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**THE STEPHEN LEWIS FOUNDATION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

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**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, 2010 and the statements of changes in net assets, operations 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, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Cowperthwaite Mehta*

Chartered Accountants  
Licensed Public Accountants

December 15, 2010  
Toronto, Ontario

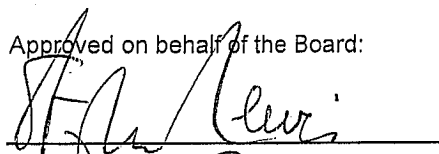
**THE STEPHEN LEWIS FOUNDATION**

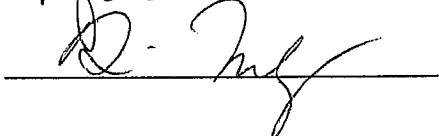
**STATEMENT OF FINANCIAL POSITION**

**AS AT JUNE 30, 2010**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 384,844	\$ 675,740
Guaranteed investment certificates	4,267,338	6,540,696
Amounts receivable	252,506	72,046
Prepaid expenses	<u>64,469</u>	<u>38,487</u>
	4,969,157	7,326,969
Capital assets (note 5)	<u>14,299</u>	<u>5,168</u>
	<u>\$ 4,983,456</u>	<u>\$ 7,332,137</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 116,921	\$ 114,503
Deferred grant revenue (note 6)	<u>nil</u>	<u>18,375</u>
	<u>116,921</u>	<u>132,878</u>
Net assets		
Endowment (note 7)	150,000	150,000
Designated for contingency (note 4)	4,252,204	4,201,787
Unrestricted	<u>464,331</u>	<u>2,847,472</u>
	<u>4,866,535</u>	<u>7,199,259</u>
	<u>\$ 4,983,456</u>	<u>\$ 7,332,137</u>

Approved on behalf of the Board:

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

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

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2010

	2010			2009	
	Unrestricted	Designated net assets	Endowment	Total	Total
Net assets, beginning of year	\$ 2,847,472	\$ 4,201,787	\$ 150,000	\$ 7,199,259	\$ 6,022,331
Transfer to contingency	(50,417)	50,417			
Excess of revenue over expenses for the year	<u>(2,332,724)</u>			<u>(2,332,724)</u>	<u>1,176,928</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 464,331</u>	<u>\$ 4,252,204</u>	<u>\$ 150,000</u>	<u>\$ 4,866,535</u>	<u>\$ 7,199,259</u>

see accompanying notes

# THE STEPHEN LEWIS FOUNDATION

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
<b>REVENUE</b>		
General donations	\$10,536,112	\$ 9,903,405
Grants (note 6)	222,838	821,323
Interest	<u>49,505</u>	<u>95,271</u>
	<u>10,808,455</u>	<u>10,819,999</u>
<b>EXPENSES</b>		
<b>Programme</b>		
Project funding (note 9)	9,129,798	6,593,203
Project support	799,195	746,833
Project partnership	703,123	301,917
Monitoring and evaluation	<u>341,712</u>	<u>255,011</u>
	<u>10,973,828</u>	<u>7,896,964</u>
<b>Administration</b>		
Direct fundraising	1,134,192	729,220
General and management	1,015,716	880,051
Amortization	<u>17,443</u>	<u>136,836</u>
	<u>2,167,351</u>	<u>1,746,107</u>
Total expenses	<u>13,141,179</u>	<u>9,643,071</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<u><u>\$ (2,332,724)</u></u>	<u><u>\$ 1,176,928</u></u>

# THE STEPHEN LEWIS FOUNDATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

	2010	2009
<b>OPERATIONS</b>		
Excess of revenue over expenses for the year	\$ (2,332,724)	\$ 1,176,928
Add back non-cash items -		
Amortization of capital assets and production costs	17,443	136,836
Net change in non-cash working capital items	<u>(222,398)</u>	<u>(135,023)</u>
Net cash generated from (used for) operations	<u>(2,537,679)</u>	<u>1,178,741</u>
<b>INVESTMENTS</b>		
Guaranteed investment certificates redeemed (purchased), net	2,273,358	(1,859,808)
Capital assets purchased	<u>(26,575)</u>	<u>(5,688)</u>
Net cash generated from (used for) investments	<u>2,246,783</u>	<u>(1,865,496)</u>
<b>NET CASH USED IN THE YEAR</b>	(290,896)	(686,755)
Cash, beginning of year	<u>675,740</u>	<u>1,362,495</u>
<b>CASH, END OF YEAR</b>	<u>\$ 384,844</u>	<u>\$ 675,740</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Amounts receivable	\$ (180,460)	\$ 3,606
Prepaid expenses	(25,981)	(8,297)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	2,418	11,340
Deferred grant revenue	<u>(18,375)</u>	<u>(141,672)</u>
	<u>\$ (222,398)</u>	<u>\$ (135,023)</u>
Interest received in year	<u>\$ 49,505</u>	<u>\$ 95,271</u>

