

# KPI

## Mini-Series

for School Nutrition Programs

### Revenue Per Meal Equivalent (MEQ)

**Objective:** Calculate revenue per meal equivalent to determine if there is sufficient revenue to cover meal costs.

#### Preparation Checklist

**Instructions:** The following tasks are necessary for presenting the trainings. Keep track of the progress by checking off tasks as they are completed. (Items may vary according to needs of particular lessons.)

Task	Person Responsible	Completion Date	✓
<p><b>Reserve equipment and gather supplies as needed for use on the day of class (6 weeks prior).</b></p> <p>Roster of participants attending for instructor Participants' sign-in sheets</p> <p><b>Task to do before the training</b> Print handouts and activities for each participant Print activity answer keys for each participant to pass out at the end of the lesson</p> <p><b>List of equipment and supplies needed</b> Microphone (preferably wireless) Calculators Pens, pencils, note paper, self-adhesive notes, (each table) Chart paper and markers</p>	Instructor		

**Objective:** Calculate revenue per meal equivalent to determine if there is sufficient revenue to cover meal costs.

**SAY:** Hello, everyone. Welcome to the KPI lesson on revenue per meal equivalent (MEQ). Today we are discussing how to calculate revenue per meal equivalent (MEQ). Revenue per MEQ is a revenue management tool to help manage and analyze trends and project revenues. It is important to calculate and compare revenue per MEQ to costs per MEQ to ensure there is sufficient revenue to cover meal costs. This calculation simplifies the analysis of revenue by source. Trends and directions for improvement can be identified so that better financial decisions are made.

**ASK:** How often should you calculate revenue per MEQ?

**DO:** Allow time for participants to respond.

**FEEDBACK:** Revenue per meal equivalent can be calculated weekly or monthly.

**SAY:** Let's look at the equation you should use to calculate revenue per meal equivalent, and then complete an activity. The equation is

$$\text{Revenue} \div \text{Total Meal Equivalents (MEQs)} = \text{Revenue per MEQ}$$

**DO:** Distribute copies of the worksheet **Calculating Revenue Per Meal Equivalent**. Ask the participants to complete this worksheet.

**SAY:** Let's complete an activity to see what you have learned. Look at the **Calculating Revenue Per Meal Equivalents** activity worksheet.

**DO:** Read the instructions. Give participants about five (5) minutes to complete the activity. Walk around to help anyone that may have questions or needs help. At the end of the five minutes, go over the answers. Explain how to calculate the answers if someone does not understand.

## Calculating Revenue Per Meal Equivalent

**Instructions:** Anywhere School District is spending \$3.33 on each meal served. Calculate the revenue per meal equivalent to determine if the school district is making a profit, breaking even, or losing money and the amount. Carry out the answers 4 places behind the decimal. You will have about five (5) minutes to complete the activity.

Revenue Source	Revenues	÷	Total MEQs	=	Revenue per Meal Equivalent
Student Meal Sales	\$18,250	÷	49,463	=	
Adult Meal Sales	\$1,250	÷	49,463	=	
Nonprogram Food Sales	\$5,140	÷	49,463	=	
Contract Food Sales	\$640	÷	49,463	=	
Federal Reimbursement	\$96,740	÷	49,463	=	
USDA Foods	\$7,180	÷	49,463	=	
State Reimbursement	\$850	÷	49,463	=	
Interest	\$140	÷	49,463	=	
Miscellaneous	\$260	÷	49,463	=	
<b>Totals</b>	<b>\$130,450</b>	÷	49,463	=	

## Calculating Revenue Per Meal Equivalent Answer Key

Revenue Source	Revenues	÷	Total MEQs	=	Revenue per Meal Equivalent
Student Meal Sales	\$18,250	÷	49,463	=	<b>\$0.3690</b>
Adult Meal Sales	\$1,250	÷	49,463	=	<b>\$0.0253</b>
Nonprogram Food Sales	\$5,140	÷	49,463	=	<b>\$0.1039</b>
Contract Food Sales	\$640	÷	49,463	=	<b>\$0.0129</b>
Federal Reimbursement	\$96,740	÷	49,463	=	<b>\$1.9558</b>
USDA Foods	\$7,180	÷	49,463	=	<b>\$0.1452</b>
State Reimbursement	\$850	÷	49,463	=	<b>\$0.0172</b>
Interest	\$140	÷	49,463	=	<b>\$0.0028</b>
Miscellaneous	\$260	÷	49,463	=	<b>\$0.0053</b>
<b>Totals</b>	<b>\$130,450</b>	÷	49,463	=	<b>\$2.6374</b>

**ASK:** Is Anywhere School District making a profit, breaking even, or losing money and by how much?

**DO:** Allow time for participants to respond.

**FEEDBACK:** The school district is losing money – about \$0.69 per MEQ.

**SAY:** You will need to obtain revenues by source and meal count data to calculate revenue per meal equivalents. The meal count data is needed to calculate MEQs. Meal count data is usually captured electronically or manually at the point-of-sale system utilized by SN programs.

Revenue is found on the revenue and expenditure statement or you can obtain the information from the business office. The revenue and expenditure statement is sometimes called an income statement or statement of activities. This report identifies revenues, expenditures, and fund balance for the current period, the previous period, and year-to-date. It is usually prepared at the end of the month by the SN office or the school business office.

**SAY:** The best way to use revenue per meal equivalents is to compare it to the cost per meal equivalents to ensure that costs are lower than revenues, and the SN program is self-supporting. This key performance indicator (KPI) can be used to determine areas where revenue can be increased. You can also make better fiscal decisions, such as whether to increase prices (especially for adult meals, contracted sales, and nonprogram food sales). Revenue per meal equivalents can be compared to budget projections, to the previous month's revenue per meal equivalents, and the previous year's figures. Trends and directions for improvement can be identified so that effective financial decisions are made. Revenue per meal equivalents should meet or exceed the Federal reimbursement rate for a meal breakfast, lunch, snack, and supper.

The following is a list of some factors that can influence revenue per meal equivalents:

- Average daily participation (ADP)
- Average daily attendance (ADA)
- Labor costs
- Food costs
- Pricing of meals and á la carte items
- Use of USDA Foods
- The percentage of students eligible for free and reduced-price meals
- Open or closed campus
- Method of foodservice delivery

**ASK:** Do you have any questions about revenue per meal equivalent and how to calculate it?

**DO:** Answer questions to the best of your ability. If there are questions you cannot answer, tell the participants you will find out the answer and get back with them.

**SAY:** Thank you for participating in today's training. I hope you will take this information back to your school and begin to use it to determine how much revenue you are receiving per meal equivalent.



## References

- Institute of Child Nutrition. (2018). *Essential KPIs for school nutrition success*. University, Mississippi: Author.
- U.S. Department of Agriculture. (2015). *Professional standards for school nutrition professionals*. <https://www.fns.usda.gov/school-meals-professional-standards>
- U.S. Department of Agriculture, Food and Nutrition Service. (2019). *Food distribution program: Value of donated foods* (July 1, 2019 - June 30, 2020). <https://www.fns.usda.gov/usda-fis/fr-081219>
- U.S. Department of Agriculture, Food and Nutrition Service. (2019). *National school lunch, special milk, and school breakfast programs, national average payments/maximum reimbursement rates*. <https://www.federalregister.gov/documents/2019/08/07/2019-16903/national-school-lunch-special-milk-and-school-breakfast-programs-national-average-paymentsmaximum#p-31>



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