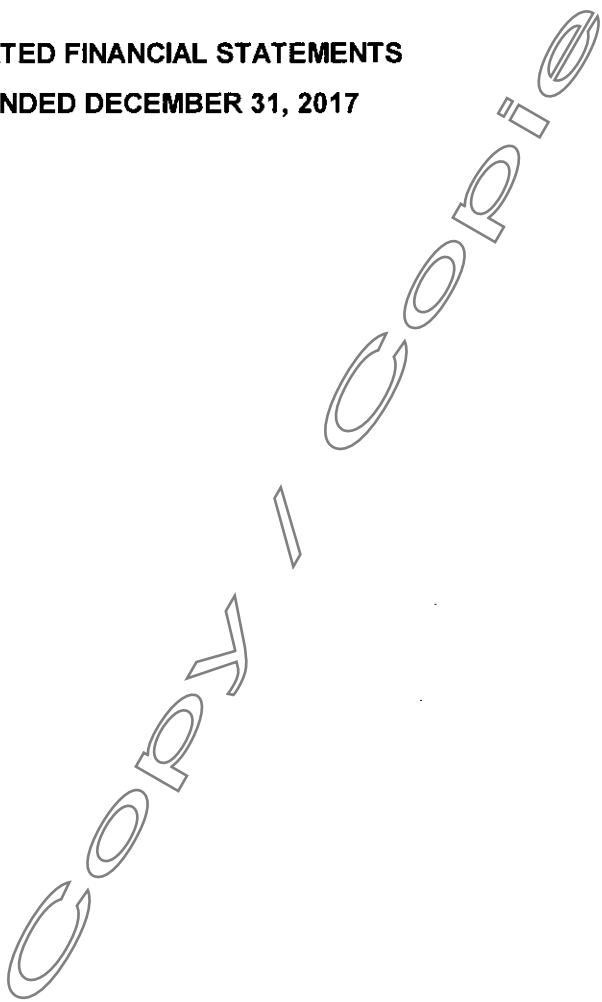

WE CHARITY
NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



WE CHARITY
INDEX TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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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.

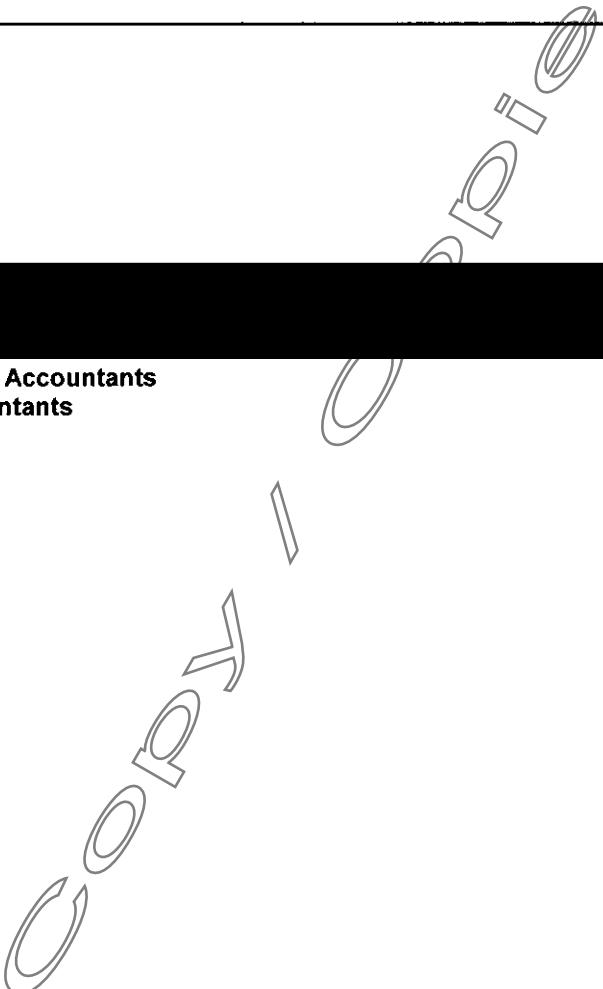
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Independent Auditor's Report to the Members of WE Charity *(continued)*

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of WE Charity 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.

Markham, Ontario



**Chartered Professional Accountants
Licensed Public Accountants**

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

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

See accompanying notes.

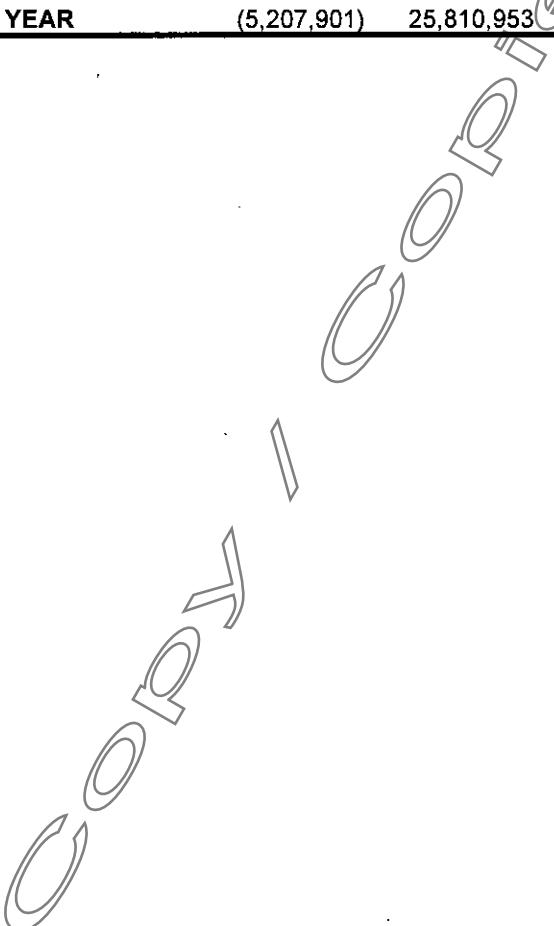
WE CHARITY**NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017**

