

**SLEEPING CHILDREN AROUND THE WORLD  
CONSOLIDATED FINANCIAL STATEMENTS**

*February 28, 2013*

## INDEPENDENT AUDITOR'S 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 28, 2013 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 accounting standards for not-for-profit organizations 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 28, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Corresponding Information

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes that Sleeping Children Around The World adopted Canadian accounting standards for not-for-profit organizations on March 1, 2012 with a transition date of March 1, 2011. These standards were applied retrospectively by management to the corresponding information in these consolidated financial statements, including the consolidated statements of financial position as at February 29, 2012 and March 1, 2011, and the consolidated statements of operations and cash flows for the year ended February 29, 2012 and related disclosures. We were not engaged to report on the restated corresponding information, and as such, it is unaudited.



Mississauga, Ontario  
July 19, 2013

Chartered Professional Accountants  
Licensed Public Accountants

**Sleeping Children Around The World**  
**Consolidated Statement of Financial Position**

*As at February 28, 2013*

	Operating Account	Capital Assets	Bedkit Account	Legacy Account	Pinehurst Club	Feb. 28, 2013 Total	Feb. 29, 2012 Total (Unaudited) (Note 2)	March 1, 2011 Total (Unaudited) (Note 2)
<b>ASSETS</b>								
Current:								
Cash	\$ 32,765	\$ -	\$ 737,161	\$ 109,033	\$ 24,877	\$ 903,836	\$ 611,347	\$ 598,180
Prepaid expenses	-	-	-	-	10,978	10,978	-	-
Accrued interest	-	-	-	37,369	-	37,369	41,409	40,415
Accounts receivable	-	-	-	-	-	-	-	21,270
Marketable securities (schedule)	-	-	-	380,180	-	380,180	472,093	728,253
Interaccount receivables (payables)	<u>(3,889)</u>	<u>-</u>	<u>2,602</u>	<u>(2,376)</u>	<u>3,663</u>	<u>-</u>	<u>-</u>	<u>-</u>
	28,876	-	739,763	524,206	39,518	1,332,363	1,124,849	1,388,118
Marketable securities (schedule)	-	-	-	3,021,957	-	3,021,957	3,032,520	2,807,801
Property and building (Note 5)	<u>-</u>	<u>301,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>301,000</u>	<u>309,000</u>	<u>317,000</u>
<b>Total Assets</b>	<b><u>\$ 28,876</u></b>	<b><u>\$ 301,000</u></b>	<b><u>\$ 739,763</u></b>	<b><u>\$ 3,546,163</u></b>	<b><u>\$ 39,518</u></b>	<b><u>\$ 4,655,320</u></b>	<b><u>\$ 4,466,369</u></b>	<b><u>\$ 4,512,919</u></b>
<b>LIABILITIES</b>								
Accounts payable and accruals	\$ 6,215	\$ -	\$ -	\$ -	\$ -	\$ 6,215	\$ 6,215	\$ 18,125
Donations received in advance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,150</u>	<u>11,150</u>	<u>-</u>	<u>-</u>
	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,150</u>	<u>17,365</u>	<u>6,215</u>	<u>18,125</u>
<b>NET ASSETS</b>								
Restricted	-	301,000	739,763	3,546,163	28,368	4,615,294	4,452,673	4,466,324
Unrestricted	<u>22,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,661</u>	<u>7,481</u>	<u>28,470</u>
<b>Total Net Assets</b>	<b><u>22,661</u></b>	<b><u>301,000</u></b>	<b><u>739,763</u></b>	<b><u>3,546,163</u></b>	<b><u>28,368</u></b>	<b><u>4,637,955</u></b>	<b><u>4,460,154</u></b>	<b><u>4,494,794</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 28,876</u></b>	<b><u>\$ 301,000</u></b>	<b><u>\$ 739,763</u></b>	<b><u>\$ 3,546,163</u></b>	<b><u>\$ 39,518</u></b>	<b><u>\$ 4,655,320</u></b>	<b><u>\$ 4,466,369</u></b>	<b><u>\$ 4,512,919</u></b>

