

**WE CHARITY****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT AUGUST 31, 2019**

	2019	2018
	\$	Revised \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	1,324,383	1,798,441
Marketable securities (Note 3)	6,907,568	11,022,023
Contributions receivable (Notes 4, 16 and 17)	1,723,724	1,052,996
Sales tax rebate receivable	870,323	1,199,700
Due from related entities (Note 5)	3,123,000	3,477,035
Prepaid expenditures and other assets (Note 17)	1,399,396	1,139,180
	15,348,394	19,689,375
MARKETABLE SECURITIES (Note 3)	2,371,155	-
CAPITAL ASSETS (Note 6)	43,962,615	39,954,941
PROPERTIES UNDER RENOVATION (Note 7)	-	7,605,787
INTANGIBLE ASSETS (Note 8)	847,768	648,799
INVESTMENTS IN WE365 (Note 9)	581	4
ASSETS HELD IN TRUST	-	1,001,146
	62,530,513	68,900,052

See accompanying notes.

**WE CHARITY****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT AUGUST 31, 2019**

	2019	2018
	\$	Revised \$
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Bank indebtedness (Note 10)	2,395,000	4,460,000
Accounts payable and accrued liabilities (Notes 9, 15, 16 and 17)	4,072,411	3,236,694
Deferred contributions (Notes 11 and 16)	8,528,251	13,539,387
Bank loans - current portion (Note 13)	5,162,835	4,597,316
Obligations under capital lease - current portion (Note 14)	628,419	605,039
	20,786,916	26,438,436
DEFERRED CAPITAL CONTRIBUTIONS (Notes 2 and 12)	16,611,348	17,330,973
BANK LOANS (Note 13)	6,127,390	2,077,373
OBLIGATIONS UNDER CAPITAL LEASE (Note 14)	827,454	1,455,873
AMOUNTS HELD IN TRUST	-	1,001,146
OBLIGATION FOR INVESTMENTS IN WE365	88,253	402,402
	44,441,361	48,706,203
<b>NET ASSETS</b>		
Unrestricted	2,486,216	(1,110,323)
Invested in capital assets	15,452,936	21,304,172
Endowment	150,000	-
	18,089,152	20,193,849
	62,530,513	68,900,052

COMMITMENTS (Note 19)

**ON BEHALF OF THE BOARD**\_\_\_\_\_  
Director\_\_\_\_\_  
Director

See accompanying notes.

## WE CHARITY

### NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2019

	Unrestricted	Invested in	Endowment	2019	2018
	\$	capital assets	\$	\$	Revised
		\$			\$
<b>NET ASSETS - BEGINNING OF YEAR</b>	(1,110,323)	21,304,172	-	<b>20,193,849</b>	20,603,052
ENDOWMENTS RECEIVED DURING THE YEAR	-	-	150,000	<b>150,000</b>	-
DEFICIENCY OF REVENUE OVER EXPENDITURES	(295,735)	(1,958,962)	-	<b>(2,254,697)</b>	(409,203)
INVESTMENT IN CAPITAL ASSETS, NET	3,892,274	(3,892,274)	-	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>2,486,216</b>	<b>15,452,936</b>	<b>150,000</b>	<b>18,089,152</b>	<b>20,193,849</b>

See accompanying notes.

**WE CHARITY****NON-CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED AUGUST 31, 2019**

	2019	2018 (8 months) Revised
	\$	\$
<b>REVENUE</b>		
Donations and sponsorships (Notes 15 and 17)	46,642,406	26,583,202
Contributions in kind	8,474,862	8,288,904
Government grants	1,580,105	1,593,852
Private grants	9,164,763	6,631,781
Other income	41,299	10,970
	65,903,435	43,108,709
<b>EXPENDITURES</b>		
Program (Schedule 1)	59,364,477	38,588,575
Support (Schedule 2)	5,116,634	3,525,283
Amortization	2,937,426	1,751,218
	67,418,537	43,865,076
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES FROM OPERATIONS</b>	(1,515,102)	(756,367)
<b>OTHER INCOME AND EXPENDITURES</b>		
Dividend and interest income	286,926	214,679
Gain (loss) on foreign exchange	(125,505)	155,621
Interest on long-term debts	(626,817)	(337,034)
Share of earnings (loss) from We365 group (Note 9)	314,726	(62,396)
Realized gain on marketable securities	476,479	38,881
Unrealized gain (loss) on marketable securities	(1,065,404)	337,413
	(739,595)	347,164
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	(2,254,697)	(409,203)

See accompanying notes.

