
TRANSFORMING FACES
FINANCIAL STATEMENTS
DECEMBER 31, 2021

INDEX

Page	1-2.	Independent Auditor's Report
	3.	Statement of Financial Position
	4.	Statement of Changes in Net Assets
	5.	Statement of Operations
	6.	Statement of Cash Flows
	7-10.	Notes to Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Transforming Faces
TORONTO
Ontario

Opinion

We have audited the accompanying financial statements of Transforming Faces which comprise the statement of financial position as at December 31, 2021 and the statement of operations, statement of changes in net assets and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at December 31, 2021 and the results of its operations and its 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 Financial Statements section of our report. We are independent of the entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other 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.

Other Matter

The financial statements of Transforming Faces for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on these statements on March 9, 2021.

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

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

- 1 -

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 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 entity'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 entity'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 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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.



NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
March 8, 2022

TRANSFORMING FACES
STATEMENT OF FINANCIAL POSITION

As at December 31,	2021	2020
ASSETS		
Current		
Cash	\$ 499,099	\$ 283,335
Temporary investment (Note 2)	-	75,121
Accounts receivable	4,217	18,477
Prepaid expenses	<u>28,147</u>	<u>8,334</u>
	\$ 531,463	\$ 385,267
Capital Assets (Note 3)	<u>4,956</u>	<u>2,913</u>
	<u>\$ 536,419</u>	<u>\$ 388,180</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 6,524	\$ 1,625
Deferred revenue (Note 4)	<u>123,643</u>	<u>42,500</u>
	\$ 130,167	\$ 44,125
NET ASSETS	<u>406,252</u>	<u>344,055</u>
	<u>\$ 536,419</u>	<u>\$ 388,180</u>

Approved by the Board:

_____ Director

_____ Director

TRANSFORMING FACES

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31,	2021	2020
NET ASSETS - Beginning	\$ 344,055	\$ 384,698
Excess (deficiency) of revenues over expenses	<u>62,197</u>	<u>(40,643)</u>
NET ASSETS - Ending	<u>\$ 406,252</u>	<u>\$ 344,055</u>

See accompanying notes

- 4 -

TRANSFORMING FACES

STATEMENT OF OPERATIONS

For the year ended December 31,

2021

2020

REVENUES

Grants from private foundation	\$ 925,000	\$ 1,075,000
Other donations	267,370	261,443
Donations from other charities	213,157	76,833
Government Covid-19 related assistance	190,594	178,341
Sponsorship and other income	7,509	3,939
Interest	488	2,182
	<u>\$ 1,604,118</u>	<u>\$ 1,597,738</u>

EXPENSES

Programme	\$ 1,263,733	\$ 1,386,491
Administration	148,723	138,139
Communications and publicity	120,831	111,304
Governance	5,350	695
Amortization	3,284	1,752
	<u>\$ 1,541,921</u>	<u>\$ 1,638,381</u>

EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES

	<u>\$ 62,197</u>	<u>\$ (40,643)</u>
--	------------------	--------------------

See accompanying notes

- 5 -

TRANSFORMING FACES

STATEMENT OF CASH FLOWS

For the year ended December 31,

2021

2020

CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):

OPERATING ACTIVITIES

Excess (Deficiency) of revenues over expenses	\$ 62,197	\$ (40,643)
Items not affecting cash:		
Amortization	<u>3,284</u>	<u>1,752</u>
	\$ 65,481	\$ (38,891)
Net change in non-cash working capital balances:		
Accounts receivable	14,260	(7,083)
Prepaid expenses	(19,813)	588
Accounts payable and accrued liabilities	4,899	(1,968)
Deferred revenue	<u>81,143</u>	<u>31,010</u>
	\$ 145,970	\$ (16,344)

INVESTING ACTIVITIES

Purchase of capital assets	\$ (5,327)	\$ (3,174)
Redemption of investments	<u>75,121</u>	<u>124,879</u>
	\$ 69,794	\$ 121,705