	2017 \$	2016 \$
LIABILITIES		
CURRENT		
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
	26,822,994	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
	43,984,704	29,147,172
NET ASSETS		
UNRESTRICTED	(5,207,901)	1,161,981
INVESTED IN CAPITAL ASSETS	25,810,953	15,658,015
	20,603,052	16,819,996
	64,587,756	45,967,168
COMMITMENTS (Note 19)		
ON BEHALF OF THE BOARD		
_____ <i>Director</i>		
_____ <i>Director</i>		

See accompanying notes.

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

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



See accompanying notes.

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

	2017 \$	2016 \$
REVENUE		
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
	64,579,130	51,219,627
EXPENDITURES		
Programs (Schedule 1)	55,907,498	45,139,176
Support (Schedule 2)	4,578,616	4,117,659
	60,486,114	49,256,835
OTHER INCOME AND EXPENDITURES		
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
	(309,960)	(132,922)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	3,783,056	1,829,870

See accompanying notes.

WE CHARITY

NON-CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017 \$	2016 \$
OPERATING ACTIVITIES		
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 (Note 18)	12,073,851	11,912,604
Cash flows from operating activities	9,250,625	13,242,467
INVESTING ACTIVITIES		
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)
FINANCING ACTIVITIES		
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)
INCREASE (DECREASE) IN CASH	(2,784,780)	689,291
CASH - BEGINNING OF YEAR	2,784,780	2,095,489
CASH - END OF YEAR	-	2,784,780
ADDITIONAL INFORMATION		
Furniture and fixtures acquired under capital lease	2,500,000	-

See accompanying notes.

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

(continues)

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

(continues)

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

(continues)

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 (Note 7)	384,035	226,768
Me to We Asset Holdings Inc. (Note 14)	45,176	-
Imagine 1 Day International Organization (Note 15)	3,093,000	-
	3,522,211	226,768

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

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017

5. CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	2017 Net book value \$	2016 Net book value \$
Land	7,630,721	-	7,630,721	3,275,000
Buildings	34,416,775	1,390,166	33,026,609	7,952,882
Computer equipment	529,121	431,000	98,121	166,440
Furniture and fixtures	2,515,937	374,686	2,141,251	110,903
Vehicles	189,178	180,962	8,216	11,737
Leasehold improvements	390,999	106,700	284,299	101,475
	45,672,731	2,483,514	43,189,217	11,618,437
Furniture and fixtures under capital lease	2,500,000	250,000	2,250,000	-
	48,172,731	2,733,514	45,439,217	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 \$
[REDACTED]	-	21,539,748
	3,027,860	2,998,537
	3,027,860	24,538,285

During the year, renovations of the property located [REDACTED] were completed and the balance has been transferred to capital assets (Note 5).

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

(continues)

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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	2	2

8. BANK INDEBTEDNESS

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

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

9. DEFERRED CONTRIBUTIONS

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

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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	-

Principal repayment terms are approximately:

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

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 [REDACTED] 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.

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

11. OBLIGATIONS UNDER CAPITAL LEASE

	2017 \$	2016 \$
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	<u>(589,881)</u>	-
	<u>1,861,862</u>	-

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	<u>617,100</u>
 Total minimum lease payments	 2,636,700
Less: amount representing interest at 3.85%	<u>184,957</u>
Net value of minimum lease payments	2,451,743
Less: current portion	<u>589,881</u>
	<u>1,861,862</u>

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 [REDACTED] and September 9, 2017.

The mortgage was secured by a first charge on the land and building [REDACTED] 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.

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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)	-
	12,832,825	9,330,000

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.

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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
	\$
Financial position	
Assets	3,898,218
Liabilities (Note a)	3,260,209
Net assets (Note b)	638,009
Results of operations	
Revenue	3,727,472
Expenses (Note a)	3,547,633
Excess of revenue over expenses	179,839
Cash flows	
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.

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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
	12,073,851	11,912,604

19. COMMITMENTS

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

	\$
2018	131,808
2019	97,200
	229,008

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)

WE CHARITY

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

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

	2017 \$	2016 \$
International programs		
Asia	2,009,681	2,110,862
Africa	9,795,917	11,234,416
Latin America	8,427,310	6,572,112
	20,232,908	19,917,390
Domestic programs		
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
	35,674,590	25,221,786
	55,907,498	45,139,176

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

See accompanying notes.

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

	2017 \$	2016 \$
Fundraising		
Events	129,294	175,435
Office	33,647	16,999
Payroll	1,360,572	920,110
Amortization	76,848	87,148
	1,600,361	1,199,692
Administration		
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
	4,264,710	3,910,199
<u>Less: Gain on disposal of capital assets</u>	<u>(1,286,455)</u>	<u>(992,232)</u>
	2,978,255	2,917,967
	4,578,616	4,117,659

See accompanying notes.