**WE CHARITY****NON-CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2019**

	2019	2018 (8 months) Revised
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenditures for the year	(2,254,697)	(409,203)
Items not affecting cash:		
Amortization	2,937,426	1,751,218
Gain on disposal of capital assets	(732,626)	(572,306)
Marketable securities received in kind	(641,430)	(6,254,227)
Realized gain on marketable securities	(476,479)	(38,881)
Unrealized loss (gain) on marketable securities	1,065,404	(337,413)
Share of earnings (loss) from We365 group	(314,726)	62,396
Contributed intangible asset in kind	(68,738)	(48,614)
	(485,866)	(5,847,030)
Changes in non-cash working capital (Note 21)	(5,496,611)	4,378,610
Cash flows used by operating activities	(5,982,477)	(1,468,420)
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities	1,795,805	3,572,394
Due from related entities	354,035	45,176
Purchase of capital assets	(990,250)	(2,658,940)
Proceeds on disposal of capital assets	2,620,458	3,030,708
Properties under renovation	-	(544,516)
Purchase of intangible assets	(367,126)	-
Acquisition of We365 Holdings Inc.	-	(1)
Endowment contributions	150,000	-
Cash flows from investing activities	3,562,922	3,444,821
<b>FINANCING ACTIVITIES</b>		
Proceeds from (repayment of) bank indebtedness	(2,065,000)	407,672
Proceeds from (repayment of) bank loans	4,615,536	(194,801)
Repayment of obligations under capital lease	(605,039)	(390,831)
Cash flows from (used by) financing activities	1,945,497	(177,960)
<b>INCREASE (DECREASE) IN CASH</b>	(474,058)	1,798,441
<b>CASH - BEGINNING OF YEAR</b>	1,798,441	-
<b>CASH - END OF YEAR</b>	1,324,383	1,798,441

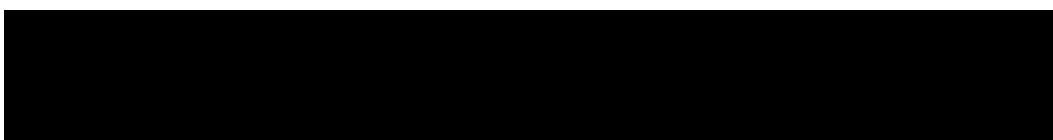
See accompanying notes.

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**WE CHARITY**

**NON-CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2019**



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## **WE CHARITY**

### **INDEX TO NON-CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of WE Charity

### *Opinion*

We have audited the non-consolidated financial statements of WE Charity (the Organization), which comprise the non-consolidated statement of financial position as at August 31, 2019, and the non-consolidated statements of changes in net assets, operations and cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of the Organization as at August 31, 2019, and the non-consolidated results of its operations and non-consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the Organization in accordance with ethical requirements that are relevant to our audit of the non-consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with ASNPO, 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.

In preparing the non-consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

(continues)



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

*Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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**Markham, Ontario**

**Chartered Professional Accountants  
Licensed Public Accountants**

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**WE CHARITY****NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT AUGUST 31, 2019**

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	\$	Revised \$
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ASSETS HELD IN TRUST	-	1,001,146
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## WE CHARITY

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COMMITMENTS (Note 19)

#### ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes.

## WE CHARITY

### NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2019

	Unrestricted	Invested in capital assets	Endowment	2019	2018 <i>Revised</i>
	\$	\$	\$	\$	\$
<b>NET ASSETS - BEGINNING OF YEAR</b>	(1,110,323)	21,304,172	-	<b>20,193,849</b>	20,603,052
ENDOWMENTS RECEIVED DURING THE YEAR	-	-	150,000	<b>150,000</b>	-
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INVESTMENT IN CAPITAL ASSETS, NET	3,892,274	(3,892,274)	-	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>2,486,216</b>	<b>15,452,936</b>	<b>150,000</b>	<b>18,089,152</b>	<b>20,193,849</b>

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## WE CHARITY

### NON-CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018 (8 months) Revised
	\$	\$
<b>REVENUE</b>		
Donations and sponsorships (Notes 15 and 17)	46,642,406	26,583,202
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<b>EXPENDITURES</b>		
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<b>OTHER INCOME AND EXPENDITURES</b>		
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	(739,595)	347,164
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES FOR THE YEAR</b>	(2,254,697)	(409,203)

See accompanying notes.

