

ALLOWABLE AND UNALLOWABLE COSTS

Introduction

The purpose of this module is to provide guidance regarding allowable and unallowable costs to institutions participating in the CACFP. After reading this Module, participants will be able to define allowable and unallowable costs. Participants will also be able to refer to the FNS Instruction 796-2, Rev. 4 in its entirety.



Reference Materials

1. [Guidance for Management Plans and Budgets, Child and Adult Care Food Program Handbook, U.S. Department of Agriculture Food and Nutrition Service, December 2013](#)
2. [FNS Instruction 796-2 Rev. 4](#)

Costs

Allowable Costs

The Federal Government has identified costs that are allowable for all institutions that spend Federal funds. However, there are some limitations enforced by CACFP statutory, regulatory, and policy considerations. Therefore, State agencies refer to [FNS Instruction 796-2 Rev. 4](#) when reviewing an institution's expenditures for CACFP reimbursements.

Definition

Allowable costs are bona fide (actual) obligations of an institution. These costs must be necessary, reasonable, authorized, current, properly allocated, and documented. These terms will be covered later in the training. They cannot be included as a cost to any other federally financed program. They must conform to any limitation or exclusion and be treated consistently through the use of Generally Accepted Accounting Principles (GAAP). GAAP are the accounting rules used to prepare and standardize the reporting of financial statements, such as balance sheets, income statements, and cash flow statements. In other words, allowable costs occur during the routine operation of CACFP for which the Program funds may be used.

GAAP is a set of rules regarding:

- How costs and income are treated by a business.
- The kinds of financial records that must be maintained.
- The form and content of a business's basic financial information.

A cost is allowable when it meets the guidelines of [FNS Instruction 796-2 Rev. 4](#). Regarding the purpose of the CACFP, cost must also be *necessary* and *reasonable*. Costs must meet the following requirements:

- *Necessary*: The cost must be for an activity or function that is generally recognized as ordinary and required for the institution to operate the Program. The cost must be essential to fulfill regulatory requirements for proper and efficient administration of the Program.
- *Reasonable*: The type and amount of cost must not exceed what a "prudent person" would pay under the same circumstances. This phrase means what a sensible person exercising care, would spend.



Questions to ask yourself if reasonable:

1. If you were shopping with your own money, rather than CACFP funds, would you buy this for your institution and pay this price?
2. Would you shop at a highly priced specialty food store if the item was available at the grocery store? On the other hand, if the specialty market carries ethnic food items not available at the regular grocery store and that will be part of the creditable ethnic meal, the cost is reasonable. This standard, however, is not the only factor used when determining if a cost is reasonable.

Generally Allowable costs are:

- Customary (for example, food, food service supplies, and food service labor);
- Allowed by [FNS Instruction 796-2, Rev. 4](#), circulars, regulations, policy and guidance;
- Disclosed in the budget submitted to the State agency; and
- Approved in advance through the budget.

EXAMPLE:

An independent center cooks food from scratch. The old oven is no longer working and is not repairable so the center purchased a new oven to cook meals for the children. This would be a reasonable action. However, if the oven costs \$3300 and the center serves 15 children, this expense is not reasonable because a less expensive oven that is fully functional for CACFP food service purposes is easily available.

Other requirements used to determine reasonableness are:

- The restraints imposed by generally accepted sound business practices;
- Arms-length bargaining: this means that buyers and sellers act independently from each other when negotiating a price, and they have no relationship to each other that might result in a price that does not reflect the actual fair market value of the good or service.
- A transaction consisting of one party to the transaction having control or substantially influencing the actions of the other(s) is called a less-than-arms-length transaction.



- Institutions are responsible for disclosing any less-than-arms-length transactions that are part of the administrative budget.
- The State agency will review all less-than-arms-length transactions to ensure that the amount of cost involved in the transaction is not greater than it would be had it been procured through an arms-length transaction.
- All less-than-arms-length transactions require prior written approval from the State agency. The key is disclosure.

EXCEPTION: A Program needs to have some kitchen repairs done. They follow proper procedure and get three (3) sealed bids from independent contractors. One of the bids is from the Program owner's father. The bids are received and reviewed by the Board of Directors. The Board selects the Program owner's father. This would be accepted as long as the less-than-arms-length transaction has been disclosed. (Unless fully disclosed, a seemingly allowable cost can

become unallowable cost can become an unallowable cost because the disclosure was not made prior to the purchase of services).

