

Material and Info Slide



SCAN ME

Excess Net Cash Resources:

Suggestion: Please print the Excess Net Cash Resources Plan before coming to MegaCon. Use the QR or link to access the form:

https://squaremeals.org/Portals/8/FND%20Forms/Program%20Forms/Fiscal_Form_ExcessNetCashResourcesPlan_220527.pdf

Thank you!



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Food and Nutrition Division
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Excess Net Cash Resources

Calculating and Submitting a Spend Down Plan

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Specialist*

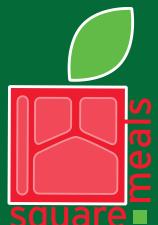
School Operations



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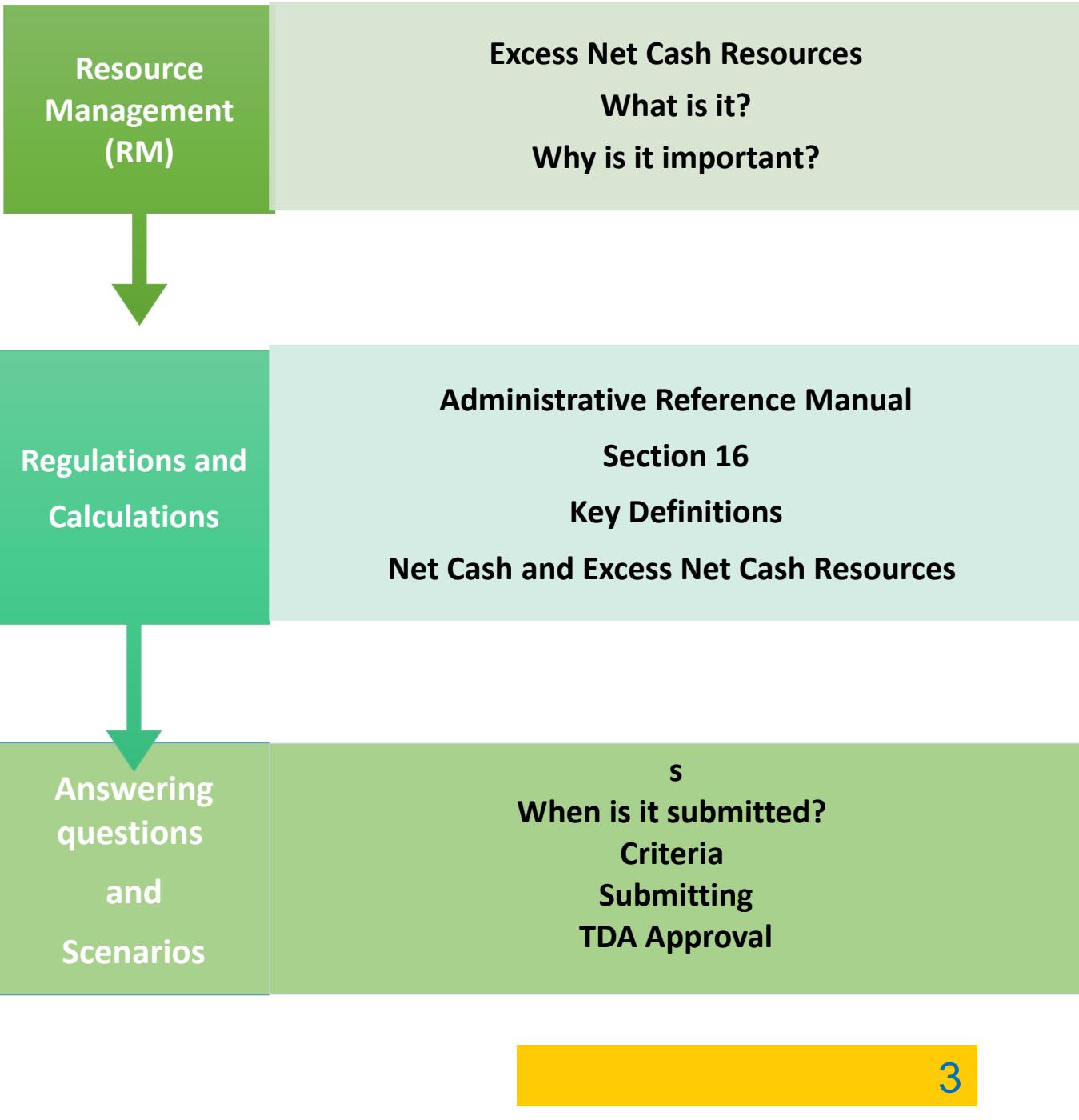


