

## Concerned Status Policy

### Background

Arts Nova Scotia provides operating funding to not-for-profit Nova Scotia based organizations that exhibit excellence in professional artistic creation, production and presentation, and that demonstrate high artistic impact, audience and community engagement and organizational effectiveness. These organizations must also show strength in dissemination and/or community engagement and in management of their affairs. As the steward of public funds, Arts Nova Scotia has a responsibility to ensure ongoing merit and accountability in its award process, while acknowledging the challenges that its clients face. Funding recommendations are made by the Peer Assessment Committee and finalized by the Arts Nova Scotia Board of Directors.

### Purpose

Arts Nova Scotia sets policies that are transparent, fair, and responsive, and is committed to working with organizations to maintain high standards. This includes ensuring that concerns about organizational viability and competitiveness and the possibility of significant funding reductions, are conveyed to clients in a timely manner.

Renewal of operating funding is not automatic and is dependent on each organization's responsible management of funds and adherence to program guidelines. However, Arts Nova Scotia recognizes that operating clients require time and support to manage change in their funding, operations, and artistic directions.

This policy is designed to ensure a fair and sequenced process that gives clients clear notice of any changes in status and funding.

### Reduction in Levels of Support

#### 1. Changes in Arts Nova Scotia Budget

Level of support is hinged on approval of government funding allocations for Arts Nova Scotia. Reductions to grant levels may be made by Arts Nova Scotia in order to manage the annual budget or if funding priorities change.

## 2. Criteria for Concerned Status Assessment

- Significant concerns around organizational stability or public accountability, as noted by Peer Assessment Committees and staff may lead to the organization being placed on Concerned Status.
- If there is reasonable concern around the health of an organization receiving operating support the organization may be placed on Concerned Status by the Arts Nova Scotia Board in review of staff and Peer Assessment Committee recommendations. The criteria for concern include:
  - A marked decline in artistic standards.
  - A decline in financial viability including indicators such as a major deficit; inability to build capacity or to seek out other funding sources; a significant drop in revenue streams.
  - A decline in organizational health indicated by issues such as: governance practices, human resources, and physical resources.
  - Significant changes in the organization's activities and mandate, to the extent that they no longer show artistic vitality or meet the program objectives.
- An organization will be placed on Concerned Status if:
  - it shows losses for three consecutive years or;
  - the deficit equals 10% or more of the organization's revenues and thus negatively affects its capacity to meet program objectives or;
  - the current assets to current liabilities ratio is less than one (unless mitigated by other assets or investment strategies) or;
  - 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 or;
  - 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 or;
  - 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.

### Concerned Status Procedure

- Concerns around one or more of above situations will prompt the recommendation of placement on Concerned Status with the following actions:
  - In the first year, a reduction in funding of up to up to 10% may be made.
  - In the second year, a reduction in funding of up to 20% may be made.
  - Organizations placed on Concerned Status for more than two consecutive years with no demonstrated improvement, may have unlimited reduction in funding or be removed from the Operating Program in the third year if these issues are not addressed to the satisfaction of the Peer Assessment Committee. Final approval for removal from the Operating Program rests with the Arts Nova Scotia Board of Directors.
  
- The organization will be notified in writing explaining why the Concerned Status applies, how the organization will be monitored, and what conditions must be satisfied in order for an organization to remain competitive in the Operating Program. The organization's Board Chair and Professional Leadership will be requested to meet with Arts Nova Scotia staff to discuss this situation.
  - An organization placed on Concerned Status will be placed on annual funding and must provide in a separate document for the next application to the Operating Program, an explanation for the identified problems and a recovery plan in a maximum of two pages. This is in addition to the year's grant application.
  - If there is reason to believe that public accountability is compromised Concerned Status additionally permits Arts Nova Scotia staff to monitor the organization and its use of funds, and to request quarterly financial and/or organizational updates, as well as regular meetings.
  - In any year of Concerned Status, should the organizational health be deemed to be compromised to the extent that there is a danger that public funds will not be used appropriately, grant payments may be withheld until identified benchmarks have been met, or divided into quarterly payments, with option of non-payment if the situation does not improve.
  - The Peer Assessment Committee may recommend that any reductions in funding are mitigated by provision of a grant to be used specifically to address the identified concerns through external consulting services.
  - Concerned Status warnings may be copied to other public funding bodies that support the organization in question.

- Organizations whose funding has been fully cut, or who do not reapply to the program in the next cycle, will be assessed as new applicants in any subsequent years.
- Operating clients may be removed from Concerned Status upon approval by the Arts Nova Scotia Board in review of staff and Peer Assessment Committee recommendations provided the following conditions are met:
  - The organization successfully addresses the issues as identified in the notification letter and meetings between the organization and Art Nova Scotia staff.
  - No additional issues of concern are identified through the rebuilding period.
  - Should fiscal issues be identified, a minimum of two years of balanced budgets must be presented.
  - Organizations shall have a maximum of four years to fully address all identified issues however must actively demonstrate continued improvement year over year.