

Financial Statements

Stephen Lewis Foundation

June 30, 2015



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, 2015, and the statements of operations, changes in fund balances 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 generally accepted auditing standards. 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, **Stephen Lewis Foundation** 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 **Stephen Lewis Foundation**, and we were not able to determine whether any adjustments might be necessary to general donations revenue, excess (deficiency) of revenue over expenses for the year, assets and net assets, end of year.

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, 2015, 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
October 16, 2015

Ernst + Young LLP

Chartered Professional Accountants
Licensed Public Accountants



Stephen Lewis Foundation

STATEMENT OF FINANCIAL POSITION

As at June 30

	2015 \$	2014 \$
		<i>[restated – note 10]</i>
ASSETS		
Current		
Cash and cash equivalents	2,807,477	1,392,157
Guaranteed investment certificates <i>[note 3]</i>	1,500,000	2,500,000
Accounts receivable	22,801	26,513
HST rebate recoverable	58,026	56,114
Prepaid expenses and other assets	195,618	178,914
Total current assets	4,583,922	4,153,698
Capital assets, net <i>[note 4]</i>	59,757	75,800
	4,643,679	4,229,498
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities	109,005	70,823
Commitments <i>[note 9]</i>		
Fund balances		
Unrestricted Fund	49,883	59,548
Internally and Externally Restricted Funds <i>[note 5]</i>	4,289,591	3,903,927
Endowment Fund <i>[note 6]</i>	195,200	195,200
	4,534,674	4,158,675
	4,643,679	4,229,498

See accompanying notes

On behalf of the Board:



Director



Director

Stephen Lewis Foundation

STATEMENT OF CHANGES IN FUND BALANCES

Year ended June 30

	2015			2014	
	Unrestricted Fund \$	Internally and Externally Restricted Funds \$	Endowment Fund \$	Total \$	Total \$
					<i>[restated – note 10]</i>
Fund balances, beginning of year	59,548	3,903,927	195,200	4,158,675	4,380,550
Excess (deficiency) of revenue over expenses for the year	(62,339)	438,338	—	375,999	(221,875)
Interfund transfers <i>[note 5]</i>	52,674	(52,674)	—	—	—
Fund balances, end of year	49,883	4,289,591	195,200	4,534,674	4,158,675

See accompanying notes

Stephen Lewis Foundation

STATEMENT OF OPERATIONS

Year ended June 30

	2015			2014
	Unrestricted Fund	Internally and Externally Restricted Funds	Total	Total
	\$	\$	\$	\$
				<i>[restated – note 10]</i>
REVENUE				
Donations and fundraising	9,205,720	—	9,205,720	8,985,812
Grants	—	1,320,646	1,320,646	1,198,700
Interest	40,492	—	40,492	47,303
	9,246,212	1,320,646	10,566,858	10,231,815
EXPENSES				
Programme <i>[note 7]</i>				
Project funding <i>[note 8]</i>	5,682,019	838,194	6,520,213	6,479,137
Project support	683,000	—	683,000	709,455
Special initiatives	536,577	34,114	570,691	821,569
Monitoring and evaluation	310,304	—	310,304	327,689
	7,211,900	872,308	8,084,208	8,337,850
Administration				
General and management <i>[note 7]</i>	747,892	—	747,892	801,651
Direct fundraising <i>[note 7]</i>	1,159,031	10,000	1,169,031	1,131,059
Rent	152,843	—	152,843	144,058
Amortization	36,885	—	36,885	39,072
	2,096,651	10,000	2,106,651	2,115,840
Total expenses	9,308,551	882,308	10,190,859	10,453,690
Excess (deficiency) of revenue over expenses for the year	(62,339)	438,338	375,999	(221,875)

See accompanying notes

Stephen Lewis Foundation

STATEMENT OF CASH FLOWS

Year ended June 30

	2015	2014
	\$	\$
		<i>[restated – note 10]</i>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	375,999	(221,875)
Add item not involving cash		
Amortization of capital assets	36,885	39,072
Changes in non-cash working capital balances related to operations		
Decrease in accounts receivable	3,712	21,928
Decrease (increase) in HST rebate recoverable	(1,912)	591
Increase in prepaid expenses	(16,704)	(17,997)
Increase (decrease) in accounts payable and accrued liabilities	38,182	(9,447)
Cash provided by (used in) operating activities	436,162	(187,728)
INVESTING ACTIVITIES		
Guaranteed investment certificates disposal (purchase), net	1,000,000	(1,000,000)
Capital assets purchased	(20,842)	(12,985)
Cash provided by (used in) investing activities	979,158	(1,012,985)
Net increase (decrease) in cash and cash equivalents		
during the year	1,415,320	(1,200,713)
Cash and cash equivalents, beginning of year	1,392,157	2,592,870
Cash and cash equivalents, end of year	2,807,477	1,392,157

See accompanying notes

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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:

- [i] 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;
- [ii] to assist orphans and other AIDS-affected children, in every possible way, from the payment of school fees to the provision of food;
- [iii] to support the unrecognized heroes of Africa, the grandmothers, who bury their own children and care for their orphan grandchildren;
- [iv] to support associations of people living with HIV/AIDS – courageous men and women who have openly declared their status; and
- [v] 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

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada [“CPA Canada”] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Fund accounting

For financial reporting purposes, the accounts of the Foundation have been classified into the following funds:

The Endowment Fund reports resources where either external or internal restrictions require that the principal must be maintained permanently or administered in accordance with the Foundation’s endowment management policies [note 6].