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KEY OBJECTIVE



Resource Management (RM)

Areas of Review



**Maintenance of
Nonprofit School
Food Service
Account**



Paid Lunch Equity



**Revenue from Non-
program Foods**



Indirect Costs

**Excess Net Cash
Resources**

Risk-Based Assessment of Review Period

Excess Net Cash Resources (ENCR)

ARM Section 16-Financial Systems

<https://squaremeals.org/Programs/National-School-Lunch-Program/Policy-ARM>

Net cash resources are defined as: All monies, as determined in accordance with the State agency's established accounting system, that are available to or have accrued to a school food authority's **nonprofit school food service** at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities. (7 CFR 210.2)

- ARM Definitions pg.16
- Excess Net Cash Resources pg.25
- Allowable / Unallowable pg. 35
- ENCR Spend down template

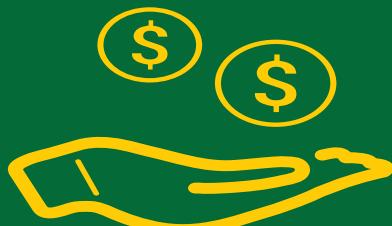
Objectives
Resources
Definitions

Important
Non-profit Status

Administrative Review (AR)
Resource Management (RM)

Federal Regulations

Federal regulations (7 CFR 210.19(a)(1)) require state agencies to monitor the level of net cash resources in a district's food service fund. These regulations specifically require that the level of net cash resources not exceed three months' average expenditures, as reported in the food service fund.



Excess Net Cash Resources regulations

Code of Federal Regulations (CFR) and

Administrative Reference Manual (ARM)

¹⁴ *Excess net cash resources* is the amount of funds the SNP account has available to spend, as the total revenue less total liabilities (expenditures). See the *Definitions* subsection in this section for a more detailed definition. The Government Accounting Standards Board (GASB) describes this as spendable funds. Items such as inventories are not spendable, so are not included in the calculation for an *excess net cash resources* or for other USDA reports.

¹⁵ *Number Months in Operation Prior Year* includes any month when the CE was operating any meal program. This includes summer feeding programs.

Texas Department of Agriculture | Food and Nutrition Division
Section 16, Financial System | July 28, 2022 | Page 25 of 71



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Important- Administrative Review (AR)

Maintenance of Nonprofit School Foodservice Account

- Determines Financial Health, Integrity, and Management of federal funds of Child Nutrition (CN) Fund as Non-Profit entity.
- *All expenditures must be allowable, allocable, necessary and reasonable.*

Program Integrity - Is defined as an organized and structurally sound financial management system that promotes program efficiency and prevents the inappropriate use of program funds.

Important- Administrative Review (AR)

Maintenance of Nonprofit School Foodservice Account

- Determines Financial Health, Integrity, and Management of federal funds of Child Nutrition (CN) Fund as Non-Profit entity.
- *All expenditures must be allowable, allocable, necessary and reasonable.*

Balance Sheet
Asset- Liabilities= Net Cash

Calculating Excess Net Cash
Note:
Number of Operating months

Approved Excess Net Cash
Resource Spend Down Plan

ARM – Financial Systems Section 16 pg. 25

Calculating Excess Net Cash

Number of Operating months

Resolving Excess Net Cash Resources



Determining If There Are Excess Net Cash Resources

Use the following method to calculate the CE's average monthly operating expenses.

1. Divide the prior year's total food service expenses by the number of months in operation for the prior year.

2. Record the amount of total net cash on hand for the food service program in column **Amount A**, Current Operating Balance—Total Net Cash Resources on Hand.

3. Record the CE's average monthly expenses for the

food service account in the **Average Monthly Operating Expenses**.

4. Multiply the **Average Monthly Operating Expenses** by 3 to calculate **Three Month's Average Expenses** and record this amount under **Amount B, Three Month's Average Expenses**.

