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**THE STEPHEN LEWIS FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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**AUDITORS' REPORT**

To the Members,  
The Stephen Lewis Foundation

We have audited the statement of financial position of The Stephen Lewis Foundation as at June 30, 2009 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations and 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 Foundation and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenue over expenses for the year, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donation and fundraising revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Cowperthwaite Mehta*

Chartered Accountants  
Licensed Public Accountants

October 19, 2009  
Toronto, Ontario

**THE STEPHEN LEWIS FOUNDATION**


**STATEMENT OF FINANCIAL POSITION**

**AS AT JUNE 30, 2009**

	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Current assets		
Cash	\$ 675,740	\$ 1,362,495
Guaranteed investment certificates	6,540,696	4,680,888
Amounts receivable	72,046	75,652
Prepaid expenses	<u>38,487</u>	<u>30,190</u>
	7,326,969	6,149,225
Capital assets (note 5)	5,168	24,784
Prepaid video production costs (note 6)	<u>nil</u>	<u>111,532</u>
	<u>\$ 7,332,137</u>	<u>\$ 6,285,541</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 114,503	\$ 103,163
Deferred grant revenue (note 7)	<u>18,375</u>	<u>160,047</u>
	<u>132,878</u>	<u>263,210</u>
Net assets		
Endowment (note 8)	150,000	150,000
Designated for contingency (note 4)	4,201,787	3,111,820
Unrestricted	<u>2,847,472</u>	<u>2,760,511</u>
	<u>7,199,259</u>	<u>6,022,331</u>
	<u>\$ 7,332,137</u>	<u>\$ 6,285,541</u>

Approved on behalf of the Board:

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

see accompanying notes

**THE STEPHEN LEWIS FOUNDATION**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEAR ENDED JUNE 30, 2009**

				<b>2009</b>	<b>2008</b>
	Unrestricted	Designated net assets	Endowment	Total	Total
Net assets, beginning of year	\$ 5,613,864	\$ 258,467	\$ 150,000	\$ 6,022,331	\$ 7,143,827
Transfer from project commitments	977,056	(977,056)			
Transfer to contingency	(4,920,376)	4,920,376			
Excess of revenue over expenses for the year	<u>1,176,928</u>			<u>1,176,928</u>	<u>(1,121,496)</u>
<b>NET ASSETS, END OF YEAR</b>	<u><b>\$ 2,847,472</b></u>	<u><b>\$ 4,201,787</b></u>	<u><b>\$ 150,000</b></u>	<u><b>\$ 7,199,259</b></u>	<u><b>\$ 6,022,331</b></u>

see accompanying notes

# THE STEPHEN LEWIS FOUNDATION

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
<b>REVENUE</b>		
General donations	\$ 9,903,405	\$10,924,003
Grants (note 7)	821,323	788,361
Interest	<u>95,271</u>	<u>250,827</u>
	<u>10,819,999</u>	<u>11,963,191</u>
<b>EXPENSES</b>		
<b>Programme</b>		
Project funding (note 10)	6,593,203	10,600,566
Project support	746,833	593,437
Project partnership	301,917	117,381
Monitoring and evaluation	<u>255,011</u>	<u>404,742</u>
	<u>7,896,964</u>	<u>11,716,126</u>
<b>Administration</b>		
General and management	880,051	785,435
Direct fundraising	729,220	504,238
Amortization	<u>136,836</u>	<u>78,888</u>
	<u>1,746,107</u>	<u>1,368,561</u>
Total expenses	<u>9,643,071</u>	<u>13,084,687</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u>\$ 1,176,928</u>	<u>\$(1,121,496)</u>

# THE STEPHEN LEWIS FOUNDATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

	2009	2008
<b>OPERATIONS</b>		
Excess of revenue over expenses for the year	\$ 1,176,928	\$(1,121,496)
Add back non-cash items - Amortization of capital assets and production costs	136,836	78,888
Net change in non-cash working capital items	<u>(135,023)</u>	<u>226,074</u>
Net cash generated from (used for) operations	<u>1,178,741</u>	<u>(816,534)</u>
<b>INVESTMENTS</b>		
Guaranteed investment certificates redeemed (purchased), net	(1,859,808)	404,871
Capital assets purchased	<u>(5,688)</u>	<u>(36,770)</u>
Net cash generated from (used for) investments	<u>(1,865,496)</u>	<u>368,101</u>
<b>NET CASH USED IN THE YEAR</b>	(686,755)	(448,433)
Cash, beginning of year	<u>1,362,495</u>	<u>1,810,928</u>
<b>CASH, END OF YEAR</b>	<u>\$ 675,740</u>	<u>\$ 1,362,495</u>
Interest received in year	<u>\$ 115,370</u>	<u>\$ 218,491</u>

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

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### 1. THE ORGANIZATION

The Stephen Lewis Foundation (the "Foundation") is a not-for-profit organization incorporated in the Province of British Columbia without share capital.

The fourfold purpose of the Foundation in Africa is:

- 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Foundation are in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant:

#### **Financial instruments**

The Foundation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Foundation's accounting policy for each category is as follows:

*Held-for-trading* - This category comprises guaranteed investment certificates. Guaranteed investment certificates are classified as held-for-trading by the Foundation because they are available for sale at the discretion of the Foundation. Guaranteed investment certificates are measured at fair value, determined on the basis of market value with changes in fair value recognized in the statement of operations in the period incurred. Transaction costs related to financial instruments classified as held-for-trading are expensed as incurred.

