WE CHARITY

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2018

[redacted]

WE CHARITY
INDEX TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2018

[redacted]

[redacted]

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 August 31, 2018 and the non-consolidated statements of changes in net assets, operations and cash flows for the eight month period 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 the 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 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 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)

[redacted]

Opinion

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of WE Charity as at August 31, 2018, and the results of its operations and its cash flows for the period then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Markham, Ontario
[redacted]

[redacted]

Chartered Professional Accountants
Licensed Public Accountants

[redacted]

WE CHARITY

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2018

	August 31 **2018** $	*December 31* 2017 *(Restated)* $
ASSETS		
CURRENT		
Cash	**1,798,441**	-
Marketable securities	**11,022,023**	7,963,896
Contributions receivable *(Notes 3 and 4)*	**939,996**	6,512,923
Sales tax rebate receivable	**1,081,140**	1,888,250
Due from related entities *(Note 5)*	**3,590,035**	3,522,211
Prepaid expenditures and other assets *(Note 18)*	**1,139,180**	561,577
	19,570,815	20,448,857
CAPITAL ASSETS *(Note 6)*	**39,954,941**	45,439,217
PROPERTIES UNDER RENOVATION *(Note 7)*	**7,605,787**	3,027,860
INTANGIBLE ASSETS *(Note 8)*	**648,799**	700,000
INVESTMENTS IN WE365 *(Note 9)*	**2**	2
ASSETS HELD IN TRUST *(Note 15)*	**1,001,146**	-
	68,781,490	69,615,936

See accompanying notes.

[redacted]

WE CHARITY

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31, 2018

	August 31 **2018** **$**	*December 31* 2017 *(Restated)* $
LIABILITIES		
CURRENT		
Bank indebtedness *(Note 10)*	**4,460,000**	4,052,328
Accounts payable and accrued liabilities *(Notes 9, 16 and 17)*	**3,118,134**	3,915,381
Deferred contributions *(Notes 11 and 17)*	**13,539,387**	13,522,932
Bank loans - current portion *(Note 13)*	**4,597,316**	4,742,472
Obligations under capital lease - current portion *(Note 14)*	**605,039**	589,881
	26,319,876	26,822,994
DEFERRED CAPITAL CONTRIBUTIONS *(Notes 3 and 12)*	**17,330,973**	17,861,005
BANK LOANS *(Note 13)*	**2,077,373**	2,127,018
OBLIGATIONS UNDER CAPITAL LEASE *(Note 14)*	**1,455,873**	1,861,862
AMOUNTS HELD IN TRUST *(Note 15)*	**1,001,146**	-
OBLIGATION FOR INVESTMENTS IN WE365 *(Note 9)*	**402,400**	340,005
	48,587,641	49,012,884
NET ASSETS		
UNRESTRICTED	**(1,110,323)**	(179,721)
INVESTED IN CAPITAL ASSETS	**21,304,172**	20,782,773
	20,193,849	20,603,052
	68,781,490	69,615,936

COMMITMENTS *(Note 20)*

ON BEHALF OF THE BOARD

_______________________ *Director*

_______________________ *Director*

See accompanying notes.

[redacted]

WE CHARITY

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2018

	Unrestricted	Invested in capital assets	*August 31* **2018**	*December 31* 2017
	$	$	**$**	$
NET ASSETS (DEFICIT) - BEGINNING OF PERIOD				
As previously reported	(5,207,901)	25,810,953	**20,603,052**	16,819,996
Correction of contribution receivable *(Note 3)*	5,028,180	(5,028,180)	**-**	-
As restated	(179,721)	20,782,773	**20,603,052**	16,819,996
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	1,012,193	(1,421,396)	**(409,203)**	3,783,056
INVESTMENT IN CAPITAL ASSETS, NET	(1,942,795)	1,942,795	**-**	-
NET ASSETS (DEFICIT) - END OF PERIOD	(1,110,323)	21,304,172	**20,193,849**	20,603,052

See accompanying notes.

