

# Unpaid Meal Charges

## Debt and Donation Guidance



**COLORADO**  
Department of Education

## Definitions

### Unpaid Meal Charges

The outstanding amount due to the nonprofit food service account for meals already provided to the student. These charges must be reported as accounts receivable in the food service fund. These charges should be tracked as negative balances on the students' accounts in the point of sale (POS).

### Delinquent Debt

Overdue balances with active, reasonable efforts being made to collect the outstanding amount due. A debt owed (accounts receivable) to the nonprofit food service account is an asset. The debt remains on the accounting documents until it is either collected or is determined to be uncollectable and written off. Delinquent debt can be carried over at the end of the school year and collection efforts may continue.

### Uncollectable Debt

"Uncollectable debt" is an overdue balance no longer considered collectable due to efforts determined as unproductive or too costly.

## Debt Collection

Sponsors must make reasonable efforts to collect unpaid meal charges classified as delinquent debt; the cost of such collection efforts is an allowable use of nonprofit food service funds. A debt owed to the nonprofit food service fund remains on the accounting documents until it is either collected or is determined to be uncollectable and written off.

## Bad Debt Determination

When local officials determine further collection efforts for delinquent/uncollectable debt are useless or too costly, this debt can then be reclassified as **bad debt**. For the bad debt to be written off from the nonprofit food service account, it will need to be replenished by nonfederal funds from outside the nonprofit food service account. It is an unallowable for the nonprofit food service account to cover bad debt, [2 CFR 200.426](#).

- For Fund 21 (i.e., public sponsors): Credit the accounts receivable and debit another asset, such as cash or due from account within Fund 21.

## Refunds

When a student leaves the district or graduates, sponsors must attempt to contact the student's household to return any funds remaining in the student's account. **Households approved for reduced-price meal benefits must receive a refund.** There is a federal requirement that children eligible for reduced-price meals pay a maximum of 40 cents per lunch and 30 cents per breakfast; retaining the unused funds would result in the per meal price exceeding this amount.

Sponsors may allow families who are not approved for free or reduced-price meals to donate the funds remaining in their account rather than receiving a refund check. These funds could then be used to

cover unpaid meal charges that were uncollectable (i.e., is now considered a donation to food service). Please follow the below donation process.

Also keep in mind that sponsors are subject to report unclaimed property, please click here for more information [Colorado Unclaimed Property Reporting](#).

## Donations

For the purpose of being fair and equitable amongst all students, CDE encourages the following procedures for applying donations towards unpaid meal charges.

- If the sponsor receives donated funds to be used to cover unpaid meal charges, they must first be used to offset bad debt. The district must deposit donated funds outside of the food service fund (using source code 1920). The amount of bad debt covered by donated funds must be removed from the balance sheet of the food service fund with a credit to accounts receivable and a debit to the cash or due from account. The bad debt must be reported in the general fund or other grant fund, with a debit (using object code 0890) and a credit to cash or due to account.

All nonfederal funds that are used to cover unallowable costs, including bad debt, must be maintained in a separate account, outside of Fund 21 - food service fund. The food service fund must not be used to cover costs related to the bad debt, such as continued legal and collection costs.

***The use of donated funds should be fair and consistent (not student specific).***

## Update - Healthy School Meals for All (HSMA)

All sponsors are required to have a meal charge policy in place as of July 1, 2017. If operating Colorado Healthy School Meals for All program, an unpaid meal charge policy is not required, but is encouraged to keep on file.

Sponsors operating an a la carte program under HSMA should consider how to address student balances as it relates to a la carte purchases. It is not recommended to allow students to charge for a la carte items.

It is encouraged to continue to collect unpaid meal charges.

Families can request a refund for account inactivity, please see the Refund and Donation section above.

This institution is an equal opportunity provider.

### WHERE CAN I LEARN MORE?

[Unpaid Meal Charges – CDE School Nutrition Unit](#)

[Overcoming the Unpaid Meal Challenge – USDA](#)

[SP 47-2016 – Unpaid Meal Charges: Clarification on Collection of Delinquent Meal Payments](#)

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