

Section X

Financial Viability

GENERAL FISCAL REQUIREMENTS / FINANCIAL VIABILITY TEST / FISCAL SPONSORS

A. General Financial Viability & Performance Requirements

Agencies requesting or renewing funding from the Council must:

1. Demonstrate financial solvency utilizing a financial viability test based on audited financial statements (reviewed Financial Statements for the smaller agencies). See **B** "Financial Solvency Guidelines for Smaller Agencies" below for complete guidelines.
2. Submit annually a copy of the most recent financial audit completed by an independent Florida Certified Public Accountant (CPA), including single audit, if applicable. The most current audit is defined as an audit that covers the agency's latest fiscal/calendar year end. This audit should be completed and available within 120 days from the date of the agency's fiscal/calendar year end (180 days if agency is a government entity). For example, if the Council requires financials be submitted by May 1st, 2015, the most current audited financial statements would be from fiscal/calendar year ended during 2014.
3. Agencies with annual revenue greater than \$500,000 will provide an audit conducted in accordance with generally accepted auditing standards (GAAS). The audit shall be prepared using the guidelines consistent with:
 - a. Government Auditing Standards (GAS), issued by the Comptroller General of the United States, including auditor independence requirements defined by the General Accounting Office in the Yellow Book;
 - b. Office of Management and Budget (OMB) Circular A-133 Audit of States, Local Governments and Non-Profit Organizations; or when and to the extent such OMB Circular A-133 is superseded, the "Uniform Administrative

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Requirements, Cost Principles, and Audit Requirements for Federal Awards; or

c. The Florida Single Audit Act, Florida Statutes 215.97, and rules of the Auditor General of Florida.

4. Smaller agencies (those agencies with annual revenues less than \$500,000) may submit unaudited Financial Statements reviewed by a CPA as described below in **B** "Financial Solvency Guidelines for Smaller Agencies" below.

5. Financial Statements, pass-through funding documentation, and any supplementary financial information must be submitted in conformity with United States Generally Accepted Accounting Principles (GAAP).

a. Agencies that receive Federal and/or State monies that pass through the agency, even as cost reimbursement, may submit "interim" Financial Statements reviewed by a Florida CPA in accordance with GAAP, and the Council will conduct the Financial Viability test using the core amount.

b. Supplementary financial information submitted that is not in conformity with GAAP will NOT be considered.

6. Demonstrate on-going capacity to meet CSC financial performance standards.

7. Provide a signed IRS Form W-9. A revised W-9 must be provided each time there is a change to the Agency name, IRS reporting status, or address.

B. Financial Solvency Guidelines for Smaller Agencies

1. If the agency has less than \$500,000 annual revenues; **and**

2. The agency's financial statements are not yet audited by a Florida CPA.

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The following guidelines would apply:

- a. Submit Financial Statements that have been reviewed by a Florida CPA, regardless of how long the organization has been in existence. Reviewed financial statements include a Statement of Financial Position, a Statement of Activities, a Cash Flow Statement, and Notes to the Financial Statements.
- b. The Financial Viability tests will be conducted on the submitted Reviewed Financial Statements.
- c. If selected for funding, the agency must agree to provide an audit by an independent Florida CPA, 120 days after the end of the agency's fiscal year. If the agency is a government entity, they will be permitted 180 days to submit.
- d. The agency agrees to financial reporting assistance from the Council or designee such as a senior volunteer, if there is not a fully qualified accountant on staff.

C. Annual Financial Viability Test for funding requests and renewals

The audited financial statements are subject to a Financial Viability test that incorporates a review of various fiscal elements which may restrict the maximum total amount that may be awarded to an agency within a single Council fiscal year.

All funding awards, including but not limited to, initial funding, renewals, leverage, emergency and non-RFP project funding over \$79,200 are subject to the **annual** Financial Viability Test. Actual funding award amounts or renewals within these restrictions (if applicable) will then be based on recommendations from the Programmatic Rating Committee and/or Council staff, subject to Council approval.

Supplementary financial information that has been verified by a third party may

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be submitted as supporting documentation for the Financial Viability test along with an explanation. Examples of supplementary financial information include, but are not limited to, updated financial statement position, business plan, financing/re-financing documents or other third party documents. All supplementary information must be accompanied by Interim Financial Statements (including notes) that have been reviewed by a Florida CPA. The Council will consider supplementary information in conducting the Financial Viability test at its sole discretion, as appropriate.

During a contract renewal or funding procurement process such as an RFP, the Council may request additional clarifying information via email or phone within a specified time period. Failure to respond or provide the requested information in a timely manner may result in the agency's application being rejected. The Council provides the "cure" process during an RFP procurement as a courtesy only, and is not responsible for notification of any other omissions or errors in any documentation submitted by the applicant agency. All applying agencies are solely responsible for contact availability during this period, and failure to receive Council notification of cure issues are **not subject to appeal**.

