



Financial Statements

Stephen Lewis Foundation

June 30, 2018

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Independent Auditor's Report

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To the Members of the
Stephen Lewis Foundation

We have audited the accompanying financial statements of the **Stephen Lewis Foundation** which comprises the statement of financial position as at June 30, 2018 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 audit opinion.

Basis for qualified opinion

In common with many charitable organisations, **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 the **Stephen Lewis Foundation**. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenses, and cash flows from operations for the years ended June 30, 2018 and 2017, current assets as at June 30, 2018 and 2017, and fund balances as at July 1, 2017 and 2016 and June 30, 2018 and 2017.

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 the **Stephen Lewis Foundation** as at June 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



Toronto, Ontario
October 9, 2018

Chartered Professional Accountants
Licensed Public Accountants

Stephen Lewis Foundation

Statement of Financial Position

June 30

2018

2017

Assets

Current

Cash and cash equivalents	\$ 2,468,980	\$ 3,573,692
Guaranteed Investment Certificates (Note 3)	2,000,000	1,752,458
Accounts receivable	165,531	137,045
Prepaid expenses and other assets	<u>100,648</u>	<u>70,490</u>
	4,735,159	5,533,685

Capital assets (Note 4)

	<u>301,635</u>	<u>16,482</u>
	\$ 5,036,794	\$ 5,550,167

Liabilities

Current

Accounts payable and accrued liabilities	\$ <u>290,429</u>	\$ <u>89,025</u>
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Fund balances

Unrestricted	-	294,793
Internally and externally restricted funds (Note 5)	4,541,165	4,961,149
Endowments	<u>205,200</u>	<u>205,200</u>
	4,746,365	5,461,142
	\$ 5,036,794	\$ 5,550,167

Commitments (Note 6)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements

Stephen Lewis Foundation

Statement of Operations

Year ending June 30

2018

2017

	<u>Unrestricted</u>	<u>Internally & Externally Restricted & Endowment Funds</u>	<u>Total</u>	<u>Total</u>
Revenue				
Donations and fundraising	\$ 7,855,066	\$ -	\$ 7,855,066	\$ 8,473,935
Grants	-	1,549,094	1,549,094	1,971,907
Interest and other revenue	<u>56,522</u>	<u>-</u>	<u>56,522</u>	<u>35,856</u>
Total revenue	<u>7,911,588</u>	<u>1,549,094</u>	<u>9,460,682</u>	<u>10,481,698</u>
Programme expenses				
Project funding (Notes 8 and 9)	4,400,976	1,434,799	5,835,775	6,407,759
Special initiatives (Note 10)	1,027,462	208,260	1,235,722	936,992
Project support	781,781	-	781,781	650,124
Monitoring and evaluation	<u>193,474</u>	<u>28,560</u>	<u>222,034</u>	<u>275,209</u>
	<u>6,403,693</u>	<u>1,671,619</u>	<u>8,075,312</u>	<u>8,270,084</u>
Administration				
Direct fundraising	1,029,338	-	1,029,338	950,848
General and management	875,138	-	875,138	868,228
Rent	187,553	-	187,553	155,658
Amortization of capital assets	<u>8,118</u>	<u>-</u>	<u>8,118</u>	<u>9,924</u>
	<u>2,100,147</u>	<u>-</u>	<u>2,100,147</u>	<u>1,984,658</u>
Total expenses	<u>8,503,840</u>	<u>1,671,619</u>	<u>10,175,459</u>	<u>10,254,742</u>
Excess (deficiency) of revenue over expenses	<u>\$ (592,252)</u>	<u>\$ (122,525)</u>	<u>\$ (714,777)</u>	<u>\$ 226,956</u>

See accompanying notes to the financial statements

Stephen Lewis Foundation

Statement of Changes in Fund Balances

Year ended June 30

2018

2017

	<u>Unrestricted</u>	<u>Internally & Externally Restricted Funds</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Total</u>
Fund balances, beginning of year	\$ 294,793	\$ 4,961,149	\$ 205,200	\$ 5,461,142	\$5,234,186
Excess (deficiency) of revenue over expenses	(592,252)	(122,525)	-	(714,777)	226,956
Interfund transfers	<u>297,459</u>	<u>(297,459)</u>	-	-	-
Fund balances, end of year	\$ <u>-</u>	\$ <u>4,541,165</u>	\$ <u>205,200</u>	\$ <u>4,746,365</u>	<u>\$5,461,142</u>