[redacted]

WE CHARITY

NON-CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2018

	2018 *(8 months)* $	2017 *(12 months)* $
REVENUE		
Donations		
General *(Notes 16 and 18)*	**26,583,202**	45,899,991
In kind	**7,376,904**	5,537,515
Grants		
Government	**1,593,852**	2,987,500
Private	**6,631,781**	10,704,742
Other		
Other income	**10,970**	158,379
	42,196,709	65,288,127
EXPENDITURES		
Programs *(Schedule 1)*	**38,074,432**	55,751,130
Support *(Schedule 2)*	**4,878,644**	5,443,981
	42,953,076	61,195,111
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FROM OPERATIONS	**(756,367)**	4,093,016
OTHER INCOME AND EXPENDITURES		
Dividend and interest income	**214,679**	179,765
Gain (loss) on foreign exchange	**155,621**	(308,601)
Interest expenditure	**(337,034)**	(412,736)
Share of losses from We365 *(Note 9)*	**(62,396)**	(312,083)
Gain on marketable securities	**376,294**	543,695
	347,164	(309,960)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE PERIOD	**(409,203)**	3,783,056

See accompanying notes.

[redacted]

WE CHARITY

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2018

	2018 *(8 months)* $	2017 *(12 months)* $
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the period	**(409,203)**	3,783,056
Items not affecting cash:		
Amortization	**1,751,218**	1,772,991
Gain on disposal of capital assets	**(572,306)**	(1,286,455)
Marketable securities received in kind	**(6,254,227)**	(6,161,206)
Gain on marketable securities	**(376,294)**	(543,695)
Share of losses from We365	**62,396**	312,083
Contributed intangible asset in kind	**(48,614)**	(700,000)
	(5,847,030)	(2,823,226)
Changes in non-cash working capital *(Note 21)*	**4,491,610**	12,073,851
Cash flows from (used by) operating activities	**(1,355,420)**	9,250,625
INVESTING ACTIVITIES		
Term deposits	**-**	250,000
Proceeds from sale of marketable securities	**3,572,394**	-
Due from related entities	**(67,824)**	(3,295,443)
Purchase of capital assets	**(2,658,940)**	(14,799,049)
Proceeds on disposal of capital assets	**3,030,708**	4,531,481
Properties under renovation	**(544,516)**	(29,323)
Acquisition of We365 Holdings Inc.	**(1)**	-
Cash flows from (used by) investing activities	**3,331,821**	(13,342,334)
FINANCING ACTIVITIES		
Bank indebtedness	**407,672**	1,832,328
Proceeds from bank loans	**-**	2,200,000
Repayment of bank loans	**(194,801)**	(177,142)
Repayment of mortgage payable	**-**	(2,500,000)
Repayment of obligations under capital lease	**(390,831)**	(48,257)
Cash flows from (used by) financing activities	**(177,960)**	1,306,929
INCREASE (DECREASE) IN CASH	**1,798,441**	(2,784,780)
CASH - BEGINNING OF PERIOD	**-**	2,784,780
CASH - END OF PERIOD	**1,798,441**	-

ADDITIONAL INFORMATION		
Furniture and fixtures acquired under capital lease	**-**	2,500,000

See accompanying notes.

[redacted]

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.

During the period, the organization changed its fiscal year end from December 31 to August 31. Accordingly, current year figures represent the result of the organization's operations for the eight month period ended August 31, 2018.

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 are comprised of general donations, in-kind donations, 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 supplies are recognized when fair value can be reasonably determined and the goods are used in the normal course of operations. Contributed supplies are expensed when received. Contributed assets are capitalized at fair value on the date of contribution.

While the organization also benefits from contributed services, due to the difficulty in determining their fair value, the value of contributed services 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.

(continues)

[redacted]

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

Net assets

a) Net assets invested in capital assets are comprised of the unamortized amount thereof net of liabilities and deferred capital contribution incurred to acquire the capital assets.

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

Intangible assets

Intangible assets represent the cost of software development and customization contributed by a corporate sponsor and are amortized on a straight-line basis over an estimated useful life of five years.

Properties under renovation

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

Controlled entities

The organization does not consolidate controlled not-for-profit entities. Instead, summaries of the entities' financial information are included in the 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.

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.

(continues)

[redacted]

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

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.

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)

[redacted]

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

Financial instruments

Measurement

The organization 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, contributions receivable and amounts due from related entities.

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

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. CORRECTION OF CONTRIBUTION RECEIVABLE

During the year, management identified that deferred capital contributions and contributions receivable as presented in the 2017 non-consolidated financial statements should have included a pledge receivable of $5,028,180 towards the construction of the WE Global Learning Centre from a donor who had fulfilled the pledge after the previous year end but before the non-consolidated financial statements had been issued. Accordingly, the comparative figures have been restated to include the contribution.