The Internally and Externally Restricted Funds report resources that are to be used for specific purposes as specified by the donor or the Board of Directors [note 5].

The Unrestricted Fund reports unrestricted resources available for any purpose.

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants and donations. Grants and bequests are recorded in the accounts as revenue when received or receivable if the amount to be received as revenue can be reasonably estimated and collection is reasonably assured. Other donations are recorded as revenue when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue of the Unrestricted Fund. Donor-restricted contributions for specific purposes are recognized as revenue of the Externally Restricted Fund unless the capital is to be maintained permanently, in which case the contributions are recognized as revenue of the Endowment Fund.

Interest income earned on the Endowment Fund or Externally Restricted Fund resources that must be spent on donor-restricted activities is recognized in the Externally Restricted Fund. Interest income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowment Fund. Unrestricted interest income earned on Endowment Fund, Externally Restricted Fund and Unrestricted Fund resources is recognized in the Unrestricted Fund.

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, accounts 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, 2015

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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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.

Allocation of expenses

The Foundation allocates personnel expenses by financial statement expense category based on time spent by personnel by functional category [note 7].

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

3. GUARANTEED INVESTMENT CERTIFICATES AND RISK MANAGEMENT

Guaranteed investment certificates are issued by a major Canadian chartered bank and bear an interest rate of 1.4% [2014 – 1.35%].

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

4. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	<u>2015</u>		<u>2014</u>
	<u>Cost</u>	<u>Accumulated</u>	<u>Net book</u>
	<u>\$</u>	<u>amortization</u>	<u>value</u>
		<u>\$</u>	<u>\$</u>
Tangible			
Computer equipment	87,264	67,388	19,876
Furniture and fixtures	4,015	4,015	—
Leasehold improvements	6,694	4,323	2,371
	<u>97,973</u>	<u>75,726</u>	<u>22,247</u>
			19,158
Intangible			
Computer software	212,754	175,244	37,510
	<u>310,727</u>	<u>250,970</u>	<u>59,757</u>
			75,800

5. INTERNALLY AND EXTERNALLY RESTRICTED FUNDS

The Internally and Externally Restricted Funds consist of funds that are restricted by donors or the Board of Directors for the following purposes:

	<u>2015</u>	<u>2014</u>
	<u>\$</u>	<u>\$</u>
Board designated for contingency	3,696,000	3,748,674
Externally restricted for project funding	593,591	155,253
	<u>4,289,591</u>	<u>3,903,927</u>

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

As at June 30, 2015, the Board of Directors has designated fund balances of \$3,696,000 [2014 – \$3,748,674] 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, 2015, \$52,674 [2014 – \$53,385] was transferred from restricted funds designated for contingency to unrestricted net assets.

6. 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.

7. PERSONNEL COSTS

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

	2015	2014
	\$	\$
Programme	979,971	1,010,019
General and management	567,555	556,829
Direct fundraising	716,103	679,418
	2,263,629	2,246,266

8. PROJECTS FUNDED BY MANDATE AREA

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

	2015	2014
	\$	\$
Grandmothers	3,112,794	3,167,295
Orphans and Vulnerable Children	1,572,335	1,598,527
Persons Living with HIV/AIDS	1,114,188	960,817
Women	720,896	752,498
	6,520,213	6,479,137

Stephen Lewis Foundation

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

9. 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:

	\$
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.

10. RETROSPECTIVE CHANGE IN ACCOUNTING POLICY

The Foundation retrospectively changed its accounting policy for contributions to the restricted fund method from the deferral method to better recognize revenue in line with donor expectations.

The results of the retrospective change in revenue recognition policy on the comparative amounts as at June 30, 2014 and for the year then ended is as follows:

- Deferred contributions previously recorded as at June 30, 2014 have been reduced by \$155,253 to nil and Internally and Externally Restricted Fund and total fund balances as at June 30, 2014 have been increased by the same amount.
- Total fund balances as at July 1, 2013 have been increased by \$363,700 from \$4,016,850 as originally reported to \$4,380,550.
- Grant revenue for the year ended June 30, 2014 has decreased by \$208,447 from \$1,407,147 as originally reported to \$1,198,700.
- Endowment contributions of \$5,000 received for the year ended June 30, 2014 were previously recorded through fund balances and are now recorded as donations in the endowed fund in the statement of operations.
- The deficiency of revenue over expenses for the year ended June 30, 2014 has increased by \$203,447 from a deficiency of \$18,428 as originally reported to \$221,875.

