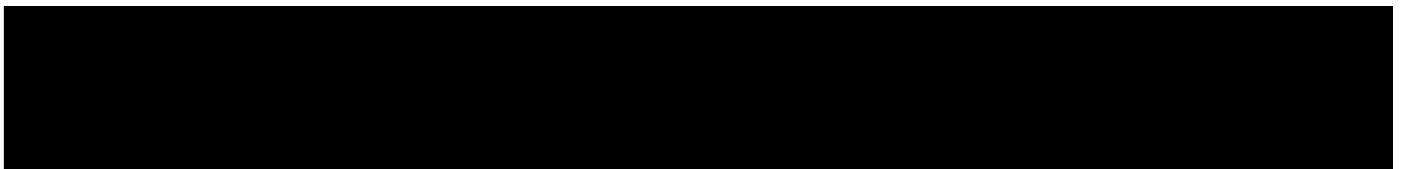

WE CHARITY

(FORMERLY FREE THE CHILDREN)

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



WE CHARITY
(FORMERLY FREE THE CHILDREN)
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FOR THE YEAR ENDED DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Members of WE Charity (formerly Free the Children)

We have audited the accompanying non-consolidated financial statements of WE Charity (formerly Free the Children) which comprise the non-consolidated statement of financial position as at December 31, 2016 and the non-consolidated 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 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)

Independent Auditor's Report to the Members of WE Charity *(continued)*

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of WE Charity (formerly Free the Children) as at December 31, 2016 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.

Markham, Ontario

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| ASSETS | | |
| CURRENT | | |
| Cash | 2,784,780 | 2,095,489 |
| Term deposits | 250,000 | 250,000 |
| Marketable securities | 1,258,995 | 1,197,029 |
| Contributions receivable <i>(Note 3)</i> | 3,423,846 | 2,303,492 |
| Sales tax rebate receivable | 1,063,254 | 2,093,739 |
| Prepaid expenses and other assets <i>(Note 6)</i> | 1,029,568 | 628,492 |
| | 9,810,443 | 8,568,241 |
| CAPITAL ASSETS <i>(Note 4)</i> | 11,618,437 | 9,220,580 |
| PROPERTIES UNDER RENOVATION (WE LEARNING CENTRE) <i>(Note 5)</i> | 24,538,285 | 15,988,697 |
| INVESTMENTS IN WE365 <i>(Note 6)</i> | 2 | 2 |
| | 45,967,167 | 33,777,520 |

See accompanying notes.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| LIABILITIES | | |
| CURRENT | | |
| Bank loans (Note 7) | 7,066,632 | 8,941,438 |
| Accounts payable and accrued liabilities | 3,598,954 | 1,151,080 |
| Renovation holdbacks payable | 521,480 | - |
| Deferred contributions (Note 8) | 6,102,183 | 3,694,876 |
| Mortgage payable - current portion (Note 9) | 2,500,000 | - |
| | 19,789,249 | 13,787,394 |
| DEFERRED CAPITAL CONTRIBUTIONS (Note 10) | 9,330,000 | 2,500,000 |
| MORTGAGE PAYABLE (Note 9) | - | 2,500,000 |
| OBLIGATION FOR INVESTMENTS IN WE365 (Note 6) | 27,922 | - |
| | 29,147,171 | 18,787,394 |
| NET ASSETS | | |
| Unrestricted | 1,161,981 | 3,520,944 |
| Invested in capital assets | 15,658,015 | 11,469,182 |
| | 16,819,996 | 14,990,126 |
| | 45,967,167 | 33,777,520 |

COMMITMENTS (Note 12)

ON BEHALF OF THE BOARD_____
Director_____
Director

See accompanying notes.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS****FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Unrestricted \$ | Invested in capital assets \$ | 2016 \$ | 2015 \$ |
|---------------------------------------|--------------------|-------------------------------------|-------------------|------------|
| NET ASSETS - BEGINNING OF YEAR | 3,520,944 | 11,469,182 | 14,990,126 | 12,649,753 |
| Excess of revenue over expenditures | 1,631,516 | 198,354 | 1,829,870 | 2,340,373 |
| Investment in capital assets, net | (3,990,479) | 3,990,479 | - | - |
| NET ASSETS - END OF YEAR | 1,161,981 | 15,658,015 | 16,819,996 | 14,990,126 |

See accompanying notes.

