

Additional Information:

United States Department of Agriculture Uniform Federal Assistance Regulations, 7 CFR Parts 3016, 3019, and 3052.

www.gpo.gov/nara/cfr/index.html

United States Department of Agriculture, Child and Adult Care Food Program Regulation, 7 CFR Part 226.

www.usda.gov/cnd

United States Department of Agriculture, Food and Nutrition Service, Instruction 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.

Office of Management and Budget Circulars: A-87, August 29, 1997; A-102, March 11, 1988; A-110, November 29, 1993; A-122, June 1, 1998; and A-133, June 24, 1997.

www.whitehouse.gov

United States General Services Administration, Federal Acquisition Regulations, 48 CFR Part 31.

www.gsa.gov

Contact State administering agencies or United States Department of Agriculture, Food and Nutrition Service Regional Offices for a copy of FNS Instruction, 796-2, Rev. 3, Financial Management -Child and Adult Care Food Program.



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CACFP
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**CHILD and
ADULT CARE
FOOD PROGRAM**

**FNS INSTRUCTION
796-2, Rev. 3**

**# 3
NONPROFIT FOOD
SERVICE**

*This is the third in a series of brochures
on FNS Instruction 796-2, Revision 3.*

All institutions participating in the Child and Adult Care Food Program (CACFP) must operate a nonprofit food service principally for the benefit of its enrolled participants.

What is a nonprofit food service?

Operating a nonprofit food service requires that all revenue received or accruing to the food service is restricted and used only for allowable costs. Any revenue in excess of expenses is used only to maintain, expand or improve the institution's nonprofit food service for its participants.

An institution does not need to lose money or just break even to operate a nonprofit food service; nor is a food service nonprofit just because it is operated by a public institution or the institution earns the lesser of CACFP rates or cost.

What are the requirements for the different types of institutions?

All institutions participating in the CACFP must operate a nonprofit food service principally for the benefit of its enrolled participants.

The institution must meet the nonprofit food service requirement when the institution is:

- An independent child care center;
- A sponsor of affiliated centers;
- A family day care home sponsor.

When the institution sponsors unaffiliated centers, the institution is required to assure that these unaffiliated centers operate a nonprofit food service.

Family day care homes are exempt from the nonprofit food service requirement.

Are there other activities that must be considered when determining nonprofit food service?

Yes. When the food service is used for other activities, then the nonprofit food service is limited to the food service for the enrolled CACFP participants. Other activities include catering, serving or selling meals to others.

Who identifies the nonprofit food service?

Both the institution and State agency share responsibility for identifying the nonprofit food service. However, the State agency makes the final determination. The institution must describe its food service operations to the State agency during the application process and maintain records that accurately reflect the operation of its food service. The State agency evaluates the information on the application and uses on-site reviews to assess the scope of the institution's food service activities.

What does the State agency review?

The State agency identifies all of the institution's food service activities and reviews financial information, including:

- Nonprofit food service revenues;
- Allowable net nonprofit food service expenses; and
- All income to the program.

The State agency computes the nonprofit food service account balance by deducting net allowable expenses and program income from nonprofit food service revenue. When revenue exceeds expenses, the State agency verifies that this excess revenue is retained and used only in the nonprofit food service program.

What are the institution's responsibilities?

The institution must maintain records identifying all of its food service activities; retain all nonprofit food service revenue in a restricted account; use the nonprofit food service account only for allowable costs; correct any deficiencies identified by the State agency; and implement corrective action when the State agency determines an excessive nonprofit food service account balance exists.

What is an excessive balance?

Each State agency determines what is an excess balance and the specific corrective actions that the institution must take to reduce the balance. An excess balance can only be used to expand or improve the nonprofit food service for the participants and cannot be used for other purposes.

NOTE: Additional requirements may apply. Consult 796-2, Rev. 3 and the appropriate administering agency for more information.