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**July 2018**

Dear friends and supporters of WE,

Thank you for your continued interest in WE Charity, and the financial health of our organization. On behalf of myself, and WE Charity's Canadian Board of Directors and Finance Committee, I write this letter in order to provide additional information with respect to the Audited Financial Statement of 2017 Fiscal Year.

WE Charity has a long history of delivering empowerment programs around the world. What started as a group of twelve 12-year olds coming together against child labour in 1995 has grown into a powerful movement of dedicated change makers at home and abroad, working with over 4.3 million youth and 14,300+ schools around the world, and working in over 60 communities across 9 countries internationally. We have been able to achieve more than we ever imagined possible.

### **Our Unique Model**

WE Charity is unique among Canadian charities in that it operates programs both domestically and internationally, in a manner that is intended to be interrelated and mutually reinforcing. Our overarching mandate is to help children and youth fulfill their potential to be agents of change. While most organizations typically serve primarily a domestic or international mandate, we serve both. In order to fulfill this mission we receive distinct funding for both our domestic youth empowerment and international development programming, and those funds are specifically invested into their designated programs.

Our unique partnership with ME to WE has been a key contributor to WE Charity's financial success, allowing us to grow and scale our operational capacity while remaining focused on our key programs and maintaining a low administration rate. ME to WE, an innovative social enterprise with a social mission, provides consumers with better choices for a better world. Through socially-conscious and environmentally-friendly products and life-changing experiences, ME to WE measures the bottom line not by dollars earned, but by the number of lives changed and the positive social impact made.

ME to WE operates based on a unique business model and uses its income to support the operating costs incurred by WE Charity. Half of ME to WE's net profit is donated directly to WE Charity and the other half is reinvested in ME to WE. Since its inception, ME to WE has donated over \$20 million to WE Charity through cash and in-kind donations.

### **Our Board of Directors**

WE Charity's Board of Directors is a dynamic group of talented, experienced professionals, who oversee the activities and governance of WE Charity and continue to be highly engaged in the overall direction of the organization. Our board

ensures that our governance is of the highest calibre and integrity, and that all of the necessary systems are in place for the sustainable growth and impact of our organization. The Board's key roles and responsibilities include the review and approval of the annual budget, overseeing and approving independent audits, the ongoing review of our financial wellbeing, and providing independent review and guidance of our domestic and international projects. We are incredibly lucky to have such a diverse range of expertise at the helm, all coming together and donating their time in service of WE Charity and ensuring that we are being financially sound and investing in the right programs to grow our mission.

### **WE Global Learning Centre**

One of the charity's major projects in 2017 has been completing the construction of the WE Global Learning Centre, and its subsequent opening in August 2017. The WE Global Learning Centre ("WE GLC") is both WE Charity's official new headquarters, and much more importantly, a groundbreaking facility to foster service learning among youth and schools in Canada and around the world. It has truly been a game changer, bringing sustainability and digital transformation to our programming and operations.

The establishment of the WE GLC was made with an initial landmark gift from Canadian entrepreneurs and long-time supporters Hartley T. Richardson and David Aisenstat. Their generous actions were the spark that inspired a remarkable community of business leaders and philanthropists to come together as hopeful visionaries and to bring this vision of the Centre to life.

The WE GLC and its unique capabilities were enabled through significant in-kind donations of services and technology by such partners as Microsoft, TELUS, Cisco, SMART Technologies, and Siemens Canada. The funds raised by our incredible donors, coupled with the invaluable generous in-kind support received from our partners ensured that we never had to take a penny from programs to realize our dream.

As is evident in the Statement of Financial Position in this year's Audited Financials, there has been a natural progression from last year's report where the WE Global Learning Centre has shifted from being listed as a 'property under renovation' to a fully functioning asset, now that the project is complete and operational. We are currently in process of repayment for a bank loan which was obtained in order to cover immediate building and construction costs.

### **Imagine1Day**

Imagine1Day ("I1D") is an organization dedicated to inspiring a global community of people making sustainable impacts on youth and education in Ethiopia. In May 2017, Imagine1Day joined forces with WE Charity, adopting Ethiopia as an official WE Villages country, integrating the work which was being executed by the Imagine1Day International Organization with WE's international development model. Governance of the Imagine1Day Organization is operated



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through a common Board of Directors with WE Charity, and program operations are focused on providing children in Ethiopia with access to quality education.

### **Audited Financial Statement**

Enclosed in this document are WE Charity Canada's Audited Financial Statements for the most current fiscal year. Each year we post complete financial information to reflect our organization's commitment to financial transparency and accountability. We are proud to report that once again we have received an unqualified audit report, which means that our auditors have given their full approval of what is represented in our financial statements, following a comprehensive audit of our financial and accounting systems and operations.

I am also pleased to report that our global organizational administration rate remains under 10%, allowing us to invest over 90% of funds directly into projects and programming impacting the lives of youth and families, both locally and globally.

One change to look forward to in next year will be the change in the measurement of WE Charity's fiscal year. Based on an approved vote by WE Charity's Board of Directors in December of 2017, WE Charity will be implementing a change in its fiscal year, shifting from the calendar year (Jan 1 – Dec 31) to the academic year (Sept 1 – Aug 31) which will better align with the charity's overall program implementation. As always, we remain grateful to Board of Directors and the Finance Committee for their continued guidance and leadership in ensuring WE Charity remains a trusted and accountable organization.

2017 was a great year for the growth of our organization, and the expansion of our programming across Canada. Our Audited Financial Statements reflect the impact and support needed for the expansion of our programming across the country and abroad, and we look forward to another successful year of delivering impacts to the next generation of young changemakers across the world.

Sincerely,

A handwritten signature in black ink that reads 'Scott Baker'.

Scott Baker  
Executive Director  
WE Charity

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**WE CHARITY**

**NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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# WE CHARITY

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## INDEPENDENT AUDITOR'S REPORT

To the Members of WE Charity

We have audited the accompanying non-consolidated financial statements of WE Charity, which comprise the non-consolidated statement of financial position as at December 31, 2017 and the non-consolidated statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-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 non-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 non-consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*(continues)*

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of WE Charity as at December 31, 2017 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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Markham, Ontario  
May 24, 2018

*Kestenberg • Rabinowicz • Partners LLP*

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Chartered Professional Accountants  
Licensed Public Accountants

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**WE CHARITY****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2017**

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	2017	2016
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	-	2,784,780
Term deposits	-	250,000
Marketable securities	<b>7,963,896</b>	1,258,995
Contributions receivable (Note 3)	<b>1,484,743</b>	3,423,846
Sales tax rebate receivable	<b>1,888,250</b>	1,063,254
Due from related entities (Note 4)	<b>3,522,211</b>	226,768
Prepaid expenditures and other assets	<b>561,577</b>	802,801
	<b>15,420,677</b>	9,810,444
CAPITAL ASSETS (Note 5)	<b>45,439,217</b>	11,618,437
PROPERTIES UNDER RENOVATION (Note 6)	<b>3,027,860</b>	24,538,285
INTANGIBLE ASSETS (Note 2)	<b>700,000</b>	-
INVESTMENTS IN WE365 (Note 7)	<b>2</b>	2
	<b>64,587,756</b>	45,967,168

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See accompanying notes.

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## WE CHARITY

### NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

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	2017	2016
	\$	\$
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness (Note 8)	4,052,328	2,220,000
Accounts payable and accrued liabilities	3,915,381	3,598,955
Renovation holdbacks payable	-	521,480
Deferred contributions (Notes 9 and 15)	13,522,932	6,102,183
Bank loans - current portion (Note 10)	4,742,472	4,846,632
Obligations under capital lease - current portion (Note 11)	589,881	-
Mortgage payable (Note 12)	-	2,500,000
	<b>26,822,994</b>	19,789,250
BANK LOANS (Note 10)	2,127,018	-
OBLIGATIONS UNDER CAPITAL LEASE (Note 11)	1,861,862	-
DEFERRED CAPITAL CONTRIBUTIONS (Note 13)	12,832,825	9,330,000
OBLIGATION FOR INVESTMENTS IN WE365 (Note 7)	340,005	27,922
	<b>43,984,704</b>	29,147,172
<b>NET ASSETS</b>		
UNRESTRICTED	(5,207,901)	1,161,981
INVESTED IN CAPITAL ASSETS	25,810,953	15,658,015
	<b>20,603,052</b>	16,819,996
	<b>64,587,756</b>	45,967,168

COMMITMENTS (Note 19)

#### ON BEHALF OF THE BOARD

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes.

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**WE CHARITY****NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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	Unrestricted \$	Invested in capital assets \$	2017 \$	2016 \$
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,161,981	15,658,015	<b>16,819,996</b>	14,990,126
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	4,484,060	(701,004)	<b>3,783,056</b>	1,829,870
INVESTMENT IN CAPITAL ASSETS, NET	(10,853,942)	10,853,942	-	-
<b>NET ASSETS - END OF YEAR</b>	(5,207,901)	25,810,953	<b>20,603,052</b>	16,819,996

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See accompanying notes.

**WE CHARITY**  
**NON-CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017	2016
	\$	\$
<b>REVENUE</b>		
Donations		
General (Note 14)	45,899,991	43,513,307
In-kind	4,828,518	1,644,685
Grants		
Government	2,987,500	2,100,000
Private	10,704,742	3,906,897
Other		
Other income (Note 15a)	158,379	54,738
	<b>64,579,130</b>	<b>51,219,627</b>
<b>EXPENDITURES</b>		
Programs (Schedule 1)	55,907,498	45,139,176
Support (Schedule 2)	4,578,616	4,117,659
	<b>60,486,114</b>	<b>49,256,835</b>
<b>OTHER INCOME AND EXPENDITURES</b>		
Dividend and interest income	179,765	37,086
Gain (loss) on foreign exchange	(308,601)	90,240
Interest expenditure	(412,736)	(292,105)
Share of loss from We365 LP (Note 7)	(312,083)	(27,924)
Unrealized gain on marketable securities	543,695	59,781
	<b>(309,960)</b>	<b>(132,922)</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	<b>3,783,056</b>	<b>1,829,870</b>

See accompanying notes.

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## WE CHARITY

### NON-CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

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	2017	2016
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures for the year	3,783,056	1,829,870
Items not affecting cash:		
Amortization	1,772,991	524,082
Gain on disposal of capital assets (net)	(1,286,455)	(992,232)
Marketable securities received in-kind	(6,161,206)	-
Unrealized gain on marketable securities	(543,695)	(59,781)
Share of loss from We365 LP	312,083	27,924
Contributed intangible asset in-kind	(700,000)	-
	(2,823,226)	1,329,863
Changes in non-cash working capital ( <i>Note 18</i> )	12,073,851	11,912,604
Cash flows from operating activities	9,250,625	13,242,467
<b>INVESTING ACTIVITIES</b>		
Term deposits	250,000	-
Marketable securities	-	(2,185)
Due from related entities	(3,295,443)	(196,888)
Purchase of capital assets	(14,799,049)	(3,988,532)
Proceeds on disposal of capital assets	4,531,481	2,058,825
Properties under renovation	(29,323)	(8,549,588)
Investments in We365	-	(2)
Cash flows used by investing activities	(13,342,334)	(10,678,370)
<b>FINANCING ACTIVITIES</b>		
Bank indebtedness	1,832,328	(1,460,000)
Proceeds from bank loans	2,200,000	-
Repayment of bank loans	(177,142)	(414,806)
Repayment of mortgage payable	(2,500,000)	-
Repayment of obligations under capital lease	(48,257)	-
Cash flows from (used by) financing activities	1,306,929	(1,874,806)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(2,784,780)</b>	<b>689,291</b>
CASH - BEGINNING OF YEAR	2,784,780	2,095,489
<b>CASH - END OF YEAR</b>	<b>-</b>	<b>2,784,780</b>
<b>ADDITIONAL INFORMATION</b>		
Furniture and fixtures acquired under capital lease	2,500,000	-

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See accompanying notes.

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# WE CHARITY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### 1. NATURE OF OPERATIONS

WE Charity (the "organization") is committed to creating a network of children helping children through representation, leadership and action and is dedicated to reducing poverty and exploitation of children around the world.

The organization is incorporated under the provision of Part II of the Canada Corporations Act as a non-profit corporation without share capital. It is a registered charity under the Income Tax Act, and as a result, the organization is exempt from income taxation under Section 149 of the Income Tax Act.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The non-consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

#### Revenue recognition

The organization follows the deferral method of accounting for contributions, which is comprised of general donations, donated goods, government grants and private grants.

Restricted contributions for specific programs are deferred and recognized as revenue in the year in which the related expenditures are incurred. Restricted contributions for capital expenditures are deferred and recognized as revenue on the same basis as the amortization of the acquired capital asset.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably determined and collection is reasonably assured.

Investment and other income are recognized as revenue when earned.

#### Contributed assets and services

Contributed assets and supplies are recognized when fair value can be reasonably determined and when the goods are used in the normal course of operations and would otherwise have been purchased. Contributed capital assets are capitalized at fair value on the date of contribution. Contributed supplies to be consumed in programs and operations are expensed.

While the organization also benefits from volunteer time, due to the difficulty in determining its fair value, the value of this volunteer time has not been reflected in these non-consolidated financial statements.

#### Program expenditures

Program expenditures are incurred on international and domestic programs, leadership education and public awareness initiatives. International program expenditures are recognized as expenditures when the funds are disbursed by the organization. All other program expenditures are recognized as expenditures when incurred by the organization.

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**WE CHARITY**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Net assets**

- a) Net assets invested in capital assets are comprised of the unamortized amount of capital assets net of liabilities incurred to acquire the capital assets and deferred capital contribution.
- b) Unrestricted net assets are comprised of the excess of revenue over expenditures accumulated by the organization, net of transfers, available for use in general operations.

**Capital assets**

Capital assets are stated at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	declining balance method
Computer equipment	2 years	straight-line method
Furniture and fixtures	20%	declining balance method
Vehicles	30%	declining balance method
Leasehold improvements	5 years	straight-line method

During the year, the organization changed its policy for the presentation of capital asset amortization. Amortization previously presented as a component of administrative expenditures is now presented by function to provide users with more relevant information. The change in policy is retroactively applied. As a result, certain comparative figures are modified to conform to the current year presentation.

**Intangible assets**

Intangible assets consist of a series of software license rights contributed by a corporate sponsor and are amortized on a straight-line basis over their estimated useful lives of five years.

The assets were not in use during the year. No amortization was claimed for the current year.

**Properties under renovation**

Properties under renovation are stated at cost, which include costs of acquisition, renovation and carrying charges during the renovation period.

**Controlled entities**

The organization does not consolidate controlled not-for-profit entities. Instead, a summary of the entity's financial information is included in the organization's financial statements.

The organization accounts for its investments in profit-oriented entities using the equity method. Accordingly, the investments are recorded at acquisition cost and are increased for the organization's proportionate share of post-acquisition earnings and decreased by post-acquisition losses and distributions received.

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# WE CHARITY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### **Impairment of long-lived assets**

The organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

#### **Leases**

Leases are classified as either capital or operating leases. At the time the organization enters into a capital lease, an asset is recorded along with its related obligation to reflect the acquisition and financing. Rental payments under operating leases are expensed as incurred.

#### **Allocation of expenditures**

The organization engages in international and domestic programs, fundraising and administrative activities. The cost of each function includes the cost of personnel and other expenditures directly related to the function. The organization incurs administrative and fundraising costs common to the administration of the organization and its programs. Accordingly, certain payroll and operating costs are allocated to administration, fundraising and program expenditures based on resources dedicated to each function.

#### **Foreign currency translation**

Monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated using historical rates. Revenue and expenditures are translated at the monthly average rates during the year. Translational gains and losses are included in operations for the year in which they occur.

#### **Non-monetary transactions**

Non-monetary transactions are those where there is an exchange of non-monetary assets or services for little or no monetary consideration. The company accounts for the transactions at the more reliably measurable of either the fair value of the asset or service given up or the fair value of the asset or service received. Any gains or losses on such transactions are recognized in operations.

#### **Measurement uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Such estimates include the useful lives of capital and intangible assets, allowance for doubtful accounts, accrued liabilities and allocation of expenditures. Any adjustments necessary are reported in operations in the year in which they become known. Actual results could differ from these estimates.

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# WE CHARITY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### Financial instruments

##### *Measurement*

The company initially measures its financial assets and liabilities at fair value and subsequently measures all its financial assets and financial liabilities at amortized cost, except for marketable securities that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash, term deposits, contributions receivable and amounts due from related entities.

Financial liabilities measured at amortized cost include bank indebtedness, bank loans, accounts payable, obligations under capital lease and mortgage payable.

Financial assets measured at fair value include marketable securities.

##### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of such. The amount of write-down is recognized in operations. A previously recognized impairment loss may be reversed to the extent of a recovery in value, directly or by adjusting the allowance account. The amount of reversal is recognized in operations.

### 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable represent amounts receivable from public and corporate donors. All amounts are considered collectible and no allowance has been provided.

### 4. DUE FROM RELATED ENTITIES

	2017	2016
	\$	\$
We365 LP <i>(Note 7)</i>	384,035	226,768
Me to We Asset Holdings Inc. <i>(Note 14)</i>	45,176	-
Imagine 1 Day International Organization <i>(Note 15)</i>	3,093,000	-
	<b>3,522,211</b>	<b>226,768</b>

Amounts due from related entities are non-interest bearing and have no set repayment terms.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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#### 5. CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	2017 Net book value \$	2016 Net book value \$
Land	7,630,721	-	<b>7,630,721</b>	3,275,000
Buildings	34,416,775	1,390,166	<b>33,026,609</b>	7,952,882
Computer equipment	529,121	431,000	<b>98,121</b>	166,440
Furniture and fixtures	2,515,937	374,686	<b>2,141,251</b>	110,903
Vehicles	189,178	180,962	<b>8,216</b>	11,737
Leasehold improvements	390,999	106,700	<b>284,299</b>	101,475
	45,672,731	2,483,514	<b>43,189,217</b>	11,618,437
Furniture and fixtures under capital lease	2,500,000	250,000	<b>2,250,000</b>	-
	48,172,731	2,733,514	<b>45,439,217</b>	11,618,437

Amortization in the amount of \$203,203 (2016 - \$179,672) is included as a component of international program expenditures in the non-consolidated schedule of program expenditures (Schedule 1).

#### 6. PROPERTIES UNDER RENOVATION

	2017 \$	2016 \$
339-345 Queen Street East	-	21,539,748
335-337 Queen Street East	<b>3,027,860</b>	2,998,537
	<b>3,027,860</b>	24,538,285

During the year, renovations of the property located at 339-345 Queen Street East, Toronto were completed and the balance has been transferred to capital assets (Note 5).

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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#### 7. WE365

On August 8, 2014, the organization acquired 50% interests in We365 LP ("LP") and We365 GP Inc. ("GP"), two for-profit entities, collectively "We365". Effective January 1, 2016, LP and GP became wholly owned subsidiaries of the organization after the organization acquired the remaining 50% interest in both entities.

##### We365 LP

LP was formed for the purpose of developing, implementing and operating the We Day mobile application and corresponding website that focus on engaging youth and educators to take part in a social network designed to create positive social benefits through participating in challenges and educational initiatives. The We Day application will also allow users to track volunteer hours, promote social activism, connect with others passionate about the same causes and receive recognition for doing social good.

The organization's investment in LP is as follows:

	2017 \$	2016 \$
Balance - beginning of year	(27,922)	1
Acquisition	-	1
Share of losses	(312,083)	(27,924)
Balance - end of year	(340,005)	(27,922)

The organization's proportionate share of LP's assets, liabilities, equity, revenue and expenses are as follows:

Assets	44,028	198,843
Liabilities	384,035	226,767
Deficit	(340,007)	(27,924)
Revenue	-	-
Expenses	312,083	27,924
Net loss	(312,083)	(27,924)

Liabilities represent an amount payable to the organization for the reimbursement of expenditures.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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#### 7. WE365 (continued)

##### We365 GP Inc.

GP is the general partner of LP and is responsible for managing the partnership on a day-to-day basis on behalf of the organization.

The organization's investment in GP is as follows:

	2017 \$	2016 \$
Balance - beginning of year	2	1
Acquisition	-	1
Share of earnings	-	-
Balance - end of year	<b>2</b>	<b>2</b>

#### 8. BANK INDEBTEDNESS

	2017 \$	2016 \$
Bank in overdraft position	<b>482,328</b>	-
Revolving demand facility with available credit of \$5,000,000 bearing interest at bank prime plus 0.75% per annum	<b>2,270,000</b>	2,030,000
Revolving demand facility with available credit of \$2,000,000 bearing interest at bank prime plus 0.75% per annum	<b>1,300,000</b>	190,000
	<b>4,052,328</b>	2,220,000

The demand facilities are secured by assets outlined in Note 10.

#### 9. DEFERRED CONTRIBUTIONS

	2017 \$	2016 \$
Balance - beginning of year	<b>6,102,183</b>	3,694,876
Contributions received during the year	<b>52,366,265</b>	46,036,092
	<b>58,468,448</b>	49,730,968
Less: amount recognized as revenue during the year	<b>(44,945,516)</b>	(43,628,785)
	<b>13,522,932</b>	6,102,183

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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#### 10. BANK LOANS

	2017 \$	2016 \$
Non-revolving term facility bearing interest at 3.18% per annum, repayable in monthly blended payments of \$28,526, maturing October 30, 2018	4,669,490	4,846,632
Non-revolving term facility bearing interest at 4.15% per annum, repayable in monthly blended payments of \$13,506, maturing December 19, 2022	2,200,000	-
	6,869,490	4,846,632
Amounts payable within one year	(4,742,472)	(4,846,632)
	2,127,018	-

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Principal repayment terms are approximately:

	\$
2018	4,742,472
2019	76,040
2020	78,989
2021	82,536
2022	1,889,453
	<u>6,869,490</u>

The facilities are secured by the following:

- a) General security agreement constituting a first ranking security interest in all personal properties of the organization;
- b) Collateral mortgages in the amount of \$2,715,000 in aggregate, constituting a first fixed charge on the lands and improvements of two properties located in Toronto, with aggregate carrying value of \$3,601,286; and
- c) Collateral mortgage in the amount of \$10,150,000, constituting a second fixed charge on the land and improvements located at 339-345 Queen Street East, Toronto, Ontario, subject to the vendor's first charge in the amount of \$2,500,000. As at December 31, 2017, the carrying value of the property amounted to \$30,983,279.

Interest incurred on the above facilities for the year amounted to \$133,539 (2016 - 114,455) and has been included as a component of interest expenditure in the non-consolidated statement of operations.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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#### 11. OBLIGATIONS UNDER CAPITAL LEASE

	2017	2016
	\$	\$
RBC lease bearing interest at 3.85% per annum, repayable in monthly blended payments of \$56,100, maturing November 1, 2021	2,451,743	-
Amounts payable within one year	(589,881)	-
	<b>1,861,862</b>	-

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The lease is secured by furniture and fixtures under capital lease (Note 5).

Future minimum capital lease payments are approximately:

	\$
2018	673,200
2019	673,200
2020	673,200
2021	617,100
Total minimum lease payments	2,636,700
Less: amount representing interest at 3.85%	184,957
Net value of minimum lease payments	2,451,743
Less: current portion	589,881
	<b>1,861,862</b>

Interest incurred on the obligation for the year amounted to \$7,843 and has been included as a component of interest expenditure in the non-consolidated statement of operations.

#### 12. MORTGAGE PAYABLE

The amount represents a vendor take-back mortgage bearing interest at 3.5% per annum with a monthly payment of interest only during the term. The principal was repayable in full at the earlier of the commencement of operations at 339-345 Queen Street East, Toronto, Ontario and September 9, 2017.

The mortgage was secured by a first charge on the land and building located at 339-345 Queen Street East, Toronto, Ontario, which had an aggregate carrying value of \$30,983,279.

Interest incurred for the year amounted to \$73,087 (2016 - \$87,500) and has been included as a component of interest expenditure in the non-consolidated statement of operations.

The mortgage was repaid in full during the year.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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#### 13. DEFERRED CAPITAL CONTRIBUTIONS

	2017	2016
	\$	\$
Balance - beginning of year	9,330,000	2,500,000
Contributions received during the year	3,632,449	6,830,000
	12,962,449	9,330,000
Less: amount recognized as revenue during the year	(129,624)	-
	<b>12,832,825</b>	9,330,000

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#### 14. ME TO WE

The co-founders of the organization have a controlling interest in Me to We Social Enterprises Inc. and its subsidiaries (collectively, "Me to We") through a holding company. The purpose of Me to We is to help support the operations of the organization. The organization purchases books, educational material, promotional items and travel services from Me to We at, or below, wholesale prices. Me to We donates 50% of annual profits to the organization and retains the remaining 50% for self-sustainability.

The following is a summary of the organization's transactions with Me to We:

	2017	2016
	\$	\$
Donations received	1,505,900	1,120,666
Purchase of promotional goods and travel services	738,171	406,593

The value of purchased goods indicated above includes \$389,000 still payable to Me to We.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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#### 15. IMAGINE 1 DAY INTERNATIONAL ORGANIZATION

Effective May 8, 2017, the organization took control of Imagine 1 Day International Organization ("I1D"), a charitable organization, by virtue of a common board of directors. I1D's programs focus on providing children in Ethiopia with access to quality education. I1D's program activities include the construction of schools, water points and latrines, curriculum enhancement, leadership and teacher training, and parent and community mobilization initiatives.

As part of the arrangement to transfer control, the organization received \$10,000,000 in marketable securities from Imagine 1 Day International Foundation, an entity controlled by I1D by virtue of a common board of directors until May 7, 2017. The amount transferred is to be used towards initiatives in Ethiopia. As of December 31, 2017, \$9,510,000 of the transfer is included as part of deferred contributions.

A financial summary of I1D as at December 31, 2017 and for the year then ended is included below:

	2017
	\$
<b>Financial position</b>	
Assets	3,898,218
Liabilities (Note a)	3,260,209
Net assets (Note b)	638,009
<b>Results of operations</b>	
Revenue	3,727,472
Expenses (Note a)	3,547,633
Excess of revenue over expenses	179,839
<b>Cash flows</b>	
Operating	24,864
Investing	(2,897,505)
Financing	3,093,000
Increase in cash	220,359

a) I1D's liabilities and expenses include management fee in the amount of \$48,000 payable to the organization. The organization has included the corresponding revenue and receivable as components of other income in the non-consolidated statement of operations and prepaid expenditure and other assets in the non-consolidated statement of financial position, respectively.

b) I1D follows the restricted fund method of accounting for contributions whereby restricted contributions are recognized as revenue of the appropriate restricted fund in the year received or receivable. As of December 31, 2017, net assets include a restricted fund balance of \$272,165.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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#### 16. ECONOMIC INTERESTS

The organization provides funding to a number of not-for-profit organizations outside of Canada to achieve its international program initiatives, known as "WE Villages". The initiatives operate in eight countries around the world using a holistic economic and humanitarian development model. The organization has a regional director who works closely with each local not-for-profit organization to monitor their use of the organization's funding and provides the organization with regular progress updates for ongoing initiatives.

Funding provided to these not-for-profit organizations amounted to \$9,656,000 (2016 - \$10,957,000).

The organization also works closely with charities in the United States and United Kingdom that share the same mission and vision as the organization. During the year, the organization received contributions in the amount of \$21,489,000 (2016 - \$20,315,000) from the charity in the United States and \$1,217,000 (2016 - \$1,056,000) from the charity in the United Kingdom, towards the organization's international programming.

Included in prepaid expenditures and other assets is \$199,000 receivable from the charity in the United States.