WE CHARITY
(FORMERLY FREE THE CHILDREN)
NON-CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | 2016 \$ | 2015 \$ |
|---|-------------------|-------------------|
| REVENUE | | |
| Donations | | |
| General (Note 13) | 43,513,307 | 34,100,789 |
| In-kind | 1,644,685 | 2,465,352 |
| Grants | | |
| Government | 2,100,000 | 1,620,000 |
| Private | 3,906,897 | 4,386,417 |
| Other | | |
| Other income | 54,738 | 12,272 |
| | 51,219,627 | 42,584,830 |
| EXPENDITURES | | |
| International and domestic programs (Schedule 1) | 44,843,717 | 36,895,536 |
| Fundraising and administration (Schedule 2) | 4,413,118 | 3,935,232 |
| | 49,256,835 | 40,830,768 |
| OTHER INCOME AND EXPENDITURES | | |
| Dividend and interest income | 37,086 | 32,985 |
| Interest expenditure | (292,105) | (86,473) |
| Gain on foreign exchange | 90,240 | 372,605 |
| Unrealized gain on marketable securities | 59,781 | 267,194 |
| Share of loss from We365 LP | (27,924) | - |
| | (132,922) | 586,311 |
| EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR | 1,829,870 | 2,340,373 |

See accompanying notes.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|--|--------------|--------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures for the year | 1,829,870 | 2,340,373 |
| Items not affecting cash: | | |
| Amortization | 620,367 | 548,955 |
| Unrealized gain on marketable securities | (59,781) | (267,194) |
| Gain on disposal of capital assets | (1,088,517) | (507,808) |
| Share of loss from We365 LP | 27,924 | - |
| | 1,329,863 | 2,114,326 |
| Changes in non-cash working capital: | | |
| Contributions receivable | (1,120,354) | 1,396,074 |
| Sales tax rebate receivable | 1,030,485 | (1,562,781) |
| Prepaid expenses and other assets | (401,076) | (392,094) |
| Accounts payable and accrued liabilities | 2,447,874 | 425,075 |
| Renovation holdbacks payable | 521,480 | - |
| Deferred contributions | 2,407,307 | (309,091) |
| Deferred capital contributions | 6,830,000 | 2,500,000 |
| | 11,715,716 | 2,057,183 |
| Cash flow from operating activities | 13,045,579 | 4,171,509 |
| INVESTING ACTIVITIES | | |
| Marketable securities | (2,185) | (149,392) |
| Purchases of capital assets | (3,988,532) | (177,193) |
| Proceeds on disposal of capital assets | 2,058,825 | 991,800 |
| Properties under renovation | (8,549,588) | (15,988,697) |
| Investments in We365 | (2) | - |
| Term deposit | - | (250,000) |
| Restricted cash | - | 250,000 |
| Cash flow used by investing activities | (10,481,482) | (15,323,482) |
| FINANCING ACTIVITIES | | |
| Bank loans | (1,874,806) | 8,941,438 |
| Mortgage payable | - | 1,961,392 |
| Cash flow from (used by) financing activities | (1,874,806) | 10,902,830 |
| INCREASE (DECREASE) IN CASH | 689,291 | (249,143) |
| CASH - BEGINNING OF YEAR | 2,095,489 | 2,344,632 |
| CASH - END OF YEAR | 2,784,780 | 2,095,489 |

See accompanying notes.

WE CHARITY

(FORMERLY FREE THE CHILDREN)

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016



WE CHARITY

(FORMERLY FREE THE CHILDREN)

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| Non-Consolidated Schedule of Support Expenditures (<i>Schedule 2</i>) | 20 |



INDEPENDENT AUDITOR'S REPORT

To the Members of WE Charity (formerly Free the Children)

We have audited the accompanying non-consolidated financial statements of WE Charity (formerly Free the Children) which comprise the non-consolidated statement of financial position as at December 31, 2016 and the non-consolidated 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 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)



Independent Auditor's Report to the Members of WE Charity *(continued)*

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of WE Charity (formerly Free the Children) as at December 31, 2016 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.

