

<b>CRITERIA AND PROCEDURE</b>	
<b>BROAD SUBJECT: FINANCIAL MANAGEMENT</b>	<b>NO: FM-01-04</b>
<b>TITLE: Profit Sharing, Conditions for Participation</b>	<b>EFFECTIVE DATE:</b> <b>July 1, 2003</b> <b>Rev. June, 2009</b> (Changes are highlighted.)

## **PURPOSE OF THIS CRITERIA/PROCEDURE –**

To comply with U.S. Department of Agriculture (USDA), Food and Nutrition Service requirements on state agencies that allow “profit sharing” ventures. “Profit sharing” refers to the distribution of profits from food sales by Account 3100 to other school organizations. The USDA, Food and Nutrition Service, has outlined in USDA Policy Memorandum 210.19-03: *Use of Revenues Generated by the Food Service Account* requirements on state agencies.

USDA regulations at 7 CFR Part 210 allow profit sharing as long as the (1) state agency ensures that the nonprofit food service receives its fair share of the profits and (2) as long as the nonprofit foodservice account is not harmed in any way by the activity. As directed by USDA, the state agency has determined that its school nutrition financial management system will provide data needed and that school districts have the capacity to meet federal requirements pertaining to the “profit sharing option.”

Effective July 1, 2003, the state agency will comply with the USDA’s requirement and will allow “profit sharing” ventures when the criteria below is fulfilled.

## KEY TERMS AND DEFINITIONS –

**Combined School Profits** (for the purpose of profit sharing, only): The lesser of (1) positive amount in column titled **Estimated Profit/Loss** on the system's *Non-Reimbursable Sale Report* or (2) positive amount in column titled **Amount of Profit/Loss** on the system's *Profit-Loss Report* (Note: School systems operating under a plan to reduce excess cash reserves do not have to consider part two of this definition as they will show a "loss" for the year despite cash reserves.)

**Special Provision Schools:** Those schools approved by the state agency to participate in provisions of 7 CFR Part 245.9 *Special assistance certification and reimbursement alternatives*.

**State Agency:** The Georgia Department of Education.

**School Food Authority:** The governing body which is responsible for the administration of one or more schools; and has the legal authority to operate the Program therein or be otherwise approved by the Food and Nutrition Service of the U.S. Department of Agriculture to operate the Program.

## CRITERIA AND/OR PROCEDURES –

School Food Authorities desiring to “profit share” must:

1. Secure annual local board approval for any school to share profits including the percentage of profits to share and the allowable use of profits by school organizations.
2. Document (a) above and declare in writing to the state agency at the beginning of each school year by October 1 an intent to participate in “profit sharing” with approved school organizations.
3. Share profits only at the beginning of the school year (when prior fiscal year July 1 – June 30 accounting period is closed) following this declaration above.
4. Report profits shared as “transfers out” to avoid contributing to individual program costs (e.g. severe need breakfast costs) that could generate audit exceptions;
5. Agree that “Special Provision” schools may not participate in “profit sharing”.
6. Consistent with State Board Rule 160-5-6-.01 Statewide School Nutrition Program, amend administrative procedures or local board policy on competitive foods to reflect the assurances herein (Note: In view of current research on students’ health conditions including overweight, it is highly recommended that administrative procedures or local board policy on competitive foods also address related nutritional standards for foods sold or served at school and the use of food as a reward.).
7. Maintain timely and accurate reporting through Georgia’s *School Nutrition On Line Reporting System* that manages the state’s financial management system consistent with federal regulations; upon end-of-year evaluation by the state agency, apparent failure to report timely and accurately any one month of data will negate approval to transfer funds.
8. Report school-level participation and financial data (consolidated data is not permissible if one or more schools in the district wish to participate in this provision).
9. Agree that in order to participate (1) schools must show “profit” on their *Non-Reimbursable Sales Report* and *Profit-Loss Report* and that the (2) system must show “profit” on their *Non-Reimbursable Sales Report* and *Profit-Loss Report* (Note: School systems operating under a plan to reduce excess cash reserves do not have to consider part two of this assurance as they will show a “loss” for the year despite cash reserves.).
10. Define “combined profit” of all schools participating in this provision (for the purpose of identifying school level funds and applying percentage of fund to be shared) as the lesser of (1) positive amount in column 10 of the system’s *Non-Reimbursable Sale Report* or (2) positive amount in **titled Profit/Loss Amount** on the system’s *Profit-Loss Report* (Note: School systems operating under a plan to reduce excess cash reserves do not have to consider part two of this definition as they will show a “loss” for the year despite cash reserves.).

11. Agree not to implement “profit sharing” at the end of a school year if the action will result in the cash balance of the system’s school nutrition account falling below 1 ½ months’ operating expense and subsequently hamper its ability to pay financial obligations on a timely basis.
12. Agree that the school nutrition program will share no more than 50% of the “combined profits” as defined herein.
13. Be subject to financial review as deemed necessary by the GDOE, State Department of Audits, and USDA.
14. Comply with state agency recordkeeping instructions by including in the value of purchased food expenditures and purchased food receipts any products purchased by the school nutrition program account solely for non-reimbursable sales and include in the monthly purchased food inventory any products purchased to be sold as “non-reimbursable” and remaining in inventory at the month’s end.

The state agency shall monitor initial declaration and monthly reports for compliance; the Georgia Department of Audits will be informed annually of school districts participating in this provision.

## **AUTHORITY – FEDERAL**

7 Code of Federal Regulations Part 210.11 *Competitive food services, (b) General*

7 Code of Federal Regulations Part 210.14 *Resource management, (a) Nonprofit school food service*

7 Code of Federal Regulations Part 210.19 *Additional responsibilities, (a) General Program management, (2) Assurance of compliance for finances*

USDA NSLP Policy 210.19.03 *Use of Revenues Generated by the Food Service Account*

USDA, SERO, CN 11-01 GA, *Exclusive Beverage Contract Information Requested*

## **AUTHORITY – STATE**

O.C.G.A. 20-2-167 (b) (1) . . . *computerized uniform budget and accounting system . . .*

Georgia Board of Education Rule 160-5-2-.23 *Financial Management for Georgia Local Units of Administration*

Georgia School Nutrition On-Line (SNO) Reporting System:

School and System Profit-Loss Report

School and System Non-Reimbursable Sales Report

System Net Cash Resource Report

**Georgia Department of Education  
Kathy Cox, State Superintendent of Schools**

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