

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

*February 28, 2021*

To the Directors of Sleeping Children Around The World:

## Opinion

We have audited the consolidated financial statements of Sleeping Children Around The World and its subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as at February 28, 2021, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at February 28, 2021, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Opinion

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 Consolidated Financial Statements section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 opinion.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mississauga, Ontario

August 26, 2021

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

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

*As at February 28, 2021*

	Operating Account	Capital Assets	Bedkit Account	Legacy Account	Pinehurst Club	2021 Total	2020 Total
<b>ASSETS</b>							
Current:							
Cash	\$ 196,938	\$ -	\$ 1,492,634	\$ 100,392	\$ 32,323	<b>\$ 1,822,287</b>	\$ 1,629,076
Prepaid expenses	-	-	-	-	10,000	<b>10,000</b>	10,000
Accrued interest	-	-	-	41,366	-	<b>41,366</b>	40,604
Harmonized sales taxes receivable	5,746	-	-	-	4,106	<b>9,852</b>	-
Marketable securities (Schedule 1)	-	-	-	1,163,767	-	<b>1,163,767</b>	831,062
Interaccount receivables (payables) (Note 3)	<u>(166,937)</u>	<u>-</u>	<u>713,839</u>	<u>(561,037)</u>	<u>14,135</u>	<u>-</u>	<u>-</u>
	35,747	-	2,206,473	744,488	60,564	<b>3,047,272</b>	2,510,742
Marketable securities (Schedule 1)	-	-	-	3,482,539	-	<b>3,482,539</b>	2,862,886
Property and building (Note 4)	<u>-</u>	<u>237,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>237,000</u></b>	<u>245,000</u>
<b>Total Assets</b>	<b><u>\$ 35,747</u></b>	<b><u>\$ 237,000</u></b>	<b><u>\$ 2,206,473</u></b>	<b><u>\$ 4,227,027</u></b>	<b><u>\$ 60,564</u></b>	<b><u>\$ 6,766,811</u></b>	<b><u>\$ 5,618,628</u></b>
<b>LIABILITIES</b>							
Accounts payable and accruals	<u>\$ 8,534</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<b><u>\$ 8,534</u></b>	<u>\$ 9,220</u>
<b>NET ASSETS</b>							
Reserve fund	-	237,000	2,206,473	4,227,027	60,564	<b>6,731,064</b>	5,720,732
Operating fund (deficit)	<u>27,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<b><u>27,213</u></b>	<u>(111,324)</u>
<b>Total Net Assets</b>	<b><u>27,213</u></b>	<b><u>237,000</u></b>	<b><u>2,206,473</u></b>	<b><u>4,227,027</u></b>	<b><u>60,564</u></b>	<b><u>6,758,277</u></b>	<b><u>5,609,408</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 35,747</u></b>	<b><u>\$ 237,000</u></b>	<b><u>\$ 2,206,473</u></b>	<b><u>\$ 4,227,027</u></b>	<b><u>\$ 60,564</u></b>	<b><u>\$ 6,766,811</u></b>	<b><u>\$ 5,618,628</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, 2021*

	Operating Account		Capital Assets		Bedkit Account		Legacy Account		Pinehurst Club	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>										
Regular donations	\$ -	\$ -	\$ -	\$ -	\$ 1,520,217	\$ 2,223,342	\$ -	\$ -	\$ 25,142	\$ 206,589
Large estate donations	-	-	-	-	11,011	376,250	-	-	-	-
Sales	315	494	-	-	-	967	-	-	-	-
Investment income	-	-	-	-	-	-	49,671	134,152	-	-
	<u>315</u>	<u>494</u>	<u>-</u>	<u>-</u>	<u>1,531,228</u>	<u>2,600,559</u>	<u>49,671</u>	<u>134,152</u>	<u>25,142</u>	<u>206,589</u>
<b>Expenditures:</b>										
Postage	10,664	20,622	-	-	-	-	-	-	-	-
Administrative services	52,674	53,351	-	-	-	-	-	-	-	-
Pinehurst Club breakfast	-	-	-	-	-	-	-	-	5,736	49,048
Maintenance and janitorial	4,170	2,375	-	-	-	-	-	-	-	-
Insurance	6,868	8,361	-	-	-	-	-	-	-	-
Bank charges	19,327	33,089	-	-	-	-	-	-	1,288	2,070
Office and printing	6,360	26,562	-	-	-	-	-	-	-	-
Property taxes	8,298	8,589	-	-	-	-	-	-	-	-
Utilities	4,005	4,228	-	-	-	-	-	-	-	-
Communications	3,515	3,741	-	-	-	-	-	-	-	-
Professional fees	4,186	15,191	-	-	-	-	-	-	-	-
HST refund	(5,746)	(4,120)	-	-	-	-	-	-	(4,106)	(5,024)
Distributions (Schedule 2)	-	-	-	-	324,308	2,330,726	-	-	-	-
Amortization (Note 4)	-	-	8,000	8,000	-	-	-	-	-	-
Foreign exchange loss (gain)	(2,543)	1,272	-	-	10,483	(2,887)	-	-	-	-
	<u>111,778</u>	<u>173,261</u>	<u>8,000</u>	<u>8,000</u>	<u>334,791</u>	<u>2,327,839</u>	<u>-</u>	<u>-</u>	<u>2,918</u>	<u>46,094</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (111,463)</u>	<u>\$ (172,767)</u>	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	<u>\$ 1,196,437</u>	<u>\$ 272,720</u>	<u>\$ 49,671</u>	<u>\$ 134,152</u>	<u>\$ 22,224</u>	<u>\$ 160,495</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, 2021*