Markham, Ontario

A large black rectangular box redacting the signature of the auditor.

**Chartered Professional Accountants
Licensed Public Accountants**

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| ASSETS | | |
| CURRENT | | |
| Cash | 2,784,780 | 2,095,489 |
| Term deposits | 250,000 | 250,000 |
| Marketable securities | 1,258,995 | 1,197,029 |
| Contributions receivable (Note 3) | 3,423,846 | 2,303,492 |
| Sales tax rebate receivable | 1,063,254 | 2,093,739 |
| Prepaid expenses and other assets (Note 6) | 1,029,568 | 628,492 |
| | 9,810,443 | 8,568,241 |
| CAPITAL ASSETS (Note 4) | 11,618,437 | 9,220,580 |
| PROPERTIES UNDER RENOVATION (WE LEARNING CENTRE) (Note 5) | 24,538,285 | 15,988,697 |
| INVESTMENTS IN WE365 (Note 6) | 2 | 2 |
| | 45,967,167 | 33,777,520 |

See accompanying notes.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|--|------------|------------|
| LIABILITIES | | |
| CURRENT | | |
| Bank loans (Note 7) | 7,066,632 | 8,941,438 |
| Accounts payable and accrued liabilities | 3,598,954 | 1,151,080 |
| Renovation holdbacks payable | 521,480 | - |
| Deferred contributions (Note 8) | 6,102,183 | 3,694,876 |
| Mortgage payable - current portion (Note 9) | 2,500,000 | - |
| | 19,789,249 | 13,787,394 |
| DEFERRED CAPITAL CONTRIBUTIONS (Note 10) | 9,330,000 | 2,500,000 |
| MORTGAGE PAYABLE (Note 9) | - | 2,500,000 |
| OBLIGATION FOR INVESTMENTS IN WE365 (Note 6) | 27,922 | - |
| | 29,147,171 | 18,787,394 |
| NET ASSETS | | |
| Unrestricted | 1,161,981 | 3,520,944 |
| Invested in capital assets | 15,658,015 | 11,469,182 |
| | 16,819,996 | 14,990,126 |
| | 45,967,167 | 33,777,520 |

COMMITMENTS (Note 12)

ON BEHALF OF THE BOARD

Director

Director

See accompanying notes.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Unrestricted \$ | Invested in capital assets \$ | 2016 \$ | 2015 \$ |
|---------------------------------------|--------------------|-------------------------------------|-------------------|------------|
| NET ASSETS - BEGINNING OF YEAR | 3,520,944 | 11,469,182 | 14,990,126 | 12,649,753 |
| Excess of revenue over expenditures | 1,631,516 | 198,354 | 1,829,870 | 2,340,373 |
| Investment in capital assets, net | (3,990,479) | 3,990,479 | - | - |
| NET ASSETS - END OF YEAR | 1,161,981 | 15,658,015 | 16,819,996 | 14,990,126 |

See accompanying notes.

WE CHARITY
(FORMERLY FREE THE CHILDREN)
NON-CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| REVENUE | | |
| Donations | | |
| General (<i>Note 13</i>) | 43,513,307 | 34,100,789 |
| In-kind | 1,644,685 | 2,465,352 |
| Grants | | |
| Government | 2,100,000 | 1,620,000 |
| Private | 3,906,897 | 4,386,417 |
| Other | | |
| Other income | 54,738 | 12,272 |
| | 51,219,627 | 42,584,830 |
| EXPENDITURES | | |
| International and domestic programs (<i>Schedule 1</i>) | 44,843,717 | 36,895,536 |
| Fundraising and administration (<i>Schedule 2</i>) | 4,413,118 | 3,935,232 |
| | 49,256,835 | 40,830,768 |
| OTHER INCOME AND EXPENDITURES | | |
| Dividend and interest income | 37,086 | 32,985 |
| Interest expenditure | (292,105) | (86,473) |
| Gain on foreign exchange | 90,240 | 372,605 |
| Unrealized gain on marketable securities | 59,781 | 267,194 |
| Share of loss from We365 LP | (27,924) | - |
| | (132,922) | 586,311 |
| EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR | 1,829,870 | 2,340,373 |

