

BUDGETS



2019

Practical Training
Solutions for CACFP
Administration



CORE

CACFP OPERATIONAL
RESOURCES & EDUCATION

LEARNING OUTCOMES



Provide a solid explanation of a general budget.



Explain the purpose of a CACFP budget.



Identify how the CACFP budget aligns with Performance Standards.



List the key steps for creating a CACFP budget.



Explain the term "GIGO".



Share best practices associated with CACFP budgets.

ACTIVITY: LET'S TAKE A TRIP!



Activity: Let's Take A Trip!

Turn to page 23 to complete this activity!

BUDGETS OVERVIEW

Overview

A budget is a **financial plan** for operating a business or business unit. It includes **planned expenditures** and **anticipated resources** for the upcoming fiscal year. A budget is a management tool that helps support your vision by planning out your spending in an organized and controlled manner.

It Is an Educated Guess!



Keep in mind that a budget is a "living" document. You use it to help you with planning, *in advance*, twelve months of Program activity. Therefore, it is normal to modify the plan during the course of the program year. In fact, it is expected.

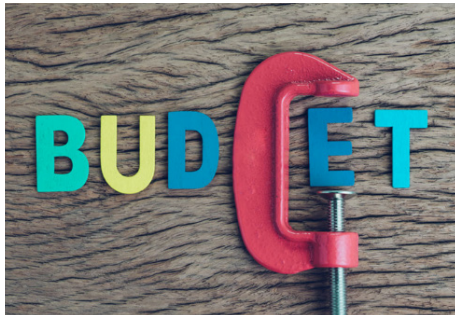
It is also very important to note that a CAFCP budget is not intended to be the entire budget for your whole organization. You will have additional expenses that are required to run your business effectively. The CACFP is a subset of your total budget.



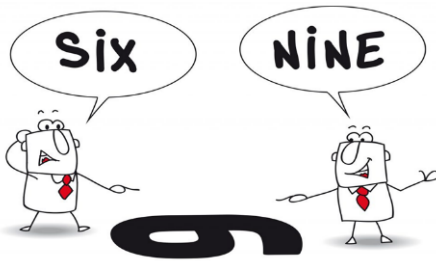
PURPOSE AND PERSPECTIVES

Purpose of a CACFP Budget

When considering the purpose of a CACFP budget, let's review four (4) key areas.



1. A CACFP budget is a **financial plan** that supports activities detailed in your Management Plan. And just like a regular budget, you have to anticipate program revenue and expenditures in advance.
2. All sponsoring organizations are required by the CFR to submit a budget to their State agencies. You must obtain **State agency approval** of anticipated costs to operate the CACFP and must disclose anticipated resources.
3. As a best practice, sponsoring organizations should use the budget as a **tool when making spending decisions**. An example might include the purchase of a new stove.
4. It is a good way to **monitor the financial performance** of the Program. You can quickly determine if sufficient revenue is coming in and whether your expenses are in line with your budget estimates.



PERSPECTIVES

Additionally, there are two (2) perspectives to consider when it comes to the way the CACFP budget is utilized.

1. From a **sponsoring organization's** perspective, budgets serve as a "financial roadmap" for operating the CACFP and a way to obtain State agency approval for CACP costs.
2. For **State agencies**, budgets serve as a vehicle for approving allowable costs, for determining administrative capability, and for determining financial viability.



BUDGET ALIGNMENT WITH PERFORMANCE STANDARDS

Alignment with Performance Standards

A good CACFP budget will always be aligned with the Program's performance standards and will clearly support activities in the Management Plan. When you think about Financial Viability, Administrative Capability, and Accountability, your budget plays a part in each standard.

Budget Alignment with Performance Standards

Financial Viability	Showing a positive relationship between revenue and expenses
Administrative Capability	Possessing skill sets that demonstrate that you're capable of running your business
Accountability	Demonstrating ability to record, track and report key information



PROJECTIONS FOR FUNDING SOURCES

Let's review the first component of your CACFP budget: your projections for **Funding Sources**. In general, funding can be divided into two categories: **Program Funds** and **Non-Program Funds**.



