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# Standing Committee on Finance

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Chair: The Honourable Wayne Easter





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Thursday, August 6, 2020

• (1110)

[English]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting to order.

Welcome to meeting number 49 of the House of Commons Standing Committee on Finance. Today's meeting is taking place, as has become the custom, by video conference. The proceedings are being webcast and will be made available via the House of Commons website.

This meeting is scheduled to last for two hours. It was originally planned to be three. An amended notice of meeting has been published.

Our witnesses today are from Charity Intelligence Canada. Kate Bahen is the managing director and Greg Thomson is the director of research.

Ms. Bahen and Mr. Thomson, welcome to the meeting by video conference. Thank you for agreeing to appear. I know that you had very short notice, and I apologize for that on behalf of the committee.

You have a total of 10 minutes for your opening presentation. Then we'll go to members for questions.

Welcome. The floor is yours.

**Mr. Greg Thomson (Director of Research, Charity Intelligence Canada):** Thank you.

Good morning. My name is Greg Thomson. I am the director of research for Charity Intelligence. Charity Intelligence is itself a charity, one that analyzes Canadian charities to help donors be informed and give intelligently. Our website hosts free reports on more than 780 Canadian charities and provides insight into such specific giving areas as the environment, cancer and homelessness. This year some 314,000 Canadian donors used our website for information on Canadian charities, reading over 1.3 million charity reports. We estimate that our research helped inform and influence \$95 million in Canadian charitable giving last year alone.

Just as democracy depends upon informed citizens, the fundamental health of philanthropy rests on well-informed donors. Our own research supports this case. In our surveys of donors who have used our website, 77% say that Charity Intelligence reports have improved their confidence in giving to charities, and have inspired these donors to give 32% more money to charities. It's within this context that Ci presents to the finance committee today.

Since 2011 Ci has analyzed and reported on WE Charity. WE Charity Canada is a big piece, but only one piece, of what we now know is a highly complex international network of WE-related entities. Starting in 2014, Ci rated WE Charity with our highest four-star rating based on transparency, reporting and overhead spending. WE Charity ticked all of the boxes and performed well relative to other Canadian charities.

In September 2019 Ci analyzed WE Charity's demonstrated impact, the measurable returns from its programs, and found WE Charity's impact to be "fair". Fair is below average. This reduced Ci's rating on WE Charity to three stars.

Our major limitation as analysts is that we are only as effective as the data is reliable. We are analysts, not auditors.

Ci's August 2019 report on WE Charity flagged the following material information: a breach of financial covenants on its \$13.7 million in bank debt that its bank has waived for the second year in a row; and the related party transactions with 8% of donations to WE Charity going to ME to WE, the private business controlled by Marc and Craig Kielburger, to purchase goods and services. In August 2019 an outside party shared with us public records about WE Charity's real estate transactions. These transactions were not disclosed as related party transactions in WE Charity's audited financial statements. Given this lack of disclosure, we reviewed WE Charity's auditor, who has a solid reputation for tax and business. However, the auditor's website advertised only one charity client: WE Charity. In our database, no other charity used this auditor.

This contrasts with WE Charity hiring the most prestigious law firms and its stated commitment to the highest financial transparency. We questioned why WE Charity has not hired leading international auditors to prepare their financial statements, despite being one of Canada's largest charities with global operations. On learning of the resignation and replacement of WE Charity's directors in March of this year, we arranged a 30-minute video call with WE Charity's chief operating officer. Subsequently, we learned through the media that one of the newly appointed directors had resigned. We were not assured by WE Charity's comments or statement. On July 17, 2020, Ci issued its strongest alert, a donor advisory.

With more news coming to our notice, and after looking at other WE entities, we released our list of 10 questions, primarily as follows. Was the cabinet aware that the CSSG was contracted through WE Charity Foundation, a new and separate foundation with no employees or assets, rather than WE Charity? Why are the Kielburgers not directors of any of the WE charities but take the title "co-founders", which allows them to avoid fiduciary responsibility and evade disclosure? Why has neither WE Charity Foundation in Canada or ME to WE Foundation in the U.S. disclosed in their regulatory filings the non-arm's-length relationships of their three directors? Why does WE need such a complex organizational structure with multiple single-purpose entities to do its work? This is highly unusual for charities, even amongst Canada's largest international aid charities.

WE Charity is an outlier. Normal metrics for assessing charities do not adequately reflect its suitability for donors. It is not similar to the vast majority of other Canadian charities. We have flagged these issues because the more donors understand about the entirety of the WE network, the better informed they will be and the better able to give intelligently.

• (1115)

With that, I'll hand the floor to Kate Bahen, managing director.

**The Chair:** Ms. Bahen, before you start, I would like to give members the lineup for the questions afterward.

We will start with Mr. Poilievre and then go to Mr. Sorbara, Mr. Fortin and Mr. Julian.

The floor is yours, Kate.

**Ms. Kate Bahen (Managing Director, Charity Intelligence Canada):** Thank you, sir.

Good morning. My name is Kate Bahen. As managing director of Charity Intelligence, I prepared the two most recent updates on WE Charity, which were on August 28, 2019, and July 10, 2020.

Before answering your questions, I would like to speak to some of the issues that have been raised during your proceedings and on social media about Charity Intelligence and the motives behind our reporting. Let me address these in order.

Yes, Charity Intelligence is a small charity. Our annual revenues of \$435,000 support a team of three full-time staff, supported by exceptional university summer students. This April we hired another charity impact analyst, so our full-time roster increased by 33%, to four. Charity Intelligence's team answers Canadians' questions about giving, and we update our popular website. Despite our small

size, we have demonstrated a significant impact on Canada's charitable giving.

Yes, Charity Intelligence lost its charitable status for one day, in September 2012, because I was late in filing the annual return. I am solely to blame for falling behind in this essential paperwork. It was a hard lesson, learned well. Ci has filed before the deadline in the last eight years.

As to the motivation for our work, it is simply to give Canadian donors the best independent and objective advice we are capable of. Charity Intelligence is not partisan. I do not know the political affiliations of our staff. These matters simply do not come up in our research and analysis of charities. I find partisanship toxic. As you may notice from my accent, like many new Canadians I came from away to Canada. I am deeply indebted to this amazing country. To some, partisanship may be a sport or a game, but as a child I saw the Troubles, I learned of the Orangemen's march and I heard the bombs. I want no part of that ever again.

