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Financial Management

NYSED Office of Child
Nutrition



Professional Standards for State and Local Nutrition Program Personnel Final Rule

- Effective July 1, 2015
- This webinar will contribute **1.5 Training Hours** towards the Professional Standard training requirements
- Required to track the number of training hours earned each year and maintain documentation of the trainings attended
- SED prototype tracking excel document for School Food Service Directors is located on the CNKC
- If you are using USDA Learning Topic Codes, the topic codes for this webinar training are 3330, 3340, and 3350.

Why is Financial Management Important?

- Cost of meals increasing
- Accountability
- Essential to effective management



Financial Questions

- What is the primary source of income for my program?
- What kind of expenses do I have?
 - labor, fringe benefits, food, supplies, etc.?
- Have you had a gain or loss in the nonprofit food service account over the past three years?
- How much does it cost to produce one meal?





Defining Financial Management

- The process of defining the program objectives and financial goals for the school nutrition programs
- Implementing activities to attain those goals through the effective use of resources



Roles of the Food Service Director

- Management of financial resources
- Maintain financial accountability
- Involve district stakeholders
 - Administrators, school board members, school nutrition staff
- Promote team approach
- Assess, monitor, and evaluate program funds
- Maintain on-going training



Development of a Financial Management System

- Well-defined set of reports that provide reliable and useful information
- Know basic financial recording and reporting
- Financial reports lend accountability
- Generally Accepted Accounting Principles (GAAP)

What is GAAP?

- Uniform standard of guidelines for financial accounting established by the Governmental Accounting Standards Board (GASB)
- Used in school districts for compliance with the Federal Department of Education requirements

Classification of Revenue

- Local Sources
- State Sources
- Federal Sources
- Miscellaneous Sources
- Fund Transfer-In





Classification of Expenditures

- Labor
- Supplies
- Capital Assets
- Employee Benefits
- Professional and Technical Services
- Property Services
- Purchased Foods and USDA Foods
- Miscellaneous
- Indirect Costs
- Fund Transfer-Out

- Statement of Activities

(Statement of Revenue and Expenditures)

- Statement of Net Position

(Net Assets or Balance Sheet)

Types of Financial Reports





Statement of Activities

- Revenue by source
- Expenditures by category
- Net/gain loss for the statement period
- Comparison of current month with previous month's information and year-to-date information



Statement of Net Position

- Assets

- Cash balance, receivables due, and value of inventories

- Liabilities

- Outstanding payables
- Deferred revenue
- Sales tax owed (when appropriate)



Fund Balance

- Reserved for encumbrances
- Unassigned money
- Compliance with net cash resource requirement
- Financial performance of the food service program



Maintenance of the Nonprofit Food Service Account

- Net cash resources will be reviewed
 - **Limit net cash resources to three months average expenditures**
- Excess revenue must be used in support of the operation or improvement of the non-profit food service.
- Clear record of where excess revenues are being utilized.
- NYS Capital Equipment List
- Costs must be reasonable, necessary and allocable.



Unpaid Meal Charges

- SFAs should have a written policy on unpaid meal charges and include policies regarding the collection of delinquent meal charge debt.
- Policy should be conveyed to all households at the beginning of each school year.
- Refer to FNS memos SP 46-2016 and SP 47-2016



Using a Budget

- Forecasting revenue
- Identifying how revenue will be allocated for expenditures
- Predicting how much money will be in the fund balance at year's end.