- Related party transaction is a transaction between the institution and its parent corporation, employee(s), officer(s), or members of their immediate family either directly or indirectly in which a controlling interest is held no matter how transaction is represented. All related party transactions are less-than-arms-length transactions.
- Federal and State laws and regulations;
- Did the institution act responsibly?
- Are there significant deviations from established practices which unjustifiably increase the award costs? These would be any practices that vary from the accepted norm or standard in regards to expenditures.

EXAMPLE:

During an audit, the financial spreadsheet was reviewed. It was noticed that the month of November had considerable more food costs. When receipts were reviewed, the auditor found 10 turkeys and prime rib on the receipts. This would be a significant deviation for the established practice of purchasing food for the institution.

Additional factors for allowable costs beyond necessary and reasonable include:

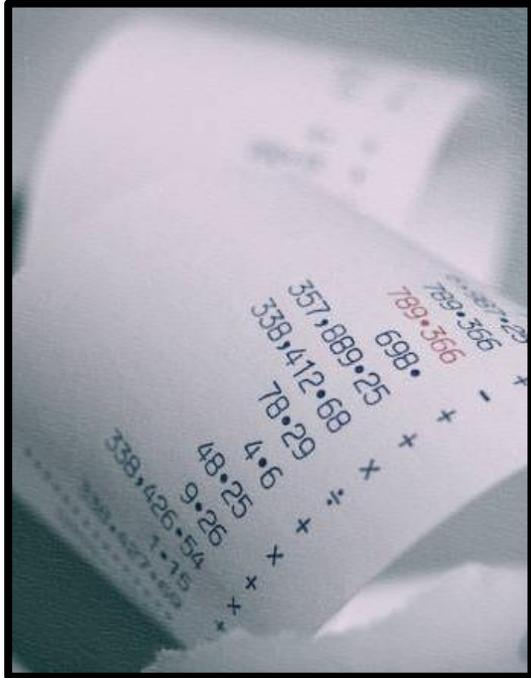
- *Authorized:* The cost must be authorized or at least not prohibited under Federal, State, or local laws, regulations and FNS Instruction.

EXAMPLE: The stove at the center breaks and must be replaced quickly. The expense is not authorized because it was not anticipated. However, it isn't prohibited because a stove is necessary for meal service.

- *Limitations:* The cost must conform to any limitation or exclusions set forth in FNS Instruction, State or local laws or regulations as to types or amounts of cost items.

EXAMPLE: Personal expenses, such as personal use of the center's van, are not deductible as business expenses under both the IRS rules and CACFP regulations.

- *Current:* The cost must be in the current period (month or quarter). It cannot be assigned or included as a cost to a prior or future month or quarter.



NOTE: An institution's director took advantage of a great sale in September on meat at the local grocery store. She was able to stock up for her institution (evident upon looking in the institution's freezer). In November, the institution was visited by the CACFP Program Specialist to review the month of October. The director was unable to provide ample receipts for their October purchases to make a nonprofit food service determination, however; she told the Program Specialist of her purchases in September. The director provided September receipts to the CACFP Program Specialist; therefore making the review a two month review (September/October). A nonprofit food service determination was evident after reviewing both months. This is reasonable.

- *Properly Allocated:* Only the allowable share of the cost is assigned to the Program.

EXAMPLE: The center cook also drives the van to pick up school age children every afternoon. Wages for the time spent driving and transporting the children is not an allowable CACFP cost as it does not pertain to meal service.

- *Documented:* All costs charged to the CACFP must be supported by documentation that adequately demonstrates that the costs have been incurred, are appropriate Program costs, and comply with all applicable laws, regulations, and FNS Instruction. The State agency may identify the specific documentation needed based on general business practices.

EXAMPLE: If costs are claimed for janitorial services related to the CACFP, invoices including the hourly rate, time to complete job, and total cost must be submitted.



The documentation should be an official invoice on a letterhead with a form of payment available for review. The form of payment can be a cancelled check, electronic payment transaction documentation, credit card bill with documentation of payment, or a check register matching the request for payment.

