

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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June 2001



CACFP
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**CHILD and ADULT
CARE FOOD
PROGRAM**

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

**# 16
INCOME TO THE
PROGRAM**

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

All income to the program must be retained and used in the institution's nonprofit food service account.

Are there different categories of income to the program?

Institution's must account for two different categories of income to the program, Program income and other income.

What is Program income?

Program income is the gross income earned from activities supported by the program. When the institution's nonprofit food service includes all of its food service activities, program income is generated by the operation of any aspect of that food service. When the institution's program food service is limited to the Child and Adult Care Food Program (CACFP), Program income is limited to the income that results from operating the CACFP. If an institution incurs costs to produce the Program income but does not charge these costs to the program, these costs may be subtracted from gross income to determine net Program income.

What are some examples of Program income?

- Participant payments for meals in institutions which operate pricing programs;
- Payments received from food sales to adults;
- Revenue from nonprogram operations when a separation of program and nonprogram food service is not appropriate;
- Proceeds from the disposition of real and nonexpendable personal property acquired with FNS funds; and
- Royalties and other income earned from the sale or licensing of copyrighted work developed under the Program. Examples include license fees for

software developed to prepare Program claims for reimbursements, gross income from the sale of cookbooks for use in the program, training materials and rental fees or income from videos developed with Program funds.

What is other income?

Other income includes other funds that result from program operations or are applied to program operations.

What are some examples of other income?

- Cash donations specifically earmarked for use in the program food service.
- Cash that is not earmarked but used in the nonprofit food service, except certain loans and internal transfers;
- Interest earned on CACFP funds (reimbursement, advance administrative, meals service and facility pass-through funds) that can be retained by the institution;
- Funds committed by the institution to the program;
- Funds received for program food service activities from any other Federal, State, intermediate or local government source; and
- Funds received from the sale of unused or unneeded supplies purchased with Program funds.

Are there any funds that are always excluded as income to the program?

Yes. The following is never classified as Program or other income:

- Internal transfers of funds pursuant to the institutions funds management policy, to meet cash flow needs;

- Bona fide third party short term loans to meet cash flow needs;
- Revenues raised by a public recipient under its governing powers, such as taxes, special assessment, levies and fines unless specifically raised for use in the institution's program food service; and
- Interest earned on CACFP advance funds that must be returned.

How is income to the program to be treated when determining nonprofit food service?

In all cases, income to the program must be used to reduce the amount of CACFP program costs. For example, if the institution spent (expensed) \$1,000 and also collected \$100 in program income, then the institution's net expenses would be \$900.

Specifically, Program and other income can only be used for allowable program purposes by:

- Deducting the income from CACFP costs in center programs reimbursed on the basis of the lesser of meals times rates or cost;
- Deducting the income from CACFP day care home sponsor administrative costs to determine net reimbursable administrative costs; and
- Deducting the income from allowable program food service account expenses in centers reimbursed using the rate based method when determining if the institution is operating a nonprofit food service account.

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