Forecast your Revenue

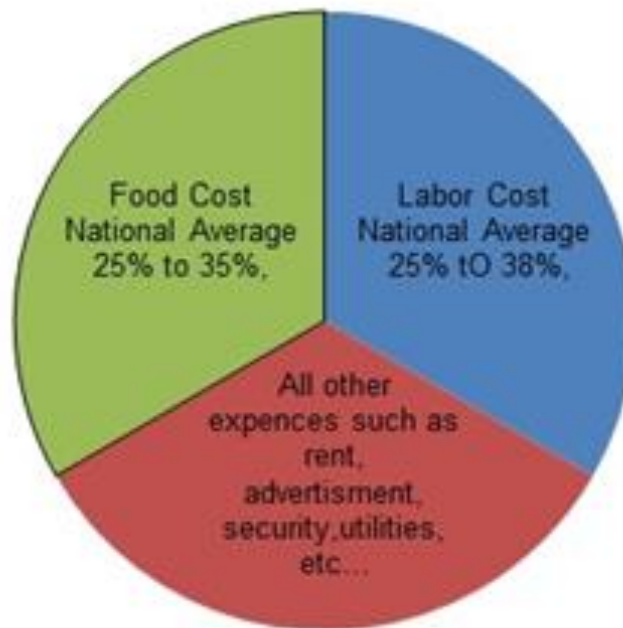
Identify your revenue
sources

REVENUE (1)	Total (2)	PERCENT (3)
BREAKFAST: (non-severe need)		
18,000 Number Paying Elementary x \$1.00 Price Charged	\$ 18,000	
13,300 Number Paying Secondary x \$1.25 Price Charged	16,625	
13,500 Number Reduced Price x \$.25 Price Charged	3,375	
33,300 Number Student Paid x \$.2823 Federal & State Reimbursements	9,400	
13,500 Number Reduced Price x \$1.4766 Federal & State Reimbursements	19,934	
108,000 Number Free x \$1.7213 Federal & State Reimbursements	185,900	
TOTAL REVENUE FROM BREAKFAST	\$ 253,234	7.0%
LUNCH: (under 60% + 6 cents)		
432,000 Number Paying Elementary x \$2.00 Price Charged	\$ 864,000	
243,000 Number Paying Secondary x \$2.25 Price Charged	546,750	
27,100 Number Reduced Price x \$.25 Price Charged	6,775	
675,000 Number Student Paying x \$.3999 Federal & State Reimbursements	269,932	
27,100 Number Reduced Price x \$2.8381 Federal & State Reimbursements	76,912	
288,000 Number Free x \$3.0999 Federal & State Reimbursements	892,771	
990,100 Number Reimbursable x \$.2475 Commodity Rate	245,050	
TOTAL REVENUE FROM LUNCH	\$2,902,190	83%
OTHER REVENUE:		
A La Carte Sales (including adult sales)	\$ 225,154	
Special Functions or Catering	67,046	
Interest	1,357	
Rebates	2,020	
Other	42,150	
TOTAL REVENUE FROM OTHER SOURCES	\$ 337,727	10%
TOTAL REVENUE	3,493,151	100.0%

Identify Expenditures

Monitoring your prime numbers is crucial to a healthy bottom line.

Menu mix, employee theft and training plays a huge factor in the fluctuation of your food cost percentage.



Keep your prime numbers in line by training managers to be proactive during their shifts.

If the Managers not reacting to sales dropping on their shifts it may result in high labor cost.



Expenditure Review~ Cost to Revenue Comparison

Cost to Revenue Comparison.

The percentage of costs to total revenue can be calculated by dividing the costs for a given period by total revenue.

Formula:

Cost Percentage to Total Revenue =

Category Cost
Total Revenue



EXPENDITURES	TOTAL	PERCENT
Labor Costs		
Wages and Salaries	\$1,098,028	
Fringe Benefits, Employer's Share	<u>683,479</u>	
LABOR AND FRINGE BENEFITS	1,781,507	51.0%
Food Costs (include Commodities)	1,383,288	39.6%
MATERIALS & SUPPLIES	121,794	3.5%
CONTRACTUAL COSTS	57,908	1.7%
EQUIPMENT COSTS	68,241	2.0%
INTERFUND TRANSFER	0	0
TOTAL EXPENDITURES	\$3,409,315	100.0%



Cost to Revenue Information

Use ST – 3 Report or Cash Resources Report

Percentages of Costs to Revenue			
June 2014 - 15		Total Revenues	
		ACTUAL	RECOMMENDED
REVENUE	TOTAL \$ 0	100%	100%
EXPENSES	EXPLANATION	PERCENTAGE OF REVENUE	PERCENTAGE OF REVENUE
Labor Costs (including fringe benefits)	Salaries, State Retirement, Social Security, Worker's Comp, Life Insurance, Hospital, Medical and Dental Insurance	#VALUE!	45.0%
Food Costs inc gov.	Net Cost of Food Used	#VALUE!	43.0%
Materials & Supplies	Materials & Supplies	#VALUE!	3.0%
Contractual Costs	All Other Contractual	#VALUE!	2.0%
Equipment Costs	Equipment	#VALUE!	2.0%
Interfund Transfer	Interfund Transfer	#VALUE!	0.0%
Fund Balance (Profit)	Profit or Loss	#VALUE!	5.0%
TOTAL		#VALUE!	100.0%
	Information Taken From ST-3 Report		

