

TRANSFORMING FACES  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020



CONTENTS	PAGE #
Independent Auditor's report	1-3
Statement of financial position	4
Statement of operations	5
Statement of changes in net assets	5
Statement of cash flows	6
Notes to financial statements	7 - 10

## **INDEPENDENT AUDITOR'S REPORT**

### **Opinion**

I have examined the financial statements of Transforming Faces ( the Organization), which comprises the statements of financial position as at December 31, 2020 and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with the accounting standards for not-for-profit organizations.

### **Basis for opinion**

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Not-for-Profit Organizations, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, 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 relating 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**

My 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 my 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. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.



# WAYNE G. RUTLEDGE

CHARTERED PROFESSIONAL ACCOUNTANT



- Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion.
- 

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

*Wayne G. Rutledge*

Toronto, Ontario  
March 9, 2021

Chartered Professional Accountant  
Licensed Public Accountant

**TRANSFORMING FACES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	358,456	184,712
Accounts receivable	18,477	4,656
Prepaid expenses	<u>8,334</u>	<u>8,922</u>
	385,267	198,290
<b>Non-current</b>		
Long-term investments (note 3)	-	200,000
<b>Capital assets (note 4)</b>	<u>2,913</u>	<u>1,491</u>
	<u><u>388,180</u></u>	<u><u>399,781</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>1,625</u>	<u>3,593</u>
<b>Deferred revenue</b>		
Grants for future projects	<u>42,500</u>	<u>11,490</u>
	<u>344,055</u>	<u>384,698</u>
<b>Net assets</b>	<u><u>388,180</u></u>	<u><u>399,781</u></u>

See accompanying notes

ON BEHALF OF THE BOARD:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**TRANSFORMING FACES  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Revenue</b>		
Grants from Private Foundation	1,075,000	1,075,000
Donations from other charities	65,342	136,466
Other donations	261,443	205,505
Government Covid-19 related subsidies	178,342	-
Sponsorship and other income	3,939	4,846
Amortized deferred revenue	11,490	19,077
Bank interest	<u>2,182</u>	<u>1,768</u>
	<u>1,597,738</u>	<u>1,442,662</u>
<b>Expenses</b>		
Programme	1,386,491	1,274,845
Administration	138,139	138,040
Governance	695	6,803
Communications and publicity	111,304	136,068
Amortization of capital assets	<u>1,752</u>	<u>694</u>
	<u>1,638,381</u>	<u>1,556,450</u>
<b>Total expenses</b>		
	<u>(40,643)</u>	<u>(113,788)</u>
<b>Deficiency of revenue over expenses</b>		

**TRANSFORMING FACES  
STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Net assets</b>		
Balance, beginning of year	384,698	498,486
Excess (deficiency) revenue over expenses	<u>(40,643)</u>	<u>(113,788)</u>
Balance, end of year	<u>344,055</u>	<u>384,698</u>

See accompanying notes

TRANSFORMING FACES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Funds provided by (used for)</b>		
<b>Operating activities</b>		
Deficiency of revenues over expenses	(40,643)	(113,788)
Amortization	<u>1,752</u>	<u>694</u>
	(38,891)	(113,094)
Change in non-cash working capital items		
Accounts receivable	(13,821)	(913)
Prepaid expenses	588	1,272
Accounts payable and accrued liabilities	(1,968)	3,593
Deferred revenue	<u>31,010</u>	<u>(15,577)</u>
	<u>(23,082)</u>	<u>(124,719)</u>
<b>Investing activities</b>		
Proceeds from sale of investment	200,000	(200,000)
Purchase of office equipment	<u>(3,174)</u>	<u>(1,351)</u>
	<u>196,826</u>	<u>(201,351)</u>
Change in cash	173,744	(326,070)
Cash, beginning of year	<u>184,712</u>	<u>510,782</u>
Cash, end of year	<u><u>358,456</u></u>	<u><u>184,712</u></u>
<b>Cash consists of:</b>		
Cash	118,348	64,520
Interest bearing bank deposits	<u>240,108</u>	<u>120,192</u>
	<u><u>358,456</u></u>	<u><u>184,712</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, 2020**

**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**

**Basis of presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations as found in Part III of the CPA Handbook. The more significant accounting policies 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 and government Covid-19 related subsidies are recognized as revenue when earned.

Unrestricted investment income is recognized as revenue is earned.

TRANSFORMING FACES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**Significant accounting policies, continued**

**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.

**Administration expenses**

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

**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 as follows:

Cash	Fair value
Accounts receivable	Amortized cost
Long-term investment	Amortized cost
Accounts payable and accrued	
Liabilities	Amortized cost

**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.

**TRANSFORMING FACES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**3. Long-term investment**

	<u>2020</u>	<u>2019</u>
Guaranteed investment certificate	<u>\$ -</u>	<u>200,000</u>

**4. Capital assets**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020</u>	<u>2019</u>
	\$	\$	\$	\$
Office equipment	<u>8,575</u>	<u>5,662</u>	<u>2,913</u>	<u>1,491</u>

**5. Economic dependence**

The corporation receives a significant portion of its revenue from one foundation. The grant from the foundation represented 67.3% of total revenue received in 2020 and 74.5% of total revenue received in 2019.

**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 these amounts are due from the Federal government relating to HST rebate and COVID-19 subsidies.

**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

TRANSFORMING FACES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

7. Allocation of salaries

Salary costs are allocated as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Programme	382,321	316,995
Administration	103,562	103,262
Communications and publicity	<u>91,527</u>	<u>93,936</u>
	<u>577,410</u>	<u>514,913</u>

8. Commitment

The corporation's five year office lease ended on June 30, 2020. The lease called for yearly lease payments of \$ 16,800 plus operating costs and HST which totals approximately \$ 39,000 per year. Due to COVID-19 the corporation is continuing at the same rent up to December 31, 2021

9. COVID-19

During the last nine and a half months of fiscal 2020 the COVID-19 pandemic impacted the corporation's operations due to a downturn in the economy and restrictions imposed by the various levels of government.

These restrictions continued subsequent to the year end and it is uncertain what economic impact this will have on the corporation's operations, ongoing cash flows, and its ability to raise future funding.