



Financial Statements

Stephen Lewis Foundation

June 30, 2016

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Independent Auditor's Report

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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, 2016 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.

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 auditor's 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 qualified audit opinion.

Basis for qualified opinion

In common with many charitable organizations, **Stephen Lewis Foundation** derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of **Stephen Lewis Foundation**. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, and cash flows from operations for the years ended June 30, 2016 and 2015, current assets as at June 30, 2016 and 2015, and fund balances as at July 1, 2015 and 2014 and June 30, 2016 and 2015.

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, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other matter

Without modifying our opinion, we note that the comparative balances of **Stephen Lewis Foundation** as at June 30, 2015 and for the year then ended were audited by another auditor, who expressed a qualified opinion on those statements dated October 16, 2015.

Toronto, Canada
October 4, 2016



Chartered Professional Accountants
Licensed Public Accountants

Stephen Lewis Foundation

Statement of Financial Position

June 30

2016

2015

Assets

Current

Cash and cash equivalents	\$ 2,999,313	\$ 2,807,477
Guaranteed investment certificates (Note 3)	2,000,000	1,500,000
Accounts receivable	46,489	22,801
HST rebate recoverable	62,190	58,026
Prepaid expenses and other assets	<u>175,443</u>	<u>195,618</u>

5,283,435 4,583,922

Capital assets (Note 4)

20,340 59,757

\$ 5,303,775 \$ 4,643,679

Liabilities

Current

Accounts payable and accrued liabilities	\$ <u>69,589</u>	\$ <u>109,005</u>
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Fund balances

Unrestricted	292,071	49,883
Internally and externally restricted funds (Note 5)	4,746,915	4,289,591
Endowment Fund	<u>195,200</u>	<u>195,200</u>

5,234,186 4,534,674

\$ 5,303,775 \$ 4,643,679

Commitments (Note 6)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Stephen Lewis Foundation

Statement of Operations

Year ended June 30

2016

2015

	<u>Unrestricted</u>	Internally & Externally Restricted Funds	<u>Total</u>	<u>Total</u>
Revenue				
Donations and fundraising	\$ 9,898,123	\$ -	\$ 9,898,123	\$ 9,205,720
Grants	-	2,150,933	2,150,933	1,320,646
Interest	<u>33,158</u>	-	33,158	<u>40,492</u>
	<u>9,931,281</u>	<u>2,150,933</u>	<u>12,082,214</u>	<u>10,566,858</u>
Programme expenses				
Project funding (Notes 8 and 9)	6,031,710	1,156,656	7,188,366	6,520,213
Project support	664,001	-	664,001	683,000
Special initiatives (Note 10)	804,204	390,530	1,194,734	570,691
Monitoring and evaluation	<u>266,840</u>	<u>1,908</u>	<u>268,748</u>	<u>310,304</u>
	<u>7,766,755</u>	<u>1,549,094</u>	<u>9,315,849</u>	<u>8,084,208</u>
Administration				
Direct fundraising	1,050,162	-	1,050,162	1,169,031
General and management	823,151	-	823,151	747,892
Rent	154,123	-	154,123	152,843
Amortization of capital assets	<u>39,417</u>	-	<u>39,417</u>	<u>36,885</u>
	<u>2,066,853</u>	-	<u>2,066,853</u>	<u>2,106,651</u>
Total expenses	<u>9,833,608</u>	<u>1,549,094</u>	<u>11,382,702</u>	<u>10,190,859</u>
Excess of revenue over expenses	<u>\$ 97,673</u>	<u>\$ 601,839</u>	<u>\$ 699,512</u>	<u>\$ 375,999</u>

See accompanying notes to the financial statements.

