such as local grants or contributions are considered “Other Local” funds.
2. State Sources are defined as matching funds or state reimbursement provided through your state agency.
3. Federal Sources are reimbursement funds, USDA Foods, and federal grants.
4. Miscellaneous Sources include the sale of surplus equipment and rebates on food purchased in the prior year. If a rebate is received during the year in which the food is purchased, it is recorded as a reduction to food expenditures.
5. Fund Transfer-In are funds transferred to the school nutrition program from other school district funds.

6 Cent Certification

SAY:

Another Federal Source of revenue is through the Healthy, Hunger-Free Kids Act of 2010 which provides an additional 6 cent per lunch reimbursement to School Food Authorities (SFAs) found to be in compliance with the new meal pattern requirement. The 6 cent rule requires state agencies to certify participating SFAs that are in compliance with the meal pattern and the required nutrition standards to be eligible to receive the additional reimbursement per lunch. If the certified SFAs are determined to be out of compliance during an Administrative Review, the state agency can withhold the additional reimbursement. Check with your state agency if you have further questions.

SAY:

FMIS helps identify where to place revenue so that it is the same every time, month after month and year after year. This allows financial reports to be consistent and comparable.

DO:

Activity: Classification of Revenue

SAY:

Turn to the Classification of Revenue activity in your workbook. Test your knowledge of revenue sources by completing the worksheet on classification of revenue. Link the descriptions of revenue received in column A with the revenue sources in column B.

DO:

Call time after three minutes or before if participants finish the exercise.

Note to Instructor: The answer sheet to all activities are inserted in the teaching portion of the Instructor's Manual to assist the instructor. (See activity answer key on the next page.) Answer keys for participants are provided in the back section of the Participant's Workbook.

Activity Worksheet: Classification of Revenue Answer Key

Instructions: Link the revenue category described in Column A with the best source provided in Column B. Sources in Column B may be used more than one time.

Revenue Received Source	Revenue Source
_____ A _____ Money earned on bank deposits and investments	A. Local
_____ C _____ Monetary value of food donated to schools by USDA	B. State
_____ D _____ Cash rebates from food companies received by the school nutrition program after the fiscal year has closed	C. Federal
_____ A _____ Revenue received from students for the purchase of nonprogram food items	D. Miscellaneous
_____ A, B, or C _____ Grant money awarded to school districts who submit successful proposals for special projects	E. Fund Transfer
_____ D _____ Money received from the sale of surplus equipment	
_____ B _____ Revenues paid to school districts by the state for use in school nutrition programs	
_____ C _____ Cash payment received for free meals that meet federal standards and are served to eligible children	
_____ A _____ Revenue received from contract meals provided to the local YMCA	
_____ E _____ Funds transferred to the school nutrition program from the school district's general fund	

Note to Instructor: If participants ask about grant money from community or company sources, remind them that such grant money is considered a local source.

SAY:

Let's review the answers.

Note to Instructor: Ask for volunteers to read a revenue item received and the answer. Continue with the entire list.

SAY:

In addition to the revenue classification categories, most school nutrition programs use subcategories to provide added detail about revenue sources. For example, Student Meal Sales is a subcategory of Local Revenue.

ASK:

Can someone tell me what a subcategory of Student Sales might be? (Pause and allow 1 or 2 participants to volunteer)

FEEDBACK:

Breakfast Sales, Lunch Sales, and Afterschool Snack Sales are examples.

ASK:

Are there questions about any of the revenue classifications? (Pause and allow 1 or 2 questions.)

SAY:

Remember the amount of revenue received must be sufficient to ensure funds are available to meet obligations on a timely basis. Sufficient funds to cover costs are crucial to a financially sound operation and important to maintaining high food quality and the nutrition integrity of meals served at school. The school nutrition program director must provide due diligence in effectively managing and maximizing revenue available for use in the school nutrition program.

Classification of Expenditures

DO:

Activity: Classification of Expenditures

SAY:

As we begin our discussion about expenditures, remember that FMIS can help you identify where to record expenditures, so they are recorded the same month after month and year after year. Before we look at the classification of expenditures, think about expenditures in your program. I will ask you to share those expenditures through an activity that gives us an opportunity to stand and move. I will start the activity by tossing this ball to one of you. If you are the lucky person, you will name an expenditure you are thinking about and then toss the ball to another person. The only rule is that you cannot name an expenditure that someone else has already shared.

Note to Instructor: Begin the activity by naming an expenditure, and then tossing the ball. Allow a minute or two for the activity and then call time.

SAY:

Now that we've identified some program expenditures, refer to your workbook and read along as we define the term expenditure as it relates to school nutrition programs. Expenditures in the school nutrition program are those allowable costs that can be identified specifically with the production and service of meals to school children.

SHOW SLIDE: *Classification of Expenditures*

SAY:

Expenditures should be classified into categories consistent with governmental financial reporting requirements. FMIS uses the governmental reporting classifications shown on the slide to categorize expenditures. A detailed description of each category of expenditures can be found in the FMIS Resource.

SAY:

Expenditures are classified as:

1. Labor (Salaries and wages)
2. Employee Benefits
3. Purchased Professional and Technical Services
4. Purchased Property Services (Operation, Maintenance, and Energy)
5. Food (Purchased Food and USDA Foods)
6. Supplies (General and Food Production)
7. Capital Assets
8. Miscellaneous Expenditures
9. Indirect Costs
10. Fund Transfer-Out

SAY:

Note that in the Supply category, you see two types of supplies listed; general and food production. Sometimes it is desirable to identify food production and service supplies as separate categories because some states require separate identification of these for the purpose of establishing a cost allocation plan for Indirect Cost. For example, a cost allocation plan may not apply the indirect cost rate to food or food production supplies. Items generally recognized as food production supplies are noted in FMIS.

Indirect Costs

SAY:

The last expenditure category is indirect costs. Although indirect costs may represent a small percentage of total expenditures in some districts, the category should be analyzed separately because of the possible impact on the school nutrition program. School nutrition directors need to know exactly how paying indirect costs will affect the bottom line of their program. This helps the school nutrition director when discussing financial management decisions with the business manager and other school officials.

ASK:

How many of you pay indirect costs? (Pause to allow participants to raise their hands.)

SAY:

Some of you may be thinking, "What are indirect costs?" Refer to your workbook and follow along as we review what we mean by the term "indirect costs."

Indirect costs are the school nutrition program's share of general school district costs incurred for joint purposes. A joint purpose cost refers to expenditures that are:

- shared by the school nutrition program and the district, and
- are not readily assignable to the cost objective specifically benefited.

Direct costs can be specifically identified to the benefiting program with a particular cost objective, such as:

- program activities (e.g. Food, Benefits, Salaries, Supplies, etc.)
- grant (e.g. Farm to School etc.), or
- contract (e.g. providing meals to a private school etc.).

ASK:

What are other examples of general school district costs incurred for joint purposes (from which the school nutrition program benefits but does not pay directly for)?

FEEDBACK:

Payroll

Human Resources

Worker's Compensation

Superintendent's Office

Procurement

Utilities (gas, electric, sewer, water, trash)

Note to Instructor: Clarify that some school nutrition programs may be paying for some of these services noted above. If they are, the costs become direct, not indirect costs.

USDA Administrative Review Guidance

SAY:

The school district has the discretion to charge or not charge indirect costs to the school nutrition program. However, if they charge the program indirect costs there is specific guidance to follow.

SAY:

The Resource Management Section of the *USDA Administrative Review Guidance* includes a Module on Indirect Costs. The guidance notes that charges for indirect costs are based on two factors:

- The indirect cost rate established for a specific fiscal year, and the corresponding direct cost base, and
- A documented methodology that accurately allocates indirect costs.

SAY:

More information on Indirect Costs is provided in the FNS Indirect Cost Guidance (SP 41-2011) with attachments and can be found at http://www.fns.usda.gov/sites/default/files/SP41-2011_os.pdf.

Key Points to Remember

SAY:

There are three key points about Indirect Costs that you need to remember as a school nutrition director. They are noted in your workbook.

1. Costs that are charged to the school nutrition program as Indirect Costs cannot also be charged as direct costs. For example, the district cannot place an electric meter on the school cafeteria and have the nutrition program pay the metered bill and continue to charge full Indirect Cost.
2. Districts may or may not charge the school nutrition program Indirect Costs. Districts also have the option of charging only a portion of the Indirect Costs generated by the program.

3. School nutrition directors should check with their state agencies for more information regarding
 - examples of costs that are considered indirect, and
 - how Indirect Costs are calculated.

Lesson 3: Financial Reporting of Revenue and Expenditure Transactions

OBJECTIVE 3: Demonstrate use of financial reports that are consistent with federal, state, and local guidelines to achieve a financial management system that supports a cost effective program with high integrity.

Introduction to Topic

SHOW SLIDE: *Financial Reporting of Revenue and Expenditure Transactions*

SAY:

Our objective for this lesson is that you will be able to use financial reports that are consistent with federal, state, and local guidelines to achieve a financial management system that supports a cost effective program with high integrity. To achieve this, all transactions in the revenue and expenditure accounts must be presented using a financial management information system that provides a variety of reporting formats and levels of financial detail that can be used for program analysis and evaluation. Although the levels of detail may vary from school district to school district, it is absolutely vital that school nutrition programs produce accurate and timely financial reports that adhere to governmental guidelines.

Three Types of Financial Reports Used in School Nutrition Programs

SAY:

Look in your workbook at the three financial reports most often used in school nutrition programs as we view the slide.

SHOW SLIDE: *Types of Financial Reports*

SAY:

There are three categories of financial reports found in a financial management information system that can be used to measure the school nutrition program's financial performance. They are:

- Statement of Activities (Statement of Revenue and Expenditures)
- Statement of Net Position (Net Assets or Balance Sheet)
- Budget

Note to Instructor: Under guidelines issued by GASB, the Statement of Revenue and Expenditures is now referred to as the Statement of Activities and the Statement of Net Assets or Balance Sheet is referred to as the Statement of Net Position.

Statement of Activities (Statement of Revenue and Expenditures)

SAY:

We are going to first look at a Statement of Activities. Follow along in your workbook as we review the types of information found on the Statement of Activities.

SHOW SLIDE: *Statement of Activities (Statement of Revenue and Expenditures)*

SAY:

The Statement of Activities, previously called the Statement of Revenue and Expenditures, is the financial statement most often used by school nutrition program directors to analyze whether the expenses of the operation are being managed within the revenues received. It is prepared at the end of an accounting period, typically at the end of the month, and reflects activity for that time period. The Statement of Activities is important because it provides four major elements of financial information to the director.

The four elements of the Statement of Activities are:

- total revenue available to the program by source,
- total expenditures by category,
- net gain/loss to the program for the period of the statement, and
- comparison of current month with previous month's financial information and year-to-date information.

SAY:

Whether this report can be generated by the school nutrition department varies among school districts. In many school districts, it is generated by the school business office. In these cases, it is extremely important for the nutrition program director to foster a positive working relationship with the business manager in order to get the report in a timely manner.

Sample Statement of Activities (Statement of Revenue and Expenditures)

SAY:

Refer to the **Handout: Statement of Activities Report (Revenues and Expenditures)** in your workbook. This financial statement provides the user with the total revenue and total expenditures for a given period, usually a month or year-end total. The statement provides financial information for the current period, previous period, and year-to-date. Some districts may choose to add columns that show additional information for each category such as percent of change from month to month, percent of total budget, or percent of total revenue or total expenditure.

Handout: Statement of Activities Report (Revenue and Expenditures)

School Nutrition Program Ending November (Year)

Note: Assume 4 months data shown on this statement

Revenue Source	Current Month	Previous Month	YTD
Local Sources			
Student Meal Sales	\$ 24,978	\$ 23,025	\$ 96,150
Adult Meal Sales	2,376	2,175	9,102
Other Food Sales	11,326	10,785	44,222
Contract Meals	1,575	1,560	6,250
Interest	260	255	1,030
State Sources	18,831	0	18,831
Federal Sources (includes USDA Foods value)	186,639	182,220	737,718
Miscellaneous	0	8,010	8,010
Fund Transfer-In	0	0	0
Total Revenue	\$ 245,985	\$ 228,030	\$ 921,313
Expenditures	Current Month	Previous Month	YTD
Salaries and Wages	\$ 65,875	\$ 63,900	\$259,550
Employee Benefits	28,975	25,364	108,678
Purchased Services	375	326	1,402
Property Services	305	280	1,170
Purchased Food/ USDA Foods	96,190	90,183	372,746
Supplies	24,750	21,360	92,220
Miscellaneous	625	0	950
Capital Assets	0	55,000	70,000
Indirect Costs	5,835	5,830	23,330
Fund Transfer-Out	0	0	0
Total Expenditures	222,930	262,243	930,046
Net Excess/Deficit	\$ 23,055	(\$ 34,213)	(\$ 8,733)

Notes:

- (1) School Nutrition Program directors should modify the Statement of Activities to meet local and state requirements.
- (2) The dollar amounts shown in this statement are for a hypothetical school district and are illustrative only. They are not tied to any other activity in this lesson.

