



**SLEEPING CHILDREN
AROUND THE WORLD**

**CONSOLIDATED
FINANCIAL STATEMENTS**

FEBRUARY 29, 2012



ACCOUNTING › CONSULTING › TAX
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INDEPENDENT AUDITORS' REPORT

To the Directors

SLEEPING CHILDREN AROUND THE WORLD

We have audited the accompanying consolidated financial statements of Sleeping Children Around the World, which consist of the consolidated statement of financial position as at February 29, 2012 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible to complete verification by audit procedures. Accordingly, our examination of these revenues was confined to tests of recorded receipts in authorized depositories. We were not able to determine whether any adjustments may be required to donations, excess of revenues over expenditures, current assets and net assets.

Qualified Opinion

In our opinion, except for the effects of the adjustments and disclosures in the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Sleeping Children Around the World as at February 29, 2012, and its financial performance and its cash flows for the year end then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that these principles have been applied on a basis consistent with that of the preceding year.



Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
August 1, 2012

SLEEPING CHILDREN AROUND THE WORLD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FEBRUARY 29, 2012

	Notes	Operating Account	Capital Assets	Bedkit Account	Legacy Account	Pinehurst Club	2012 Total	2011 Total
ASSETS								
Current:								
Cash		\$ 16,250	\$ -	\$ 549,727	\$ 16,498	\$ 28,874	\$ 611,349	\$ 598,183
Accounts receivable		-	-	-	-	-	-	21,270
Marketable securities (schedule)		-	-	-	3,688,818	-	3,688,818	3,610,136
Interaccount receivables (payables)	2	<u>(2,555)</u>	<u>-</u>	<u>173,282</u>	<u>(175,793)</u>	<u>5,066</u>	<u>-</u>	<u>-</u>
		13,695	-	723,009	3,529,523	33,940	4,300,167	4,229,589
Property and building	3	<u>-</u>	<u>309,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,000</u>	<u>317,000</u>
Total Assets		<u>\$ 13,695</u>	<u>\$ 309,000</u>	<u>\$ 723,009</u>	<u>\$ 3,529,523</u>	<u>\$ 33,940</u>	<u>\$ 4,609,167</u>	<u>\$ 4,546,589</u>
LIABILITIES								
Accounts payable and accruals		<u>\$ 6,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,214</u>	<u>\$ 18,125</u>
NET ASSETS								
Restricted		-	309,000	723,009	3,529,523	33,940	4,595,472	4,499,994
Unrestricted		<u>7,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,481</u>	<u>28,470</u>
Total Net Assets		<u>7,481</u>	<u>309,000</u>	<u>723,009</u>	<u>3,529,523</u>	<u>33,940</u>	<u>4,602,953</u>	<u>4,528,464</u>
Total Liabilities and Net Assets		<u>\$ 13,695</u>	<u>\$ 309,000</u>	<u>\$ 723,009</u>	<u>\$ 3,529,523</u>	<u>\$ 33,940</u>	<u>\$ 4,609,167</u>	<u>\$ 4,546,589</u>