4. CONTRIBUTIONS RECEIVABLE

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

[redacted]

5. DUE FROM RELATED ENTITIES

	August 31 2018 $	*December 31* 2017 $
Imagine 1 Day International Organization (Note 17)	**3,093,000**	3,093,000
We365 LP (Note 9)	**384,035**	384,035
Me to We (Note 16)	**63,000**	45,176
ME to WE Foundation (Note 15)	**50,000**	-
	3,590,035	3,522,211

Amounts due from related entities are unsecured, non-interest bearing and have no fixed terms of repayment.

6. CAPITAL ASSETS

	Cost $	Accumulated amortization $	*August 31* **2018 Net book value $**	*December 31* 2017 Net book value $
Land	6,143,542	-	**6,143,542**	7,630,721
Buildings	30,171,711	1,729,314	**28,442,397**	33,026,609
Computer equipment	751,331	640,226	**111,105**	98,121
Furniture and fixtures	2,702,891	672,651	**2,030,240**	2,141,251
Vehicles	-	-	**-**	8,216
Leasehold improvements	1,429,542	151,885	**1,277,657**	284,299
	41,199,017	3,194,076	**38,004,941**	43,189,217
Furniture and fixtures under capital lease	2,500,000	550,000	**1,950,000**	2,250,000
	43,699,017	3,744,076	**39,954,941**	45,439,217

Included in leasehold improvements is cost of $949,978 not subject to amortization as the property is under renovation.

7. PROPERTIES UNDER RENOVATION

	August 31 2018 $	*December 31* 2017 $
[redacted]	**3,030,155**	3,027,860
	4,575,632	-
	7,605,787	3,027,860

[redacted]

8. INTANGIBLE ASSETS

	August 31 **2018** **$**	*December 31* 2017 $
Customized software, at cost	**748,614**	700,000
Accumulated amortization	**(99,815)**	-
	648,799	700,000

9. WE365

On August 8, 2014, the organization and We365 Holdings Inc. ("Holdings") each acquired a 49.995% interest in We365 LP ("LP") and a 50% interest in We365 GP Inc. ("GP"), two profit-oriented entities, collectively "We365". Effective January 1, 2016, the organization acquired Holdings' 49.995% interest in LP and 50% interest in GP. Effective January 1, 2018, the organization acquired a 100% interest in Holdings.

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:

	August 31 **2018** **$**	*December 31* 2017 $
Balance - beginning of year	**(340,005)**	(27,922)
Share of losses	**(73)**	(312,083)
Balance - end of year	**(340,078)**	(340,005)

(continues)

[redacted]

9. **WE365 *(continued)***

A summary of LP's financial information as at August 31, 2018 and for the year then ended is as follows:

	August 31 **2018** **$**	*December 31* 2017 $
Financial position		
Assets	**43,955**	44,028
Liabilities (note a)	**384,035**	384,035
Deficit	**(340,080)**	(340,007)
Results of operations		
Revenue	**-**	-
Expenses	**73**	312,083
Net loss	**(73)**	(312,083)
Cash flows		
Operating	**(73)**	(174,934)
Investing	**(11,030)**	-
Financing	**-**	-
Decrease in cash	**(11,103)**	(174,934)

a) Liabilities represent an amount payable to the organization for the reimbursement of expenditures (Note 5).

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:

	August 31 **2018** **$**	*December 31* 2017 $
Balance - beginning of year	**2**	2
Share of earnings	**-**	-
Balance - end of year	**2**	2

There has been no activity in GP for the year ended August 31, 2018.

(continues)

[redacted]

9. WE365 *(continued)*

We365 Holdings Inc.

Holdings provides the organization with support for its domestic programming.

The organization's investment in Holdings is as follows:

	August 31 **2018** **$**	*December 31* 2017 $
Balance - beginning of year	-	-
Acquisition	1	-
Share of losses	(62,323)	-
Balance - end of year	(62,322)	-

A summary of Holdings' financial information as at August 31, 2018 and for the period from the organization's acquisition to August 31, 2018 is as follows:

	August 31 **2018** **$**	*December 31* 2017 $
Financial position		
Assets (note a)	191,019	-
Liabilities	253,342	-
Deficit	(62,323)	-
Results of operations		
Revenue (note a)	1,231,333	-
Expenses	1,293,656	-
Net loss	(62,323)	-
Cash flows		
Operating	(11,030)	-
Investing	-	-
Financing	11,030	-
Increase in cash	-	-

a) During the year, Holdings charged the organization programming support costs of $1,054,705, of which $166,330 remains outstanding at year end and is included in the organization's accounts payable and accrued liabilities in the non-consolidated statement of financial position.

