

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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**CHILD and ADULT
CARE FOOD
PROGRAM**

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

**# 7
EQUIPMENT
PURCHASES and
DEPRECIATION**

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

Instead of using depreciation, an institution can be permitted to charge the program for the cost of certain types of equipment and improvements at the time the items are purchased or when improvements are made. When the cost of equipment is not charged (expensed) at the time of purchase, the item can be depreciated.

What is the current definition of equipment?

Equipment is an item of nonexpendable personal property with a useful life of more than 1 year and an acquisition cost of \$5,000 or more per unit. When an institution has a more conservative definition for equipment, the institution must use that definition to identify equipment.

How is an item classified if it does not meet this definition?

The item is classified as a supply.

Are there any requirements for purchasing supplies?

Yes. Refer to FNS Instruction 796-2, Rev. 3, Chapter VIII, I, 27, Materials and Supplies.

What kinds of equipment can be expensed?

Most equipment purchased by the institution that is used in the Program can be expensed, except for the following:

- Equipment purchased by individuals;
- Donated equipment;
- General purpose equipment, including office equipment and furnishings;
- Air conditioning equipment;

- Reproduction and printing equipment;
- Motor vehicles; and
- Automated data processing equipment used for both program and general administrative purposes.

Can an institution expense equipment that is not used 100% for the program?

Except for automated data processing equipment, the institution can expense the prorated program share of the cost of the equipment. The institution must pay for the nonprogram share from sources other than the institution's nonprofit food service account.

Does expensing an item of equipment require prior approval?

Yes. Specific prior written approval by the State agency is required.

Are there other requirements that must be followed when equipment is expensed?

Yes. The institution must comply with Federal property management and disposition requirements.

Where can I find these requirements?

Refer to 7 CFR Part 3016.31-.33 for public institutions and 3019.30-.37 for nonprofit institutions for information on recordkeeping, transfer and disposition instructions. Exhibit D of FNS Instruction 796-2, Rev. 3 can be used to meet the recordkeeping requirements.

Does the State agency have the right to disapprove a request to expense equipment?

Yes. In these cases, the institution can depreciate the program share of the equipment's cost.

How is equipment depreciation computed?

Depreciation is computed using the useful life and net cost of the equipment. Only the nonFederally funded share of the net cost can be depreciated. When the equipment is used for program and nonprogram purposes, the amount of depreciation must be prorated.

What methods of depreciation can be used?

The institution can use either a 15 year straight line depreciation method or the method used and accepted for Federal income tax reporting purposes. All other methods require specific prior written approval by the State agency.

When can a use allowance be taken?

A use allowance may be taken as an expense for equipment when the item was originally purchased with nonFederal funds and after it has been fully depreciated. At that point, the Federally funded activity or program may take a use allowance based on a calculated method.

Can an institution remove funds from its nonprofit food service account when depreciation is used?

No. Depreciation is a non cash transaction. Depreciation is not a contingency or equipment replacement fund. It is a method used to recognize that a benefit has been derived from using an asset supplied by the institution.

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