

## SECTION VII--FOOD SERVICE ACCOUNTING

### Net Cash Resources Report:

This report is necessary to determine the cash position of the Food Service Fund and federal regulatory compliance with nonprofitability (7 CFR 210.9 (b) (2)).

A nonprofit school Food Service Fund must not exceed more than three months' "net cash resources," to maintain nonprofitability. Net cash resources means all monies that are available to or have accrued to the school Food Service Fund at any given time, less current accounts payable. The current asset and liability accounts from your statement of net position which comprise net cash resources are shown in Illustration 15.

Three months' operating expenses are determined by the number of months the food service operates, rather than the calendar year. To determine your allowed level of nonprofitability use the following formula:

$$\text{Prior School Year Total Operating Expenses} * \div \text{Number of Months of Operation} \times 3 = \text{Allowable Net Cash Resources (NCR)}$$

\* Exclude indirect costs

Example:

$$\text{\$20,000 Total Operating Expenses} \div 9 \text{ months} \times 3 \text{ months} = \text{\$6,667 NCR limit}$$