All of that brings me to the Canada summer service grant. This is a sorry mess. There is one simple solution to help charities at this time of critical need that I would like to bring to your attention for consideration. One leg of the three-pronged CSSG initiative was to help Canadian charities through student volunteers. For many charities, volunteers can be essential in program delivery, but with the COVID shutdown, front-line charities need money. Our biggest concern is about individual giving. Imagine Canada estimates that individual giving will drop by between \$4.2 billion and \$6.2 billion this year. For context, last year giving was approximately \$17 billion.

One quick way to address this gap is for our government to increase the disbursement quota of charity foundations and endowments. The disbursement quota is a little-known charity regulation. It sets the minimum amount foundations must distribute of their assets to charities each year. Canada's disbursement quota is 3.5%, the lowest disbursement quota in the world. In the U.S., foundations are required to pay out 5% each year, with people calling for it to be raised to 10% for the COVID response. Over the last 15 years, Canadian foundations have averaged investment returns well above 8%. Today the investments at private foundations, community foundations, public foundations and endowments exceed \$100 billion.

This quota can be changed to 5% by the stroke of our finance minister's pen. It can be just temporary, just enough to help charities through this pandemic. The change between the current 3.5% and 5% may seem small, a 1.5% difference, but mathematically it's a 43% increase, which would result in an additional \$700 million more flowing from foundations to charities this year. The money that foundations hold is already tax-receipted.

• (1120)

This change wouldn't cost the government any additional revenue but would meaningfully support thousands of front-line charities. More information on this initiative is available at Give5.ca.

Thank you.

**The Chair:** Thank you both very much for your remarks.

Thank you for that suggestion, Ms. Bahen. We'll make note of that.

There's a change in the lineup of initial speakers. We'll start with Mr. Morantz.

I see you're on there now, Mr. Poilievre. Do you want to start, or Mr. Morantz? Who's on?

**Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC):** I'll be taking the first round, Mr. Chair.

**The Chair:** Okay.

**Hon. Pierre Poilievre (Carleton, CPC):** There was a thunderstorm here, Mr. Chair.

**The Chair:** Ah, okay. It's usually you blocking me out, Pierre, not the other way around.

Go ahead, Marty. The floor is yours. You have six minutes.

**Mr. Marty Morantz:** Thank you, Mr. Chair.

I want to thank you both, Ms. Bahen and Mr. Thomson, for being here today. Your work on this matter has been exemplary.

I note that, as such a small organization, you were able to do so much due diligence on this charity, compared to the vast resources of the federal government. They seem to have been unable to discover any of the red flags that you've been able to uncover.

One question I have is, how easy would it have been for the federal government to find the information, particularly in the context of the Prime Minister saying that on May 8 he actually pushed

back, which should be taken to mean that he wanted extensive due diligence done on this?

Why is it that the federal government either didn't have this information or chose to ignore it?

**Ms. Kate Bahen:** I think WE Charity is very sophisticated. I believe—and I've asked others who have greater expertise—that if you go through its regulatory filings, it ticks all the boxes. At Charity Intelligence, in our analysis, we use different data. We use audited financial statements, which we find, for our purposes, to have greater detail. We also look at the government filings, the T3010As, but in the audited financial statements there is much more disclosure about the balance sheet, the loans and the bank covenants. I think regulators now in Canada, the U.K. and the U.S., I hope, are really going through the filings of all these multiple WE entities.

**Mr. Marty Morantz:** In terms of the public service doing due diligence on this, would it have been as easy for them to acquire the information that you acquired if they had chosen to?

**Ms. Kate Bahen:** I'm not sure which charity they were doing the due diligence on. Was it WE Charity, or was it WE Charity Foundation? If you look for WE Charity Foundation, it doesn't have a website. It doesn't have financial statements, and it doesn't even have a T3010A. If the government was doing due diligence on the shell foundation, there would be no information. On WE Charity, yes, there was information on its website.

**Mr. Marty Morantz:** That's what I'm wondering; they would have been able to uncover most of the information, if not all of the information, that you, as a small organization with limited resources, were able to uncover. Is that accurate?

**Ms. Kate Bahen:** I think it also helps if you have familiarity with financial statements.

• (1125)

**Mr. Marty Morantz:** I'm sure they have people who do.

I was going through your website, and there are literally dozens of charitable organizations across Canada that have your four-star rating. I noted just a couple, the David Suzuki Foundation and Doctors Without Borders.

What is it about WE that caused you to give it only a three-star rating?

**Mr. Greg Thomson:** WE Charity had a four-star rating, until we analyzed what is called its "demonstrated impact". Demonstrated impact takes a look at the charity programs and looks for data showing that the charity has actually made a difference in the lives of the folks it's working with.

When we looked at WE Charity, as we looked at the data that it provided, we could only come up with a rating of “fair”, which is below average, on WE Charity's demonstrated impact, which then reduces its star rating from four to three.

**Mr. Marty Morantz:** Then it would have been a simple matter for those in government doing due diligence on WE Charity, to be specific about that one, to simply go to your website and for a \$20 subscription find out that they have a three-star rating. Would that be accurate?

**Mr. Greg Thomson:** We would love for every government agency to go to our website and take a look at any charity that they are interested in looking at. Certainly it would be very easy.

**Mr. Marty Morantz:** It just seems awfully concerning that all these red flags that you have uncovered were ignored: the board resigning, the bank covenants that you mentioned, the lack of fiduciary responsibility around the Kielburger brothers not being on the board. It just seems to stretch credulity that the federal government, during their due diligence, wouldn't also have had this information available, given their vast resources.

One of the things I wanted to ask was this. During the Kielburgers' testimony, they attempted to discredit your organization, talking about the charitable licence and about the small nature of your organization, with only two individuals working for the organization. Why do you think that they would have gone after your organization to discredit you under these circumstances?

**Ms. Kate Bahen:** Can I just correct one thing about the board of directors? That was not public information, and it only came out on Twitter that the board had resigned in June, so we were not aware of that material information. It was not posted on WE Charity's website.

I understand that we get under the skin of many charities, and we have frequent conversations with other charities. On this issue we have been a go-to for the media to share and talk about due diligence and our interpretation of bank covenants, which is different from WE Charity's position.

**Mr. Marty Morantz:** When you saw them do that, to attempt to discredit your organization, did you impute any motive to them for doing that? Why did you think they did that?

**Ms. Kate Bahen:** Greg can answer.

**Mr. Greg Thomson:** We would not want to impute any motive on why they would do that. We've seen them do that before, but....

**Mr. Marty Morantz:** Have they ever contacted your organization directly?

**Ms. Kate Bahen:** Yes, we've been in contact regularly with WE Charity management at least once a year, multiple times during the year on the impact side, going back and forth and getting information.

