



Financial Statements

Stephen Lewis Foundation

June 30, 2019

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Independent Auditor's Report

To the Members of the
Stephen Lewis Foundation

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Qualified Opinion

We have audited the financial statements of Stephen Lewis Foundation (“the Foundation”), which comprise the statement of financial position as at June 30, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Stephen Lewis Foundation as at June 30, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit Foundations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended June 30, 2019 and 2018, current assets as at June 30, 2018 and 2019, and net assets as at July 1 and June 30 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended June 30, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance 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 Foundations, 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Toronto, Canada
November 15, 2019


Chartered Professional Accountants
Licensed Public Accountants

Stephen Lewis Foundation

Statement of Financial Position

June 30

2019

2018

Assets

Current

Cash and cash equivalents	\$ 979,050	\$ 2,468,980
Guaranteed Investment Certificates (Note 4)	1,350,000	2,000,000
Accounts receivable	213,519	165,531
Prepaid expenses and other assets	<u>76,804</u>	<u>100,648</u>

2,619,373 4,735,159

Capital assets (Note 5)

678,724 301,635

\$ 3,298,097 \$ 5,036,794

Liabilities

Current

Accounts payable and accrued liabilities	\$ <u>77,572</u>	\$ <u>290,429</u>
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Fund balances

Unrestricted	-	-
Internally and externally restricted funds (Note 6)	3,015,325	4,541,165
Endowments	<u>205,200</u>	<u>205,200</u>

3,220,525 4,746,365

\$ 3,298,097 \$ 5,036,794

Commitments (Note 7)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements

Stephen Lewis Foundation

Statement of Operations

Year ending June 30

2019

2018

	Unrestricted Fund	Restricted Funds	Total	Total
Revenue				
Donations and fundraising	\$ 7,978,579	\$ -	\$ 7,978,579	\$ 7,855,066
Grants	-	1,220,542	1,220,542	1,549,094
Interest and other revenue	51,446	-	51,446	56,522
Total revenue	<u>8,030,025</u>	<u>1,220,542</u>	<u>9,250,567</u>	<u>9,460,682</u>
Programme expenses				
Project funding (Note 9)	4,833,121	1,717,041	6,550,162	5,835,775
Project support (Note 8)	906,658	-	906,658	851,825
Special initiatives (Note 11)	706,511	17,361	723,872	1,277,748
Monitoring and evaluation	197,841	22,159	220,000	222,034
	<u>6,644,131</u>	<u>1,756,561</u>	<u>8,400,692</u>	<u>8,187,382</u>
Administration (Note 8)				
Fundraising	1,453,278	-	1,453,278	1,101,716
General and management	922,437	-	922,437	886,361
	<u>2,375,715</u>	<u>-</u>	<u>2,375,715</u>	<u>1,988,077</u>
Total expenses	<u>9,019,846</u>	<u>1,756,561</u>	<u>10,776,407</u>	<u>10,175,459</u>
Deficiency of revenue over expenses	\$ <u>(989,821)</u>	\$ <u>(536,019)</u>	\$ <u>(1,525,840)</u>	\$ <u>(714,777)</u>

Change in Accounting Policy (Note 2)

See accompanying notes to the financial statements

Stephen Lewis Foundation

Statement of Changes in Fund Balances

Year ended June 30

2019

2018

	<u>Unrestricted</u>	<u>Restricted Funds</u>	<u>Endowment Fund</u>	<u>Total</u>	<u>Total</u>
Fund balances, beginning of year	\$ -	\$ 4,541,165	\$ 205,200	\$ 4,746,365	\$ 5,461,142
Deficiency of revenue over expenses	(989,821)	(536,019)	-	(1,525,840)	(714,777)
Interfund transfers	<u>989,821</u>	<u>(989,821)</u>	-	-	-
Fund balances, end of year	\$ <u>-</u>	\$ <u>3,015,325</u>	\$ <u>205,200</u>	\$ <u>3,220,525</u>	\$ <u>4,746,365</u>

See accompanying notes to the financial statements

Stephen Lewis Foundation

Statement of Cash Flows

Year ended June 30

2019

2018

Increase (decrease) in cash and cash equivalents

Operating

Deficiency of revenue over expenses	\$ (1,525,840)	\$ (714,777)
Item not affecting cash and cash equivalents		
Amortization of capital assets	<u>80,199</u>	<u>8,118</u>
	(1,445,641)	(706,659)

Change in non-cash working capital items

Accounts receivable	(47,988)	(28,486)
Prepaid expenses and other assets	23,844	(30,158)
Accounts payable and accrued liabilities	<u>(212,857)</u>	<u>201,404</u>
	(1,682,642)	(563,899)

Investing

Change in Guaranteed Investment Certificates, net	650,000	(247,542)
Purchase of capital assets	<u>(457,288)</u>	<u>(293,271)</u>
	192,712	(540,813)

Decrease in cash and cash equivalents

(1,489,930) (1,104,712)

Cash and cash equivalents

Beginning of year	<u>2,468,980</u>	<u>3,573,692</u>
End of year	\$ <u>979,050</u>	\$ <u>2,468,980</u>

See accompanying notes to the financial statements

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2019

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. Change in accounting policy

During the year, the Foundation allocated its common operating expenses across its activities. This change in accounting policy was applied retroactively and the figures for fiscal 2018 have been adjusted to conform to changes in the current year presentation. There is no change to the deficiency of revenues over expenses or fund balances as a result of this change in accounting policy.

Management has decided to make this change because it increases the accuracy of information provided to the users and better reflects the costs incurred to perform each activity.

3. 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 (“ASNPO”) 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.

