

## Definitions for the DPH General Financial Assessment

Term	Definition
Audited Financial Statement Review	<ul style="list-style-type: none"> <li>• Community-Based Organizations are required to send their audited financial statements annually, six months after its year-end close date, to DPH’s Business Office of Contract Compliance (BOCC).</li> <li>• BOCC tracks the submission of these statements, reviews, and score, them. Scores are recorded each year to determine any negative trends that raise concerns or prompts for technical assistance.</li> </ul>
Audit Findings	<p>This refers to findings noted by the external CPA auditors that the agency hires to develop its financial statements (NOT BOCC findings). Some of the findings that could be expressed:</p> <ul style="list-style-type: none"> <li>• <b>Qualified Opinion:</b> Extremely rare, it implies that the auditors are not confident in the material accuracy of the numbers presented (i.e., fraud, embezzlement, etc.)</li> <li>• <b>Going Concern:</b> This implies that the auditors have concerns about the agency being able to continue to be solvent in the coming years.</li> <li>• <b>Deficiencies in Internal Control:</b> The auditors identify issues or holes in the agency’s internal control. Often, these are fixable issues, and the agency adopts new policies to address them.</li> </ul>
Working Capital Ratio <i>aka Current Ratio</i>	<ul style="list-style-type: none"> <li>• This is a ratio that divides the Current Assets by the Current Liabilities. This signals the agency’s ability to meet its short-term obligations. A ratio larger than 1.0 indicates higher current assets than current liabilities and therefore a lower risk of default. The City uses this measure in its Citywide Fiscal and Compliance Monitoring and identifies a ratio lower than 1.0 as a finding.</li> </ul>
Net Surplus/ (Deficit) In the Fiscal Year	<ul style="list-style-type: none"> <li>• This is the difference between what the agency brought in as revenues, and recorded expenses for a single fiscal year. This measure is based on an Accrual (accounting) basis, which includes non-cash events such as depreciation. Non-profits are expected to be close to the break-even point or have a small surplus.</li> </ul>
Net Cash Flow from Operations	<ul style="list-style-type: none"> <li>• This is like the above measure but is on a cash basis. This differs from the accrual basis in that it does NOT include depreciation and other non-cash items, and it can have timing variances as well (an expense incurred in one fiscal year but paid out in cash in the following year). Due to this timing variance, this measure is not very reliable when considering one fiscal year. It is more effective when looking at number of years together.</li> </ul>
Days of Operating Cash Reserves	<ul style="list-style-type: none"> <li>• A ratio that takes the total cash and investments divided by the average daily expenses. This identifies the agency’s ability to continue operations without receiving any revenue. The City’s standard is 60 days. This implies that the agency can operate normally without receiving its revenue payments from the City and grantors. Agencies with low ratios cannot handle delays in their contracts or any unexpected shocks, and often rely on the City’s advances.</li> <li>• Most non-profits will not have the 60 days (therefore it is best practice and not a standard). If an agency has 30 days, that is already a good state to be in.</li> </ul>