

TRANSFORMING FACES
(formerly Transforming Faces Worldwide)

FINANCIAL STATEMENTS

DECEMBER 31, 2014



CONTENTS

PAGE #

Independent Auditor's report	1-2
Balance sheet	3
Statement of operations	4
Statement of changes in net assets	4
Statement of cash flows	5
Notes to financial statements	6 - 9





INDEPENDENT AUDITOR'S REPORT

To the Members of
Transforming Faces Worldwide

Report on the Financial Statements

I have audited the accompanying financial statements of Transforming Faces Worldwide, which comprise the balance sheet as at December 31, 2014 and the 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for qualified Opinion

In common with many charitable organizations, the corporation derives revenue from donations, sponsorship and other income the completeness of which is not susceptible to satisfactory audit verification. Accordingly my verification of this income was limited to the amounts recorded in the records and I was not able to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Transforming Faces Worldwide as at December 31, 2013 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.

Wayne G. Rutledge

Toronto, Ontario
March 12, 2015

Chartered Accountant
Licensed Public Accountant



**TRANSFORMING FACES
BALANCE SHEET
DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
ASSETS		
Current		
Cash	350,858	415,567
Accounts receivable	72,532	104,328
Prepaid expenses	<u>26,120</u>	<u>7,279</u>
	449,510	427,174
Capital assets (note 4)	<u>740</u>	<u>1,497</u>
	<u><u>450,250</u></u>	<u><u>528,671</u></u>

LIABILITIES AND NET ASSETS

Current		
Accounts payable and accrued liabilities	<u>52,353</u>	<u>45,444</u>
Deferred revenue		
Grant for future project	<u>57,325</u>	<u>-</u>
Net assets		
Unrestricted	<u>340,572</u>	<u>483,227</u>
	<u><u>450,250</u></u>	<u><u>528,671</u></u>

See accompanying notes

ON BEHALF OF THE BOARD:

_____ Director

_____ Director



**TRANSFORMING FACES
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
Revenue		
Grants from Foundation	1,077,000	1,250,000
Donations	84,868	91,165
Sponsorship and other income	30,912	29,309
Bank interest	<u>1,642</u>	<u>1,886</u>
	<u>1,194,422</u>	<u>1,372,360</u>
Expenses		
Programme	1,128,200	1,004,069
Administration	135,531	122,202
Governance	1,335	2,531
Communications and publicity	70,806	63,582
Amortization of capital assets	<u>1,205</u>	<u>1,196</u>
Total expenses	<u>1,337,077</u>	<u>1,193,580</u>
Excess (deficiency) of revenue over expenses	<u>(142,655)</u>	<u>178,780</u>

**TRANSFORMING FACES
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>2014</u>	<u>2013</u>
	\$	\$
Net assets		
Balance, beginning of year	483,227	304,447
Excess (deficiency) revenue over expenses	<u>(142,655)</u>	<u>178,780</u>
Balance, end of year	<u>340,572</u>	<u>483,227</u>

See accompanying notes



**TRANSFORMING FACES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	2014	2013
	\$	\$
Funds provided by (used for)		
Operating activities		
Excess (deficiency) of revenues over expenses	(142,655)	178,780
Amortization	<u>1,205</u>	<u>1,196</u>
	(141,450)	179,976
 Change in non-cash working capital items		
Accounts receivable	31,796	(44,380)
Prepaid expenses	(18,841)	(2,721)
Accounts payable and accrued liabilities	6,909	(37,274)
Deferred revenue	<u>57,325</u>	<u>-</u>
	<u>(64,261)</u>	<u>95,601</u>
 Investing activities		
Purchase of office equipment	<u>(448)</u>	<u>(1,828)</u>
 Change in cash	(64,709)	93,773
Cash, beginning of year	<u>415,567</u>	<u>321,794</u>
Cash, end of year	<u><u>350,858</u></u>	<u><u>415,567</u></u>
 Cash consists of:		
Cash	43,640	86,106
Interest bearing bank deposits	<u>307,218</u>	<u>235,688</u>
	<u><u>350,858</u></u>	<u><u>321,794</u></u>

The interest bearing bank deposits earn interest at approximately 1% per annum.

See accompanying notes



TRANSFORMING FACES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

1. Purpose of organization

The corporation was incorporated under the Canada Corporation Act on May 26, 1999, and is now continuing under the Canada Not-for-profit Corporations Act. The corporation 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 corporation will provide 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 corporation 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.

2. Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations as found in Part III of the C Handbook, the more significant of which are outlined below.

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 that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from those estimates.

Revenue recognition

The corporation 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

Unrestricted investment income is recognized as revenue is earned.

Donated services

The corporation 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.



**TRANSFORMING FACES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Significant accounting policies, continued

Administration expenses

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

Financial instruments

The corporation initially measures its financial instruments at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. The corporation subsequently measures its financial instruments at amortized cost.

Financial instruments measured at amortized cost include cash, accounts receivable and accounts payable and accrued liabilities.

Capital assets

Capital assets are recorded at cost. Amortization is recorded on a straight line basis over the expected useful life as follows:

Office equipment 3 year straight-line

Foreign operations

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

3. Objectives, policies and processes for managing capital

The Board's objective is to maintain an unrestricted fund balance sufficient to meet annual operational budget requirements. An annual budget is prepared by management and approved by the Board. Operations are monitored by management and staff against the budget and the Board is notified when changes are required.

4. Capital assets

	Cost	Accumulated Amortization	2014	2013
	\$	\$	\$	\$
Office equipment	27,631	26,891	740	1,497



**TRANSFORMING FACES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

5. Economic dependence

The corporation receives a significant portion of its revenue from one foundation. The grant from the foundation represented 90% of total revenue received in 2014 and 91% of total revenue received in 2013.

6. Financial instruments

The corporation is exposed to various risks through its financial instruments.

Credit risk

The corporation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations such that the corporation could incur a financial loss. Cash and accounts receivables are exposed to credit risk. Credit risk associated with cash is minimized by depositing cash with a major financial institution. Accounts receivables risk is minimized since the majority of these amounts are due from the corporation's major donor or from the government relating to HST rebates.

Liquidity risk

Liquidity risk is the risk that the corporation will not be able to meet a demand for cash or fund its obligations as they come due.

The corporation meets its liquidity requirements by preparing and monitoring forecasts of cash flow from operations and by holding assets that can be readily converted into cash.

7. Allocation of salaries

Salary costs are allocated as follows:

	2014	2013
	\$	\$
Programme	295,534	260,911
Administration	103,123	92,309
Communications and publicity	47,723	42,980
	446,380	396,200

8. Commitment

The corporation has entered into a five year office lease ending on June 30, 2017. The lease calls for lease payments ranging from approximately \$25,000 in the first year to approximately \$ 29,000 in the final year.



TRANSFORMING FACES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

9 Name change

During the year the corporation changed its name to Transforming Faces.

10. Comparative figures

Certain 2013 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2014.