SAY:

Look at the examples in this handout and compare the total revenues, total expenditures, and change in net assets for the current month, previous month, and year-to-date. If you compare the current month's revenue of \$245,985 with the previous month's revenue of \$228,030, you see the district received almost \$18,000 more revenue during the current month than in the previous month.

ASK:

Can you identify the most likely source of the increased revenue by comparing the current and previous month's individual sources? (Pause for participants to look at the revenue sources. Allow 1 or 2 participants to respond.)

FEEDBACK:

Answers should include a response that the district received over \$18,000 from State Sources during the current month but received \$0 the previous month.

SAY:

Now look at expenditures. Notice that in the previous month, there was a deficit of \$34,213.

ASK:

Can you identify what may have contributed to this deficit by looking at individual categories of expenditures? (Give several participants an opportunity to volunteer answers.)

FEEDBACK:

Answers should include the observation that there was an expenditure of \$55,000 for Capital Assets in the previous month as compared to \$0 in the current month.

SAY:

It is important to analyze the Statement of Activities every month. Look for any unusual changes in revenue or expenditures that could indicate either a reporting error or a potential problem. Determine if the change can be explained or if it is a source of concern and should be investigated further.

ASK:

Do these categories of revenues and expenditures reflect the ones used in your district?

Note to Instructor: Allow participants to respond voluntarily. If participants want to make comments or ask questions, allow 2 or 3 minutes for discussion.

SAY:

Expenditure categories and subcategories can be tailored to a school district, but must remain constant from one accounting period to the next during the fiscal year for analysis purposes. It is also important to prepare statement of activity reports for each individual school site to get an accurate picture of the school's financial status and to establish goals and best practices for the site level.

Statement of Net Position (Statement of Net Assets)

SAY:

A second financial report, the Statement of Net Position, previously called the Statement of Net Assets, is a financial statement prepared at the end of each accounting period to reflect the financial position of the school nutrition program at a particular point in time. The Statement of Net Position includes information on assets, liabilities, and the fund balance.

SAY:

Find the **Activity: Statement of Net Position (Statement of Net Assets)** in your workbook and write in the components as we review the slide.

SHOW SLIDE: *Statement of Net Position (Statement of Net Assets)*

SAY:

- Assets include the cash balance, receivables due, and the value of inventories. These are items of value to the program.
- Liabilities include outstanding payables, deferred revenue, and sales tax owed. These are items owed by the program.
- The Fund Balance shows how much money is reserved for encumbrances and how much is available for expenditures.

SAY:

Look in your workbook and review the **Handout: Statement of Net Position**. This statement reflects the financial position of the school nutrition operation at a particular point in time.

Handout: Statement of Net Position (Statement of Net Assets)

Total Assets = Total Liabilities + Fund Balance

School Nutrition Program
 Ending _____ (Month or Year)

Assets	Ending	Month or Year
Current Assets		
Cash and Cash Equivalents	\$205,230	
Sales Tax Collection	0	
Investments	10,225	
Due from Federal Funds	185,365	
Due from State Funds	0	
Due from Other Funds	1,525	
Other Receivables	260	
Inventories		
Purchased Food and USDA Foods	8,500	
Supplies	3,055	
Total Current Assets	414,160	
Noncurrent Assets		
Furniture and Equipment	425,456	
Less Accumulated Depreciation	(400,124)	
Total Noncurrent Assets	25,332	
Total Assets		\$ 439,492
Liabilities	Ending	Month or Year
Current Liabilities		
Accounts Payable	\$172,695	
Accrued Salaries	70,500	
Accrued Payroll Deductions	19,050	
Due to Other Funds	975	
Deferred Revenue	2,225	
Sales Tax Owed	0	
Total Current Liabilities	265,445	
Fund Balance	Ending	Month or Year
Nonspendable		
Noncurrent Assets	25,332	
Inventory	11,555	
Assigned	24,670	
Unassigned	112,490	
Total Fund Balance	174,047	
Total Liabilities and Fund Balance		\$ 439,492

Note: The dollar amounts shown in this statement are for a hypothetical school district and are illustrative only. They are not tied to any other activity in this lesson.

SAY:

As you review the Statement of Net Position, you will note that Total Assets is equal to Total Liabilities plus Fund Balance. Notice in the handout that the total Fund Balance is \$174,047 and the unassigned portion makes up \$112,490 of the total fund balance.

Fund Balance

SAY:

The Fund Balance consists of several line items:

- Nonspendable amounts are those not in a spendable form such as inventory and equipment (less depreciation). These numbers come from the asset section.
- Assigned amounts is the total a school nutrition director has set aside for contract obligations, purchase orders, etc.
- The unassigned category is the amount available to spend in school nutrition programs.

ASK:

Who can tell me how the unassigned line item is calculated? (Allow 1 or 2 participants to respond.)

FEEDBACK:

Look in your workbook to review the formula.

\$ 174,047	Total Fund Balance
- 25,332	Minus Nonspendable Noncurrent assets
- 11,555	Minus Nonspendable Inventory
- 24,670	Minus Assigned
\$ 112,490	Equals Unassigned

SAY:

The Fund Balance is important to the school nutrition director as a tool for program management. Work as a team at each table to list three reasons why the Fund Balance is important information. Write your ideas in your workbook. (Allow approximately 2 minutes for team discussion.)

SAY:

Will the person with the birthday nearest the current date share team results? Write key points omitted from your list in your workbook.

DO:

Bring up the following key points if they are not mentioned by participants.

FEEDBACK:

The school nutrition director can use the Fund Balance reported on the Statement of Net Position to:

- verify how much of the fund balance is reserved for encumbrances
- determine how much money is unassigned and therefore available for expenditures
- determine if the program is in compliance with net cash resources requirement (no more than three month's average operating costs; refer to 7 CFR 210.14)
- gauge how the program is performing financially

SAY:

- A drop in fund balance over a period of time may be a red flag to examine the amount of spending in each of the specific categories of expenditures.
- A significant increase in funds may be an indication that the nutrition program is not spending funds for program improvements in areas such as food quality or equipment upgrades.

School Nutrition Program Budget

SAY:

A third financial report we will discuss that is important for effective management is the budget. Although the budget is being discussed here as a financial report, it is a beginning and ending statement generally prepared prior to the budget year. The budget should be a cooperative effort of the school nutrition department and the business office with input from site level managers.

ASK:

Why should the budget be a cooperative effort? (Allow 1 or 2 volunteers to answer.)

FEEDBACK:

Look in your workbook as we review the importance of the budget being a cooperative effort.

1. School district business officials can provide guidance in accounting and business functions. That is their specialty. Budgets should be based on accurate financial information that can often be provided by the business office such as school openings and closings, changes in enrollment, etc.
2. Site level managers can provide information concerning participation trends, changes in student eating habits, equipment and labor needs, and other factors that will influence the budget process.

The Budget as a Control Document

SAY:

The budget is used by the school nutrition program as a control document that charts the course for future financial management actions. It serves as a management tool for the School Nutrition Program director.

SHOW SLIDE: *The Budget as a Management Tool*

SAY:

Look in your workbook as we discuss how the budget can be used to assist in managing the operational aspects of the school nutrition program by:

- forecasting the amount of revenue by sources that will be available,
- identifying how the revenue will be allocated by each expenditure category, and
- predicting how much money will be in the fund balance at the end of the closing period.

SAY:

Probably no other financial management tool contributes more directly to both the financial and nutritional integrity of a school nutrition program than a well-planned budget.

Methods of Budgeting

SAY:

There are three methods used when planning budgets. Note the definitions as we discuss the next slide.

SHOW SLIDE: *Methods of Budgeting*

SAY:

The budget methods are

1. Incremental (baseline) budgeting – The starting point is the previous year's budget. Adjustments are made to each line item to reflect expected changes in revenues and expenditures. Incremental budgeting is less time consuming, but less planning may go into the budgeting process.
2. Zero-based budgeting – The basic concept for zero-based budgeting is to start with zero and build the budget for each line item. It requires that the operation take a fresh look at each revenue and expenditure. It is especially helpful when budgeting for new programs. The disadvantages to zero-based budgeting are that it is time consuming and some budget categories are best estimated based on the previous budget.
3. Combination of Incremental and Zero-Based Budgeting – A combination that uses zero-based budgeting for some items and incremental for other items. This method is most often used in school nutrition programs.

Budgets are Public Documents

SAY:

Look in your workbook for an important statement to remember about your budget.

The statement reads:

School budgets are considered public documents that represent plans for the use of public funds and should reflect accountability in accordance with local, state, and federal laws.

ASK:

Why is this important information for a school nutrition director to remember? (Allow 1 or 2 participants to respond.)

SHOW SLIDE: *School Budgets*

FEEDBACK:

The public has a right to see the school nutrition program budget because:

- The school nutrition program is a nonprofit operation conducted principally for the benefit of children.
- The program is tax-supported; therefore, the public is viewed as the owner with the right to expect that the nutritional needs of children are met in the most cost-effective way.
- It is important to provide the public with documentation of accountability through the preparation and analysis of financial reports on a monthly basis.

Lesson 4: Setting a Meal Standard for Financial Management and Analysis

OBJECTIVE 4: Utilize financial management tools and standards to operate a financially and nutritionally accountable school nutrition program consistent with federal and state guidelines.

Introduction to Topic

SHOW SLIDE: *Setting a Meal Standard for Financial Management and Analysis*

SAY:

In this lesson, we will explore ways financial management tools can be used to improve accountability. The objective for this lesson is to utilize financial management tools and standards to operate a financially and nutritionally accountable school nutrition program consistent with federal and state guidelines.

Standard Unit of Measurement

SAY:

In order to use financial statements and reports as tools to evaluate the financial activities of the school nutrition program, a standard must first be established to measure program services.

ASK:

What unit of measurement is most commonly used to gauge the effectiveness and efficiency of the school nutrition program operation? (Allow 1 or 2 participants to respond.)

FEEDBACK:

In most school districts, the production of the reimbursable student lunch is the measurement used to evaluate efficiency of the school nutrition program.

SAY:

This means that all other reimbursable meal types served (breakfasts, snacks, and suppers) as well as all nonprogram food sales must be converted to a meal equivalent.

Meal Equivalents

ASK:

How many of you are using Meal Equivalents? (Allow 1 or 2 responses)

Performance Measures

SAY:

Several important financial performance measures can be determined using meal equivalents. Note the performance measures in your workbook as we review the next slide.

SHOW SLIDE: Using Meal Equivalents in Program Analysis to Measure Performance

SAY:

By converting breakfasts, snacks, suppers, and nonprogram food sales to meal equivalents, the school nutrition director can easily determine such performance measures as

- per meal cost,
- labor productivity ratios or Meals Per Labor Hour, and
- average revenue earned per meal/meal equivalent.

Meal Equivalent Conversion Formulas

SAY:

In order to convert meals and nonprogram food sales to the equivalent of a standard, reimbursable student lunch, a meal equivalent formula must be adopted. The conversion formulas used in this course were developed by a national task force convened by the Institute of Child Nutrition. A nationwide panel reviewed the formulas prior to publication. You can find them in the FMIS resource.

Please note the Food and Nutrition Service (FNS); Department of Agriculture (USDA) does not prescribe one particular method in order to calculate meal equivalency.

SAY:

Look in your workbook as we discuss the conversion formulas that are **recommendations** only.

The ICN formulas used for converting breakfasts, suppers, snacks, and nonprogram food sales to a student lunch are *only recommendations*. There are other formulas used in some states and school districts. You should check with your state agency before making a decision about meal equivalent conversions.

DO:

Activity: Meal Equivalent Conversion Formulas

SAY:

Follow along as we discuss the Conversion Formulas in your workbook and view the next slide. Remember, the Meal Equivalent formulas do not relate to dollars, they relate to production of meals.

SHOW SLIDE: *Meal Equivalents Conversion Formulas*

SAY:

The conversion formulas used in this lesson are

- 1 lunch = 1 meal equivalent
- 3 breakfasts = 2 meal equivalents ($2 \div 3 = .67$)
- 3 afterschool snacks = 1 meal equivalent ($1 \div 3 = .33$)
- 1 supper = 1 meal equivalent
- Nonprogram food sales = revenue from food sales \div (current free lunch reimbursement + current USDA Foods value per lunch)

SAY:

Notice that in the breakfast and afterschool snack conversion formula we rounded to two decimal places. This is for your convenience only. You may carry the decimal to four places (.6666 or .3333) if you like. It will be more accurate when determining the number of exact meal equivalents; however, the difference in the final productivity or meal calculations will be minor. If you use a spreadsheet, carry the calculations to four decimals. If not, round to two decimals. Just remember to be consistent.

SAY:

The formula for nonprogram food sales changes annually while other meal conversion formulas remain the same from year to year.

ASK:

Who can tell me why it changes?

FEEDBACK:

Both free reimbursement and USDA Foods values change each year to reflect new government rates.

Note to Instructor: Leave the slide with the conversion formulas on the screen for the next activity.

Converting Adult Meals to Meal Equivalents

SAY:

It is important to recognize that not all states and school districts convert adult meals to meal equivalents using the same method. Your workbook notes an important consideration when calculating adult meals.

