
THE STEPHEN LEWIS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2008

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, 2008 and the statements of operations and net assets, cash flows and operations and net assets by functional area 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, 2008 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 15, 2008
Toronto, Ontario

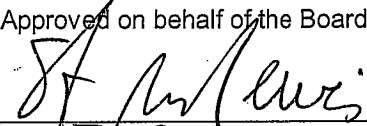
THE STEPHEN LEWIS FOUNDATION

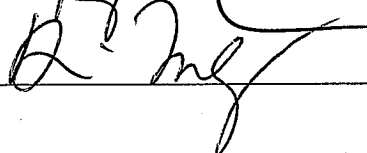
STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2008

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets		
Cash	\$ 1,362,495	\$ 1,810,928
Guaranteed investment certificates	4,680,888	5,085,759
Amounts receivable	75,652	81,428
Prepaid expenses	<u>30,190</u>	<u>25,088</u>
	6,149,225	7,003,203
Capital assets (note 3)	24,784	29,724
Prepaid video production costs (note 4)	<u>111,532</u>	<u>148,710</u>
	<u>\$ 6,285,541</u>	<u>\$ 7,181,637</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 103,163	\$ 37,810
Deferred grant revenue (note 5)	<u>160,047</u>	<u> </u>
	<u>263,210</u>	<u>37,810</u>
Net assets		
Invested in capital assets	24,784	29,724
Endowment (note 6)	150,000	150,000
Designated (note 7)	3,111,821	2,952,660
Unrestricted	<u>2,735,726</u>	<u>4,011,443</u>
	<u>6,022,331</u>	<u>7,143,827</u>
	<u>\$ 6,285,541</u>	<u>\$ 7,181,637</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

THE STEPHEN LEWIS FOUNDATION
STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
REVENUE		
General donations	\$10,924,003	\$11,151,577
Grants (note 5)	788,361	189,585
Interest	<u>250,827</u>	<u>212,569</u>
	<u>11,963,191</u>	<u>11,553,731</u>
EXPENSES		
Programme		
Project funding (note 9)	10,600,566	6,776,770
Project support	593,437	158,057
Monitoring and evaluation	404,742	340,130
Project partnership	<u>117,381</u>	<u>388,521</u>
	<u>11,716,126</u>	<u>7,663,478</u>
Administration		
Personnel	768,482	642,695
Office and administrative	390,529	280,068
Rent	81,087	73,049
Professional fees	28,277	26,722
Computer equipment and software	21,298	25,665
Amortization	<u>78,888</u>	<u>60,827</u>
	<u>1,368,561</u>	<u>1,109,026</u>
	<u>13,084,687</u>	<u>8,772,504</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	(1,121,496)	2,781,227
Net assets, beginning of year	<u>7,143,827</u>	<u>4,362,600</u>
NET ASSETS, END OF YEAR	<u>\$ 6,022,331</u>	<u>\$ 7,143,827</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	2008	2007
OPERATIONS		
Excess of revenue over expenses for the year	\$(1,121,496)	\$ 2,781,227
Add back non-cash items -		
Amortization of capital assets and prepaid production costs	78,888	60,827
Net change in non-cash working capital items (see below)	<u>226,074</u>	<u>(38,178)</u>
Net cash generated from (used for) operations	<u>(816,534)</u>	<u>2,803,876</u>
INVESTMENTS		
Guaranteed investment certificates redeemed (purchased), net	404,871	(1,531,300)
Video production costs paid		(24,292)
Capital assets purchased	<u>(36,770)</u>	<u>(53,374)</u>
Net cash used for investments	<u>368,101</u>	<u>(1,608,966)</u>
NET CASH GENERATED (USED) IN THE YEAR	(448,433)	1,194,910
Cash, beginning of year	<u>1,810,928</u>	<u>616,018</u>
CASH, END OF YEAR	<u>\$ 1,362,495</u>	<u>\$ 1,810,928</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Amounts receivable	\$ 5,776	\$ (47,500)
Prepaid expenses	(5,102)	(1,755)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	65,353	11,077
Deferred grant revenue	<u>160,047</u>	<u> </u>
	<u>\$ 226,074</u>	<u>\$ (38,178)</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

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's financial instruments consist of cash, amounts receivable, guaranteed investment certificates, accounts payable and accrued liabilities. It is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Guaranteed investment certificates are classified as held-for-trading and are measured at fair value, determined on the basis of market value.

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 software - 50% straight line

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

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.

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Foundation's principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Grants and donations are accounted for using the deferral method. Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and donations are recognized as revenue when they are received or receivable if the amount received can be reasonably estimated and collection is reasonably assured. Endowment Fund contributions are reported as direct increases in net assets.
- ii) Donated materials and services which are normally purchased by the Foundation are not recorded in the accounts.
- iii) Interest income is recognized as revenue when earned.

3. CAPITAL ASSETS

Equipment, recorded at cost, is as follows:

	Cost	Accumulated Amortization	2008 Net	2007 Net
Computer software and equipment	<u>\$ 71,169</u>	<u>\$ (52,734)</u>	\$ 18,435	\$ 17,050
Leasehold improvements, net			<u>6,349</u>	<u>12,674</u>
			<u>\$ 24,784</u>	<u>\$ 29,724</u>

4. PREPAID VIDEO PRODUCTION COSTS

During the year the Foundation incurred production costs for videos advocating the efforts of the Foundation in Africa. The costs have been capitalized and are charged to operations on the straight-line basis over five years.

5. DEFERRED GRANT REVENUE

Continuity of deferred revenue for the year is as follows:

	2008	2007
Deferred revenue, beginning of year	\$ nil	\$ nil
Add cash received from grants in year	948,408	
Less grant revenue recognized in year	<u>(788,361)</u>	<u> </u>
Deferred revenue, end of year	<u>\$ 160,047</u>	<u>\$ nil</u>

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. No contributions were made to the fund in 2008 and 2007.

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

7. DESIGNATED FUNDS

The Board of Directors of the Foundation has designated net assets of \$3,111,821 as at June 30, 2008 (\$2,952,660 as at June 30, 2007) for commitments made during the year to fund projects in the following years.

8. REVENUES AND EXPENSES BY FUNCTIONAL AREA

The following is a summary of revenues and expenses by functional area for the year ended June 30, 2008.

REVENUE

General donations	10,924,003
Grants (note 5)	788,361
Interest	<u>250,827</u>
	<u>11,963,191</u>

EXPENSES

Programme

Project funding	10,600,566
Project support	593,447
Project monitoring and evaluation	404,742
Project partnership	<u>117,371</u>
	<u>11,716,126</u>

Administration

General and management	1,094,323
Direct fundraising	<u>274,238</u>
	<u>1,368,561</u>
	<u>13,084,687</u>

EXCESS OF EXPENSES OVER REVENUE FOR THE YEAR

\$(1,121,496)

9. PROJECTS FUNDED BY MANDATE AREA

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

	2008	2007
Orphans	\$ 3,180,170	\$ 2,094,021
Women	3,063,564	1,707,747
Grandmothers	2,363,926	1,294,363
Persons Living With HIV AIDS	<u>1,992,906</u>	<u>1,680,639</u>
	<u>\$ 10,600,566</u>	<u>\$ 6,776,770</u>

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008

10. LEASE COMMITMENTS

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

2009	\$	66,960
2010		69,461
2011		71,508

11. INCOME TAX STATUS

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