

Definitions of Rating Terms

Financial Rating Definitions

In reviewing financial statements and the financial practices of organizations, Calgary Neighbourhoods and Finance have taken the following into consideration:

Good: (low risk)	The organization is in a good financial position with positive working capital and positive equity.
Satisfactory: (low risk)	<p>The organization is meeting its obligations; however, there is one unfavourable financial factor, which, if not addressed, could challenge the long-term sustainability of the organization. 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's operating expenses are available as working capital.• An operating deficit greater than \$200,000 has been incurred in the past year.• Revenues in the last year were less than 80 per cent of expenses.• Two out of three years of operating deficits of greater than \$100,000 per year have accrued and/or in two of the last three years, revenues have been less than 90 per cent of expenses.• More than 20 per cent of unrestricted reserve funds have been spent within the past three years.
Marginal: (elevated risk)	<p>The organization is in a position to meet its current financial obligations; however, there is more than one unfavourable financial factor which has given cause for concern in terms of the group's long-term sustainability. For example, any combination of the above-mentioned unfavourable financial factors or any single occurrence of the following unfavourable financial factors:</p> <ul style="list-style-type: none">• Organization could only operate for zero to 30 days if revenues were interrupted or discontinued.• Organization's current obligations exceed their current assets (negative reserves).
Organization of concern: (high risk)	<p>The organization may be unable to meet its obligations, either immediately, or in the near future. If financial health deteriorates further, 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">• 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.• Governance issues: not operating within current bylaws and objectives or a lack of governance practices in place.• Risk management issues: inadequate risk management procedures in place and/or poor compliance with City policy.

- Insufficient:
(elevated risk)** Statements are missing critical financial information (eg. 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 completed.
- Not required:
(low risk)** 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:
(high risk)** Statements have not been submitted, and more than 30 days have passed since the organization's annual general meeting, where the financial statements are to be presented to the members.

Financial Risk Rating

Financial Rating	Risk Rating	Risk Rating Colour
Good/Satisfactory/Not Required	Low Risk	Green
Marginal/Insufficient	Elevated Risk	Yellow
Organization of Concern/Overdue	High Risk	Red

*The risk rating for an organization not rated or where the statements are with the auditors, defaults to the risk rating from the previous year.

Business Plan Compliance Rating Definitions

- Received:** Business plan has been received.
- In Process:** Organization is currently working on updating business plan or has submitted a draft business plan.
- Overdue:** Business plan has not been received. This rating indicates non-compliance with the lease/license of occupation agreement since more than one year has passed since the commencement of the agreement.
- Not required:** The terms of the agreement with the organization do not require the submission of a business plan or one year has not yet passed, which triggers the requirement for a business plan.

Business Plan Risk Rating

Business Plan Rating	Risk Rating	Risk Rating Colour
Received/Not Required	Low Risk	Green
In Process	Elevated Risk	Yellow
Overdue	High Risk	Red