See accompanying notes.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenue over expenditures for the year | 1,829,870 | 2,340,373 |
| Items not affecting cash: | | |
| Amortization | 620,367 | 548,955 |
| Unrealized gain on marketable securities | (59,781) | (267,194) |
| Gain on disposal of capital assets | (1,088,517) | (507,808) |
| Share of loss from We365 LP | 27,924 | - |
| | 1,329,863 | 2,114,326 |
| Changes in non-cash working capital: | | |
| Contributions receivable | (1,120,354) | 1,396,074 |
| Sales tax rebate receivable | 1,030,485 | (1,562,781) |
| Prepaid expenses and other assets | (401,076) | (392,094) |
| Accounts payable and accrued liabilities | 2,447,874 | 425,075 |
| Renovation holdbacks payable | 521,480 | - |
| Deferred contributions | 2,407,307 | (309,091) |
| Deferred capital contributions | 6,830,000 | 2,500,000 |
| | 11,715,716 | 2,057,183 |
| Cash flow from operating activities | 13,045,579 | 4,171,509 |
| INVESTING ACTIVITIES | | |
| Marketable securities | (2,185) | (149,392) |
| Purchases of capital assets | (3,988,532) | (177,193) |
| Proceeds on disposal of capital assets | 2,058,825 | 991,800 |
| Properties under renovation | (8,549,588) | (15,988,697) |
| Investments in We365 | (2) | - |
| Term deposit | - | (250,000) |
| Restricted cash | - | 250,000 |
| Cash flow used by investing activities | (10,481,482) | (15,323,482) |
| FINANCING ACTIVITIES | | |
| Bank loans | (1,874,806) | 8,941,438 |
| Mortgage payable | - | 1,961,392 |
| Cash flow from (used by) financing activities | (1,874,806) | 10,902,830 |
| INCREASE (DECREASE) IN CASH | 689,291 | (249,143) |
| CASH - BEGINNING OF YEAR | 2,095,489 | 2,344,632 |
| CASH - END OF YEAR | 2,784,780 | 2,095,489 |

See accompanying notes.

WE CHARITY

(FORMERLY FREE THE CHILDREN)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. NATURE OF OPERATIONS

WE Charity (formerly Free the Children) (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.

Effective June 23, 2016, with the approval of Industry Canada and by the Certificate of Amendment, the organization changes its name from Free the Children to WE Charity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 are 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.

Donated goods and services

Donations of goods 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. 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.

(continues)

WE CHARITY

(FORMERLY FREE THE CHILDREN)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 comprise 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 |

Properties under renovation

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

Investments in profit-oriented entities

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.

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.

Allocation of expenditures

The organization engages in international and domestic programs and 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 personnel costs common to the administration of the organization and its programs. Accordingly, certain payroll costs are allocated to administration, fundraising and program expenditures based on employees' time dedicated to each function.

(continues)

WE CHARITY
(FORMERLY FREE THE CHILDREN)
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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.

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 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.

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 and contributions receivable.

Financial liabilities measured at amortized cost include bank loans, accounts payable, renovation holdbacks payable 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.

WE CHARITY

(FORMERLY FREE THE CHILDREN)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016


4. CAPITAL ASSETS

| | Cost \$ | Accumulated amortization \$ | 2016 Net book value \$ | 2015 Net book value \$ |
|------------------------|------------|-----------------------------------|---------------------------------|---------------------------------|
| Land | 3,275,000 | - | 3,275,000 | 3,050,000 |
| Buildings | 9,464,202 | 1,511,320 | 7,952,882 | 5,703,148 |
| Computer equipment | 470,678 | 304,238 | 166,440 | 165,184 |
| Furniture and fixtures | 539,006 | 428,103 | 110,903 | 129,586 |
| Vehicles | 189,178 | 177,441 | 11,737 | 16,767 |
| Leasehold improvements | 272,101 | 170,626 | 101,475 | 155,895 |
| | 14,210,165 | 2,591,728 | 11,618,437 | 9,220,580 |

Included in buildings is a property with a cost of \$3,095,000 not being amortized as it is not in use at December 31, 2016.

5. PROPERTIES UNDER RENOVATION (WE LEARNING CENTRE)

The organization owns two properties located in Toronto, Ontario that are currently under renovation. Upon completion in 2017, the properties, collectively known as the WE Learning Centre, will be used by the organization as office space.

