

## Definitions of Rating Terms

### Financial Rating Definitions

In reviewing financial statements and the financial practices of community groups, Administration has taken the following into consideration:

<p><b>Low Risk:</b></p>	<p>The community group is in a good financial position with sufficient working capital and healthy equity.</p> <p>The community group is showing no more than one unfavourable financial factor that is not considered to challenge the long-term sustainability of the organization.</p>
<p><b>Elevated Risk:</b></p>	<p>The community group is in a position to meet its short-term financial obligations; however, there is more than one unfavourable financial factor which creates concern in terms of the group's long-term sustainability.</p> <p>The risk indicators may include:</p> <ul style="list-style-type: none"> <li>• Low cash reserves: if revenues were interrupted, the cash in place is not sufficient to sustain beyond 30 days of regular operations;</li> <li>• Current operational practices may not be sustainable: a large operating deficit or cumulative deficits threaten to eliminate the organization's reserves.</li> </ul>
<p><b>High Risk:</b></p>	<p>The community group may be unable to meet its obligations either immediately or in the near future. If financial health deteriorates further, the group may have to consider ceasing some or all of its operations. Risks involved may include any of the following:</p> <ul style="list-style-type: none"> <li>• Financial issues: absence of good financial policies and procedures, poor reporting, poor liquidity ratio, insufficient levels of unrestricted reserves, consecutive yearly deficits and apparent problems with cash flow.</li> <li>• Governance issues: not operating within current bylaws and objectives or a lack of governance practices in place.</li> </ul>

<b>High Risk Continued:</b>	<ul style="list-style-type: none"> <li>• Risk management issues: inadequate risk management procedures in place and/or poor compliance with City policy.</li> <li>• Insufficient reporting: a community group has submitted financial statements that missed critical financial information and have received a rating of “insufficient” for three consecutive years.</li> </ul>
<b>Not Required:</b>	The terms of the legal agreement with the community group do not require submission of financial statements as it has not yet had its annual general meeting.
<b>Overdue:</b>	<p>The community group will be reported as overdue when any of the following scenarios apply:</p> <ul style="list-style-type: none"> <li>• Statements have not been submitted and more than 30 days have passed since the community group’s annual general meeting, where the financial statements are to be presented to the members.</li> <li>• Statements are missing critical financial information (e.g., balance sheet, statement of revenues and expenditures, comparative data) or information is presented in a way that does not allow for analysis or rating.</li> <li>• Statements are currently being audited by the group or an independent organization.</li> </ul>
<b>Received/Pending Review</b>	Statements have been received and a rating will be assigned once analysis is completed.

**Financial Risk Rating**

<b>Financial Rating</b>	<b>Financial Risk Rating</b>	<b>Financial Risk Rating Colour</b>
Low Risk/Not Required	Low Risk	Green
Elevated Risk	Elevated Risk	Yellow
High Risk/Overdue	High Risk	Red

**Organizational Health Rating Definitions**

In using the information from the Organizational Health Assessment, Administration have taken the following into consideration:

Community groups received lower risk scores (with lower scores indicating less risk for the community group) for items that were “Done” (completed, submitted, approved, understood),

compared to “*Working On It*” (actively in progress, started but not completed, completion date identified within one year), “*Not Yet Begun*” (new concept, unaware of the requirement lacking resources – volunteer or financial – to complete, unclear if or when it will be completed, not ready) or “*Not Applicable*” (but was, in fact, applicable to the group). In cases where there were multiple responses by members of a group, the least risk option reported by a member of the group was used for each item, and all comments were combined into a single response.

### Organizational Health Foundational Items

More weight was placed on community groups’ responses to three items as they are foundational to organizational health. The items were whether the group had a minimum business plan (outlines the minimum standards for lease/license of occupation), policies and procedures (a set of rules adopted by a community association to guide its internal operations), and annual audited financial statements (a completed and careful examination of the community association’s financial position by an independent party).

Item	Done	Working On It	Not Yet Begun	Not Applicable
Business Plan – Minimum	0	4	8	8
Policies & Procedures	0	4	8	8
Financial Statements – Annual Audit	0	4	8	8

### Required by Lease/License of Occupation Items

A secondary weighting was also placed on six items that are required by group’s lease or license of occupation.