- *Prior Approval:* All costs require prior approval by the State agency before they can be incurred. This generally occurs during the State agency's initial budget approval process and the annual budget-approval process.

Question to consider for determination:

Does operating the CACFP cause this cost to occur?

Yes = A CACFP cost

Direct Costs and Indirect Cost Plans

The treatment of a cost as direct or indirect is almost always driven by its treatment in the institution's accounting system. The institution is required to treat each item of cost in a consistent manner as a direct or indirect cost in accordance to Federal cost principles.

A cost may be assigned to the institution as a direct cost only if that cost item under the same circumstances has not been charged to other programs or cost objectives as an indirect cost.

Direct costs are costs that can be easily identified directly to, and only to, the CACFP.

Examples of allowable direct costs are:



- Food service employee wages when their only function is preparing CACFP participants' meals. For example, a cook whose duties are limited to planning meals, shopping, cooking, and cleaning the kitchen after meals.
- Wages for person doing record keeping for the CACFP. This person may also do other recordkeeping for the center, but the portion of time spent on meal service records is a direct CACFP cost.

- Depreciation on equipment used in the nonprofit food service program when the only meals are for the participants, and
- Cost of purchased food for use in CACFP meal service.

Indirect costs are those costs associated with CACFP operations and non-CACFP activities. An example of this is the cost of water and utilities that are on a shared meter for both the institution's CACFP and its non-CACFP activities. The institution must be able to indicate in its budget what method it uses to determine the portion of the total cost allocated to CACFP.

Allocation is the procedure used to determine the amount or the percentage of cost charged to a particular activity or Program, based on the benefits received, not the source of funds available to pay for the cost. The institution must provide the State agency with the method it will use to allocate these shared costs.

Examples of costs that are shared among Programs are:

- Depreciation and use allowances on buildings and equipment used for common purposes.
- Costs of operating and maintaining facilities, equipment, and grounds.
- Salaries for office receptionist and central accounting staff.
- Payroll services.

Indirect costs are designated through an indirect cost rate. This rate is developed through a cost allocation plan approved by the Federal or State agency. The institution should contact its State agency for additional guidance.

EXAMPLE:

A Head Start Program operates CACFP. Both the Head Start Program and CACFP use gas, electricity, water, and payroll services. These costs are shared costs because they are not directly associated with one Program. They are associated with both. The institution (Head Start) must develop a method to assign to the CACFP its portion of the above indirect costs. This method used is called a cost allocation rate proposal. More information on direct and indirect costs, along with cost allocation rate proposals, can be found in the [FNS Instruction 796 - 2, Rev. 4](#) under Section VII B & C and Exhibit I. Part B, Section D can be referred to also.



Allocable Costs

When costs benefit more than one Program or benefit both CACFP and non-CACFP activities, only the share of the costs that benefits the CACFP can be assigned as Program costs. These costs must be properly allocated across CACFP and non-CACFP activities.

Some costs can be pooled together in a way that individual expenses cannot be specifically assigned to the CACFP. Some examples portraying this include occupancy fees, telephone, electricity, or data processing. In such cases, costs must be divided among the various users/Programs based on their percentage of use. This “allocation” of costs ensures that the CACFP is not charged more than its ‘share’ of the overall cost.

Example:

The salary of an employee whose duties consist solely of preparing and serving meals is 100% allocable to the CACFP, and is therefore treated as a direct cost.

By contrast, a Director of a local boys and girls club spends 40% of his/her time on CACFP activities and 60% on other Program activities. This is documented through a time sheet and time distribution report. The director can allocate 40% of his/her salary to CACFP and the rest to Program activities. Staff that work on both CACFP and other Program activities must charge their time according to the percentage of time spent performing each programs’ activities. Time sheets documenting time spent on CACFP activities are required.

A cost allocable to particular Federal funds or other cost objectives cannot be charged to other Federal funding to overcome lack of funds, avoid restrictions driven by regulations or terms of Federal awards. For example, CACFP cannot be billed a higher share of the utility costs just because another program who shares the utility cost doesn’t have the funding. This action would assign the cost to a cost objective that did not benefit from it.

Operating Costs and Administrative Costs

These costs include both direct and indirect costs.

