

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

February 28, 2018

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, 2018 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sleeping Children Around The World as at February 28, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MNP_{cp}

Mississauga, Ontario

August 16, 2018

Chartered Professional Accountants

Licensed Public Accountants

MNP

Sleeping Children Around The World
Consolidated Statement of Financial Position

As at February 28, 2018

	Operating Account	Capital Assets	Bedkit Account	Legacy Account	Pinehurst Club	2018 Total	2017 Total
ASSETS							
Current:							
Cash	\$ 56,505	\$ -	\$ 707,483	\$ 1,981	\$ 35,302	\$ 801,271	\$ 1,048,897
Prepaid expenses	-	-	-	-	10,000	10,000	9,000
Accrued interest	-	-	-	52,428	-	52,428	44,632
Marketable securities (Schedule 1)	-	-	-	659,486	-	659,486	343,415
Interaccount receivables (payables) (Note 3)	<u>(38,504)</u>	<u>-</u>	<u>295,673</u>	<u>(258,972)</u>	<u>1,803</u>	<u>-</u>	<u>-</u>
	18,001	-	1,003,156	454,923	47,105	1,523,185	1,445,944
Marketable securities (Schedule 1)	-	-	-	3,696,559	-	3,696,559	3,603,220
Property and building (Note 4)	-	261,000	-	-	-	261,000	269,000
Computer software (Note 4)	<u>5,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,858</u>	<u>11,716</u>
Total Assets	<u>\$ 23,859</u>	<u>\$ 261,000</u>	<u>\$ 1,003,156</u>	<u>\$ 4,151,482</u>	<u>\$ 47,105</u>	<u>\$ 5,486,602</u>	<u>\$ 5,329,880</u>
LIABILITIES							
Accounts payable and accruals	\$ 7,932	\$ -	\$ -	\$ -	\$ -	\$ 7,932	\$ 7,775
Deferred revenue (Note 5)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>36,150</u>
	<u>7,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>22,932</u>	<u>43,925</u>
NET ASSETS							
Reserve fund	-	261,000	1,003,156	4,151,482	32,105	5,447,743	5,280,461
Operating fund	<u>15,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,927</u>	<u>5,494</u>
Total Net Assets	<u>15,927</u>	<u>261,000</u>	<u>1,003,156</u>	<u>4,151,482</u>	<u>32,105</u>	<u>5,463,670</u>	<u>5,285,955</u>
Total Liabilities and Net Assets	<u>\$ 23,859</u>	<u>\$ 261,000</u>	<u>\$ 1,003,156</u>	<u>\$ 4,151,482</u>	<u>\$ 47,105</u>	<u>\$ 5,486,602</u>	<u>\$ 5,329,880</u>

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, 2018

	Operating Account		Capital Assets		Bedkit Account		Legacy Account		Pinehurst Club	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenues:										
Regular donations	\$ -	\$ -	\$ -	\$ -	\$ 2,199,645	\$ 2,372,469	\$ -	\$ -	\$ 230,642	\$ 196,266
Large estate donations	-	-	-	-	417,977	376,107	-	-	-	-
Sales	1,420	2,107	-	-	-	448	-	-	-	-
Investment income	<u>23</u>	<u>13</u>	-	-	-	-	<u>114,070</u>	<u>76,625</u>	-	-
	<u>1,443</u>	<u>2,120</u>	-	-	<u>2,617,622</u>	<u>2,749,024</u>	<u>114,070</u>	<u>76,625</u>	<u>230,642</u>	<u>196,266</u>
Expenditures:										
Postage	19,421	19,226	-	-	-	-	-	-	-	-
Administrative services	49,227	49,001	-	-	-	-	-	-	-	-
Pinehurst Club breakfast	-	-	-	-	-	-	-	-	47,564	49,050
Maintenance and janitorial	1,498	2,029	-	-	-	-	-	-	-	-
Insurance	4,821	41	-	-	-	-	-	-	-	-
Bank charges	21,070	22,524	-	-	-	-	-	-	2,274	2,305
Office and printing	22,093	29,945	-	-	-	-	-	-	-	-
Property taxes	7,992	7,285	-	-	-	-	-	-	-	-
Utilities	3,930	4,527	-	-	-	-	-	-	-	-
Communications	2,931	3,127	-	-	-	-	-	-	-	-
Professional fees	8,071	6,526	-	-	-	-	-	-	-	-
HST refund	(5,902)	(5,533)	-	-	-	-	-	-	(3,841)	-
Distributions (Schedule 2)	-	-	-	-	2,587,500	2,065,000	-	-	-	-
Amortization (Note 4)	5,858	5,858	8,000	8,000	-	-	-	-	-	-
Foreign exchange loss	-	3,382	-	-	3,555	3,663	-	-	-	-
	<u>141,010</u>	<u>147,938</u>	<u>8,000</u>	<u>8,000</u>	<u>2,591,055</u>	<u>2,068,663</u>	<u>-</u>	<u>-</u>	<u>45,997</u>	<u>51,355</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (139,567)</u>	<u>\$ (145,818)</u>	<u>\$ (8,000)</u>	<u>\$ (8,000)</u>	<u>\$ 26,567</u>	<u>\$ 680,361</u>	<u>\$ 114,070</u>	<u>\$ 76,625</u>	<u>\$ 184,645</u>	<u>\$ 144,911</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, 2018