Item	Done	Working On It	Not Yet Begun	Not Applicable
Insurance – Minimum	0	2	4	4
Annual Return	0	2	4	4
Land Use Policy	0	2	4	4
Public Use Policy	0	2	4	4
Meets Twice Annually With NPC	0	2	4	4
Lifecycle Study	0	2	4	4

### Best Practice Items

Regular scoring was used for the remaining 10 best practice items.

Item	Done	Working On It	Not Yet Begun	Not Applicable
Business/Strategic Plan	0	1	2	2
Annual General Meeting	0	1	2	2
Sufficient Board Members	0	1	2	2
Bylaws	0	1	2	2
Position Descriptions	0	1	2	2
Board Orientation	0	1	2	2
Financial Statements – Monthly	0	1	2	2
Annual Budget	0	1	2	2
Funding Sources	0	1	2	2
Insurance – Review	0	1	2	2

This resulted in a score between 0 and 68 for each community group. Community groups with scores between 0-22 were rated as low risk, scores between 23-45 were rated as elevated risk, and scores between 46-68 were rated as high risk.

<b>Low Risk:</b>	Community groups that had completed more items that are required by their lease or license of occupation, by indicating they were “ <i>Done</i> ” with these items.
<b>Elevated Risk:</b>	Community groups that were “ <i>Working On</i> ” more items that are required by their lease or license of occupation.
<b>High Risk:</b>	Community groups that were “ <i>Working On</i> ”, had “ <i>Not Yet Begun</i> ” work on more items that are required by their lease or license of occupation, or felt that items were “ <i>Not Applicable</i> ”.
<b>Not Required:</b>	Social Recreation Groups were not required to complete the Assessment.
<b>^:</b>	An ^ besides the risk rating indicates that the Assessment was completed by the Neighbourhood Partnership Coordinator on behalf of the group.

### Organizational Health Risk Rating

Organizational Health Rating	Organizational Health Risk Rating	Organizational Health Risk Rating Colour
Low Risk	Low Risk	Green
Elevated Risk	Elevated Risk	Yellow
High Risk	High Risk	Red

### Building Condition and Rating Definitions

An overall building condition rating has been assessed for community association and social recreation main buildings only. This rating has been generated using the Powerplan database, based on information gathered from Lifecycle Studies. These reports were completed through The City, by third party consulting firms in 2018 only. Data and information on non-building amenities has been collected but is not being reported on at this time.

**Building:** A structure that is used or intended for: supporting or sheltering any use, or occupancy. (Source: The Alberta Building Code 2006)

**Main Building:** A “main building”, for the purposes of this report, is one which is primarily used. (for the community/by community/to provide community services). Ancillary buildings, such as garages, skate shacks, storage, etc. are excluded, as are other non-building amenities.

### Main Building Condition Risk Rating

Main Building Condition	Main Building Condition Risk Rating	Main Building Condition Risk Rating Colour
Excellent/Good/Fair	Low Risk	Green
Poor	Elevated Risk	Yellow
Critical	High Risk	Red

**Building Conditions:**

<b>Excellent:</b>	The asset is fully operational and shows no signs of deterioration, “new” or “like new” condition.
<b>Good:</b>	The asset is beginning to show some signs of deterioration due to use but is still fully operational, “worn in” condition.
<b>Fair:</b>	The asset shows signs of deterioration due to use; the asset is still functional but there is likely increased risk of failure. Asset operation is still acceptable but may have decreased performance from new.
<b>Poor:</b>	The asset shows signs of major deterioration beyond what regular maintenance can manage. There is a high degree of likelihood of failure. Asset operation may be intermittent and/or have diminished performance.
<b>Critical:</b>	The asset shows signs of extreme deterioration. The asset may no longer be operational, or the operation is intermittent and/or has significantly diminished performance. There is a high degree of likelihood of an imminent failure, and/or the failure mode has increased severity due to the physical condition.

**Condition Rating:**

<b>Low Risk:</b>	The current condition of the “main building” is “fair/good/excellent”.
<b>Elevated Risk:</b>	The current condition of the “main building” is “poor”.
<b>High Risk:</b>	The current condition of the “main building” is “critical”.
<b>In Progress</b>	This notes community groups who have a Lifecycle Study in draft form and data is waiting to be uploaded into the Powerplan system to inform a rating.
<b>Year</b> (Completion year of Lifecycle Study):	Where a rating of “year” has been entered, the “year” represents when a group is anticipated to have a Lifecycle Study completed, by a third-party consultant.
<b>Not Applicable:</b>	There is no main building to be reported on, current or future; or the community group is not required to provide building information to The City.