

# **WE Charity Foundation**

**Financial Statements**

**For the Year Ended December 31, 2021**



## INDEPENDENT AUDITOR'S REPORT

### To the Members of WE Charity Foundation

#### *Opinion*

We have audited the financial statements of WE Charity Foundation, (the "Foundation"), which comprise the statement of financial position as at December 31, 2021 and the statements of operations, changes in net assets (deficiency), and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2021, and results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

#### *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 Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the 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.

#### *Other Matter*

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on June 29, 2021.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Foundation'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 Foundation'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 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 Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

*RSM Canada LLP*

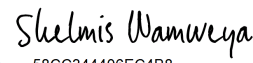
Chartered Professional Accountants  
Licensed Public Accountants  
July 26, 2022  
Toronto, Ontario

**WE Charity Foundation**  
**Statement of Financial Position**  
**As at December 31, 2021**

	2021	2020
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 7,483,998	\$ 456
Amounts receivable (Note 3)	139,430	1,580
Investments (Note 4)	1,132,646	-
	<b>\$ 8,756,074</b>	<b>\$ 2,036</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 16,216	\$ 7,501
Due to WE Charity (Note 3)	488,299	27,465
	<b>504,515</b>	<b>34,966</b>
<b>Deferred contributions (Note 5)</b>	<b>125,000</b>	<b>-</b>
	<b>629,515</b>	<b>34,966</b>
<b>Net Assets (Deficiency)</b>		
<b>Net assets (deficiency)</b>	<b>8,126,559</b>	<b>(32,930)</b>
	<b>\$ 8,756,074</b>	<b>\$ 2,036</b>

Approved by the Board

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 Director

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 Director

**WE Charity Foundation**  
**Statement of Changes in Net Assets (Deficiency)**  
**Year Ended December 31, 2021**

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	<b>2021</b>	2020
<b>Net deficiency, beginning of year</b>	<b>\$ (32,930)</b>	\$ (2,652)
<b>Excess (deficiency) of revenue over expenses</b>	<b>8,159,489</b>	(30,278)
<b>Net assets (deficiency), end of year</b>	<b>\$ 8,126,559</b>	\$ (32,930)

**WE Charity Foundation**  
**Statement of Operations**  
**Year Ended December 31, 2021**

	2021	2020
<b>Revenue</b>		
Donations (Note 3)	\$ 10,154,301	\$ -
Investment income	4,459	-
	<b>10,158,760</b>	<b>-</b>
<b>Expenses</b>		
Program costs (Note 3)	1,871,121	-
Salaries and benefits	108,386	-
Office and general	13,812	30,278
Foreign exchange loss	3,761	-
Travel	2,191	-
	<b>1,999,271</b>	<b>30,278</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 8,159,489</b>	<b>\$ (30,278)</b>

**WE Charity Foundation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2021**

	2021	2020
<b>Cash provided by (used in)</b>		
<b>Operations</b>		
Excess (deficiency) of revenue over expenses	\$ 8,159,489	\$ (30,278)
Items not affecting cash		
Unrealized gain on investments	2,647	-
	<b>8,162,136</b>	<b>(30,278)</b>
Net changes in non-cash working capital		
Amounts receivable	(137,850)	(1,340)
Accounts payable and accrued liabilities	8,715	7,501
Due to WE Charity	460,834	24,573
Deferred contributions	125,000	-
	<b>8,618,835</b>	<b>456</b>
<b>Investing</b>		
Purchase of investments	(1,135,293)	-
<b>Net change in cash</b>	<b>7,483,542</b>	<b>456</b>
<b>Cash, beginning of year</b>	<b>456</b>	<b>-</b>
<b>Cash, end of year</b>	<b>\$ 7,483,998</b>	<b>\$ 456</b>

## **1. NATURE OF OPERATIONS**

WE Charity Foundation (the "Foundation") was incorporated on January 29, 2018 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.