With WE Charity, when the government grant was announced, we were trying get the order to financial statements. There were multiple emails. They were provided by the CFO on July 8. We analyzed them and we had questions and we got in contact. We said that whenever you have a moment, and we know it's extremely busy, there are a couple of clarifications for understanding management discussion and analysis.

We had discussions with the chief operating officer. We set up two video calls that went on for 30 minutes, sharing our concerns and sharing our recommendations on how to shore up donor support. That's our normal process with charities.

**The Chair:** Marty, we're well over the time, but if you're on a line of questions, I'll let you complete them.

**Mr. Marty Morantz:** No, I guess I'll just finish by saying that given the vast resources of the federal government, it seems to stretch credulity, as I said, that they wouldn't have been able to find this information.

My one last question is—

• (1130)

**The Chair:** Before you ask that, I will have to tell both witnesses that the interpreters are having a little difficulty hearing you, so please speak into the mike and speak a little louder if you could. Neither of you has a headset, so it's just for their benefit.

Marty, this is your last question.

**Mr. Marty Morantz:** Just to clarify this and to put it in simple terms, how easy would it have been for those doing their due diligence within the public service to uncover the same information that you've been able to discover?

**Ms. Kate Bahen:** In 2019 the audited financial statements were posted on the WE Charity website, and we believe that due diligence starts with the audited financial statements. It would be clicking, receiving those documents, and reading through them.

**Mr. Marty Morantz:** Very good. Thank you.

**The Chair:** Thank you all.

We'll turn to Mr. Sorbara. He'll be followed by Mr. Fortin for around six minutes. We have lots of time today.

Go ahead, Mr. Sorbara.

**Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.):** Thank you, Mr. Chair.

It's great to see everyone today.

The first comment I'd like to make is that we have undertaken this study on the motion that was passed. The intent of the motion that was passed was to examine the programs that have been put in place to assist Canadians. We should remind ourselves, during this most extraordinary and unique time in Canada and in the world's history, with a pandemic afoot, to look at programs that have benefited Canadians: the Canada emergency response benefit, which over eight million Canadians have utilized; the Canada emergency business account, which nearly a million businesses have utilized; the Canada emergency wage subsidy, which is helping almost three million Canadian workers maintain attachment and helping their employers build a bridge to a full recovery; and the rent assistance program.

I think that was the intent of the motion and of the report that will be delivered by, I believe, March of next year. We're spending time analyzing an organization, and I don't think that was the intent of the motion that was put in place by the finance committee. I want to put that on record, because I think it's important that we understand why we're here. We are here, but we also need to remind ourselves of what was the original intent of the motion. We get these great biweekly reports—we have the ninth report, which was delivered July 23, 2020—on where the government is spending money to help Canadians. We are spending money so that Canadians don't have to take on debt on a personal basis. I think that's the right thing to do. I'm an economist by training. I think our response has been second to none. It has been top-notch in assisting Canadians. We've seen it in our economic data that's come out. It's been quite constructive.

Moving on to Charity Intelligence, Ms. Bahen, I'm a former sell-side debt analyst. I was a ratings analyst. I worked in corporate finance and investment banking in New York City for a number of years. You were a sell-side equity analyst, I believe. I appreciate the work you are doing at Charity Intelligence. It's important, but it's also a double-edged sword, because when you make a wrong call, you can actually hurt a charity significantly. I don't know who's doing the due diligence on Charity Intelligence on your calls. You have had to apologize in the past when you've made that wrong call and when the damage is, I would say, done.

You indicated that you look at partisanship in a certain manner. I look at partisanship as a debate about ideas. I do want it on record that I believe one of your co-workers, one of the members of your team, is a long-time donor to the Conservative Party of Canada. I do want to put that on record. Substantial sums in donations have been made over the years. That should go on record. There's nothing wrong with that. Canadians have a right to donate to the political parties of their choosing. But we should get that on record, because your work is very important.

One thing that is very concerning to me is a letter by MP McLean. I wanted to get your opinion here. Do you think it's appropriate for political parties and governments to use CRA to audit charities for political purposes? We do know that letter would be...and that mandate to have the minister do that would be in violation of section 241 of the Income Tax Act. Do you think it's right for MPs to say, "We need to audit them"?

We know that under the Conservative government, Prime Minister Harper criticized the Supreme Court of Canada. We know that they muzzled scientists. None of that—

**The Chair:** We're going to have to stay on point here, Mr. Sorbara.

• (1135)

**Mr. Francesco Sorbara:** Absolutely.

Ms. Bahen, do you think it's appropriate for government, for political parties, to mandate audits of charities?

**Ms. Kate Bahen:** Mr. Sorbara, please call me Kate.

**Mr. Francesco Sorbara:** Kate: thank you.

**Ms. Kate Bahen:** I'd love to answer that question, but could I just ask, when did we make a call wrong, in your reference—

**Mr. Francesco Sorbara:** It's called the Truth North Youth Foundation, I believe—when I was doing my due diligence.

**Ms. Kate Bahen:** Our research report stands. There were 28 charges of error on our part. We went through extensive legal on that. The error was in my very rude comment on a radio show calling them a swear word. I apologized for that and I paid for that mistake, but there was absolutely nothing in our research or our analysis or our star rating of the True North Youth Foundation in Winnipeg.

No, I hope politicians don't use the CRA [*Technical difficulty—Editor*]

**Mr. Francesco Sorbara:** Sorry, Mr. Chair—

**The Chair:** We're losing you, Kate, for some reason.

Just step back for a minute.

Where we started to lose you was when you said, "I hope the CRA". If you could go back to that point, where you came through kind of bubbly, go ahead if you can.

**Ms. Kate Bahen:** Sorry, my [*Inaudible—Editor*] laptop.

I hope the CRA is not used as an attack dog.

**Mr. Francesco Sorbara:** Thank you for being so direct on that because—

**Ms. Kate Bahen:** Blame [*Inaudible—Editor*] if my connection is unstable.

**Mr. Francesco Sorbara:** Greg, would you like to say something?

**Mr. Greg Thomson:** No, but per Kate's point, we would hope that the CRA is not used to go after charities. Nonetheless, the CRA's charity directorate does need to be there to make sure that charities are following the guidelines and are doing what they're supposed to be doing.

**Mr. Francesco Sorbara:** I asked because it concerned me considerably to see a letter written by a member of Parliament that would violate a section of the Income Tax Act. It hearkens back to very dark days under the prior Conservative government, where the CRA was, I don't want to say directed, but where we saw court cases—I think one went up to the Supreme Court if my memory serves me correctly—from charities being, I'm going to use the words, under attack by a prior government.