Director _____

Treasurer _____

See Accompanying Notes to Consolidated Financial Statements



SLEEPING CHILDREN AROUND THE WORLD

CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED FEBRUARY 29, 2012

	Notes	Operating Account		Capital Assets		Bedkit Account		Legacy Account		Pinehurst Club	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue:											
Regular donations		\$ 15,105	\$ 6,810	\$ -	\$ -	\$ 2,335,927	\$ 2,203,791	\$ 6,050	\$ -	\$ 168,703	\$ 134,576
Sales (purchases)		(1,834)	(984)	-	-	4,850	3,648	-	-	-	-
Investment income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,284</u>	<u>600</u>	<u>143,678</u>	<u>133,629</u>	<u>-</u>	<u>-</u>
		<u>13,271</u>	<u>5,826</u>	<u>-</u>	<u>-</u>	<u>2,342,061</u>	<u>2,208,039</u>	<u>149,728</u>	<u>133,629</u>	<u>168,703</u>	<u>134,576</u>
Expenditures:											
Postage		15,861	21,145	-	-	-	-	-	-	-	-
Administrative services	5	43,568	49,936	-	-	-	-	-	-	-	-
Pinehurst Club breakfast		-	-	-	-	-	-	-	-	34,798	31,653
Maintenance and janitorial		26,299	7,380	-	-	-	-	-	-	-	-
Insurance		3,256	2,866	-	-	-	-	-	-	-	-
Bank charges		2,526	2,837	-	-	-	-	-	-	1,718	1,539
Office and printing		21,967	19,321	-	-	-	-	-	-	-	-
Property taxes		8,776	8,566	-	-	-	-	-	-	-	-
Utilities		3,972	4,434	-	-	-	-	-	-	-	-
Communications		5,176	5,532	-	-	-	-	-	-	-	-
Professional fees		7,733	10,745	-	-	-	-	-	-	-	-
HST refund		(4,827)	(1,218)	-	-	-	-	-	-	(3,073)	(633)
Distributions (schedule)		-	-	-	-	2,520,000	2,467,500	-	-	-	-
Amortization	3	-	-	8,000	8,000	-	-	-	-	-	-
Foreign exchange loss (gain)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,109)</u>	<u>1,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>134,307</u>	<u>131,544</u>	<u>8,000</u>	<u>8,000</u>	<u>2,518,891</u>	<u>2,468,609</u>	<u>-</u>	<u>-</u>	<u>33,443</u>	<u>32,559</u>
Excess (deficiency) of revenues over expenditures		<u>\$ (121,036)</u>	<u>\$ (125,718)</u>	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	<u>\$ (176,830)</u>	<u>\$ (260,570)</u>	<u>\$ 149,728</u>	<u>\$ 133,629</u>	<u>\$ 135,260</u>	<u>\$ 102,017</u>

See Accompanying Notes to Consolidated Financial Statements



SLEEPING CHILDREN AROUND THE WORLD

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED FEBRUARY 29, 2012

	Operating Account	Restricted Funds			Pinehurst Club	Total Restricted Funds	2012 Total	2011 Total
		Capital Assets	Bedkit Account	Legacy Account				
Net assets, beginning of year	\$ 28,467	\$ 317,000	\$ 887,589	\$3,211,977	\$ 23,409	\$4,439,975	\$4,468,442	\$4,627,086
Excess (deficiency) of revenues over expenditures	(121,036)	(8,000)	(176,830)	149,728	135,260	100,158	(20,878)	(158,642)
Legacy Account to other accounts (note 2)	100,050	-	12,250	(112,300)	-	(100,050)	-	-
Pinehurst Club to Legacy Account (note 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,729</u>	<u>(124,729)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,481</u>	<u>309,000</u>	<u>723,009</u>	<u>3,374,134</u>	<u>33,940</u>	<u>4,440,083</u>	<u>4,447,564</u>	<u>4,468,444</u>
Accumulated gains and losses directly in the statement of changes in net assets:								
Accumulated unrealized gains opening balance	-	-	-	60,020	-	60,020	60,020	85,813
Unrealized gains (losses) on available-for- sale financial assets arising during the year	-	-	-	89,746	-	89,746	89,746	(21,585)
Reclassification adjustment for gains (losses) included in excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,623</u>	<u>-</u>	<u>5,623</u>	<u>5,623</u>	<u>(4,208)</u>
Accumulated unrealized gains included directly in the statement of changes in net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,389</u>	<u>-</u>	<u>155,389</u>	<u>155,389</u>	<u>60,020</u>
Balance, end of year	<u>\$ 7,481</u>	<u>\$ 309,000</u>	<u>\$ 723,009</u>	<u>\$3,529,523</u>	<u>\$ 33,940</u>	<u>\$4,595,472</u>	<u>\$4,602,953</u>	<u>\$4,528,464</u>

See Accompanying Notes to Consolidated Financial Statements

SLEEPING CHILDREN AROUND THE WORLD
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED FEBRUARY 29, 2012

	2012	2011
Cash flow was provided from (applied to):		
Operating activities:		
Cash received from donations and other activities	\$ 2,548,806	\$ 2,332,012
Cash paid for bedkits and operating expenses	(2,611,882)	(2,646,583)
Interest received	<u>149,301</u>	<u>130,934</u>
	<u>86,225</u>	<u>(183,637)</u>
Investing activities:		
Purchases of marketable securities	(397,103)	(684,460)
Proceeds from marketable securities	<u>324,044</u>	<u>500,864</u>
	<u>(73,059)</u>	<u>(183,596)</u>
Increase (decrease) in cash	13,166	(367,233)
Cash, beginning of year	<u>598,183</u>	<u>965,416</u>
Cash, end of year	<u>\$ 611,349</u>	<u>\$ 598,183</u>