## WE CHARITY

### NON-CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED AUGUST 31, 2019

	2019	2018 (8 months) Revised
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenditures for the year	(2,254,697)	(409,203)
Items not affecting cash:		
Amortization	2,937,426	1,751,218
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	(485,866)	(5,847,030)
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Cash flows used by operating activities	(5,982,477)	(1,468,420)
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities	1,795,805	3,572,394
Due from related entities	354,035	45,176
Purchase of capital assets	(990,250)	(2,658,940)
Proceeds on disposal of capital assets	2,620,458	3,030,708
Properties under renovation	-	(544,516)
Purchase of intangible assets	(367,126)	-
Acquisition of We365 Holdings Inc.	-	(1)
Endowment contributions	150,000	-
Cash flows from investing activities	3,562,922	3,444,821
<b>FINANCING ACTIVITIES</b>		
Proceeds from (repayment of) bank indebtedness	(2,065,000)	407,672
Proceeds from (repayment of) bank loans	4,615,536	(194,801)
Repayment of obligations under capital lease	(605,039)	(390,831)
Cash flows from (used by) financing activities	1,945,497	(177,960)
<b>INCREASE (DECREASE) IN CASH</b>	(474,058)	1,798,441
<b>CASH - BEGINNING OF YEAR</b>	1,798,441	-
<b>CASH - END OF YEAR</b>	1,324,383	1,798,441

See accompanying notes.

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# **WE CHARITY**

## **NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2019**

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### **1. NATURE OF OPERATIONS**

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

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

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **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.

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# WE CHARITY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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

#### Revenue recognition

The organization follows the deferral method of accounting for the following sources of revenue:

- a) Donations and sponsorships consist of cash resources received from corporate partners and the general public. Certain sponsorship arrangements with corporate partners provide both parties with non-exclusive, non-transferable, royalty-free license to use, reproduce and exhibit certain trademarks in accordance with the specifications of the arrangements. Due to the difficulty in determining the value of benefits from the use of such trademarks, the organization has not allocated or recognized any of the sponsorship funds as proceeds from licensing.
- b) Contributions in kind include goods and services that are used by the organization in the normal course of operations. Contributed materials and services are expensed when received and contributed assets providing future benefits are capitalized at fair value on the date of contribution.
- c) Grants include funding received from government and other not-for-profit organizations.
- d) Investment and other income.

Restricted contributions for specific programs are deferred when received and recognized as revenue in the year in which the related expenditures are incurred. Restricted contributions for capital expenditures are deferred when received 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.

Endowment contributions are recognized as direct increases in net assets. Endowments are subject to externally imposed stipulations that the resources contributed be maintained permanently by the organization. Investment income or losses that are stipulated to be added to the principal amount of endowment are recognized as direct increases to net assets.

Investment and other income that are not otherwise restricted are recognized as revenue when earned.

#### Contributed assets and services

While the organization also benefits from volunteer services and rent-free use of office space within facilities owned or leased by related entities, due to the difficulty in determining their fair value, the value of such services and arrangements have not been reflected in these non-consolidated financial statements.

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# WE CHARITY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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

#### Net assets

- a) Net assets invested in capital assets are comprised of the unamortized amount 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.
- c) Endowments represent the amount of contributed resources that the organization is required to maintain permanently by the donor.

#### 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.

#### Allocation of expenditures

The organization incurs costs for international and domestic programming 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 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.

#### 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.

#### 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 costs of acquiring and customizing computer software. Software are recorded at cost and are amortized on a straight-line basis over their estimated useful lives of five years.