INCREASE IN CASH

\$ 215,764 \$ 105,361

CASH - Beginning

283,335 177,974

CASH - Ending

\$ 499,099 \$ 283,335

See accompanying notes

- 6 -

TRANSFORMING FACES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

NATURE OF OPERATIONS

Transforming Faces (the "Organization") was incorporated under the Canada Corporation Act on May 26, 1999, and has been continued under the Canada Not-for-Profit corporations Act. The Organization is dedicated to improving the availability and quality of medical treatment and care of children and adults, with cleft lip and cleft palate, or related craniofacial disorders. The Organization provides funding, support and encouragement to improve the quality of long-term cleft management in developing countries and seeks to work alongside local organizations that are committed to the full development of the individual. The Organization is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from the estimates used. Significant estimates include the estimated useful life of capital assets.

b) Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government Covid-19 related assistance is recognized as revenue when received or receivable and collection is reasonably assured and when any conditions as to its use have been met.

Interest income is recognized as revenue as earned.

Sponsorships and other income is recognized as revenue when received.

c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in the Organization's bank account.

TRANSFORMING FACES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. **SIGNIFICANT ACCOUNTING POLICIES** - Continued

d) **Contributed Services**

The Organization benefits from the voluntary services of many supporters. Since these services are not normally purchased by the corporation and because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

e) **Administration Expenses**

Salary costs are allocated to the Organization's various programs based on the amounts that are directly related to programme, administration, and communications and publicity activities.

f) **Financial Instruments**

Measurement of Financial Instruments

The Organization initially measures its financial assets and liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost includes accounts payable and accrued liabilities.

The Organization has no financial assets measured at fair value and has not elected to carry any financial asset or liability at fair value.

g) **Capital Assets**

Capital assets are recorded at cost. Amortization is being provided over the estimated useful life of the assets using the following annual rate and method:

	<u>Rate</u>	<u>Method</u>
Office Equipment	3 years	Straight line

h) **Foreign Operations**

The Organization has adopted the policy of charging foreign current and capital expenditures in program expenses. This policy is based on the practice that such equipment does not always return to the Organization's use outside of their current programs. The Organization does have control through its representatives and onsite visits by management and employees over such assets.

TRANSFORMING FACES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. INVESTMENTS

Investments consist of the following:

	2021	2020
Guaranteed investment certificate	<u>\$ -</u>	<u>\$ 75,121</u>

3. CAPITAL ASSETS

Capital assets consist of the following:

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	<u>\$ 13,903</u>	<u>\$ 8,947</u>	<u>\$ 4,956</u>	<u>\$ 2,913</u>

4. DEFERRED CONTRIBUTIONS

Deferred contributions consists of donor restricted contributions which have not been spent as at the year-end. The change in deferred contributions is as follows:

	2021	2020
BALANCE - Beginning	\$ 42,500	\$ 11,490
Add: Funds received	123,643	42,500
Less: Amounts recognized as revenue	<u>(42,500)</u>	<u>(11,490)</u>
BALANCE - Ending	<u>\$ 123,643</u>	<u>\$ 42,500</u>

5. ECONOMIC DEPENDENCE

The Organization receives a significant portion of its revenue from one foundation. The grant from the foundation represented 41% of total revenue received in 2021 and 67% of total revenue received in 2020.

TRANSFORMING FACES

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

6. FINANCIAL INSTRUMENTS

Risks and Concentrations

The Organization is exposed to various risks through its financial instruments. The following analysis provides a summary of the Organization's exposure to and concentrations of risk at December 31, 2021:

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Organization is not exposed to significant credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly with respect to its accounts payable and accrued liabilities. The Organization manages this risk by managing its working capital and by generating sufficient cash flows from operations.

c) 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 comprises three types of risk: currency risk, interest rate risk, and price risk. The Organization is not exposed to significant market risk.

7. ALLOCATION OF SALARIES

Salary costs are allocated as follows:

	2021	2020
Programme	\$ 405,617	\$ 382,321
Administration	112,498	103,562
Communications and publicity	<u>99,301</u>	<u>91,527</u>
	<u>\$ 617,416</u>	<u>\$ 577,410</u>