
THE STEPHEN LEWIS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2007

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, 2007 and the statements of operations and net assets and cash flows 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, 2007 and the results of its operations and its cash flows for the year ended June 30, 2007 in accordance with Canadian generally accepted accounting principles.

Comperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

September 24 2007
Toronto, Ontario

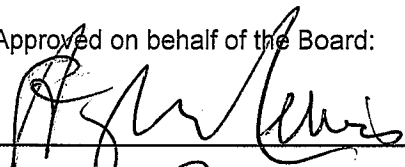
THE STEPHEN LEWIS FOUNDATION

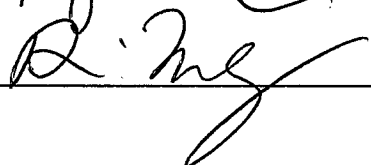
STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2007

	2007	2006
ASSETS		
Current assets		
Cash	\$ 1,810,928	\$ 616,018
Guaranteed investment certificates	5,085,759	3,554,459
Amounts receivable	81,428	33,928
Prepaid expenses	<u>25,088</u>	<u>23,333</u>
	7,003,203	4,227,738
Capital assets (note 4)	29,724	
Prepaid video production costs (note 5)	<u>148,710</u>	<u>161,595</u>
	<u>\$ 7,181,637</u>	<u>\$ 4,389,333</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 37,810</u>	<u>\$ 26,733</u>
Net assets		
Invested in capital assets	29,724	
Endowment (note 6)	150,000	150,000
Designated (note 7)	2,952,660	
Unrestricted	<u>4,011,443</u>	<u>4,212,600</u>
	<u>7,143,827</u>	<u>4,362,600</u>
	<u>\$ 7,181,637</u>	<u>\$ 4,389,333</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, 2007

(with comparative amounts for the six month period ended June 30, 2006)

	2007 (12 months)	2006 (6 months)
REVENUE		
General donations	\$11,341,162	\$ 2,612,515
Interest	<u>212,569</u>	<u>62,623</u>
	<u>11,553,731</u>	<u>2,675,138</u>
EXPENSES		
Project		
Project funding (see schedule)	6,776,772	1,879,319
Monitoring and evaluation	486,244	179,831
Grandmothers' conference	361,298	138,481
Other	<u>39,165</u>	<u>3,197</u>
	<u>7,663,479</u>	<u>2,200,828</u>
Administration		
Personnel	642,695	174,017
Office and administrative	185,079	48,653
Communications	94,988	4,410
Rent	73,049	27,184
Professional fees	26,722	20,563
Computer equipment and software	25,665	3,834
Amortization	<u>60,827</u>	<u></u>
	<u>1,109,025</u>	<u>278,661</u>
	<u>8,772,504</u>	<u>2,479,489</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD	2,781,227	195,649
Net assets, beginning of period	<u>4,362,600</u>	<u>4,166,951</u>
NET ASSETS, END OF PERIOD	<u>\$ 7,143,827</u>	<u>\$ 4,362,600</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

(with comparative amounts for the six month period ended June 30, 2006)

	2007 (12 months)	2006 (6 months)
OPERATIONS		
Excess of revenue over expenses for the period	\$ 2,781,227	\$ 195,649
Add back non-cash items - Amortization of capital assets and prepaid production costs	60,827	
Net change in non-cash working capital items (see below)	<u>(38,178)</u>	<u>(1,508)</u>
Net cash generated from operations	<u>2,803,876</u>	<u>194,141</u>
INVESTMENTS		
Purchase of guaranteed investment certificates, net	(1,531,300)	(1,554,459)
Video production costs paid	(24,292)	(161,595)
Capital assets purchased	<u>(53,374)</u>	<u></u>
Net cash used for investments	<u>(1,608,966)</u>	<u>(1,716,054)</u>
NET CASH GENERATED (USED) IN THE PERIOD	1,194,910	(1,521,913)
Cash, beginning of period	<u>616,018</u>	<u>2,137,931</u>
CASH, END OF PERIOD	<u>\$ 1,810,928</u>	<u>\$ 616,018</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Amounts receivable	\$ (47,500)	\$ 5,853
Prepaid expenses	(1,755)	(7,479)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	<u>11,077</u>	<u>118</u>
	<u>\$ (38,178)</u>	<u>\$ (1,508)</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

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:

Revenue Recognition

Donations for unspecified purposes and other unrestricted amounts received in the year are recognized as revenue in the current year. Unspent revenue at the year end is reported as unrestricted net assets.

Contributions related to specific expenses of future periods are recognized under the deferral method whereby they 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.

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 over the term of the lease.

3. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, guaranteed investment certificates, 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 other financial instruments approximates their carrying values.

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

4. CAPITAL ASSETS

Equipment, recorded at cost, is as follows:

	Cost	Accumulated Amortization	2007 Net	2006 Net
Computer software	<u>\$ 34,400</u>	<u>\$ (17,350)</u>	\$ 17,050	\$ nil
Leasehold improvements, net			<u>12,674</u>	<u>nil</u>
			<u>\$ 29,724</u>	<u>\$ nil</u>

5. 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 bases over five years.

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 2007 and 2006.

7. DESIGNATED FUNDS

The Board of Directors of the Foundation has designated net assets of \$2,952,660 as at June 30, 2007 (nil as at June 30, 2006) for commitments made during the year to fund projects in the following year.

8. LEASE COMMITMENTS

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

2008	\$ 66,960
2009	69,461
2010	71,508

9. INCOME TAX STATUS

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

THE STEPHEN LEWIS FOUNDATION

SCHEDULE OF PROJECT EXPENSES BY COUNTRY

JUNE 30, 2007

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

	2007 (12 months)	2006 (6 months)
Kenya	\$ 1,277,065	\$ 376,361
Uganda	983,678	161,569
South Africa	921,364	538,918
Lesotho	573,559	35,393
Rwanda	546,038	6,779
Swaziland	373,039	86,654
Tanzania	360,405	100,236
Zambia	344,911	68,752
Zimbabwe	285,869	86,573
Malawi	283,492	173,667
Ethiopia	146,126	
Botswana	78,682	46,528
Mozambique	50,303	49,515
Namibia	37,827	61,774
Regional	<u>514,414</u>	<u>86,600</u>
Total project expenses for the period	<u>\$ 6,776,772</u>	<u>\$ 1,879,319</u>