[redacted]

10. BANK INDEBTEDNESS

	August 31 **2018** **$**	*December 31* 2017 $
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	**4,460,000**	2,270,000
Revolving demand facility with available credit of $2,000,000 bearing interest at bank prime plus 0.75% per annum	-	1,300,000
	4,460,000	4,052,328

The demand facilities are secured by assets outlined in Note 13.

Interest paid on the demand facilities for the period amounted to $154,309 (2017 - $199,932) and has been included as a component of interest expenditure in the non-consolidated statement of operations.

11. DEFERRED CONTRIBUTIONS

	August 31 **2018** **$**	*December 31* 2017 $
Balance - beginning of year	**13,522,932**	6,102,183
Restricted contributions received	**38,323,090**	52,366,265
	51,846,022	58,468,448
Less: amount recognized as revenue	**(38,306,635)**	(44,945,516)
	13,539,387	13,522,932

12. DEFERRED CAPITAL CONTRIBUTIONS

	August 31 **2018** **$**	*December 31* 2017 $
Balance - beginning of year	**17,861,005**	9,330,000
Contributions received	-	8,660,629
	17,861,005	17,990,629
Less: amount recognized as revenue	**(530,032)**	(129,624)
	17,330,973	17,861,005

[redacted]

13. BANK LOANS

	August 31 **2018** **$**	*December 31* 2017 $
Non-revolving term facility bearing interest at 3.18% per annum, repayable in monthly blended payments of $28,526, maturing October 30, 2018	**4,522,282**	4,669,490
Non-revolving term facility bearing interest at 4.15% per annum, repayable in monthly blended payments of $13,506, maturing December 19, 2022	**2,152,407**	2,200,000
	6,674,689	6,869,490
Amounts payable within one year	**(4,597,316)**	(4,742,472)
	2,077,373	2,127,018

Principal repayment terms are approximately:

	$
2019	4,597,316
2020	77,913
2021	81,411
2022	84,823
2023	1,833,226
	6,674,689

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 mortgage in the amount of $1,715,000, constituting a first fixed charge on the land and improvements located at [redacted] Ontario. As at August 31, 2018, the carrying value of the property amounted to $1,768,493; and

c) Collateral mortgage in the amount of $10,150,000, constituting a first fixed charge on the land and improvements located at [redacted] Ontario. As at August 31, 2018, the carrying value of the property amounted to $30,320,955.

Under the terms of the facilities agreement, the organization is required to meet certain financial covenants. As of August 31, 2018, these covenants have not been met. However, the bank has provided the organization with written confirmation that the covenant requirement has been waived for the current period.

(continues)

[redacted]

13. BANK LOANS *(continued)*

Interest incurred on the above facilities for the period amounted to $124,756 (2017 - $133,539) and has been included as a component of interest expenditure in the non-consolidated statement of operations.

14. OBLIGATIONS UNDER CAPITAL LEASE

	August 31 **2018** **$**	*December 31* 2017 $
[redacted]ease bearing interest at 3.85% per annum, repayable in monthly blended payments of $56,100, maturing November 1, 2021	**2,060,912**	2,451,743
Amounts payable within one year	**(605,039)**	(589,881)
	1,455,873	1,861,862

The lease is secured by furniture and fixtures under capital lease (Note 6).

Future minimum capital lease payments are approximately:

	$
2019	673,200
2020	673,200
2021	673,200
2022	168,300
Total minimum lease payments	2,187,900
Less: amount representing interest at 3.85%	126,988
Net value of minimum lease payments	2,060,912
Less: current portion	605,039
	1,455,873

Interest incurred on the obligation for the year amounted to $57,969 (2017 - $7,843) and has been included as a component of interest expenditure in the non-consolidated statement of operations.

[redacted]

15. FOUNDATIONS

On January 29, 2018, three foundations were incorporated with separate purposes as described below. The majority of the interim board of directors for the three foundations consist of members of the organization's senior management. A financial summary of the three foundations is included below.