The Financial Viability test is administered at the time RFP proposals are due; whenever leverage or other non RFP requests are made; and prior to each renewal period thereafter.

If an agency's financial viability status changes during the course of an RFP funding cycle, appropriate revisions to funding or contract terms may be necessary at the time of renewal. Financial Viability test updates are conducted at the end of the agency's fiscal year, when audited financial statements are received within 120 days of the agency's fiscal year (180 days if the agency is a government entity). These statements are usually required in advance of CSC's annual budget retreat conducted in May. Agencies whose fiscal year end and audit schedule allow, may submit completed audits earlier if they wish to receive early notice of the financial viability test results. The test includes the following components:

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1. **General Financial Information** – includes four general criteria related to the overall audited financial statements. Each item is worth 1 point for a maximum of 4 points. The criteria consist of the following.
 - a. The Organization received an Unqualified Opinion.
 - b. There is no “Going Concern” comment.
 - c. The Notes to the Financial Statements are complete and explanatory.
 - d. There are no significant “Related Party” transactions that materially affect the financial statements.

2. **Financial Ratios**
 - a. **Current Ratio** – (Current Assets divided by Current Liabilities) This test reviews the current assets an agency has which can easily be converted into cash to pay current expenses. The higher the ratio, the easier it is to pay expenses. Current assets are defined as cash, cash equivalents, accounts receivable, prepaid expenses, inventories and other items of value that are reasonably expected to be sold or consumed within one year.

 - b. Depending on the range of the calculation, an agency may receive a certain number of points. For example, a ratio of over 150% would fall within the excellent range and the agency would receive 4 points. If the result of the calculation falls between 101% - 149% it is considered Acceptable (3 points); between 91%-100% it is Conditional (2 points); between 89%-90% it is Provisional (1 point) and under 80% it does not earn any points.

 - c. **Months of Liquid Net Assets** – (Unrestricted Net Assets less Property Plant and Equipment less Property Plant and Equipment related debt, divided by Average Monthly Expenses, where Average Monthly Expenses are calculated as Annual Expenses divided by twelve.) This test determines the number of months of expenses that can be covered by existing assets without restrictions attached to them (i.e. Restricted Net Assets or Fixed Assets).

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- d. The ranges of the calculation for this ratio are as follows: a result of greater than 2 (months) would fall within the Excellent range (4 points); between 1 – 1.9 it is considered Acceptable (3 points); between 0.5 – 0.9 it is Conditional (2 points); between 0.1 – 0.4 it is Provisional (1 point) and less than 0.1 it does not earn any points.
- e. **Current Liabilities as a Percentage of Annual Expenses** – (Current Liabilities divided by Annual Expenses) This test indicates the ability of an organization to meet its current obligations. Current liabilities include accounts payable, accrued expenses and liabilities, notes payable or short-term borrowings and the current portion of long-term debt.

The ranges of the calculation for this ratio are as follows: a result less than 8% would fall within the Excellent range (4 points); between 8.1% - 10% it is considered Acceptable (3 points); between 10.1%-12% it is Conditional (2 points); between 12.1%-14% it is Provisional (1 point) and over 14% it does not earn any points.

- f. **Debt Ratio** – (Total Liabilities divided by Total Assets) This test measures the proportion of assets provided by debt. Values indicate future liquidity or capacity for future borrowing.

The ranges of the calculation for this ratio are as follows: a result less than 15% would fall within the Excellent range (4 points); between 14.1% - 30% it is considered Acceptable (3 points); between 30.1% - 50% it is Conditional (2 points); between 50.1% - 75% it is Provisional (1 point) and over 75% it does not earn any points.

The total points of these three ratios will be added for a total maximum score of 16 points for this section.

1. **Other** - If the agency is required to have a Single Audit, it must be free of material weaknesses or two points may be deducted.
2. **Action** – Once the total points are calculated the final score will determine the maximum level of funding that may be awarded to an agency over

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the Council fiscal year. Actual funding award amounts for specific programs will then be determined within the restrictions listed below (if applicable) based on recommendations from the Programmatic Rating Committee and/or Council staff, subject to Council approval.

- a. If the cumulative score is 14 points or over, there are no award limitations.
- b. If the cumulative score falls between 10-13 points, the agency's status is considered Conditional and award amounts will be limited to a maximum of \$211,000 annually. Specific program contract(s) may also include requirements for the provider to obtain external financial technical assistance, the use of a fiscal sponsor and/or more frequent monitoring by the Council as appropriate.
- c. If the cumulative score falls between 6-9 points, the agency's status is considered Provisional and total award amounts will be limited to a maximum \$79,200 annually. Specific program contract(s) may also include requirements for the provider to obtain external financial technical assistance, the use of a fiscal sponsor and/or more frequent monitoring by the Council as appropriate.
- d. The funding awards to a specific agency are cumulative within a fiscal year. For example, if an agency currently has a funded program with the Council and scores in the Provisional range, they are limited to the \$79,200 total annual award. In a subsequent year, once an agency improves their financial position such that they score higher on the annual Fiscal Viability test, the limits may be lifted.
- e. Any cumulative score under 6 points requires the agency to submit written evidence that they have secured a qualified fiscal sponsor whose financial audit has no limitations within three (3) business days after Council notification during the RFP cure process in order to remain under consideration for Council funding. The proposed fiscal sponsor must then submit financial statements as instructed by the Council and pass the Financial Viability test described above

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without limitations. See below for more information on using a fiscal sponsor for Council funding.