	Operating Account	Reserve Funds				Total Reserve Funds	2021 Total	2020 Total
		Capital Assets	Bedkit Account	Legacy Account	Pinehurst Club			
<b>Net assets, beginning of year</b>	\$ (111,324)	\$ 245,000	\$ 1,010,036	\$ 4,107,356	\$ 358,340	\$ 5,720,732	<b>\$ 5,609,408</b>	\$ 5,222,808
Excess (deficiency) of revenues over expenditures	(111,463)	(8,000)	1,196,437	49,671	22,224	1,260,332	<b>1,148,869</b>	386,600
Legacy Account to other accounts (Note 3)	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>(320,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>
<b>Net Assets (deficit), end of year</b>	<b><u>\$ 27,213</u></b>	<b><u>\$ 237,000</u></b>	<b><u>\$ 2,206,473</u></b>	<b><u>\$ 4,227,027</u></b>	<b><u>\$ 60,564</u></b>	<b><u>\$ 6,731,064</u></b>	<b><u>\$ 6,758,277</u></b>	<b><u>\$ 5,609,408</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, 2021

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	2021	2020
Cash flow was provided from (applied to):		
<b>Operating activities:</b>		
Cash received from donations and other activities	\$ 1,556,726	\$ 2,764,299
Cash paid for bedkits and operating expenses	(447,687)	(2,535,033)
Interest received	<u>48,892</u>	<u>139,392</u>
	<u>1,157,931</u>	<u>368,658</u>
<b>Investing activities:</b>		
Purchases of marketable securities	(1,818,894)	(200,056)
Proceeds from marketable securities	<u>854,174</u>	<u>419,093</u>
	<u>(964,720)</u>	<u>219,037</u>
Increase in cash	193,211	587,695
<b>Cash, beginning of year</b>	<u>1,629,076</u>	<u>1,041,381</u>
<b>Cash, end of year</b>	<u>\$ 1,822,287</u>	<u>\$ 1,629,076</u>