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
|  | 21,539,748 | 15,988,697 |
| | 2,998,537 | - |
| | 24,538,285 | 15,988,697 |

The organization is committed to renovation cost of \$2,212,000 at December 31, 2016.

WE CHARITY

(FORMERLY FREE THE CHILDREN)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016

6. INVESTMENTS IN 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 is 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:

| | 2016 \$ | 2015 \$ |
|-----------------------------|------------|------------|
| Balance - beginning of year | 1 | - |
| Acquisition | 1 | 1 |
| Share of earnings (loss) | (27,924) | - |
| Balance - end of year | (27,922) | 1 |

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

| | 2016 (at 100%) \$ | 2015 (at 50%) \$ |
|---------------------|-------------------------|------------------------|
| Assets | 198,843 | 854,156 |
| Liabilities | 226,767 | 854,156 |
| Equity (deficit) | (27,924) | - |
| Revenue | - | - |
| Expenses | 27,924 | - |
| Net earnings (loss) | (27,924) | - |

Liabilities represent an amount payable to the organization for the reimbursement of expenditures. The organization has included the reimbursement receivable in prepaid expenses and other assets.

(continues)

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6. INVESTMENTS IN 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 partners of LP.

The organization's investment in GP is as follows:

| | 2016 \$ | 2015 \$ |
|-----------------------------|------------|------------|
| Balance - beginning of year | 1 | - |
| Acquisition | 1 | 1 |
| Share of earnings | - | - |
| Balance - end of year | 2 | 1 |

7. BANK LOANS

| | 2016 \$ | 2015 \$ |
|---|------------|------------|
| Non-revolving term facility bearing interest at 3.04% per annum, repayable in monthly blended payments of \$28,216, maturing October 2017 | 4,846,632 | 5,060,095 |
| Revolving demand facility with available credit up to \$5,000,000 bearing interest at bank prime plus 0.75% per annum | 2,030,000 | 3,680,000 |
| Revolving demand facility with available credit up to \$2,000,000 bearing interest at bank prime plus 0.75% per annum | 190,000 | - |
| Fixed rate term loan bearing interest at 2.89% per annum, repayable in monthly blended payments of \$29,033, matured July 2016 | - | 201,343 |
| | 7,066,632 | 8,941,438 |

The facilities are secured by the following:

- a) General security agreement constituting a first ranking security interest in all personal properties of the organization;

(continues)

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7. BANK LOANS (*continued*)

- b) Collateral mortgages in the amount of \$3,888,000 in aggregate, constituting a first fixed charge on the lands and improvements of four properties located in Toronto, Ontario, with aggregate carrying values \$5,706,322; and
- c) Collateral mortgage in the amount of \$9,450,000, constituting a second fixed charge on the land and improvements located at [REDACTED] subject to the vendor's first charge in the amount of \$2,500,000 (Note 10). As at December 31, 2016, the carrying value of the property amounted to \$21,539,748.

Interest incurred on the above facilities for the year amounted to \$204,605 (2015 - \$59,803) and has been included as a component of interest expenditure in the non-consolidated statement of operations.

8. DEFERRED CONTRIBUTIONS

| | 2016 \$ | 2015 \$ |
|--|--------------|--------------|
| Balance - beginning of year | 3,694,876 | 4,003,967 |
| Contributions received during the year | 46,036,092 | 37,982,495 |
| | 49,730,968 | 41,986,462 |
| Less: amount recognized as revenue during the year | (43,628,785) | (38,291,586) |
| | 6,102,183 | 3,694,876 |

9. 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 is repayable in full at the earlier of the commencement of operations at [REDACTED] and September 9, 2017.

The mortgage is secured by a first charge on the land and building located at [REDACTED] which has an aggregate carrying value of \$21,539,748.

Interest incurred for the year amounted to \$87,500 (2015 - \$26,670) and has been included as a component of interest expenditure in the non-consolidated statement of operations.

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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10. DEFERRED CAPITAL CONTRIBUTIONS

| | 2016 | 2015 |
|--|------------------|-------------|
| | \$ | \$ |
| Balance - beginning of year | 2,500,000 | - |
| Contributions received during the year | 6,830,000 | 2,500,000 |
| | 9,330,000 | 2,500,000 |
| Less: amount recognized as revenue during the year | - | - |
| | 9,330,000 | 2,500,000 |

11. ALLOCATION OF EXPENDITURES

Fundraising and administrative payroll costs totalling \$3,211,728 (2015 - \$1,356,373) have been allocated as follows:

| | Fundraising | Administration | 2016 | 2015 |
|-------------------------------|--------------------|-----------------------|------------------|-------------|
| | \$ | \$ | \$ | \$ |
| Payroll costs to be allocated | 1,840,222 | 1,371,506 | 3,211,728 | 1,356,373 |
| Allocated to: | | | | |
| International programs | 306,704 | 331,318 | 638,022 | 226,062 |
| Domestic programs | 306,704 | - | 306,704 | 226,062 |
| Fundraising | 920,110 | - | 920,110 | 678,187 |
| Administration | 306,704 | 1,040,188 | 1,346,892 | 226,062 |
| | 1,840,222 | 1,371,506 | 3,211,728 | 1,356,373 |

12. COMMITMENTS

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

| | \$ |
|------|----------------|
| 2017 | 148,151 |
| 2018 | 131,808 |
| 2019 | 97,200 |
| | 377,159 |

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13. RELATED PARTY TRANSACTIONS

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:

| | 2016 | 2015 |
|---|------------------|-------------|
| | \$ | \$ |
| Rental revenue | - | 20,160 |
| Donations received | 1,120,666 | 837,097 |
| Purchase of promotional goods and travel services | 406,593 | 475,826 |

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.

14. 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 providing a holistic economic and humanitarian development model. The organization has a local 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 \$10,957,000 (2015 - \$8,596,000).

The organization also works closely with a charity in the United States that shares the same mission and vision as the organization. During the year, the organization received contributions in the amount of \$20,315,000 (2015 - \$12,144,000) from the charity towards the organization's international programming.

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15. 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, 2016.

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.

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 and marketable securities denominated in U.S. dollars as follows:

| | 2016 \$ | 2015 \$ |
|-----------------------|------------|------------|
| Cash | 2,673,741 | 488,807 |
| Marketable securities | 591,535 | 571,171 |

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 loans and mortgage payable.

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.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS****DECEMBER 31, 2016**

16. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED SCHEDULE OF PROGRAM EXPENDITURES****(Schedule 1)****FOR THE YEAR ENDED DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|-------------------------------|------------|------------|
| International programs | | |
| Asia | 2,091,820 | 1,350,237 |
| Africa | 11,133,071 | 6,985,018 |
| Latin America | 6,512,826 | 7,269,651 |
| | 19,737,717 | 15,604,906 |
| Domestic programs | | |
| Direct costs | 18,904,465 | 16,118,401 |
| Office | 1,007,188 | 929,344 |
| Payroll | 4,240,933 | 3,358,122 |
| Travel | 953,414 | 884,763 |
| | 25,106,000 | 21,290,630 |
| | 44,843,717 | 36,895,536 |

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

See accompanying notes.

WE CHARITY**(FORMERLY FREE THE CHILDREN)****NON-CONSOLIDATED SCHEDULE OF SUPPORT EXPENDITURES****(Schedule 2)****FOR THE YEAR ENDED DECEMBER 31, 2016**

| | 2016 \$ | 2015 \$ |
|--|--------------------|------------------|
| Fundraising | | |
| Office | 16,999 | 11,259 |
| Events | 175,435 | 143,987 |
| Payroll | 920,110 | 678,187 |
| | 1,112,544 | 833,433 |
| Administration | | |
| Office | 1,636,634 | 1,312,980 |
| Training | 73,929 | 18,407 |
| Payroll | 1,709,527 | 1,412,954 |
| Professional fees | 309,285 | 287,335 |
| Travel | 39,349 | 28,976 |
| Amortization | 620,367 | 548,955 |
| | 4,389,091 | 3,609,607 |
| Less: Gain on disposal of capital assets | (1,088,517) | (507,808) |
| | 3,300,574 | 3,101,799 |
| | 4,413,118 | 3,935,232 |

See accompanying notes.