We also saw this the other day by Mr. Poilievre when he criticized the actions of the Bank of Canada, directly or indirectly, which is an independent agency. I think that's very important to note. Therefore, I am very happy with your answer.

**The Chair:** You'll get time for one more question, Mr. Sorbara.

**Mr. Francesco Sorbara:** In your work at Charity Intelligence, where's the accountability for Charity Intelligence? I go back to the point where you were a buy-side analyst—I was a sell-side analyst, as most of us were—and I wonder about the due diligence in what Charity Intelligence does. You only have two or three people working there as your staff. There are a lot of charities in Canada and many people will go your site to get your views.

Where's the due diligence on your side on the quality of the research you're putting out? As a sell-side analyst, you put a buy, hold or sell recommendation and put a price target on it. You do it for equities, bonds, or derivatives, and so forth. However, your point of view is very tricky and requires a level of due diligence that's even higher than just reading financial statements on a quarterly basis or going to an investor presentation.

**Mr. Greg Thomson:** We talk to charities continually and ask them for their feedback. We get their response to what we post publicly and we discuss any issues that we have with our work. We believe that we're being as accountable as we possibly can.

**Mr. Francesco Sorbara:** Thank you.

Thank you, Mr. Chair.

**The Chair:** Thank you.

We'll move along to Mr. Fortin and then go to Mr. Julian after that.

Mr. Fortin, the floor is yours.

As a reminder to Kate and Greg, speak fairly clearly and as closely to your mikes as you can.

Mr. Fortin.

[*Translation*]

**Mr. Rhéal Fortin (Rivière-du-Nord, BQ):** Thank you, Mr. Chair.

Ms. Bahen, Mr. Thomson, I am glad to see you here today.

Ms. Bahen, you just mentioned that proper due diligence should have started with a study of the 2019 financial reports, which are available on WE Charity's website.

What important information about the matter before us would we have been able to find there?

• (1140)

[*English*]

**Ms. Kate Bahen:** Sorry. I didn't hear the interpretation.

I believe, Mr. Fortin, your question was about what information did we see in the audited financial statements.

[*Translation*]

**Mr. Rhéal Fortin:** I know what information is available in the financial reports.

My question is about what information the due diligence could have discovered and that might have been relevant in the matter before us.

[*English*]

**The Chair:** Kate, I'm not sure whether you're on the English stream.

If you look down at the bottom of your Zoom screen, it will say “participants”, and there's a little circle there. Make sure you're on the English stream and then the French interpretation will come through properly.

Go ahead.

**Ms. Kate Bahen:** Greg, do you want to respond?

**Mr. Greg Thomson:** Yes.

First, I would say that the due diligence should have started with WE Charity Foundation. The fact that the contract wasn't made with WE Charity, but with an organization with no employees and no assets, should certainly have raised a lot of questions and discussion, first of all. But looking at WE Charity specifically, the donor advisory we had with regard to the bank covenant was very clear from the audited financial statements, and anybody with financial statement knowledge would be able to go through and see what we saw when looking at their debt levels and how they were structuring themselves.

[*Translation*]

**Mr. Rhéal Fortin:** Feel free to confirm my understanding that WE Charity had a short- or medium-term debt of about \$10 million. Is that correct?



[English]

**Mr. Greg Thomson:** I believe it was \$13.7 million in debt.

**Ms. Kate Bahen:** It was \$13 million, but there was \$10 million due in this current year.

[Translation]

**Mr. Rhéal Fortin:** To whom was that owed? Who was the creditor for that \$10 million?

[English]

**Ms. Kate Bahen:** It would be a Canadian bank.

[Translation]

**Mr. Rhéal Fortin:** That is with regard to WE Charity. The WE Charity Foundation had no staff and no debt. So this incorporation is a recent one. Is that correct?

[English]

**Mr. Greg Thomson:** It was started at the very beginning of 2019.

[Translation]

**Mr. Rhéal Fortin:** Earlier, you mentioned that the Kielburger brothers appear on the boards of directors of none of the entities that we will call "the WEs". There are dozen or so different entities—12 to 15 of them. The Kielburger brothers do not appear on the boards of directors of any of them, but they appear as co-founders.

What conclusions can you draw from that?

[English]

**Ms. Kate Bahen:** I think it's as Mr. Angus talked about, that when you're not registered as a lobbyist, you can fly under the radar. When you're not an officer or a director of an organization, a charity or a for-profit, there is no reporting requirement by the auditors. The auditor must report transactions from a charity or a business to its directors or to its officers, but there are no disclosure requirements if you are a co-founder. That's just a box they don't have. With the title of "co-founder", when we look at the financial statements of the ME to WE Foundation or WE Charity, we're not seeing any of the transactions to the co-founders. That is not required to be reported.

[Translation]

**Mr. Rhéal Fortin:** Okay. Let me change the subject a little.

Are you aware that WE Charity really has no contacts or network in Quebec, and they asked a lobbying or communications firm called NATIONAL, it turns out, to work in Quebec to find companies and to run programs?

Were you aware of that aspect of the WE Charity Foundation? Did you know that they had turned the management of the program over to NATIONAL?

• (1145)

[English]

**Ms. Kate Bahen:** No.

[Translation]

**Mr. Rhéal Fortin:** Do you know the communications firm called NATIONAL?

[English]

**Ms. Kate Bahen:** No.

[Translation]

**Mr. Rhéal Fortin:** Does Charity Intelligence Canada have a presence in Quebec?

[English]

**Ms. Kate Bahen:** We work with Quebec donors. We just have one website. You can access the website from anywhere in the world.

[Translation]

**Mr. Rhéal Fortin:** You told us earlier that Charity Intelligence Canada is also a charitable organization. Did I understand that correctly? You distribute information and you also assist other organizations yourselves. Is that correct?

[English]

**Ms. Kate Bahen:** We research other charities.

[Translation]

**Mr. Rhéal Fortin:** You receive donations, but do you also give them to organizations or individuals?

[English]

**Ms. Kate Bahen:** It's with very few. It's on an ad hoc basis, with some donors, that we work on wills and estates.

**The Chair:** Mr. Fortin, we'll give you a little more time than normal because of the little lag in translation. Go ahead.

[Translation]

**Mr. Rhéal Fortin:** First, is it common to see a charitable organization like WE Charity incorporate an empty shell as a company to manage a new program?

Second, what conclusion do you draw from the fact that a new entity, the WE Charity Foundation, is about to manage a program when it has no staff? Let's not forget that this was a \$900 million program, give or take.

Those are my final two questions, Mr. Chair.