The main source of **Program Funds** is typically your *CACFP reimbursement*. When determining your anticipated reimbursement, you need to accurately determine your funding structure.

1. The Administrative Reimbursement for Center Sponsors is calculated based on which is lower, actual administrative costs or 15% of the meal reimbursement.
2. The Administrative Reimbursement for Day care Homes Sponsors is calculated based on "homes x rate." For DCH Sponsors, you also need to determine whether there is any "carryover" funding from the previous year. Up to 10% of admin reimbursements received can be carried over to the next year.

Program funds could also be *Board Designated*. This is when your board of directors identifies and segregates unrestricted funds for exclusive use in the CACFP. Once those funds are Board Designated, their classification changes to Restricted.

Proceeds from the sale of non-expendable personal property purchased with FNS funds are also considered "Program Funds." When equipment is sold, that money must be retained for use in the CACFP.

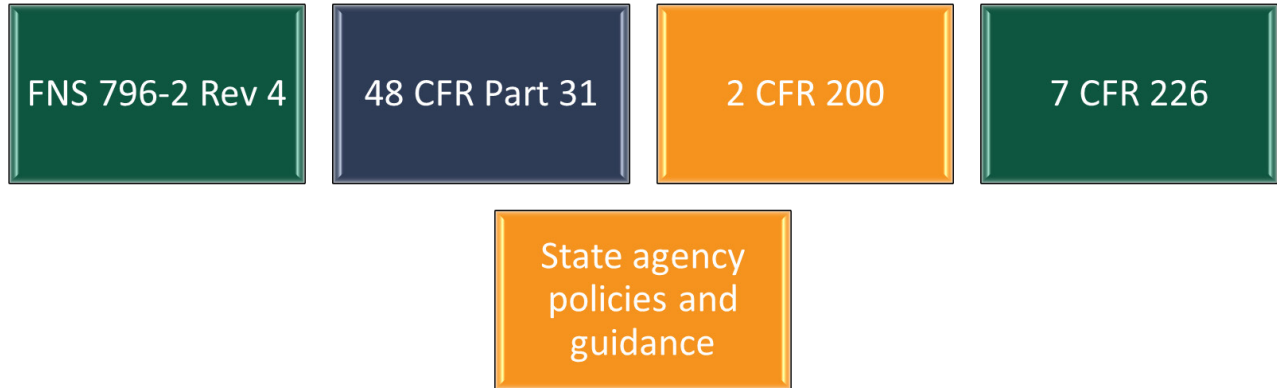
As we've discussed, other sources of funding are required for participation in the CACFP and are often necessary to support the viability of your organization. Examples of **Non-Program Funds** may include:

1. Donations or fundraisers
2. Grants
3. Unrestricted funds



BUDGET COMPONENTS: STANDARDS FOR ALLOWABLE COSTS

Allowable costs are **bona fide and customary obligations** that are incurred for the actual expenses of operating the CACFP and that are allowed by the following:



Subsequent events may result in the reclassification of costs from allowable to unallowable. **In all cases, allowable costs require some level of State agency approval.**

Generally, allowable costs must be disclosed by sponsoring organizations in the administrative budgets they submit to the State agency. However, as required by 7 CFR 226.6, those costs must still be approved in advance through the Management Plan and budget submission processes.

Remember... overall budget approval is not a guarantee that a particular cost item will ultimately be allowable or funded. For example,

Cost Approved in Budget	Reason for Subsequent Disallowance
Food purchases	Receipt for purchase was lost
Travel reimbursement	Failure to maintain mileage logs
Rent expense	Failure to disclose rental from related party



TEN ALLOWABILITY FACTORS

Let's review the second component of your CACFP budget: **Allowable Expenditures**. There are ten (10) allowability factors that determine allowable costs.

To be considered "allowable," the cost has to meet all ten factors.