*Other financial assets and liabilities* - Other financial assets and liabilities are carried at cost, which approximates their fair value due to their short-term nature.

#### **Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at the year end.

#### **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.

Computer equipment and software                      - 50% straight line

Leasehold improvements are capitalized and amortized straight line over the term of the lease.

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. These estimates are reviewed annually, and, as adjustments become necessary, they are reported in the period in which they become known.

#### Revenue recognition

The Foundation follows the deferral method of revenue recognition. Under the deferral method, amounts received in the year for expenses to be incurred in the following year are recorded as deferred revenue. The Foundation's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Unrestricted grants are recognized as revenue when they are received or receivable if the amount received can be reasonably estimated and collection is reasonably assured. Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred. Assistance related to the purchase of capital assets is recorded as revenue in the same period the related capital assets are charged to operations.
- ii) Donations are recognized as revenue in the year they are received. Pledges are not recorded as revenue. Donated materials and services are not recorded in the accounts.
- iii) Fundraising revenue and expenses are recognized in the year in which the related event occurs.
- iv) Interest income is recognized as revenue when earned.

#### Allocation of expenses

The Foundation allocates personnel expenses by financial statement expense category based on time spent by personnel by functional category (note 9).

### 3. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, guaranteed investment certificates, amounts receivable, accounts payable and accrued liabilities.

#### Guaranteed investment certificates -

Guaranteed investment certificates bear interest rates established by contract varying from 0.25% to 1.65%.

#### Risk management -

It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from its financial instruments.



# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

### 4. MANAGEMENT OF CAPITAL

In managing capital, the Foundation focuses on liquid resources available for operations. The organization's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide the Foundation with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at June 30, 2009, the Foundation had met its objective of having sufficient liquid resources to meet its current obligations.

The Board of Directors designated net assets of \$4,201,787 to provide for a responsible wind-down of operations in Canada as well as projects in progress and other related expenses in the event of an unexpected cessation of funding (\$3,111,820 designated as at June 30, 2008).

### 5. CAPITAL ASSETS

Software and equipment, recorded at cost, is as follows:

	Cost	Accumulated Amortization	2009 Net	2008 Net
Computer equipment and software	<u>\$ 76,857</u>	<u>\$ 71,689</u>	\$ 5,168	\$ 18,435
Leasehold improvements			<u>nil</u>	<u>6,349</u>
			<u>\$ 5,168</u>	<u>\$ 24,784</u>

### 6. PREPAID VIDEO PRODUCTION COSTS

During the year the organization wrote down production costs for videos advocating the efforts of the Foundation in Africa with a carrying value of \$111,532 to their estimated realizable value of nil. The write down is included in amortization expense for the year.

### 7. DEFERRED GRANT REVENUE

Continuity of grant deferred revenue for the year is as follows:

	2009	2008
Deferred grant revenue, beginning of year	\$ 160,047	\$ nil
Add cash received from grants in year	679,651	948,408
Less grant revenue recognized in year	<u>(821,323)</u>	<u>(788,361)</u>
Deferred grant revenue, end of year	<u>\$ 18,375</u>	<u>\$ 160,047</u>

### 8. 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. No contributions were made to the endowment fund in 2009 or 2008.

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

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### 9. PERSONNEL COSTS

Included in the statement of operations are personnel costs allocated as follows:

	2009	2008
Programme	\$ 703,689	\$ 519,600
General and management	532,681	414,003
Direct fundraising	<u>261,378</u>	<u>257,584</u>
	<u>\$ 1,497,748</u>	<u>\$ 1,191,187</u>

### 10. PROJECTS FUNDED BY MANDATE AREA

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

	2009	2008
Grandmothers	\$ 2,158,334	\$ 2,363,926
Orphans & Vulnerable Children	2,002,465	3,180,170
Women	1,273,636	3,063,564
Persons Living With HIV AIDS	<u>1,158,768</u>	<u>1,992,906</u>
	<u>\$ 6,593,203</u>	<u>\$10,600,566</u>

### 11. LEASE COMMITMENTS

The Foundation leases office space in Toronto, Canada. Minimum lease payments over the term of the lease are as follows:

2010	\$ 114,344
2011	114,344
2012	114,344

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2009

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### 12. INCOME TAX STATUS

The Foundation is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

### 13. RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET ADOPTED

- 1) Recent amendments to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations, will modify the requirements with respect to various elements of financial statement presentation. These amendments include the elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets. The new standard applies to financial statements relating to the fiscal years beginning on or after January 1, 2009. This standard adopted as at June 30, 2009, may affect the Foundation's disclosures but does not affect the Foundation's financial position.
- 2) In February 2008, the Accounting Standards Board amended CICA 1000, Financial Statement Concepts, to clarify that assets not meeting the definition of an asset or the recognition criteria are not permitted to be recognized in the statement of financial position.

The amendments are effective for financial statements for fiscal years beginning on or after October 1, 2008. The Foundation has examined its current policy of recognizing costs as assets and has determined that current policies adopted are in compliance with the amendments.

### 14. COMPARATIVE AMOUNTS

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.