Director \_\_\_\_\_

Treasurer \_\_\_\_\_

The accompanying notes are an integral part of these consolidated financial statements

**Sleeping Children Around The World**  
**Consolidated Statement of Operations**  
*For the year ended February 28, 2013*

	Notes	Operating Account		Capital Assets		Bedkit Account		Legacy Account		Pinehurst Club	
		2013	2012 (Unaudited) (Note 2)	2013	2012 (Unaudited) (Note 2)	2013	2012 (Unaudited) (Note 2)	2013	2012 (Unaudited) (Note 2)	2013	2012 (Unaudited) (Note 2)
<b>Revenues:</b>											
Regular donations		\$ 400	\$ 15,105	\$ -	\$ -	\$ 2,175,631	\$ 2,335,927	\$ 15,000	\$ 6,050	\$ 192,345	\$ 168,703
Sales (purchases)		16	(1,834)	-	-	1,376	4,850	-	-	-	-
Investment income		-	-	-	-	1,076	1,284	126,012	129,916	-	-
		<u>416</u>	<u>13,271</u>	<u>-</u>	<u>-</u>	<u>2,178,083</u>	<u>2,342,061</u>	<u>141,012</u>	<u>135,966</u>	<u>192,345</u>	<u>168,703</u>
<b>Expenditures:</b>											
Postage		13,740	15,861	-	-	-	-	-	-	-	-
Administrative services		45,623	43,568	-	-	-	-	-	-	-	-
Pinehurst Club breakfast		-	-	-	-	-	-	-	-	41,254	34,798
Maintenance and janitorial		3,336	26,299	-	-	-	-	-	-	-	-
Insurance		1,438	3,256	-	-	-	-	-	-	-	-
Bank charges		6,699	2,526	-	-	-	-	-	-	849	1,718
Office and printing		29,951	21,967	-	-	-	-	-	-	-	-
Property taxes		7,269	8,776	-	-	-	-	-	-	-	-
Utilities		3,303	3,972	-	-	-	-	-	-	-	-
Communications		5,790	5,176	-	-	-	-	-	-	-	-
Professional fees		7,185	7,733	-	-	-	-	-	-	-	-
HST refund		(3,098)	(4,827)	-	-	-	-	-	-	(3,663)	(3,073)
Distributions (schedule)		-	-	-	-	2,167,500	2,520,000	-	-	-	-
Amortization	5	-	-	8,000	8,000	-	-	-	-	-	-
Foreign exchange gain		-	-	-	-	(1,121)	(1,109)	-	-	-	-
		<u>121,236</u>	<u>134,307</u>	<u>8,000</u>	<u>8,000</u>	<u>2,166,379</u>	<u>2,518,891</u>	<u>-</u>	<u>-</u>	<u>38,440</u>	<u>33,443</u>
<b>Excess (deficiency) of revenues over expenditures</b>		<u>\$ (120,820)</u>	<u>\$ (121,036)</u>	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	<u>\$ 11,704</u>	<u>\$ (176,830)</u>	<u>\$ 141,012</u>	<u>\$ 135,966</u>	<u>\$ 153,905</u>	<u>\$ 135,260</u>

The accompanying notes are an integral part of these consolidated financial statements