*(continues)*

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# **WE CHARITY**

## **NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2019**

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

#### **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 presented in the organization's non-consolidated 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.

#### **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 throughout 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.

## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

#### 3. MARKETABLE SECURITIES

	2019 \$	2018 \$
Short-term investments (a)	6,907,568	11,022,023
Fixed income investments (b)	2,371,155	-
	9,278,723	11,022,023

a) Short-term investments represent holdings in an investment portfolio, consisting of a government bond with an interest rate of 1.25% and maturing November 2019, preferred shares, common shares and mutual funds.

b) Fixed income investments represent holdings in an investment portfolio, consisting of various government and corporate bonds, with interest rates ranging between 1.35% and 2.42% and maturing between November 2020 and October 2024.

#### 4. CONTRIBUTIONS RECEIVABLE

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

#### 5. DUE FROM RELATED ENTITIES

	2019 \$	2018 \$
Imagine 1 Day International Organization (Note 16)	3,093,000	3,093,000
We365 LP (Note 9)	-	384,035
We365 Holdings Inc. (Note 9)	30,000	-
	3,123,000	3,477,035

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

# WE CHARITY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

### 6. CAPITAL ASSETS

	Cost \$	Accumulated amortization \$	2019 Net book value \$	2018 Net book value \$
Land	6,588,542	-	6,588,542	6,143,542
Buildings	35,628,567	2,788,352	32,840,215	28,442,397
Computer equipment	893,952	822,642	71,310	111,105
Furniture and fixtures	2,894,228	1,097,834	1,796,394	2,030,240
Leasehold improvements	1,506,973	400,819	1,106,154	1,277,657
	47,512,262	5,109,647	42,402,615	38,004,941
Furniture and fixtures under capital lease	2,500,000	940,000	1,560,000	1,950,000
	50,012,262	6,049,647	43,962,615	39,954,941

### 7. PROPERTIES UNDER RENOVATION

	2019 \$	2018 \$
	-	3,030,155
	-	4,575,632
	-	7,605,787

During the year, the organization completed the renovations. Accordingly, the total carrying cost of the properties in the amount of \$7,605,787 has been transferred to capital assets (Note 6).

### 8. INTANGIBLE ASSETS

	2019 \$	2018 \$
Application software, at cost	1,184,478	748,614
Accumulated amortization	(336,710)	(99,815)
	847,768	648,799

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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#### 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:

	2019 \$	2018 \$
Balance - beginning of year	(340,078)	(340,005)
Share of income (loss)	340,623	(73)
Balance - end of year	545	(340,078)

A summary of LP's financial information as at August 31, 2019 and for the year then ended is as follows:

<b>Financial position</b>		
Assets	578	43,955
Liabilities	-	384,035
Equity (deficit)	578	(340,080)
<b>Results of operations</b>		
Revenue	367,141	-
Expenses	26,484	73
Net earnings (loss)	340,657	(73)

(continues)

## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

#### 9. WE365 (continued)

	2019 \$	2018 \$
<b>Cash flows</b>		
Operating	(5,863)	(73)
Investing	-	(11,030)
Financing	-	-
Decrease in cash	(5,863)	(11,103)

#### 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:

	2019 \$	2018 \$
Balance - beginning of year	2	2
Share of earnings	34	-
Balance - end of year	36	2

With the exception of recognizing its share of earnings from LP in the amount of \$34 (2018 - \$Nil), there has been no activity in GP for the periods ended August 31, 2019 or 2018.

#### We365 Holdings Inc.

Holdings provides the organization with support for its domestic programming.

The organization's investment in Holdings is as follows:

	2019 \$	2018 \$
Balance - beginning of year	(62,322)	-
Acquisition	-	1
Share of losses	(25,931)	(62,323)
Balance - end of year	(88,253)	(62,322)

(continues)

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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9. WE365 (continued)

A summary of Holdings' financial information as at August 31, 2019 and for the period from the organization's acquisition to August 31, 2019 is as follows:

	2019 \$	2018 \$
<b>Financial position</b>		
Assets (note a)	378,853	191,019
Liabilities	467,108	253,342
Deficit	(88,255)	(62,323)
<b>Results of operations</b>		
Revenue (note a)	1,668,079	1,231,333
Expenses	1,694,010	1,293,656
Net loss	(25,931)	(62,323)
<b>Cash flows</b>		
Operating	3,611	(11,030)
Investing	-	-
Financing	-	11,030
Increase in cash	3,611	-

- a) During the year, Holdings charged the organization programming support costs of \$1,413,392 (2018 - \$1,054,705), of which \$328,705 (2018 - \$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. In addition, a loan in the amount of \$30,000 (Note 5) is due from Holdings at year end.

## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

#### 10. BANK INDEBTEDNESS

	2019 \$	2018 \$
Revolving demand facility with available credit of \$5,000,000 bearing interest at bank prime plus 0.75% per annum	-	4,460,000
Revolving demand facility with available credit of \$3,000,000 bearing interest at bank prime plus 0.75% per annum	2,395,000	-
	<b>2,395,000</b>	<b>4,460,000</b>

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

Interest paid on the demand facilities for the year amounted to \$245,962 (2018 - \$154,309) and has been included as a component of interest on long-term debt in the non-consolidated statement of operations.

During the year, the organization repaid the revolving demand facility of \$4,460,000 in full.

#### 11. DEFERRED CONTRIBUTIONS

	2019 \$	2018 \$
Balance - beginning of year	13,539,387	13,522,932
Restricted contributions received	53,367,034	38,323,090
	66,906,421	51,846,022
Less: amount recognized as revenue	(58,378,170)	(38,306,635)
	<b>8,528,251</b>	<b>13,539,387</b>

#### 12. DEFERRED CAPITAL CONTRIBUTIONS

	2019 \$	2018 \$
Balance - beginning of year	17,330,973	17,861,005
Capital contributions received	-	-
	17,330,973	17,861,005
Less: amount recognized as revenue	(719,625)	(530,032)
	<b>16,611,348</b>	<b>17,330,973</b>



# WE CHARITY

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

### 13. BANK LOANS

	2019 \$	2018 \$
Non-revolving term facility bearing interest at 3.18% per annum, repayable in monthly blended payments of \$28,526, matured October 30, 2018	-	4,522,282
Non-revolving term facility bearing interest at 3.83% per annum, repayable in monthly blended payments of \$29,996, maturing October 30, 2019 (note a)	4,330,204	-
Non-revolving term facility bearing interest at 4.15% per annum, repayable in monthly blended payments of \$13,506, maturing December 19, 2022	2,078,017	2,152,407
Non-revolving term facility bearing interest at bank prime plus 0.75% per annum, repayable in monthly blended payments of \$39,332, maturing May 28, 2020	4,882,004	-
	11,290,225	6,674,689
Amounts payable within one year	(5,162,835)	(4,597,316)
	6,127,390	2,077,373

- a) Subsequent to year end, the organization renewed the term facility for another twelve months maturing October 30, 2020. Accordingly, the outstanding principle has been excluded from amounts payable within one year.

Principal repayment terms are approximately:

	\$
2020	5,162,835
2021	4,208,697
2022	84,823
2023	1,833,870
	11,290,225

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 \$10,150,000, constituting a first fixed charge on the land and improvements located at [REDACTED], Toronto, Ontario. As at August 31, 2019, the carrying value of the property amounted to \$29,480,414.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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#### 13. BANK LOANS *(continued)*

Under the terms of the facilities agreement, the organization is required to meet certain financial covenants. As of August 31, 2019, 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.

Interest incurred on the above facilities for the year amounted to \$312,694 (2018 - \$124,756) and has been included as a component of interest on long-term debt in the non-consolidated statement of operations.

#### 14. OBLIGATIONS UNDER CAPITAL LEASE

	2019 \$	2018 \$
Lease bearing interest at 3.85% per annum, repayable in monthly blended payments of \$56,100, maturing November 1, 2021	1,455,873	2,060,912
Amounts payable within one year	(628,419)	(605,039)
	<b>827,454</b>	<b>1,455,873</b>

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

Future minimum capital lease payments are approximately:

	\$
2020	673,200
2021	673,200
2022	175,646
Total minimum lease payments	1,522,046
Less: amount representing interest at 3.85%	66,173
Net value of minimum lease payments	1,455,873
Less: current portion	628,419
	<b>827,454</b>

Interest incurred on the obligation for the year amounted to \$68,161 (2018 - \$57,969) and has been included as a component of interest on long-term debt in the non-consolidated statement of operations.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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#### 15. 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 and leadership training services from Me to We at, or below, wholesale prices.