SLEEPING CHILDREN AROUND THE WORLD
CONSOLIDATED SCHEDULE OF INVESTMENTS
YEAR ENDED FEBRUARY 29, 2012

Bonds		2012 Market value	2012 Cost	2011 Market value	2011 Cost
Bank of Nova Scotia	4.94% due April 15, 2019	\$ 211,688	\$ 204,060	\$ 211,010	\$ 204,060
Bank of Nova Scotia	6.0% due October 3, 2018	100,857	98,288	102,616	98,288
Bank of Nova Scotia	3.43% due July 16, 2014	103,861	101,690	101,676	101,690
Canada Housing Trust	4.1% due December 15, 2018	225,840	207,710	209,720	207,710
CIBC	5.15% due June 6, 2018	104,028	101,800	105,415	101,800
Enbridge	5% due August 9, 2016	277,595	267,860	160,349	159,810
GE Capital	6.25% due July 24, 2012	152,724	161,970	158,401	161,970
GE Capital	5.1% due June 1, 2016	164,570	160,296	159,102	160,296
Manulife Financial	Money Market Investment Savings Account	155,074	155,074	275,447	275,447
Province of New Brunswick	4.45% due March 26, 2018	191,145	175,695	179,319	175,695
Province of Ontario	4.2% due March 8, 2018	302,663	276,081	282,978	276,081
Province of Quebec	4.5% due December 1, 2017	188,059	172,678	177,158	172,678
Province of Quebec	4.5% due December 1, 2019	169,826	148,210	156,878	148,210
Royal Bank of Canada	Money Market Investment Savings Account	164,389	164,389	302,466	302,466
Royal Bank of Canada	4.84% due March 11, 2018	103,025	101,680	104,617	101,680
Royal Bank of Canada	4% due November 4, 2013	102,870	93,100	102,457	93,100
Royal Bank of Canada	5.45% due November 4, 2018	105,648	99,570	106,813	99,570
Royal Bank of Canada	3.66% due January 25, 2017	158,388	152,153	150,218	152,153
Toronto Dominion Bank	4.62% due June 3, 2013	102,727	96,200	103,578	96,200
Toronto Dominion Bank	5.69% due June 3, 2018	101,462	98,533	103,481	98,533
Wells Fargo	3.97% due November 3, 2014	208,568	207,340	204,046	207,340
Wells Fargo	4.45% due September 13, 2011	-	-	152,391	155,340
407 International	3.88% due June 16, 2015	211,896	209,060	-	-
Industrial Alliance	4.75% due December 14, 2021	<u>81,915</u>	<u>79,992</u>	<u>-</u>	<u>-</u>
		<u>\$3,688,818</u>	<u>\$3,533,429</u>	<u>\$3,610,136</u>	<u>\$3,550,117</u>

See accompanying Notes to Consolidated Financial Statements



SLEEPING CHILDREN AROUND THE WORLD
CONSOLIDATED SCHEDULE OF BEDKIT FUNDING
YEAR ENDED FEBRUARY 29, 2012

	2012	2011
Kenya	\$ 175,000	\$ 175,000
Sri Lanka	140,000	-
Nicaragua	175,000	175,000
Bangladesh	210,000	210,000
India	770,000	752,500
Philippines	210,000	210,000
Togo	175,000	175,000
Tanzania (payments made in March 2011 and February 2012)	490,000	245,000
Honduras	175,000	175,000
Zimbabwe	-	140,000
Uganda (payment made in March 2012)	<u>-</u>	<u>210,000</u>
	<u>\$2,520,000</u>	<u>\$2,467,500</u>
Total bedkits funded (note 4)	<u>72,000</u>	<u>70,500</u>

See Accompanying Notes to Consolidated Financial Statements



SLEEPING CHILDREN AROUND THE WORLD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2012

1. Summary of significant accounting policies

Purpose of the organization

Sleeping Children Around the World is a federally-incorporated charity and qualifies as a not-for-profit organization that is exempt from taxation under provisions of the Income Tax Act (Canada).

The organization's objective is to provide bedkits, consisting of a mat, pillow, sheet, blanket, mosquito net, clothing and school supplies to needy children in underdeveloped and developing countries around the world.

Basis of accounting

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles (GAAP).

Basis of consolidation

These consolidated financial statements include the assets, liabilities and operating results for Sleeping Children Around the World (SCAW) and Sleeping Children Around the World-USA, Inc. (SCAW USA). SCAW USA has the same Board of Directors as SCAW and is considered to be controlled by SCAW. Transactions between the organizations have been eliminated on consolidation.