WEllbeing Foundation

WEllbeing Foundation's ("WEllbeing") purpose is to advance education and promote health by providing mental health and fitness training programs to enable Canadian to understand the causes of mental health issues, learn about strategies to maintain and regain mental health and reduce stigma associated with mental health issues.

	2018 $
Financial position	
Assets	**730,918**
Liabilities (note a)	**742,433**
Net deficit	**(11,515)**
Results of operations	
Revenue	**-**
Expenditures	**11,515**
Deficiency of revenue over expenditures	**(11,515)**
Cash flows	
Operating	**730,918**
Investing	**-**
Financing	**-**
Increase in cash	**730,918**

a) As of December 31, 2018, WEllbeing has yet to obtain charitable status. Therefore in accordance with donor agreements, WEllbeing has set up a liability of $500,000 payable to the organization to be held in trust until WEllbeing obtains charitable status.

(continues)

[redacted]

15. FOUNDATIONS *(continued)*

ME to WE Foundation

ME to WE Foundation's ("MTW") purpose is to:

a) Advance education by providing financial assistance to individuals for educational programs and by providing training programs designed to enable Canadians to understand different cultures, learn about the causes of local and international poverty;

b) Relieve poverty in developing nations by providing people in need with access to education, health programming, clean water and sanitation, agriculture and food security and basic tools and training required to generate income and develop a livelihood; and

c) Improve efficiency of other non-profit organizations by providing a facility at below market rates and providing expertise on planning, structuring and improving charitable programs to better address the needs of beneficiaries.

	2018 $
Financial position	
Assets	1,380,000
Liabilities (note a)	1,380,000
Net assets	-
Results of operations	
Revenue	-
Expenditures	-
Excess of revenue over expenditures	-
Cash flows	
Operating	21,984
Investing	(1,151,984)
Financing	1,130,000
Increase in cash	-

a) As of December 31, 2018, MTW has yet to obtain charitable status, therefore in accordance with donor agreements, MTW has set up a liability in the amount of $200,000 payable to the organization to be held in trust by the organization until MTW obtains charitable status and an additional $50,000 payable to the organization for reimbursement of expenditures.

WE Charity Foundation

WE Charity Foundation's purpose is to promote the efficiency and effectiveness of other registered charities by providing and maintaining facilities to house their operations. As of August 31, 2018, WE Charity Foundation has not yet begun operations.

[redacted]

16. 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:

	August 31 **2018** **$**	*December 31* 2017 $
Donations received	**1,976,814**	1,505,900
Purchase of promotional goods and travel services	**860,273**	738,171

Included in accounts payable and accrued liabilities is $148,862 payable to Me to We for the purchase of promotional goods.

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 entities.

17. 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 August 31, 2018, $6,340,235 (2017 - $9,510,000) of the transfer is included as part of deferred contributions.

Effective January 1, 2018, I1D changed its accounting policy to recognize program expenses as disbursed to be consistent with that of the organization. Previously, I1D recognized assets, liabilities, revenue and expenses relating to operations in Ethiopia as separate components of its financial statements. This change in accounting policy was applied retroactively resulting in a reduction of prior year's assets and liabilities relating to I1D's operations in Ethiopia with the offsetting adjustment against net assets.

(continues)

[redacted]

17. IMAGINE 1 DAY INTERNATIONAL ORGANIZATION *(continued)*

A summary of I1D's financial information as at August 31, 2018 and for the period then ended is as follows:

	August 31 **2018** $	*December 31* 2017 *(Restated)* $
Financial position		
Assets	**3,769,171**	3,568,194
Liabilities	**3,228,867**	3,217,808
Net assets (note a)	**540,304**	350,386
Results of operations		
Revenue	**735,111**	3,477,955
Expenditures	**545,193**	3,298,115
Excess (deficiency) of revenue over expenditures	**189,918**	179,840
Cash flows		
Operating	**(81,272)**	73,246
Investing	**(7,690)**	(3,099,680)
Financing	**-**	3,093,000
Increase (decrease) in cash	**(88,962)**	66,566

a) 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 August 31, 2018, net assets include a restricted fund balance of $333,142 (2017, as restated - $459,664).

Included in the organization's accounts payable and accrued liabilities is a payable to I1D in the amount of $232,334 (2017 - receivable of $48,000).

[redacted]

18. 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 for the eight month period amounted to $6,385,000 (2017 - $9,656,000 (twelve months)).

