
ME to WE Social Enterprises, Inc. Impact Report

A Summary of Evaluation Results of ME
to WE's Social Enterprise Model

Mission Measurement, LLC

With a letter from Jason Saul, CEO, Mission Measurement

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Executive summary

This report outlines an independent evaluation of ME to WE Social Enterprises, Inc., headquartered in Toronto, Canada. The purpose of this evaluation is to provide an objective, third-party assessment of how ME to WE creates social value and economic value. This report specifically explores the following questions:

1. Is ME to WE operating as a legitimate social enterprise with industry-standard guidelines?
2. What is the benefit that ME to WE provides, if any, to its charity partner, WE Charity?

This assessment has been conducted by Mission Measurement, an international consultancy that specializes in measuring and improving social impact. Over the past eight years, Mission Measurement has conducted six comprehensive studies of ME to WE and its charity partner, WE Charity. For the purposes of analyzing ME to WE's social enterprise model, Mission Measurement further examined internal and public records provided by ME to WE and WE Charity documenting ME to WE's corporate structure, governance and board oversight and financial records. Accompanying Mission Measurement's evaluation is a letter from Jason Saul, CEO of Mission Measurement, at the close of this report sharing his professional opinion.

It is the professional opinion of Mission Measurement that ME to WE's social enterprise model serves a legitimate social purpose, and is being operated in line with the highest industry standards. The program design, execution and scalability of ME to WE's social enterprise model significantly advances meaningful social outcomes while generating economic value through innovative commercial activities. This commitment is transparent and reinforced by organizational structure, policies, programs and services.

It is also the opinion of Mission Measurement that ME to WE makes a substantial and unique contribution to sustaining the WE Charity. ME to WE's programs and initiatives are designed to use market forces such as consumer demand, consumer education, youth engagement, responsible sourcing and other market-based practices to advance meaningful and lasting social outcomes. Many of these outcomes would not otherwise be achievable without the use of a social enterprise model.

Based on Mission Measurement's extensive, independent review of ME to WE social enterprise and its relationship to WE Charity, our findings support the conclusion that ME to WE represents a "best-in-class" social enterprise. ME to WE is not only operating within established industry guidelines and practices, but based on our market research and analysis of peer social enterprises, it may well be setting the industry standard globally for best practices in the field of social entrepreneurship.

Assessment of ME to WE's Social Enterprise Model

Introduction

This report outlines an independent evaluation of ME to WE Social Enterprises, Inc., headquartered in Toronto, Canada. The purpose of this assessment is to provide an objective, third-party evaluation of whether ME to WE creates the social and economic value sufficient to be deemed a credible social enterprise.

This report specifically explores the following questions:

1. Is ME to WE operating as a legitimate social enterprise with industry-standard guidelines?
2. What is the benefit that ME to WE provides, if any, to its charity partner, WE Charity?

This evaluation has been conducted by Mission Measurement, an international consultancy that specializes in measuring and improving social impact. Over the past eight years, Mission Measurement has conducted six comprehensive studies of ME to WE and its charity partner, WE Charity (formerly known as Free The Children), including:

- Youth Social Impact Study: Social Impact Quantitative Survey
- Adopt A Village: An Examination of Free The Children's International Community Development Model
- Alumni Study
- Employee Engagement Survey: Free The Children, ME to WE, WE Day
- WE Day: Kitchener-Waterloo Region Impact Assessment Report

These studies include the examination of primary data collected from ME to WE beneficiaries, a survey of best practices of positive youth development charities and social enterprises generally, and a quantitative and qualitative assessment of the results of both organizations' work. The studies surveyed the opinions and actions of over 1,000 stakeholders and beneficiaries, including program participants, program alumni, educators, corporate and foundation partners, and WE employees and alumni.

For the purposes of evaluating ME to WE's social enterprise model, Mission Measurement further examined internal and public records provided by ME to WE and WE Charity documenting ME to WE's corporate structure, governance and board oversight, and financial records .

In addition to the research-based findings and assessment provided by Mission Measurement, a letter from Jason Saul, CEO of Mission Measurement, included at the close of this report, shares his professional opinion of the organization based on his personal and independent experience and observations throughout his eight years of involvement with ME to WE and its charity partner, WE Charity.

Does ME to WE qualify as a legitimate social enterprise?