	Operating Account	Reserve Funds			Pinehurst Club	Total Reserve Funds	2018 Total	2017 Total
		Capital Assets	Bedkit Account	Legacy Account				
Net assets, beginning of year	\$ 5,494	\$ 269,000	\$ 970,589	\$ 4,028,412	\$ 12,460	\$ 5,280,461	\$ 5,285,955	\$ 4,537,876
Excess (deficiency) of revenues over expenditures	(139,567)	(8,000)	26,567	114,070	184,645	317,282	177,715	748,079
Legacy Account to other accounts (Note 3)	150,000	-	6,000	(156,000)	-	(150,000)	-	-
Pinehurst Club to Legacy Account (Note 3)	-	-	-	165,000	(165,000)	-	-	-
Net Assets, end of year	<u>\$ 15,927</u>	<u>\$ 261,000</u>	<u>\$ 1,003,156</u>	<u>\$ 4,151,482</u>	<u>\$ 32,105</u>	<u>\$ 5,447,743</u>	<u>\$ 5,463,670</u>	<u>\$ 5,285,955</u>

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, 2018

	2018	2017
Cash flow was provided from (applied to):		
Operating activities:		
Cash received from donations and other activities	\$ 2,828,632	\$ 2,954,160
Cash paid for bedkits and operating expenses	(2,773,048)	(2,258,448)
Interest received	<u>107,155</u>	<u>75,397</u>
	<u>162,739</u>	<u>771,109</u>
Investing activities:		
Purchases of marketable securities	(998,423)	(1,250,680)
Proceeds from marketable securities	<u>588,058</u>	<u>948,602</u>
	<u>(410,365)</u>	<u>(302,078)</u>
Increase (decrease) in cash	(247,626)	469,031
Cash, beginning of year	<u>1,048,897</u>	<u>579,866</u>
Cash, end of year	<u>\$ 801,271</u>	<u>\$ 1,048,897</u>

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, 2018

Marketable Securities		2018 Cost	2017 Cost
Province of Ontario	4.2% due March 8, 2018	\$ 276,081	\$ 276,081
Canada Housing Trust	4.1% due December 15, 2018	207,710	207,710
Province of New Brunswick	4.45% due March 26, 2018	175,695	175,695
GIC Manulife Trust	2.62% due August 1, 2019	100,000	100,000
Hydro One Inc.	4.4% due June 1, 2020	166,530	166,530
Brookfield Asset Management Inc	5.04% due March 8, 2024	164,336	164,336
Telus Corp.	3.2% due April 5, 2021	152,330	152,330
Thomson Reuters Corp	3.309% due Nov 12, 2021	150,770	150,770
Province of Quebec	4.5% due December 1, 2019	148,210	148,210
Toronto Ont	3.5% due Dec. 6, 2021	112,132	112,132
GIC Laurentian Bank	1.92% due Apr. 1, 2019	100,000	100,000
Manulife Financial	Money Market Investment Savings Account	93,619	17,761
Industrial Alliance	2.64% due February 23, 2027	150,612	150,612
Wells Fargo Finance Canada	3.46% due Jan. 24, 2023	158,343	158,343
Enbridge	4.77% due Sept. 2, 2019	165,490	165,490
BNS Investment Savings	Money Market Investment Savings Account	112,331	52,976
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	100,000
Toronto Ont	3.4% due May 21, 2024	104,988	-
GIC Home Bank	2.3% due May 6, 2021	50,056	-
GIC Montreal Trust	2.2% due May 1, 2020	100,000	100,000
GIC National Trust	2.2% due May 1, 2020	100,000	100,000
BCE Inc.	3.35% due March 22, 2023	157,692	157,692
BCE Inc.	3.6% due September 29, 2027	100,764	-
Canadian Western Bank	2.788% due September 13, 2021	101,635	101,635
CI Financial Corp.	2.645% due December 7, 2020	150,765	150,765
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 Equitable Bank	1.75% due October 5, 2020	100,000	100,000
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	-
Bank of Nova Scotia	2.29% due June 28, 2024	97,661	-
Municipal Finance Authority of BC	2.65% due October 2, 2025	100,025	-
GIC Home Trust Company	2.1% due March 20, 2017	-	100,000
Province of Quebec	4.5% due December 1, 2017	-	172,678
		<u>4,452,529</u>	<u>4,022,334</u>
Amortization of bond premium		<u>(96,484)</u>	<u>(75,699)</u>
		<u>4,356,045</u>	<u>3,946,635</u>
Securities maturing within a year		<u>(659,486)</u>	<u>(343,415)</u>
Securities maturing after a year		<u>\$ 3,696,559</u>	<u>\$ 3,603,220</u>
Market value of marketable securities		<u>\$ 4,438,651</u>	<u>\$ 4,103,120</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, 2018