Stephen Lewis Foundation
Statement of Changes in Fund Balances

Year ended June 30

2016

2015

	<u>Unrestricted</u>	Internally & Externally Restricted <u>Funds</u>	Endowment <u>Fund</u>	<u>Total</u>	<u>Total</u>
Fund balances, beginning of year	\$ 49,883	\$ 4,289,591	\$ 195,200	\$ 4,534,674	\$ 4,158,675
Excess of revenue over expenses	97,673	601,839	-	699,512	375,999
Interfund transfers	<u>144,515</u>	<u>(144,515)</u>	-	-	-
Fund balances, end of year	<u>\$ 292,071</u>	<u>\$ 4,746,915</u>	<u>\$ 195,200</u>	<u>\$ 5,234,186</u>	<u>\$ 4,534,674</u>

See accompanying notes to the financial statements.

Stephen Lewis Foundation

Statement of Cash Flows

Year ended June 30

2016

2015

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ 699,512	\$ 375,999
Items not affecting cash and cash equivalents		
Amortization of capital assets	<u>39,417</u>	<u>36,885</u>
	738,929	412,884
Change in non-cash working capital items		
Accounts receivable	(23,688)	3,712
HST rebate recoverable	(4,164)	(1,912)
Prepaid expenses and other assets	20,175	(16,704)
Accounts payable and accrued liabilities	<u>(39,416)</u>	<u>38,182</u>
	691,836	436,162

Investing

Change in guaranteed investment certificates, net	(500,000)	1,000,000
Purchase of capital assets	<u>-</u>	<u>(20,842)</u>
	(500,000)	979,158

Increase in cash and cash equivalents **191,836** 1,415,320

Cash and cash equivalents

Beginning of year	<u>2,807,477</u>	<u>1,392,157</u>
End of year	\$ 2,999,313	\$ 2,807,477

See accompanying notes to the financial statements.

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2016

1. Purpose of the organization

Stephen Lewis Foundation (the “Foundation”) is incorporated as a not-for-profit organization without share capital in the Province of British Columbia. 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 are to:

1. Provide care at the community level in Africa to women who are ill and struggling to survive, so that their lives can be free from pain, humiliation and indignity;
2. Assist orphans and other AIDS-affected children in Africa, in every possible way, from the payment of school fees to provision of food;
3. Support the unrecognized heroes of Africa, the grandmothers, who bury their own children and care for their orphan grandchildren;
4. Support associations of people living with HIV/AIDS in Africa – courageous men and women who have openly declared their status; and
5. 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 Unrestricted Fund reports unrestricted resources available for any purpose.

The Internally and Externally Restricted Funds report resources that are being used for specific purposes as specified by the Board of Directors or the donor (Note 5). The Board of Directors has designated funds 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 Endowment Fund reports resources where external restrictions stipulate that donated capital be maintained permanently. Investment income earned on the donated capital is unrestricted and available for operations.

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2016

2. Summary of significant accounting policies (continued)

Interfund transfers

Transfers between funds are made when resources of one fund have been authorized to finance activities and acquisitions in another fund.

Revenue recognition

The Foundation follows the restricted fund method of accounting for restricted contributions, which include grants and donations. Under the restricted fund method, contributions are recorded as revenue when received. Pledges are not recorded as revenue since they are not legally enforceable.

Unrestricted contributions and contributions designated for one or more of the five-fold purposes of the Foundation (Note 1) are recognized as revenue of the Unrestricted Fund unless designated for a specific project. Contributions designated for specific projects are recognized as revenue of the Externally Restricted Fund. Contributions where capital is designated to be maintained permanently are recognized as revenue of the Endowment Fund.

Interest income subject to donor restrictions is recorded as revenue in the appropriate fund. Interest income not subject to restrictions is recorded as revenue in the Unrestricted Fund. Endowment interest not subject to donor restrictions 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 (GICs), accounts receivable and accounts payable, are initially recorded at fair value and subsequently measured at amortized cost.

Capital assets

Capital asset purchases are recorded at cost less accumulated amortization. Amortization is provided annually at rates calculated to write off the assets on a straight-line basis over their estimated useful lives.

Tangible capital assets

Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	over the lease term

Intangible capital assets

Computers software	3 years straight-line
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Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2016

2. Summary of significant accounting policies (continued)

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 are not recognized in the financial statements. The work of the Foundation benefits from many volunteers who have made significant contributions of their time to the Foundation. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, the value of this contributed time is not reflected in these financial statements.

