

## **Zoo, Arts and Parks Program Financial Health Assessment**

The Zoo, Arts and Parks Program funds organizations in order to offer diverse cultural programming to our residents and visitors and to stabilize, enhance and support our cultural community. Toward these ends, the ZAP program has developed a series of monetary assessments that help to determine the relative financial health of an organization.

An organization will not pass this assessment if...

- 1) Their certified financial audit includes a Going Concern (or similar language/meaning) paragraph in the report or Going Concern (or similar language/meaning) footnote, (FHT 6) or
- 2) Their certified financial audit indicates two of the following assessments:
  - FHT 1: Negative Unrestricted Net Assets
  - FHT 2: Negative Working Capital – TOTAL
    - (Working Capital is calculated by taking current assets (i.e. cash, investments, accounts receivable, donations receivable, etc.) minus current liabilities (i.e. accounts payable, accrued expenses, current portion of long term debt, etc.).
  - FHT 3: Net three-year average decrease in Unrestricted Net Assets in excess of 50% of ending Unrestricted Net Assets for the most recent application year. The three-year average is based on the most recent three-year financial statements in the application.
  - FHT 4: Debt to Total Net Assets (Fund Balance) ratio of more than 2:1 as of the most recent fiscal year reported
  - FHT 5: Net Three Year Average of Negative Cash from Operations (including Cash Flows from Non Capital Financing Activities for those entities subject to GASB reporting) for the most recent application year. The three-year average is based on the most recent three-year financial statements in the application. (Determined from the Cash Flow Statement. Total cash “provided by” operations is a positive total while total cash “used in” operations is a negative total).

Tier I, Zoological and Tier II organizations recommended for funding over \$60,000\* that do not pass the financial health assessment must prepare a credible plan for restoring financial health, and submit regular progress reports that demonstrate compliance with their plan.

The Plan should contain at a minimum:

- A realistic, self-aware assessment of the organization's financial issues.
- A specific definition of financial health, including financial targets.
- A convincing plan for achieving the financial targets, including a timeline that will permit monitoring of progress at regular (2-3 month) intervals.

The plan can be considered a type of action or strategic plan that includes the following components:

- Context
- Action/Change Description
- Expected Result
- Date action will occur
- Who is responsible
- Status (If off schedule to achieve action, please explain why and how this will be remedied.)

The plan must discuss the items on the financial health assessment that an organization failed. The plan should contain realistic steps to achieve financial health. The circumstances of each organization may be varied and complex, thus such plans cannot be formulaic. It is anticipated that the plan may require negotiation to make it workable, although the County will have the final authority over what is an acceptable plan. If an organization is unable to develop an acceptable plan or is unable to comply with that plan, the County may choose to deny funding.

Funding will be withheld until the ZAP program receives and accepts the initial planning document. Once accepted, the ZAP program will require regular reports on the progress of the plan.

\*\$60,000 is the level at which Tier II organizations must submit three-years of audited financial statements.