

KPI

Mini-Series

for School Nutrition Programs

Expenditures

Objective: Interpret and analyze expenditures on a monthly report to monitor expenditures and identify monthly and annual trends.

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>Reserve equipment and gather supplies as needed for use on the day of class (6 weeks prior).</p> <p>Roster of participants attending for instructor Participants' sign-in sheets</p> <p>Task to do before the training 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>List of equipment and supplies needed Microphone (preferably wireless) Calculators Pens, pencils, note paper, self-adhesive notes, (each table) Chart paper and markers</p>	Instructor		

Objective: Interpret and analyze expenditures on a monthly report to monitor expenditures and identify monthly and annual trends.

SAY: Hello, everyone. Welcome to the KPI lesson on expenditures. Today we will discuss how to interpret and analyze expenditures on a monthly report. It is important to monitor expenditures to identify monthly and annual trends.

Expenditures are those allowable costs that can be identified specifically with the production and service of meals to school children. A list of expenditure categories for a school nutrition (SN) program can be found in the handout **Expenditure Terms and Definitions**. Some of these categories differ from state to state. Check with your State agency for guidance.

DO: Distribute copies of the handout **Expenditure Terms and Definitions**. Make sure everyone knows and understands the terms and definitions.

Expenditure Terms and Definitions

Major Expenditure Categories

Salaries and Wages	Expenses that include regular pay, extra time, overtime pay, vacation pay, severance pay, holiday pay, substitute pay, administrative salaries, and other salaries and wages paid from school nutrition (SN) program funds.
Employee Benefits	Expenses that include social security, health/life insurance, workers' compensation, and unemployment insurance. This item may include employee meals, job-related medical expenses not covered by insurance, and other expenses, such as uniforms.
Purchased Food	The amount expended for the purchase of all food sold in the SN program, charges for processing USDA Foods from bulk or raw form to ready-to-use end products, and the cost of USDA Foods delivery fees to school districts. (Some states may require USDA Foods processing fees under purchased services.)
USDA Foods	Nutritious foods produced by American agricultural producers and purchased by USDA for distribution in Federal Federal feeding programs including the National School Lunch Program (NSLP).
Paper Goods and Cleaning Supplies	The cost of disposable paper goods and supplies, such as dish machine and other chemicals used for production and service of food at the school site.

Other Expenditure Categories

General Operating Supplies	The cost of general supplies necessary for the operation of the SN program, including office supplies.
Purchased Services	Fees expended for professional and technical services, including accounting, legal advice, and training. Architects, consultants, computer specialist, food service management fees, and other similar services are also included. (Some states may require USDA Foods processing fees under purchased food.)
Maintenance	Property service, such as maintenance and upkeep of property. This includes energy costs, payments to other agencies for repairs and maintenance of SN program equipment, and repair or upkeep of cafeteria facilities. (These may be a direct cost or an indirect cost, but cannot be both.)
Miscellaneous	Expenditures not classified or included elsewhere.

Other Expenditure Categories

Capital Assets	Costs for acquiring fixed assets, such as initial equipment or replacement of equipment. Expenditures for technology hardware and software and vehicles are also recorded here. Unit cost (capitalization threshold) and useful life may be specified by the business entity.
Non-Capitalized Assets	Equipment under the capital threshold, such as small wares.
Indirect Cost	General school district overhead attributable to the SN program, including SN activities and support services provided by other district departments that are recovered through an approved cost allocation plan.
Fund Transfer-Out	Funds transferred to another district fund and/or repayment of loans to the district.

SAY: Analyzing expenditures can provide valuable information. For example, significant changes in cost categories are a red flag to monitor spending in a specific area. Deviations from goals (budget) indicate the need for further investigation. Other reasons to monitor expenditures are to identify transaction/accounting errors/discrepancies and to identify monthly and annual trends.

ASK: How often should you calculate the expenditures of your SN program?

DO: Allow time for participants to respond.

FEEDBACK: Expenditures should be calculated at least once a month.

ASK: Does anyone know where to find the information?

DO: Allow time for participants to respond.

FEEDBACK: Your business manager or accountant will be able to supply you with all of the expenditure information.