Project funding

Project funding is recorded as an expense when disbursed.

Allocation of expenses

The Foundation allocates personnel expenses by financial statement expense category based on an estimate of time spent by personnel by functional category (Note 7).

3. Guaranteed investment certificates

Guaranteed investment certificates ("GICs") are issued by a major Canadian chartered bank and bear interest rates between 0.89% and 1.01% (2015 – 1.4%), with maturity dates between July and December 2016 (2015 – maturity dates between July and August 2015).

4. Capital assets			<u>2016</u>	<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Tangible				
Computer equipment	\$ 87,264	\$ 81,049	\$ 6,215	\$ 19,876
Leasehold improvements	6,694	5,996	698	2,371
Furniture and fixtures	4,015	4,015	-	-
	<u>97,973</u>	<u>91,060</u>	<u>6,913</u>	<u>22,247</u>
Intangible				
Computer software	<u>212,754</u>	<u>199,327</u>	<u>13,427</u>	<u>37,510</u>
	<u>\$ 310,727</u>	<u>\$ 290,387</u>	<u>\$ 20,340</u>	<u>\$ 59,757</u>

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2016

5. Internally and externally restricted funds

The internally and externally restricted funds consist of funds that are restricted by the Board of Directors or donors for the following purposes:

	<u>2016</u>	<u>2015</u>
Board designated for contingencies	\$ 3,830,000	\$ 3,696,000
Externally restricted for project funding	<u>916,915</u>	<u>593,591</u>
	<u>\$ 4,746,915</u>	<u>\$ 4,289,591</u>

6. Lease commitments

The Foundation leases office space in Toronto, Canada. The lease expires on June 30, 2017. The minimum lease payment over the remaining term is \$124,000, exclusive of certain operating costs for which the Foundation is responsible.

7. Personnel costs

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

	<u>2016</u>	<u>2015</u>
Programme	\$ 956,273	\$ 979,971
Direct fundraising	616,218	716,103
General and management	<u>581,663</u>	<u>567,555</u>
	<u>\$ 2,154,154</u>	<u>\$ 2,263,629</u>

8. Projects funded by mandate area

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

	<u>2016</u>	<u>2015</u>
Grandmothers	\$ 3,313,837	\$ 3,112,794
Orphans and Vulnerable Children	1,849,567	1,572,335
Women	1,035,844	720,896
Persons Living with HIV/AIDS	<u>989,118</u>	<u>1,114,188</u>
	<u>\$ 7,188,366</u>	<u>\$ 6,520,213</u>

9. Treatment Action Campaign

In 2016 the Foundation pledged a one-time \$1 million contribution to fund South Africa's Treatment Action Campaign (TAC), to be disbursed over three years. Included in fiscal 2016 project funding expenses is the first payment of \$320,000. The remaining balance is to be disbursed in fiscal years 2017 and 2018.

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2016

10. Special Initiatives

Special initiatives undertaken during the year were as follows:

	<u>2016</u>	<u>2015</u>
Grandmothers Gatherings (South Africa and Uganda)	\$ 501,741	\$ -
Building the Movement	286,206	178,818
Learning and Resource Development	279,766	261,102
Impact Assessment Framework	79,440	34,114
Ask Her Talks	47,581	60,183
African Grandmothers Tribunal	-	36,474
	<u>\$ 1,194,734</u>	<u>\$ 570,691</u>

11. Financial risk management

The main risks to which the Foundation's financial instruments are exposed are interest rate risk, credit risk and liquidity risk, which remain unchanged from the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value (price risk) or future cash flows (cash flow risk) of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is not exposed to significant price or cash flow risk with respect to fixed interest rate GICs that are held with Canadian chartered banks.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Foundation to credit risk consist principally of cash and cash equivalents, GICs, and accounts receivable. The Foundation places its cash and GICs with high quality institutions to mitigate this risk. The Foundation manages credit risk related to its accounts receivable through regular monitoring of balances and communication with debtors.

Liquidity risk

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations as they fall due. The Foundation manages its liquidity risk by forecasting cash flows from operations and anticipating activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements.