

Stephen T. Goudge Professional Corporation

155 Wellington Street West, 35th Floor
Toronto, ON M5V 3H1

Tel.: 416.646.7401 / Fax: 416.646.4301
email: stephen.goudge@stephengoudge.com

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November 13, 2019

WE Charity
339 Queen St E,
Toronto, ON
M5A 1S9

Dear Sirs:

Re: Independent Assessment of WE Charity's Real Estate Holdings and Practices

Introduction

You have asked me to conduct an independent assessment of the real estate policies and practices of WE Charity. To do so, you have posed six questions to be addressed.

My responses are based on the documents provided to me by WE Charity, which include:

- Declarations sworn by WE Charity's senior employees
- WE Charity's policies;
- Governor Scott McCallum's independent report dated October 19, 2019;
- MoneySense magazine's charity rankings;
- Pledge agreements from certain WE Charity donors; and,
- Reports from WE Charity's commercial real estate brokerage, Sotheby's.

I have been ably assisted in my task by Elizabeth Rathbone of Paliare Roland Rosenberg Rothstein LLP. I have conducted my review on a completely independent basis. The conclusions I have drawn are entirely my own.

Discussion

A. Is it reasonable for WE Charity to have a reserve fund, held in real estate, being the equivalent of 8-9 months of annual operating revenue?

WE Charity advises me that it maintains a "reserve fund", held in its Toronto real estate assets, which represents some 8-9 months of WE Charity's annual operating revenue.

I have reviewed the November, 2016 report from MoneySense magazine, which ranks the largest charities in Canada. MoneySense includes cash reserves as a component of its methodology for ranking charities. MoneySense states reserve funds are an

important component of a well-run charity to ensure the organization has a plan in place to ensure it can withstand periods of lower donations or greater needs. On the other hand, MoneySense points out this is a “tricky balance”, because where charities save too significant a portion of their funds, the organization is “sitting on cash that could be better spent.” MoneySense scores charities that hold reserves of three months to three years highest given this balance. MoneySense has given WE Charity a “B” grade for its reserve fund from 2015 through 2018.

I have also reviewed an independent report prepared by Scott McCallum, dated October 19, 2019. Mr. McCallum has served as the Governor of Wisconsin, and has some 40 years of executive experience in the private, non-profit, and government sectors. Mr. McCallum notes that given charities’ dependence on donations and fundraising as well as support from governments, these organizations are vulnerable to changing political and economic conditions. As a result, Mr. McCallum concludes that reserve funds, and specifically reserve funds held in real estate, are a reasonable practice for charities. Mr. McCallum notes that real estate provides a low-risk, predictable investment, particularly in a continually strong market such as downtown Toronto. This investment is not liquid, although WE Charity can realize on the investments through low-interest lines of credit secured against the real estate assets, or by selling the assets.

Based on my review of these documents, WE Charity’s reserve fund practices and policies are reasonable in my view.

B. Is there clear evidence to show that financial supporters of WE Charity have donated funds to the charity specifically for the purchase of real estate assets?

WE Charity operates primarily out of its Global Learning Centre (the “WE GLC”) in the Regent Park/Moss Park area of Toronto. WE GLC operates as WE Charity’s headquarters, as well as an education centre for youth.

WE Charity purchased the WE GLC lot in September, 2015 for \$14.5 million. WE Charity conducted extensive construction and renovation to build the WE GLC space, breaking ground in January, 2016.

I have reviewed a sworn declaration from WE Charity’s former executive director and current chief operations director, who confirms that a number of donors including Hartley Richardson, David Aisenstat, the Gilgan Family Foundation, and Castlepoint Investments donated funds specifically earmarked for either the purchase of land for or construction of the WE GLC.

I have also reviewed pledge agreements from certain donors, such as the Richardson Foundation, Castlepoint Investments, and The Rumi Foundation which state that the applicable donation is in support of the WE GLC.

Finally, I have reviewed a news article published in the Globe & Mail which covers Mr. Richardson and Mr. Aisenstat’s directed donations for WE GLC.

In my opinion, the evidence clearly demonstrates that financial supporters of WE Charity made donations specifically directed to the purchase and construction of WE GLC.

C. *Has the WE Charity policy of owning real estate provided clear financial and organisational benefit and helped to support the goals of WE Charity?*

WE Charity's stated purpose is to empower youth around the world, encouraging young people to change the world domestically and globally.

We Charity's policy of owning real estate supports this goal in several ways:

- As discussed above, the real estate investment provide a buffer or reserve which would enable the charity to weather periods of economic uncertainty while maintaining WE Charity's existing programs and services;
- According to Sotheby's, WE Charity's real estate brokerage, the real estate assets sold by WE Charity have generated gains, which have been reinvested into WE Charity's real estate holdings, thus increasing WE Charity's reserve fund;
- Also according to Sotheby's, WE Charity's strategy of owning properties and using the property for the charity's operations, as opposed to paying to lease office space, has been a financially advantageous strategy;
- Finally, WE Charity's strategy of owning real estate has allowed WE to purchase and develop WE GLC, which operates not only as We Charity's headquarters, but also functions as a centre of its education and social entrepreneurship initiatives, providing classrooms, virtual classrooms, and workstudy spaces for youth.

In my opinion, for these reasons, WE Charity's policy of owning real estate has provided a financial and organisational benefit, and supports the work of the charity.

D. *Do proper controls govern the real estate transactions of WE Charity, and was the purchase and sale of WE Charity's real estate from 2011-2018 conducted in a reasonable manner?*

I have reviewed WE Charity's Board of Directors' policy regarding real estate and governance. This policy provides that full Board approval, memorialized by Board resolutions, is required for any purchase or sale of real estate by WE Charity. The policy also provides for a thorough evaluation and approval process, which involves: independent assessments from realtors of the value of the real estate; governance and oversight regarding the details of the transactions, including the commercial counterparty; and, a clear and specific reason for the purchase based on WE Charity's needs.

In my opinion, the governance controls provided by this policy are reasonable.

I have also reviewed declarations from WE Charity's executive directors over the 2011-2018 period. The executive directors confirm that WE Charity's policy regarding

governance and oversight of real estate transactions was followed for all real estate transactions from 2011-2018.

I also reviewed a letter from Sotheby's International Realty, WE Charity's real estate broker in these transactions. Sotheby's states that the sale and purchase prices for WE Charity's properties were in each case in line with the fair market value for the property at the time.

Based on these declarations from WE Charity's executive directors, as well as Sotheby's assessment that the transactions were in line with fair market value, it is my view that WE Charity's real estate transactions over this period were conducted in a reasonable manner.

E. Based on the affidavits provided, is it reasonable to conclude that WE Charity never purchased and/or sold real estate to ME to WE, Craig or Marc Kielburger (or any member of their family), or Victor Li (or any member of his family)?

WE Charity has provided sworn declarations from Scott Baker, who served as WE Charity's executive director from December, 2010 – January, 2019, and Dalal Al Waheidi, who serves as WE Charity's executive director today. WE Charity has also provided a sworn declaration from its Chief Financial officer, Victor Li.

Both the current and former executive directors affirm that WE Charity has not purchased real estate from or sold real estate to ME to WE, Craig or Marc Kielburger, any of Craig or Marc Kielburger's family members, Victor Li, or any member of Victor Li's family.

Victor Li affirms the same, and further confirms that WE Charity has never transacted in real estate with him or any member of his family.

Based on these declarations, I conclude that WE Charity has not transacted in real estate with the listed parties.

F. Is Victor Li qualified to be the Chief Financial Officer of WE Charity based on his academic and professional training, standing as a Certified Public Accountant, and history in the role?

I have reviewed an overview of Victor Li's accreditation and experience provided to me by WE Charity, as well as an overview of Mr. Li's responsibilities and role at WE Charity.

I have also reviewed job postings setting out the requirements for similar roles at analogous charities, including the Boys & Girls Clubs of Canada, Camp Oochigeas, and the Rideau Hall Foundation.

In my opinion, based on these documents, Mr. Li is qualified to act as WE Charity's CFO. Mr. Li holds a Bachelor's degree in accounting and a Master's degree in finance. He is a Certified General Accountant. Mr. Li began working as an accountant in 1992,

and began work at WE Charity (Free the Children as it then was) in 1999. Mr. Li has accreditation and experience in line with similar roles within the non-profit sector in Canada.

Yours very truly,

A handwritten signature in black ink, appearing to read "Stephen Goudge". The signature is fluid and cursive, with a prominent loop at the end.

Hon. Stephen Goudge, Q.C.
SG/sb