[English]

**Ms. Kate Bahen:** It's not frequent in the charity sector to have these shell organizations with limited liabilities, a single vehicle like that, a single-entity vehicle. Mr. Sorbara would be familiar with this from corporate analysis or real estate holdings or construction. I've never seen it before to this extent. You might have one subsidiary. For instance, you have Habitat for Humanity with its ReStores, but those are just two. When you're seeing this multiple of charities, I have never seen anything like this.

**The Chair:** Thank you.

We turn to Mr. Julian now, who will be followed by Mr. Cumming.

For around six minutes, Peter, the floor is yours.

**Mr. Peter Julian (New Westminster—Burnaby, NDP):** Thanks, Mr. Chair, and thanks, Mr. Thomson and Ms. Bahen, for being here today. We hope that in the midst of this pandemic you and your loved ones are safe and healthy.

I want to start by thanking Charity Intelligence Canada for the good work you do in shedding light on charities. I come from the charitable sector myself. I ran a social enterprise and a charitable organization in British Columbia, so I know the importance of accountability. This is why this inquiry by the finance committee is so important. In the charitable sector, I was used to making sure that when I applied for government grants, every single box was checked, that there were full financial statements and information about board movements.

Often in the charitable sector about a quarter of a charity's work is just making sure that the due diligence is performed and provided to funders, including the federal government. This is why it is so inconceivable to the finance committee, and why the committee is continuing this important study, that first off WE seemed to have an inside track and could file a submission for a program the same day it was announced, and secondly that it sailed through with absolutely no due diligence that has been identified with regard to all of the myriad problems, things that should have been a red flag and that for any other charity in the country would have meant there would be absolutely no possibility of their being considered for funding. It just continues to surprise me, the extent to which this was pushed through. Our work at the finance committee is to find out how and why this happened. We haven't been getting answers so far.

I want to start by asking a very simple question. Many people have described the atmosphere inside WE as a climate of fear. We did question the Kielburgers on whether or not they had hired private detectives to intimidate journalists, and they evaded answering that question. Are you aware of any legal pressure or private detectives, anything like that, between you and WE? At any point in your honest reporting of what's going on at WE have you felt some kind of pressure coming back?

• (1150)

**Mr. Greg Thomson:** We've not felt specific pressure. We have received a letter from WE based on comments that we've made publicly, but we did not take that to be legal pressure.

**Mr. Peter Julian:** Okay, thank you.

My second question is about your most recent grading of WE. In terms of the demonstrated impact, you rate them as "fair". In reading the report itself... There seem to be five levels of grading by Charity Intelligence when it comes to judging the impact of charitable organizations: high, good, average, fair and low. Is it appropriate to say, then, that "fair" is actually the second-lowest grade that you can give to a charity when it comes to impact?

**Mr. Greg Thomson:** That's correct.

**Mr. Peter Julian:** Okay.

In terms of the transparency of the organization, the financial records or the financial statements are available, as you mentioned, and that's included in your report. I'm interested in knowing... You've actually spoken about the multiple single-purpose entities,

including the WE Charity Foundation, which had no assets; it was a shell foundation, and it was the recipient of this untendered contribution agreement. To what extent do you believe the financial statements to be accurate?

I'm particularly concerned about how much could be redirected. There seems to be some controversy around the evaluation of goods in kind and how that might lead to transfers between for-profit organizations and the charity. What is your sense, given the information that we've received most recently, about the accuracy of the financial information? Are you concerned about monies being potentially redirected to one of the for-profit entities that are part of this very labyrinthine organization?

**Ms. Kate Bahen:** On the related parties' transactions, with WE Charity providing cash to ME to WE, and ME to WE providing back to WE Charity support, which is cash and also donated goods or time, we would like to have greater disclosure about how much of ME to WE's contribution to WE Charity was cash and how much was donated time. I think the audited financial statements meet all the disclosure requirements on these transactions.

**Mr. Peter Julian:** Do you have anything to add, Mr. Thomson?

**Mr. Greg Thomson:** I was going to say the same thing. I don't think there's anything inaccurate about their financial statements; we cannot point to that. As Kate said, they've disclosed what they need to disclose; however, it does leave us with questions that...would provide greater clarity and greater assurance for donors.

**Mr. Peter Julian:** That's primarily related to the goods in kind, which is difficult to evaluate and intangible.

My next question is around salary information.

If it is a little unclear, then, how many funds or how much has been redirected, and you have flagged the issue of goods in kind, is it possible that the salary information that was disclosed may not be accurate either? In other words, there may be intangible benefits that go to certain members of WE at the highest level, but this may not necessarily be disclosed because of the multiple single-purpose entities and the transfers between for-profit and not-for-profit organizations.

• (1155)

**Ms. Kate Bahen:** Mr. Julian, to your question, with so many allegations swirling around about the numbers, I believe that donors and the corporate sponsors would really get a shot of confidence if an international tier 1 auditing firm came in to do the audit on these.

The numbers are presented as they are presented. The concerns we saw, which we learned only recently, were about the U.S. WE entities and the large volumes, I believe it was \$15.8 million U.S., flowing through a similar shell structure [*Inaudible—Editor*] ME to WE foundation, with non-arm's-length directors. The only disclosure on that flow of funds was program spending, program services, so that would.... And then, because of the under-the-radar with the co-founder title, there was no disclosure on that \$15.8 million U.S. and what proportion of that was paid to anyone, because, at that shell, there was no staff and there were no salaries, just the three directors who were not arm's-length.

**The Chair:** Peter, we're well over your time. You can have one last question.

**Mr. Peter Julian:** It's very disturbing that there is that much money in the U.S. entity that doesn't seem to be going to program salaries.

Is Charity Intelligence able to delve more deeply into affiliated charities or for-profit companies like the ones in the United States? Do you have the resources to go beyond the Canadian filings?

**Ms. Kate Bahen:** Yes, we've looked at WE Charity in the U.K. We did that. We went through that, and in my assessment, WE Charity U.K. looks clean, looks really good. It has a nice strong independent board and a lot of domestic programs. I couldn't see any of the concerns about board turnover, the independence of the directors or the interrelated parties at WE Charity U.K.

In the U.S., just last night, more entities were raised on Twitter that we look forward to going into.

**The Chair:** Okay, we will have to end that round there. Now we'll start with Mr. Cumming, followed by Mr. Fragiskatos.

I do want to point something out, though. I let that round of questioning go, but we are really looking into government spending, WE Charity and the Canada student service grant. There are certainly many questions related to WE Charity, and I understand that, but our purpose here is to try to find out how this Canada student service grant came to be awarded and all the criteria surrounding that. We have been getting some answers from government and many other officials, and I would hope we don't stray too far into the charity itself and away from the business that I think the finance committee is supposed to be studying.