Operating Costs

Operating costs are limited to the institution’s allowable expenses of serving meals to eligible participants in eligible child and adult care centers. Each institution must maintain copies of invoices, receipts or other records to document operating costs claimed.

Examples of operating costs for institutions are:

1) Food

- a) Food costs include costs of purchasing ingredients for foods that are served to the participants and delivery fees, minus any rebates or reductions made to the price.
- b) Food costs also include milk purchases.
- c) Records of the cost and quantity of food purchased, cost reductions and/or rebates, and amount of food used must be maintained. Required food cost records may include the following:
 - Procurement documents, including bids and contracts;
 - Purchase orders;
 - Delivery receipts;
 - Invoices;
 - Cancelled checks;
 - Itemized cash receipts;
 - Purchase records;
 - Cost Records for transporting;
 - Credits, returns and rebates; and
 - Inventory records.



2) Food Service Labor

- a) Operating labor includes the wages of personnel who prepare the food, serve the meals, clean up after the meal service, or any other meal service related duties.
- b) Labor operating costs also include prorated salaries than can be attributed to the meal service duties, such as planning, organizing, and managing the nonprofit food service.
- c) Proper documentation, such as timesheets and payroll records, must be kept in order to claim these costs.

EXAMPLE:

A center employs three staff members who work entirely on the meal service and are not responsible for any other functions of the center. The center can claim the entire labor cost for these employees, which includes fringe benefits and employment taxes.

- d) Fringe benefits include vacation leave, health benefits, insurances and retirement benefits for CACFP staff. The employer's share of Federal, State and local employment taxes are allowable as an operating cost [[FNS Instruction 796-2. Rev. 4](#) (Section VIII I 23)].

For example, one of the cooks drives a bus to pick up school age children. This activity involves 10% of her time. Therefore, 10% of her wages and benefits cannot be billed to CACFP.

3) Insurance Premiums

- a) Premiums on insurance policies and deductible payments for minimal losses can be charged to the CACFP. This category DOES NOT include life, disability, or health care insurance provided to the individual (this is part of Labor and Employee Benefits).
- b) A description of the insurance policies showing the type and cost must be on file to support costs claimed. These costs must be allocated between CACFP and non-CACFP, if they are shared between two or more programs.

EXAMPLE:

Insurance premiums paid on a policy that covers the facility vehicle used to get groceries and deliver meals to off-site programs would be an allowable expense.

4) Nonfood Supplies

- a) There are non-edible supplies necessary to operate the CACFP meal service. The institution must document the costs of these items with receipts and invoices.
- b) Allowable non-food supplies may include:
- Disposable goods (napkins, forks and spoons);
 - Cleaning supplies used directly for the food service operation, such as chlorine bleach, sanitizer, cleanser, and dish detergent;
 - Food storage supplies, such as aluminum foil and plastic containers;
 - Small kitchen supplies, such as serving utensils, eating utensils, trash



- cans for the kitchen, pots and pans, and small microwave ovens; and
- Expenses related to the delivery of meals to facilities, such as coolers and mileage expenses for food delivery.

EXAMPLE:

A Head Start prepares meals for all its centers and its delivery van travels a total of 150 miles a day to deliver food to all of the centers. The transportation cost is an allowable CACFP operating cost.

5) Staff Training

All staff with CACFP duties must be trained annually on Program requirements. Program requirements include Civil Rights and CACFP Program Management. These required trainings must be conducted annually. However; a director may decide to train on additional food service/nutrition topics. These additional trainings would be allowable but do not take the place of the required trainings.

The following is an allowable cost for training child or adult care center staff with State agency prior approval (this prior approval comes during the initial budget approval and then annually):

- a) The cost of substitutes for child or adult care center employees required to attend training conducted during the center's established hours of Program operation.

6) Travel

An operational cost for travel would include expenses for cooks to attend food service training. Documentation must be maintained in order to charge travel costs to CACFP [[FNS Instruction 796-2, Rev. 4](#) (Section VIII I 30 a 2)]. Travel records include time logs, mileage logs, date, purpose of travel, destination, and name of individual traveling.