Prior Year's Expenses	Number of Months in Operation Prior Year	Average Monthly Operating Expenses
	+	=
Amount A Current Operating Balance—Total Net Cash Resources on Hand	Average Monthly Operating Expenses	Amount B Equals Three Month's Average Expenses

If **Amount A** is larger than **Amount B**, the CE has **excess net cash resources** and needs to submit a plan for eliminating its excessive balance to TDA. The CE must use this form to submit its plan.

If **Amount B** is larger than **Amount A**, the CE does not have **excess net cash resources** and does not need to submit a plan or use this form.

Resolving Excess Net Cash Resources

If an excess occurs, the CE must immediately take steps to reduce its net cash resources or have an acceptable plan for using surplus net cash resources. Since program funds must be used only for program purposes, excess net cash resources must be reduced by improving the quality of food served¹⁶ or purchasing needed supplies, services, or equipment.

The plan must be submitted to school.operations@TexasAgriculture.gov on the **Excess Net Cash Resources Plan¹⁷** form available on TDA's SquareMeals website (www.SquareMeals.org). The plan must provide the following:

- Explanation of how the CE will reduce net cash resources to an acceptable level within one year by improving the quality of food served or by purchasing needed supplies, service, or equipment¹⁸
- Explanation of what the CE will do to ensure that excess net cash resources will not occur in the future

Objective- Calculate and Determine for Resource Management

Calculating Net Cash Resources and Excess Net Cash Resources

Nonprofit School Food Service Account and Limitation on Net Cash Resources

Step 1a: Total amount of net cash resources*

Assets - Liabilities = \$ 0.00 net cash resources

Net cash resources do not include food inventories (including USDA Foods), equipment, or other non-cash resources.

Step 2a: Operating costs (minus depreciation) = net adjusted operating expenses

Operating Costs \$ 0.00 - Depreciation (if applicable) \$ 0.00 = \$ 0.00 net adjusted operating expenses

Step 3a: Average monthly expenses = operating expenses divided by number of operating months

(2a total) \$ 0.00 / operating months 12 = \$ 0.00 average monthly expenses

Step 4a. Average expenses for 3 months = average monthly expenses multiplied by 3

(3a total) \$ 0.00 x 3 months 3 = \$ 0.00 average expenses for 3 months

Step 5a. Is the net cash resources (1a) equal to or less than average expenses for 3 months (4a.)?

(1a.) \$ 0.00 < Avg expenses for 3 months (4a.) \$ 0.00

Create a spreadsheet to assist in monitoring

Net Cash Resources:	
Net Cash Resources = Assets (excluding Inventories) - Liabilities	
Assets (1)	(enter data) <input type="text"/>
Less Inventories:	(enter data) <input type="text"/>
Total Assets:	(calculation) <input type="text"/> \$ -
- Total Liabilities (2)	(enter data) <input type="text"/>
= Net Cash Resources:	(calculation) <input type="text"/> \$ -
	Net Cash Resources
Annual Expenditures (Operating Costs) - Depreciation (if any)	
Annual Expenditures (6)	(enter data) <input type="text"/>
Operating Months	(enter data) <input type="text"/> 12
=Average Monthly Expenditures	(calculation) <input type="text"/> \$ -
x 3 months	(calculation) <input type="text"/> 3 \$ -
	3 Months Operating Expenditures
<input type="text"/>	<input type="text"/> \$ -
	Excess Fund Balance
	No Excess Fund Balance
<u>Resources Needed to Calculate EFB:</u>	
*Assets & Liabilities	
*Annual Expenditures/Operating Expenses	
*Number of Operating Months	

Use your own data from financial software to calculate

Fund 240 / 9 FOOD SERVICES		As of: August Year-to-Date		File ID: 9	
Fnc-Obj-So-Org-Prog	Description	Est Revenue/ Appropriation	Encumbrance	Rlzd Revenue/ Expenditure	Balance
1XXX					32,946.77
2XXX					-31,244.53
3XXX Beginning Fund Balance = \$8,688.63					
5XXX					
6XXX					
7XXX					

{A} Net Profit/(Loss):		
\$0.00		
\$0.00		
\$0.00 Net Profit/(Loss) [Calculation]		
{B} Net Cash Resource Calculation:		
\$0.00 Assets		
\$0.00 Liabilities		
\$0.00 Net Cash Resources [Calculation]		
\$0.00 Expenditures-Annual		
Enter:	10 Operating months-Enter number of months	
\$0.00 Average Monthly Expenditures		
3 Multiplied by 3 months		
\$0.00 {C}: Average 3 Months Expenditures [Calculation]		
{B}: Net Cash Resources:	{C}: Average 3 Months Expenditures:	{D}: Excess Fund Balance
\$0.00	\$0.00	\$0.00
[Calculation]	[Calculation]	[Calculation]