SAY: Expenditures, with the exception of the fund balance, are listed on a revenue and expenditures statement. This report is sometimes called an income statement or a statement of activities. It is usually prepared at the end of the month by the SN office or the school business office.

Let's look at examples of a statement of activities report.

DO: Distribute copies of the handout **Statement of Activities**.

SAY: Look at the **Statement of Activities** handout. There are four types of financial information on the Statement of Activities Report (Revenue and Expenditures).

- Total revenue available to the program by source
- Total expenditures by category
- Net gain/loss to the program for the period of the statement
- Comparison of current month's with previous month's financial information and year-to-date information

ASK: Compare the current months' expenditures with the previous months'. What are some line items that could cause a difference in expenditures?

DO: Allow time for participants to respond.

Statement of Activities

School Nutrition Program Ending _____ (Month) (Year)

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 the local and State requirements.
- (2) The dollar amounts shown in this statement are for a hypothetical school district and are illustrative only.

FEEDBACK:

- In the current month, there was a \$625 miscellaneous expense.
- In the current month, there was an increase in the Purchased Food/USDA Foods by \$6,000.
- In the previous month, there was a purchase of capital equipment of \$55,000.

DO: Distribute copies of the worksheet **Classifying Expenditures**. Ask the participants to complete this worksheet.

SAY: Let's complete an activity to see what you have learned. Look at the **Classifying Expenditures** 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 need help. At the end of the five minutes, go over the answers. Ask for volunteers to give their answer to each expenditure item.

Classifying Expenditures

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

Column A	Column B
Expenditures	Category
_____ Cost of supplies necessary for the operation of the school nutrition program	A. Miscellaneous
_____ Purchased foods with a commodity letter of credit and cash in lieu of	B. Maintenance
_____ Expenditures not classified or included elsewhere	C. General Operating Supplies
_____ Expenses that include social security, health/life insurance, workers' compensation, and unemployment insurance	D. Capital Assets
_____ Equipment under the capital threshold, such as small wares	E. Paper Goods and Cleaning Supplies
_____ Cost of disposable paper goods and other supplies, such as chemicals used for production and service of food	F. USDA Foods
_____ Amount expended for the purchase of all food sold in the SN program	G. Employee Benefits
_____ Property service, such as maintenance and upkeep of property	H. Non-Capitalized Assets
_____ Costs for acquiring fixed assets	I. Purchased Foods

Classifying Expenditures Answer Key

Column A	Column B
Expenditures	Category
<u>C</u> Cost of supplies necessary for the operation of the school nutrition program	A. Miscellaneous
<u>F</u> Purchased foods with a commodity letter of credit and cash in lieu of	B. Maintenance
<u>A</u> Expenditures not classified or included elsewhere	C. General Operating Supplies
<u>G</u> Expenses that include social security, health/life insurance, workers' compensation, and unemployment insurance	D. Capital Assets
<u>H</u> Equipment under the capital threshold, such as small wares	E. Paper Goods and Cleaning Supplies
<u>E</u> Cost of disposable paper goods and other supplies, such as chemicals used for production and service of food	F. USDA Foods
<u>I</u> Amount expended for the purchase of all food sold in the SN program	G. Employee Benefits
<u>B</u> Property service, such as maintenance and upkeep of property	H. Non-Capitalized Assets
<u>D</u> Costs for acquiring fixed assets	I. Purchased Foods

SAY: As shown in the **Statement of Activity** report, trends for each individual expenditure line item should be monitored for the current period, the previous period, and the year-to-date. Trends and directions for improvement can be identified so that effective financial decisions are made.

Total SN program revenues should meet or exceed total expenditures, thus making a program self-supporting. The goal for labor cost plus benefits should be kept at or below 40% of total revenues. The following are not industry standards, but some benchmarks observed in the School Lunch and Breakfast Cost Study-II Final Report (2008):

- Food costs = 38% of total cost
- Labor costs = 46% of total cost
- Other costs = 16% of total cost

KPI Mini-Series: Expenditures

ASK: Do you have any questions about the key performance indicator, expenditures, when expenditures should be calculated, where to find the information, and how the information can be used?

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.

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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