Necessary

To determine whether a cost is necessary, you should consider whether it is needed for the operation of your Program. Sponsoring organizations must ask themselves if this cost item is needed to fulfill the proper and efficient administration of the Program.

REASONABLE

The question of the reasonableness of specific costs must be scrutinized with particular care in connection with organizations or separate divisions thereof that receive the preponderance of their support from awards made by federal agencies.

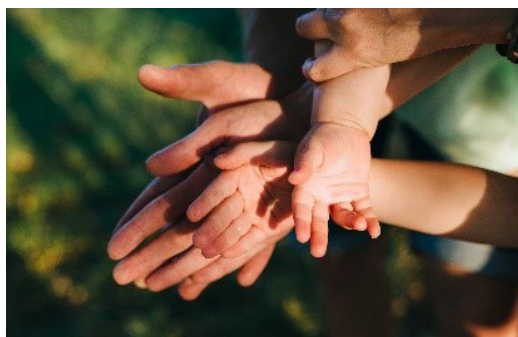
Factors that are used to determine reasonableness include, but are not limited to,

- the restraints imposed by generally accepted sound business practices
- arms-length bargaining
- federal and state laws and regulations
- whether the individuals acted with prudence considering their responsibilities to the organization, its members, employees, clients, the public at large, the federal government and the CACFP
- whether there are significant deviations from established practices that may unjustifiably increase costs



TEN ALLOWABILITY FACTORS

A good example of reasonableness is the purchase of grapes. If I were buying grapes at \$0.89 per pound from the local farmer's market, would that be reasonable? What if I purchased them for \$200 per pound?



Let's also consider **Related-Party Transactions** — 2 CFR 200.465(c) (4). The following relationships are considered to be Related Parties: spouse, children, parents, siblings, grandparents/grandchildren, and domestic partners as well as any individual related by blood or affinity who simulates a family. This also includes the spouses of any of the individuals mentioned above. Failure to disclose related-party transactions will result in disallowance of the cost.

Common examples include utilizing a catering company that is owned by a family member and paying rent to a family member for the space you lease for the CACFP.

Authorized

The costs must be authorized or at a minimum, not expressly prohibited by the state or federal law or FNS. Examples include but are not limited to

- travel and registration fees for attending conferences devoted solely to the CACFP—***Prior Approval***
- cost of not-for-profit sponsoring organization memberships in civic or community organizations—***Specific Prior Written FNSRO Approval***
- program bank account reconciliation and analysis fees—***Specific Prior Written Approval***

TEN ALLOWABILITY FACTORS

Multiple Awards

Your costs cannot be charged to another award. In other words, no “double dipping”! Double dipping may occur when an expense is allowable in multiple programs. Examples include mileage reimbursement and wages.