EXAMPLE:

A child care center employs five food service employees. These employees are being sent to a training on nutritious cooking techniques. The training is scheduled to take place from 8:00 AM – 5:00 PM, which are the center's operational hours. The employees will drive about 180 miles to the training site. Due to the distance and timeframe, they are requesting overnight expenses for one night including meals and mileage. These are allowable as

Travel Expenses if they meet the test of reasonableness. The registration fee is also allowable.

NOTE: There is a good chance that this expense was included in the budget approval process. If the costs included in the budget (training and travel) were questioned, the State agency would ask the institution for a description of what the costs include. If this is deemed reasonable, the expense will most likely be approved. If not included in the initial or annual budget, the State agency recommends contacting them to discuss this expense.

Administrative Costs

Administrative costs are limited to the institution's allowable expenses for planning, organizing and managing a Program. These costs may include labor for management, fringe benefits, traveling, and other costs necessary to manage and implement the Program [[FNS 796-2, Rev. 4](#) (VII D 2)].

Administrative costs include:

- **Advertising/ Public Relations**

Advertising media includes newspapers, magazines, radio and television, direct mail, web pages, trade papers, and similar goods.

Public relations are activities which are dedicated to promoting the CACFP, such as pamphlets, news releases, and other information services to inform individuals, groups or the general public about the CACFP.

EXAMPLE:

A Head Start budgets \$250 to print pamphlets containing information about CACFP and plans to pass them out at the local community carnival. This cost is allowable if the cost is reasonable based on the number of pamphlets, etc. If the content is not 100 percent CACFP, the cost MUST be allocated.

[FNS Instruction 796-2, Rev. 4](#) (Section VIII I 3) contains a list of allowable and unallowable advertising and public relations costs that are specific to administering the CACFP. If advertising and public relations costs benefit Programs other than CACFP, these costs must be allocated between CACFP and non-CACFP Programs.

- **Equipment and Depreciation**

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. A unit is defined as all components required for the equipment to be operational. For example, in order for the copier to work it must contain an ink cartridge, so that defines the "unit".

Depreciation is the expense associated with the use of equipment, vehicles and facilities. This involves costs associated with physical deterioration and loss in

value of equipment. Depreciation is based on acquisition cost and the life expectancy of the asset. Depreciation may be claimed as an allowable administrative cost. Donated equipment may not be depreciated. The cost of depreciation for idle or obsolete equipment is unallowable. When the equipment is used for CACFP and non-CACFP purposes, the amount of depreciation must be allocated. Please refer to FNS Instruction 796-2, Rev. 4 (Section VIII I 13) for more information on depreciation.

- **Labor (Salaries, Benefits, and Taxes)**

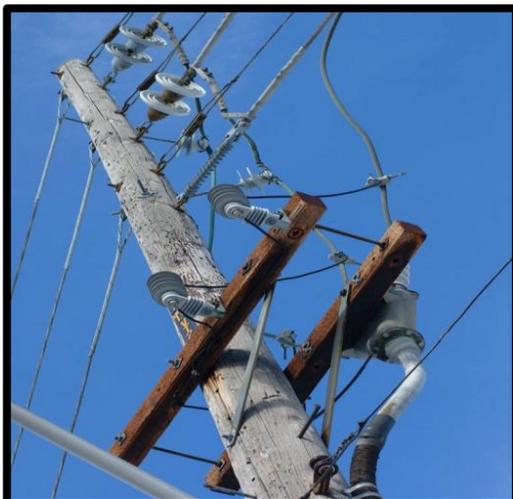
Administrative labor costs include salaries and fringe benefits paid to staff that perform administrative duties. Allowable labor costs include the employer's share of Federal, State, and local employment taxes such as Social Security withholding tax and State unemployment taxes.



Salaries or hourly wages are allowable when the rates that are charged are reasonable for the service provided. The rates charged are reasonable if they are consistent with rates paid for similar work in the area in which the institution is located, the years of experience, duties associated with the position, and the range of responsibility.

Here are some examples of administrative labor costs:

- Reviewing Income Eligibility Forms,
- Preparing the monthly claim,
- Conducting CACFP supervisory visits for centers with multiple facilities, and
- Training.



Administrative labor costs for both salaried and hourly employees must be documented. Documentation includes: time sheets, time and attendance records, time distribution records, or payroll records.

