

# **1. Audit Team's Report**

**To the members of the Social Justice Co-operative of Newfoundland and Labrador:**

## **a. Opinion**

We the Audit Team have reviewed the financial statements of Social Justice Co-operative of Newfoundland and Labrador (the "Organization"), which comprise the statement of the financial position as of March 31, 2024, and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the organization as of March 31, 2024.

## **b. Notes on Basis for Opinion**

The Audit Team is comprised of three members of the Organization; we are not independent of the Organization. No members of the Audit Team are Certified Professional Accounts or professionally trained in Canadian accounting standards or Canadian general accepted auditing standards. As such, this review should be considered a financial review and does not constitute an audited financial statement.

We believe that the review of the financial statements and supporting evidence that we have obtained and reviewed is sufficient to provide a basis for our opinion.

## **c. Responsibilities of Management and those charged with Governance for the Financial Statements**

Management and those charged with governance for the financial statements are responsible for the preparation and fair presentation of the combined financial statements in accordance with Canadian accounting standards and for such internal controls as management and those charged with governance for financial statements determines is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

#### **d. Audit Team's responsibilities for the review of the Financial Statements**

Our objectives as the Audit Team are to obtain reasonable assurance about whether the combined financial statements as a whole are free from misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Our assurance is based on a review of the provided financial statements and supporting materials. We are not certified auditors and this financial review has not been conducted in accordance with Canadian General Accepted Auditing Standards (GAAS). Additionally, we cannot guarantee that our financial review would always detect a material misstatement when it exists, whether arising from fraud or error.

We have strived to:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient to support our opinion.
- Obtain an understanding of internal control relevant to the audit to both:
  - o Determine audit procedures that are appropriate for the circumstances of existing controls; and,
  - o For the purpose of expressing an opinion on the effectiveness of the Organization's internal control.

Note#1: The latter purpose of expressing an opinion on the effectiveness of the Organization's internal control is not a typical function of an audit as conducted by a certified auditor in accordance with GAAS practices; however, as an Audit Team we felt the Organization would benefit from the review of and comment on existing internal controls as part of its first financial review as it aims to strengthen its financial controls.

Note #2: The financial review contained herein does not constitute an audit of the financial statements in accordance with Canadian GAAS.

**Social Justice Co-op Audit Team:**

*Melanie Lupin, George Sheppard, Katiellen Petten*

October 12, 2024

## **2. Financial Statements**

- a. Statement of Revenues and Expenditures
- b. Statement of Financial Position
- c. Statement of Cash Flows

*\*Note: Statements are currently held by Katlleen Petten of the Audit Team and can be requested at a later date.*

## **3. Notes to the Financial Statements and Financial Review conducted by the Audit Team**

### **a. Purpose of the Organization**

Social Justice Co-operative of Newfoundland and Labrador (the "Organization") is a cooperative incorporated provincially under NL1998 CHAPTER C-35.1 - Co-Operatives Act of Newfoundland and Labrador.

The Organization was formed in 2013 and is an independent voice in the province advocating for climate action, community projects, and a revolution of care.

### **b. Compliance with existing financial oversight policy**

#### **i. Expense reimbursements with no provided receipt or supporting documentation**

- 1. In many instances with funds held in trust receipts were:
  - not submitted entirely
  - illegible
  - simply pictures of the item
- 2. In one instance the total missing receipt reimbursements from a fund held in trust was \$1470.32.
- 3. The Audit Team is concerned regarding potential misappropriation of funds including funds in trust as it may reflect poorly on the Organization.

#### **ii. Non-Categorized Expenses**

- 1. Non-categorized expenses in the treasurer's reports had considerable variations month to month and The Audit Team recommends that the Organization's board consider additional financial oversight measures for all non-categorized expenses including but not limited to:
  - a. Requiring that all non-categorized expenses be documented; or,
  - b. Requiring that all non-categorized expenses with no documentation be capped at a certain limit decided upon the Organization
- 2. The Audit Team is concerned regarding potential misappropriation of funds with regards to non-categorized expenses in the Organization as well as funds held in trust.

