



**Division of Child Care & Early Childhood Education**  
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**LESS THAN ARM’S LENGTH TRANSACTION DISCLOSURE FORM**

Complete this form and submit annually or as information changes. This form must be used to disclose all transactions with related parties.

Entity Name: \_\_\_\_\_

A related party is a person, place, or thing related to or closely held by another person, place, or thing. A transaction between the two is a less than arm’s length transaction. DCCECE/HNU requires that related party transactions be disclosed when federal funds are planned for the execution of such transactions. Failure to disclose these relationships inhibits the State agency’s ability to make informed decisions regarding the allowability of the costs. According to FNS 796-2 Rev. 4 VIII B this will result in the disallowance of the cost and may subject the institution, its principals, employees, consultants, or others to the administrative and legal remedies available to the State agency and FNS.

Delegated Principle (DP)	
Board Chairman (BC)	
Board Member (BM1)	
Board Member (BM2)	
Board Member (BM3)	
Board Member (BM4)	

Cost Category (Food, Supplies, Labor, Other)	Person, Place, Thing/Function or Usage	Principals, Board Members	Relationship	Projected Annual Cost
Food, Supplies	ABC Food Store	June Doe	Owner of Property	\$70,000

Reason for Less Than Arm’s Length Transaction/Additional information:

\_\_\_\_\_ This entity currently does not have any Less Than Arm’s Length Disclosures. If this should change, I will contact my Application Coordinator and provide a current updated form.

**I certify that the information I have provided above is complete, true, and correct.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

# Calculating Transactions for Rental Costs & Cost Allocation Form

When the space or equipment rented by the CACFP is owned by a party related to the sponsored center, specific rules limiting the amount of costs allowed to be charged to the CACFP must be followed.

The FNS Instruction 796-2, Revision 4 (VIII I 36 d) states: “Costs under-less-than-arms-length arrangements, no matter how represented, may not exceed the amount that would be allowed had the item been owned by the institution. All transactions between related parties are less-than-arms-length.”

**Step 1:** The calculation for the annual rental amount for less-than-arms-length arrangements follows:

$$\frac{\text{Property acquisition cost minus value of land}}{30 \text{ years}} \times \frac{\text{Sq ft of CACFP}}{\text{Total sq ft}} = \text{Annual rental amount}$$

Use the following space to calculate this formula for space rental:

	X		=	
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**Step 2:** If this area also has dual usage for other activities/programs, the amount would then be further prorated by the amount of time used for the CACFP. The calculation would be as follows:

$$\text{Value from above calculation} \times \frac{\text{Hours of operation for the CACFP}}{\text{Total hours available for use}} = \text{Annual rental amount}$$

If there is dual usage for the space, use the following space to calculate this formula:

	X		=	
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**Step 3:** Attach documentation to support the information entered. For example, attach copies of floor plan with measurements, mortgage documentation, hours of operation, etc.