TRANSFORMING FACES

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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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, 2023 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, 2023 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.

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.

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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

NORTON McMULLEN LLP
Chartered Professional Accountants, Licensed Public Accountants

MARKHAM, Canada
March 5, 2024

TRANSFORMING FACES

STATEMENT OF FINANCIAL POSITION

As at December 31,		2023		2022
ASSETS				
Current				
Cash	$	**236,803**	$	312,781
Accounts receivable		**5,721**		8,457
Prepaid expenses		**14,840**		7,809
	$	**257,364**	$	329,047
Capital Assets (Note 2)		**2,814**		2,519
	$	**260,178**	$	331,566
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**11,443**	$	9,541
Deferred revenue (Note 3)		**46,626**		-
	$	**58,069**	$	9,541
NET ASSETS		**202,109**		322,025
	$	**260,178**	$	331,566

Approved by the Board:

____________________ Director ____________________ Director

See accompanying notes

TRANSFORMING FACES

STATEMENT OF CHANGES IN NET ASSETS

For the year ended December 31,	2023	2022
NET ASSETS - Beginning	**$ 322,025**	$ 406,252
Deficiency of revenues over expenses	**(119,916)**	(84,227)
NET ASSETS - Ending	**$ 202,109**	$ 322,025

See accompanying notes

TRANSFORMING FACES

STATEMENT OF OPERATIONS

For the year ended December 31,	2023	2022
REVENUES		
Grants from private foundation	**$ 1,510,319**	$ 1,500,000
Donations from other charities	**255,231**	240,077
Other donations	**249,164**	283,945
Sponsorship and other income	**25,512**	22,600
Interest	**12,790**	3,921
	$ 2,053,016	$ 2,050,543
EXPENSES		
Programme	**$ 1,842,542**	$ 1,809,863
Communications and publicity	**165,017**	144,293
Administration	**152,940**	166,181
Governance	**9,064**	10,881
Amortization	**3,369**	3,552
	$ 2,172,932	$ 2,134,770
DEFICIENCY OF REVENUES OVER EXPENSES	**$ (119,916)**	$ (84,227)

See accompanying notes

TRANSFORMING FACES

STATEMENT OF CASH FLOWS

For the year ended December 31,	2023	2022
CASH AND CASH EQUIVALENTS WERE PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	$ (119,916)	$ (84,227)
Items not affecting cash:		
Amortization	3,369	3,552
	$ (116,547)	$ (80,675)
Net change in non-cash working capital balances:		
Accounts receivable	2,736	(4,240)
Prepaid expenses	(7,031)	20,338
Accounts payable and accrued liabilities	1,902	3,017
Deferred revenue	46,626	(123,643)
	$ (72,314)	$ (185,203)
INVESTING ACTIVITIES		
Purchase of capital assets	(3,663)	(1,115)
DECREASE IN CASH	$ (75,977)	$ (186,318)
CASH - Beginning	312,781	499,099
CASH - Ending	$ 236,803	$ 312,781

See accompanying notes

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.

Interest income is recognized as revenue as earned.

Sponsorships and other income are recognized as revenue when received.

c) **Cash and Cash Equivalents**

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

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 originated or exchanged in arm’s length transactions at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets subsequently measured at amortized cost include cash, and accounts receivable. Financial liabilities subsequently 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:

	Rate	Method
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.

2. CAPITAL ASSETS

Capital assets consist of the following:

	2023			2022
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Office equipment	**$ 18,681**	**$ 15,867**	**$ 2,814**	$ 2,519

3. 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:

	2023	2022
BALANCE - Beginning	**$ -**	$ 123,643
Add: Funds received	**46,626**	-
Less: Amounts recognized as revenue	**-**	(123,643)
BALANCE - Ending	**$ 46,626**	$ -

4. ECONOMIC DEPENDENCE

The Organization receives a significant portion of its revenue from one foundation. The grant from the foundation represented 74% of total revenue received in 2023 and 73% of total revenue received in 2022.

5. 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, 2023:

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. There has been no change in the assessment of liquidity risk from the prior year.

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.

6. ALLOCATION OF SALARIES

Salary costs are allocated as follows:

	2023	2022
Programme	$ **470,979**	$ 447,555
Communications and publicity	**122,957**	116,087
Administration	**116,407**	128,078
	$ **710,343**	$ 691,720