

ZAP Financial Health Assessment

Failing Financial Health Improvement Plan Guidelines

1. Scoring

Members of the Tier I + Zoological Advisory Board review applications based on the five weighted categories below. Each category is scored with a range from 0 (low score) to 7 (high score). An overall Financial Health Assessment score **below a 5** is considered a failure in the Financial Health category and the organization will be required to submit a Financial Health Plan. Failing the Financial Health Assessment does not disqualify an organization from receiving funding but will be included in the organization's overall assessment in determining award recommendations and final award approval.

Categories & Weights

- 1) Artistic/Cultural/Zoological Vibrancy - 30%
- 2) Governing Board - 20%
- 3) Public Benefit/Outreach - 20%
- 4) Management & Organizational Capacity/Stability - 15%
- 5) Financial Health - 15%

An application which demonstrates an exceptional Financial Health:

- Has passed all the Financial Health Assessments of the last three years.
- Financial Health will be scored as follows:

Revised: Financial Health Scoring				
Description	Score	Current	Last Year	Previous Year
Exceptional	7	Passed all tests	Passed all tests	Passed all tests
Strong	6	Passed all tests	Passed the FHT	Failed one or more
Good	5	Failed one test	Passed	
Adequate	4	Failed one test	Failed the FHT	
Fair	3	Failed two tests wo/ GC		
Weak	2	GC language		
Insufficient	1	GC language and failed 3		
Non-competitive	0	GC language and failed 4 or more		

2. Criteria

The Zoo, Arts & Parks program funds organizations 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 financial health tests that help to determine the relative financial health of an organization.

An organization will not pass 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 tests:

- 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 is more than 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).

3. Plan

Tier I + Zoological and Tier II organizations recommended for funding over \$85,000* that do not pass the financial health assessment tests must prepare a credible plan for restoring financial health and submit regular progress reports that demonstrate compliance with their plan. This plan will be used by the review committees to help assess if grantees are making progress towards improving financial health, as part of the overall grant review and assessment.

The Plan should contain specific and realistic:

- Assessment of the organization's financial issues.
- Definition of what financial health looks like for your organization, including financial targets.
- Plan for achieving the financial targets including a specific timeline for making progress toward, and ultimately meeting financial targets.
- Timeline for meeting targets that demonstrate a best faith effort towards addressing financial health concerns while meeting overall program goals of your organization.
- Steps to achieve financial health specific enough that meaningful progress reports can be submitted no less than twice annually.
- Addressment of the items on the financial health assessment that the organization failed.

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. The ZAP program acknowledges that making significant progress towards financial health may take multiple years to achieve, even under the best circumstances.

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

- 1) Context/Background
- 2) Description of actions/changes the organization will implement
- 3) Expected results from actions/changes
- 4) Approximate dates actions will occur
- 5) Who is responsible for listed actions
- 6) Status (If off schedule to achieve action, please explain why and how this will be remedied.)

The planning document must be submitted 90 days after official notice of the review results of failing the Financial Health Assessment with a score >5. Funding will be withheld until the ZAP program receives and accepts the initial planning document. Once accepted, the ZAP program will require regular progress update reports every six months until one full application cycle after the organization passes the overall Financial Health Assessment in a future year.

*\$85,000 is the level at which Tier II organizations must submit three years of audited financial statements.