SCAW USA was established in 2010 as a Massachusetts corporation organized exclusively for charitable purposes and is exempt from taxation under the Internal Revenue Code in the United States. The purpose of SCAW USA is the same as SCAW as described above. For the year ended February 29, 2012, SCAW USA raised U.S. \$40,105 in bedkit donations and paid U.S. \$38,500 in bedkit distributions with the balance of U.S. \$1,605 held in cash at year end. In addition, for the year ended February 29, 2012, the organization transferred U.S. \$4,308 to SCAW USA, of which U.S. \$2,338 was spent on operations and U.S. \$1,970 was held in cash at year end. There were no transactions in SCAW USA for the period ended February 29, 2011.

Recognition of contributions

The organization follows the restricted fund method in which restricted contributions are recognized when they are received in the account corresponding to the purpose for which they were donated.

Investment income earned on marketable securities in the Legacy Account and on short-term investments in the Bedkit and Pinehurst Accounts, are recognized as revenue in the account where it is earned.

1. Summary of significant accounting policies (cont'd.)

Basis of reporting

The consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the consolidated financial statements:

Operating Account - The organization utilizes this account to pay operating expenses to fulfil its mandate.

Bedkit Account - Established at inception as an account to be used solely for the provision of bedkits under the organization's mandate. Large estate donations of \$100,000 or more are shown separately from regular donations.

Legacy Account - Established at inception to provide funds for the Operating Account for use by the organization in fulfilling its mandate. \$3,000 of earned interest from a \$50,000 donation in prior years is stipulated to be used annually to buy bedkits.

Large bequests, donated to fund bedkits, can not always be utilized for that purpose in the year received. In such cases, the bequest may be temporarily invested in the Legacy Account to optimize investment income. The bequest, along with interest earned, will be used to fund bedkits as soon as practical. The amount of any such bequests held in the Legacy Account is shown as an Interaccount payable to the Bedkit Account.

Except as noted above, interest earned in this account is used for operations. Legacy Account funds not required to pay operating expenses may, with the approval of the Board of Directors, be transferred to either the Bedkit Account or the Operating Account with the condition that, after any such transfer, there would remain in the Legacy Account a minimum threshold balance of net assets of at least \$3,100,000.

Capital Assets - Property and building are carried at the lower of cost less accumulated amortization and estimated net recoverable amount. Contributed capital assets are recorded at fair value at the date of contribution. Amortization on the building is provided on a straight-line basis over 25 years.

Pinehurst Club - Established in 2008 by a group of business leaders to raise awareness and funds for the Legacy Account.

Bedkit funding distributions

The organization recognizes bedkits as having been distributed at the time the funding for the bedkits is transferred to the organization's representatives in recipient countries.

1. Summary of significant accounting policies (cont'd.)

Contributed services

Volunteers contribute their time to assist the organization in carrying out its community service activities. Contributed services are not recognized in the consolidated financial statements because of the difficulty in determining their fair value.

Financial instruments

Cash, accounts receivable, interaccount balances and accounts payable and accruals are classified as held-for-trading and are measured at their fair values. The recorded amounts of these financial instruments approximate their fair values because of the short period to receipt or payment of cash. Marketable securities are classified as available-for-sale financial assets and are measured at fair value, determined on the basis of market value. Unrealized gains and losses on available-for-sale assets are included in the Statement of Changes in Net Assets.

Long-lived assets

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

Foreign currency translation

Monetary assets and liabilities are translated at currency exchange rates in effect at the balance sheet date. Revenue and expenses are translated at average rates prevailing during the period, except for amortization, which is translated at historical exchange rates. Translation gains and losses for the year are reflected in the Statement of Operations.

1. Summary of significant accounting policies (cont'd.)

Capital disclosures

The organization's objectives when managing capital are:

- To maximize the number of bedkits distributed annually based on the current level of donations and
- To safeguard the organization's ability to continue to fulfill its mandate over the long-term.

