

Financial Statements

Stephen Lewis Foundation

June 30, 2014



Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Members of
Stephen Lewis Foundation

We have audited the accompanying financial statements of **Stephen Lewis Foundation**, which comprise the statement of financial position as at June 30, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian accounting standards for not-for-profit organizations. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for qualified opinion

In common with many not-for-profit organizations, the organization derives revenue from fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments might be necessary to general donations revenue, deficiency of revenue over expenses for the year, assets and net assets.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **Stephen Lewis Foundation** as at June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada,
November 7, 2014.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Stephen Lewis Foundation

STATEMENT OF FINANCIAL POSITION

As at June 30

	2014	2013
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,392,157	2,592,870
Guaranteed investment certificates [note 3]	2,500,000	1,500,000
Amounts receivable	26,513	48,441
HST rebate recoverable	56,114	56,705
Prepaid expenses and other assets	178,914	160,917
	4,153,698	4,358,933
Capital assets [note 5]	75,800	101,887
	4,229,498	4,460,820
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	70,823	80,270
Deferred contributions [note 6]	155,253	363,700
	226,076	443,970
Net assets		
Endowment [note 7]	195,200	190,200
Designated for contingency [note 4]	3,748,674	3,802,059
Unrestricted	59,548	24,591
	4,003,422	4,016,850
	4,229,498	4,460,820

See accompanying notes

On behalf of the Board:



Director



Director



Stephen Lewis Foundation

STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30

	2014			2013	
	Unrestricted \$	Designated for contingency \$	Endowment \$	Total \$	Total \$
Net assets, beginning of year	24,591	3,802,059	190,200	4,016,850	4,409,806
Transfer from designated for contingency <i>[note 4]</i>	53,385	(53,385)	—	—	—
Endowment contributions	—	—	5,000	5,000	10,200
Deficiency of revenue over expenses for the year	18,428	—	—	18,428	403,156
Net assets, end of year	59,548	3,748,674	195,200	4,003,422	4,016,850

See accompanying notes



Stephen Lewis Foundation

STATEMENT OF OPERATIONS

Year ended June 30

	2014	2013
	\$	\$
REVENUE		
General donations	8,980,812	9,388,468
Restricted grants <i>[note 6]</i>	1,407,147	1,042,174
Interest	47,303	44,000
	10,435,262	10,474,642
EXPENSES		
Programme <i>[note 8]</i>		
Project funding <i>[note 9]</i>	6,479,137	7,239,750
Project support	709,455	683,880
Special initiatives	821,569	602,329
Monitoring and evaluation	327,689	271,920
	8,337,850	8,797,879
Administration		
General and management <i>[note 8]</i>	801,651	800,010
Direct fundraising <i>[note 8]</i>	1,131,059	1,094,967
Rent	144,058	145,360
Amortization	39,072	39,582
	2,115,840	2,079,919
Total expenses	10,453,690	10,877,798
Deficiency of revenue over expenses for the year	(18,428)	(403,156)

See accompanying notes



Stephen Lewis Foundation

STATEMENT OF CASH FLOWS

Year ended June 30

	2014	2013
	\$	\$
OPERATIONS		
Deficiency of revenue over expenses for the year	(18,428)	(403,156)
Add item not involving cash		
Amortization of capital assets	39,072	39,582
Net change in non-cash working capital items		
Decrease in amounts receivable	21,928	36,768
Decrease (increase) in HST rebate recoverable	591	(880)
Increase in prepaid expenses and other assets	(17,997)	(103,171)
(Decrease) increase in accounts payable and accrued liabilities	(9,447)	17,450
(Decrease) increase in deferred contributions	(208,447)	262,841
Cash used in operations	(192,728)	(150,566)
INVESTING ACTIVITIES		
Guaranteed investment certificates purchased, net	(1,000,000)	(1,348,045)
Capital assets purchased	(12,985)	(14,491)
Cash used in investing activities	(1,012,985)	(1,362,536)
FINANCING ACTIVITIES		
Endowment contributions	5,000	10,200
Cash provided by financing activities	5,000	10,200
Net decrease in cash and cash equivalents		
during the year	(1,200,713)	(1,502,902)
Cash and cash equivalents, beginning of year	2,592,870	4,095,772
Cash and cash equivalents, end of year	1,392,157	2,592,870

See accompanying notes



Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

1. THE FOUNDATION

Stephen Lewis Foundation [the "Foundation"] is incorporated in the Province of British Columbia without share capital. The Foundation is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The fivefold purposes of the Foundation in Africa are:

1. to provide care at the community level to women who are ill and struggling to survive, so that their lives can be free from pain, humiliation and indignity;
2. to assist orphans and other AIDS-affected children, in every possible way, from the payment of school fees to the provision of food;
3. to support the unrecognized heroes of Africa, the grandmothers, who bury their own children and care for their orphan grandchildren;
4. to support associations of people living with HIV/AIDS – courageous men and women who have openly declared their status.
5. to advance education in Canada regarding the community development challenges posed by AIDS in Africa by holding public forums, workshops and seminars to discuss these challenges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid short-term deposits unless they are used for investment rather than liquidity purposes, in which case they are classified as investments.

Financial instruments

Financial instruments, which include guaranteed investment certificates, amounts receivable and accounts payable and accrued liabilities, are initially recorded at fair value and subsequently measured at amortized cost.

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Capital assets

Capital asset purchases are recorded at cost less accumulated amortization. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives.

Tangible

Computer equipment	- 3 years straight-line
Furniture and fixtures	- 5 years straight-line
Leasehold improvements	- over the lease term

Intangible

Computer software	- 5 years straight-line
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Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include grants and donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when recorded in the accounts.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statement of operations.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

Project funding

Project funding is recorded as an expense when agents have met all terms and conditions of the agency agreements.

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

Allocation of expenses

The Foundation allocates personnel expenses by financial statement expense category based on time spent by personnel by functional category [note 8].

3. GUARANTEED INVESTMENT CERTIFICATES AND RISK MANAGEMENT

Guaranteed investment certificates are issued by a major Canadian chartered bank and bear an interest rate of 1.35% [2013 – 1.34%].

It is management's opinion that the Foundation is not exposed to significant interest, credit or market risks.

4. DESIGNATED NET ASSETS

As at June 30, 2014, the Board of Directors has designated net assets of \$3,748,674 [\$3,802,059 designated as at June 30, 2013] to ensure that the Foundation has sufficient cash resources available to meet its obligations and continue operations despite adverse events such as a significant loss of revenue, or to wind down operations in the event of dissolution of the Foundation. During the year ended June 30, 2014, \$53,385 was transferred from designated for contingency to unrestricted net assets [2013 - \$20,059 was transferred from unrestricted net assets to designated for contingency].

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	<u>2014</u>			<u>2013</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
	\$	\$	\$	\$
Tangible				
Computer hardware	205,789	(149,147)	56,642	82,291
Furniture and fixtures	4,015	(4,015)	—	—
Leasehold improvements	6,694	(2,650)	4,044	5,718
	216,498	(155,812)	60,686	88,009
Intangible				
Computer software	73,388	(58,274)	15,114	13,878
	289,886	(214,086)	75,800	101,887

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for programme expenses in future years. Changes in the deferred contributions balance are as follows:

	<u>2014</u>	<u>2013</u>
	\$	\$
Balance, beginning of year	363,700	100,859
Add contributions received in the year	1,198,700	1,305,015
Less amount recognized as revenue in year	(1,407,147)	(1,042,174)
Balance, end of year	155,253	363,700

7. ENDOWMENT FUND

The Endowment Fund is subject to externally imposed restrictions stipulating that donated capital be maintained permanently. Investment income earned on the donated capital is unrestricted and available for operations. In 2014, \$5,000 [2013 - \$10,200] was contributed to the Endowment Fund.

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

8. PERSONNEL COSTS

Personnel costs are allocated in the statement of operations as follows:

	2014	2013
	\$	\$
General and management	556,829	825,541
Programme	1,010,019	647,419
Direct fundraising	679,418	615,536
	2,246,266	2,088,496

9. PROJECTS FUNDED BY MANDATE AREA

The Foundation funded projects in the following mandate areas during the year:

	2014	2013
	\$	\$
Grandmothers	3,167,295	2,910,380
Orphans & Vulnerable Children	1,598,527	1,795,458
Persons Living With HIV/AIDS	960,817	1,708,581
Women	752,498	825,331
	6,479,137	7,239,750

10. LEASE COMMITMENTS

The Foundation leases office space in Toronto, Canada. The lease expires on June 30, 2017. Minimum annual lease payments over the remaining term of the lease are as follows:

	\$
2015	124,000
2016	124,000
2017	124,000

The future minimum annual lease payments for the office space are exclusive of certain operating costs for which the Foundation is responsible.