### **c. Notes on sufficiency of existing financial oversight policy**

i. As part of the financial review, the Audit Team reviewed the existing financial oversight policies to determine audit approaches to ensure existing financial controls were being met. Additionally, the Audit Team noted several financial oversight matters that it felt were not sufficient and that should be reviewed by the Organization's board for potential revision in particular, relating to funds held in trust and dispersed on behalf of other third party groups.

ii. The existing "Funds Held In Trust" policy states that it does not require that receipts be provided for reimbursements.

iii. As it relates to funds held by the Organization on behalf of third-party groups, the Organization's "Funds Held In Trust" policy states:

*1. "Expenses submitted by a lead organizer will be approved. A description of expenses is required but a receipt is not. An expense submitted by someone not identified as a lead organizer must be vouched for by a lead organizer."*

*2. "It is recommended that partner orgs keep track of receipts to protect themselves from potential public scrutiny. The SJC 2CCT can help partner orgs keep track of receipts if they choose and share information on good financial oversight practices."*

iv. The Audit Team recognizes that the Organization seeks to balance providing a valuable service to the community with its aims of protecting its own reputational, perceived and real risks around financial oversight. The Audit Team recommends that the Organization's board consider additional financial oversight measures for disbursement of funds held on behalf of other groups including but not limited to:

1. Requiring that receipts be provided for all expense reimbursements; or,
2. Requiring that a detailed description of the expense be provided for record keeping purposes in lieu of a receipt with such reimbursement then approved by a secondary individual within that third party group

As per Section 94.b.i. of the Financial Oversight Policy

#### **d. Notable Liabilities**

##### **i. Debts owed as result of the theft of collective funds in 2022/2023**

As of fiscal year end, March 31, 2024, the Organization held \$10,034.83 in debt in the form of the cash owed to the Indigenous Activist Collective (a third party which the Organization holds and disperses funds on behalf of), the Mutual Aid Pod (a third party which the Organization holds and disperses funds on behalf of) and the Organization's membership (in the form of co-op membership fees that members could recall if desired).

These are funds owed relate to the theft of funds that the Organization's board of directors notified its members, donors, and community partners on March 5, 2023.

#### **e. Notes on Certain Accounting Policies of the Organization**

**i. Audit not desired for funds held on behalf of third-party organizations:** It is the Organization's position that funds held on behalf of other organizations are not the Organization's funds and as such that they need not be subject to audit. As such, the Audit Team did not audit the financial statements of third-party organizations to the same standard it did for the Organization's financial statements; however, we have presented some of our notable findings and recommendations as it relates to funds held on behalf of other organizations.

**ii. Unknown impact of changes to reporting requirements for funds held in trust:** In respect of funds held on behalf of other organizations, through its financial review, the Audit Team found that the Canadian Department of Finance has revised its rules around the reporting and increased disclosure requirements for funds held in trust as well as expanded the definition of entities that must file trust income tax returns. The new legislation requires a trust income tax return, or T3, to be filed for "express trusts". Such trusts are those that are created with the settlor's express intent, either in writing, or verbally. In a NFP or Charity context, restricted funds, endowment funds and special purpose funds, among others may fall under the definition of "express trust" resulting in a filing obligation for the organization for one or more T3s each year. Such changes impact the year end after December 30, 2023. The impact of such reporting and subsequent taxation requirements to the combined financial statements is unknown to the Audit Team.

#### **f. Future audit in accordance with Canadian GAAS**

It is our recommendation that a future audit be conducted by a Certified Professional Accountant in accordance with Canadian GAAS. This would provide the membership with assurances that a certified financial audit has been conducted and that the opinions presented through such are based on such auditor's knowledge of generally accepted Canadian accounting and auditing standards and practices.