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2019

3. Summary of significant accounting policies (continued)

Funding accounting (continued)

Internally and Externally Restricted Funds include funds held for specific purposes as specified by the Board of Directors and by donors independent of the Foundation (Note 6). The Board of Directors has internally designated funds to ensure that the Foundation has sufficient cash resources available to meet its obligations, including funding partners to the end of funding agreements in place, 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.

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 cash, Guaranteed Investment Certificates (GICs), accounts receivable and accounts payable, are initially recorded at fair value and subsequently measured at amortized cost.

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2019

3. Summary of significant accounting policies (continued)

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	over the lease term
Leasehold improvements	over the lease term

Intangible capital assets

Computers software	3 years straight-line
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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.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. These estimates are based on management's best efforts and knowledge of current events and actions the Foundation may undertake. Significant estimates in these financial statements include the allocation of expenses.

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2019

3. Summary of significant accounting policies (continued)

Allocation of expenses

The Foundation classifies its functional activities between its programme, fundraising and general and management activities. The costs of each activity include the direct costs associated with those activities, such as personnel and other direct expenses. In addition, the Foundation incurs several common operating expenses in connection with these activities, such as occupancy, amortization, and IT costs. Where common costs relate to more than one activity, the Foundation allocates these costs among all of the activities based on an assigned percentage. The percentage applied is calculated based on a historical analysis of the level of staff activity and support by function. Management reviews the calculation on a regular basis. (Note 8).

4. Guaranteed Investment Certificates

Guaranteed Investment Certificates are issued by a major Canadian chartered bank and bear interest rates between 1.70% and 2.31% (2018 – between 1.39% and 1.89%), with maturity dates between July 2019 and April 2020 (2018 – maturity dates between July and December 2018).

			<u>2019</u>	<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	Net Book Value
Tangible				
Computer equipment	\$ 116,842	\$ 94,716	\$ 22,126	\$ 9,073
Furniture and fixtures	110,813	14,694	96,119	85,730
Leasehold improvements	<u>620,251</u>	<u>62,025</u>	<u>558,226</u>	<u>201,860</u>
	847,906	171,435	676,471	296,663
Intangible				
Computer software	<u>212,754</u>	<u>210,501</u>	<u>2,253</u>	<u>4,972</u>
	\$ 1,060,660	\$ 381,936	\$ 678,724	\$ 301,635

6. 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>2019</u>	<u>2018</u>
Board designated for contingencies	\$ 2,562,721	\$ 3,552,542
Externally restricted for project funding	<u>452,604</u>	<u>988,623</u>
	\$ 3,015,325	\$ 4,541,165

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2019

7. Lease Commitments

The Foundation leases office space in Toronto, Canada. The lease 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 \$2,144,000. The future minimum annual lease payments for the office space are exclusive of certain operating costs for which the Foundation is responsible.

8. Allocation of Costs

The Foundation's expenses are allocated in the statement of operations as follows:

	<u>Programme</u>	<u>Fundraising</u>	<u>General and management</u>	<u>2019 Total</u>
Direct Costs				
Project Funding (Note 9)	\$ 6,550,162	\$ -	\$ -	\$ 6,550,162
Other	416,696	437,552	249,586	1,103,834
Allocated Costs				
Personnel	1,180,134	828,208	562,546	2,570,888
Rent, utilities and maintenance	183,179	135,393	79,643	398,215
Amortization	36,891	27,268	16,040	80,199
Internet and IT support	33,630	24,857	14,622	73,109
	<u>\$ 8,400,692</u>	<u>\$ 1,453,278</u>	<u>\$ 922,437</u>	<u>\$ 10,776,407</u>
	<u>Programme</u>	<u>Fundraising</u>	<u>General & management</u>	<u>2018 Total</u>
Direct Costs				
Project Funding (Note 9)	\$ 5,835,775	\$ -	\$ -	\$ 5,835,775
Other	1,038,434	338,965	268,204	1,645,603
Allocated Costs				
Personnel	1,201,102	690,373	569,126	2,460,601
Rent, utilities and maintenance	98,785	63,798	43,218	205,801
Amortization	3,897	2,516	1,705	8,118
Internet and IT Support	9,389	6,064	4,108	19,561
	<u>\$ 8,187,382</u>	<u>\$ 1,101,716</u>	<u>\$ 886,361</u>	<u>\$ 10,175,459</u>

Stephen Lewis Foundation

Notes to the Financial Statements

June 30, 2019

9. Projects funded by mandate area

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

	<u>2019</u>	<u>2018</u>
Grandmothers	\$ 2,554,563	\$ 2,334,310
Orphans and Vulnerable Children	1,768,544	1,692,375
Persons Living with HIV/AIDS	1,506,537	1,225,513
Women	<u>720,518</u>	<u>583,577</u>
	<u>\$ 6,550,162</u>	<u>\$ 5,835,775</u>

10. 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 2019 project funding expenses is the final payment of \$60,000.

11. Special Initiatives

Special initiatives undertaken during the year were as follows:

	<u>2019</u>	<u>2018</u>
Building the Movement	\$ 413,699	\$ 437,362
Grandmothers Gatherings (Tanzania & South Africa)	-	485,550
Learning and Resource Development	291,635	293,216
Impact Assessment Framework	17,361	48,260
LGBTQ Initiative development expenses	<u>1,177</u>	<u>13,360</u>
	<u>\$ 723,872</u>	<u>\$ 1,277,748</u>

12. 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, 2019

13. 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 2019, 6 employees and contractors received remuneration in excess of \$75,000 for a total of \$646,088 (9 employees and contractors received remuneration in excess of \$75,000 for a total of \$849,004 in 2018). During the year, no funds were paid to a director (\$1,500 in 2018). The Foundation does not remunerate directors for participation on the Board.