

## Definitions of Rating Terms

In reviewing financial statements and the financial practices of Civic Partner organizations, Administration uses the following definition of terms:

- Low risk:** The organization is in a good overall financial position with sufficient working capital and healthy equity. The organization is showing no more than one unfavourable financial factor that is not considered to challenge the long term sustainability of the organization.
- Elevated risk:** The organization is in a position to meet its short-term financial obligations; however, there is more than one risk indicator which creates concern in terms of the organization's long-term sustainability. The risk indicators may include:
- Low cash reserves: if revenues were interrupted, the cash in place is not sufficient to sustain beyond 30 days of regular operations;
  - Current operational practices may not be sustainable: a large operating deficit or cumulative deficits threaten to eliminate the organization's reserves; or
  - Insufficient reporting: an organization has submitted financial statements that missed critical financial information and have received a rating of "insufficient" for three consecutive years.
- High risk:** There are indicators that the organization may be unable to meet its short term financial obligations, either immediately, or in the near future. If financial health further deteriorates, there is a risk that the organization may be forced to cease all or a portion of its operations. The risk indicators may include:
- Financial Issues: absence of acceptable financial policies and procedures, inadequate financial reporting, low level of liquidity, insufficient unrestricted reserves, consecutive yearly deficits and problems with cash flow and/or budgeting;
  - Governance issues: not operating within current bylaws and objectives or a lack of governance practices in place; or
  - Risk management issues: inadequate risk management and internal controls procedures in place and/or non-compliance with City agreement.
- Other:**
- Insufficient:** Statements are missing critical financial information, e.g. Balance Sheet, Statement of Revenues and Expenditures, or 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 Received:** Statements have not been submitted by the organization.
- Not Required:** The terms of the legal contract with the organization do not include the submission of financial statements.
- Auditors:** Statements are currently being audited by the group or an independent organization.