# Board's Response to Audit Team Report

## b. Compliance with existing financial oversight policy

### *Non-Categorized Expenses*

*1. Non-categorized expenses in the treasurer's reports had considerable variations month to month and The Audit Team recommends that the Organization's board consider additional financial oversight measures for all non-categorized expenses including but not limited to:*

*a. Requiring that all non-categorized expenses be documented; or,*

*b. Requiring that all non-categorized expenses with no documentation be capped at a certain limit decided upon the Organization*

*2. The Audit Team is concerned regarding potential misappropriation of funds with regards to non-categorized expenses in the Organization as well as funds held in trust.*

### Non-Categorized Expenses

September 2023

01-Sep-2023

01-Sep-2023-A

No

Clearing cheque 2

209.30

September 2023

25-Sep-2023

25-Sep-2023-A

No

EMT WITH 20230925122251668737

100.00

October 2023

No

RDTW Allocated

348.03

The Board agrees that all expenses should be categorized and apologizes that there have been errors. The Board would like to recognize that these uncategorized expenses occurred in a time when Treasurers were changing and we had not solidified proper financial oversight procedures. No uncategorized expenses have been approved since November 2023.

## **Funds Held In Trust**

*Audit not desired for funds held on behalf of third-party organizations: It is the*

*Organization's position that funds held on behalf of other organizations are not the*

*Organization's funds and as such that they need not be subject to audit.*

***Expense reimbursements with no provided receipt or supporting documentation***

*The Audit Team recommends that the Organization's board consider additional financial oversight measures for disbursement of funds held on behalf of other groups including but not limited to:*

*1. Requiring that receipts be provided for all expense*

*reimbursements; or,*

*2. Requiring that a detailed description of the expense be provided for record keeping purposes in lieu of a receipt with such reimbursement then approved by a secondary individual within that third party group*

The Financial Oversight Committee respects these recommendations and would like time in this meeting to hear from members about the policy. We would also request time to discuss these recommendations with the organizations that we hold funds in trust for.

## **Trust Reporting Requirements**

*ii. Unknown impact of changes to reporting requirements for funds held in trust:*

*In a NFP or Charity context, restricted funds,*

*endowment funds and special purpose funds, among others may fall under the*

*definition of “express trust” resulting in a filing obligation for the organization for one*

*or more T3s each year. Such changes impact the year end after December 30, 2023.*

*The impact of such reporting and subsequent taxation requirements to the combined*

*financial statements is unknown to the Audit Team*



The Financial Oversight Committee is of the opinion that the SJC term "Funds Held In Trust" is not the same as the financial instrument that the CRA defines as a legal trust. The funds that we hold for other organizations are more so "Funds Held On Behalf Of" and we would like to propose changing the terminology going forward to help clarify.

We will keep an eye on this development though and determine if it applies to this organization's tax filing requirements.

## **f. Future audit in accordance with Canadian GAAS**

*It is our recommendation that a future audit be conducted by a Certified Professional*

*Accountant in accordance with Canadian GAAS. This would provide the membership with*

*assurances that a certified financial audit has been conducted and that the opinions*

*presented through such are based on such auditor's knowledge of generally accepted*

*Canadian accounting and auditing standards and practices.*

The Financial Oversight Committee want to recognize that we are using the term "audit" as defined by CUPE in the Financial Officer's Handbook: "Trustees act as a committee that independently examines the books and accounts of the local. This process is called

an audit". This is not meant to be a forensic audit, but more of what a CPA might call a "financial review." In that spirit, we could consider changing the name of this team from "SJC Audit Team" to something like the "SJC Financial Review Committee."

Given that the SJC is trying out an alternative method of financial oversight that is more about empowering members to understand and review our finances, rather than relying on external professionals, we want to recognize that this is a learning opportunity for all of us and we are still figuring out how it will work in a way that everyone is comfortable with. We really appreciate the patience and willingness of the Audit Team to try this experiment with us, and we want to ensure everyone feels comfortable with the process to the best of our abilities.

Using CUPE's financial oversight policies was suggested to us by a previous SJC board member, Mark Cunningham, who has offered to meet with us to review how CUPE handles finances and answer any questions. The Financial Oversight Committee is available to can organize that meeting if that is of interest.