#### 17. ALLOCATION OF EXPENDITURES

Fundraising and administrative costs totalling \$5,173,603 (2016 - \$3,211,728) have been allocated as follows:

	Fundraising	Administration	2017	2016
	\$	\$	\$	\$
Payroll	2,721,144	2,452,459	<b>5,173,603</b>	3,211,729
Allocated to:				
International	453,524	1,239,646	<b>1,693,170</b>	638,022
Domestic	453,524	-	<b>453,524</b>	306,704
Fundraising	1,360,572	-	<b>1,360,572</b>	920,111
Administration	453,524	1,212,813	<b>1,666,337</b>	1,346,892
	2,721,144	2,452,459	<b>5,173,603</b>	3,211,729

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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#### 18. CHANGES IN NON-CASH WORKING CAPITAL

	2017	2016
	\$	\$
Contributions receivable	1,939,103	(1,120,354)
Sales tax rebate receivable	(824,996)	1,030,485
Prepaid expenditures and other assets	241,224	(204,189)
Accounts payable and accrued liabilities	316,426	2,447,875
Renovation holdbacks payable	(521,480)	521,480
Deferred contributions	7,420,749	2,407,307
Deferred capital contributions	3,502,825	6,830,000
	<b>12,073,851</b>	<b>11,912,604</b>

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#### 19. COMMITMENTS

The organization leases office space in Canada. Annual minimum aggregate lease payments are as follows:

	\$
2018	131,808
2019	97,200
	<b>229,008</b>

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#### 20. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of December 31, 2017.

##### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk from its cash balances and contributions receivable from donors. In order to reduce its credit risk, the organization recognizes contributions receivable only when there is reasonable expectation of collection. The organization has historically not had any significant issues with collection. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific amounts, historical trends and other information. The organization manages its credit risk from cash balances by maintaining its accounts with creditworthy financial institutions.

*(continues)*

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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#### 20. FINANCIAL INSTRUMENTS *(continued)*

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization is exposed to currency risk on cash, marketable securities and contributions receivable denominated in foreign currencies as follows:

	2017	2016
	\$	\$
U.S. Dollars (USD):		
Cash	374,694	2,673,741
Marketable securities	1,059,760	591,535
Contributions receivable	82,450	-
Pound Sterling (GBP):		
Cash	50,332	-

The organization does not use derivative instruments to reduce its exposure to currency risk.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In seeking to minimize the risks from interest rate fluctuations, the organization manages exposure through its normal operating and financing activities. The organization is exposed to interest rate risk primarily through its bank indebtedness and bank loans.

##### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The organization is exposed to other price risk through its investment in marketable securities.

#### 21. SUBSEQUENT EVENTS

Subsequent to the year end, the organization sold one of its properties for \$950,000 and entered into an agreement to purchase a property for \$1,100,000.

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**WE CHARITY****NON-CONSOLIDATED SCHEDULE OF PROGRAM EXPENDITURES***(Schedule 1)***FOR THE YEAR ENDED DECEMBER 31, 2017**

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	2017	2016
	\$	\$
<b>International programs</b>		
Asia	2,009,681	2,110,862
Africa	9,795,917	11,234,416
Latin America	8,427,310	6,572,112
	<b>20,232,908</b>	<b>19,917,390</b>
<b>Domestic programs</b>		
Direct costs	27,238,493	18,904,465
Office	1,136,616	1,007,188
Payroll	5,105,494	4,240,933
Travel	969,745	953,414
Amortization	1,224,242	115,786
	<b>35,674,590</b>	<b>25,221,786</b>
	<b>55,907,498</b>	<b>45,139,176</b>

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International program expenditures consist of initiative costs, travel, payroll, office and amortization expenditures directly attributed to the specific regions.

See accompanying notes.

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**WE CHARITY****NON-CONSOLIDATED SCHEDULE OF SUPPORT EXPENDITURES***(Schedule 2)***FOR THE YEAR ENDED DECEMBER 31, 2017**

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	2017	2016
	\$	\$
<b>Fundraising</b>		
Events	129,294	175,435
Office	33,647	16,999
Payroll	1,360,572	920,110
Amortization	76,848	87,148
	<b>1,600,361</b>	<b>1,199,692</b>
<b>Administration</b>		
Office	930,196	1,636,634
Payroll	2,401,402	1,709,527
Professional fees	506,243	309,285
Training	114,076	73,929
Travel	44,096	39,349
Amortization	268,697	141,475
	<b>4,264,710</b>	<b>3,910,199</b>
Less: Gain on disposal of capital assets	<b>(1,286,455)</b>	<b>(992,232)</b>
	<b>2,978,255</b>	<b>2,917,967</b>
	<b>4,578,616</b>	<b>4,117,659</b>

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See accompanying notes.