

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

*Building for
the Future*

CHILD and ADULT CARE FOOD PROGRAM

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

18 GLOSSARY

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

The following terms are frequently used in FNS Instruction 796-2, Rev. 3. Refer to Exhibit A of the Instruction for a more detailed Glossary.

Acquisition cost is the net invoice price of a purchased item.

Administrative costs result from planning, organizing and managing a food service under the Child and Adult Care Food Program (CACFP).

Affiliated center is a center that is owned, in whole or in part, by a CACFP sponsoring organization.

Applicable credits offset or reduce direct and indirect expenses.

Compensatory time is paid leave granted in lieu of a cash payment for overtime or holiday work.

Cost means an amount determined on a cash or accrual basis.

Depreciation is the expense associated with the use of property owned by the institution.

Direct costs are identified specifically with a particular cost objective.

Direct expensing means, instead of charging depreciation, the cost of equipment, other property and certain modifications or repairs is charged at the time the item is purchased or the modification/repair is made. Direct expensing is also called a capital expenditure.

Durable supplies have a life expectancy of more than one year and an acquisition cost of less than \$5,000 per unit.

Equipment has a useful life of more than 1 year and an acquisition cost of \$5,000 or more per unit.

Expendable personal property is all tangible personal property other than nonexpendable personal property.

Financial management is the effective control over, and accountability for all funds, property and other assets to assure that they are safe-guarded and used efficiently to fulfill Program requirements.

Holiday pay is earned for work performed on a recognized non-work holiday.

Indirect costs are incurred for a common or joint purpose.

A less-than-arms-length transaction is one under which one party is able to control or substantially influence the actions of the other(s).

Nonexpendable personal property is all property with a useful life of more than 1 year and an acquisition cost of \$5,000 or more.

Nonprofit food service includes all food service operations conducted by the institution principally for the benefit of enrolled participants, from which all of the Program reimbursement funds are used solely for the operation or improvement of that food service.

Operating costs result from serving meals to participants.

Overtime compensation is earned for work performed in excess of an employee's regular work schedule.

Participant is an eligible child or adult, as defined in 7 CFR 226, who participates in the CACFP.

Prior approval means securing the State agency's or, in some cases, FNS' permission in advance to incur costs. Except in cases of emergencies, this permission must be in writing.

Program when capitalized (Program) means the CACFP. When lower cased, (program) means the food service conducted primarily for the benefit of enrolled participants.

Program costs are allowable nonprofit food service operating and administrative costs.

Prudent person is a standard used to evaluate whether a sensible person exercising due care would spend the same amount of money on the item or activity in question.

Related party transaction occurs between the institution and its parent corporation, corporate divisions, subsidiaries, an employee(s), officer(s), or agent(s) of the institution or members of their immediate family, either directly or indirectly.

Shared costs are direct costs that benefit more than one cost objective and can be easily prorated. Shared costs are also referred to as joint costs.

Supplies are items other than equipment and real property.

Unaffiliated center is legally distinct from its sponsoring organization.

Unfunded cost is the difference between the amount of cost incurred and the funds available to pay the cost.

Use allowance is used to recognize the value of property that has been fully depreciated on the institution's books before being placed into service in a Federally funded program. The maximum use allowance for buildings and improvements is 2 percent. For equipment, it is 6 ²/₃ percent.

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