See accompanying notes to the financial statements

Stephen Lewis Foundation

Statement of Cash Flows

Year ended June 30

2018

2017

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenue over expenses	\$ (714,777)	\$ 226,956
Item not affecting cash and cash equivalents		
Amortization of capital assets	<u>8,118</u>	<u>9,924</u>
	(706,659)	236,880
Change in non-cash working capital items		
Accounts receivable	(28,486)	(28,366)
Prepaid expenses and other assets	(30,158)	104,953
Accounts payable and accrued liabilities	<u>201,404</u>	<u>19,436</u>
	(563,899)	<u>332,903</u>

Investing

Change in Guaranteed Investment Certificates, net	(247,542)	247,542
Purchase of capital assets	<u>(293,271)</u>	<u>(6,066)</u>
	(540,813)	<u>241,476</u>

Increase in cash and cash equivalents (1,104,712) 574,379

Cash and cash equivalents

Beginning of year	<u>3,573,692</u>	<u>2,999,313</u>
End of year	\$ <u>2,468,980</u>	\$ <u>3,573,692</u>

See accompanying notes to the financial statements

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2018

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.

Funding 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, 2018

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 purposes 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, 2018

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 are issued by a major Canadian chartered bank and bear interest rates between 1.39% and 1.89% (2017 – between 1.03% and 1.08%), with maturity dates between July 2018 and June 2019 (2017 – maturity dates between July and December 2017).

4. Capital assets	2018			2017
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	Net Book Value
Tangible				
Computer equipment	\$ 99,013	\$ 89,940	\$ 9,073	\$ 7,750
Leasehold improvements	201,860	-	201,860	-
Furniture and fixtures	<u>89,745</u>	<u>4,015</u>	<u>85,730</u>	-
	390,618	93,955	296,663	7,750
Intangible				
Computer software	<u>212,754</u>	<u>207,782</u>	<u>4,972</u>	<u>8,732</u>
	<u>\$ 603,372</u>	<u>\$ 301,737</u>	<u>\$ 301,635</u>	<u>\$ 16,482</u>

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2018

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>2018</u>	<u>2017</u>
Board designated for contingencies	\$ 3,552,542	\$ 3,850,000
Externally restricted for project funding	<u>988,623</u>	<u>1,111,149</u>
	<u>\$ 4,541,165</u>	<u>\$ 4,961,149</u>

6. Lease commitments

The Foundation leases office space in Toronto, Canada. Beginning July 1, 2018 the Foundation entered a new lease that expires on June 30, 2028. Minimum annual lease payments over the term of the lease are as follows:

2019-2023	\$ 216,000/year
2024-2028	\$ 256,000/year

The total commitment over the term of the lease is \$2,360,000. The future minimum annual lease payments for the office space are 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>2018</u>	<u>2017</u>
Programme	\$ 1,116,988	\$ 992,953
Direct fundraising	<u>642,490</u>	561,339
General and management	<u>525,082</u>	<u>592,601</u>
	<u>\$ 2,284,560</u>	<u>\$ 2,146,893</u>

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2018

8. Projects funded by mandate area

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

	<u>2018</u>	<u>2017</u>
Grandmothers	\$ 2,334,310	\$ 2,747,973
Orphans and Vulnerable Children	1,692,375	1,896,477
Persons Living with HIV/AIDS	1,225,513	1,013,648
Women	<u>583,577</u>	<u>749,661</u>
	<u>\$ 5,835,775</u>	<u>\$ 6,407,759</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 2018 project funding expenses is a third payment of \$300,000. The remaining balance of \$60,000 is to be disbursed in fiscal year 2019.

10. Special Initiatives

Special initiatives undertaken during the year were as follows:

	<u>2018</u>	<u>2017</u>
Grandmothers Gatherings (Tanzania & South Africa)	\$ 485,550	\$ 78,105
Building the Movement	416,349	440,600
Learning and Resource Development	272,203	282,072
Impact Assessment Framework	48,260	71,339
LGBTQ Initiative development expenses	13,360	22,707
Unsung S/heroes 2017	<u>-</u>	<u>42,169</u>
	<u>\$ 1,235,722</u>	<u>\$ 936,992</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. The risks are not significant to the operations of the Foundation.

As the majority of project funding commitments are entered into with project partners in Canadian dollars and almost all contributions to the Foundation are made in Canadian dollars, the risk from future currency fluctuations to the Foundation is not significant.

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2018

12. British Columbia Societies Act

The British Columbia Societies Act, under which the Foundation is incorporated, includes the requirement to disclose the remuneration and number of employees and contractors earning \$75,000 or more annually, and any remuneration paid to directors. In fiscal 2018, 9 employees and contractors received remuneration in excess of \$75,000 for a total of \$849,004 (8 employees and contractors received remuneration in excess of \$75,000 in 2017 for a total of \$748,911). During the year, a total of \$1,500 was paid to a director for a contract of service (\$0 in 2017). The Foundation does not remunerate directors for participation on the Board.