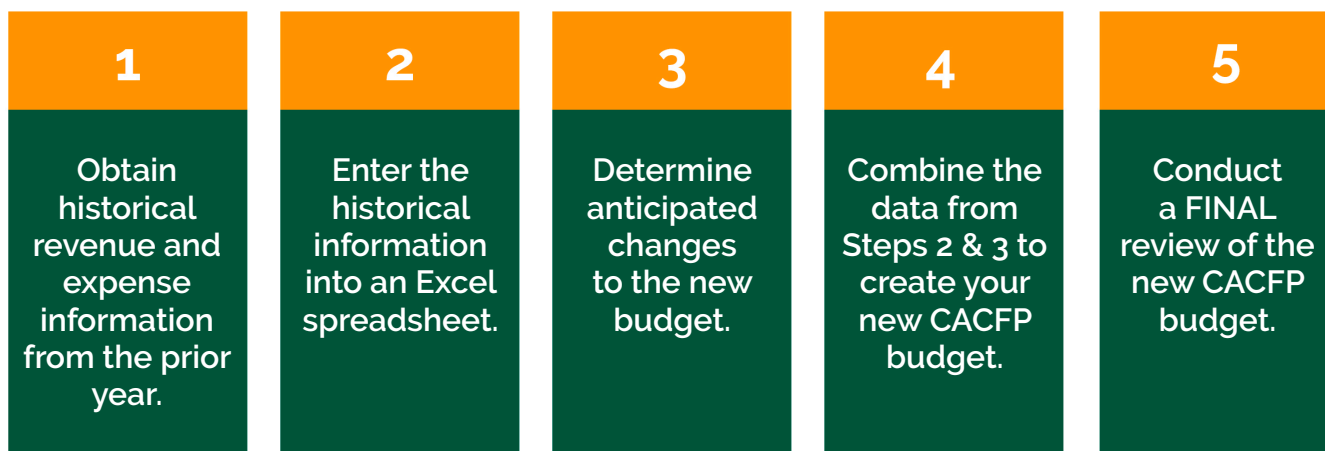
Consistent Treatment

Sponsoring organizations must account for all costs of operation through the consistent use of U.S. generally accepted accounting principles (U.S. GAAP). Examples of inconsistent treatment include but are not limited to

- reimbursement method of sponsoring organization-owned vehicles—utilizing the actual cost method for non-CACFP programs but using the mileage reimbursement method for CACFP
- employee reimbursement for business use of personal vehicles—utilizing the IRS mileage rate to reimburse employees for miles driven relating to CACFP but using a lower rate to reimburse employees for non-CACFP mileage.



CREATING YOUR CACFP BUDGET



- 1) For renewing sponsoring organizations, the first step in budget development would be to obtain historical information for CACFP operations from the prior year. This information should be easy to obtain from the sponsoring organization's accountant. Actual revenues and expenditures for the prior year will be the starting point for the next year's budget.
- 2) Enter the prior year historical information that you were reviewing in Step 1 above into an Excel template or simply write it down in pencil on a piece of lined paper. Include both the revenue and expenses related to total CACFP operations for last year and a description of each item.
- 3) Step 3 is to analyze the information obtained during your review of prior year operations, read over your Management Plan detailing your vision for the new year, and determine whether there are any anticipated changes to how you will be operating the CACFP this year. For instance, if you will be hiring an additional Monitor, then salary expenses should be adjusted accordingly.
- 4) For Step 4, you combine the financial data from Steps 2 and 3 to come up with the new CACFP budget for the upcoming year.
- 5) Review your new CACFP budget one more time to determine whether, from a global standpoint, it makes sense. For example, ask yourself if you have sufficient revenues and funding to cover the anticipated CACFP expenses.

ACTIVITY: BYOB—BUILD YOUR OWN PROGRAM BUDGETS!



Activity:
BYOB—Build Your Own Program Budgets!

Turn to page 26 to complete this activity!

SUPPORTING DOCUMENTATION

Supporting Documentation Is Essential!



Supporting documentation shows the State agency that your budget is solid and can support your CACFP operations. Your documentation must cover both the **Funding Sources** and **Expenses** sides of your budget. Additionally, for each expense, you should have paperwork that shows how you calculated or estimated that particular expense.

Examples of documentation for **Funding Sources** include but are not limited to

- bank statement from fiscal year-end
- mathematical calculation of anticipated reimbursements
- contribution letters or grant award documentation
- historical data on how much fundraisers have generated

Examples of documentation for **Expenses** include but are not limited to

- lease agreement
- evidence of Insurance (COI, Declaration Page)
- prior-year payroll data plus anticipated raises
- quotes for anticipated purchases



STATE AGENCY APPROVALS



State Agency Budget Approvals

Once you've submitted your CACFP budget to your State agency, there may be multiple levels of approval. The descriptions below provide a guideline to which type of approval is necessary for which types of expenditures.

Generally Allowable: Expenditures in the budget are common and generally allowable.

Prior Approval: All expenditures are approved when the State agency approves your budget.

Specific Written Prior Approval: Certain expenditures require preapproval before you include them in your budget. Then they have to be clearly identified in your budget.

FNS/Regional Office Approval: Other expenditures require additional scrutiny before they can be approved. An example would be "Related-Party Transactions."

Keep in mind...you cannot begin using your CACFP budget until it has been approved by your State agency.