Important Point

Although in most states, adult meals are counted with student meals when determining meal equivalents, in some states adult meals are considered nonprogram food sales.

Either consideration is acceptable for determining meal equivalents as long as the method remains consistent throughout the school year.

Meal Equivalent Conversion Examples

DO:

Activity: Meal Equivalent Conversions

SAY:

Find the **Activity: Meal Equivalent Conversions** in your workbook. Follow along as we review the school information at the top of the worksheet.

Note to Instructor: Point out the number of reimbursable student and adult lunches, breakfast, snack, suppers, and amount of nonprogram food sales.

Activity: Meal Equivalent Conversions

Answer Key

Maple School District served 699,314 reimbursable student lunches, 10,110 adult lunches, 309,485 reimbursable student breakfasts, 29,873 reimbursable afterschool snacks, and 16,650 reimbursable suppers during the past year. In addition, the school district received a total of \$128,155 for the sale of nonprogram foods. Calculations for converting the participation data into meal equivalents are provided in the sample below.

Meal Categories	Total Meals/ Sales	Conversion Factor	Meal Equivalents
Student Lunch	699,314	1	699,314
Adult Lunch	10,110	1	10,110
Student Breakfast	309,485	.67	(309,485 x .67) 207,355
Snacks	29,873	.33	(29,873 x .33) 9,858
Supper	16,650	1	16,650
Nonprogram Food Sales	\$128,155	*	(\$128,155 ÷ 3.1625) 40,523
Total Meal Equivalents			983,810

*Nonprogram food sales divided by current Free Lunch Reimbursement (\$2.93) + Entitlement USDA Foods Value per Lunch (\$0.2325). Note these are the 2013-2014 reimbursement rates.

Instructions: Using the formulas provided in this lesson, answer the following questions:

1. If an elementary school served 485 breakfasts one morning, how many breakfast meal equivalents were served?

$$485 \times .67 = 325 \text{ meal equivalents}$$

2. A school nutrition program served 168 reimbursable snacks for the day in the district's afterschool care program. Convert the afterschool snacks to meal equivalents.

$$168 \times .33 = 55 \text{ meal equivalents}$$

3. A high school nutrition program sold \$250 in nonprogram foods for the day. Convert the revenue from the nonprogram sales to meal equivalents using the formula above.

$$\$250 \div 3.1625 (2.93 + 0.2325) = 79 \text{ meal equivalents}$$

Note to Instructor: The bolded text in the Meal Equivalent Conversions Answer Key are the answers that must be completed by participants.

SAY:

Now let's review the sample calculations shown in the activity used for converting meals/meal sales to meal equivalents.

1. Both student and adult lunches and suppers were converted using the factor of one standard lunch equals one meal equivalent.
2. Breakfasts were converted by multiplying the total number of breakfast served by .67 (.6666 rounded), a factor determined by dividing two meal equivalents by three breakfasts.
3. Snacks were converted by multiplying the total number of snacks served by 0.33 (.3333 rounded).
4. Nonprogram food sales were converted to meal equivalents by dividing the \$128,155 in revenue by \$3.1625, which is the free lunch reimbursement of \$2.93 plus the \$0.2325 USDA Foods value.

ASK:

Are there questions about the conversion formulas? (Pause and allow 1 or 2 questions.) If there are no questions, use the conversion formulas on the worksheet to answer the questions. Work together as a team for about 3 minutes. (Allow no more than 5 minutes.)

ASK:

Will someone at Table ___ tell us your answer to question 1? (Continue with another table for questions 2 and 3.)

FEEDBACK:

Revisit the activity by reminding participants of the following:

- The meal equivalent is a standard unit of measurement used by school nutrition directors to easily determine the cost of producing meals, determine average revenue and expenditures per meal, and calculate labor productivity (Meals Per Labor Hour) as well as other calculations.
- Consistency is critical. If a meal equivalent conversion formula is changed, it should be at the beginning of a school year and remain in practice for several years for comparison purposes.

Lesson 5: Managing Revenue in School Nutrition Programs

OBJECTIVE 5: Interpret, analyze, and use revenue data for program evaluation and improvement.

Introduction to Topic

SHOW SLIDE: *Managing Revenue in School Nutrition Programs*

SAY:

In this lesson we will look at managing revenue. Our objective is to learn how interpreting and analyzing information about revenue generation can be used for program improvement. The management of the school nutrition program's revenue is critical to its success in meeting the nutritional needs of children in the school district.

Revenue Generation per Meal/Meal Equivalent

ASK:

Why is it important to calculate revenue per meal/meal equivalent? (Allow 1 or 2 participants to respond.)

SHOW SLIDE: *Why it's important to compare revenue earned with meal cost*

SAY:

If you know the average revenue generated per meal or meal equivalent, you can compare that with the average cost to produce a meal. This comparison is important because

- it helps determine if and where revenue should be increased,
- it allows analysis of revenue by source, and
- it allows the director to better identify areas in which revenue should be monitored for revenue loss.

Calculating Revenue per Meal Equivalent

DO:

Activity: Calculating Revenue per Meal/Meal Equivalent

SAY:

Find the **Activity: Calculating Revenue per Meal/Meal Equivalent** in your workbook. In this activity you are going to calculate the average revenue per meal equivalent by dividing the dollar amount received from each source by the total meal equivalents. This activity can be streamlined by using the repetitive divisor method outlined in Calculator Tips in the back of your Participant's Workbook. Review the Tips before you begin your calculations.

ASK:

Looking at the activity worksheet, can someone tell me the number of meal equivalents served? (Pause, then repeat the answer 983,810 second paragraph on the activity worksheet.)

SAY:

Before you begin the activity, let's review the instructions. Look at the example in the first line under revenue.

1. Note that the dollar amount received for student meal sales was \$404,300.
Divide that by the 983,810 meal equivalents served during the school year and you can see that the average revenue earned per meal equivalent was \$0.4110 or about \$0.41 per meal/meal equivalent.
2. Calculate to four decimal places. If the fifth is five or higher round up; if it is four or less, round down.
3. Work as a team to complete all calculations in the blank cells.
4. After you complete the calculations, check your answers by adding the average revenue per meal equivalent from all sources and comparing them to the total provided in the worksheet.
5. We'll take about 3 minutes for the activity and will review the answers when you finish.
6. Feel free to ask questions as I move around the room to check your progress.

Activity: Calculating Revenue per Meal/Meal Equivalent
Answer Key

Calculating the projected average revenue earned per meal equivalent is important in the management of school nutrition programs.

Instructions: Complete the following activity to determine how much average revenue per meal equivalent is projected from each revenue source. Calculate the amount received from each revenue source four decimal places. If the 5th decimal place is 5 or higher, round UP; if 4 or less, round DOWN.

Given: Formula: Revenue ÷ Total Meal Equivalents
 There were 983,810 meal equivalents served
 Add all of your answers in the last column to get the Total Revenue per Meal/Meal Equivalent.

Revenue Analysis		
Revenue Account	Dollar Amount Received	Average Revenue Per Meal/ Meal Equivalent
Student Meal Sales	\$ 404,300	\$0.4110
Adult Meal Sales	27,803	0.0283
Nonprogram Food Sales	113,955	0.1158
Contract Food Sales	14,200	0.0144
Federal Reimbursement	2,143,150	2.1784
USDA Foods	159,094	0.1617
State Reimbursement	18,835	0.0191
Interest	3,155	0.0032
Miscellaneous	5,800	0.0059
Total Revenue	\$2,890,292	2.9378

Note to Instructor: The shaded areas on the answer sheet represent the blank cells that must be calculated by participants. Answers that are not shaded are provided to participants on the worksheet.

SAY:

Calculating revenue per meal equivalent provides important information. It can be compared to budget projections, to the previous month's revenue per meal equivalent, and to previous year's figures. Trends and directions for improvement can be identified so that better financial decisions are made.

SAY:

Let's review. Look at the amount of revenue generated from each paid student meal and compare with the amount generated per meal by federal reimbursement for each meal served. The calculations on the worksheet indicate that the average revenue generated from paying students was about 41 cents per meal while the average revenue generated from federal reimbursement was approximately \$2.18.

ASK:

What might this suggest about the school nutrition program? (Allow no more than 2 or 3 participants to respond.)

FEEDBACK:

Possible answers could include:

1. There is a high free/reduced eligibility among students.
2. The participation rate among paying students may be low.
3. The district may be undercharging paying students.
4. There could be a large amount of meal charges not collected.

SAY:

It is important to point out that the majority of revenue comes from a combination of free, reduced, and paid student meals in most school districts.

SAY:

If you want to determine how your breakfast program is doing separate from all other sales, the same forms and calculations can be used using only the breakfast counts and money amounts. Remember that there is no USDA Food value for breakfast. Therefore, the USDA Food value will need to be taken out of the equation when present in the formula.

Setting Meal Prices

SAY:

Effective July 1, 2011, section 205 of the Healthy, Hunger-Free Kids Act of 2010, required that school districts (SFA's) participating in the National School Lunch Program provide the same level of support for paid lunches as the support (reimbursement) received for lunches served to students eligible for free lunches. This provision will help ensure that schools have funding available to support serving nutritious meals to all students.

ASK:

Why do you think this new requirement was legislated? (Hear 1 or 2 participant responses.)

FEEDBACK:

Possible answers include:

- Paid meals have been priced below the cost to produce
- Paid meals prices have been kept low by covering actual meal costs from federal reimbursements or other non-Federal sources

SAY:

In order to meet the requirements of the new law and to assure that prices charged for paid meals are at least equal to the federal reimbursement received for a reimbursable free lunch, school nutrition program directors must perform a series of analysis components annually to meet the regulatory requirement. Refer to your workbook and note the steps as we review the slide.

SHOW SLIDE: *Paid Lunch Equity (PLE) Analysis*

SAY:

- Determine the average price for all types of paid student lunches,
- Compare the average paid lunch price with the difference between the free and paid reimbursement rates, and
- Determine if a price increase is necessary

These steps make up the Paid Lunch Equity calculations. USDA has developed a Paid Lunch Equity (PLE) Tool to help districts complete the calculations. The calculations must be done annually and the tool is updated accordingly.

The tool is available at <http://www.fns.usda.gov/>

ASK:

Why is the Paid Lunch Equity Tool updated each year? (Hear a few responses)

FEEDBACK:

- Free lunch reimbursement rate changes annually
- Inflation factor changes annually

ASK:

How many of you have used the PLE tool? (Ask for a show of hands.)

Note to Instructor: If all are familiar using the tool, very briefly recap the information on the next slide stating that this is a recap of what we have just discussed. If there are several who have not had much experience, spend more time going over the slide.

SHOW SLIDE: *Paid Lunch Equity Tool*

SAY:

Let's quickly review the components of the Paid Lunch Equity Tool.

SAY:

Note the Tool requires the user to input data only in the orange cells. Once that data is entered the Tool performs the calculations to determine if a price increase is necessary.

SHOW SLIDE: *Revenue Increase Options*

SAY:

If a price increase is necessary adding revenue to the nonprofit school nutrition account can come from:

- increasing paid meal prices
- adding approved non-Federal revenue to the nonprofit school nutrition account
- using a combination of increasing paid meal prices and adding approved non-Federal revenue to the nonprofit school nutrition account

SHOW SLIDE: *PLE Price Estimation Calculator*

SAY:

The PLE Price Estimation Calculator allows you to input totals of paid lunches and suggested prices. The PLE Tool automatically adjusts the weighted average paid lunch. This allows you to experiment with prices at various grade levels, or in increments to make change making easy for cashiers.

SAY:

This topic is very fluid so it is imperative you stay updated. In addition to guidance and information from the state agency, updated policy information is available on the USDA website, <http://www.fns.usda.gov/school-meals/policy>.

Pricing Adult Meals

SAY:

An adult meal must be priced to cover all the costs to produce that meal. Meals served to adults cannot be subsidized by Federal reimbursements, student payments or other unassigned nonprofit foodservice revenues. Let's review the formula for setting a minimum adult meal price.

SHOW SLIDE: *Adult Meal Price Formula*

SAY:

Refer to your workbook to the Adult Meal Price Formula as we review the slide. The formula is:

$$\begin{aligned} & \text{Federal reimbursement for a free student lunch} \\ & + \text{Per meal value of USDA Foods} \\ & = \text{Minimum Adult Meal Price} \end{aligned}$$

If you are receiving the additional 6 cents reimbursement in your district, check with your state agency for guidance as to whether it should be considered when setting adult lunch prices.

ASK:

Why do you add the value of USDA Foods to the cost to produce a meal when determining a minimum adult meal price?

FEEDBACK:

School nutrition programs do not receive USDA Foods value for adult meals.

ASK:

Should adult meal prices be reviewed on an annual basis? Why?

FEEDBACK:

- USDA Foods value changes annually
- Free reimbursement rate changes annually

ASK:

How many of you charge students for a second meal?

SAY:

Second meals to students are not eligible to be claimed for reimbursement. To recover the costs to produce and loss of reimbursement, prices for second meals to students should follow the same formula as prices for adults. Refer to your FMIS resource for a discussion about a second approach to pricing adult meals and second meals to students.

