
THE STEPHEN LEWIS FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2005

AUDITORS' REPORT

To the Members,
The Stephen Lewis Foundation

We have audited the statement of financial position of The Stephen Lewis Foundation as at December 31, 2005 and the statements of operations and net assets 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 December 31, 2005 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

February 24, 2006
Toronto, Ontario


THE STEPHEN LEWIS FOUNDATION


STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2005

	2005	2004
ASSETS		
Current assets		
Cash	\$ 2,137,931	\$ 2,512,396
Guaranteed investment certificates, at cost	2,000,000	
Amounts receivable	39,782	1,196
Prepaid rent	<u>15,852</u>	<u>469</u>
	<u>\$ 4,193,565</u>	<u>\$ 2,514,061</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 26,614</u>	<u>\$ 15,304</u>
Net assets		
Endowment (note 4)	150,000	
Unrestricted	<u>4,016,951</u>	<u>2,498,757</u>
	<u>4,166,951</u>	<u>2,498,757</u>
	<u>\$ 4,193,565</u>	<u>\$ 2,514,061</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

THE STEPHEN LEWIS FOUNDATION
STATEMENT OF OPERATIONS AND NET ASSETS

	2005	2004
REVENUE		
General donations (note 5)	\$ 5,248,230	\$ 3,269,406
Interest and other	<u>67,314</u>	<u>5,361</u>
	<u>5,315,544</u>	<u>3,274,767</u>
EXPENSES		
Project		
Project funding (see schedule)	3,260,416	1,216,246
Monitoring and evaluation personnel	116,584	70,237
Monitoring and evaluation visits	<u>27,006</u>	<u>36,249</u>
	<u>3,404,006</u>	<u>1,322,732</u>
Administration		
Personnel	224,047	125,877
Office and administrative	49,300	24,549
Communications	44,283	40,495
Professional fees	29,418	26,548
Rent	21,411	
Computer equipment and software	19,065	14,832
Board and meetings	2,880	2,480
Insurance	<u>2,940</u>	
	<u>393,344</u>	<u>234,781</u>
	<u>3,797,350</u>	<u>1,557,513</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD	1,518,194	1,717,254
Net assets, beginning of period	2,498,757	781,503
Contribution to Endowment Fund (note 4)	<u>150,000</u>	
NET ASSETS, END OF PERIOD	<u>\$ 4,166,951</u>	<u>\$ 2,498,757</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

1. THE ORGANIZATION

The Stephen Lewis Foundation is a not-for-profit organization incorporated in the Province of British Columbia without share capital. The Foundation obtained registered charitable foundation status from the Canada Revenue Agency on March 5, 2003.

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:

Revenue Recognition

Donations for unspecified purposes and other unrestricted amounts received in the year are recognized under the deferral method. Under this method, donations and other unrestricted amounts received in the year are recorded as revenue in the current year. Unspent revenue at the year end is reported as unrestricted net assets.

Under the deferral method, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Endowment Fund contributions are reported as direct increases in net assets.

Donated materials and services which are normally purchased by the Foundation are not recorded in the accounts.

Property and Equipment

Property and equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives.

3. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, short-term investments, amounts receivable and 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. The fair value of these financial instruments approximates their carrying values.

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

4. ENDOWMENT FUND

During the year the Foundation received a donation of \$150,000 for the specific purpose of creating an endowment fund. This fund is subject to externally imposed restrictions stipulating that the donated capital be maintained permanently. Investment income earned on the donated capital is unrestricted and available for operations.

The following is a continuity of the Endowment Fund for the year:

Balance, beginning of year	\$	nil
Add: Contributions received in the year		150,000
Interest income earned in the year		nil
Less: Disbursements from the fund		<u>nil</u>
Balance, end of year	\$	<u>150,000</u>

5. GENERAL DONATIONS

Donations for the year ended December 31, 2005 include \$2,116,574 received in December 2005.

6. LEASE COMMITMENTS

The organization leases space for an annual cost of \$33,898. Minimum lease payments over the term of the lease are as follows:

2006	\$	33,898
2007		<u>11,299</u>
	\$	<u>45,197</u>

7. INCOME TAX STATUS

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

8. COMPARATIVE AMOUNTS

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

THE STEPHEN LEWIS FOUNDATION

SCHEDULE OF PROJECT EXPENSES BY COUNTRY

DECEMBER 31, 2005

The Foundation funded projects in the following African countries during the year:

	2005	2004
Rwanda	\$ 527,530	\$ 52,023
Lesotho	469,743	88,897
Kenya	464,800	93,447
Uganda	381,565	205,469
South Africa	309,778	129,216
Malawi	290,804	118,441
Zambia	214,530	130,637
Swaziland	129,498	52,357
Tanzania	126,682	106,418
Ghana	119,995	
Namibia	42,328	74,485
Zimbabwe	40,249	31,177
Ethiopia		45,146
Regional	<u>142,914</u>	<u>88,533</u>
Total project expenses for the year	<u>\$ 3,260,416</u>	<u>\$ 1,216,246</u>