



Report to: General Committee

Date Report Authored: December 12, 2016

SUBJECT: Celebrate Markham Grant Program – revision to the minimum financial reporting requirements for grants between \$5,001 and \$10,000

PREPARED BY: Andrea Tang, Senior Manager, Financial Planning

RECOMMENDATIONS:

- 1) THAT the report titled, “Celebrate Markham Grant Program – revision to the minimum financial reporting requirements for grants between \$5,001 and \$10,000 be received;
- 2) AND THAT Council approve the change to the minimum financial reporting requirements for grants between \$5,001 and \$10,000 from a Review Engagement to a Compilation Engagement, applicable to the 2016 and future grant recipients;
- 3) AND THAT the minimum reporting requirement for the remaining two categories: a) grants \$5,000 or less and b) grants \$10,001 & over remain unchanged;
- 4) AND THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

To obtain approval to revise the minimum financial reporting requirements for Celebrate Markham grants between \$5,001 and \$10,000 from a Review Engagement to a Compilation Engagement effective beginning with the 2016 grants.

BACKGROUND:

On October 13, 2015, Council adopted a revised Celebrate Markham Grant Program following a comprehensive program review which included stakeholder consultations.

The Celebrate Markham Grant Program requires grant recipients to report back on delivery of their event and expenditures related to their Celebrate Markham grants, and to satisfy the minimum financial reporting requirements outlined in Table A below, which were approved by Council in June 2016.

The minimum financial reporting requirements recommended by Staff and adopted by Council were based on consideration of approaches taken by other municipalities and the Ontario Trillium Foundation with respect to grant or annual revenue thresholds, and reporting requirements.

TABLE A – Council Approved Financial Reporting Requirements- Celebrate Markham Grants

Grant Threshold		Minimum Reporting Requirements
1.	\$5,000 or less	Income statement and balance sheet prepared by the organization and signed by the Board
2.	\$5,001 - \$10,000	Review Engagement prepared by a Licensed Public Accountant outside the organization. One document that contains financial statements for the 2 separate fiscal years (the most recent fiscal year and the previous year). For 2016, grant recipients may provide 2016 financials only, and include 2015 financials if they are available.
3.	\$10,001 & over	Audit Engagement prepared by a Licensed Public Accountant outside the organization. One document that contains financial statements for the 2 separate fiscal years (the most recent fiscal year and the previous year). For 2016, grant recipients may provide 2016 financials only, and include 2015 financials if they are available.

Below are the 2016 \$5,001 to \$10,000 external grant recipients and their approved grant amounts:

TABLE B

1.	Markham Jazz Festival	\$10,000
2.	Markham Village Music Festival	\$10,000
3.	Night It Up	\$10,000
4.	Taste of Asia Festival	\$10,000
5.	Unionville Festival	\$10,000
6.	Thornhill Wheatsheaf Festival	\$10,000
7.	Unionville Old Tyme Christmas Parade	\$ 6,000
8.	International Table Tennis Federation (ITTF) North American Olympic 2016 Qualification Tournament	\$10,000
9.	Water Polo Canada for the 2017 Seniors' National Championships	\$ 7,000
	TOTAL	\$83,000

In December 2016, the City received a letter from Linda Briggs signed by representatives of the Markham Jazz Festival, Markham Village Music Festival, Unionville Festival and Taste of Asia requesting that the City review and reconsider the financial reporting requirements for grants between \$5,001 and \$10,000. The rationale outlined in the letter (Attachment A) is as follows:

“The Celebrate Markham Program is designed to assist festivals and other events in producing better events to enhance the enjoyment of citizens and visitors. We are grateful for City support, but are now finding that due to the newly revamped Celebrate Markham program, the reporting requirements have outstripped the overall value of the grant; therefore effectively diminishing the power of the grant in building better events.”

“Due to the new financial reporting requirements, this means that a festival receiving \$10,000 will actually realize about \$6,500 to \$7,000, with the balance going to pay accountants to satisfy the City’s new terms based on a review engagement typically costing between \$3,000 and \$5,000.”

The letter also stated that “if treasurer-certified statements are not sufficient for the City, that you ask for “Notice to Reader” statements (also known as a Compilation Engagement), which are the next level up, and which will cost each organization around \$800 to \$1,000.”

DISCUSSIONS AND RECOMMENDATION:

The Celebrate Markham Grant Program requires grant recipients to report back on delivery of their event and expenditure of their Celebrate Markham grant, and to provide the minimum financial reporting requirements based on the established grant threshold, as outlined on TABLE A.

Staff has reconsidered the minimum financial reporting requirement for grants between \$5,001 and \$10,000, and recommends revising the requirement from a Review Engagement to a Compilation Engagement prepared by a Licensed Public Accountant outside the organization.