Pricing Nonprogram Food Items

SAY:

In addition to setting prices for meals, school nutrition directors must set prices for all nonprogram foods. Food items that are sold in addition to the unit-priced reimbursable school meals are referred to as nonprogram foods and cannot be claimed for reimbursement.

Follow along in your workbook as we look at the definition of nonprogram foods.

SHOW SLIDE: *Definition of Nonprogram Foods*

SAY:

Nonprogram foods are defined as foods and beverages sold in a participating school, other than reimbursable meals, and purchased using funds from the nonprofit foodservice account.

SAY:

Pricing nonprogram food items should be taken very seriously.

SHOW SLIDE: *Requirements of Nonprogram Food Revenue*

$$\frac{\text{Total Nonprogram Food Revenue}}{\text{Total Program Revenue}} \geq \frac{\text{Total Nonprogram Food Cost}}{\text{Total Food Costs}}$$

SAY:

Section 206 of the HHFKA requires that the proportion of total revenue from nonprogram foods to the total revenue of the school foodservice account must be equal to or greater than the proportion of total food costs associated with obtaining nonprogram foods to the total food costs of the program.

Types of Nonprogram Food Items

SHOW SLIDE: *Types of Nonprogram School Day Food Sales*

SAY:

There are generally four types of nonprogram foods that school nutrition programs elect to sell during the school day. These food sales include:

- adult meals,
- sale of a second meal to a student,
- individual components of the reimbursable meal such as milk, and
- other food items not on the menu including à la carte.

School districts should carefully calculate the costs of selling nonprogram food items and set prices to cover all costs associated with storing, producing, and serving the product to students. The prices established for extra food and nonprogram foods should be high enough not to compete with the reimbursable meal price.

Pricing Nonprogram Foods

SHOW SLIDE: *Desired Food Cost Percent Mark-up*

SAY:

The desired food cost percent mark-up is one of the simplest methods used to determine the price of a nonprogram food item.

The three steps shown on this slide can be used to establish the base selling price using the desired food cost percent mark-up. Follow along in your workbook as we review the slide.

1. Determine the raw food cost of the item offered for sale.
2. Identify the desired food cost percentage for the school nutrition program operation.
3. Establish a base selling price by dividing the item's food cost by the desired food cost percentage mark-up.

Note to Instructor: Leave the slide on the screen for the next activity.

DO:

Activity: Pricing Nonprogram Food Items

SAY:

Look at the **Activity: Pricing Nonprogram Food Items** using the desired food cost percent markup, in your workbook. The foods to be priced are listed in the first column and raw food costs are listed in the second column. The school district sets a goal of 38% for a desirable food cost percentage for the year. 38% is an appropriate place to start when deciding on prices for nonprogram foods. It is the difference between the desired purchased food cost percentage (40%) minus USDA Foods value (2%).

1. Using the formula given on the worksheet, calculate the base selling price for each item.
2. Recommend a final selling price.
3. Justify the final selling price. What other factors should be considered? What is your pricing strategy? For example, you may decide to price healthier items lower. Another justification is the cost of labor to order, inventory, sell, etc. the nonprogram food items.

DO:

Assign each table one food item.

SAY:

Take about 3 to 4 minutes. Work as a team with others at your table. The person with the most pets will be your reporter.

Note to Instructor: Emphasize to participants that a 38% food cost percentage for the year is a goal set by the district and may not be the actual outcome.

Activity: Pricing Nonprogram Foods Answer Key

Pricing Method: Desired Food Cost Percent Markup Method

The formula for determining a base price using the desired food cost percent markup method is:

Raw Food Cost ÷ **Desired Food Cost Percent Markup**

Reminder: Convert percent to decimal (i.e., 38% ÷ 100 = .38).

Instructions: Using the formula, determine the base selling price for each of the following nonprogram food items offered for sale if the desirable food cost percentage for a school nutrition program is 38% for the school year.

Calculation Example: If raw food cost is \$0.20 and desired food cost percentage is 38%:
 $\$0.20 \div .38 = 0.5263$ or 0.53 base selling price.

Recommend a final selling price and summarize how you arrived at the price.

Food	Raw Food Cost	Base Selling Price	Recommended Selling Price	Justification for Recommended Selling Price
Bottled Water	\$0.13	\$0.3421		
Pizza Slice	\$0.45	\$1.1842		
Fresh Apple	\$0.22	\$0.5789		
Ice Cream Cup	\$0.19	\$0.50		
Baked Corn Chips	\$0.16	\$0.4211		
Hamburger	\$0.76	\$2.00		
Milk 1/2 pint	\$0.21	\$0.55		
Banquet Meal per Plate	\$3.69	\$9.71		
Catered Meal per Plate	\$3.21	\$8.45		

Note to Instructor: Emphasize to participants that raw food costs and the selling price of food items can vary from district to district, region to region, or state to state, therefore directors should always calculate prices based on the raw food cost to their district. Do not rely on prices charged in other districts.

ASK:

Will the reporter from each table tell us your team's base selling price and recommended final selling price for the item assigned? Tell us the considerations you used to determine the final selling price.

Note to Instructor: Have the reporter from each table report on the selling price and considerations they used for their assigned item.

Nonprogram Foods Sold Away from Campus or Outside School Day

SHOW SLIDE: *Nonprogram Foods Sold Away from Campus or Outside School Day*

SAY:

In addition to nonprogram food sales at school during the school day, many districts provide food outside the school day or away from the campus. These include:

- catered food or meals to outside groups or groups within the school district,
- contract meals served on a regular basis, and
- special school function meals such as athletic banquets.

SAY:

It is critical that school nutrition directors set prices to adequately cover food and other costs when preparing these types of food functions so there is no loss to the school nutrition program.

ASK:

Why is this important? (Allow 2 or 3 participants to volunteer answers.)

FEEDBACK:

Federal regulations do not allow the school nutrition program to supplement other food sales outside the reimbursable student meal. Special functions must be priced high enough to cover the entire costs of the food function.

SAY:

This may not be popular in some school districts that expect the nutrition department to underwrite part of the costs for special functions.

Implementing Requirements of Section 206 of HHFKA

SAY:

USDA has developed a Nonprogram Food Revenue Tool to help calculate the amount of revenue from nonprogram foods that is required to meet the requirements in Section 206 of the Healthy, Hunger-Free Kids Act of 2010. To use the tool, school nutrition program directors must first collect information on costs and revenue for the previous school year.

SHOW SLIDE: *Information for USDA Nonprogram Revenue Tool*

SAY:

Follow along in your workbook as we discuss the types of information required to use the USDA Nonprogram Revenue Tool.

- Food costs of reimbursable meals
- Food costs of nonprogram foods
- Revenue from nonprogram foods
- Total revenue of the program

SAY:

Now that we have looked at all the data items required for the tool to perform the calculations let's look at the tool itself. It can be found at the website noted in your workbook. The Nonprogram Revenue Tool can be found at the following site:
<http://www.fns.usda.gov/cnd/Governance/Policy-Memos/2011/SP39-2011ar.xls>

ASK:

How many of you have used the tool and feel comfortable with it?

Note to Instructor: If all are familiar using the tool, very briefly recap the information on the next slide noting that this is just a recap of what we have just discussed. If there are several who have not had much experience using the tool spend more time discussing it.

SHOW SLIDE: *Calculating Compliance*

SAY:

As you look at this calculator tool, note the orange cells are where you input your program data. The tool will calculate the minimum portion or percentage of revenue from nonprogram foods as well as the total amount of that required revenue. In addition, it will indicate if the requirement is not met and the additional amount needed to comply.

SAY:

To summarize the calculation required to meet the requirement let's look at the next slide.

SHOW SLIDE: *Revenue Requirement Calculation-Example*

SAY:

Let's look at the example on the slide which shows the formula

Total Food Costs:	\$500,000
Nonprogram Food	50,000
Program Food	450,000
Total Revenue:	\$1,000,000

$$\frac{\$50,000 \text{ Nonprogram Food}}{\$500,000 \text{ Total Food Costs}} = 10\% \text{ Minimum of Revenue Required}$$

$$10\% \times \$1,000,000 = \$100,000 \text{ Revenue Required}$$

SAY:

If your program earns more than the revenue required from nonprogram foods you are in compliance. If it earns less than the required amount you must adjust pricing until the minimum revenue requirement is reached.

Lesson 6: Managing Expenditures in the School Nutrition Program

OBJECTIVE 6: Interpret, analyze, and use expenditure data for program evaluation and improvement.

Introduction to Topic

SHOW SLIDE: *Managing Expenditures in School Nutrition Program*

SAY:

In this lesson we are going to look at how interpreting and analyzing expenditure data can help us do a better job of managing school nutrition programs. Properly managing funds allocated to cover the costs of operating a school nutrition program is critical to maintain quality standards and ensure nutritious meals are served to students.

Analysis of Financial Reports

SAY:

School districts are faced with finding ways to reduce costs while meeting increasing demands for more services. Before good financial decisions can be made on ways to improve expenditure management, careful analysis of financial reports must take place.

SAY:

Refer to your workbook as we discuss the types of information provided on financial reports.

SHOW SLIDE: *Expenditure Analysis*

SAY:

Analyzing financial reports can provide us with the following information:

- Patterns or trends might suggest an avenue for improvement. An example could be a trend downward in participation, indicating a need for possible improvement.
- Significant changes in specific cost categories are a red flag to monitor spending in that area.

- Deviations from financial goals (budget), for example higher food cost percentage alerts the school nutrition director to evaluate food purchases,
- Possible abuse or theft within expenditure categories, such as food or supplies may be easier to spot.
- Transaction or accounting errors will likely stand out in financial analysis.

SHOW SLIDE: *Types of Expenditure Analysis*

SAY:

There are several types of analyses appropriate for evaluating how effective the school nutrition program is in managing expenditures. To assure that program priorities are achieved within funds available, analyses must occur on a regular basis. You are going to learn how to calculate the following program measures:

- total costs to produce a meal/meal equivalent,
- meal cost per expenditure category,
- percentages of operational costs (expenditures) to total revenue (operating ratios), and
- cost to produce a meal compared with the average revenue generated per meal.

Evaluating Meal Costs

SAY:

The first program measure we are going to discuss is how to calculate the average cost to produce a meal or meal equivalent.

ASK:

How many of you calculate your school or district's average cost per meal/meal equivalent on a monthly basis?

SAY:

I see that approximately ___ of you calculate your average cost per meal. Calculating the cost of producing a meal or meal equivalent is essential to measuring the performance of the school nutrition program. The calculation must be determined on a regular basis, preferably monthly. This allows the district to take the necessary action to correct the situation in a timely manner when the costs to produce a meal exceed the revenue received to cover those costs.

Calculating the Cost to Produce a Meal

DO:

Activity: Calculating the Cost to Produce a Meal/Meal Equivalent

SAY:

Turn to the **Activity: Calculating the Cost to Produce a Meal/Meal Equivalent** in your workbook. Before we begin the worksheet, let's review the instructions.

1. You are to calculate the cost per meal for each expenditure category that has a blank cell and then total the meal cost.
2. Remember this formula: divide total expenditures by the total meal equivalents to calculate the costs of producing a meal equivalent. Carry your decimals to the fourth place.
3. We have calculated salaries and wages for you. By dividing the dollar amount, \$885,170 by the total number of meal equivalents, 983,810, one can calculate that salaries and wages cost \$0.8997 per meal equivalent.
4. Work with your table team to calculate employee benefits, purchased food, and total meal cost per meal equivalent. You will have approximately 7-8 minutes to finish.

Activity: Calculating the Cost to Produce a Meal/Meal Equivalent Answer Key

Activity: Calculating the Cost to Produce a Meal/Meal Equivalent

Instructions: Calculate the cost per meal equivalent for each expenditure category listed. Include the total cost of a meal equivalent. **Remember:** To calculate the costs to produce a meal equivalent, divide expenditures in each category by the total number of meal equivalents. A Calculator Tip Sheet can be found at the end of the workbook.

Given: Meal Equivalents served for the year totaled 983,810

Expenditure Analysis		
Expenditure Category	Dollar Amount	Cost Per Meal Equivalent
Salaries and Wages	\$ 885,170	\$ 0.8997
Employee Benefits	357,150	0.3630
Purchased Food	1,055,135	1.0725
USDA Food Value	159,094	0.1617
Supplies	260,902	0.2652
Capital Assets	102,150	0.1038
Indirect Cost	85,125	0.0865
Overhead*	93,518	0.0951
Total Expenditures	\$2,998,244	3.0475

* Overhead combines several smaller categories of expenditures for purposes of analysis.

DO:

Go over the worksheet with participants and allow 2 or 3 minutes for comments or questions.

ASK:

What category of expenditures in this exercise had the highest cost per meal? (Allow participants to volunteer the answer)

FEEDBACK:

If you consider the categories as they are listed, the answer is food which has a cost per meal equivalent of approximately \$1.07 per meal. Some of you may be thinking that labor costs are higher when you add salaries and wages to the employee benefits. If you add \$0.3630 to \$0.8997 the cost of labor per meal equivalent is approximately \$1.26. Another point to consider is the value of USDA Foods. If you add \$1.07 for purchased food cost to the USDA Foods value of \$0.1617 the total food cost for a meal/meal equivalent is approximate \$1.23, so the two categories are actually similar in costs.