Evaluating ME to WE as a social enterprise

In assessing the authenticity of ME to WE as a social enterprise, Mission Measurement applied the following criteria:

- Does ME to WE have a clear social and/or environmental and/or cultural mission set out in their governing documents
- Does ME to WE generate the majority of their income through commerce, including the sale of products and services
- Does ME to WE reinvest the majority of their profits for social impact and/or provide the majority of their profits to a social cause
- Is ME to WE legally and fiscally structured in the interests of the social mission
- Is ME to WE accountable and transparent

For the purposes of this report, we have benchmarked ME to WE against the standards identified by Social Enterprise UK in assessing the legitimacy of a qualified social enterprise.

ME to WE has a clear social purpose set out in its governing documents

Mission Measurement reviewed the corporate structure of ME to WE Social Enterprises and can verify that it was created as a legally separate organization that exists to both support the sustainable development model of WE Charity, and provide a sustainable source of funding in support of WE Charity's social mission.

The majority of ME to WE's income is generated through the sale of products and services

ME to WE's business strategy and income is derived from the sale of commercial products and services designed to advance its social purpose. In particular, product offerings are categorized as artisanal jewelry and handcrafts; consumables such as Fairtrade certified chocolate and ethically-sourced coffee; and international experiential service-learning trips to rural villages where ME to WE's charity partner, WE Charity, operates its development model.

In our experience, generating legitimate social value through market-based commerce is very challenging. Many nonprofits and social enterprises fail to meaningfully link commercial transactions to social outcomes. One good "proxy" for evaluating the authenticity of a social enterprise is the "unrelated business income" guideline used in the U.S. The U.S. Internal Revenue Service (IRS) has set forth guidelines requiring that a non-profit social enterprise or charity's commercial activities (such as selling products and services) be "substantially related" to a charity's tax-exempt purpose to avoid special taxation. The IRS guidelines state: "A business activity is not substantially related to an organization's exempt purpose if it does not contribute importantly to accomplishing that purpose (other than through the production of funds)."¹ The IRS uses a specific test to determine whether a commercial activity run by a charity or social enterprise is advancing a bona fide social purpose:

In determining whether activities contribute importantly to the accomplishment of an exempt purpose, the size and extent of the activities involved must be considered in relation to the nature and extent of the exempt function that they intend to serve. For example, to the extent an activity is conducted on a scale larger than is reasonably necessary to perform an exempt

¹ <https://www.irs.gov/statistics/soi-tax-stats-exempt-organizations-unrelated-business-income-ubi-tax-study-terms-and-concepts>

purpose, it does not contribute importantly to the accomplishment of the exempt purpose. The part of the activity that is more than needed to accomplish the exempt purpose is an unrelated trade or business.²

While we are not qualified to conduct an official legal or accounting review of ME to WE's activities, our assessment has verified that ME to WE's commercial products and services (e.g. clothing, artisan jewelry, chocolate, volunteer trips) are designed to intentionally achieve a meaningful social outcome through commerce. This is by definition what a social enterprise aims to achieve. Moreover, Mission Measurement has evaluated many social enterprises and charities with for-profit subsidiaries over the past 13 years. In our experience, many so-called "social enterprises" do not satisfy the rigorous test of being "substantially-related" to advancing a social purpose (e.g. a YMCA that owns a Ben & Jerry's ice cream shop that contributes profits to the charity, or a charity that sells candy bars to raise funds for a youth trip). ME to WE, in our opinion, does satisfy this test.

ME to WE donates the majority of its profits

ME to WE's business model is predicated on donating a minimum of half of its net profit to support WE Charity, while reinvesting the balance to sustain and grow the social enterprise.

ME to WE creates social value and supports the social mission of WE Charity

Mission Measurement conducted an in depth qualitative study to understand the effectiveness, sustainability and cost-effectiveness of WE Charity's international development model, WE Villages.

WE Villages is a five-pillar development model founded on economic empowerment. It partners with communities to implement sustainable infrastructure and practices to help community members lift themselves out of poverty.

In conducting this assessment, Mission Measurement has concluded that WE Villages is strongly aligned with the UN's Sustainable Development Goals. The WE Villages model approaches development from a rights-based perspective, seeking to empower individuals through the development of institutions effectively improving access, changing behaviour and changing the short, mid, and long-term transformative outcomes within each pillar. Pairing the development model with the ME to WE Trips operations model further fuels and accelerates economic empowerment in each community through job creation, skills-based service, sustainable development projects, funds raised and capital committed by visitors following their experience.