**Sleeping Children Around The World**  
**Consolidated Statement of Changes in Net Assets**

*For the year ended February 28, 2013*

	Operating Account	Restricted Funds			Pinehurst Club	Total Restricted Funds	2013 Total	2012 Total (Unaudited) (Note 2)
		Capital Assets	Bedkit Account	Legacy Account				
<b>Net assets, beginning of year</b>	\$ 7,481	\$ 309,000	\$ 723,009	\$ 3,386,724	\$ 33,940	\$ 4,452,673	<b>\$ 4,460,154</b>	\$ 4,494,794
Excess (deficiency) of revenues over expenditures	(120,820)	(8,000)	11,704	141,012	153,905	298,621	<b>177,801</b>	(34,640)
Legacy Account to other accounts (Note 4)	136,000	-	5,050	(141,050)	-	(136,000)	-	-
Pinehurst Club to Legacy Account (Note 4)	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,477</u>	<u>(159,477)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance, end of year</b>	<b><u>\$ 22,661</u></b>	<b><u>\$ 301,000</u></b>	<b><u>\$ 739,763</u></b>	<b><u>\$ 3,546,163</u></b>	<b><u>\$ 28,368</u></b>	<b><u>\$ 4,615,294</u></b>	<b><u>\$ 4,637,955</u></b>	<b><u>\$ 4,460,154</u></b>

The accompanying notes are an integral part of these consolidated financial statements

# Sleeping Children Around The World Consolidated Statement of Cash Flows

For the year ended February 28, 2013

---

	2013	2012 (Unaudited) (Note 2)
Cash flow was provided from (applied to):		
<b>Operating activities:</b>		
Cash received from donations and other activities	\$ 2,384,720	\$ 2,548,809
Cash paid for bedkits and operating expenses	<u>(2,349,305)</u>	<u>(2,707,251)</u>
Interest received	<u>142,325</u>	<u>134,545</u>
	<u>177,740</u>	<u>(23,897)</u>
<b>Investing activities:</b>		
Purchases of marketable securities	<u>(200,000)</u>	<u>(382,349)</u>
Proceeds from marketable securities	<u>314,749</u>	<u>419,413</u>
	<u>114,749</u>	<u>37,064</u>
Increase in cash	292,489	13,167
Cash, beginning of year	<u>611,347</u>	<u>598,180</u>
Cash, end of year	<u>\$ 903,836</u>	<u>\$ 611,347</u>

---

These accompanying notes are an integral part of these financial statements

**Sleeping Children Around The World  
Consolidated Schedule of Investments**

*For the year ended February 28, 2013*

<b>Marketable Securities</b>		<b>2013 Cost</b>	<b>2012 Cost (Unaudited) (Note 2)</b>
Bank of Nova Scotia	4.94% due April 15, 2019	\$ 204,060	\$ 204,060
Bank of Nova Scotia	6.0% due October 3, 2018	98,288	98,288
Bank of Nova Scotia	3.43% due July 16, 2014	101,690	101,690
Canada Housing Trust	4.1% due December 15, 2018	207,710	207,710
CIBC	5.15% due June 6, 2018	101,800	101,800
Enbridge	5% due August 9, 2016	267,860	267,860
GE Capital	6.25% due July 24, 2012	-	161,970
GE Capital	5.1% due June 1, 2016	160,296	160,296
Manulife Financial	Money Market Investment Savings Account	76,849	155,074
Province of New Brunswick	4.45% due March 26, 2018	175,695	175,695
Province of Ontario	4.2% due March 8, 2018	276,081	276,081
Province of Quebec	4.5% due December 1, 2017	172,678	172,678
Province of Quebec	4.5% due December 1, 2019	148,210	148,210
Royal Bank of Canada	Money Market Investment Savings Account	80,995	164,389
Royal Bank of Canada	4.84% due March 11, 2018	101,680	101,680
Royal Bank of Canada	4% due November 4, 2013	93,100	93,100
Royal Bank of Canada	5.45% due November 4, 2018	99,570	99,570
Royal Bank of Canada	3.66% due January 25, 2017	152,154	152,153
Toronto Dominion Bank	Money Market Investment Savings Account	23,310	-
Toronto Dominion Bank	4.62% due June 3, 2013	96,200	96,200
Toronto Dominion Bank	5.69% due June 3, 2018	98,533	98,533
Wells Fargo	3.97% due November 3, 2014	207,340	207,340
407 International	3.88% due June 16, 2015	209,060	209,060
Industrial Alliance	4.75% due December 14, 2021	79,992	79,992
GIC - Equitable Trust	1.85% due January 21, 2015	100,000	-
GIC Bank of Nova Scotia	1.825% due January 21, 2015	<u>100,000</u>	<u>-</u>
		<b>3,433,151</b>	<b>3,533,429</b>
Amortization of bond premium		<u>(31,014)</u>	<u>(28,816)</u>
		<b><u>\$ 3,402,137</u></b>	<b><u>\$ 3,504,613</u></b>
<b>Market value of marketable securities</b>		<b><u>\$ 3,572,803</u></b>	<b><u>\$ 3,688,878</u></b>