The difference between a Compilation Engagement and a Review Engagement is outlined below:

Compilation Engagement

The objective of a compilation engagement is to take information provided by the management of an entity and prepare financial statements that are arithmetically correct and are not false or misleading in the opinion of management.

Management takes responsibility for the preparation and presentation of the financial statements. The accountant does not verify the accuracy or completeness of the information provided or express any opinion; therefore the accountant is not required to examine or review information provided by the client.

The accountant providing the compilation services should have sufficient industry-level experience and knowledge of the client to compile the financial statements.

Although the accountant has limited involvement with a compilation engagement, professional standards require that work is planned and executed according to plan, be performed by a person with adequate technical training in accounting and with due professional skill and care.

The accountant should create sufficient documentation to provide a clear understanding of the work, and the documentation should include an engagement letter, significant issues, and any communications to management regarding fraud or illegal acts noted by the accountant.

If the accountant believes that the financial information might be false or misleading, the accountant should request further explanation or supporting documentation to satisfy that the financial information is not false or misleading. If the accountant is unable to obtain such additional information, the accountant should withdraw from the engagement.

Review Engagement

In comparison, a Review Engagement provides the financial statement users “negative assurance” that nothing has come to the accountant’s attention that causes them to believe that the financial statements are not presented fairly.

The accountant must perform sufficient work to assure the user that the financial statements are “plausible”. The accountant will check for internal consistency, analyze specific account balances, and require explanations from management for anything that seems unusual.

The Review Engagement must comply with General Accepted Accounting Principles (GAAP), which ensures that all activity is recorded and disclosed in standardized way.

From the user’s point of view, there is increased confidence that the financial statements accurately and completely reflect the transactions of the business for the year.

Summary

A Compilation Engagement provides less assurance than a Review Engagement. However, the risk is minimized since:

- a. all of the major festival grant recipients have a demonstrated long standing history in Markham;
- b. the Board Members of the major festival grant recipients are well known to the community; and
- c. the Celebrate Markham grants provided to the \$5,001 to \$10,000 grant recipients represents 8% of the total funds to support the approved events (approved Celebrate Markham Grant \$83,000 – refer to TABLE B on page 2 of the report, budgeted expenses \$1,011,322); and
- d. all organizations including previous grant recipients applying for Celebrate Markham Grants must submit a Celebrate Markham Grant application every year; and
- e. all grant recipients are required to submit a Project Outcome Report outlining the benefits of the grant to the community and applicants’ feedback. Future grants will not be provided if the minimum reporting requirements for the previous year’s event are not met.

Therefore, Staff recommends revising the minimum reporting requirements from a Review Engagement to a Compilation Engagement for grant threshold of \$5,001 to \$10,000. This revision is applicable to 2016 and future grant recipients. The minimum reporting requirements for the remaining two categories: a) grants \$5,000 or less and b) grants \$10,001 & over will remain unchanged.

Below outlines the revised minimum reporting requirements:

TABLE C

Grant Threshold		Minimum Reporting Requirement
1.	\$5,000 or less (NO CHANGE)	Income statement and balance sheet prepared by the organization and signed by the Board
2.	\$5,001 - \$10,000 (REVISED)	<u>Compilation Engagement</u> prepared by a Licensed Public Accountant outside the organization. One document that contains financial statements for the 2 separate fiscal years (the most recent fiscal year and the previous year). For 2016, grant recipients may provide 2016 financials only, and include 2015 financials if they are available.
3.	\$10,001 & over (NO CHANGE)	Audit Engagement prepared by a Licensed Public Accountant outside the organization. One document that contains financial statements for the 2 separate fiscal years (the most recent fiscal year and the previous year). For 2016, grant recipients may provide 2016 financials only, and include 2015 financials if they are available.

Staff will bring forward a report on the 2017 Celebrate Markham Grant allocation to the February 21, 2017 General Committee meeting.

FINANCIAL CONSIDERATIONS:

Not applicable.

OPERATING BUDGET AND LIFE CYCLE IMPACT:

Not applicable.

HUMAN RESOURCES CONSIDERATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

This initiative aligns with the strategic focus for community engagement to promote meaningful involvement and participation of residents, businesses and organizations that result in improved citizen engagement.

BUSINESS UNITS CONSULTED AND AFFECTED:

Finance and Culture & Economic Development Departments.

RECOMMENDED BY:

X 

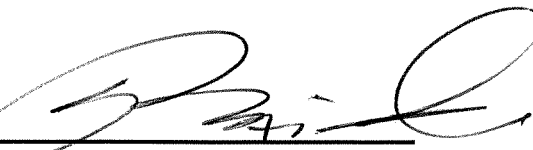
Joel Lustig
Treasurer

X 

Stephen Chait
Director, Culture & Economic Development

X 

Trinela Cane
Commissioner, Corporate Services

X 

Jim Baird
Commissioner, Development Services

Attachment A - Letter dated November 29, 2016 with subject title Accounting Requirements for Celebrate Markham Grant Program