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**STEPHEN LEWIS FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND JUNE 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

To the Members,  
Stephen Lewis Foundation

### Report on the Financial Statements

We have audited the accompanying financial statements of Stephen Lewis Foundation, which comprise the statement of financial position as at June 30, 2012 and June 30, 2011 and the statements of operations and changes in net assets and cash flows for the years 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 audits. We conducted our audits 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 auditor considers internal control relevant to the organization'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 organization'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 in our audits 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 donation and fundraising revenue, 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 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, 2012 and June 30, 2011, and its financial performance and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Cowperthwaite Mehta*

Chartered Accountants  
Licensed Public Accountants

November 14, 2012  
Toronto, Ontario

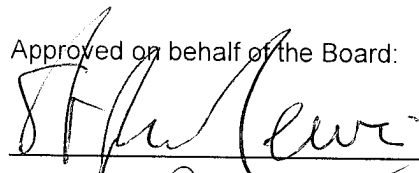
**STEPHEN LEWIS FOUNDATION**

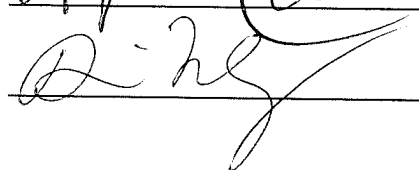
**STATEMENT OF FINANCIAL POSITION**

**AS AT JUNE 30, 2012 AND JUNE 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 4,095,772	\$ 1,467,428
Guaranteed investment certificates	151,955	3,270,290
Amounts receivable	85,209	212,820
HST rebate recoverable	55,825	78,893
Prepaid expenses	<u>57,746</u>	<u>52,135</u>
	4,446,507	5,081,566
Capital assets (note 5)	<u>126,978</u>	<u>136,651</u>
	<u>\$ 4,573,485</u>	<u>\$ 5,218,217</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 62,820	\$ 92,215
Deferred grant revenue (note 6)	<u>100,859</u>	<u>179,500</u>
	<u>163,679</u>	<u>271,715</u>
Net assets		
Endowment (note 7)	180,000	150,000
Designated for contingency (note 4)	3,782,000	4,252,204
Unrestricted	<u>447,806</u>	<u>544,298</u>
	<u>4,409,806</u>	<u>4,946,502</u>
	<u>\$ 4,573,485</u>	<u>\$ 5,218,217</u>

Approved on behalf of the Board:

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

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

see accompanying notes

**STEPHEN LEWIS FOUNDATION**

**STATEMENT OF CHANGES IN NET ASSETS**

**FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011**

				<b>2012</b>	<b>2011</b>
	Unrestricted	Designated net assets	Endowment	Total	Total
Net assets, beginning of year	\$ 544,298	\$ 4,252,204	\$ 150,000	\$ 4,946,502	\$ 4,866,535
Transfer from contingency	470,204	(470,204)			
Contributions to endowment			30,000	30,000	
Excess of revenue over expenses for the year	<u>(566,696)</u>	<u>                    </u>	<u>                    </u>	<u>(566,696)</u>	<u>79,967</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 447,806</u>	<u>\$ 3,782,000</u>	<u>\$ 180,000</u>	<u>\$ 4,409,806</u>	<u>\$ 4,946,502</u>

see accompanying notes

# STEPHEN LEWIS FOUNDATION

## STATEMENT OF OPERATIONS

FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

	<b>2012</b>	<b>2011</b>
<b>REVENUE</b>		
General donations	\$ 9,528,103	\$11,074,957
Grants (note 6)	971,717	
Interest	<u>31,460</u>	<u>54,265</u>
	<u>10,531,280</u>	<u>11,129,222</u>
<b>EXPENSES</b>		
<b>Programme</b>		
Project funding (note 9)	7,583,683	7,651,032
Project support	734,013	804,879
Special initiatives	422,727	224,868
Monitoring and evaluation	<u>274,243</u>	<u>265,708</u>
	<u>9,014,666</u>	<u>8,946,487</u>
<b>Administration</b>		
General and management	1,106,204	959,436
Direct fundraising	800,527	985,166
Rent	139,666	137,632
Amortization	<u>36,913</u>	<u>20,534</u>
	<u>2,083,310</u>	<u>2,102,768</u>
Total expenses	<u>11,097,976</u>	<u>11,049,255</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u>\$ (566,696)</u>	<u>\$ 79,967</u>