ASK:

What is important to remember from this activity? (Pause and allow 1 or 2 participants to respond.)

SAY:

Follow along in your workbook for additional reasons this type of analysis is important.

- Managing expenditures within the revenues received is critical to responsible use of the school nutrition program's resources and in maintaining customer satisfaction.
- Every program, regardless of size or method of service, must evaluate expenditures on a regular basis to control costs.
- When the costs to produce a meal equivalent exceed the average revenue generated per meal, a corrective action plan should be implemented immediately.

Percentages of Operational Costs to Total Revenue

SAY:

Another important measurement of program efficiency is the analysis of operational cost percentages (expenditures) to total revenue, sometimes called operating ratios.

SAY:

Refer to your workbook as we discuss calculating expenditure percentages to total revenue. These percentages relate expenses to revenue and are useful to management because they allow comparison of actual results against the budget, as well as to established goals.

SHOW SLIDE: *Food Cost Expenditure Percentage to Total Revenue*

SAY:

If a school nutrition director wants to know what percent of revenue is being spent for purchased food during a given period, the formula shown on the slide can be used to yield that information. Cost percentages are calculated by dividing each expenditure category in a given period by the total revenue generated during that same period.

Example

If the cost of purchased food totaled \$16,500 for one month and revenue totaled \$30,000, then 55% of the revenue was used to purchase food. In dollar terms, this tells us that \$0.55 out of every \$1.00 generated in revenue was spent for food during the period examined. If the school nutrition program has set a goal that no more than 45% of revenue should be spent on purchased food and there are no exceptional circumstances, then the school nutrition director should quickly take steps to adjust food costs.

Calculating Percentages of Costs to Total Revenue

DO:

Activity: Calculating Percentages of Costs to Total Revenue

SAY:

Please turn to the **Activity: Calculating Percentages of Costs to Total Revenue** in your workbook. Before you begin, let's review the instructions for the activity. Let me point out that this worksheet is a continuation of the previous worksheet. In this worksheet you are to:

1. Calculate the cost percentage to total revenue for each category by dividing the amount in each expenditure category by total revenue (\$2,890,292) and convert to percentages by multiplying by 100.
2. Write your answers in the last column.
3. Add the cost percentages for each category to determine a total for all cost percentages.
4. Work as a team. You have about 7 minutes to complete the worksheet.

Activity: Calculating Percentages of Costs to Total Revenue
Answer Key

Instructions: Calculate the cost percentages to total revenue for each expenditure category. Write your answers in the last column of the table. **Remember:** Calculate the percentages of operational costs to total revenue by dividing the amount in each expenditure category by total revenue and multiplying by 100 to get the percent. The first one has been calculated for you.

Given: Total revenue for the year totaled \$2,890,292.

Expenditure Analysis		
Expenditure Category	Dollar Amount	% of Total Revenue
Salaries and Wages	\$885,170	(.3062 x 100) 31%
Employee Benefits	357,150	(.1235 x 100) 12%
Purchased Food	1,055,135	(.3650 x 100) 37%
USDA Food Value	159,094	(.0550 x 100) 6%
Supplies	260,902	(.0902 x 100) 9%
Capital Assets	102,150	(.0353 x 100) 4%
Indirect Cost	85,125	(.0294 x 100) 3%
Overhead*	93,518	(.0323 x 100) 3%
Total Expenditures	\$2,998,244	105%

*Overhead combines several smaller categories of expenditures for purposes of analysis.

ASK:

What is the percentage for total expenditures? (Allow 1 or 2 participants to answer.)

SAY:

In this exercise the percentage of expenditures to total revenue is 105%.

Note to Instructor: The total of all percentages is 105%, but $2,998,224 \div 2,890,292 = 103.735$. This shows the effect of rounding on large numbers.

ASK:

Since this is more than 100%, what does this tell you about the operation? (Allow 2 to 3 participants to volunteer their answers).

FEEDBACK:

Possible comments could include

- program lost money during the period analyzed,
- expenditures were greater than revenue, and
- operating balance decreased by 5% during the accounting period.

ASK:

What do cost percentages tell us?

SAY:

Refer to your workbook as we review what cost percentages tell us about the bottom line.

SHOW SLIDE: *What do Cost Percentages Mean?*

SAY:

If the total of all cost percentages is

- Less than 100% - operating balance increases (more revenue than expenditures)
- Equal to 100% - operation breaks even (revenue and expenditures are equal)
- More than 100% - operating balance decreases (more expenditures than revenues)

The pitfall of being satisfied with breaking even is that when expenditures and revenues are equal, there is no surplus money for program improvement, expansion, or unexpected costs.

Federal Regulations do allow a school nutrition program to have up to three months operating capital on hand. These reserved funds maintain the programs' nonprofit status.

Comparing Revenue Generated with Program Expenditures

SAY:

Another performance measure that can be used to analyze the finances of a school nutrition program is to compare revenue generated with program expenditures. A quick comparative review can be helpful in making decisions about increasing revenue and controlling costs in school nutrition programs. Turn in your workbook and find a list of benefits comparing revenue generated with program expenditures.

SHOW SLIDE: *Comparing Revenue to Expenditures*

SAY:

By comparing revenue and expenditure financial reports, the school nutrition director can determine the:

1. total net gain/loss to the school nutrition program expressed in dollars,
2. percent of gain/loss expressed in percentage of revenue, and
3. net gain/loss per meal equivalent served.

SAY:

Careful evaluation of revenues and expenditures can help the school nutrition program director optimize financial opportunities to increase program integrity and customer satisfaction.

DO:

Activity: Comparing Revenues to Expenditures

SAY:

Look at the **Activity: Comparing Revenues to Expenditures** in your workbook. Notice the information is a continuation of previous worksheets. At the bottom of the activity, compare revenue with expenditures for the school year. Take a couple of minutes to fill in the two empty cells by calculating both the gain/loss in income and the difference in revenue generated and costs per meal equivalent. Also, answer the three questions after the table.

Comparing Revenues to Expenditures

Activity: Comparing Revenues to Expenditures

Fill in the empty cells in the table, Comparing Revenue with Expenditures, by calculating the total gain/loss in income for the school year and the gain/loss per meal equivalent.

Revenue and Expenditure Analysis

Given: Revenue and Expenditure information from previous activities

Meal Equivalents for the year: 983,810

Revenue Analysis			Expenditure Analysis		
Revenues	Dollar Amount	Per Meal Equivalent	Expenditures	Dollar Amount	Per Meal Equivalent
Student Sales	\$404,300	\$0.4110	Salaries/Wages	\$ 885,170	\$0.8997
Adult Sales	27,803	0.0283	Benefits	357,150	0.3630
Nonprogram Food Sales	113,955	0.1158	Purchased Food	1,055,135	1.0725
Contract Food Sales	14,200	0.0144			
Federal	2,143,150	2.1784	USDA Foods	159,094	0.1617
USDA Foods	159,094	0.1617	Supplies	260,902	0.2652
State	18,835	0.0191	Capital Assets	102,150	0.1038
Bank Interest	3,155	0.0032	Indirect Cost	85,125	0.0865
Miscellaneous	5,800	0.0059	Overhead*	93,518	0.0951
Total	\$2,890,292	\$2.9378	Total	2,998,244	\$3.0475

* Overhead combines several smaller categories of expenditures for purposes of analysis.

Comparing Revenue with Expenditures

	Total	Per Meal Equivalent
Revenue	\$2,890,292	2.9378
Expenditures	2,998,244	3.0475
Net Gain/Loss	(107,952)	(0.1097)

Activity Questions Answer Key

1. Was there a gain or loss for the year? **Loss** If so, how much? **\$107,952**
2. What percentage of total revenue was this? The loss of \$107,952 divided by the total revenue of \$2,890,292 multiplied by 100 gives us a loss of **3.7%**. The loss percentage can also be calculated by dividing the loss per meal equivalent (\$0.1097) by the revenue earned per meal/meal equivalent (\$2.9379) and then entering the % key.
3. What was the loss per meal/meal equivalent? **\$0.1097 or a loss of 11 cents per meal equivalent (rounded).**

Hint: If expenditures are more than revenues, the program experienced a loss.

SAY:

How can school nutrition directors use the information in this exercise to improve program operations? (Allow 2 or 3 participants to volunteer answers.)

FEEDBACK:

Possible comments should include the following: The information can be used to

- determine whether or not immediate corrective action should be taken to increase revenue or reduce costs,
- guide budget development for the following year, and
- make recommendations for program improvement.

Lesson 7: Controlling Food and Labor Costs in School Nutrition Programs

OBJECTIVE 7: Apply cost control measures to operate a financially sound program with nutritional integrity.

Introduction to Topic

SAY:

Look in your workbook at Lesson 7 as we learn more about controlling costs.

SHOW SLIDE: *Controlling Food and Labor Costs in School Nutrition Programs*

SAY:

While time does not permit an in depth discussion of cost controls, it is important to know how to apply cost control measures to operate a financially sound program with nutritional integrity.

Controlling Food and Labor Costs

SAY:

Refer to your workbook as we review important factors that guide us in developing strategies to control food and labor costs in school nutrition programs.

Factor #1 While there are no research-based industry standards, generally accepted guidelines suggest that no more than 80-85 percent of the school nutrition program revenue should be spent on food and labor. This may vary from district to district. However, it is a good benchmark when beginning an analysis of your program.

Factor #2 The school nutrition program director should work together with the business office and school site managers to set goals for food and labor costs as part of the budget planning process.

Factor #3 The school district's success in keeping food and labor costs within the established guidelines depends on the financial management skills of the entire school nutrition program department, including the school nutrition program director, the site level managers, and the school nutrition staff.

ASK:

Who actually controls the costs in the Food Nutrition Program?

FEEDBACK:

Site level program staff (managers and workers)

SAY:

Staff at the site level play an important role in controlling the costs of the program. It is important for them to understand how their use of resources and their productivity can impact on the overall financial status of the program.

Determining Labor Costs

SAY:

Some labor costs, such as raises for employees or increases in the costs of health benefits may be beyond the control of the school nutrition director. However, the use of labor hours and the number of employees assigned to each school site is most often a decision that can be made by the school nutrition department. Most school nutrition programs use Meals Per Labor Hour as a productivity index to monitor the efficiency of an operation and as a guide to determine staffing.

SAY:

Meals Per Labor Hour is a productivity index measured by dividing the total meal equivalents for a given period of time by the total number of paid productive labor hours for the same period.

Paid productive labor hours are the actual hours assigned to a local school site and include all labor charged to and paid for by the school nutrition program for work performed directly related to meals. If workers are paid for sick leave and a substitute is paid, then only the substitute labor should be included in the formula. While this may be difficult to

calculate, sick leave should not be considered productive labor and if used will distort the picture.

SHOW SLIDE: *Meals Per Labor Hour*

SAY:

The formula for determining Meals Per Labor Hour is in your workbook.

$$\text{Meals Per Labor Hour} = \frac{\text{Number of Meals/Meal Equivalents}}{\text{Number of Paid Productive Labor Hours}}$$

In the example shown on the slide, the school nutrition program served 338 meal equivalents for the day and paid for 24 hours of actual labor on the job. This means the school had a productivity index of 14.08 or 14 Meals Per Labor Hour.

Analyzing Productivity Using Meals Per Labor Hour

DO:

Activity: Calculating Meals Per Labor Hour

SAY:

Look in your workbook for the **Activity: Calculating Meals Per Labor Hour** on evaluating Meals Per Labor Hour at a school nutrition site. Three steps are used to analyze meal production.

1. Calculate the current total hours of labor paid daily by multiplying the number of employees by the hours worked and adding for total hours.
2. Calculate the average meals/meal equivalents served using the formulas in Lesson 4.
3. Use the information in Steps 1 and 2 to determine the Meals Per Labor Hour (productivity index) by dividing the number of meal equivalents by the number of paid labor hours.

Activity: Calculating Meals Per Labor Hour Answer Key

Maple School District has determined that an elementary school in the district needs to improve productivity. The school nutrition director and school manager performed the following steps to analyze the existing productivity index. Follow the steps and make the necessary calculations to complete the worksheet.

Step # 1: Calculate the current total hours of labor paid daily in the school nutrition program.

Employee hours paid daily including manager		
Number of Employees	Number of Daily Hours	Total Numbers of Hours
1	7	7
3	6	18
3	5	15
3	3	9
Total Paid Labor Hours Assigned Daily		49

Step # 2: Calculate the average number of meal equivalents served daily.

Note to Instructor: Review the formulas in Step 2 when going over the instructions.

Meal Categories	Meal Equivalents
Lunch (student and adults)	440
Suppers	93
Breakfast (182 x .67)	122
Snacks (75 x .33)	25
Nonprogram Sales \$200 ÷ \$3.1625	63
Total Meal Equivalents	743

Step # 3: Using the information, calculate the Meals Per Labor Hour

Number of Meal Equivalents ÷ Number of Paid Productive Daily Labor Hours

$$743 \div 49 = 15.16 \text{ MPLH}$$

ASK:

Will someone share your answer? (Allow a participant to volunteer the answer.)

FEEDBACK:

The answer is 15.16 Meals Per Labor Hour per day.

ASK:

What does this mean? (Allow a volunteer to answer the question.)

FEEDBACK:

This means if a school site's goal is to produce 17 Meals Per Labor Hour, the director must decide how to trim labor or increase revenue. However, if the school site set a goal of 15 Meals Per Labor Hour, the school met the goal.

SAY:

One of the important decisions any school nutrition director must make is how to lessen the impact of Meals Per Labor Hour on the cost effectiveness of the school meals program. Determining staffing needs is not always the application of a simple formula. Many things may impact staffing in the school nutrition program.

Determining Staffing Needs

DO:

Table/Group Assignment - Assigning Labor

SAY:

Use the index cards on your tables to write at least one factor, other than meal equivalents, used in your school district to assign labor at the school site level. When you have finished, turn the card over in the center of the table and stand up. (Allow 3 to 4 minutes. When everyone is finished with the assignment, ask participants to sit down.)

SAY:

If you were the first person to stand at your table, will you please read all the cards from your table? You may want to take notes of the answers, from the various groups, in your workbook.

FEEDBACK:

Possible criteria used to assign labor include

- the number of meals served,
- the number and type of services offered,
- amount of convenience foods used,
- skill level of employees,
- complexity of menu, and
- type of production system.

SAY:

As you can see, staffing is often complex and requires diligent monitoring by the school nutrition director. Because of this complexity, it is often better to use a desired range of Meals Per Labor Hour. A hypothetical example would be 17-20. In addition, a district may want to set different goals for the elementary and secondary levels. You can check to see if your state agency has set specific goals for Meals Per Labor Hour.

Using Meals Per Labor Hour to Determine Staffing Needs

SAY:

Find the **Activity: Using Meals Per Labor Hour to Determine Staffing Needs** in your workbook. In this scenario, the director uses Meals Per Labor Hour to determine staffing needs by following these steps:

1. Set a goal for the desired number of Meals Per Labor Hour.
2. Divide the total meal equivalents by the desired number of Meals Per Labor Hour to determine the total labor hours needed per day.
3. Determine the difference between current total paid labor hours and desired paid labor.

DO:

Activity: Using Meals Per Labor Hour to Determine Staffing Needs

SAY:

Assume a school district sets a goal of 17 Meals Per Labor Hour. Using the average meal equivalents and total labor hours from the previous worksheet, complete the calculations in Steps 2 and 3 and answer questions 1 and 2 on the worksheet. You have about 8 minutes. Work together as a team.

Activity: Using Meals Per Labor Hour to Determine Staffing Needs

Answer Key

After an evaluation of the productivity level is completed, the school nutrition director can make a decision regarding staffing using the following three steps:

Step 1: Set a goal for the desired number of Meals Per Labor Hour.

Step 2: Divide the total meal equivalents by desired number of Meals Per Labor Hour to determine the total labor hours needed per day.

Step 3: Determine difference between current total paid labor hours and desired paid labor.

Example

Step 1: Desired number of Meals Per Labor Hour = **17**

Step 2: Divide the total meal equivalents from the previous worksheet (743) by the desired number of Meals Per Labor Hour (17). **$743 \div 17 = 44$**

Step 3: Determine the difference between the current total paid labor hours on the previous worksheet (49) and the desired number of labor hours in Step 2.
 $49 - 44 = 5$ labor hours

Question 1: Will the school nutrition director need to add or reduce hours to achieve the goal of 17 Meals Per Labor Hour? **Reduce hours**

Question 2: What are the choices the director will need to consider to achieve the new goal?

Reduce hours of employees

Eliminate positions

Consider ways to share employees in part time positions

ASK:

Will the person wearing the brightest color at each table share an answer with us? We will start with the table on my right for the answer to Step 2. (Proceed around the room asking for answers to Step 2, Question 1, and Question 2.)

ASK:

Are there any other tips regarding how to determine Meals Per Labor Hour you would like to share? Are there any additional questions about how to determine staffing needs?

Using Daily Participation as a Financial Management Tool

SAY:

Another important factor in evaluating productivity and staffing needs is the daily participation level of students in the school meals program. A summary participation report at the end of each month and at the end of the year for each school site and for the overall district operation provides valuable financial information to the school nutrition program director. Refer to your workbook as we discuss using participation as a financial management tool.

SHOW SLIDE: *Using Participation as a Financial Management Tool*

ASK:

Why is the Average Daily Participation useful as a forecasting tool?

FEEDBACK:

Using a participation forecasting tool:

- prevents waste in excess labor hours and overproduction of food,
- reduces customer dissatisfaction because of inadequate staff and too little food
- prepared for the number served,
- identifies potential customers who are not participating, and
- helps set revenue goals.

SAY:

The Average Daily Participation (ADP) for the School Breakfast Program (SBP) and the National School Lunch Program (NSLP) is based on attendance rather than enrollment.

Calculating ADP in this manner is considered fairer to schools as it does not include children who are absent or do not eat lunch or breakfast in the calculation (e.g., part-day kindergartners).

SHOW SLIDE: *Participation Calculations*

SAY:

The *ICN Financial Management Information System* resource includes the steps to follow for calculating Average Daily Participation based on attendance and access to meal service. I encourage each of you to calculate the Average Daily Participation rate for your individual school sites and at the school district level if you have not already done so.

Analyzing Participation

DO:

Activity: Participation Year End Summary Report

SAY:

Look at the year-end participation report summary in your workbook. This activity is designed to help you learn how to analyze a participation report. Keep in mind that this report, like most financial management reports, may differ from district to district and from state to state. For example, in this report calculations for participation percentages are based on the Average Daily Attendance of students who have access to school nutrition programs.

SAY:

Follow along as we review the information provided in the report

1. Under Average Daily Attendance (ADA) in the first column, we see that this district had an ADA of 29,148 for the year.
2. In the third column, we see there were 14,348 students approved as free and 2,626 approved as reduced.
3. The fourth column tells us that the percent of free applications approved was 49 percent of ADP and the percent of reduced to ADP was 9 percent.

4. Other information provided includes

- total meals served for the year and the average number of meals served daily (columns 5 and 6),
- the participation rate by eligibility to Average Daily Participation (column 7), and
- the percent of students in each eligibility category that actually participated in that category (column 8).

Teaching Suggestion: If participants need more explanation, provide an example for column 8 – “Of the 2,626 students approved as reduced, only 66.22% of the reduced eligible students actually participated.”

DO:

Explain the directions.

SAY:

Using the summary report, answer the Activity Questions listed after the worksheet. You do not need to make any calculations. All answers to the questions are found in the report. When you finish, analyze the meaning of the data by answering question 5.

Note to Instructor: Have each table work together to determine possible goals. The person with the most pets will report for the table.

Activity: Participation Year End Summary Report

Days Served – 180

Average Daily Attendance	Eligibility	Students Eligible by Category	% Eligibility by Category	Total Meals	Average Number of Meals Served Daily	% Daily Participation to Average Daily Attendance	% Average Daily Participation by Eligibility Category
Lunch 29,148	Free	14,348	0.49	1,887,502	10,486	35.98	73.08
	Reduced	2,626	0.09	313,030	1,739	5.97	66.22
	Paid	12,174	0.42	715,708	3,976	13.64	32.66
	Totals	29,148	100.00	2,916,240	16,201	55.59	
Breakfast 29,148	Free	14,348	0.49	1,053,906	5,855	20.09	40.81
	Reduced	2,626	0.09	143,608	798	2.74	5.56
	Paid	12,174	0.42	168,413	936	3.21	6.52
	Totals	29,148	100.00	1,365,927	7,589	26.04	

Disclaimer: This is not part of the case study in Lesson 8.

Using the information from the participation report provided above, answer the questions below with the information requested in each statement. Sources for the formulas used to calculate participation rates are provided in your FMIS resource.

Remember: You do not need to calculate any of the information asked for in the **Activity Questions** below! Read the report and answer the questions based on information provided in the report.

Activity Questions:

1. What percentage of all average daily attending students in the school district participated in the lunch program? **55.59** Breakfast program? **26.04**
2. What percentage of the average daily attending students qualified for free meals? **49**

3. The report shows that **55.59%** of average daily attending students participated in the lunch program. What percentage of the average daily attending students who participated received free lunches? **35.98**
4. What percentage of the average daily attending students eligible for a free lunch actually participate in the program on an average day? **73.08** What percentage of the students classified in the "paid" category participate? **32.66**
5. If you were the school nutrition program director in the district looking at this report, what goal or goals might you set for the next school year regarding student lunch and breakfast participation? **(Accept all answers)**

Note: The participation and enrollment figures shown in this statement are for a hypothetical school district and are illustrative only. They are not tied to any other activity in this course. Sources for the formulas used to calculate participation rates are provided in the FMIS resource.

DO:

Hear table responses from each reporter.

Determining Food Cost Factors

SAY:

One of the most important aspects of administering a school nutrition program is managing food costs. It is important for school nutrition directors to monitor food costs on a regular basis. High food costs often are the problem when a school or school district nutrition program is experiencing a financial loss.

SAY:

Refer to your workbook as we discuss why school nutrition program directors need to know the costs of food used during a given period of time.

SHOW SLIDE: *Why Calculate the Cost of Food?*

SAY:

This information is vital in order to

- determine whether costs are within guidelines,
- ascertain if there are sufficient funds to pay expenditures,
- establish the cost for each meal/meal equivalent served, and
- prevent waste and food theft through monitoring food use.

Calculating the Cost of Food Used

SAY:

There are several ways to analyze food costs, but regardless of the method used, management first must calculate the value (cost) of food used in a specific accounting period.

SAY:

Follow along in your workbook as we discuss the steps for calculating the cost of food used as we view the next slide.

SHOW SLIDE: *Calculating Cost of Food Used*

SAY:

The food inventory is taken at the end of the monthly accounting period, the value of the food inventory is calculated, and the cost of purchased food used for the period is determined as follows:

$$\begin{array}{l} \text{Beginning Food Inventory (Food and USDA Foods)} \\ + \text{Food Purchases (Food and USDA Foods)} \\ \hline = \text{Total Food Available} \\ - \text{Ending Food Inventory (Food and USDA Foods)} \\ \hline = \text{Cost of Food Used} \end{array}$$

SAY:

As you can see in the formula given, USDA Foods are included with purchased food. The value of USDA Foods is part of the total cost to the program. Under the single inventory process USDA Foods should be valued at the current commercial purchase cost. This provides a more realistic picture of actual food cost to the program.

SHOW SLIDE: *Example of Calculations for Cost of Food Used*

SAY:

The examples in this slide illustrate how to calculate cost of food used. You can see the calculation is the same for either an annual or a monthly cost.

SAY:

Remember: To obtain current and accurate results, a physical inventory must be taken on a regular basis. A minimum of a monthly inventory is recommended.

ASK:

(Allow participants to volunteer responses. Allow 1 to 2 minutes for responses.)

- How often do you take inventory in your operation?
- How do you use your inventory as a management tool?
- Which items in a physical inventory do you consider the most important?

DO:

Activity: Calculating Cost of Food Used

SAY:

Find the **Activity: Calculating Cost of Food Used** in your workbook. Determine the cost of food used for the month of February. Take about five minutes to complete your calculations.

Activity: Calculating Cost of Food Used Answer Key

The Cost of Food Used in a school nutrition program should be calculated a minimum of monthly. Follow the bolded instructions on the worksheet and complete the activity.

Determine the beginning inventory for the month of February*		\$8,496
Month	End of Month Inventory Value	Value of Food Purchases
January	\$ 8,496	\$ 24,021
February	\$ 7,144	\$ 18,677
March	\$ 9,297	\$ 21,583
Add the food purchases for the month of February		\$ 18,677
Equals food available in February		\$ 27,173
Less ending February inventory		\$ 7,144
Cost of food used in February		\$ 20,029

***Hint:** The beginning inventory of the month is the ending inventory of the previous month. For example, the beginning inventory for March is \$7,144.

Food Cost Containment

SAY:

One of the most pressing issues faced by school nutrition directors is the rising costs of food. Adding to that concern is the challenge of purchasing food products that meet nutrition standards associated with meal pattern requirements and wellness policy implementation goals. It is important for directors to determine those factors that influence food costs.

Handout: Ways to Lower Food Costs in School Nutrition Programs

1. Set a goal for managing food costs. Allocate a percentage, for example, 40% of revenue for food costs.
2. Monitor meal costs. Calculate the average food cost per meal on a regular basis.
3. Use standardized recipes. This will ensure more consistent products and shorten training times.
4. Pre-cost and post-cost menus to ensure food items are within predetermined costs levels.
5. Use cycle menus.
6. Reduce plate waste by analyzing reasons for discarded foods. Are menu items unpopular, portions too large, or poor quality?
7. Use portion control tools to ensure accurate serving sizes of menu items.
8. Avoid overproduction of food by careful forecasting. Consider the weather, school activities, and short-day schedules for students.
9. Calculate kitchen waste and account for why it happened. Track cooking mistakes and mis-orders.
10. Manage the purchase of food items through bids and keeping specialized purchases to a minimum.
11. Maintain inventory control.
12. Prohibit the removal of food items from the premises. Do not allow "leftovers" to be taken home.
13. Follow receiving and storage procedures to minimize shortages.
14. Decrease food costs through use of USDA Foods.
15. Implement security measures. Product theft can cause major increase in food costs.
16. _____.
17. _____.
18. _____.
19. _____.
20. _____.

Lesson 8: Developing and Analyzing a School Nutrition Program Budget

OBJECTIVE 8: Explain the importance of using the budget to analyze and control revenues and expenditures.

Introduction to Topic

SHOW SLIDE: *Developing and Analyzing a School Nutrition Budget*

SAY:

The objective for this lesson is that, upon completion of the activities, school nutrition directors will be able to explain the importance of using the budget to analyze and control revenues and expenditures.

The link between financial management and budget preparation gives the budget document a unique role in school nutrition programs. The next activity is designed to help you understand the process of budget planning and serves as a review activity.

Note to Instructor: The case study in this lesson is rather long and participants may need some guidance from the instructor as they work through the various activities. In order to maintain the attention of the participants, break up the case study into sections. Review the assumptions for revenue first and then have participants perform the calculations. Review the answers. Then move to expenditures and follow the same process. Finally proceed to the analysis section of the case study. Have participants work on one question at a time, review the answers, and then move to the next question. This method will assist in the review process and keep the participants interested in the activity.

Budget Building: A Case Study

SAY:

Turn in your workbooks to **Budget Building: A Case Study**. As you work through the case study, you will be required to use financial management tools introduced in the earlier lessons. Some of the calculations have been completed to allow more time for discussion and questions. You can apply the concepts used in the case study during development of your own school nutrition program budget.

SAY:

Your workbook contains **Annual Revenue and Expenditure Reports** for use as a reference. When building a budget for the next school year it is important to start by collecting summary revenue and expenditure data for the current year. Follow along in your workbook as we review the **Annual Revenue Report** for the current year.

SAY:

The case study identifies program assumptions for both revenue and expenditures based on review of current and historical financial data.

Follow along in your workbook as we review the forecasted revenue information for meal prices and reimbursement.

- The school district will continue to serve meals 180 days per year.
- The number of meals served in each category is expected to stay the same in the new budget year.
- To meet the PLE requirements for the upcoming school year, some of the prices are being raised. The new prices are provided in the case study.
- The federal reimbursement rates are provided at the beginning of the case study.

SAY:

Turn to the **Revenue Budget Projection Worksheet** in your workbook. This worksheet outlines the revenue projections for the coming year. Perform the calculations for the blank cells to determine the meal revenue. You have approximately 8 minutes for these calculations and then we will review the answers.

Note to Instructor: Walk around the room and provide assistance for those needing more guidance.

DO:

Review the answers with the participants.

SAY:

Now let's look at the other sources of revenue. Follow along in your workbook as we review the forecasts for these sources of income.

- Nonprogram food sales will increase by 3% due to increased prices.
- Contract meal sales will increase by 3% due to a meal price increase.
- Interest on bank deposit will increase in July by 1%.
- State reimbursement will increase by 2%.
- It is estimated that the district will receive \$5,800 in miscellaneous funds as a result of late disbursement of current year rebates.
- The USDA Foods value increased to \$0.2325 cents per lunch. The amount received will be based on the number of lunches served in the current school year. (Because we are developing a budget for the next school year, the current year becomes the previous year for purposes of the USDA Foods value calculation.)

SAY:

Return to the **Revenue Budget Projections Worksheet** in your workbook and perform the calculations for blank cells under Other Revenue. Note the tip on how to perform the calculation when figuring a percentage increase. You will have approximately 5 minutes for these calculations and then we will review the answers.

DO:

Review answers with the participants.

SAY:

We will now review the forecasts for the expenditure side.

- There will be a 2% raise in salaries and a 1.5% increase in benefits.
- Food costs are expected to increase by 4.5% based on market trends.
- Supply costs are expected to go up by 1.5% due to expanded Grab & Go meal options.
- The program plans to add two new pieces of equipment for a total cost of \$50,000.
- The indirect cost charged by the district will remain the same.
- Overhead is expected to increase 1%.

SAY:

Find the **Expenditure Budget Projections Worksheet** and calculate the blank cells.

DO:

Review the answers.

Maple School District Annual Revenue Report (Current Year)

Meals Revenue

Breakfast	Number	Price Charged	Reimbursement	Total \$
Full Price Elementary	13,527	\$ 1.00		\$ 13,527
Full Price Secondary	6,764	1.50		10,146
Reduced Price Elementary	11,623	0.30		3,487
Reduced Price Secondary	5,812	0.30		1,744
Adult Breakfast	0	1.75		0
Full Price Fed. Reimb.	20,291		\$ 0.27	5,479
Reduced Price Fed. Reimb.	17,435		1.25	21,794
Free Student Fed. Reimb.	271,759		1.55	421,226
Sub Total Revenue/Breakfast				\$ 477,403
Lunch	Number	Price Charged	Reimbursement	Total \$
Full Price Elementary	91,209	\$ 2.50		\$ 228,023
Full Price Middle	30,555	2.75		84,026
Full Price High	15,050	2.75		41,388
Reduced Price Elementary	36,597	0.40		14,639
Reduced Price Secondary	18,299	0.40		7,320
Adult Lunch	10,110	2.75		27,803
Full Price Fed. Reimb.	136,814		\$ 0.27	36,940
Reduced Price Fed. Reimb.	54,896		2.46	135,044
Free Student Fed. Reimb.	507,604		2.86	1,451,747
Sub Total Revenue/Lunch				\$ 2,026,930
Other Reimbursable Meals				
Afterschool Snacks (Free Site)	29,873		\$ 0.78	23,301
Suppers (Free Site)	16,650		2.86	47,619
Sub Total Revenue/ Other Reimbursable Meals				\$ 70,920
Total Meals Revenue				\$ 2,575,253

Other Revenue

Other Revenue Categories	Notes	Revenue
Nonprogram Food Sales	Extra foods, à la carte, special school events	\$ 113,955
Contract Food Sales	Local organization (private school)	14,200
Interest		3,155
State Reimbursement	District receives one annual payment	18,835
Miscellaneous	Rebates on food, previous year purchases	5,800
Subtotal Other Revenue		\$ 155,945
USDA Foods Value	Based on reimbursable lunches previous year	\$ 159,094
Total All Revenue	Breakfast, Lunch/Other Meals, Other Revenue, USDA Foods Value	\$2,890,292

Maple School District Annual Expenditure Report (Current Year)

Expenditure Category	Expenditure Amounts
Salaries and Wages	\$ 885,170
Employee Benefits	357,150
Purchased Food	1,055,135
USDA Foods Value	159,094
Supplies	260,902
Capital Assets	102,150
Indirect Costs	85,125
Overhead	93,518
Total Annual Expenditures	\$ 2,998,244

Budget Building: A Case Study - Answer Key

Revenue Budget Projection Worksheet

Note to Instructor: Shaded cells are blank in the Participant Workbook. Calculations are rounded to the nearest whole number.

Breakfast	Number	Price Charged	Reimbursement	Total \$
Full Price Elementary	13,527	\$ 1.25		\$ 16,909
Full Price Secondary	6,764	1.50		10,146
Reduced Price Elementary	11,623	0.30		3,487
Reduced Price Secondary	5,812	0.30		1,744
Adult Breakfast	0	2.00		0
Full Price Fed. Reimb.	20,291		\$ 0.28	5,681
Reduced Price Fed. Reimb.	17,435		1.28	22,317
Free Student Fed. Reimb.	271,759		1.58	429,379
Sub Total Revenue/Breakfast				\$ 489,663
Lunch	Number	Price Charged	Reimbursement	Total \$
Full Price Elementary	91,209	\$ 2.50		\$ 228,023
Full Price Middle	30,555	2.75		84,026
Full Price High	15,050	3.00		45,150
Reduced Price Elementary	36,597	0.40		14,639
Reduced Price Secondary	18,299	0.40		7,320
Adult Lunch	10,110	3.25		32,858
Full Price Fed. Reimb.	136,814		\$ 0.28	38,308
Reduced Price Fed. Reimb.	54,896		2.53	138,887
Free Student Fed. Reimb.	507,604		2.93	1,487,280
Sub Total Revenue/Lunch				\$ 2,076,491
Other Reimbursable Meals				
Afterschool Snacks (Free Site)	29,873		\$ 0.80	23,898
Suppers (Free Site)	16,650		2.93	48,785
Sub Total Revenue/ Other Reimbursable Meals				\$ 72,683
Total Meals Revenue				\$ 2,638,837

Other Revenue

Other Revenue Categories	Note: Current Year Revenue	100% plus % Increase	Budget Revenue
Nonprogram Food Sales	\$ 113,955	3% (Multiply x 103 and then hit the Percent sign instead of the equal sign)	\$ 117,374
Contract Meal Sales	\$ 14,200	3%	14,626
Interest	\$ 3,155	1%	3,187
State Reimbursement	\$ 18,835	2%	19,212
Miscellaneous	\$ 5,800	Based on historical data	5,800
Sub Total Other Revenue			\$ 160,199
USDA Foods Value	\$ 159,094	*699,314 x 0.2325	\$ 162,591
Total All Revenue		Breakfast, Lunch/Other Meals, Other Revenue, USDA Foods Value	\$ 2,961,627

*Lunches served the previous year x the current USDA Foods Value

Note: Check with your state agency for the best method to project revenue from state funds. If state funds are issued on reimbursable meals served, and are received on a monthly basis, add sections under meal and breakfast categories for state revenue.

Budget Building: A Case Study - Answer Key

Expenditure Budget Projection Worksheet

Expenditure Category	Current Year Expenditure Totals	Projected % Increase	New Budget Expenditures
Salaries and Wages	\$ 885,170	2% (Multiply x 102 then hit percent sign instead of equal sign)	\$ 902,873
Benefits	\$ 357,150	1.5% (Multiply x 101.5 then hit percent sign instead of equal sign)	\$ 362,507
Purchased Food	\$ 1,055,135	4.5%	\$ 1,102,616
USDA Foods Value	\$ 159,094	699,314* x 0.2325 (should match revenue)	\$ 162,591
Supplies	\$ 260,902	1.5%	\$ 264,816
Capital Assets	\$ 102,150	Based on need	\$ 50,000
Indirect Costs	\$ 85,125	No Change	\$ 85,125
Overhead	\$ 93,518	1%	\$ 94,453
Total Expenditures	\$ 2,998,244		\$ 3,024,981

* Lunches served the previous year x the current USDA Foods value

Analyzing the Budget: Answer Key

A budget is a tool for financial management. It helps the school nutrition director decide if there is a need for revenue increases, expenditure reductions, or a combination of both. Analyze the budget projections you have just completed for the Maple School District by answering the following questions.

1. What is the projected bottom line net (gain/loss) in the budget? Compare the Revenue Budget worksheet with the Expenditure Budget worksheet.

**Total revenue (\$2,961,627) – Total expenditures (\$3,024,981) = Loss
- \$63,354**

2. Based on the budget worksheets, will there be an improvement in the financial status of the Maple School District school nutrition program in the next school year? If so, how much?

Yes. The current year loss is \$107,952; budget projected loss is \$63,354; a loss reduction of \$ 44,598.

3. What contributed to the improvement?

Feedback: Meal price increases; nonprogram food price increases; less money budgeted for equipment.

4. What are the percentages of projected expenditures to total budgeted revenue in the expenditure categories (operating ratios)? (Total projected revenue in new budget = \$2,961,627). Calculate to the nearest half percent.

Calculate the current year's expenditures to total revenue percentage to determine if this is an improvement.

Feedback: Yes, current year's total expenditures percentage is 105%.

Category	Budgeted Amount (From the Budget Expenditure Worksheet)	% of Revenue
Salaries and Wages	\$ 902,873	30.5%
Employee Benefits	\$ 362,507	12%
Purchased Food	\$ 1,102,616	37%
USDA Foods Value	\$ 162,591	5.5%
Supplies	\$ 264,816	9%
Capitol Assets	\$ 50,000	2%
Indirect Costs	\$ 85,125	3%
Overhead	\$ 94,453	3%
Total Expenditures	\$ 3,024,981	102%

5. How many total meal equivalents are projected in the new budget? Complete the cells and make the necessary calculations.

Meal Category	Meals/Sales	Conversion Factor	Meal Equivalents
Student Lunch	699,314	1	699,314
Adult Lunch	10,110	1	10,110
Student Suppers	16,650	1	16,650
Student Breakfast	309,485	x .67	207,355
Student Snacks	29,873	x .33	9,858
Nonprogram Food Sales/ Contract Meal Sales	\$ 132,000	Total sales ÷ (current Free Lunch Reimbursement + current USDA Foods Value*)	41,772
Total Meal Equivalents			985,059

*For purposes of this training the Free lunch rate is \$2.93 + 0.2325 USDA Foods Value = \$3.16

6. What is the projected revenue per meal equivalent in the new budget?

Total Projected Revenue ÷ Projected Meal Equivalents

$$\text{\$ 2,961,627} \div \text{985,059} = \text{\$3.01}$$

7. What is the projected cost to produce a meal?

Projected Expenditures ÷ Projected Meal Equivalents

$$\text{\$ 3,024,981} \div \text{985,059} = \text{\$3.07}$$

8. Are there any changes you would recommend to erase this deficit? Why?

SHOW SLIDE: *Financial Management Review, Post-Assessment, and Training Evaluation*

SAY:

At the beginning of this course, you were asked whether you could answer several basic financial questions about your school district's school nutrition program. As a result of learning about financial management in this training seminar, you should be able to find answers to those questions in the district's financial statements or reports. Increase your knowledge by looking for answers to these questions when you return to your district. Let's review the questions and identify the corresponding lesson to see if you are more confident that you can find the answers or perform the calculations to answer each of the questions.

Note to Instructor: Ask the questions discussed at the beginning of the course. Tell participants the lesson number where they can find the answer. If time permits, ask participants to say the lesson number.

ASK:

Questions

1. What are the main sources of revenue for the school nutrition program in your district? (Hint: Student paid meals? Federal reimbursement? Nonprogram food sales?) (Lesson 2)
2. What percentage of total revenue is attributed to each source of revenue? (Lesson 5)
3. What different expenditure categories are used for the school nutrition program in your district? (Hint: Labor is one expenditure category, try to name at least 5 others) (Lesson 2)
4. How much does it cost, on an average, to produce a meal in your school district? (Lesson 6)
5. What percentage of total revenue is the school nutrition program spending for labor? For food? (Lesson 6)
6. What is the labor productivity (Meals Per Labor Hour) index in your school/school district? (Lesson 7)
7. What was the net gain or loss in the school nutrition program last year? (Lesson 8)

8. Do employees in your school nutrition program understand the importance of cost controls to the success of the program? (Lesson 7)
9. What do Average Daily Participation comparisons in your school/school district for the last 3 years indicate? (Lesson 7)

The key to financial integrity and program excellence can be found in the answers to these questions.

SHOW SLIDE: *This Training Conducted by the*

SAY:

We'll wrap up the training today by completing a Post-Assessment activity. Please put the personal identifier you used on the Pre-Assessment in the upper right hand corner.

DO:

Distribute the Post-Assessment. Allow approximately 8 minutes to complete the activity.

SAY:

When you have completed the Post-Assessment be sure your identifier is in the upper right hand corner. When all are completed, have one person at the table collect them and place them face down at the edge of the table.

SHOW SLIDE: *ICN (Mission/Purpose)*

SAY:

Evaluations will be (or have been) distributed. ICN values your input and comments regarding this training.

Note to Instructor: Make closing comments, such as thanking group for participation and reminding them that there is much to learn. Remind them to check www.theicn.org, What's New often as a way to find out what types of training programs are offered by ICN.

Note to Instructor: Collect evaluations and present class completion certificates using a method that has worked for you in previous trainings. Remember, evaluations are to be collected and returned by a representative of the training sponsor for return to ICN.

ICN Financial Management Resources

Available at www.theicn.org

Financial Management: A Course for School Food Service Directors – Webinars

- Webinar # 1 - Originally aired January 7, 2010, this first webinar established a foundation for the upcoming webinars that will provide school nutrition directors with the necessary tools to use when analyzing and evaluating
- Webinar # 2 - Originally aired January 21, 2010, the objective of this webinar was to learn to use and interpret financial information for program analysis and evaluation.
- Webinar # 3 - Original air date: February 4, 2010, this webinar provided instructions on how to use financial information as a tool to improve program operations and accountability.

Financial Management: A Course for School Nutrition Managers

Financial Management: A Course for School Nutrition Managers is designed specifically for school nutrition managers. The resource covers a variety of financial management topics including forecasting menu item usage, ways to control food and labor costs, and calculating the cost of menu items. Published 2013.

Insight No. 44 -- Research-Based Competencies Identified as Important to Being a Successful School Nutrition Director

Report on research to identify the current competencies, knowledge, and skills needed by district-level school nutrition professionals and determine the importance of these competencies. Published 2011.

Inventory Management and Tracking

The Inventory Management and Tracking Reference Guide presents information about inventory management and tracking that may be new to school nutrition operators and updates information about traditional inventory management in light of new traceability expectations. Published 2012.

ICN Financial Management Information System

This report describes a standard method of data collection and financial analyses developed to assist school nutrition directors evaluate financial management decisions. This standard method includes procedures for consistently recording financial data, recommendations for generating standard financial reports, and guidelines for interpreting the outcome of financial decisions. Published 2014.

ICN Financial Management Seminar

Instructor Manual for Financial Management Course that identifies sound financial principles as the primary foundation for School Nutrition Programs. Published 2014.

ICN Financial Management Seminar Workbook

Participant workbook for the Financial Management Course. Published 2014.

School Nutrition Program Utilization of the ICN FUNDamentals Financial Management Software

The purpose of this study was to evaluate both the use of FUNDamentals and user perception of its effectiveness in improving the operation of the school nutrition program. Report on research to identify the current competencies, knowledge, and skills needed by district-level school nutrition professionals and determine the importance of these competencies. Published 2010.

Government Resources

Financial Accounting for Local and State School Systems

This Institute of Education Sciences, National Center for Education Statistics handbook represents a national set of standards and guidance for school system accounting including school nutrition programs. The publication focuses on defining account classifications that provide meaningful financial management information and complying with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). 6/23/2009 Edition. Available online from the U.S. Department of Education, National Center for Education Statistics at http://nces.ed.gov/pubs2009/fin_acct

Healthy, Hunger-Free Kids Act of 2010; Public Law 111-296

This reauthorization of Child Nutrition Programs legislated significant changes to school nutrition program requirements. www.gpo.gov/fdsys/pkg/PLAW-111publ296/pdf/PLAW-111publ296.pdf

Texas Department of Agriculture: NSLP Handbook Administrators Reference Manual, Section 15: Adult Meal Pricing; December 2009;

www.squaremeals.org/Portals/8/files/ARM/ARM_Compressed_All_Sections_13_12_09.pdf

USDA Administrative Review Guidance Manual; Section IV: Resource Management

www.fns.usda.gov/sites/default/files/ARManual.pdf

**USDA Policy Memo SP 39-2011 – Revised: Child Nutrition Reauthorization 2010:
Guidance on Paid Lunch Equity and Revenue from Nonprogram Foods**

www.fns.usda.gov/cnd/governance/Policy-Memos/2011/SP39-2011osr.pdf

USDA Policy Memo SP41-2011: Indirect Costs, Guidance for State Agencies and School Food Authorities

The Healthy, Hunger-Free Kids Act of 2010, Public Law 111-296 required Food and Nutrition Service (FNS) to provide guidance on program rules pertaining to indirect costs. The memorandum provides guidance describing the Federal requirements state agencies (SA) and school food authorities (SFA) must comply with in the National School Lunch Program (NSLP) and School Breakfast Program (SBP) with respect to indirect costs. Included in the memorandum is OMB guidance 2 CFR Part 225 with Attachments A, B, and E. 2 CFR Part 225 was previously referenced as OMB circular A-87. www.fns.usda.gov/sites/default/files/SP41-2011_os.pdf

USDA Policy Memo SP 34-2013: Paid Lunch Equity: Guidance for SY 2013-14

www.fns.usda.gov/cnd/governance/Policy-Memos/2013/SP34-2013os.pdf

Non-Government Resources

Governmental Accounting Standards Board (GASB)

GASB is an independent organization that establishes and improves standards of accounting and financial reporting for US state and local governments. These standards make it easier for users to understand and use the financial records of both state and local governments. GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting practices (GAAP) for state and local governments. www.gasb.org/; Statement 34, 6/2009, retrieved 6/12/13; Statement 59, 2/2009, retrieved 4/21/13.

School Nutrition Association

2012 Back to School Trends Report,

School Nutrition Operations Report 2011

2013 Big Little Fact Book,

Doing the Right Thing, School Nutrition magazine, February 2011

Stretching That Dollar, Susan Davis Gryder, November 2009

www.schoolnutrition.org

Supplemental Websites

Competencies, Knowledge, and Skills for District-Level School Nutrition Professionals in the 21st Century: www.theicn.org

FNS Indirect Cost Guidance (SP 41-2011 with attachments):
www.fns.usda.gov/sites/default/files/SP41-2011_os.pdf

ICN Financial Management Information System: www.theicn.org

Institute of Child Nutrition: www.theicn.org

National School Lunch Program and Child Nutrition Act; competitive foods:
www.fns.usda.gov/cnd/governance/legislation/allfoods_flyer.pdf

School Nutrition Association: <http://www.schoolnutrition.org>

USDA Child Nutrition Data Tables:
<http://www.fns.usda.gov/school-meals/about-child-nutrition-programs>

USDA Paid Lunch Equity Information Updates: <http://www.fns.usda.gov/sites/default/files/SP1-2014os.pdf>

USDA Paid Lunch Equity Tool: <http://www.fns.usda.gov/attachment-sp15-2014-paid-lunch-equity-school-year-2014-2015-calculations-and-tool>

USDA Nonprogram Food Revenue Tool:
<http://www.fns.usda.gov/cnd/Governance/Policy-Memos/2011/SP39-2011ar.xls>

USDA Food and Nutrition Service: www.fns.usda.gov/cnd

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- U.S. Department of Agriculture, Food and Nutrition Service (2013), National School Lunch Program Regulations, SP34-2013, *Paid Lunch Equity: Guidance for SY 2013-14*, Alexandria, VA: Author.
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Calculator Tip Sheet

Time saving tip when using a repetitive multiplier or a repetitive divisor when using a calculator (repetitive multipliers or divisors are retained in memory automatically by default).

Repetitive Multiplier

- Enter your multiplier first
 - Followed by the "X" sign
 - Followed by the number you want to multiply
 - Hit "=" sign for answer
 - Enter the second number you want to multiply
 - Hit "=" sign for answer
- Etc.

Example with repetitive multiplier "5"

$$5 \times 9 = 45$$

$$6 = \{30\}$$

$$8 = \{40\}$$

Repetitive Divisor

- Enter the number you want to divide
 - Followed by the division sign, \div or $/$
 - Followed by your divisor
 - Hit "=" sign for answer
 - Enter the second number you want to divide
 - Hit "=" sign for answer
- Etc.

Example with repetitive divisor "200"

$$20 \div 200 = .10$$

$$40 = \{.20\}$$

$$100 = \{.50\}$$

Pre/Post-Assessment Answer Key

1. Financial management includes the process of defining
 - a) accounts payable and receivables.
 - b) free and reduced price meals.
 - c) statement of activities.
 - d) program objectives and financial goals.**

2. Revenue received from students for the sale of nonprogram food items is classified as a
 - a) local source.**
 - b) miscellaneous source.
 - c) school source.
 - d) fund transfer.

3. The financial report most often used by school nutrition program directors to analyze whether the expenses of the operation are being managed within the revenues received is the
 - a) statement of net position.
 - b) statement of activities.**
 - c) statement of revenue.
 - d) budget.

4. Three types of budgeting are
 - a) zero, assets, and combination.
 - b) assets, incremental, and combination.
 - c) zero, incremental, and assets.
 - d) zero, incremental, and combination.**

5. The conversion of different meal services to a standard unit of measure is
 - a) meal reimbursement.
 - b) nonprogram food sales.
 - c) meal equivalency.**
 - d) Meals Per Labor Hour.

6. Meals and other food items sold in the school nutrition programs, but are not eligible for reimbursement through federal funds are
 - a) meal equivalents.
 - b) meal reimbursements.
 - c) nonprogram foods.**
 - d) competitive foods.

7. If a school district sets a goal of 38% for their food cost percentage, what is the base selling price for a bag of baked chips that has a raw food cost of \$0.19?
 - a) \$0.40
 - b) \$0.50**
 - c) \$0.70
 - d) \$0.75

8. If the total of all cost percentages is less than 100%, then the operating balance
 - a) Increases.**
 - b) decreases.
 - c) Breaks even.
 - d) is over budget.

9. Meals Per Labor Hour can be measured by
 - a) dividing the average number of meals served for a given period by the Average Daily Attendance.
 - b) dividing the average number of meals served for a given period by the average number of labor hours.
 - c) conducting a time and motion study.
 - d) dividing the average number of meals served for a given period by the number of paid labor hours.**

10. Budget forecasting means
 - a) surveying your customers for program improvement planning.
 - b) gathering feedback on the school nutrition program from the school wellness team.
 - c) estimating or calculating revenues and expenditures in advance by analyzing data.**
 - d) developing a catering program.

11. The school nutrition director can determine the net excess/deficit per meal or meal equivalent served by
- a) analyzing the meal cost per expenditure.
 - b) analyzing the percentages of operational costs to total revenue.
 - c) comparing revenues to expenditures.**
 - d) analyzing the total cost to produce a meal/meal equivalent.
12. When conducting a financial analysis of your school nutrition program, which two program areas should be reviewed first?
- a) catering and special functions
 - b) customer service and equipment
 - c) revenues and expenditures**
 - d) purchasing and menus



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