Mission Measurement conducted a study assessing the short and long-term social and behavioural impact on individuals who participated in ME to WE's programming. The study surveyed and interviewed 1,000 youth (12-18), young adults (19-35) and educators. The study conclusively determined that ME to WE trips meet and exceed industry standards in their ability to provide a unique opportunity for participants to not only have the opportunity to contribute to the sustainable development of communities abroad, but also contribute to their own personal development through service and leadership-based programming.

² <https://www.irs.gov/statistics/soi-tax-stats-exempt-organizations-unrelated-business-income-ubi-tax-study-terms-and-concepts>

Through the combination of pre, during and post-educational opportunities, Mission Measurement's study has identified measurable educational and behaviour impacts on participants in a ME to WE service learning experience.

Outcome #1: Civically Engaged Citizens.

- 7x more likely to be agents of positive change in their local and global communities
- 2.9x more likely to actively look for ways to improve their communities
- 87% agree they can make a positive impact on society

Outcome #2: Academically Successful Students.

- 1.6x more confident to discuss complex topics with educators and peers
- 82% agree that they value their education more than prior to their ME to WE Experience

Outcome #3: Skilled Professional Leaders.

- 2.5x more likely to actively look for opportunities to lead others
- 2.0x more likely to bring people together to solve problems
- 2.3x more confident when speaking in a public setting
- 95% agree that their future employer reacted positively to their involvement

Through Mission Measurement's assessment of the impact of ME to WE Trips on economic empowerment, poverty reduction and participant attitudes and behavior, it is our professional opinion that the ME to WE Trips program generates positive outcomes through job creation, WE Villages project development, skills-based service, global education and increased fundraising.

Mission Measurement's assessment has concluded the following social value and outcomes are produced by ME to WE Trips:

- **Impact on Partner Communities:** ME to WE Trips are a necessary component to fulfilling WE Charity's sustainable development model in 77 communities around the world. This model aims to break the cycle of poverty, yielding a variety of outcomes and benefits. For example, the travel operations required to fulfill the trip experience create 350 jobs annually in local communities. ME to WE's partnerships with medical institutions provide enhanced development opportunities for partner communities through skills-based service with over 500 doctors providing health care to 30,000 patients.
- **Impact on ME to WE Trip Participants:** There is a proven impact on those who participate in a ME to WE Trip. Their unique educational experiences empower participants to become engaged and contributing global citizens with a deeper understanding of sustainability, development issues, cross cultural understanding and skills to take action upon their return home.
- **A sustainable and fiscally responsible model:** The ME to WE Trips model minimizes the ecological footprint of the trips while providing an equitable, accessible and sustainable social benefit to all participants.

Through a site review of specific WE Charity international projects and interviews with staff, beneficiaries and community leaders, Mission Measurement has verified that ME to WE directly benefits local communities through both the production and sale of ME to WE products and services.

ME to WE operates with accountability and transparency

ME to WE has been certified, audited and verified by leading international bodies and industry standard setters. In 2015, ME to WE was certified as a B Corporation in Canada. B Corp Certification is administered by B Labs, a non-profit organization. For-profit companies with a social mission become eligible for B Corporation Certification by applying to B Labs and completing a 'B Impact Assessment'. Certification is only awarded upon meeting the highest standards of verified social and environmental performance, accountability, and transparency.

ME to WE chocolate achieved Fairtrade certification in 2018. According to Fairtrade Canada, the main certifier for Canadian-based entities, the Fairtrade certification system is rigorous, independent, and in-line with best-in-class certification practice. Certifiers audit producers, traders and companies to ensure compliance with the internationally-agreed Fairtrade Standards.³

Findings: ME to WE is a legitimate model of a social enterprise

In the professional opinion of Mission Measurement, ME to WE's model of social entrepreneurship is among the best the firm has evaluated to date. Specifically, ME to WE's intentional design to be a financial support mechanism for its charity partner, WE Charity, in a transparent and internally consistent manner with the way in which programs and services are aligned, meet or exceed standards within the growing social entrepreneurship sector. In all facets of the organization, from its governance and oversight, financial structure and controls, independently verified sourcing and procurement processes, and its holistic "closed loop" program design and fulfillment of its products and services, ME to WE operates to the highest standards and delivers on its social mission.

