

# Nutrition Programs 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 is available on the Department's [Indirect Cost Rate](#) web page. The nutrition programs use the unrestricted indirect cost rate to calculate the maximum indirect cost recovery amount. Districts are not required to charge indirect costs to the nutrition programs.

- 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 amount for the nutrition programs 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 eligible expenses* (i.e., from federal, state, and local sources). The two calculation examples are detailed below. The section "Indirect Cost Calculation Examples" applies each calculation.

- Calculation Example A calculates the maximum indirect cost recovery amount from *federal sources* in the nutrition fund that allow indirect cost recovery.
  - Step A1: Determine the total federal revenue that allows indirect cost recovery.
  - Step A2: Determine the total eligible expenses.
    - Total eligible expenses = total expenses - excluded expenses
      - Excluded expenses
        - Food Costs (Objects 630-639)
        - Capital Outlay (Objects 700-799)
        - Other Items (Objects 820-999)
    - If the total eligible expenses are more than the total federal revenue that allows indirect cost recovery, continue to Step A3. If the total eligible expenses are less than the total federal revenue that allows indirect cost recovery, proceed to Calculation Example B.
  - Step A3: Determine the district's current year unrestricted indirect cost rate.
  - Step A4: Use the two formulas for Calculation Example A, Formula Part A-1 (FPA-1) and Formula Part A-2 (FPA-2), to determine the maximum indirect cost recovery amount.
    - FPA-1: Total federal revenue that allows indirect cost recovery / (1 + unrestricted rate) = **direct cost base**
    - FPA-2: Direct cost base x unrestricted indirect cost rate = **maximum indirect cost recovery amount**
- Calculation Example B calculates the maximum indirect cost recovery for *all eligible expenses* in the nutrition fund.
  - Step B1: Calculate the direct cost base.
    - Formula Part B-1 (FPB-1) Total expenses – excluded expenses = **direct cost base**
      - Excluded expenses
        - Food Costs (Objects 630-639)

- Capital Outlay (Objects 700-799)
- Other Items (Objects 820-999)
- Step B2: Determine the district's current year unrestricted indirect cost rate.
- Step B3: Calculate the maximum indirect cost recovery
  - Formula Part B-2 (FPB-2) Direct cost base x unrestricted indirect cost rate = **maximum indirect cost recovery amount**
- Step B4: Allocate the maximum indirect cost recovery amount to each source.
  - Use a reasonable method (e.g., percent of total federal revenue, percent of payroll, number of meals).

## Recording the Indirect Cost Recovery

Indirect costs for the nutrition programs 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 Account 10X (cash) OR Account 402 (interfund accounts payable) if cash is transferred after June 30

### **General Fund (Fund 10)**

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

Credit Source 5261, Project 0000 or 8XXX or 9XXX

A template to calculate the maximum indirect cost recovery amount for both examples is available on the Department's [Indirect Cost Rate](#) web page.

## Indirect Cost Calculation Examples

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

### Calculation Example A

#### Step A1: Determine the total federal revenue that allows indirect cost recovery.

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

#### Step A2: Determine the total eligible expenses.

Eligible Expenses	Amount
Total Food Service Program Expenses (Objects 100-999)	\$500,000
Less: Food Cost (Objects 630-639)	\$100,000
Less: Capital Outlays (Objects 700-799)	\$50,000
Less: Other Items (Objects 820-999)	\$10,000
<b>Total Eligible Expenses</b>	<b>\$340,000</b>

- If the total eligible expenses are more than the total federal revenue that allows indirect cost recovery, continue to Step A3. If the total eligible expenses are less than the total federal revenue that allows indirect cost recovery, proceed to Calculation Example B.

#### Step A3: Determine the district's current year unrestricted indirect cost rate.

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

- Determined that the current fiscal year unrestricted indirect cost rate for district is 9.45%

#### Step A4: 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:  $\$15,000 / (1 + 0.0945) = \$13,704.89$  (direct cost base)

FPA-2:  $\$13,704.89 \times 0.0945 = \$1,295.11$  (maximum indirect cost recovery)

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

FPA-1:  $\$135,000 / (1 + 0.0945) = \$123,343.99$  (direct cost base)

FPA-2:  $\$123,343.99 \times 0.0945 = \$11,656.01$  (maximum indirect cost recovery)

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

FPA-1:  $\$50,000 / (1 + 0.0945) = \$45,682.96$  (direct cost base)

FPA-2:  $\$45,682.96 \times 0.0945 = \$4,317.04$  (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 A5: Record the indirect cost payment through an interfund transfer.**

School Nutrition Fund (Fund 61)	Debit	Credit
Function 6210, Object 910, Project 4552	\$1,295.11	
Function 6210, Object 910, Project 4553	\$11,656.01	
Function 6210, Object 910, Project 4556	\$4,317.04	
Account 10X (cash) OR Account 402 (interfund accounts payable) if cash transferred after June 30		\$17,268.16

General Fund (Fund 10)	Debit	Credit
Account 10X (cash) OR Account 132 (interfund accounts receivable) if cash transferred after June 30	\$17,268.16	
Source 5261, Project 0000 or 8XXX or 9XXX		\$17,268.16

**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 100-999)	\$500,000
Less: Food Cost (Object 630-639)	\$100,000
Less: Capital Outlays (Objects 700-799)	\$50,000
Less: Other Items (Objects 820-999)	\$10,000
<b>Total Eligible Expenses</b>	<b>\$340,000</b>

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

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

- Determined that current fiscal year unrestricted indirect cost rate for the district is 9.45%

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

FPB-2:  $\$340,000 \times 0.0945 = \$32,130.00$  (maximum indirect cost recovery)

### Step B4: Allocate the maximum indirect cost recovery amount.

After determining the maximum indirect cost recovery, allocate the \$32,130.00 to federal (4XXX) and/or local (0000, 8XXX, 9XXX) projects. *Example assumes the district is recovering the maximum allowed to the federal projects and the remainder to local projects. Total program revenue is \$500,000.*

- Indirect cost allocated to Project 4552 should not exceed \$963.90 ( $(\$15,000/\$500,000) \times \$32,130$ ).
- Indirect cost allocated to Project 4553 should not exceed \$8,675.10 ( $(\$135,000/\$500,000) \times \$32,130$ ).
- Indirect cost allocated to Project 4556 should not exceed \$3,213.00 ( $(\$50,000/\$500,000) \times \$32,130$ ).
- Indirect cost allocated to Project 0000 or 8XXX or 9XXX should not exceed \$19,278.00 (maximum indirect cost recovery amount remaining after allocating to the federal projects above).

*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 the indirect cost payment through an interfund transfer.

School Nutrition Fund (Fund 61)	Debit	Credit
Function 6210, Object 910, Project 4552	\$963.90	
Function 6210, Object 910, Project 4553	\$8,675.10	
Function 6210, Object 910, Project 4556	\$3,213.00	
Function 6210, Object 910, Project 0000 or 8XXX or 9XXX	\$19,278.00	
Account 10X (cash) OR Account 402 (interfund accounts payable) if cash transferred after June 30		\$32,130.00

General Fund (Fund 10)	Debit	Credit
Account 10X OR Account 132 (interfund accounts receivable) if cash transferred after June 30	\$32,130.00	
Source 5261, Project 0000		\$32,130.00

## Questions

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