- **Services**

Administrative offices and costs associated with their care and maintenance (not

decoration or improving) are allowable, if reasonable. Allowable expenses may include office space rental, utilities, maintenance, janitorial services, telephone services, and contracted services. If any of the above expenses are shared with other Programs, the portion of the specific expense applicable to the CACFP must be allocated. The method of these prorated expenses must be documented.

Telephone and related communication costs are allowable CACFP costs. This includes cost incurred for business purchase cell phones, land lines, faxes, license fees for electronic mail software, internet services, postage, and messenger services. These costs must be allocated between CACFP and non-CACFP use if they are shared with other Programs. Refer to [FNS Instruction 796-2, Rev. 4](#) (Section VIII I 8) for more information.

Contracted services require necessary documentation such as contracts, invoices, receipts, and cancelled checks. An institution that hires contractors to conduct training sessions for its center must have the above documentation to support costs charged to CACFP.

Examples of allowable contracted services include:

- Food equipment rental;
 - Vended meals;
 - Trash service related to the CACFP;
 - Janitorial service related to the CACFP; and
 - Insect and rodent services.
- **Travel**

Administrative travel costs are expenses for transportation, lodging, subsistence and related costs associated with attending training, conducting site reviews, etc., for the CACFP. All travel costs require the State agency's prior approval.

Allowable travel costs may include:

- Mileage allowance paid to the traveler;
- Commercial air, train, and bus fare;
- Public transit costs;
- Registration fees;
- Rental car; and
- Parking fees.

Travel insurance and parking tickets/fines are examples of travel costs that are unallowable. Travel costs can only be applied to employees, officer, directors, and trustees actively participating in CACFP related activities. Travel costs DOES NOT include stipends paid to officers or board members.

Examples of unallowable Travel Costs are:

- Personal travel;
- Non-CACFP travel;
- Commuting;
- Mileage allowance costs when actual costs are charged for the same vehicle; and
- Costs for fuel, insurance, and maintenance when mileage allowance is charged for the same vehicle.

Unallowable Costs

An unallowable cost is a cost that may not be charged to the CACFP or claimed for reimbursement [[FNS Instruction 796-2, Rev. 4](#) (Section VII A 4)]. The following are examples of unallowable costs:

- 1) Costs that are not a reasonable expense specifically for the CACFP;
- 2) Costs that are not necessary for the operation/administration of the CACFP;
- 3) Costs that are not approved in the CACFP budget or a budget amendment;
- 4) Costs that are not properly allocated between CACFP and other non-CACFP Programs;
- 5) Less-than-arms-length transactions that are not properly disclosed and approved;
- 6) Alcoholic beverages;
- 7) Paying bad debt;
- 8) Entertainment
 - a) Including amusement, diversion, and social activities, and any costs directly associated with such costs (such as tickets to shows or sporting events, meals, lodging, rental, transportation, and gratuities);
- 9) Lobbying.



Since there are instances when the institution will wish or need to make expenditures to support non-CACFP activities, the institution must use non-CACFP funds to cover those costs.

Unallowable Costs vs. Unapproved Costs

When a State agency finds that CACFP funds have been used to pay for an unapproved cost, the State agency must disallow the cost. Even if the expenditure would have been allowable had it received prior approval, the cost becomes an unallowable cost. The State agency can either request that the funds be returned to the State agency or off-set future payments; either of these actions is appealable.

An example of an unapproved cost would be a training that was related to the food program (allowable) however the expenses incurred were great (travel, per diem, lodging, registration fee). There was no specific prior approval from the State agency; therefore, it became an unapproved cost.

The difference between an unallowable cost and an unapproved cost is basically approval. An unallowable cost will never be approved as there is federal regulation that prohibits the cost to be reimbursed by federal funds. An unapproved cost has the probability of being approved when details are given regarding the cost and the State agency finds it reasonable.

Allowable but Unfunded Costs

The CACFP is intended to supplement overall Program expenditures rather than cover the entire cost of the Program. As a result, institutions must have additional funds to cover costs that the CACFP reimbursement does not cover. This difference is typically bridged by tuition, fundraising efforts, and/or other government funding received by the institution.