The accompanying notes are an integral part of these consolidated financial statements



**Sleeping Children Around The World**  
**Consolidated Schedule of Bedkit Funding**  
*For the year ended February 28, 2013*

---

	<b>2013</b>	<b>2012</b> (Unaudited) (Note 2)
Kenya	\$ -	\$ 175,000
Sri Lanka	<b>140,000</b>	140,000
Nicaragua	<b>140,000</b>	175,000
Bangladesh	<b>210,000</b>	210,000
India	<b>857,500</b>	770,000
Philippines	<b>210,000</b>	210,000
Togo	<b>175,000</b>	175,000
Tanzania	<b>50,000</b>	490,000
Honduras	<b>175,000</b>	175,000
Uganda	<u><b>210,000</b></u>	<u>-</u>
	<u><b>\$ 2,167,500</b></u>	<u><b>\$ 2,520,000</b></u>
 Total bedkits funded (Note 6)	 <u><b>61,929</b></u>	 <u><b>72,000</b></u>

---

These accompanying notes are an integral part of these consolidated financial statements

# Sleeping Children Around The World

## Notes to Consolidated Financial Statements

For the year ended February 28, 2013

---

### 1. Purpose of the Organization

Sleeping Children Around the World (the "Organization") 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 objectives are:

- 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
- 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 \$3,200,000.
- 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.

### 2. Impact of adopting accounting standards for not-for-profit organizations

On March 1, 2012, the Organization adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook ("ASNPO"). These are the Organization's first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is March 1, 2011 and all corresponding information provided has been presented by applying ASNPO by management.

Reconciliations and explanatory notes on how the transition to ASNPO has affected the statement of financial position, statement of operations and statement of cash flows previously reported under Canadian generally accepted accounting principles (GAAP) are provided below:

# Sleeping Children Around The World

## Notes to Consolidated Financial Statements

For the year ended February 28, 2013

---

### 2. Impact of adopting accounting standards for not-for-profit organizations (Cont'd.)

#### Net assets:

As previously reported under GAAP, March 1, 2011	\$ 4,528,464
Transition adjustment to recognize marketable securities at amortized cost	<u>(33,670)</u>
Restated, March 1, 2011 based on ASNPO	<u>\$ 4,494,794</u>

Under ASNPO, the Organization records financial instruments, including marketable securities, at cost or amortized cost subsequent to initial recognition. Previously, under GAAP, marketable securities were classified as available-for-sale and were measured at fair value, determined on the basis of market value with unrealized gains and losses included in the Statement of Changes in Net Assets. The difference between fair value and amortized cost of \$33,670 has been charged to opening net assets.

#### Excess of revenue over expenditures:

As a result of the retrospective application of ASNPO, the Organization recorded the following adjustments to excess of revenue over expenditures for the year ended February 29, 2012:

#### Excess of revenue over expenditures:

As previously reported under GAAP for the year ended February 29, 2012	\$ (20,878)
Adjustment to recognize marketable securities at amortized cost	<u>(13,762)</u>
Restated for the year ended February 29, 2012	<u>\$ (34,640)</u>

#### Statement of cash flows:

As a result of the above changes certain categories presented on the statement of cash flows under GAAP for the year ended February 29, 2012 have been adjusted as follows:

- The restatement of marketable securities from fair market value to amortized cost caused both the balance of cash paid for bedkits and operating expenses and the proceeds from marketable securities presented on the cash flow statement under ASNPO to increase by \$95,369.
- The increase in the amortization expense of bond premiums caused both the balance of interest received and the balance of purchases of marketable securities per the cash flow statement under ASNPO to decrease by \$14,756.

