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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. With 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. An organization's practices are reviewed on an annual basis by department staff based on both qualitative and quantitative factors to assess the extent to which an organization is adhering with the criteria.
- Policy:** As the AFA has an obligation to properly steward public funds, the intent of this policy is to flag issues that may indicate that an organization is struggling, and to work with the organization to address problem areas or to assess whether the organization is viable. This policy provides information to organizations applying for operating funding grants with respect to:
1. The types of factors considered in healthy organization assessment 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 or considering an organization to be ineligible for funding; and
  2. The fair notice procedures that would be applied and possible funding consequences.
- Healthy Organization Assessment:** In general, the types of qualitative and quantitative factors considered in healthy organization assessment include but are not limited to:
- a. Governance, management and administrative practices that do not conform to generally accepted practices;
  - b. Material deficiencies in practice that could erode stakeholder confidence;
  - c. A significant unplanned erosion of the earned or unearned revenue base and/or level/type of artistic activity;
  - d. An unplanned increase in expenses, a material annual deficit, current account deficit or an accumulated deficit;
  - e. Significant unplanned turnover in management and/or artistic staff;
  - f. A material failure to achieve the organization's planned activities, operational or artistic;
  - g. Failure to develop and implement an ongoing strategic plan; and/or
  - h. 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, department staff will work with the organization to determine if the best course of action is dissolution as the AFA cannot continue to fund unsustainable organizations. 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 healthy organization assessment, but is concerned about the organization's longer-term capacity to remain in 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 address the concerns and a timeframe to deliver the plan to the AFA.
  - b. Staff review the plan and the AFA will provide the organization written notice of the following:
    - i. The time framefor the organization to address the concerns; and
    - ii. The possible consequences of a failure to address the concerns within the stated timeframe. 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 address concerns does not preclude a later determination by the AFA that it has concerns about the viability of the organization. If the annual healthy organization assessment reveals factors that are considered by the AFA to be seriously detrimental to the organization, department staff may assist the organization in dissolution.

If the subject organization disagrees with this course of action, it may become 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:** March 2020

**Reviewed:** September 2010, September 2013, March 2016, March 2018, March 2020