



# ALL ABOUT EXCESS FUND BALANCES

**Why?** The Non-Profit Food Service Account (NFSA) is required to reinvest Child Nutrition Program proceeds to improve the program for the benefit of feeding children.

## REQUIREMENTS

Sponsors must monitor Fund Balance and proactively invest profit to avoid an Excess Fund Balance (EFB) and findings.

For National School Lunch Program (NSLP) and Child and Adult Care Food Program (CACFP) Sponsors, an EFB occurs when Fund Balance exceeds 3 months average expenditures (Allowable Fund Balance) at year end.

For Summer Food Service Program (SFSP) Sponsors only, an EFB occurs when Fund Balance exceeds 1 months average expenditures (Allowable Fund Balance) at year end.

Fund Balance, also known as Net Cash Resources, is determined through the Financial Information Database (FID) School Meals Report or the Year End Report (YER).

## Michigan Department of Education (MDE) Process



Email notifications sent every January or February for Sponsors with an EFB.



Sponsors are required to fill out an online Spend Down Plan of Action (POA) form.



Sponsors may also need prior approval of equipment/capital outlay requests to support POA.



Carryover extension can be requested for one additional year.

## Caution... Important

USDA requires that federal reimbursements be reduced for Sponsors with repeated EFB noncompliance. Failure to obtain MDE's prior approval of equipment/capital outlay results in an unallowable cost. Unallowable costs must be reimbursed to the NFSA with non-federal funds.



## SAMPLE CALCULATION

**\$500,000**

Ending Fund Balance

**\$400,000**

Allowable Fund Balance:

(Total Annual Expenditures w/o  
Capital Outlay ÷ 9 Operating Months)  
X 3 Months

**\$100,000 EFB**

## ALLOWABLE COSTS

- ✓ Improve Food Quality (quantify)
- ✓ Invest in the Breakfast Program
- ✓ Eliminate the Reduced Meal Price
- ✓ Food Service Equipment
- ✓ Kitchen or Serving Line Renovations
- ✓ Cafeteria Renovations (shared cost)
- ✓ Cafe Tables and Chairs (shared cost)
- ✓ Refresh Smallwares
- ✓ Point of Sale (POS) Systems
- ✓ Hire Additional Food Service Staff or Increase Wages (predetermined)
- ✓ Food Transport Van/Truck
- ✓ Ask MDE about other Allowable Items

## UNALLOWABLE COSTS

- × Transferring funds out of the NFSA
- × Costs that Benefit Non-Food Service Programs
- × Additional square footage for kitchen or cafeteria expansions
- × Infrastructure Costs
- × Contingency Fees
- × Security Cameras/Systems
- × Public Announcement Systems
- × Air Conditioning
- × Land Acquisition
- × Ask MDE about other Unallowable Items

## Fiscal Monitoring Team

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www.michigan.gov/mde-fast

## CONTACT INFORMATION

## THE FINE PRINT

- NSLP Net Cash Resources Regulations at 7 CFR 210.14(b) and 7 CFR 210.19 (a)(1)
- Equipment Regulations at 2 CFR Part 200.407 and 200.439
- [When do you Need Pre-Approval for Food Service Equipment Purchases](https://www.michigan.gov/documents/mde/Admin_Memo_No_5_715592_7.pdf) - (Admin. Memo #5 -2021)
- [Pre-Approved Food Service Equipment List](https://www.michigan.gov/documents/mde/Pre-Approved_Food_Service_Equipment_List_8-4-21_731854_7.pdf)

## SAVE THE DATE!

Spend excess funds or request carryover extension prior to **June 30th**