**Alabama State Department of Education**
**Child Nutrition Programs**

**Excess Funds in the Nonprofit Food Service Account**

Some organizations offer more than one U.S. Department of Agriculture (USDA) Child Nutrition Program (CNP). There are limited circumstances in which these organizations may be eligible to move excess funds in the nonprofit food service account for one Program to another Program within that organization. Excess funds are most commonly identified during the sponsor's monitoring of the nonprofit food service account, during an administrative or compliance review or audit, or during the review of the annual financial report. Such transfers must be approved in advance by the CNP Director at the Alabama State Department of Education (ALSDE). Programs are strongly encouraged to use federal reimbursement dollars to improve a Program prior to requesting permission to transfer funds to a different Program.

<u>Determination of Excess Funds</u>
Excess funds are unused reimbursements in excess of expenditures. The specific amount is determined by the Program.

1. Child and Adult Care Food Program (CACFP) and School Nutrition Programs (SNP): Excess funds are any amount over three month's average expenditures.
2. Summer Food Service Program (SFSP):
    a. For sponsors operating only in summer, excess funds are any amount over one month's average expenditure.
    b. For sponsors operating throughout the year, excess funds are any amount over three month's average expenditures.

<u>Using Excess Funds in CACFP and/or SFSP</u>

1. Excess CACFP and/or SFSP funds may be:
    a. Used to improve food quality or operations. Examples include purchasing healthier foods, paying labor costs, or attending relevant conferences.
    b. Used to provide start-up costs for the Program for the next fiscal year.
    c. Transferred to other CNP programs for allowable costs in the Program receiving the excess funds.
        i. The request to transfer excess funds must be sent in writing to the ALSDE CNP Director and must identify the intended use of the funds.
        ii. The request must include a financial summary report for the Program with excess funds. The report must reflect the actual earnings and documented costs incurred in the fiscal year the funds were received.
2. Sponsoring organizations wanting to transfer excess CACFP or SFSP funds to other Programs they operate must submit a written request to the ALSDE CNP Director.
    a. The written request must include the total dollar amount of the transfer and indicate the Program to receive the funds.

    b. A CACFP or SFSP financial summary report must also be submitted that clearly reflects the actual reimbursements and the actual documented expenditures incurred for the fiscal year the funds were received.
3. Examples:
    a. A program operator with excess SFSP funds requests approval from the ALSDE to transfer the funds to SNP for the purchase of a van to deliver meals to sites. If approved, the SNP program is then required to request prior approval from the ALSDE to purchase a van.
    b. A program operator with excess CACFP funds requests approval from the ALSDE to transfer the funds to SFSP for the purchase of a van to deliver meals to sites. The request cannot be approved because a vehicle is an unallowable cost for SFSP.

<u>Using Excess Funds in SNP</u>
There is no federal guidance addressing transferring excess SNP funds. Thus, transfers from SNP to CACFP or SFSP are not allowed.

<u>Administrative Reviews and Corrective Action Plans</u>
1. ALSDE staff and contracted auditors monitor balances in the nonprofit food service account during administrative reviews.
2. Excess balances result in a finding and require a corrective action plan. Failure to submit and implement an acceptable corrective action plan may result in termination of the Program.

<u>General Accounting Requirements Related to Excess Funds</u>
1. Organizations must track revenue and expenses separately for each Program.
2. Requests to spend CNP funds, including transferred excess funds, are approved as part of the annual budget approval process or as amendments to the approved budget. Some purchases require prior approval or prior written approval from the ALSDE and/or USDA.
3. As a best practice, it is recommended that equipment being purchased for use in more than one program be prorated among all Programs benefitting from the equipment.
4. SNP operators may purchase items for use in the operation of more than one Program. For example, a commercial-grade refrigerator needed for SNP and CACFP could be paid for solely with SNP funds.
5. Excess funds cannot be transferred to operations that are not related to CNP.

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**Appendix: Links to Resources**

**SNP Net Cash Resources**
7 CFR 210.14(b)
7 CFR 210.14(b)

**SFSP Financial Management**
7 CFR 225.7(m)
7 CFR 225.7(m)

**Financial Management – Child and Adult Care Food Program**
CACFP: FNS Instruction 796-2, Revision 4
FNS Instruction 796-2 : Financial Management CACFP

**SP 06-2014, CACFP 03-2014, SFSP 06-2014: Available Flexibilities for CACFP At-Risk Sponsors and Centers Transitioning to Summer Food Service Program** (11-12-2013)
Available Flexibilities for CACFP At-risk Sponsors and Centers Transitioning to Summer Food Service Program (SFSP) | USDA