



## Annual CACFP Budget Guidance

**Program:** CACFP

**Date Reviewed/Revised:** 5/9/2025

**Approved by:**

### **BACKGROUND & PURPOSE:**

New and renewing sponsoring organizations of centers are required to submit a budget with sufficiently detailed information concerning projected Child and Adult Care Food Program (CACFP) reimbursements and expenses, as well as other non-Program funds to be used to meet CACFP requirements; for the State agency to determine the allowability, necessity, and reasonableness of all proposed expenditures, and to assess the institution's capability to manage Program funds [CFR 226.6(2)(f)(1)(iv)]. All expenses must be necessary, reasonable and allowable per FNS Instruction 796-2, Revision 4.

[FNS Instruction 796-2, Revision 4](#)

The federal government has identified costs that are generally allowable for all institutions that expend federal funds. However, due to limitations imposed by CACFP statutory, regulatory, and policy considerations, some costs listed in the fiscal regulations may not be allowable CACFP costs.

Therefore, institutions must refer to FNS Instruction 796-2, Rev. 4, *Financial Management in the Child and Adult Care Food Program*, when preparing a budget and reporting expenditures eligible for CACFP reimbursement.

The budget must demonstrate the institution's ability to manage Program funds following FNS Instruction 796-2 Rev 4, *Financial Management in the Child and Adult Care Food Program*, and 2 CFR Part 200 Uniform Grant Guidance. At a minimum, sponsoring organizations must include all CACFP costs in the budget that would not exist without participation in the CACFP program (such as food costs and operational labor). The allowable costs must be approved in advance by the State agency through the annual budget approval process before the institution may charge them to CACFP funds.

Once a cost has been determined 'allowable', Maine CACFP must use good judgment to determine if a cost is 'necessary' and 'reasonable' for the operation of the CACFP before approving that cost in the institution's budget.

CACFP funds may be used to pay for expenditures that meet FNS's definition of allowable, are reasonable and necessary, and have State agency approval. An institution may have costs that are necessary and reasonable for the operation of the institution, but are not allowed as Program costs. Program funds may not be used to cover unallowable costs.

**Procurement Requirements:** All sponsors using Federal non-profit food service funds must follow applicable procurement regulations. Proper procurement helps ensure that sponsors receive the best product possible for the best price. It also helps ensure free and open competition and that taxpayer funds are being spent wisely.

## **PROCEDURE:**

The budgeting requirements vary for independent centers and sponsoring organizations as per below.

A sponsoring organization is a public, non-profit private, or for-profit private organization that is responsible for the administration of the CACFP in two or more child care centers, day care homes, emergency shelters, at-risk afterschool care centers, outside-school-hours care centers, or adult day care centers. A sponsoring organization enters into agreements with the State agency to assume administrative and financial responsibility for CACFP operations for its sponsored facilities and its own operations.

An independent sponsor enters into an agreement directly with the State agency and can be a childcare center, an at-risk after-school care center, an outside-school-hours care center, or an adult day care center.

Each fiscal year, sponsoring organizations must:

- Submit a CACFP budget, which reflects anticipated expenditures for the coming fiscal year; Only expense items approved in the budget that are allowable uses of CACFP funds.
- The budget must include details of all budgeted food service line items, including a justification of line items and documentation to support the allocation of costs;
- Disclose all related-party and less-than-arms-length transactions; a less-than-arms-length transaction is defined as one under which one party to the transaction is able to control or substantially influence the actions of the other(s). Such transactions include, but are not limited to, those between:
  - Divisions of an organization.
  - Organizations under common control through common officers, directors, or members; and
  - An institution and a director, trustee, officer, key employee of the institution, or immediate family, either directly or through corporations, trusts, or similar arrangements in which a controlling interest is held.
- Determine if there are items requiring Specific Prior Written Approval.
- Report CACFP and unrestricted non-program funds used to support the CACFP program, including the source and how the other funds will be used. Provide additional information to Maine CACFP, as requested.
- Follow the approved budget while making spending decisions and charging costs, and request revisions per requirements.

**The above budgeting requirements are required every three years for independent centers.**

## **II. General Budget Criteria**

To complete the Budget, Institutions need to calculate the estimated amount of reimbursement anticipated from CACFP and CACFP Cash-In-Lieu Commodity for the forthcoming fiscal year, the amount and source of additional non-program funds used to meet CACFP requirements, and the total costs associated with operating the CACFP, both operational costs and administrative costs. CACFP reimbursements subsidize the non-profit food service operation but may not be sufficient to cover all food service expenses. CACFP funds are designated exclusively for the non-profit food service account. CACFP funds are restricted and may not be used to fund any other costs in your organization.

Costs included in the budget must be appropriately documented [CFR 226.6(b)(2)(vii)(A)(3)]. Documentation to support costs could include rental or mortgage contract, copies of utility and contracted service bills, and copies of description(s) and cost(s) of equipment purchased.

To be allowable, the costs:

- Must represent an actual operating/administrative cost incurred in the normal course of conducting the program.
- **Are necessary, reasonable, and allowable** for proper, efficient administration of the program, and are within the guidelines of the Food and Nutrition Service (FNS) Instruction 796-2 Rev.4, Financial Management.
- Have Prior Approval or Specific Prior Written Approval, when applicable, by Maine CACFP.
- Are authorized or not prohibited under state or local laws or regulations.
- Conform to any limitations or exclusions outlined in FNS Instruction 796-2 Rev.4, Federal laws, or the governing regulations regarding types or amounts of cost items.
- Are treated consistently
- Cannot be assigned or included as a cost to any other federally financed program in the current or prior period.
- Are net of all applicable credits.
- Are properly allocated; and
- Are adequately documented

### **III. CACFP Budget as a Management Tool**

The CACFP budget is a tool for Institutions and the Maine CACFP to estimate the cost of running the CACFP program.

As best management practice:

- Use the budget when making spending decisions. If an item is not in the approved budget, the institution must submit a revision before making the expense if it will be supported with CACFP reimbursements.
- Use the budget when charging expenses to the program. If an expense is not in the approved budget, the institution must charge the cost to non-CACFP funds.
- Sponsors must regularly track and reconcile the year-to-date status of the operational and administrative expenditures and the approved budget amounts

### **IV. CACFP Budget and Program Reviews**

**Maine CACFP staff will review the actual expenses on program reviews. Sponsors must have a system in place to track CACFP income and expenses and maintain documentation of all expenses charged to CACFP funds. Allowable expenses are those included in the Maine CACFP-approved budget.**

### **REFERENCES:**

Part 226 – Child and Adult Care Food Program 7 CFR 226

FNS Instruction 796-2 Rev. 4: Financial Management - Child and Adult Care Food Program USDA

Guidance for Management Plans and Budgets (A CACFP Handbook)