I understand there are some problems there—

**Hon. Pierre Poilievre:** I have a point of order, Mr. Chair.

**The Chair:** Go ahead, Mr. Poilievre.

**Hon. Pierre Poilievre:** I would only point out that the two issues that you listed are not separate. The awarding of this half-billion-dollar contribution to the WE Charity was by itself suspect to begin with, but now that we learn about the strange labyrinth of WE Charity organizations and the peculiar way in which money circu-

lates among the multitude of entities, it does draw a line back to how the government chose this organization and whether or not appropriate due diligence about the recipient group, the program delivery body, was done. These are not separate issues—

• (1200)

**Mr. Francesco Sorbara:** Chair, I have point of order.

**The Chair:** There's a point of order on the floor from Mr. Sorbara.

It isn't a point of order, but I'll allow Mr. Poilievre to finish.

**Hon. Pierre Poilievre:** Well, it is a point of order, and I'll tell you why. You were just telling us about the confines of our study, which this committee adopted, and I'm simply pointing out that the questioning that we're putting to the expert witnesses today is entirely within the mandate of this study.

I know that Mr. Sorbara is desperate to keep these questions unanswered, and I suspect he'll jump in again to try and cover up and slow the study—

**The Chair:** Now we're straying from your point of order, Mr. Poilievre.

**Hon. Pierre Poilievre:** I would just point out that all of the questions that have been asked today are within the confines of the study, as is the valuable information that Charity Intelligence is sharing.

Thank you.

**The Chair:** I allowed that round of questioning. All I'm saying is let's not stray too far and away from the government connection to this charity. That's all I'm saying.

Mr. Sorbara, you had a point of order.

**Mr. Francesco Sorbara:** Mr. Chair, I wanted to express my doubt that Mr. Poilievre's comments were actually a point of order. They sounded much like debate and his own personal views; and as for his comment about questions, there are a lot of questions that have been asked, and let's continue to ask good questions—

**The Chair:** And yours is not a point of order, in my view, either.

We will go to Mr. Cumming and then Mr. Fragiskatos. We're into five-minute rounds.

James, the floor is yours.

**Mr. James Cumming (Edmonton Centre, CPC):** Thank you, Mr. Chair.

I'll try not to stray. It sounds like there is a great concern about that, but it's difficult with the WE group not to look at the entire group.

I thank both of you for coming today and the good work that you do in the charity sector. I know that donors appreciate the work you do.

You had mentioned that when you reviewed the financial statements, one of the issues was the bank covenants. I read the response from WE suggesting that it was because they changed their year-end, which was true in 2018, and that the issue with covenant was apparent in 2018. But then they had a full fiscal year under their belt for 2019 and there still an issue with the bank covenant. I would like to get your response on that because it looked like it was a continuing issue, not just an issue around a change of the year-end.

**Ms. Kate Bahen:** That's an excellent point. To WE's comments or explanation for its bank covenants, it mentioned that the bank covenant was a ratio that may have been affected by fiscal 2018 only being the eight months, but that it would not affect the ratio for fiscal 2019—that was 12 months.

WE Charity also stated to us publicly in the letter they posted that it was an accounting paperwork, which is a different interpretation from ours of bank covenants.

**Mr. James Cumming:** Right.

I tried to dig around their the statements for some time and their 2019 statements weren't on their website. They are now, I believe.

They would have had to file their return by February, and you say they didn't produce financial statements for you till July. Is there any indication what the delay was? Why did it take so long for you to be able to do your due diligence?

To me this relates back to the government doing its due diligence, in that you would think that the statements, if they were filed in February, would easily be up on the site in March or April.

**Ms. Kate Bahen:** WE typically likes to write a letter from the executive director before issuing its financial statement, so while it had the financial statements—just the financials without the management discussion and analysis ready—it wanted to release them all together, and that might have caused the delay in posting.

• (1205)

**Mr. James Cumming:** Then, in terms of their capacity, as we know, it became known within the public domain that they had done some layoffs, and this was roughly about a \$65 million charity, if you consider the charity. I know that the WE Foundation has no assets, no employees and this was funnelled through that, but there was some inference that WE Charity would be administering this.

A \$43 million administrative fee for a charity that would normally have about \$65 million in revenue, for a program that's going to

be delivered in four months or so, does that seem a bit odd to you to have the capacity to be able to execute something like that?

That's an enormous, enormous amount of capital going to a charity in a very short period of time.

**Mr. Greg Thomson:** When Marc and Craig said that there was no financial [*Technical difficulty—Editor*].

• (1205)

(Pause)

• (1255)

**The Chair:** We're re-welcoming our guests here, with the translation and other services in Ottawa until 1:30 Ottawa time. It's 12:55 here now.

We will reconvene.

My apologies to everyone for the system's going down. I think there may be some lessons learned on the technology end with this experience today.

We'll go back to Mr. Fragiskatos. You have three minutes left in your question time.

Peter, the floor is yours.

**Mr. Peter Fragiskatos (London North Centre, Lib.):** Thank you, Chair.

I will pick up where I left off.

Mr. Thomson, I had put to you a question about assessment criteria and how Charity Intelligence comes up with those criteria. I accept your answer, but the challenges on my end are issues around subjectivity. I pointed to a study done by MoneySense, a well-known Canadian website that comments on financial matters. They did put out a list of the top 100 charities, in their view, for 2019, based on their own assessment criteria. WE is on that list and gets an overall ranking of A-.

For fundraising efficiency, they had a grade of A+; for charity efficiency, they had a grade of A+; on social results and transparency, they had a grade of B+. All of that combined for an overall rating of A-. My point is not to delve into whether Charity Intelligence or MoneySense got it right.

There are many other lists out there based on various criteria. That's the point. All of this is very subjective. It's hard for any outside observer—certainly as a member of Parliament, but I would think within government too—to look at these criteria in a very objective way and come up with a determination about where a charity ranks in terms of quality.

I know that in your own assessments, as an organization, certainly as far as demonstrated impact goes, the WE organization received a grade of “fair”. When it comes to cents to causes, in other words measuring overhead costs compared to programming, I see that WE did very well.

My job is not to defend WE here—they’ll do that themselves—but I do have concerns about subjectivity. For example, on demonstrated impact, I wanted to ask more about that.

I know you have a definition on your website, but how do you measure that as well? You have a limited staff. By your own admission at the outset of the meeting, I think you said you have three or four staff. It’s a small organization. You’re obviously very passionate about your work. When it comes to vetting charity after charity—there are so many that you do on an annual basis—how are you able to understand in this case the demonstrated impact that WE has? It’s a bit perplexing to me.