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

	2019	2018 <i>Revised</i>
	\$	\$
Contributions received	4,944,588	2,888,814
Purchase of promotional goods	916,178	860,273
Travel and leadership training services	2,484,266	1,782,464
Rent expenditures	170,400	-

During the year, the organization purchased books from Me to We through intermediaries in the amount of \$759,200 (2018 - \$542,625) at or below wholesale prices. The amount has not been included in the disclosures above.

Included in contributions receivable is \$588,442 (2018 - \$63,000) receivable from Me to We.

Included in accounts payable and accrued liabilities is \$179,474 (2018 - \$267,423) 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 entities.

#### 16. 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, 2019, \$3,170,118 (2018 - \$6,340,235) of the transfer is included as part of deferred contributions.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

#### 16. IMAGINE 1 DAY INTERNATIONAL ORGANIZATION (*continued*)

A summary of I1D's financial information as at August 31, 2019 and for the year then ended is as follows:

	2019 \$	2018 \$
<b>Financial position</b>		
Assets	3,678,942	3,769,171
Liabilities	3,474,724	3,228,867
Net assets (note a)	204,218	540,304
<b>Results of operations</b>		
Revenue	875,335	735,111
Expenditures	1,211,421	545,193
Excess (deficiency) of revenue over expenditures	(336,086)	189,918
<b>Cash flows</b>		
Operating	226,274	(81,272)
Investing	-	(7,690)
Financing	-	-
Increase (decrease) in cash	226,274	(88,962)

- 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, 2019, net assets include a restricted fund balance of \$129,729 (2018 - \$333,141).

During the year the organization paid contributions to I1D in the amount of \$860,000 (2018 - \$300,000) to be used towards its programming in Ethiopia.

Included in the organization's accounts payable and accrued liabilities is a payable to I1D in the amount of \$100,000 (2018 - \$242,000).

Included in the organization's contributions receivable is a receivable from I1D in the amount of \$100,000 (2018 - \$Nil).

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## **WE CHARITY**

### **NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2019**

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#### **17. 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 nine 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 year amounted to \$8,736,000 (2018 - \$6,385,000).

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 \$20,884,000 (2018 - \$13,074,000) from the charity in the United States and \$1,204,000 (2018 - \$573,000) from the charity in the United Kingdom, towards the organization's international and domestic programming.

Included in contributions receivable is \$33,000 (2018 - \$199,000) and \$65,000 (2018 - \$Nil) receivable from the charities in the United States and United Kingdom, respectively. Included in accounts payable and accrued liabilities is \$1,326,000 (2018 - \$Nil) payable to the charity in the United States. Included in deferred contributions is \$1,371,000 (2018 - \$1,670,000) received from the charity in the United States towards the organization's international programming.

The organization also works closely with not-for-profit organizations in Canada to achieve various domestic program initiatives.

The organization received contributions in the amount of \$900,000 (2018 - \$Nil) from Canadian not-for-profit organizations. Funding provided to these Canadian organizations for the year amounted to \$400,000 (2018 - \$Nil).

Included in contributions receivable is a total of \$47,000 (2018 - \$50,000) receivable from the Canadian organizations. Included in accounts payable and accrued liabilities is a payable to the Canadian organizations in the amount of \$130,000 (2018 - \$Nil).