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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### 1. THE FOUNDATION

The Stephen Lewis Foundation (the "Foundation") is a not-for-profit organization incorporated in the Province of British Columbia without share capital.

The fourfold purposes 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

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with prior years. Outlined below are those policies considered particularly significant:

#### **Investments**

The Foundation classifies fixed income securities as held-for-trading. Held-for-trading securities, which are purchased for redemption in the near term, are reported at estimated fair value. Realized and unrealized gains and losses are recognized as investment income when they arise. Transaction costs related to financial instruments classified as held-for-trading are expensed as incurred.

#### **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.

#### **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 and software                      - 50% straight line

Leasehold improvements are capitalized and amortized straight line over the term of the lease.

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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

#### Use of estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. These estimates are reviewed annually, and, as adjustments become necessary, they are reported in the period in which they become known.

#### 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 if the amount received can be reasonably estimated and collection is reasonably assured. Restricted grants and donations are recognized as revenue in the year in which the related expenses are incurred. Assistance related to the purchase of capital assets is recorded as revenue in the same period the related capital assets are charged to operations.
- 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.

#### Allocation of expenses

The Foundation allocates personnel expenses by financial statement expense category based on time spent by personnel by functional category (note 8).

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Foundation classifies the financial assets and financial liabilities into one of the following categories:

Held-for-trading - This category comprises 0.25% to 1.65% fixed income guaranteed investment certificates with a major Canadian chartered bank. The cost of the guaranteed investment certificates, plus accrued interest income, approximates the fair value of these instruments.

Other financial assets and liabilities - Other financial assets and liabilities are carried at cost, which approximates their fair value due to their short-term nature.

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

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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### 4. MANAGEMENT OF CAPITAL

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide the Foundation with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at June 30, 2010, the Foundation had met its objective of having sufficient liquid resources to meet its current obligations.

The Board of Directors designated net assets of \$4,252,204 as at June 30, 2010 (\$4,201,787 designated as at June 30, 2009) 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	2010 Net	2009 Net
Computer equipment and software	<u>\$ 92,284</u>	<u>\$ 77,985</u>	<u>\$ 14,299</u>	<u>\$ 5,168</u>

### 6. DEFERRED GRANT REVENUE

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

	2010	2009
Deferred grant revenue, beginning of year	\$ 18,375	\$ 160,047
Add cash received from grants in year	204,463	679,651
Less grant revenue recognized in year	<u>(222,838)</u>	<u>(821,323)</u>
Deferred grant revenue, end of year	<u>\$ nil</u>	<u>\$ 18,375</u>

### 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. No contributions were made to the endowment fund in 2010 or 2009.

# THE STEPHEN LEWIS FOUNDATION

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2010

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### 8. PERSONNEL COSTS

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

	2010	2009
Programme	\$ 652,742	\$ 703,689
General and management	603,638	532,681
Direct fundraising	<u>351,004</u>	<u>261,378</u>
	<u>\$ 1,607,384</u>	<u>\$ 1,497,748</u>

### 9. PROJECTS FUNDED BY MANDATE AREA

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

	2010	2009
Grandmothers	\$ 2,803,735	\$ 2,158,334
Orphans & Vulnerable Children	2,659,705	2,002,465
Persons Living With HIV AIDS	1,878,617	1,158,768
Women	<u>1,787,741</u>	<u>1,273,636</u>
	<u>\$ 9,129,798</u>	<u>\$ 6,593,203</u>

### 10. LEASE COMMITMENTS

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

2011	\$ 114,344
2012	114,344

### 11. INCOME TAX STATUS

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