What is the benefit that ME to WE provides, if any, to its charity partner, WE Charity?

Sustainable financial support for WE Charity

Through our primary research and site visits to WE Villages communities, Mission Measurement can verify that the ME to WE social enterprise is a unique model that provides direct support to assist WE Charity in achieving its mission in the following ways:

- WE Charity works in very rural areas of developing countries, often with low potential for business creation. Its international development model seeks to exit partner communities within four to seven years, once a community has become economically self-sufficient. In order to achieve this outcome, local business generation is key. ME to WE offers individuals and families economic opportunity to earn a living and contribute to a sustainable community.
- ME to WE Trips serves as a principle fundraising vehicle for WE Charity. Following their ME to WE trip, participants have funded via WE Charity's large-scale development projects, such as the Baraka Hospital or WE College in Kenya, and are often a catalyst for significant post-trip donor support in other avenues. WE Charity derives the benefit, while ME to WE has made the investment in developing the infrastructure to host people in the areas and assumes all operating costs. Benefits to partner communities in which ME to WE Trips visit include, but are not limited to: job creation, skill-based service, increased donations to support WE Villages development projects, and cross-cultural learning exchanges, to name a few.

³ Fairtrade Canada < <http://fairtrade.ca/en-CA/What-is-Fairtrade/Who-is-Fairtrade-Canada/Certifying-Fairtrade>>

Findings: ME to WE enables WE Charity's mission to be sustainable and self-reinforcing. ME to WE has created innovative for-profit initiatives that extend the social impact of WE Charity's international development model. In all facets of the organization, from its governance and oversight, financial structure and controls, and independently-verified sourcing and procurement processes, ME to WE operates to the highest standards and delivers on its social mission.

Based on Mission Measurement's extensive, independent review of ME to WE social enterprise and its purpose-driven support of WE Charity, our findings conclude that ME to WE represents a "best-in-class" social enterprise.

A Letter from Jason Saul, CEO of Mission Measurement

To whom it may concern:

My name is Jason Saul and I am the CEO of Mission Measurement, an international consultancy that specializes in measuring and improving social impact. I am a recognized expert in the field of social impact measurement and evaluation. I teach at Northwestern University's Kellogg School of Management, where my courses focus on corporate social responsibility and nonprofit management. I am the author of numerous books, including *Benchmarking for Nonprofits: How to Manage, Measure and Improve Performance* (Fieldstone Press 2006); *Social Innovation, Inc.: Five Strategies to Drive Business Value through Social Change* (Jossey-Bass, October 2010); and *The End of Fundraising: How to Raise More by Selling Your Impact* (Jossey-Bass, February 2011).

This letter outlines both my research-based findings and personal observations that ME to WE is a legitimate social enterprise, and ranks among the best-in-class social enterprises that I have evaluated. Its social impact is verifiable and meaningful.

I first met brothers Marc and Craig Kielburger at the 2010 Skoll World Forum. Since then, I have visited the Toronto headquarters many times, attended WE Day in Toronto and Chicago, and travelled to Kenya to learn more about ME to WE Trips. Over the past eight years, Mission Measurement has conducted six quantitative and qualitative studies to measure the social impact of WE Charity and ME to WE social enterprise. In addition, my organization and I have independently reviewed ME to WE's corporate structure, governance, fiduciary controls, policies and ongoing operations in order to evaluate its performance and processes and assess its effectiveness in creating both social and economic value. My findings follow:

ME to WE is a leading social enterprise

The program design, execution and scalability of ME to WE's model is among the top tier of social enterprises that I have evaluated to date.

ME to WE is intentionally designed to be a financial support mechanism for its charity partner, WE Charity. This commitment is both transparent and internally consistent with the way in which the programs and services are aligned. I have found the programs and initiatives, including services and products, to be well thought out, professionally staffed and designed to empower youth and advance meaningful international development goals.

I am particularly impressed by the ME to WE business model: the organization is designed to be financially self-sufficient by using market-based strategies to advance important social outcomes. According to my review, ME to WE donates a minimum of 50 percent of its net profits to its charitable partner, WE Charity. This funding supports the long-term, charitable goals of WE Charity as well as crucial behind-the-scenes needs of the charity, including administration, research, monitoring and evaluation activities. This funding support enables WE Charity to have, by industry standards, a very low administration rate of approximately 10 percent.

ME to WE is well managed and has an outstanding culture

From a management standpoint, I found ME to WE to be among the most impressive nonprofits or social enterprises I've encountered in my experience with thousands of charities. The caliber of talent

and the unflagging dedication of the staff was particularly remarkable. From my observations over many site visits and workshops, ME to WE is managed by a highly motivated, committed team that has taken on and executed responsibilities with the highest level of professionalism and competency.

ME to WE has also created an inspirational culture that provides their young staff with skills and opportunity. Our June 2014 Employee and Alumni Engagement Survey of ME to WE and WE Charity staff found employees were given unique opportunities to substantially improve many crucial professional abilities, including:

- Communications skills (90%)
- Ability to work effectively with a team (86%)
- Ability to multitask (85%)
- Problem-solving skills (85%)
- Relationship building and networking skills (84%)

Among alumni surveyed, 80 percent were proud of their contributions to the organization, 55 percent recommended a friend to work at the organization and 75 percent received unique leadership opportunities.

ME to WE has proven impact

The studies done by Mission Measurement have shown the significant impact of ME to WE and its programs. One of the most powerful impacts that we have seen is that the ME to WE brand has raised the awareness of youth about socially conscious consumption and made them more critical consumers. Our research shows that young people involved in ME to WE and WE Charity are 40 percent more likely to reward companies that commit to solving social problems; 50 percent of this group identify as socially conscious consumers.

ME to WE catalyzes the mission

ME to WE has innovated a variety of creative commercial endeavors including experiential service-learning travel to developing communities where WE Charity works, and accessories and jewelry handmade by women in developing communities. These products are entirely consistent with the mission of WE Charity, and the sale of these products and services directly supports the charity.

While many charities have for-profit affiliates, especially in the UK where social enterprise is more well-established than in Canada, what I found most compelling in this case was how ME to WE has innovated for-profit initiatives that do more than just subsidize the administrative costs of WE Charity—these initiatives are actually designed to extend the social impact of WE Charity’s development model. For example, the ME to WE Artisans line of products help support alternative sources of income for women in WE Charity partner communities. Additionally, the Track Your Impact code on ME to WE licensed and handmade products sold in North America and Europe lets you track where your life-changing gift was delivered. It is apparent that, but for these and other ME to WE initiatives, WE Charity would not otherwise have the resources needed to accomplish the level of impact that it currently achieves.

ME to WE is an exemplary model for other social enterprises to emulate

ME to WE is a good example of how a social enterprise can lower the administrative overhead rates for charities; operate like a business with more long-term planning and financial responsibility; and allow

charities to be more committed to their mission. With a social enterprise enabling it, the charity's mission becomes sustainable and self-reinforcing—a self-powered engine.

In my research on social enterprises, I have found that there are two ways to change the world. You can take a small social enterprise and try to scale, or you can go to where scale already exists and infuse a social agenda. By innovating its own products and services, while also partnering with world-class global brands, ME to WE is doing both.

Conclusion

My research on the future of philanthropy and effective social change (published in my book, *The End of Fundraising*, Jossey-Bass, 2011) found that the organizations that are most likely to succeed and sustain themselves are those that produce high value social outcomes, use market-based approaches to increase scale and financial self-sufficiency, and innovate new ways to meet unmet social needs. Based on my experience with, and study of, ME to WE and its leadership, I believe that their work not only embodies these cutting-edge principles, but also qualifies as best practice in the field of social enterprise.

Sincerely,

DocuSigned by:

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Jason Saul

About Mission Measurement

Mission Measurement is the leader in social sector data and insights. We give influential decision makers a critical edge by connecting them to a new generation of research for standardizing, measuring and predicting social outcomes. Mission Measurement's unrivaled evidence base provides the foundation for more informed social investment decisions, leading to superior results for shareholders, stakeholders and society at large.

About Jason Saul

Jason Saul is one of the nation's leading experts on measuring social impact. As the Founder and CEO of Mission Measurement, Jason helps corporations, nonprofits and public sector clients create value through social change. He has advised some of the world's largest nonprofits, government agencies and corporations, including: Walmart, Starbucks, McDonald's, Kraft, Levi Straus & Co., Easter Seals, American Red Cross, the Smithsonian and the U.S. Agency for International Development (USAID). Jason holds a J.D. from the University of Virginia School of Law, an M.P.P. from the John F. Kennedy School of Government at Harvard University, and a B.A. in Government and French Literature from Cornell University.