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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#### 18. ALLOCATION OF EXPENDITURES

Fundraising and administrative costs totalling \$3,757,950 (2018 - \$3,068,511) have been allocated as follows:

	Fundraising \$	Administration \$	2019 \$	2018 \$
Payroll	-	2,881,190	<b>2,881,190</b>	2,273,677
Allocated to:				
International	-	1,146,236	<b>1,146,236</b>	1,157,768
Domestic	-	1,146,236	<b>1,146,236</b>	744,103
Fundraising	-	588,718	<b>588,718</b>	-
Administration	-	-	-	371,806
	-	2,881,190	<b>2,881,190</b>	2,273,677
Other operating costs	-	876,760	<b>876,760</b>	794,834
Allocated to:				
International	-	292,457	<b>292,457</b>	397,417
Domestic	-	283,830	<b>283,830</b>	397,417
Fundraising	-	300,473	<b>300,473</b>	-
	-	876,760	<b>876,760</b>	794,834

#### 19. COMMITMENTS

The organization leases office space in Ontario, 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:

	\$
2020	318,113
2021	321,532
2022	271,730
2023	194,400
2024	24,000
	<b>1,129,775</b>

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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#### 20. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of August 31, 2019.

##### 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 and amounts due from related entities. In order to reduce its credit risk, the organization recognizes contributions receivable only when there is reasonable expectation of collection and regularly reviews the related entities' credit worthiness. 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:

	2019 \$	2018 \$
U.S. Dollars (USD):		
Cash	412,910	49,398
Marketable securities	645,629	1,229,472
Contributions receivable	-	8,425
Accounts payable	1,005,432	9,212
Pound Sterling (GBP):		
Cash	8,408	445,829
Contributions receivable	40,000	-
Accounts payable	80,000	-

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 obligations under capital lease.

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## WE CHARITY

### NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2019

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#### 20. 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.

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

	2019	2018 <i>Revised</i>
	\$	\$
Contributions receivable	(670,728)	5,459,927
Sales tax rebate receivable	329,377	688,550
Prepaid expenditures and other assets	(260,216)	(577,603)
Accounts payable and accrued liabilities	835,717	(678,687)
Deferred contributions	(5,011,136)	16,455
Deferred capital contributions	(719,625)	(530,032)
	(5,496,611)	4,378,610

#### 22. CORRESPONDING FIGURES

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

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

#### 23. CORRECTION OF ERROR

During the year, it was identified that in-kind services received from Me to We during the 2018 fiscal year to satisfy commitments that would otherwise have required monetary settlement had not been appropriately recognized.

The error has been corrected in the current non-consolidated financial statements resulting in a \$912,000 increase in contributions in kind and an increase in payroll for international programming, domestic programming and administration in the amounts of \$82,987, \$431,156 and \$397,857, respectively. The correction and recognition of the in-kind services also resulted in a payable to Me to We in the amount of \$118,560 relating to government remittances on the in-kind services received.

All corresponding disclosures have been updated to reflect the correction (Note 15).



## WE CHARITY

### NON-CONSOLIDATED SCHEDULE OF PROGRAM EXPENDITURES FOR THE YEAR ENDED AUGUST 31, 2019

(Schedule 1)

	2019	2018 (8 months) Revised
	\$	\$
<b>International programs</b>		
Asia	1,671,640	1,319,802
Africa	18,494,884	12,353,461
Latin America	6,594,046	5,972,463
	<b>26,760,570</b>	<b>19,645,726</b>
<b>Domestic programs</b>		
Direct costs	14,678,109	7,994,511
Office	6,590,819	3,987,109
Payroll	9,798,497	4,561,315
Travel	1,536,482	2,399,914
	<b>32,603,907</b>	<b>18,942,849</b>
	<b>59,364,477</b>	<b>38,588,575</b>

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

Domestic program expenditures consist of costs towards various projects under the WE Day, WE Schools, WE Social Entrepreneurs and WE Global Learning Centre virtual education and learning initiatives which are delivered primarily in Canada, United States and United Kingdom.

See accompanying notes.

**WE CHARITY****NON-CONSOLIDATED SCHEDULE OF SUPPORT EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2019****(Schedule 2)**

	2019	2018 (8 months) Revised
	\$	\$
<b>Fundraising</b>		
Events	310,076	35,262
Office	277,583	12,188
Payroll	1,573,036	1,115,418
	2,160,695	1,162,868
<b>Administration</b>		
Office	650,145	642,012
Payroll	2,655,706	1,713,546
Professional fees	376,179	511,892
Training	-	4,420
Travel	6,535	62,851
	3,688,565	2,934,721
Less: Gain on disposal of capital assets	(732,626)	(572,306)
	2,955,939	2,362,415
	5,116,634	3,525,283

See accompanying notes.