
THE STEPHEN LEWIS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2011

INDEPENDENT AUDITOR'S REPORT

To the Members,

The Stephen Lewis Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Stephen Lewis Foundation, which comprise the statement of financial position as at June 30, 2011 and the statements of operations and 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 generally accepted accounting principles 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.

Auditor's 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 auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization 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 organization, 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.

Qualified Opinion

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 revenue, the financial statements present fairly, in all material respects, the financial position of The Stephen Lewis Foundation as at June 30, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

November 25, 2011
Toronto, Ontario

THE STEPHEN LEWIS FOUNDATION


STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2011

	2011	2010
ASSETS		
Current assets		
Cash	\$ 1,467,428	\$ 384,844
Guaranteed investment certificates	3,270,290	4,267,338
Amounts receivable	291,713	252,506
Prepaid expenses	<u>52,135</u>	<u>64,469</u>
	5,081,566	4,969,157
Capital assets (note 5)	<u>136,651</u>	<u>14,299</u>
	<u>\$ 5,218,217</u>	<u>\$ 4,983,456</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 92,215	\$ 116,921
Deferred grant revenue (note 6)	<u>179,500</u>	<u> </u>
	<u>271,715</u>	<u>116,921</u>
Net assets		
Endowment (note 7)	150,000	150,000
Designated for contingency (note 4)	4,252,204	4,252,204
Unrestricted	<u>544,298</u>	<u>464,331</u>
	<u>4,946,502</u>	<u>4,866,535</u>
	<u>\$ 5,218,217</u>	<u>\$ 4,983,456</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, 2011

				2011	2010
	Unrestricted	Designated net assets	Endowment	Total	Total
Net assets, beginning of year	\$ 464,331	\$ 4,252,204	\$ 150,000	\$ 4,866,535	\$ 7,199,259
Excess of revenue over expenses for the year	<u>79,967</u>	<u> </u>	<u> </u>	<u>79,967</u>	<u>(2,332,724)</u>
NET ASSETS, END OF YEAR	<u>\$ 544,298</u>	<u>\$ 4,252,204</u>	<u>\$ 150,000</u>	<u>\$ 4,946,502</u>	<u>\$ 4,866,535</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
REVENUE		
General donations	\$11,074,957	\$10,536,112
Grants		222,838
Interest	<u>54,265</u>	<u>49,505</u>
	<u>11,129,222</u>	<u>10,808,455</u>
EXPENSES		
Programme		
Project funding (note 9)	7,651,032	9,129,798
Project support	804,665	799,195
Monitoring and evaluation	265,708	341,712
Special initiatives	<u>224,868</u>	<u>703,123</u>
	<u>8,946,273</u>	<u>10,973,828</u>
Administration		
Direct fundraising	985,166	1,134,192
General and management	959,650	881,957
Rent	137,632	133,759
Amortization	<u>20,534</u>	<u>17,443</u>
	<u>2,102,982</u>	<u>2,167,351</u>
Total expenses	<u>11,049,255</u>	<u>13,141,179</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 79,967</u>	<u>\$(2,332,724)</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	2011	2010
OPERATIONS		
Excess of revenue over expenses for the year	\$ 79,967	\$(2,332,724)
Add back non-cash items - Amortization of capital assets	20,534	17,443
Net change in non-cash working capital items	<u>127,921</u>	<u>(222,398)</u>
Net cash generated from (used for) operations	<u>228,422</u>	<u>(2,537,679)</u>
INVESTMENTS		
Guaranteed investment certificates redeemed	997,048	2,273,358
Capital assets purchased	<u>(142,886)</u>	<u>(26,575)</u>
Net cash generated from investments	<u>854,162</u>	<u>2,246,783</u>
NET CASH GENERATED (USED IN) THE YEAR	1,082,584	(290,896)
Cash, beginning of year	<u>384,844</u>	<u>675,740</u>
CASH, END OF YEAR	<u>\$ 1,467,428</u>	<u>\$ 384,844</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Amounts receivable	\$ (39,207)	\$ (180,460)
Prepaid expenses	12,334	(25,981)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(24,706)	2,418
Deferred grant revenue	<u>179,500</u>	<u>(18,375)</u>
	<u>\$ 127,921</u>	<u>\$ (222,398)</u>
Interest received in year	<u>\$ 45,101</u>	<u>\$ 62,632</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

1. THE FOUNDATION

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

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;
- 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 generally accepted accounting principles applied on a basis consistent with prior years. Outlined below are those policies considered particularly significant:

Investments

The Foundation classifies fixed income securities as held-for-trading. Held-for-trading securities, which are purchased for redemption in the near term, are reported at estimated fair value. Realized and unrealized gains and losses are recognized as investment income when they arise. Transaction costs related to financial instruments classified as held-for-trading are expensed as incurred.

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	- 33% straight line
Computer software	- 20% straight line

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. Restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred.
- 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.

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

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.

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.

Allocation of expenses

The Foundation allocates personnel expenses by financial statement expense category based on time spent by personnel by functional category (see note 8).

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Foundation classifies the financial assets and financial liabilities into one of the following categories:

Held-for-trading - This category comprises 0.25% to 1.65% fixed income guaranteed investment certificates with a major Canadian chartered bank. The cost of the guaranteed investment certificates, plus accrued interest income, approximates the fair value of these instruments.

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.

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

4. MANAGEMENT OF CAPITAL

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation'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, 2011, the Foundation had met its objective of having sufficient liquid resources to meet its current obligations.

The Board of Directors designated net assets of \$4,252,204 as at June 30, 2011 (\$4,252,204 designated as at June 30, 2010) 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.

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

5. CAPITAL ASSETS

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

	Cost	Accumulated Amortization	2011 Net	2010 Net
Computer equipment and software	<u>\$ 235,169</u>	<u>\$ (98,518)</u>	<u>\$ 136,651</u>	<u>\$ 14,299</u>

6. DEFERRED GRANT REVENUE

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

	2011	2010
Deferred grant revenue, beginning of year	\$ nil	\$ 18,375
Add cash received from grants in year	179,500	204,463
Less grant revenue recognized in year	<u>nil</u>	<u>(222,838)</u>
Deferred grant revenue, end of year	<u>\$ 179,500</u>	<u>\$ nil</u>

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. No contributions were made to the endowment fund in 2011 or 2010.

8. PERSONNEL COSTS

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

	2011	2010
Programme	\$ 715,071	\$ 652,742
General and management	698,678	603,638
Direct fundraising	<u>449,812</u>	<u>351,004</u>
	<u>\$ 1,863,561</u>	<u>\$ 1,607,384</u>

9. PROJECTS FUNDED BY MANDATE AREA

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

	2011	2010
Grandmothers	\$ 3,335,261	\$ 2,803,735
Orphans & Vulnerable Children	1,663,119	2,659,705
Persons Living With HIV AIDS	1,411,703	1,878,617
Women	<u>1,240,949</u>	<u>1,787,741</u>
	<u>\$ 7,651,032</u>	<u>\$ 9,129,798</u>

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10. LEASE COMMITMENTS

The Foundation leases office space in Toronto, Canada. The lease expires on June 30, 2012. Minimum lease payments over the remaining term of the lease are \$114,344.

11. INCOME TAX STATUS

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