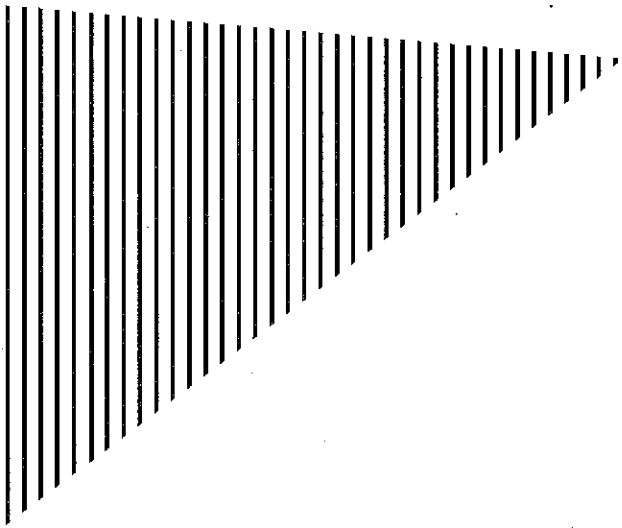


Financial Statements

**Stephen Lewis Foundation**

June 30, 2013



# 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, 2013, 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, 2013 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.

**Other matter**

The statement of financial position as at June 30, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory information, were audited by another auditor who expressed a qualified opinion on November 14, 2012.

Toronto, Canada,  
November 27, 2013.

*Ernst + Young LLP*

Chartered Accountants  
Licensed Public Accountants

**Stephen Lewis Foundation**

**STATEMENT OF FINANCIAL POSITION**

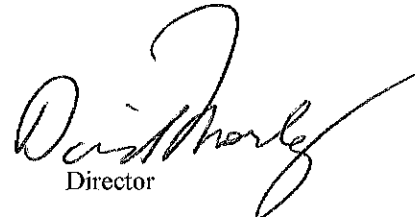
As at June 30

	2013	2012
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,592,870	4,095,772
Guaranteed investment certificates [note 3]	1,500,000	151,955
Amounts receivable	48,441	85,209
HST rebate recoverable	56,705	55,825
Prepaid expenses and other assets	160,917	57,746
	<u>4,358,933</u>	<u>4,446,507</u>
Capital assets [note 5]	101,887	126,978
	<u>4,460,820</u>	<u>4,573,485</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	80,270	62,820
Deferred contributions [note 6]	363,700	100,859
	<u>443,970</u>	<u>163,679</u>
Commitments [note 10]		
<b>Net assets</b>		
Endowment [note 7]	190,200	180,000
Designated for contingency [note 4]	3,802,059	3,782,000
Unrestricted	24,591	447,806
	<u>4,016,850</u>	<u>4,409,806</u>
	<u>4,460,820</u>	<u>4,573,485</u>

See accompanying notes

On behalf of the Board:

  
Director

  
Director

Stephen Lewis Foundation

STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30

	2013			2012	
	Unrestricted \$	Designated for contingency \$	Endowment \$	Total \$	Total \$
Net assets, beginning of year	447,806	3,782,000	180,000	4,409,806	4,946,502
Transfer to designated for contingency [note 4]	(20,059)	20,059	—	—	—
Endowment contributions	—	—	10,200	10,200	30,000
Deficiency of revenue over expenses for the year	403,156	—	—	403,156	566,696
<b>Net assets, end of year</b>	<b>24,591</b>	<b>3,802,059</b>	<b>190,200</b>	<b>4,016,850</b>	<b>4,409,806</b>

See accompanying notes

## Stephen Lewis Foundation

### STATEMENT OF OPERATIONS

Year ended June 30

	2013	2012
	\$	\$
<b>REVENUE</b>		
General donations	9,388,468	9,528,103
Restricted grants <i>[note 6]</i>	1,042,174	971,717
Interest	44,000	31,460
	<b>10,474,642</b>	<b>10,531,280</b>
<b>EXPENSES</b>		
<b>Programme <i>[note 8]</i></b>		
Project funding <i>[note 9]</i>	7,239,750	7,583,683
Project support	683,880	734,013
Special initiatives	602,329	422,727
Monitoring and evaluation	271,920	274,243
	<b>8,797,879</b>	<b>9,014,666</b>
<b>Administration</b>		
General and management <i>[note 8]</i>	800,010	1,106,204
Direct fundraising <i>[note 8]</i>	1,094,967	800,527
Rent	145,360	139,666
Amortization	39,582	36,913
	<b>2,079,919</b>	<b>2,083,310</b>
<b>Total expenses</b>	<b>10,877,798</b>	<b>11,097,976</b>
<b>Deficiency of revenue over expenses for the year</b>	<b>(403,156)</b>	<b>(566,696)</b>

