

Cornerstone Program Fair Notice Policy 2018

As the steward of important community cultural assets on behalf of the citizens of Calgary, Calgary Arts Development has a fiduciary responsibility to the citizens of Calgary to ensure the security and value of their investments. This Fair Notice Policy supports Calgary Arts Development's commitment to open, fair and transparent processes, as well as encouraging strong artistic impact, public impact, and organizational resiliency in its investment recipients.

Purpose

This policy ensures that organizations that receive annual funding from Calgary Arts Development do not see major fluctuations in their investment in any single assessment year. This policy also limits an assessment panel's ability to remove an organization from the program or significantly decrease an organization's operational funding without notice. It also creates a platform to measure and record risks within the Calgary Arts Development's portfolio of investments and encourages investment recipients to work with Calgary Arts Development to create strategies that remedy high-risk conditions.

Policy

Calgary Arts Development Staff Assessment

Calgary Arts Development staff will conduct an objective resiliency assessment for all organizations that receive an investment before the Peer Assessment process. Though resiliency is a main criterion of our programs, organizations that are flagged at this stage will not automatically receive an investment reduction. An organization will receive a resiliency flag if it shows one or more of the following conditions:

- An operating deficit of 10% or more in the last full year of operations.
- A current assets to current liabilities ratio of less than one (unless mitigated by other assets or investment strategies).
- A decline of 15% or greater in public attendance or public activities in the last full year of operations (unless the decline is part of the organization's stated intentions).

Organizations flagged for resiliency must meet with Calgary Arts Development staff to discuss their plans to remedy the flag condition(s). Minutes will be taken from the meeting, approved by the organization and then added to the organization's investment application file. This information will be provided to the peer assessors at the next assessment for that organization. Flagged organizations must also address the resiliency flag in their next application or required report.

Flags will be retired when the identified risks have been reasonably mitigated. A record of the organization's progress in retiring the flag will be kept and provided to the peer assessors.

Resiliency flags may be removed entirely at Calgary Arts Development's sole discretion.

During years where only an interim report is required, only the Staff Assessment will be applied.

Applicants will be notified of any conditions meriting a flag through the usual process.

Peer Assessment

Whenever a program is peer-assessed committee members are asked to notify Calgary Arts Development when they identify one of the following four conditions, provided they are related to an organization's ability to successfully deliver on the criteria for the program being assessed:

The organization's impact as measured by the program's criteria is reduced compared to past years or in relation to other organizations within the investment stream. The peer assessors must use the organization's application and mandate as context for this evaluation.

The organization does not have the ability to achieve its goals as outlined in its application, or has failed to achieve its programming or organizational plan as outlined in the previous year without reasonable explanation.

There is a lack of transparency or information in the application such that the peer assessors are not confident that the organization merits the current investment.

The organization's resiliency is questionable, which may include an inability to demonstrate planning for the future, sound management practices, or a compelling plan to retire an existing resiliency flag.

Grant Reductions

During assessment, the peer assessors will indicate if conditions require Calgary Arts Development to issue a warning to an organization and may also recommend a reduction of up to 10% of the organization's most recent investment allocation.

If the same organization submits an application in the following assessment year, the condition(s) of concern will be re-evaluated by the peer assessors. If there is evidence that the condition(s) persist or are worsening, the assessors may recommend a further reduction of up to 15% of the previous year's allocation.

If, in the third successive year of assessment, there is evidence that the condition(s) persist or are worsening, the peer assessors may recommend a reduction up to 100% of the previous year's allocation.

Note that any reductions in the Operating Grant Program resulting from the 5% holdback of the previous year's allocation to allow for competitive assessment are not governed by this policy. However, this 5% holdback will not stack with Fair Notice reductions. For example, the maximum reduction an organization could receive in the first year that it is flagged is 10%.

Additional to this Policy

1. Notwithstanding the foregoing and in keeping with its fiduciary responsibility, Calgary Arts Development reserves the right to reduce, delay, suspend or withdraw an organization's investment at any time if:
 - a. The assessment panel notifies Calgary Arts Development that an organization is a high-risk investment.
 - b. There is reliable evidence obtained by Calgary Arts Development staff that indicates an organization presents a risk to default on the obligations stated in its Investment.
 - c. Agreement for any given program. In Calgary Arts Development's sole discretion, a third party audit of the organization may be required to determine if the organization is an acceptable investment risk. The cost of the audit will be deducted from that organization's subsequent investment (if any).
2. Calgary Arts Development's suspension or withdrawal of an organization's investment requires majority approval by Calgary Arts Development's Board of Directors.
3. Organizations that do not reapply to the program in a given assessment year will be assessed as new applicants in any subsequent years.
4. Should Calgary Arts Development's funding for the program be reduced, organizations may receive reductions to their investment that may not adhere to this policy.