**Mr. Greg Thomson:** We use measures that are as objective as possible. We want to remove as much subjectivity from our analysis as possible.

We have shared data. We’ve discussed metrics with MoneySense and MoneyWise, and other other folks here who have put together top 100 lists. We know their lists intimately.

You hit the nail on the head about the reason that WE was on their list and not on our list. That is the demonstrated impact assessment that we’ve done, and that they did not, including their assessment—

**Mr. Peter Fragiskatos:** Mr. Thomson, how were you able to measure WE’s demonstrated impact? That implies that your efforts are solely focused on WE as an organization, but they’re not focused on WE only.

We’ve heard already today that Doctors Without Borders is an organization that you’ve assessed. World Vision is on your website, as well as Amnesty International, and many other charities. How were you able to come up with a judgment with such a limited staff and limited resources?

**Mr. Greg Thomson:** We value every program of every charity that we assess. We take a look at all of the demonstrated results a charity has. We take a look at every change that the charity claims to have made, and we value each, and determine for every dollar that is donated to a charity, the dollar value of the impact produced for clients and society.

Yes, we are a very lean organization, but we’re able to do that on the number of charities that we have assessed. We’ve assessed over 250 charities on demonstrated impact at this point, and we’re continuing to expand that as resources allow. We do it consistently and fairly.

- (1300)

**Mr. Peter Fragiskatos:** Thanks very much, Mr. Chair.

As a final point, because I think I’ve gone over time, I have nothing against you or the organization, so take this comment as just an observation. It’s hard for me to understand how an organization of four people can judge 250 organizations on a range of criteria and

delve into them and offer an enormous set of judgments, which for us to look at as MPs is a challenge. I’ll just put that on the record.

Thank you very much.

**The Chair:** Just to give you a list of the lineup, it will be Mr. Cooper, Ms. Koutrakis, and then we’ll be into three minutes for Mr. Fortin, Mr. Julian, Ms. May, and then Mr. Poilievre and Mr. Vaughan for five minutes each, and then we’ll wrap it up at that. That will put us at 1:30 Ottawa time.

Mr. Cooper, the floor is yours for five minutes.

**Mr. Michael Cooper (St. Albert—Edmonton, CPC):** Thank you, Mr. Chair, and thank you, Ms. Bahen and Mr. Thomson. Picking up on where Mr. Fragiskatos left off, I find it rather remarkable that your organization of only four people with an annual revenue short of \$450,000 could identify all of the obvious red flags that seemingly were avoided by the Prime Minister and cabinet, even after the Prime Minister supposedly pushed back, but I’ll leave it at that.

I want to pick up where Mr. Cumming left off with respect to bank covenants. He noted the misleading testimony by the Kielburgers with respect to their suggestion that they were only in breach for a short period of time, when that was not the case, much the same as Marc Kielburger misled the committee when he implied that Charity Intelligence had lost its charitable status for the entirety of 2012, as opposed to a day. When we talk about banking covenants and a charitable organization being in breach of banking covenants, in your experience, Ms. Bahen, or Mr. Thomson, how common is that and how big of a red flag should that be?

**The Chair:** Who wants to go?

Ms. Bahen.

**Ms. Kate Bahen:** Thank you.

I’ve never seen it before in reading the audited financial statements of over the 1,780 charities. That bank covenant note was new to me. I did additional outside research into that and I disclosed it in the report in August 2019.

If I could just take the opportunity to say that when I worked in Burns Fry research way back in the day when I was young, there was a team of 38 people in the research department and our research influenced 25% of the daily volume on the Toronto Stock Exchange. If you are a credit analyst for a Moody’s or a Fitch or a Standard & Poor’s, you assess the credit of 100 organizations. This type of small team doing research coverage is very common in other sectors.

**Mr. Michael Cooper:** Yes. Thank you for that.

What would explain the breach of these banking covenants? Obviously this was an organization with a lot of debt and few assets.

**Ms. Kate Bahen:** There was no additional information provided in the audited financial statements, but the bank had waived the covenants for the current period.

**Mr. Michael Cooper:** It terms of ME to WE, versus WE, we have on the one hand money flowing from ME to WE, to WE, from the for-profit to the not-for-profit, but then we have money flowing from the not-for-profit to the for-profit. In your experience how common is that, and what do you say in response to the Kielburgers saying—and here I understand the issue between contributions and donations—WE still comes out on top. Do you see some red flags just in terms of the volume of transactions or the flow that is going from WE, the not-for-profit, to the for-profit? It seems like a substantial amount has been flowing in that direction, as opposed to from the for-profit to the charitable entity.

• (1305)

**Ms. Kate Bahen:** On that point about social enterprises, as Mr. Julian would be aware from his social enterprise, social enterprises are a sort of new and innovative way for charities to work today. The WE situation is different, not so much because of its relationship with a social enterprise but because the social enterprise is private and the social enterprise is owned by a different entity. Typically the social enterprise is owned by the same charity. It is an operating subsidiary rather than a separate entity.

I think in every other case where we have seen charities that have social enterprises, that social enterprise is public. It wouldn't be privately controlled by individuals.

**The Chair:** You can ask one very quick question, Michael. I was loose on time before, but now I have to be tight on it.

Go ahead.

**Mr. Michael Cooper:** Okay.

Just to pick up on that point, I guess what you would be talking about would be a flow-through, so to speak, as opposed to the set-up we have with WE and ME to WE, where there is no flow-through and you have instead a charity controlling a social enterprise by a handful of individuals. Do I have that right?

**Ms. Kate Bahen:** Yes, you have that right. There was so much confusion by Canadians—there has been since we began research coverage—about the relationship between WE Charity and ME to WE. It was just very blurry. Our role was to write the information in common English so that donors could understand how much of their donation was going to the private business.

**The Chair:** Thank you, both.

Ms. Koutrakis will be followed by Mr. Fortin.

Ms. Koutrakis.

**Ms. Annie Koutrakis (Vimy, Lib.):** Thank you, Mr. Chair.

Thank you, Ms. Bahen and Mr. Thomson, for your testimony before our committee this morning.

Prior to having the privilege of serving my constituents and Canadians, I was in retail financial services and the investment profession for many years in a supervisory and leadership position. If

one of my investment advisers had told me that he or she had bought their client a country's or company's bonds that were paying a good return and fitted with the client's investment strategy, a key indicator that I would ask the adviser to confirm would be what the Standard & Poor's and Moody's ratings were on that bond.