see accompanying notes

# STEPHEN LEWIS FOUNDATION

## STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 AND JUNE 30, 2011

	<u>2012</u>	<u>2011</u>
<b>OPERATIONS</b>		
Excess of revenue over expenses for the year	\$ (566,696)	\$ 79,967
Add back non-cash items -		
Amortization of capital assets	36,913	20,534
Contributions to endowment fund	30,000	
Net change in non-cash working capital items (see below)	<u>37,032</u>	<u>127,921</u>
Net cash generated from (used for) operations	<u>(462,751)</u>	<u>228,422</u>
<b>INVESTMENTS</b>		
Guaranteed investment certificates redeemed	3,118,335	997,048
Capital assets purchased	<u>(27,240)</u>	<u>(142,886)</u>
Net cash generated from investing activities	<u>3,091,095</u>	<u>854,162</u>
<b>NET CASH GENERATED IN THE YEAR</b>	2,628,344	1,082,584
Cash, beginning of year	<u>1,467,428</u>	<u>384,844</u>
<b>CASH, END OF YEAR</b>	<u>\$ 4,095,772</u>	<u>\$ 1,467,428</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Amounts receivable	\$ 127,611	\$ 17,579
Prepaid expenses	(5,611)	12,334
HST rebate recoverable	23,068	(56,786)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(29,395)	(24,706)
Deferred grant revenue	<u>(78,641)</u>	<u>179,500</u>
	<u>\$ 37,032</u>	<u>\$ 127,921</u>
Interest received in year	<u>\$ 47,316</u>	<u>\$ 45,101</u>

see accompanying notes

# STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND JUNE 30, 2011

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### 1. THE FOUNDATION

Stephen Lewis Foundation (the "Foundation") is a not-for-profit organization incorporated in the Province of British Columbia without share capital. The Foundation is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

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 accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

#### **Guaranteed investment certificates**

The Foundation carries guaranteed investment certificates at cost plus accrued interest income which approximates fair market value.

#### **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.

# STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND JUNE 30, 2011

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

#### 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. GUARANTEED INVESTMENT CERTIFICATES AND RISK MANAGEMENT

Guaranteed investment certificates are issued by a major Canadian chartered bank and bear an interest rate of 0.89%.

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

### 4. DESIGNATED NET ASSETS

The Board of Directors designated net assets of \$3,782,000 as at June 30, 2012 (\$4,252,204 designated as at June 30, 2011) 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.

### 5. CAPITAL ASSETS

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

	Cost	Accumulated Amortization	2012 Net	2011 Net
Computer equipment and software	<u>\$ 262,409</u>	<u>\$ (135,431)</u>	<u>\$ 126,978</u>	<u>\$ 136,651</u>

### 6. DEFERRED GRANT REVENUE

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

	2012	2011
Deferred grant revenue, beginning of year	\$ 179,500	\$ nil
Add cash received from grants in year	893,076	179,500
Less grant revenue recognized in year	<u>(971,717)</u>	<u>          </u>
Deferred grant revenue, end of year	<u>\$ 100,859</u>	<u>\$ 179,500</u>



# STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND JUNE 30, 2011

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### 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. In 2012, \$30,000 was contributed to the endowment fund (no contributions to the endowment fund in 2011).

### 8. PERSONNEL COSTS

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

	2012	2011
General and management	\$ 851,891	\$ 698,678
Programme	765,809	715,071
Direct fundraising	<u>387,928</u>	<u>449,812</u>
	<u>\$ 2,005,628</u>	<u>\$ 1,863,561</u>

### 9. PROJECTS FUNDED BY MANDATE AREA

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

	2012	2011
Grandmothers	\$ 3,147,228	\$ 3,335,261
Orphans & Vulnerable Children	1,539,488	1,663,119
Persons Living With HIV AIDS	1,486,402	1,411,703
Women	<u>1,410,565</u>	<u>1,240,949</u>
	<u>\$ 7,583,683</u>	<u>\$ 7,651,032</u>

### 10. LEASE COMMITMENTS

The Foundation leases office space in Toronto, Canada. The lease expires on June 30, 2017. Minimum annual lease payments over the remaining term of the lease are as follows:

2013	\$ 118,000
2014	118,000
2015	124,000
2016	124,000
2017	124,000

# STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012 AND JUNE 30, 2011

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### 11. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective July 1, 2011, the Foundation elected to adopt the Canadian accounting standards for not-for-profit organizations. These are the first financial statements prepared in accordance with this new framework which have been applied retrospectively.

Management reviewed the exemptions provided on transition to the Canadian accounting standards for not-for-profit organizations and has elected to designate all investments to be subsequently measured at fair value, which is consistent with the accounting policy in place at the time of the transition. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of the Foundation, and accordingly, there has been no restatement of previously reported amounts as at the date of the transition, being July 1, 2010. The presentation and disclosures in the financial statements reflect the requirements under the new accounting framework.