



Georgia Department of Early Care and Learning

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**Nathan Deal**  
*Governor*

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*Commissioner*

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## MEMORANDUM

To: All Institutions Participating in the Summer Food Service Program (SFSP)

From: Falita S. Flowers, Nutrition Services Director (*Original Signed*)

Date: July 6, 2016

Subject: Reporting and Allocating Program Costs Associated with SFSP Sponsors Serving as Food Vendors and/or Food Service Management Companies to other SFSP Sponsors or Non-SFSP Entities

Legal Authority: 2 CFR § 200, 7 CFR § 225.2

The purpose of this memorandum is to provide additional budget allocation guidance to SFSP sponsors who also serve as Vendors or Food Service Management Companies (FSMC) to other SFSP sponsors or non-SFSP entities. Requirements in this memorandum are in addition to previously existing allocation requirements noted in DECAL's SFSP Application Instruction Booklet and made to the institution's annual Program budget.

In accordance with 2 CFR 200, Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance except as provided in 7 CFR § 200.307 paragraph (f) (See 7 CFR § 200.77 Period of performance). Program income includes but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. When an approved SFSP sponsor also serves as a vendor or FSMC by providing meals (i.e., catering or selling meals, whether unitized or cooked/prepared in bulk) to other approved SFSP sponsors or non-SFSP entities, and is charging for those meals, the payment received from the other SFSP sponsor or non-SFSP entity is considered "Program income." Unless otherwise specified, Program income is normally deducted from the total allowable costs to determine the sponsor's true net allowable costs.

DECAL instructs SFSP sponsors with additional business activities involving the sale of meals (serving as vendors or FSMCs) to properly allocate shared costs. Additionally, SFSP sponsors are required to document whether they are using a vendor or FSMC to prepare meals through completing Items #37-46 of

the Institution Application section in GA ATLAS. Costs associated with producing both agreed-upon Program meals and non-Program meals are considered “shared costs” and DECAL requires these costs to be allocated in the SFSP sponsor’s Program budget based upon “the number meals served.” Costs contributing to the production of meals sold to other SFSP sponsors, or to other non-SFSP entities, are not considered allowable SFSP costs and must be paid with the income (revenue) from the sale of those meals or another income source.

To illustrate, XYZ, Inc. has an agreement with DECAL to participate in the SFSP serving meals to five (5) sites throughout their community. XYZ, Inc. also vends/caters meals to sites not affiliated with the SFSP sponsor’s agreement with DECAL. XYZ, Inc. also has a separate contract agreement with Alpha Bet, to serve meals to its SFSP meal sites. Alpha Bet is also a SFSP sponsor. In accordance with this policy guidance, XYZ, Inc. is required to include the costs for serving all meals (both XYZ, Inc.’s sites and Alpha Bet’s sites) in their annual Program budget. The portion of costs associated with the production of meals to Alpha Bet, Inc. must be allocated in the institution’s budget. XYZ, Inc. must disclose the projected costs and provide documentation that demonstrates how the total shared costs are allocated. All shared costs including, food, labor, space, utilities etc., must be reduced based on the ratio of meals prepared versus meals served and sold. For example:

XYZ projects to serve 150,000 credible meals to eligible children at approved sites  
 XYZ projects to sell 100,000 credible vended meals to other SFSP sponsors  
 Total projected meals are 250,000.  $100,000/250,000 = 40\%$ ;  $150,000/250,000 = 60\%$

The maximum cost allocated to the SFSP is based on the calculated rate applied to the total of associated shared costs. In this example, the SFSP rate is 40% and the amount allocated to other funds is 60%.

If XYZ is charging rental space to the SFSP at \$1,500 per month and the meal service beginning and end dates calculate to 3 months, the total cost and allocation rate, would be represented as follows:

$$\$1,500 * 3 = \$4,500 * .40 = \$1,800$$

#### Documenting Shared Costs

As illustrated above, SFSP sponsors projecting to produce meals for other clients/customers (whether to other SFSP sponsors or non-SFSP entities) must disclose this business activity and identify these costs as shared costs. By doing so, the sponsor demonstrates how costs are segregated and ensures costs are not duplicated. The example below shows how XYZ, Inc.’s shared costs are reflected in the Budget Detail section of GA ATLAS.

Facilities and Space Costs	Amount	% CACFP	% SFSP	% Other Funds	Approved Amount
Operating Costs	\$4,500	0	40	60	\$1,800

Additionally, income from other funds (which in the above example is the monetary value of 60%) must be reflected under Other Program Revenue in the Budget Detail section of GA ATLAS.

To summarize, Total Annual Costs in each related shared cost category, would represent 100% of the cost. The percentage factor would be applied to all shared resources or cost categories used to produce meals. The amount represented in the SFSP column is limited to the amount associated with eligible meals for the sponsor’s SFSP activities under its agreement with DECAL. The amount associated with vended meals for other SFSP sponsors and/or cost associated with non-SFSP entities, or other activities would be represented in the Other Funds Costs column. Meal reimbursements may only be used for the sponsor’s actual

allowable SFSP costs. Costs contributing to the production of meals sold to other SFSP sponsors, or to other non-SFSP entities, are considered non-allowable SFSP costs and the costs must be paid with the income (revenue) from the sale of those meals or another income source.

For questions concerning this memorandum, please contact the Tanya Astin, Budget Analyst at 404-651-7181.