Enter data: Enter all as positive numbers			
Acct # codes:		Amount:	Acct Type
1xxx	Enter Total from GL:		Assets
2xxx	Enter Total from GL:		Liabilities
3xxx	Enter Total from GL:		Beginning Fund Balance
4			N/A
5xxx	Enter Total from GL:		Revenue
6xxx	Enter Total from GL:		Expenditures
7xxx	Enter Total from GL:		Other (ex. Auction proceeds, transfers, etc)



1. Go to [Squaremeals.org](https://squaremeals.org)
2. Type the word “Forms” in the search box (upper right corner),
3. Click enter
4. Click on the word “Forms”

Forms

<https://squaremeals.org/FandN-Resources/Forms>

Need a form for one of the programs administered by the Food and Nutrition Division of the Texas Dep...

Forms...eed a form for one of the programs administered by the Food and Nutrition Division of the Texas Department of Agriculture...[forms](#), [texas](#), [food](#) programs, [food](#) and [nutrition](#) [Forms](#) ...

Updated: 2/10/2021 Source: [Pages](#)

5. Type Excess Net Cash in the F&N All Program Form search box.

F&N -- All Program Forms

Search Tips [+](#)

Form Name	Form Number	Form Download	Instructions Download	Program Name
Excess Net Cash				
Excess Net Cash Resources Plan				School Nutrition Program Forms

6. Click the PDF. Icon to access the form

TDA Template Form Location

Programs > National School Lunch Program > Administration/Forms

Administration and Forms for NSLP

TX-UNPS

NSLP participants submit applications and file claims through the Texas Unified Nutrition Programs System: [TX-UNPS](#). If you are unable to use an Internet-based application such as TX-UNPS, please contact TDA.

[School Meal Applications for NSLP Operators in 2022-2023](#)

[Administrator's Reference Manual \(ARM\) Update](#)

PLEASE NOTE: The ARM contains state and regulatory guidance for standard operations. For deviations and flexibilities to standard NSLP operations as a result of COVID-19, please refer to the FAQs on the [SquareMeals Coronavirus page](#) for more information.

School Nutrition Program Forms

Form Name	Form Number	Form Download	Instructions Download	Program Name
excess				
Excess Net Cash Resources Plan				School Nutrition Program Forms

<https://squaremeals.org/Programs/National-School-Lunch-Program/Administration-Forms>

Submitting the Excess Net Cash Resource Spend Down Plan

Contracting Entity (CE): _____

Date: _____ School Year: _____

Completion Date: _____

Net Cash Resources Current Assets (Excluding Inventories) - Current Liabilities	\$ _____
Three-Month Average Expenditures (Total Expenditures / operating months) x 3 months	-\$ _____
Excess Net Cash Resources (Excess Fund Balance)	\$ 0.00

Description of allowable expenditure(s) proposed to decrease excess net cash resources:

Description of activity	Unit(s)	Estimated Cost	Time frame

Approval Criteria for use of Federal Funds

Please Note: Professional development, salary, indirect cost, and adjustments for food cost may be used for operational purposes but for use of an excessive net cash resource plan, they are not approvable for an excessive net cash resource plan. Loss of revenue due to reduced participation and reduced reimbursement is an operational concern and TDA cannot approve as part of this plan. This is a local decision that the CE determines, the CE is responsible for ensuring that all costs are necessary, allowable, allocable, and reasonable. CEs must ensure all items are in compliance with regulations. TDA will only approve the difference minus these items as they are allowable for the Excessive Net Cash Resource plan.

ALLOCABLE- Assigning a cost, or group of costs, to one or more cost objectives, in reasonable and realistic proportion to the benefit provided or other equitable relationship.

REASONABLE- Amount that does not exceed a cost that would be incurred by a prudent person under similar circumstances.

ALLOWABLE -Direct or indirect costs that may be paid by SNP funds. See allowable / unallowable in ARM.

NECESSARY-Item or service that is essential to the operation of the Child Nutrition (CN) program.