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 eight month period, the organization received contributions in the amount of $13,074,000 (2017 - $21,489,000) from the charity in the United States and $573,000 (2017 - $1,217,000) from the charity in the United Kingdom, towards the organization's international and domestic programming.

Included in prepaid expenditures and other assets is $199,000 (2017 - $199,000) receivable from the charity in the United States.

19. ALLOCATION OF EXPENDITURES

Fundraising and administrative costs totalling $3,068,511 (2017 - $5,470,716) have been allocated as follows:

	Fundraising	Administration	*August 31* **2018**	*December 31* 2017
	$	$	**$**	$
Payroll	1,115,418	1,158,259	**2,273,677**	2,600,218
Allocated to:				
International	371,806	785,962	**1,157,768**	1,693,170
Domestic	371,806	372,297	**744,103**	453,524
Administration	371,806	-	**371,806**	453,524
	1,115,418	1,158,259	**2,273,677**	2,600,218
Other operating costs	-	794,834	**794,834**	2,870,498
Allocated to:				
International	-	397,417	**397,417**	2,342,149
Domestic	-	397,417	**397,417**	528,349
	-	794,834	**794,834**	2,870,498

[redacted]

20. COMMITMENTS

The organization leases office space in British Columbia and Quebec and benefits from rent-free arrangements from supporters of the organization's mission in Ontario.

Annual minimum aggregate lease payments are as follows:

	$
2019	64,769
2020	58,641
2021	40,376
	163,786

21. CHANGES IN NON-CASH WORKING CAPITAL

	August 31 **2018** $	*December 31* 2017 *(Restated)* $
Contributions receivable	**5,572,927**	(3,089,077)
Sales tax rebate receivable	**807,110**	(824,996)
Prepaid expenditures and other assets	**(577,603)**	241,224
Accounts payable and accrued liabilities	**(797,247)**	316,426
Renovation holdbacks payable	**-**	(521,480)
Deferred contributions	**16,455**	7,420,749
Deferred capital contributions	**(530,032)**	8,531,005
	4,491,610	12,073,851

[redacted]

22. 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 August 31, 2018.

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, marketable securities, contributions receivable and accounts payable denominated in foreign currencies as follows:

	August 31 **2018** **$**	*December 31* 2017 $
U.S. Dollars (USD):		
Cash	**49,398**	374,694
Marketable securities	**1,229,472**	1,059,760
Contributions receivable	**8,425**	82,450
Accounts payable	**9,212**	-
Pound Sterling (GBP):		
Cash	**445,829**	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, bank loans and obligation under capital lease.

(continues)

[redacted]

22. FINANCIAL INSTRUMENTS *(continued)*

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.

23. COMPARATIVE FIGURES

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

[redacted]

WE CHARITY

NON-CONSOLIDATED SCHEDULE OF PROGRAM EXPENDITURES *(Schedule 1)*

FOR THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2018

	2018 *(8 months)* **$**	2017 *(12 months)* $
International programs		
Asia	**1,314,227**	2,073,119
Africa	**12,301,278**	10,105,135
Latin America	**5,947,234**	8,693,327
	19,562,739	20,871,581
Domestic programs		
Direct costs	**7,994,511**	27,271,485
Office	**3,987,109**	1,532,825
Payroll	**4,130,159**	5,105,494
Travel	**2,399,914**	969,745
	18,511,693	34,879,549
	38,074,432	55,751,130

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

See accompanying notes.

[redacted]

WE CHARITY

NON-CONSOLIDATED SCHEDULE OF SUPPORT EXPENDITURES *(Schedule 2)*
FOR THE EIGHT MONTH PERIOD ENDED AUGUST 31, 2018

	2018 *(8 months)* **$**	2017 *(12 months)* $
Fundraising		
Events	**35,262**	129,294
Office	**12,188**	33,647
Payroll	**1,115,418**	1,360,572
	1,162,868	1,523,513
Administration		
Office	**642,012**	1,093,380
Payroll	**1,315,689**	1,680,981
Professional fees	**511,892**	501,399
Training	**4,420**	114,076
Travel	**62,851**	44,096
Amortization	**1,751,218**	1,772,991
	4,288,082	5,206,923
Less: Gain on disposal of capital assets	**(572,306)**	(1,286,455)
	3,715,776	3,920,468
	4,878,644	5,443,981

See accompanying notes.

[redacted]