The Foundation's purposes include the following:

- To promote the efficiency and effectiveness of other registered charities by providing and maintaining facilities to house the operations of other registered charities, including WE Charity.
- To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to qualified donees as defined in subsection 149.1(1) of the Canadian Income Tax Act.

Subsequent to year end, the Foundation applied to the Canada Revenue Agency with a proposed amendment to its purposes and activities to permit charitable activities in developing nations.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organization (ASNPO) which include the following significant accounting policies:

### **Revenue Recognition**

The Foundation follows the deferral method of accounting for contributions, which are comprised of general and in-kind donations.

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

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 income, including dividend and interest income is recognized when earned.

### **Contributed Assets and Services**

Contributed assets and 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 Foundation 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 financial statements.



**2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Project Expenses**

The Foundation has grant agreements with WE Charity (Note 3) that may extend beyond the current year. Project expenses are recorded as requests for funding are received.

**Financial Instruments**

The Foundation initially measures its financial assets and liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost except for equity instruments that are quoted in an active market which are subsequently measured at fair value. Changes in fair value are recognized in the statement of revenue and expenses.

Financial assets measured at amortized cost include cash and amounts receivable and investments other than equity investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to WE Charity.

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of a write-down, if any, is recognized in the excess of revenue over expenditures. Reversals of impairment are recorded to the extent that the value has increased, up to the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

**Foreign Currency Translation**

Cash denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Foreign currency transactions are translated into Canadian dollars on the date of payment.

**Use of Estimates**

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 amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. RELATED PARTY BALANCES AND TRANSACTIONS**

WE Charity, a Canadian registered charity, is in the process of winding down its operations. As part of the closing, WE Charity Canada gifted \$10,000,000 to the WE Charity Foundation to support programs in Kenya. WE Charity Canada is a related party to the Foundation through a select number of common directors and management.

WE Charity Foundation applied to the Canada Revenue Agency with a proposed amendment to its purposes to permit charitable activities in developing nations. The Board of WE Charity Foundation has approved the transfer of funds to WE Charity Canada to support programs in Kenya until which time the proposed amendment is approved. As a result, there have been related party transactions during the audit period.

The amount due to WE Charity is non-interest bearing with no fixed terms of repayment.

Program costs of \$1,871,121 were payable to WE Charity in support of activities in Kenya. Of this amount, \$1,410,856 was paid during the year, and \$460,265 is included in the amount due to WE Charity.

The Board of Directors approved the Foundation entering into grant agreements with WE Charity during the year totalling \$1,610,472 USD, of which \$702,440 USD was paid in the current year and \$908,032USD will be paid out in future years. Funds are paid as requested and there is no set schedule of payments.

Included in accounts receivable is \$125,000 (2020 - \$Nil) due from WE Charity relating to a donation received by WE Charity for the Foundation.

Related party transactions are conducted in the normal course of operations and are measured at the exchange amount.

**4. INVESTMENTS**

Investments consist of the following:

	2021	2020
Common shares	\$ 271,429	\$ -
Mutual funds	861,217	-
	<b>\$ 1,132,646</b>	<b>\$ -</b>

**5. DEFERRED CONTRIBUTIONS**

Included in deferred contributions are the restricted donations received during the year and deferred until the related expenses are incurred. Total amount of restricted donations received during the year was \$125,000 of which \$Nil was recognized as revenue during the year.

## **6. FINANCIAL RISK MANAGEMENT**

### **Risks and Concentrations**

The Foundation 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 a measure of the Foundation's risk exposure and concentrations at December 31, 2021:

#### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to liquidity risk mainly in respect of its accounts payable and accrued liabilities.

#### **Market Risk**

The Foundation's investments are susceptible to market risk. Market risk is defined as the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation's market risk is affected by changes in the level or volatility of market rates or prices, such as interest rates, foreign currency exchange rates and equity prices. It is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rate sensitive investments.

These risks are mitigated through the Foundation's investment policy, which requires investments to be held in high grade, low risk investments.

## **7. COMPARATIVE BALANCES**

Certain of the prior year comparative balances were restated to conform with the current year presentation.