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

## Sleeping Children Around The World Schedule 1: Consolidated Schedule of Investments

As at February 28, 2021

Marketable Securities		2021 Cost	2020 Cost
GIC Home Trust Company	2.58% due May 9, 2022	\$ 50,000	\$ 50,000
GIC Laurentian bank	2.52% due May 9, 2022	100,000	100,056
NBI Altamira Cashperformer Account	Money Market Investment Savings Account	38,908	38,799
OMERS	3.63% due June 5, 2030	176,291	-
Hydro One Inc.	2.77% due February 24, 2026	103,832	166,530
Brookfield Asset Management Inc	5.04% due March 8, 2024	164,336	164,336
VanCity	1.70% due April 6, 2021	250,000	-
Bank of Nova Scotia	3.10% due February 2, 2028	106,461	-
Toronto Ont	3.5% due December 6, 2021	112,132	112,132
AIMCO Realty Investors	2.71% due June 1, 2029	162,941	-
BNS Corporate Tiered Investment Account	Money Market Investment Savings Account	34,961	85,592
Industrial Alliance	2.64% due February 23, 2027	150,612	150,612
GIC Home Bank	2.57% due May 9, 2022	50,000	50,000
Wells Fargo Finance Canada	3.46% due January 24, 2023	158,343	158,343
Greater Toronto Airport Authority	2.73% due April 3, 2029	103,500	-
Manulife Bank Investment Savings Account	Money Market Investment Savings Account	101,025	100,740
Bank of Montreal	4.609% due September 10, 2025	117,367	117,367
GIC Home Trust Company	2.3% due May 6, 2021	50,000	50,000
Toronto Ont	3.4% due May 21, 2024	104,988	104,988
GIC Home Bank	2.3% due May 6, 2021	50,056	50,000
BCE Inc.	3.35% due March 22, 2023	157,692	157,692
BCE Inc.	3.6% due September 29, 2027	100,764	100,764
Canadian Western Bank	2.788% due September 13, 2021	101,635	101,635
Husky Energy Inc.	3.55% due March 12, 2025	154,006	154,006
Interpipe Inc.	3.776% due May 20, 2022	107,650	107,650
Brookfield Asset Management Inc.	4.82% due January 28, 2026	161,565	161,565
GIC People's Trust	1.8% due October 4, 2021	100,000	100,000
Loblaws Cos Ltd	4.86% due September 12, 2023	164,166	164,166
Bank of Nova Scotia	2.29% due June 28, 2024	97,661	97,661
Municipal Finance Authority of BC	2.65% due October 2, 2025	100,025	100,025
Bank of Montreal	3.19% due March 1, 2028	100,372	100,372
Province of Manitoba	2.55% due June 2, 2026	97,332	97,332
Ontario Power Generation	3.15% due October 4, 2027	99,774	99,774
TMX Group Limited	2.997% due December 11, 2024	99,177	99,177
Great West Life Co. Inc.	2.38% due May 13, 2030	159,573	-
NAV Canada	2.06% due May 29, 2030	158,492	-
Province of Alberta	2.05% due June 1, 2030	97,805	-
Coast Capital Savings	0.75% due January 18, 2022	100,000	-
Equitable Bank	0.70% due January 18, 2022	100,000	-
Equitable Trust	0.50% due July 19, 2021	100,000	-
ADSB-ADS Canadian Bank	0.55% due January 20, 2022	100,000	-
National Trust	0.45% due October 15, 2021	100,000	-
Redeemed during the year		-	603,095
		<u>4,743,442</u>	<u>3,744,409</u>
Amortization of bond premium		<u>(97,136)</u>	<u>(50,461)</u>
		4,646,306	3,693,948
Securities maturing within a year		<u>(1,163,767)</u>	<u>(831,062)</u>
Securities maturing after a year		<u>\$ 3,482,539</u>	<u>\$ 2,862,886</u>
Market value of marketable securities		<u>\$ 4,816,196</u>	<u>\$ 3,812,177</u>

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



**Sleeping Children Around The World**  
**Schedule 2: Consolidated Schedule of Bedkit Funding**  
*For the year ended February 28, 2021*

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	<b>2021</b>	<b>2020</b>
Kenya	\$ -	\$ 175,000
Sri Lanka	<b>245,000</b>	-
Bangladesh	-	280,000
India	-	822,500
Philippines	-	210,000
South Africa	-	52,500
Tanzania	<b>79,308</b>	248,226
Honduras	-	245,000
Rwanda	-	52,500
Uganda	-	245,000
	<u>\$ <b>324,308</b></u>	<u>\$ <b>2,330,726</b></u>
 Total number of bedkits funded	 <u><b>9,266</b></u>	 <u><b>66,592</b></u>

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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, 2021

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### 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 children in need in underdeveloped and developing countries around the world;
- To maximize the number of bedkits distributed annually based on the current level of donation's; 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 Organization'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 \$3,600,000.
- Funds are invested in accordance with prudent and sound investment policies. Given the need for investment income to cover the Organization'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 that 100% of bedkit donations are used for bedkits.

### 2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

#### ***Basis of consolidation***

These consolidated financial statements include the assets, liabilities and operating results for the Organization and Sleeping Children Around the World-USA, Inc. (SCAW USA). SCAW USA has the same Board of Directors as the Organization and is considered to be controlled by the Organization. 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 the Organization as described in note 1. For the year ended February 28, 2021, SCAW USA raised U.S. \$27,518 (2020 - \$42,755) in bedkit donations, it made a bedkit distribution of U.S. \$60,000 (2020 - \$nil) and had a balance of \$42,530 USD (2020 - \$72,916 USD) held in cash at year end.

