



ND Focus on School Foodservice Finance, For *Across the Desk*, November 2025

BASICS

Statement of Revenue and Expenditures (also known as the *Profit and Loss Statement*)

- Provides total revenue by source, total expenditures by category, and the net gain or loss of the program
- Includes a Beginning and Ending balance for the calculation of Excess Funds

Average Daily Participation (ADP)

$$\frac{\text{Number of Student (meal) Served in a Month}}{\text{Number of Operating Days in Month}} = \text{Average Daily Participation (ADP)}$$

Why Calculate ADP? Knowing ADP assists with forecasting food purchasing and labor requirements. It also shows trends in student participation.

Meal Equivalent (MEQ) Conversions

Meal Type MEQ: Used with reimbursable student meals

- 1 lunch = 1 meal equivalent
- 3 breakfasts = 2 meal equivalents ($2/3 = 0.67$)
- 3 snacks = 1 meal equivalent ($1/3 = 0.33$)

Revenue Type MEQ: Used with all nonprogram food sales including adult meals, ala carte, catering

- Revenue / Free Lunch Reimbursement = 1 meal equivalent

Why Convert to a Meal Equivalent? This conversion enables all meals to be compared back to the standard of a school lunch. Benchmarking against one meal can demonstrate where efficiencies and inefficiencies are.

REVENUE | All monies accrued or received by the nonprofit food service account

Why does this matter? Total revenue must meet or exceed expenditure obligations.

- Examples of Program Revenue: Reimbursements for meals served to students, funds paid by students to purchase a reimbursable meal
- Examples of Non-Program Revenue: A la carte sales, adult meals, visitor meals, catering, smart snacks

Revenue per MEQ | Use this number to analyze and predict trends in revenue

$$\frac{\text{Revenue}}{\text{Total MEQs}} = \text{Revenue per Meal Equivalent (MEQ)}$$

EXPENDITURES | Allowable costs related to the production and service of meals to children.

Why does this matter? Monitoring expenditures can identify trends and highlight red flags.

- Examples of Program Expenses: Cost of food for reimbursable meal to students
- Examples of Non-Program Expenses: Cost of food for a la carte items, adult meals, smart snacks

Cost per MEQ | When costs exceed revenue, changes must be made.

$$\frac{\text{Expenditures}}{\text{Total MEQs}} = \text{Cost per Meal Equivalent (MEQ)}$$

ADDITIONAL FOOD AND LABOR CALCULATIONS

Costs are typically analyzed in terms of food cost or labor costs. Knowing food and labor cost percentages allows comparison of actual operational expenses.

Cost as a Percentage of Revenue |

Calculating food and labor costs based on the total revenue for the operation reveals how much revenue is being consumed by these expenses, providing insight into the profitability of the school foodservice.

$$\frac{\text{Cost of Purchased Food}}{\text{Total Revenue}} = \text{Food Cost Percentage}$$

$$\frac{\text{Payroll \& related Labor Expense}}{\text{Total Revenue}} = \text{Labor Cost Percentage}$$

Cost as a Percentage of Expense |

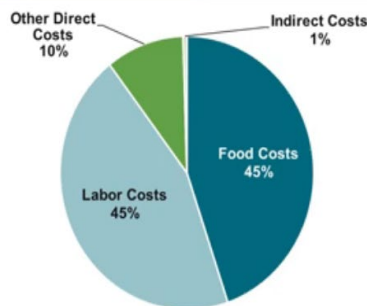
These can also be calculated based on total expenses. This will help you identify if there is overspending in the category or an imbalance of resource allocation. It is very useful in managing budgets and justifying staffing or purchasing decisions.

$$\frac{\text{Cost of Purchased Food}}{\text{Total Expense}} = \text{Food Cost Percentage}$$

$$\frac{\text{Payroll \& related Labor Expense}}{\text{Total Expense}} = \text{Labor Cost Percentage}$$

From: [School Nutrition and Meal Cost Study | Food and Nutrition Service](#)
available at
fns.usda.gov/research/school-meals/nutrition-meal-cost-study

Composition of Costs for Producing a School Lunch



Source: USDA, SNMCS Final Report Volume 3, Table 2.4.
Note: Percentages sum to more than 100 percent due to rounding.

Labor |

$$\frac{\text{Number of Meal Equivalents (MEQs)}}{\text{Paid Labor Hours per Day}} = \text{Meals per Labor Hour (MPLH)}$$

Factors Affecting Meals per Labor Hour (MPLH) |

- Size of operation ▪ Number of serving lines ▪ Type of service provided ▪ Scheduling of lunch periods ▪ Type of Production system ▪ Amount of convenience food used ▪ Skill level of employees ▪ Complexity of the menu

Staffing Guidelines for On-Site Production

Number of Meals/Meal Equivalents ¹	Meals Per Labor Hour (MPLH) for Low and High Productivity			
	Conventional System MPLH ²		Convenience System MPLH ³	
	Low	High	Low	High
Up to 100	8	10	10	12
101-150	9	11	11	13
151-200	10-11	12	12	14
201-250	12	14	14	15
251-300	13	15	15	16
301-400	14	16	16	18
401-500	14	17	18	19
501-600	15	17	18	19
601-700	16	18	19	20
701-800	17	19	20	22
801 and up	18	20	21	23

¹ Meal equivalents (ME) include breakfast, snacks, and a la carte sales. Lunch 1:1, Breakfast 3:2, Snack 3:1, A la carte ME = sales revenue divided by the amount of free lunch reimbursement plus the cash-in-lieu of commodities.

² Conventional system is the preparation of some foods from raw ingredients on site (using some bakery breads, prepared pizza, and washing dishes)

³ Convenience system is using the maximum number of processed foods (e.g., using all bakery breads, precooked chicken, ready to serve raw fruits and vegetables, pre-portioned condiments, washing only cooking sheets, and using disposable trays and cutlery)

Source: Pannell-Martin, D. & Boettger, J. (2014). School food & nutrition service management for the 21st century (6th ed.). Aiken, South Carolina: Author

Best Practices to Control Costs |

- Use production records to monitor how much food is produced, served, leftover, and discarded to monitor trends
- Use the maximum amount of USDA Foods to reduce food costs
- Standardize recipes to create labor efficiency, ensure student satisfaction & reduce waste
- Utilize cycle menus to standardize ordering and forecasting
- Use an inventory checklist to monitor inventory moving in and out of the operation
- Conduct student taste tests and collect feedback to ensure acceptability of recipes
- Design professional development opportunities to train for and motivate excellence