- **Completion date- date plan is expected to be completed, time frame considerations are actual**
- **Calculations are correct**
- **Spend down is adequate to not be in excess**
- **Units of item listed**
- **Reasonable estimates**
- **Details of items including if CN or shared cost**
- **Thorough explanation in written box**
- **Signature required**
- **Process in place to prevent from reoccurring “in the future”**
- **Notify TDA of amendments or extension requests**
- **On track with spend down plan?**
- **Prior approval of expenditures is required.**
- **TDA cannot approve retroactively.**

Excess Net Cash Spend Down Plan Template

Reminders Before Submitting

Excess Net Cash Spend Down Plan Template Reminders Before Submitting:

TDA Approval- Check before submitting.

- All questions answered
- CN funds only or proportionate
- Math is correct and expends at least excess
- Explained and SIGNED. ☺

*** NOTE:**

Ensure that CEs process in place to address how to prevent from reoccurring in the future. (Time period to monitor and responsible positions.)

- Shared Benefits. If the purchase benefits both the program and other non-program activities, can the cost be distributed proportionally to all programs that benefit from the purchase?



Scenarios



Scenario I

The business manager and the Child Nutrition Director (CND) schedule a meeting to work on completing the Excess Net Cash Resources calculations figures.

What should the CND do?

1.

2.

3.

4.

Scenario I

The business manager and the Child Nutrition Director (CND) schedule a meeting to work on completing the Excess Net Cash Resources calculations figures.

**What should the
CND do?**

1. Be prepared. Request financial reports in advance.
Detailed Child Nutrition Detailed General Ledger
and Balance Sheet.
Have financial reports highlighted.
2. Confirm operating months.
3. Determine if excess net cash resources.
4. If yes, immediately work on Excess Net Cash
Resource spend down plan and submit to
school.operations@texasagriculture.gov
For approval.

Scenario II

What should be the Contracting Entities' (CE) next steps to be compliant with Excess Net Cash Resources (ENCR)?

What should the CE do?

1.

2.

3.

4.

Scenario II

What should be the Contracting Entities' (CE) next steps to be compliant with Excess Net Cash Resources (ENCR)?

What should the CE do?

1. Make sure you have calculations and figures to complete top portion of ENCR spend down plan template (pg. 1).

2. Have capital expenditure replacement plan list ready for items listed section (pg. 2) and units needed. Start detailed explanation (pg. 3) if CN or shared expenditures.

3. Get current estimate (if not already researched) and total estimate. Confirm will spend down excess. Sign the form.

4. Email to school.operations@texasagriculture.gov for approval and when received keep on file with records retention.

Scenario III

During an Administrative Review (AR), the reviewer determines ENCR triggers a comprehensive review of Non-Profit program.

The reviewer discovers that it has incurred more than three (3) months of excessive net cash resources?

What should the CE do?

1.

2.

3

4.

Scenario III

During an Administrative Review, the reviewer determines Resource Management Summary (RMS) triggers a comprehensive review of Non-Profit.

The reviewer discovers that it has incurred more than three (3) months of excessive net cash resources (ENCR)?

The reviewer asks if you are on track with spend down plan.

What should the CE do?

1. Complete the Resource Management Comprehensive Review (RMCR) form for Non-Profit.

2. If excess has been determined previously by the CE provide TDA approved and signed ENCR spend down plan.

3. Show the items procured and purchased and those in the time frame to be on track.

4. Complete spend down according to plan and prevent from reoccurring in the future based on the local processes in place.

Scenario IV

Capital State ISD purchased equipment for a new school. The equipment was purchased with Child Nutrition Funds. The CE had an approved excessive net cash resource plan. However, the CE did not get capital expenditure approval for the equipment in excess of \$5,000.

Is the CE compliant?

1.

2.

Scenario IV

Capital State ISD purchased equipment for a new school. The equipment was purchased with Child Nutrition Funds. The CE had an approved excessive net cash resource plan. However, the CE did not get capital expenditure approval for the equipment in excess of \$5,000.

Is the CE compliant?