Because the CACFP supplements overall Program expenditures, it is important for the director to understand that all expenses incurred by the food program will not be covered by the CACFP reimbursement. Therefore, additional allowable expenses (such as trainings) need to be well thought out. The institution's meal service should be the primary focus.

Conclusion

Costs funded from CACFP reimbursements MUST be allowable. An allowable cost must be a bona fide obligation, aligned with the Generally Accepted Accounting Principles (GAAP), and a CACFP cost. These costs must be necessary, reasonable, properly classified, and properly allocated.

Costs that are not properly documented, not properly disclosed, not properly procured, or not included in the approved CACFP budget are unallowable.

Recordkeeping is crucial for a successful food program. Organization and well documented financial records are key. Communication is also important. If you have a question regarding a cost; please contact your State agency.

Quiz

1. A cost charged to the CACFP must be _____ and _____.
 - A. In the budget and approved by the Board.
 - B. Director salary and cook wages.
 - C. Necessary and reasonable.
 - D. ONLY food items and milk.

2. An allocable cost is:
 - A. When costs benefit more than one Program.
 - B. When costs benefit both CACFP and non-CACFP activities.
 - C. Both a and b.
 - D. None of the answers are correct.

3. Name three examples of operating costs for institutions.
 - A. Food, food service labor, and nonfood supplies
 - B. Food service labor, nonfood supplies, and special events
 - C. Zoo tickets, food, and director's salary
 - D. Staff training, Insurance, and adult beverages

4. An example of an unallowable cost is:
 - A. Costs that are not a reasonable expense specifically for the CACFP.
 - B. Costs that are not properly allocated between CACFP and non-CACFP Programs.
 - C. Entertainment
 - D. All of the above

5. When a State agency finds that CACFP funds have been used to pay for an unapproved cost, the

State agency must _____ the cost.

- A. Disallow
- B. Reimburse
- C. Ignore
- D. Accept

6. When can a less-than-arms-length transaction be approved?

- A. The person contracted is married to the director.
- B. The person contracted provided a bill on an 'official' letterhead.
- C. The person contracted was selected by the bidding process.
- D. The person contracted lives in another state.

7. Examples of direct costs easily identified to the CACFP are:

- A. Food service wages and utilities bill.
- B. Food purchased and special event costs.
- C. Wages for person associated with CACFP record keeping and cooks wages.
- D. Maintenance of building and payroll services.

8. Operating costs are limited to the institution's allowable expenses of:

- A. Serving meals to eligible participants in eligible child and adult care centers and utilities and director's salary.
- B. Special event venues and food costs.
- C. Food service labor and servings meals to eligible participants in eligible child and adult care centers.
- D. Maintenance of building and all milk purchases.

9. Advertising and public relations costs that only benefit the CACFP are examples of:

- A. Indirect costs.
- B. Administrative costs.
- C. Operating costs.
- D. Unallowable costs.

10. Allowable contract services in regards to CACFP are:

- A. Food equipment rental and vended meals.
- B. Trash services related to CACFP and Keynote speaker costs.
- C. Janitorial services related to CACFP and educational supplies.
- D. Insect and rodent services and teacher wages.

Module 5: Activity:

1. The purchase of a copier was approved in the budget. The copier will be used 100% of the time by CACFP. The director did not maintain a receipt of purchase.

Is this cost allowable? Why or why not?

2. Figure the following story problem: (Please show your work)

An institution leases a building measuring 7500 square feet at \$5,500.00 per month. The building includes a kitchen, dining area, classrooms, office, laundry, and outdoor play area. CACFP uses the kitchen and dining area directly which measures 3000 square feet. The laundry (900 square feet) is used by CACFP 50% as craft smocks and general cleaning clothes are also laundered. Classrooms are not used by CACFP. The office (1250 square feet) is used 15% for CACFP functions.

The institution's staff spends 75% of their time working on CACFP duties and 25% on non-CACFP activities.

The lease expense is an allowable operating cost that would be proportionately billed to CACFP.

a) What is the total square footage used for CACFP functions?

b) What percentage of total space is used for CACFP functions?

c) What does the CACFP rental space cost per month?

d) What is the dollar amount that can be allocated by Program time to non-program time? (Program rental space cost per month multiplied by percentage of Program time = program share)