ADEQUATE ACCOUNTING SYSTEM—GIGO



GIGO

One of the most important things you can do is to make sure you have an accounting system that can adequately keep track of your funding and expenditures. Such a system is **CRITICAL** for effectively managing CACFP budgets.

Have you heard of the term "**GIGO**"? Garbage In/Garbage Out! It means that your accounting system is only as good as the data you put in it. Therefore, the data must be accurate and valid.

As a starting point for a new program year, the data from your accounting system can tell you how much cost you had last year. You can then look at adding new information such as salary increases, travel expenses, and food expenses.

Let's Assess Your Accounting System	
On a scale of 1–5 (1 = poor and 5 = fantastic), how would you rate the efficiency of your current accounting system?	
If you rated your accounting system lower than a 4, what steps can you put in place to improve your accounting system?	

ACTIVITY: BUDGET FAMILY FEUD



Activity: Budget Family Feud

Turn to page 31 to complete this activity!

BEST PRACTICES FOR BUDGETS AND RECAP



BEST PRACTICES

Let's consider a few best practices regarding CACFP budgets. These are not requirements, just recommendations for you to consider and share with your sponsoring organizations.

- ☑ You should approve your budget internally prior to submission to the State agency for approval. You can vet the budget with your Board of Directors.
- ☑ You need to monitor to make sure you are spending the funds in the correct category. The funds should be spent in accordance with the budget and anticipated projections.
- ☑ Proactively review and revise the budget before spending has been exhausted. If you see you are low on a particular line item, don't wait: ask for a budget revision now. **NO expenses are considered allowable before they've been approved.
- ☑ Keep an ongoing "budget-to-actual" analysis for each fiscal year. You should do this monthly.
- ☑ Your actual costs at the end of the prior program year can serve as the starting point for next year's budget!

List other best practices identified by the class:

RECAP



Let's recap what we've covered in the **Budgets** module:

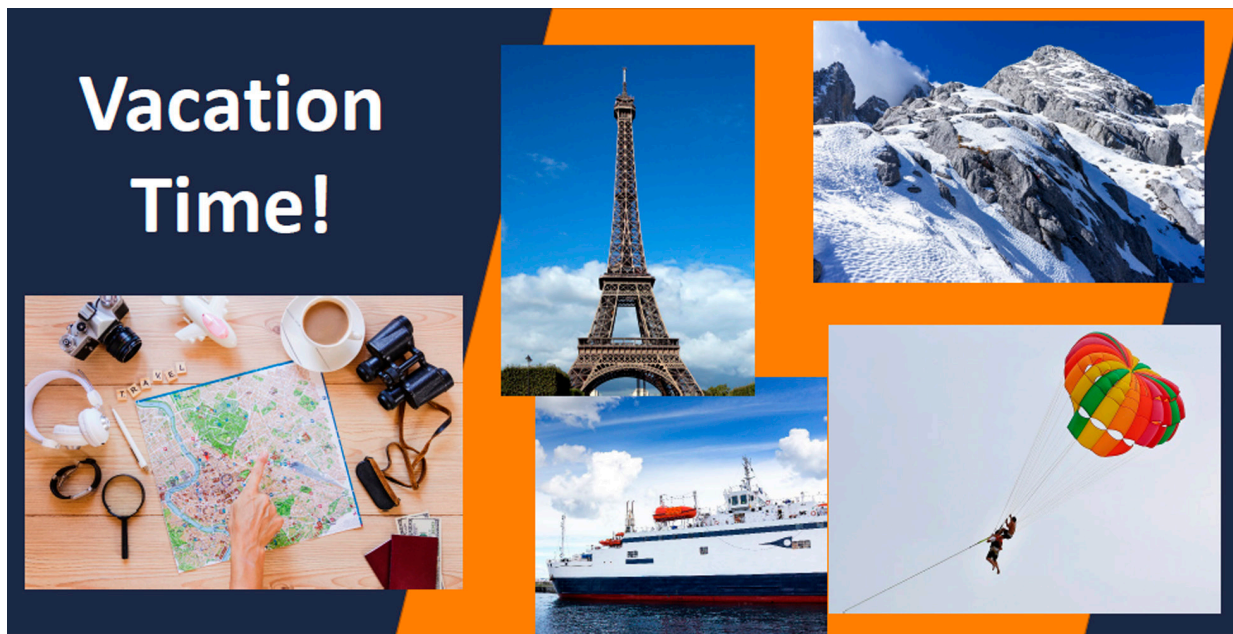
- Budgets should be considered "living documents." You should revise and resubmit them as needed.
- A budget should show the State agency how you're going to fund the vision you have presented in your Management Plan.
- Budgets should be supported with documentation and should comply with all CACFP regulations.

