

Definitions of Rating Terms

In reviewing financial statements and the financial practices of organizations, Community & Neighbourhood Services and Finance take the following into consideration:

Good:	The organization is in a good financial position with positive working capital, and positive equity while meeting all of its lease/license obligations.
Satisfactory:	The organization is meeting its obligations. However, there is a single factor, which if not addressed, could create momentum towards the group becoming rated as Marginal or an Organization of Concern.
Marginal:	<p>The organization is in a position to meet its current financial obligations. However, there is more than one unfavourable financial trend which has given cause for concern in terms of the group's long-term sustainability. For example:</p> <ul style="list-style-type: none">• Organization could only operate for 30-60 days if revenues were interrupted or discontinued.• Less than 10 per cent of the current year operating expenses are available as cash-in-hand.• An operating deficit greater than \$100,000 or 20 per cent of expenditures has been incurred in the past year.• Operating deficits of greater than \$50,000 per year, or 10 per cent of expenditures, have accrued over two of the last three consecutive years.• More than 30 per cent of unrestricted reserve funds have been spent within the past three years.
Organization of Concern:	<p>There are indicators the organization may be unable to meet its obligations immediately, or in the near future. If financial health deteriorates further, there is a risk the organization 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">• Governance issues: not operating within current bylaws and objectives or a lack of governance practices in place.• Asset management issues: outstanding facility or land management issues.• Risk management issues: inadequate risk-management procedures in place and/or poor compliance with City policy.

- Financial Issues:
 - There is a struggle to provide sufficient funds to continue day-to-day operations.
 - Group may have less than 30 days operating cash in place.
 - An operating deficit, or cumulative deficits, threatens to eliminate the organizations reserves.
 - An organization has received a rating of "Insufficient" or has not provided financial statements for three consecutive years.

Insufficient:	Statements are missing critical financial information (e.g. Balance Sheet, Statement of Revenues and Expenditure, comparative data), or information is presented in a way that does not allow for analysis or rating.
Not Rated:	Statements have been received and a rating will be assigned once analysis is complete.
Not Required:	The terms of the legal agreement with the organization do not require submission of financial statements as it has not yet had its annual general meeting.
Auditors:	Statements are currently being audited by the group or an independent organization.
Overdue:	Statements have not been submitted, and more than 30 days have passed since the organizations's annual general meeting, where the financial statements are to be presented to the members of the organization.

Business Plan and Lifecycle Study Compliance Rating Definitions

Received:	Business plan and/or lifecycle study report(s) have been received.
Overdue:	Business plan and/or lifecycle study report(s) have not been received. This rating indicates non-compliance with the agreement as more than one year has passed since the commencement of the lease or license of occupation.
Not Required:	The terms of the agreement with the organization do not require the submission of a business plan and/or a lifecycle study, or one year has not yet passed which triggers the requirement for a business plan and/or lifecycle study.