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## Fair Notice Policy

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**Background:** The Alberta Foundation for the Arts (AFA) provides operating funding to organizations as either an annual or multi-year commitment. In respect to both forms of commitment, the AFA requires, as eligibility criteria, that organizations demonstrate the ability to operate using good governance principles, effective administrative practices and a commitment to fiscal responsibility while maintaining an artistic mandate ("healthy organization assessment"). The healthy organization assessment is made annually by department staff based on both qualitative and quantitative factors.

The intent of this policy is to strike a balance between providing organizations in receipt of AFA operating funding with a reasonable opportunity to remedy concerns arising out of the healthy organization assessment with the obligation of the AFA to properly steward public funds.

It is not feasible to provide an exhaustive list of the factors and their relative importance in advance of a specific situation. However, this policy is intended to provide general guidance to organizations applying for operating funding grants in respect to:

1. The types of factors considered in the healthy organization assessment;
2. The types of factors that could give rise to the AFA considering an organization to be ineligible for funding based on the healthy organization assessment and the possible funding consequences;
3. The types of factors that could give rise to the AFA having concerns about an organization's longer-term capacity to remain in good standing in its grant stream based on the healthy organization assessment and the fair notice procedures that would be applied and possible funding consequences.

**Policy:** In general, the types of qualitative and quantitative factors considered in the healthy organization assessment include:

- a. Do the governance, management and administrative practices conform to generally accepted practices?
- b. Are there material deficiencies in practice that could erode

stakeholder confidence?

- c. Has there been a significant unplanned erosion of the earned or unearned revenue base and/or level/type of artistic activity?
- d. Has there been a material unplanned increase in expenses, a material annual deficit, current account deficit or an accumulated deficit?
- e. Has there been a material unplanned turnover in management and/or artistic staff?
- f. Has there been a material failure to achieve the organization's planned activities, operational or artistic?
- g. Has there been a material failure to develop and implement an ongoing strategic plan?
- h. Has there been a failure to meet contractual obligations and/or the reporting requirements outlined in the grant guidelines?

- Procedure:**
- 1. If the AFA has concerns about the viability of an organization because these factors or related factors are considered by the AFA to be seriously detrimental to the organization, then the subject organization may be immediately ineligible for funding as per the terms of the grant guidelines. In addition, the AFA may cancel, suspend, reduce or demand repayment of a grant as per the funding agreement.
  - 2. If the AFA considers an organization to be viable based on the healthy organization assessment but is concerned about the organization's longer-term capacity to remain good standing in its grant stream, then the following procedure will be applied:
    - a. The AFA will provide the organization with a copy of this Policy and written notice of the following:
      - i. The nature of the AFA concerns about the organization's longer term capacity to remain in good standing; and
      - ii. A request for a plan, approved by the organization's board, to remedy the concerns and a time frame to deliver the plan to the AFA.
    - b. Based on a review of the plan by department staff, the AFA will provide the organization written notice of the following:

- i. The time frame, to a maximum of three years, for the organization to remedy the concerns; and
  - ii. The possible consequences of a failure to remedy the concerns within the stated time frame. Consequences may include: funding ineligibility, cancellation, suspension, or reduction of grants. Further, the AFA may demand repayment of a grant.
3. The receipt of notice requesting a plan to remedy concerns does not preclude a later determination by the AFA that it has concerns about the viability of the organization because factors in the annual healthy organization assessment are now considered by the AFA to be seriously detrimental to the organization. If this assessment is made, the subject organization may be immediately ineligible for funding as per the terms of the grant guidelines. In addition, the AFA may cancel, suspend, reduce or demand repayment of a grant as per the funding agreement.

**Operation:** This policy allows consistent procedures for the determination of Fair Notice status for operating grant recipient organizations.

**Approved:** September 2013

**Reviewed:** December 2009, September 2010, September 2013