See accompanying notes

## Stephen Lewis Foundation

### STATEMENTS OF CASH FLOWS

Year ended June 30

	2013	2012
	\$	\$
<b>OPERATIONS</b>		
Deficiency of revenue over expenses for the year	(403,156)	(566,696)
Add item not involving cash		
Amortization of capital assets	39,582	36,913
Net change in non-cash working capital items		
Decrease in amounts receivable	36,768	127,611
Increase in prepaid expenses and other assets	(103,171)	(5,611)
(Increase) decrease in HST rebate recoverable	(880)	23,068
Increase (decrease) in accounts payable and accrued liabilities	17,450	(29,395)
Increase (decrease) in deferred contributions	262,841	(78,641)
<b>Cash used in operations</b>	<b>(150,566)</b>	<b>(492,751)</b>
<b>INVESTING ACTIVITIES</b>		
Guaranteed investment certificates redeemed (purchased), net	(1,348,045)	3,118,335
Capital assets purchased	(14,491)	(27,240)
<b>Cash provided by (used in) investing activities</b>	<b>(1,362,536)</b>	<b>3,091,095</b>
<b>FINANCING ACTIVITIES</b>		
Endowment contributions	10,200	30,000
<b>Cash provided by financing activities</b>	<b>10,200</b>	<b>30,000</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>(1,502,902)</b>	<b>2,628,344</b>
Cash and cash equivalents, beginning of year	4,095,772	1,467,428
<b>Cash and cash equivalents, end of year</b>	<b>2,592,870</b>	<b>4,095,772</b>

See accompanying notes

## **Stephen Lewis Foundation**

# **NOTES TO FINANCIAL STATEMENTS**

June 30, 2013

## **1. THE FOUNDATION**

Stephen Lewis Foundation [the "Foundation"] is a not-for-profit organization 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 fourfold 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; and
4. to support associations of people living with HIV/AIDS – courageous men and women who have openly declared their status.

## **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 investments 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, 2013

#### Capital assets

Capital asset purchases are recorded at cost. 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	- 5 years straight-line

##### Intangible

Computer software	- 5 years straight-line
-------------------	-------------------------

#### Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which include grants and donations. Grants, bequests and other donations 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 dates of the balance sheet. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statements 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, 2013

#### 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 1.34% [2012 – 0.89%].

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

#### 4. DESIGNATED NET ASSETS

The Board of Directors designated net assets of \$3,802,059 as at June 30, 2013 [\$3,782,000 designated as at June 30, 2012] 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.

#### 5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	<u>2013</u>			<u>2012</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net</u>	<u>Net</u>
	\$	\$	\$	\$
<b>Tangible</b>				
Computer hardware	205,789	(123,498)	82,291	107,314
Furniture and fixtures	4,015	(4,015)	—	1,338
Leasehold improvements	6,694	(976)	5,718	—
	<u>216,498</u>	<u>(128,489)</u>	<u>88,009</u>	<u>108,652</u>
<b>Intangible</b>				
Computer software	60,403	(46,525)	13,878	18,326
	<u>276,901</u>	<u>(175,014)</u>	<u>101,887</u>	<u>126,978</u>

## Stephen Lewis Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### 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:

	2013	2012
	\$	\$
<b>Balance, beginning of year</b>	<b>100,859</b>	179,500
Add contributions received in the year	<b>1,305,015</b>	893,076
Less amount recognized as revenue in year	<b>(1,042,174)</b>	(971,717)
<b>Balance, end of year</b>	<b>363,700</b>	100,859

#### 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 2013, \$10,200 [2012 - \$30,000] was contributed to the Endowment Fund.

#### 8. PERSONNEL COSTS

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

	2013	2012
	\$	\$
General and management	<b>825,541</b>	851,891
Programme	<b>647,419</b>	765,809
Direct fundraising	<b>615,536</b>	387,928
	<b>2,088,496</b>	2,005,628

## Stephen Lewis Foundation

### NOTES TO FINANCIAL STATEMENTS

June 30, 2013

#### 9. PROJECTS FUNDED BY MANDATE AREA

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

	2013	2012
	\$	\$
Grandmothers	2,910,380	3,147,228
Orphans & Vulnerable Children	1,795,458	1,539,488
Persons Living With HIV/AIDS	1,708,581	1,486,402
Women	825,331	1,410,565
	<b>7,239,750</b>	<b>7,583,683</b>

#### 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:

	\$
2014	118,000
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.