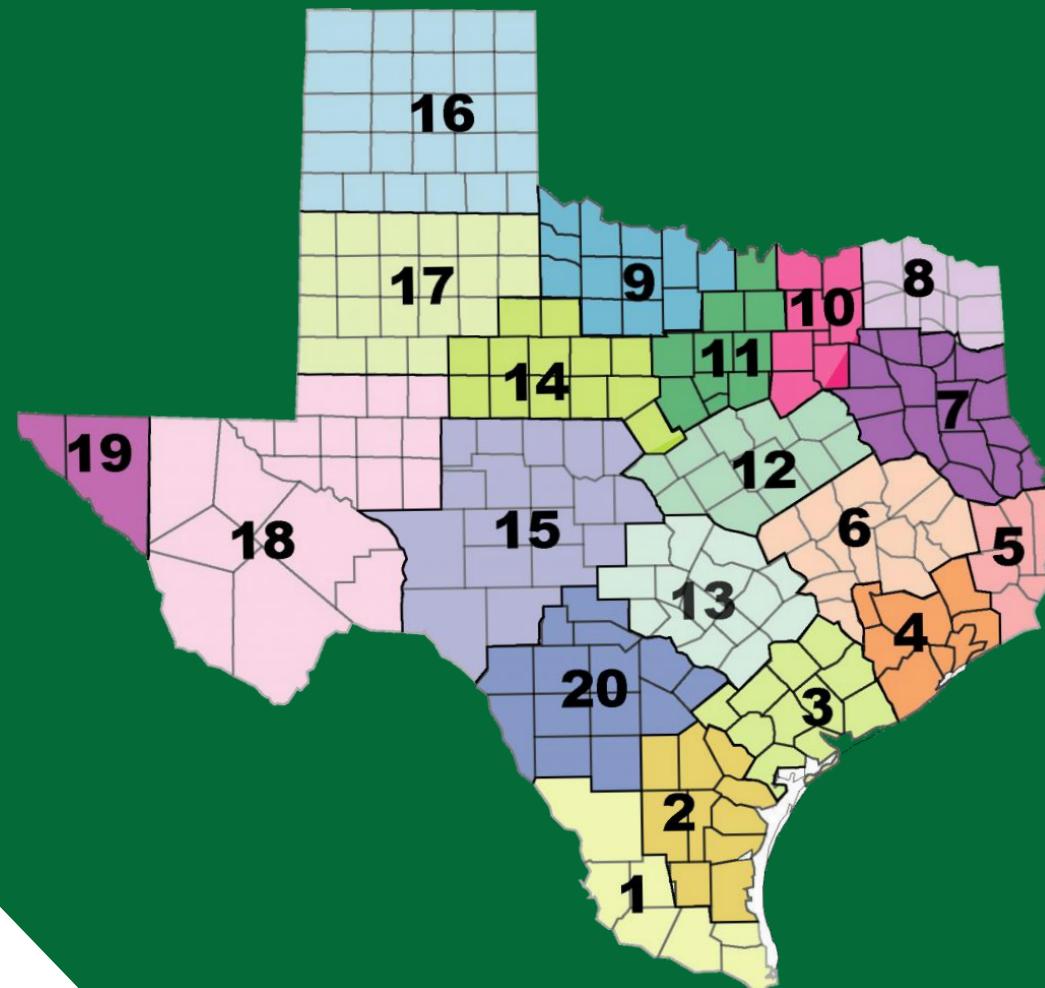
No, it is unallowable without prior approval. CEs must obtain TDA approval for any capital expenditure in excess of \$5,000.

Fiscal Action will apply.

Questions & Survey



Education Service Centers



In accordance with federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, this institution is prohibited from discriminating on the basis of race, color, national origin, sex (including gender identity and sexual orientation), disability, age, or reprisal or retaliation for prior civil rights activity.

Program information may be made available in languages other than English. Persons with disabilities who require alternative means of communication to obtain program information (e.g., Braille, large print, audiotape, American Sign Language), should contact the responsible state or local agency that administers the program or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339.

To file a program discrimination complaint, a Complainant should complete a Form AD-3027, USDA Program Discrimination Complaint Form which can be obtained online at: <https://www.usda.gov/sites/default/files/documents/ad-3027.pdf>, from any USDA office, by calling (866) 632-9992, or by writing a letter addressed to USDA. The letter must contain the complainant's name, address, telephone number, and a written description of the alleged discriminatory action in sufficient detail to inform the Assistant Secretary for Civil Rights (ASCR) about the nature and date of an alleged civil rights violation. The completed AD-3027 form or letter must be submitted to USDA by:

1. mail:

U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410; or

2. fax:

(833) 256-1665 or (202) 690-7442; or

3. email:

program.intake@usda.gov

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