
THE STEPHEN LEWIS FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2006

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, 2006 and the statements of operations and net assets for the six month period January 1, 2006 to June 30, 2006. 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, 2006 and the results of its operations and its cash flows for the six month period January 1, 2006 to June 30, 2006 in accordance with Canadian generally accepted accounting principles.

Comperthwaite Mehta

Chartered Accountants

August 2, 2006
Toronto, Ontario

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF FINANCIAL POSITION


AS AT JUNE 30, 2006

(with comparative amounts as at December 31, 2005)

	2006	2005
ASSETS		
Current assets		
Cash	\$ 616,018	\$ 2,137,931
Guaranteed investment certificates, at cost	3,554,459	2,000,000
Amounts receivable	33,928	39,782
Prepaid rent	<u>23,333</u>	<u>15,852</u>
	\$ 4,227,738	\$ 4,193,565
Prepaid video production costs (note 4)	<u>161,595</u>	<u> </u>
	<u>\$ 4,389,333</u>	<u>\$ 4,193,565</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 26,733</u>	<u>\$ 26,614</u>
Net assets		
Endowment (note 5)	150,000	150,000
Unrestricted	<u>4,212,600</u>	<u>4,016,951</u>
	<u>4,362,600</u>	<u>4,166,951</u>
	<u>\$ 4,389,333</u>	<u>\$ 4,193,565</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF OPERATIONS AND NET ASSETS

FOR THE SIX MONTH PERIOD JANUARY 1, 2006 TO JUNE 30, 2006
(with comparative amounts for the year ended December 31, 2005)

	2006 (6 months)	2005 (12 months)
REVENUE		
General donations	\$ 2,612,515	\$ 5,248,230
Interest and other	<u>62,623</u>	<u>67,314</u>
	<u>2,675,138</u>	<u>5,315,544</u>
EXPENSES		
Project		
Project funding (see schedule)	1,879,319	3,260,416
Monitoring and evaluation	179,831	140,596
Grandmothers' conference	138,481	
Other	<u>3,197</u>	<u>2,994</u>
	<u>2,200,828</u>	<u>3,404,006</u>
Administration		
Personnel	174,017	224,047
Office and administrative	46,006	52,180
Rent	27,184	21,411
Professional fees	20,563	29,418
Communications	4,410	44,283
Computer equipment and software	3,834	19,065
Insurance	<u>2,647</u>	<u>2,940</u>
	<u>278,661</u>	<u>393,344</u>
	<u>2,479,489</u>	<u>3,797,350</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD	195,649	1,518,194
Net assets, beginning of period	4,166,951	2,498,757
Contribution to Endowment Fund (note 5)	<u> </u>	<u>150,000</u>
NET ASSETS, END OF PERIOD	<u>\$ 4,362,600</u>	<u>\$ 4,166,951</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD JANUARY 1, 2006 TO JUNE 30, 2006
(with comparative amounts for the year ended December 31, 2005)

	<u>2006</u>	<u>2005</u>
OPERATIONS		
Excess of revenue over expenses for the period	\$ 195,649	\$ 1,518,194
Net change in non-cash working capital items (see below)	<u>(1,508)</u>	<u>(42,658)</u>
Net cash generated from operations	<u>194,141</u>	<u>1,475,536</u>
INVESTMENTS		
Purchase of short-term investments	(1,554,459)	(2,000,000)
Purchase of video	<u>(161,595)</u>	<u> </u>
Net cash used for investments	<u>(1,716,054)</u>	<u>(2,000,000)</u>
FINANCING		
Contribution to Endowment Fund	<u> </u>	<u>150,000</u>
NET CASH GENERATED (USED) IN THE YEAR	(1,521,913)	(374,464)
Cash, beginning of year	<u>2,137,931</u>	<u>2,512,395</u>
CASH, END OF YEAR	<u>\$ 616,018</u>	<u>\$ 2,137,931</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Amounts receivable	\$ 5,853	\$ (38,586)
Prepaid rent	(7,479)	(15,383)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	<u>118</u>	<u>11,311</u>
	<u>\$ (1,508)</u>	<u>\$ (42,658)</u>

see accompanying notes

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

1. THE ORGANIZATION

The Stephen Lewis Foundation is a not-for-profit organization incorporated in the Province of British Columbia without share capital. The Foundation obtained registered charitable foundation status from the Canada Revenue Agency on March 5, 2003.

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 under the deferral method. Under this method, donations and other unrestricted amounts received in the year are recorded as revenue in the current year. Unspent revenue at the year end is reported as unrestricted net assets.

Under the deferral method, restricted contributions related to expenses of future periods 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.

Property and Equipment

Property and equipment is recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives.

3. FINANCIAL INSTRUMENTS

The Foundation's financial instruments consist of cash, short-term investments, 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 these financial instruments approximates their carrying values.

THE STEPHEN LEWIS FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

4. PREPAID VIDEO PRODUCTION COSTS

During the period the foundation incurred production costs for a video advocating the efforts of the foundation in Africa. The expenditures have been capitalized and will be charged to operations upon completion of the video when it is available for use.

5. ENDOWMENT FUND

The endowment fund is subject to externally imposed restrictions stipulating that the donated capital be maintained permanently. Investment income earned on the donated capital is unrestricted and available for operations.

The following is a continuity of the Endowment Fund for the period:

	2006 (6 months)	2005 (12 months)
Balance, beginning of year	\$ 150,000	\$
Add: Contributions received in the period	<u> </u>	<u>150,000</u>
Balance, end of period	<u>\$ 150,000</u>	<u>\$ 150,000</u>

6. LEASE COMMITMENTS

The organization leases space for an annual cost of \$33,898. Minimum lease payments over the term of the lease are as follows:

2007	\$ 33,898
2008	<u>11,299</u>
	<u>\$ 45,197</u>

7. INCOME TAX STATUS

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

8. CHANGE OF YEAR END

The Board of Directors of the organization changed the year end of the organization from December 31 to June 30 to facilitate planning and budgeting.

THE STEPHEN LEWIS FOUNDATION

SCHEDULE OF PROJECT EXPENSES BY COUNTRY

JUNE 30, 2006

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

	2006 (6 months)	2005 (12 months)
South Africa	\$ 538,918	\$ 309,778
Kenya	376,361	464,800
Malawi	173,667	290,804
Uganda	161,569	381,565
Tanzania	100,236	126,682
Swaziland	86,654	129,498
Zimbabwe	86,573	40,249
Zambia	68,752	214,530
Namibia	61,774	42,328
Mozambique	49,515	
Botswana	46,528	
Lesotho	35,393	469,743
Rwanda	6,779	527,530
Ghana	nil	119,995
Regional	<u>86,600</u>	<u>142,914</u>
Total project expenses for the year	<u>\$ 1,879,319</u>	<u>\$ 3,260,416</u>