### 3. Summary of significant accounting policies

#### 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 28, 2013, SCAW USA raised U.S. \$18,461 (2012 - \$40,105) in bedkit donations, it did not make a bedkit distribution (2012 - \$38,500) and had a balance of U.S. \$21,068 (2012 - \$1,605) held in cash at year end. In addition, for the year ended February 28, 2013, the Organization transferred U.S. \$945 (2012 - \$4,308) to SCAW USA, of which U.S. \$1,913 (2012 - \$2,338) was spent on operations and U.S. \$777 (2012 - \$1,970) was held in cash at year end.

# Sleeping Children Around The World

## Notes to Consolidated Financial Statements

For the year ended February 28, 2013

---

### 3. Summary of significant accounting policies (Cont'd.)

#### 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 when it is earned.

#### Basis of reporting

These consolidated financial statements reflect the assets, liabilities, sources of financing and expenditures of the following accounts:

**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 \$3,200,000.

**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.

#### 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.

# Sleeping Children Around The World

## Notes to Consolidated Financial Statements

For the year ended February 28, 2013

---

### 3. Summary of significant accounting policies (Cont'd.)

#### Financial instruments

Financial instruments are recorded at fair value on initial recognition. The Organization's financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

All financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Financial assets consist of cash, accrued interest, accounts receivable and marketable securities. Financial liabilities consist of accounts payable and accruals.

#### Impairment of long-lived assets

Long-lived assets consist of the property and building. The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the asset's carrying amount exceeds its fair value. Fair value is measured using prices for similar items. Any impairment is included in the excess of revenues over expenditures for the year.

#### 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.

#### Use of estimates

The preparation of consolidated financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the reporting period.

### 4. Interaccount transfers

During the year, the sum of \$136,000 (2012 - \$100,050) was transferred from the Legacy Account to the Operating Account to assist the Organization in fulfilling its mandate. The sum of \$5,050 (2012 - \$12,250) was transferred from the Legacy Account to the Bedkit Account to purchase bedkits. The sum of \$159,477 (2012 - \$124,729) 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.

**Sleeping Children Around The World**  
**Notes to Consolidated Financial Statements**

*For the year ended February 28, 2013*

**5. Property and building**

	2013		2012	
	Cost	Accumulated Amortization	Cost (Unaudited) (Note 2)	Accumulated Amortization
Land	\$ 205,000	\$ -	\$ 205,000	\$ -
Building	<u>200,000</u>	<u>104,000</u>	<u>200,000</u>	<u>96,000</u>
	<u>\$ 405,000</u>	<u>\$ 104,000</u>	<u>\$ 405,000</u>	<u>\$ 96,000</u>
Net book value		<u>\$ 301,000</u>		<u>\$ 309,000</u>

Total amortization expensed during the year was \$8,000 (2012 - \$8,000).

**6. Bedkit funding distributions**

For the fiscal year, the Organization funded 61,929 (2012 - 72,000) bedkits for twelve distributions in nine countries.

**7. 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.

**Foreign currency risk**

Foreign 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 28, 2013, SCAW USA held U.S. funds of \$21,068 (2012 - \$3,575).

**Other price risk**

Other price 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 or foreign currency 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.

**Sleeping Children Around The World**  
**Notes to Consolidated Financial Statements**

*For the year ended February 28, 2013*

---

**8. Corresponding figures**

Certain corresponding figures have been reclassified to conform with current year presentation.