ACTIVITY: LET'S TAKE A TRIP!

Most of us don't wake up one morning and decide to leave for a "same-day" vacation. Most times, we have to plan ahead before we take our vacations.

There are many things we have to consider before we even decide that we **can** or **should** go on vacation. Even if we don't write it down, we at least go through a mental process of gathering relevant information for decision-making purposes.

Let's all consider going on a vacation!



ACTIVITY PART 1: LET'S TAKE A TRIP!

INSTRUCTIONS

1. Identify all of the financial considerations that would help us decide if this vacation is a good idea.
2. Draw a line down the middle of your flipchart. Write COSTS in the left column and FUNDING in the right column.
3. Brainstorm all of the items you'd need to pay for in order to take this trip. Estimate how much each item will cost.
4. Brainstorm a list of sources where you'll find the money to pay for this vacation.

Provided for this activity:

- Flipchart
- Markers

ACTIVITY PART 2: LET'S TAKE A TRIP!

INSTRUCTIONS

1. Count the money in your team's envelope and compare it to the Trainer's comprehensive budget on the flipchart.
2. Determine whether it is financially feasible to go on the trip. Determine "Go/No Go."
3. If you cannot afford to go on this trip, determine what modifications you might make to your various costs.
4. Be prepared to share your responses with the larger group.

Provided for this activity:

- Small envelopes
- Play money

ACTIVITY: BYOB—BUILD YOUR OWN PROGRAM BUDGETS!

INSTRUCTIONS

1. Review **Best Sponsor USA's** incomplete Program budgets on page 27.
2. Review the background information on page 28.
3. As a team, determine how to allocate the five (5) expenses highlighted in green.
4. Review your answers for **Best Sponsor USA's** completed Program budgets.
5. Write these totals on your flipchart:
 - Total Budget: \$_____
 - Total Affiliated Budget: \$_____
 - Total Unaffiliated Budget: \$_____
 - Total DCH Budget: \$_____
6. Prepare to share your answers with the larger group.

Provided for this activity:

- Program budget worksheets: incomplete and completed versions
- Flipchart
- Markers
- Background information worksheet

ACTIVITY: BYOB—BUILD YOUR OWN PROGRAM BUDGETS!

Please read the background information below. Then turn to page 28 to complete the activity.

Best USA sponsors seventy-five day care homes, seventy-five affiliated centers, and seventy-three unaffiliated centers.

Best USA only provides meals for their affiliated centers.

Best USA utilizes the entire second floor of one of its affiliated day care centers for the 3 CACFP programs.

- The entire building is 2000 square feet with each floor being 1000 square feet.
- Admin personnel for the DCH program occupy one-quarter (or 25%) of the space.
- The other two programs split the remaining space equally.
- The rent for that building, paid to an unrelated party, is \$200,000 per year.
- All expenditures for all programs are paid with federal funds.

ACTIVITY: BYOB—BUILD YOUR OWN PROGRAM BUDGETS!

Best Sponsor USA’s Program Budgets (incomplete)

Category	Budgeted Amount	Affiliated	Unaffiliated	DCH
Food	\$ 2,209,056.00	\$ -	\$ -	\$ -
Non-food supplies	\$ 286,425.00	\$ -	\$ -	\$ -
Labor and Benefits- Operating	\$ 1,595,250.00	\$ -	\$ -	\$ -
Labor and Benefits- Admin	\$ 1,064,424.00	\$ 733,364.00	\$ 244,760.00	\$ 86,300.00
Rent	\$ -	\$ -	\$ -	\$ -
Travel	\$ 3,600.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Equipment	\$ 9,600.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00
Supplies (Durable & Expendable)	\$ 1,500.00	\$ 500.00	\$ 500.00	\$ 500.00
Audit Fees	\$ 9,300.00	\$ -	\$ -	\$ -
Utilities	\$ 7,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Printing	\$ 4,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Training	\$ 9,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Total Budget				

ACTIVITY: BYOB—BUILD YOUR OWN PROGRAM BUDGETS!

**Best Sponsor USA’s Program Budgets
(completed)**

Category	Budgeted Amount	Affiliated	Unaffiliated	DCH
Food	\$ 2,209,056.00	\$ 2,209,056.00	\$ -	\$ -
Non-food supplies	\$ 286,425.00	\$ 286,425.00	\$ -	\$ -
Labor and Benefits- Operating	\$ 1,595,250.00	\$ 1,595,250.00	\$ -	\$ -
Labor and Benefits- Admin	\$ 1,064,424.00	\$ 733,364.00	\$ 244,760.00	\$ 86,300.00
Rent	\$ 100,000.00	\$ 37,500.00	\$ 37,500.00	\$ 25,000.00
Travel	\$ 3,600.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Equipment	\$ 9,600.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00
Supplies (Durable & Expendable)	\$ 1,500.00	\$ 500.00	\$ 500.00	\$ 500.00
Audit Fees	\$ 9,300.00	\$ 8,556.00	\$ 558.00	\$ 186.00
Utilities	\$ 7,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Printing	\$ 4,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Training	\$ 9,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
Total Budget	\$ 5,300,155.00	\$ 4,882,051.00	\$ 294,718.00	\$ 123,386.00

ACTIVITY: BYOB—BUILD YOUR OWN PROGRAM BUDGETS!

BYOB RECAP & SOLUTION

1. Food is a direct cost of the Affiliated center program.
2. Non-food supplies are a direct cost of the Affiliated center program.
3. Labor and Benefits: Operating is a direct cost of the Affiliated center program.
4. Rent is allocable to all three programs. Amount to be allocated is \$100,000, which represents the portion of rent applicable to the second floor of the building (\$200,000/2) based on square footage.
 - a. The DCH program staff occupy 25% of the space.
 $\$100,000 \times 25\% = \$25,000$
 - b. The other two programs split the remaining space equally:
 $\$75,000/2 = \$37,500$ each.
5. Audit Fees should be allocated to the programs based on how they contributed to meeting the threshold for audit.

	Total Costs Prior to Audit Fee	Percent of Total
Affiliated Program	\$ 4,873,495.00	92%
Unaffiliated Program	\$ 294,160.00	6%
DCH Program	\$ 123,200.00	2%
Total	\$ 5,290,855.00	
Affiliated Program	\$ 8,556.00	92%
Unaffiliated Program	\$ 558.00	6%
DCH Program	\$ 186.00	2%
Total Audit Fee	\$ 9,300.00	

ACTIVITY: BUDGET FAMILY FEUD

INSTRUCTIONS

1. Create a Family name and choose a spokesperson.
2. Listen to the survey question and determine the **TOP ANSWERS** as a Family.
3. The Family will be given an opportunity to “Play” or “Pass.”
4. Each family member will be given fifteen seconds to respond before the buzzer sounds.

Provided for this activity:

- Family Feud PPT Game
- Buzzers
- Flipchart



CORE

CACFP OPERATIONAL
RESOURCES & EDUCATION

MH Miles Company CPA PC
1945 Mason Mill Road
Suite 200
Decatur, GA 30033

404-633-4555
info@core-cacfp.com
www.core-cacfp.com

CORE PARTICIPANT GUIDE