# Sleeping Children Around The World

## Notes to Consolidated Financial Statements

For the year ended February 28, 2021

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### 2. Significant accounting policies (Continued from previous page)

#### **Fund accounting and basis of reporting**

The Organization reports using fund accounting and maintains five funds:

**Operating account** - The Organization utilizes this account to pay operating expenses to fulfill 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 \$3,600,000.

**Capital assets** - Exists to finance the purchase of the property, building, computer software and the related amortization.

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

#### **Revenue recognition**

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

Investment income earned on marketable securities is recognized as revenue of the appropriate fund in the year when earned.

#### **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, 2021*

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### 2. Significant accounting policies *(Continued from previous page)*

#### ***Financial instruments***

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Organization may irrevocable elect to subsequently measure any financial instruments at fair value. The Organization has not elected to carry any financial instruments at fair value during the year.

Transaction costs and financing fees directly attributable to the recognition, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in current year operations.

The Organization's financial instruments include cash, accrued interest, marketable securities and accounts payable and accruals. Cash is subsequently measured at fair value, while the other financial instruments are subsequently measured at amortized cost, except for marketable securities as disclosed in the consolidated schedule of investments.

#### ***Capital assets***

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods.

	<b><i>Method</i></b>	<b><i>Rate</i></b>
Building	straight-line	25 Years

#### ***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 consolidated statement of operations.

#### ***Use of estimates***

The preparation of consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 revenues and expenditures during the reporting period.

Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

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

*For the year ended February 28, 2021*

**3. Interaccount transfers**

During the year, the sum of \$250,000 (2020 - \$49,861) was transferred from the Legacy account to the Operating account and the sum of \$320,000 (2020 - \$nil) was transferred from the Pinehurst account to the Legacy account to assist the Organization in fulfilling its mandate. The sum of \$nil (2020 - \$121,139) was transferred from the Legacy account to the Bedkit account to purchase bedkits.

Interaccount balances are unsecured, interest-free and currently due.

**4. Property, building and computer software**

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 205,000	\$ -	\$ 205,000	\$ -
Building	<u>200,000</u>	<u>168,000</u>	<u>200,000</u>	<u>160,000</u>
	<u>\$ 405,000</u>	<u>\$ 168,000</u>	<u>\$ 405,000</u>	<u>\$ 160,000</u>
Net book value		<u>\$ 237,000</u>		<u>\$ 245,000</u>

Total amortization expensed during the year was \$8,000 (2020 - \$8,000).

**5. Deferred revenue**

Deferred revenue represents the balance at year-end of unearned revenues stemming from payments for events that have not yet occurred. Restricted contributions are recognized when they are received in the fund corresponding to the purpose for which they were donated.

**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 and fixed income securities.

***Credit risk***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Organization is exposed to credit risk through its cash, marketable securities and accrued interest.

The Organization's bank accounts are held at two financial institutions, and funds on deposit at one institution are insured and funds on deposit at the other institution are not insured. Credit risk related to deposits is minimized by ensuring that these assets are deposited with credit-worthy parties.

***Liquidity risk***

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating financing activities.

# Sleeping Children Around The World

## Notes to Consolidated Financial Statements

For the year ended February 28, 2021

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### 6. Financial instruments risk management *(Continued from previous page)*

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

#### **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 28, 2021, SCAW USA held U.S. funds of \$42,530 (2020 - \$72,917).

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Organization's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Organization's investments comprise guaranteed investment certificates and corporate bonds which are subject to interest rate changes on maturity. The Organization manages its exposure to the interest rate risk of its cash by preserving capital, maintaining the liquidity necessary to conduct operations on a day-to-day basis while maximizing the interest income earned. Fluctuations in market rates of interest on cash do not have a significant impact on the Organization's results of operations.

#### **Other price risk**

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments in the market. The Organization is exposed to other price risk if investments are disposed of prior to its maturity.

#### **Changes in risk**

There have been no changes in the Organization's risk exposures from the prior year.

# Sleeping Children Around The World

## Notes to Consolidated Financial Statements

*For the year ended February 28, 2021*

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### **7. Environmental Risk**

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

The Organization has proactively taken steps to maintain operations during the pandemic ensuring the safety of the children and their caregivers, staff and volunteers in Canada and in other countries. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Organization as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Organization's operations and financial condition.