	2018	2017
Kenya	\$ 140,000	\$ 140,000
Sri Lanka	175,000	140,000
Bangladesh	210,000	210,000
India	840,000	700,000
Philippines	245,000	175,000
Togo	210,000	175,000
Tanzania	347,500	175,000
Honduras	175,000	140,000
Zimbabwe	-	17,500
Uganda	<u>245,000</u>	<u>192,500</u>
	<u>\$ 2,587,500</u>	<u>\$ 2,065,000</u>
Total number of bedkits funded (Note 5)	<u>73,929</u>	<u>59,000</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, 2018

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 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 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 \$3,400,000.
- 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, 2018, SCAW USA raised U.S. \$28,900 (2017 - \$32,250) in bedkit donations, it made a bedkit distribution of U.S. \$106,380 (2017 - \$Nil) and had a balance of U.S. \$82,305 (2017 - \$57,861) held in cash at year end. In addition, for the year ended February 28, 2018, the Organization transferred, to SCAW USA, U.S. \$106,280 (2017 - \$2,211) of which U.S. \$106,280 (2017 - \$Nil) was paid in a bedkit distribution and U.S. \$Nil (2017 - \$2,211) was spent on operations.

Sleeping Children Around The World

Notes to Consolidated Financial Statements

For the year ended February 28, 2018

2. Summary of significant accounting policies *(Continued from previous page)*

Fund Accounting and basis of reporting

The Organization reports using fund accounting and maintains five reserve 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 \$3,400,000.

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, 2018

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.

The Organization's Financial instruments include cash, accrued interest, accounts receivable and 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.

	Method	Rate
Building	straight-line	25 Years
Computer software	declining-balance	20 %

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.

3. Interaccount transfers

During the year, the sum of \$150,000 (2017 - \$150,000) was transferred from the Legacy Account to the Operating Account to assist the Organization in fulfilling its mandate. The sum of \$6,000 (2017 - \$3,000) was transferred from the Legacy Account to the Bedkit Account to purchase bedkits. The sum of \$165,000 (2017 - \$154,986) was transferred from the Pinehurst Club to the Legacy Account. Interaccount balances are unsecured, interest-free and currently due.

Sleeping Children Around The World
Notes to Consolidated Financial Statements

For the year ended February 28, 2018

4. Property, building and computer software

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 205,000	\$ -	\$ 205,000	\$ -
Building	<u>200,000</u>	<u>144,000</u>	<u>200,000</u>	<u>136,000</u>
	<u>\$ 405,000</u>	<u>\$ 144,000</u>	<u>\$ 405,000</u>	<u>\$ 136,000</u>
Net book value		<u>\$ 261,000</u>		<u>\$ 269,000</u>
Computer software	<u>\$ 29,290</u>	<u>\$ 23,432</u>	<u>\$ 29,290</u>	<u>\$ 17,574</u>
Net book value		<u>\$ 5,858</u>		<u>\$ 11,716</u>

Total amortization expensed during the year was \$13,858 (2017 - \$13,858).

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.

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, 2018, SCAW USA held U.S. funds of \$82,305 (2017 - \$57,861).