To achieve the above objectives, the organization's policy with respect to managing its capital is as follows:

- Bedkit donations are monitored relative to the planned number of bedkits to be distributed. Any temporary surplus cash held in the Bedkit Account is at all times invested based on the requirements for preservation of capital, income and liquidity.
- The Legacy Account generates investment income to pay operating expenses. The account is maintained at a minimum threshold balance approved by the Board of Directors to ensure the charity's long-term viability. The Board may, at its discretion, make capital withdrawals from the account to purchase bedkits or pay expenses, so long as any such withdrawal does not cause the total market value of the account to fall below the minimum threshold balance, which is currently at \$3,100,000.
- Funds are invested in accordance with prudent and sound investment policies. Given the need for investment income to cover the charity's expenses, funds held in the Legacy Account are at all times invested based on the requirements for preservation of capital, income and liquidity.
- The Pinehurst Club Account was established to generate funds to supplement the Legacy Account and help ensure the long-term viability of the charity.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period reported. Actual results could differ from those estimates.

1. Summary of significant accounting policies (cont'd.)

Accounting changes

Future accounting policies

Financial reporting framework

In 2006, the Canadian Accounting Standards Board (AcSB) published a new strategic plan that will significantly affect financial reporting requirements for Canadian organizations. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS). At the same time, Canadian Accounting Standards for Private Enterprises (ASPE) have been developed and are available for non-publicly listed entities as an alternative to the IFRS framework. In March 2011, the AcSB issued an alternative framework to IFRS for not-for-profit organizations that is based on ASPE and referred to as Canadian accounting standards for not-for-profit organizations. The organization has a choice between adoption of IFRS or adoption of Canadian accounting standards for not-for-profit organizations.

The date of the changeover for not-for-profit organizations with non-calendar year ends is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2012 which will be the organization's year ending February 28, 2013. The transition date for the organization of March 1, 2011 will require the restatement for comparative purposes of amounts reported by the organization for the year ending February 29, 2012. The organization has begun assessing the adoption of a new financial reporting framework. Specific changes resulting from the implementation of a new financial reporting framework have not been determined at this time.

2. Interaccount transfers

During the year, the sum of \$100,050 (2011 - \$160,000) was transferred from the Legacy Account to the Operating Account to assist the organization in fulfilling its mandate. The sum of \$12,250 (2011 - \$13,000) was transferred from the Legacy Account to the Bedkit Account to purchase bedkits. The sum of \$124,729 (2011 - \$138,547) was transferred from the Pinehurst Club to the Legacy Account. Interaccount balances are unsecured, bear interest at 2% per annum and have no specific terms of repayment.

3. Property and building

	2012		2011	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 205,000	\$ -	\$ 205,000	\$ -
Building	<u>200,000</u>	<u>96,000</u>	<u>200,000</u>	<u>88,000</u>
	<u>\$ 405,000</u>	<u>\$ 96,000</u>	<u>\$ 405,000</u>	<u>\$ 88,000</u>
Net book value		<u>\$ 309,000</u>		<u>\$ 317,000</u>

Total amortization expensed during the year was \$8,000 (2011 - \$8,000).

4. Bedkit funding distributions

For the fiscal year, the organization funded 72,000 (2011 - 70,500) bedkits for twelve distributions in nine countries.

5. Related party transactions

During the year, the organization paid a salary of \$40,000 (2011 - \$40,000) to the executive director. All transactions with the executive director are in the normal course of operations and have been measured at the exchange amounts being the amount established and agreed to by the parties.

6. Financial instruments risk management

The organization's investment activities expose it to a variety of financial risks. The Board seeks to minimize these risks by utilizing professional advisors and by monitoring the investment activities and diversifying the investment portfolio within the constraints of the investment guidelines and objectives. The investment portfolio is comprised of cash and cash equivalents, fixed income securities and Canadian equities.

Interest rate risk

Interest rate risk arises on interest bearing financial instruments held in the investment portfolio such as bonds. The organization is exposed to the risk that the value of interest bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

6. Financial instruments risk management (cont'd.)

Currency risk

Currency risk is the risk that a variation in the exchange rates between the Canadian dollar and foreign currencies will affect the organization's operating and financial results. SCAW USA holds donations and transfers received in U.S. funds until disbursed and accordingly is exposed to currency risk when reported in Canadian dollars. As at February 29, 2012, SCAW USA held U.S. funds of \$3,575.

Other market risk

Other market risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk), whether caused by factors specific to an individual investment, its issuer, or other factors affecting instruments traded in a market or market segment. All securities present a risk of loss of capital. The organization moderates this risk through a careful selection of securities and other financial instruments within the parameters of its investment guidelines and strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The organization's investments are susceptible to market price risk arising from uncertainties about future prices of the instruments.