Cost to Revenue Review

Percentages of Costs to Revenue			
June 2013 - 14		2,682,275	
REVENUE	TOTAL \$ 2682275	ACTUAL 100%	RECOMMENDED 100%
EXPENSES	EXPLANATION	PERCENTAGE OF REVENUE	PERCENTAGE OF REVENUE
Labor Costs (including fringe benefits)	\$ 1,554,904	58.0%	45.0%
Food Costs inc gov.	1,005,667	37.5%	43.0%
Materials & Supplies	71,746	2.7%	3.0%
Contractual Costs	31,643	1.2%	2.0%
Equipment Costs	34,060	1.3%	2.0%
Interfund Transfer	100,000	3.7%	0.0%
Fund Balance (Profit)	(115,745)	-4.3%	5.0%
TOTAL		100.0%	100.0%



Why it's important to compare revenue earned with meal cost

- Determines if and where revenue should be increased,
- Analyze revenue by source
- Identifies areas in which revenue should be monitored for revenue loss.

Food Cost Expenditure Percentage to Total Revenue

- Formula: $\frac{\text{Category Costs}}{\text{Total Revenue}}$
- Example: $\frac{\$16,500 \text{ (food costs)}}{\$30,000 \text{ (revenue)}}$
 $= .55 \times 100 \text{ or } 55\%$
- \$.55 cents from each \$1.00 generated was used to purchase food.

Predicting the ending fund balance



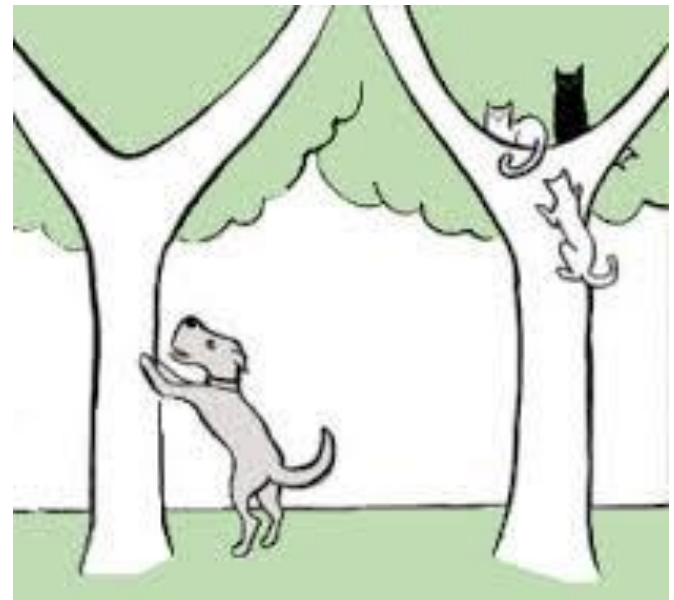


Evaluating Efficiency

- Establish standard to measure program services
- Reimbursable student lunch is the measurement
- Breakfast, snack and non-program food sales

Types of Expenditure Analysis

- Total costs to produce a meal
- Meal costs per expenditure category
- Percentages of operational costs to total revenue (operating ratios)
- Costs to produce a meal compared with the average revenue generated per meal





Using Meal Equivalents in Program Analysis to Measure Performance

- Meal cost
- Labor Productivity Ratios
- Average Revenue earned per Meal/Meal Equivalent

Meal Equivalent Conversion Formulas

- **1** lunch = **1** meal equivalent
- **3** breakfasts = **2** meal equivalents ($2/3 = .67$)
- **3** snacks = **1** meal equivalent ($1/3 = .33$)

- Non-program food sales =
revenue from non-program sales ÷
current **free lunch reimbursement** +
current **USDA Foods** value per lunch