- f. Agencies wishing to apply for funding beyond the restrictions resulting from the fiscal test described above, may also secure a fiscal sponsor that is able to pass the annual fiscal test without restrictions.

D. FINANCIAL PERFORMANCE. All Agencies, regardless of their financial viability status described in Section **C** "Annual Financial Viability Test" above, are subject to annual financial performance monitoring by CSC fiscal staff pursuant to CSC contract terms. If, as a result of such monitoring, the agency is placed on a Corrective Action Plan for Financial Performance that includes significant or persistent financial or administrative performance issues, CSC may, at its sole discretion, require the agency to secure an acceptable Fiscal Sponsor as a condition of future contract renewal and/or future funding applications.

E. FISCAL SPONSOR. The fiscal sponsor's role is to receive and administer funding provided by the Council, act as a capacity building resource for the agency carrying out the program activities, and serve as the accountable provider of record in a tri-party agreement. Fiscal sponsors acceptable to the Council must be distinct, legally unrelated entities that do not share staff, leadership, or Boards of Directors with the sponsored agency. In addition, according to the Pro Bono Partnership of Atlanta, best practices indicate that a good fiscal sponsor has a similar mission to the sponsored agency, a commitment to the work being funded, its own sufficient resources and staff, a history of support from funders and strong administrative policies and procedures.

1. Specific responsibilities of Fiscal Sponsors and Sponsored Agencies include, but are not limited to:

- a. Completing and submitting an application for the Council funding using the Sponsor's organizational and financial information, as well a proposal for program activities (including a budget for fiscal sponsorship activities) responsive to the RFP or other procurement

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solicitation that has been collaboratively developed with the Sponsored agency.

- b. Signing as the accountable provider of record in the Council's tri-party agreement between the Council, the sponsored agency and the fiscal sponsor.
- c. Signing a two-party fiscal sponsorship agreement with the sponsored agency and providing a copy to the Council upon execution within 30 days of the start of tri-party agreement term.
- d. Collaboratively ensuring that Council funds are properly utilized in accordance with the intended activities and budget set forth in the tri-party agreement.
- e. Provide mentoring and capacity development opportunities to the sponsored agency as needed in order to foster growth and improved future financial viability.
- f. Keeping the Council apprised of any and all relevant changes or developments that may affect the funds or activities outlined in the tri-party agreement.
- g. Collaboratively ensuring that the sponsored agency has all required and current licenses/certifications for the activities.
- h. Collaboratively ensuring that the sponsored agency, as well as the fiscal sponsor, maintain current insurance coverage as required by the Council.
- i. Collaboratively ensuring that the sponsored agency's staff meet minimum educational, certification or other qualifying standards required by the Council for the funded activities and that the sponsored agency maintains personnel records in a secure location.

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- j. Collaboratively ensuring that the sponsored agency meets all its current payroll and related tax obligations as described in the final project budget.
 - k. Collaboratively using the SAMIS system (in cooperation with sponsored agency authorized users) to submit monthly program and financial data as required as well as to submit invoices to the Council no later than the 10th of each month.
 - l. Transferring reimbursed funds received from the Council to the sponsored agency within 5 business days of receipt using electronic means whenever possible.
 - m. Maintaining complete and accurate financial records in accordance with GAAP. Working collaboratively with the sponsored agency to maintain complete and accurate records in support of reports and invoices at both agencies.
 - n. Hosting and providing support to fiscal monitoring visits conducted at the Sponsor's headquarters, unless agreed otherwise in writing.
 - o. In cooperation with the sponsored agency, providing appropriate support to programmatic monitoring visits conducted at the site of service delivery, unless agreed otherwise in writing.
- 2. Fiscal Sponsorship Fee.** The Council will provide an unrestricted fiscal sponsorship fee directly to a fiscal sponsor to help offset the administrative costs incurred by the sponsoring agency. The fee will be up to 7% of the total funds awarded to the sponsored agency, not to exceed \$25,000 annually. The maximum total fee amount per year is applicable to the sponsored agency regardless of the number of Council contracts or fiscal sponsors. The fee is a fixed cost payable in 12 equal monthly installments upon submission of an invoice no later than the 10th of each month. The invoice shall include a summary of fiscal sponsorship activities carried out each month and must be signed both by the sponsored agency and the fiscal sponsor.