

Nutrition Program and Indirect Costs

Indirect cost rates, restricted and unrestricted, are calculated annually for school districts from data submitted in the certified annual report. Each district's restricted and unrestricted indirect cost rate are available on the Department's [Indirect Cost Rate](#) web page. The nutrition program uses the unrestricted indirect cost rate to calculate the maximum indirect cost recovery. Districts are not required to charge indirect costs to the nutrition program.

- **Unrestricted Indirect Cost Rate:** The maximum rate a Local Education Agency (LEA) may apply to federal grant programs that allow indirect cost recovery and do not have the supplement, not supplant provision.

Applying the Indirect Cost Rate

The maximum indirect cost recovery for the nutrition program is calculated by multiplying the direct cost base by the unrestricted indirect cost rate, which can be done in one of two ways. Calculation Example A is based on *federal sources only*; Calculation Example B is based on *all allowable expenses* (i.e., federal and local sources). The two calculation examples are summarized directly below and detailed in the section "Indirect Cost Calculation Examples".

- Calculation Example A calculates the maximum indirect cost recovery for federal awards in the nutrition fund that allow indirect cost recovery.
 - Formula Part 1 (FPA-1) Total federal revenue that allows indirect cost recovery / (1 + unrestricted rate) = **direct cost base**
 - Formula Part 2 (FPA-2) Direct cost base x indirect cost rate = **maximum indirect cost recovery**
- Calculation Example B calculates the maximum indirect cost recovery for all allowable expenses in the nutrition fund.
 - Formula Part 1 (FPB-1) Total expenses – excluded expenses = **direct cost base**
 - Formula Part 2 (FPB-2) Direct cost base x indirect cost rate = **maximum indirect cost recovery**
- A template to calculate the maximum indirect cost recovery for both examples is available on the Department's [Indirect Cost Rate](#) web page.

Recording the Indirect Cost Recovery

Indirect costs for the nutrition program are related to expenses that were incurred in another fund, payment is recorded through an interfund transfer using the entries below.

School Nutrition Fund (Fund 61)

Debit Function 6210, Object 910, Project XXXX

Credit cash, Account 10X (OR interfund accounts payable, Account 402 if cash is transferred after June 30)

General Fund (Fund 10)

Debit cash, Account 10X (OR interfund accounts receivable, Account 132 if cash transferred after June 30)

Credit Source 5261, Project 0000

Indirect Cost Calculation Examples

The examples below do not provide an exhaustive list of revenue sources or expense types and are provided for demonstration purposes only.

Calculation Example A

Step A1: Determine total federal revenues that allows indirect cost recovery.

Federal Revenue Source	Amount
Project 4552, Breakfast	\$15,000
Project 4553, Lunch	\$135,000
Project 4556, Summer	\$50,000
Total Federal Revenues	\$200,000

Step A2: Determine the district's current year unrestricted indirect cost rate.

Each district's unrestricted indirect cost rate for the nutrition program is available on the Department's [Indirect Cost Rate](#) web page.

- Determined that current fiscal year unrestricted indirect cost rate for district is 11.34%

Step A3: Use the two formulas for Calculation Example A (FPA-1 and FPA-2) to determine the maximum indirect cost recovery.

Apply both formulas to Project 4552 with revenue of \$15,000

FPA-1: $\$15,000 / (1 + 0.1134) = \$13,472.25$ (direct cost base)

FPA-2: $\$13,472.25 \times 0.1134 = \$1,527.75$ (maximum indirect cost recovery)

Apply both formulas to Project 4553 with revenue of \$135,000

FPA-1: $\$135,000 / (1 + 0.1134) = \$121,250.22$ (direct cost base)

FPA-2: $\$121,250.22 \times 0.1134 = \$13,749.78$ (maximum indirect cost recovery)

Apply both formulas to Project 4556 with revenue of \$50,000

FPA-1: $\$50,000 / (1 + 0.1134) = \$44,907.49$ (direct cost base)

FPA-2: $\$44,907.49 \times 0.1134 = \$5,092.51$ (maximum indirect cost recovery)

Reminder: Ensure the total expenses (including indirect costs) coded to each federal program does not exceed the total federal reimbursement received for that program.

Step A4: Record payment of the indirect costs through an interfund transfer.

School Nutrition Fund (Fund 61)	Debit	Credit
Function, Project 4552, Object 910	\$1,527.75	
Function, Project 4553, Object 910	\$13,749.78	
Function, Project 4556, Object 910	\$5,092.51	
Account 10X (use interfund accounts payable Account 402 if cash transferred after June 30)		\$20,370.04

General Fund (Fund 10)	Debit	Credit
Account 10X (use interfund accounts payable Account 132 if cash transferred after June 30)	\$20,370.04	
Source 5261, Project 0000		\$20,370.04

Calculation Example B**Step B1: Use the first formula for Calculation Example B (FPB-1) to determine the direct cost base.**

Eligible Expenses	Amount
Total Food Service Program Expenses (Objects 1XX-9XX)	\$500,000
Less: Food Cost (Object 63X)	\$100,000
Less: Capital Outlays (Objects 7XX)	\$50,000
Less: Other Items (Objects 9XX)	\$10,000
Total Expenses	\$340,000

Step B2: Determine the district's current year unrestricted indirect cost rate.

Each district's unrestricted indirect cost rate for the nutrition program is available on the Department's [Indirect Cost Rate](#) web page.

- Determined that current fiscal year unrestricted indirect cost rate for the district is 11.34%

Step B3: Use the second formula for Calculation Example B (FPB-2) to determine the maximum indirect cost recovery.

FPB-2: $\$340,000 \times 0.1134 = \$38,556.00$ (maximum indirect cost recovery)

Step B4: Allocate the maximum indirect cost recovery amount

After determining the maximum indirect cost recovery, allocate the \$38,556.00 to federal (4XXX) and/or local (0000) projects.

- Indirect cost allocated to Project 4552 should not exceed \$1,527.75 (maximum indirect cost recovery amount calculated in Calculation Example A).
- Indirect cost allocated to Project 4553 should not exceed \$13,749.78 (maximum indirect cost recovery amount calculated in Calculation Example A).
- Indirect cost allocated to Project 4556 should not exceed \$5,092.51 (maximum indirect cost recovery amount calculated in Calculation Example A).
- Indirect cost allocated to Project 0000 should not exceed \$18,185.96 (maximum indirect cost recovery amount remaining after allocating to the federal projects above).

Example assumes the district is recovering the maximum allowed to the federal projects and the remainder to local projects.

Reminder: Ensure the total expenses (including indirect costs) coded to each federal program does not exceed the total federal reimbursement received for that program.

Step B5: Record payment of the indirect costs through an interfund transfer

School Nutrition Fund (Fund 61)	Debit	Credit
Function, Project 4552, Object 910	\$1,527.75	
Function, Project 4553, Object 910	\$13,749.78	
Function, Project 4556, Object 910	\$5,092.51	
Function, Project 0000, Object 910	\$18,185.96	
Account 10X (use interfund accounts payable Account 402 if cash transferred after June 30)		\$38,556.00

General Fund (Fund 10)	Debit	Credit
Account 10X (use interfund accounts payable Account 132 if cash transferred after June 30)	\$38,556.00	
Source 5261, Project 0000		\$38,556.00

Questions

Further questions can be directed to Jina Brincks at jina.brincks@iowa.gov or 515-313-5942, Song Luong at song.luong1@iowa.gov or 515-205-0259, or Bobby Wilson at bobby.wilson@iowa.gov or 515-210-9674.