Calculate all meals and meal equivalents

- Breakfasts ME = Number of Breakfasts Served x conversion factor

$$96 \times 0.66 = 63.36 \text{ or } 63$$

- Snack Meal Equivalents = Number of Afterschool Care Snacks Served x conversion factor

$$54 \times 0.33 = 17.82 \text{ or } 18$$

- Non-program Food Equivalents = Non-program Food Sales Revenue
Federal Free Lunch Reimbursement + USDA Foods Value

$$\frac{\$110}{\$ 3.07 + .3125} = 32.52 \text{ or } 33$$

- Lunches = Student lunches + Adult Lunches

$$223 = 200 + 23$$



Sum your meal equivalents

- 63 Breakfast meal equivalents
- 18 Snack meal equivalents
- 33 A la Carte meal equivalents
- 223 Lunch meal equivalents
- 337 Total meal/lunch equivalents

Determine the expenditures for the period

Food costs (includes USDA Foods) = **\$401.50**

Labor costs = **\$279.50**

Benefit costs = **\$90.50**

General supplies/paper supplies = **\$56.60**

Overhead costs (prorated as a daily rate based on an average monthly cost) = **\$91.45**

Total costs for the day: \$919.55



Calculate the per plate meal cost

$$\text{Meal Costs} = \frac{\text{Total Expenditures}}{\text{Total Meals/Meal Equivalents}}$$

$$\frac{\$919.55}{337} = \$2.73$$



Non-program Foods

- Adult meals
- Second students meals
- Individual components of the reimbursable meal
- Other food items not on the menu
 - A la carte, vending machines, fundraisers, school stores, catered meals



Non-program Food Sales

- Catered food or meals
- Contract meals
- Special school function meals such as banquets

Category Cost Calculations

Cost of Purchased Food Used
Total Lunches + Meal Equivalents

Labor Cost
Total Lunches + Meal Equivalents

Supply Costs
Total Lunches + Meal Equivalents





Desired Food Cost Percent Mark-up

- Determine the raw food cost of the item offered for sale
- Identify the desired food-cost percentage for the school nutrition program operation
- Establish a base selling price by dividing the item's food cost by the desired food cost percent



Adult Meal Price Formula

Federal reimbursement for a free student lunch

+ per meal value of USDA Foods

= Minimum Adult Meal Price

**Refer to the SY 2016-2017 Adult Meal Price memo located on the
Child Nutrition Knowledge Center**

Meals Per Labor Hour

Number Meals/Meal Equivalents
Number of Paid Labor Hours

Example:

338 Meals/Meal Equivalents

24 Paid Labor Hours

= 14.08 or 14 Meals Per Labor Hour

Calculating Cost of Food Used

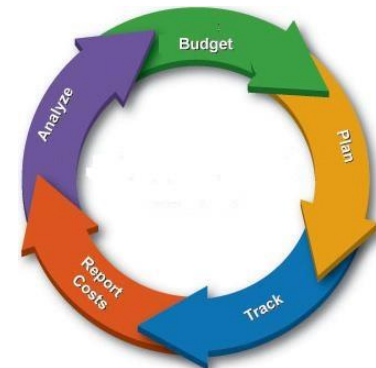
Beginning inventory + Total Food Purchases = Total Food Available

Total Food Available - Ending Food Inventory = Cost of Food Used



Managing Expenditures in the School Nutrition Program

- Analyzing financial reports can provide information about:
 - Patterns or trends,
 - Significant changes in cost categories
 - Deviations from financial goals
 - Possible abuse or theft
 - Transaction errors



Revenue Increase Options

- Increase paid meal prices
 - Paid Lunch Equity
- Add approved non-Federal revenue
- Use a combination of increased paid meal prices and non-Federal revenue





Ways to Lower Food Costs

- Set a goal for managing food costs
- Monitor meal costs
- Use standardized recipes
- Pre-cost and post-cost menus
- Use cycle menus



Ways to Lower Food Costs

- Reduce plate waste
- Use portion control tools
- Avoid overproduction of food
- Calculate kitchen waste
- Manage the purchase of food items

Ways to Lower Food Costs

- Maintain inventory control
- Prohibit the removal of food items from the premises
- Follow receiving and storage procedures to minimize shortages
- Decrease food costs through use of USDA Foods.
- Implement security measures.



"I'll trade you my government dried milk for your government dried eggs."

Questions????



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