Much like I would look at the ratings of a bond, I would imagine the federal government and its civil servants would have, and may have, turned to Charity Intelligence to look at the ratings of charities being considered to administer its programs. Looking at your rating system for WE Charity, based on your own metrics available at the time that WE Charity was being considered and not the updated info you put out three weeks ago on July 10, and the fact that the public service recommended them for a specific task, was it not reasonable to conclude that WE Charity was in good standing, based on your own ratings at the time?

**Ms. Kate Bahen:** That's an excellent point. That's a point our research team will be going through: Was there anything else we could have reported?

Yes, we had the ratings. They looked at, we said, those objective measures like overhead costs and balance sheet items. Those show the three-star rating. That report was done in August 2019. But we also wrote in the report....

We always hope that donors don't just look at the star rating and move on but that they take that three minutes to read the report and get a better understanding of a charity's programs in terms of their results and impact, the financial review, and the charity's comments. I would really hope, if someone were making an investment of this size...that the government would have felt confident to ask questions and pick up the phone and seek clarification on anything they were unclear about.

• (1310)

**Ms. Annie Koutrakis:** Thank you for that.

I also want to talk about the "demonstrated impact" metric. Can you please provide the committee with more depth on your process methodology? I think we need to have more clarity on how that is measured.

**Mr. Greg Thomson:** In our demonstrated impact assessment, as I mentioned before, we go through every program the charity offers and look at the results that they have reported. We then clarify with the charity if there are additional results that they have not publicly reported so that we can get as deep an understanding as possible of what the programs do.

When it comes to WE Charity in particular, we looked at their international programs, and the level of reporting is weak when it comes to understanding what impact they've had. They talk about how over the last 20 years, since they've been in business, they've built 1,500 schools and they've helped a million people get access to water. These are all very vague statements that provide very little demonstrated impact over what happened in the last year.

When we look at their domestic programs, we see that they supplied 10.8 million pounds of food collected and they raised \$8.3 million in funds, so there's more specific data from last year. If it was just based on their international programs, they would have been in the "low" category, because the demonstrated data was of very poor quality. It was their domestic programs that had somewhat better-quality data, with more specific, actionable, understandable metrics that we could actually value.

**Ms. Annie Koutrakis:** Do I have time for one more question?

**The Chair:** Yes, you do, a quick one.

**Ms. Annie Koutrakis:** Thank you.

Have you done an analysis of WE Charity compared to other organizations considered to administer the Canada student service grant? How do these organizations compare and contrast, based on your analysis?

**Mr. Greg Thomson:** We can compare WE Charity generally to the organizations across the board, and on all metrics they rate relatively highly, except for the demonstrated impact metric, on which they are significantly under average.

I can't speak specifically to any of the direct alternatives to WE for this contract, but relative to the charities that we've assessed in terms of demonstrated impact—as I said, roughly 250 charities—WE Charity is below average.

**The Chair:** Okay.

Mr. Fortin, you have three minutes.

[*Translation*]

**Mr. Rhéal Fortin:** Thank you, Mr. Chair.

Ms. Bahen and Mr. Thomson, if I understand correctly, you said earlier that about 80%—a significant percentage, at least—of the WE Charity budget was transferred to ME to WE, a for-profit company. You told us that the information about a major part of the immovable assets was not revealed in the financial reports. I also gathered that WE Charity is the only client of the auditing firm. In other words, that firm has no other clients. All this information seems very important to me.

I see that you managed to find all that information with your small team of three or four people and an annual budget of about \$435,000. My hat is off to you; this is good work.

How is it that you were able to discover all that information, while the federal government, with all the means at its disposal, was not able to do a simple audit like that before awarding the contract to WE? That troubles me.

In concrete terms, how much time did it take you to discover that information? How many hours of work does this research, this checking, represent?

My question goes to Ms. Bahen or Mr. Thomson.

● (1315)

[*English*]

**Ms. Kate Bahen:** For WE Charity Foundation, it would take longer than normal. Having analyzed it for many years, we have a model, so it's just an update to the model. I estimate I would have spent—and I would have gone through this one very carefully, as it is more complex—probably two days on it. I know when the audited financial statements were received, and I know when I was ready to provide that information back to management.

If I can just clarify, the donations that went to ME to WE, the private business, were not significant. They were 7% or 8% in fiscal 2019 and fiscal 2018.

**The Chair:** Mr. Fortin, go ahead.

[*Translation*]

**Mr. Rhéal Fortin:** Okay. I made a mistake. It is not 80%; it is about 7% to 8%.

So it apparently took about two days for you to do that audit. That's good. My hat is off to you.

Once again, I wonder how our government could have let that slide. How come it did not even issue a call for tenders? That's more a comment than a question.

However, I would like to ask you again about the situation in Quebec, the question that I brought up earlier. In your checking, were you able to ascertain whether WE Charity conducts activities in Quebec, or to your knowledge, does it do so only outside Canada? I know that it does so overseas.

[*English*]

**Ms. Kate Bahen:** In reading the information on WE Charity's results reports, I was using the fiscal 2018 annual report for its results. I was informed by WE Charity management that the 2019 annual report was late because of COVID, and I did not do an update on its programs and locations, so, in my analysis, I did not see mention of its programs in Quebec.

**The Chair:** Okay, we will have to—

[*Translation*]

**Mr. Rhéal Fortin:** So, to your knowledge, WE conducts no activities in Quebec. Do I understand correctly?

[English]

**Ms. Kate Bahen:** That kind of information is not reported in the audited financial statements, and I did not see that in my time going through its website.

**The Chair:** Okay. Thank you, both. It might be a question when further WE witnesses come forward.

We have Mr. Julian, followed by Ms. May.

[Translation]

**Mr. Rhéal Fortin:** Mr. Chair, I have one final question. You didn't tell me that it was my last question just now.

[English]

**The Chair:** Do you want a supplementary? Okay, we'll allow it, although we're well over.

[Translation]

**Mr. Rhéal Fortin:** Thank you, Mr. Chair. That's kind of you.

My final question goes to Ms. Bahen and Mr. Thomson.

In the light of all this, and with your expertise and your knowledge of the issue, if you had had a recommendation for the government before it gave the contract to WE, what would that recommendation have been?

[English]

**The Chair:** Could we have a quick answer, Mr. Thomson?

**Mr. Greg Thomson:** We recommend that all donors, all funders should ideally take a look at our website and see our assessment, but also ask their own specific questions and, if they are so inclined, take a look at the audited financial statements and make their own assessment of what is going on with the organization.

**The Chair:** We have Mr. Julian, followed by Ms. May.

Mr. Julian, go ahead.

[Translation]

**Mr. Peter Julian:** Thank you very much, Mr. Chair.

I would like to go back to the issue of transparency and WE's involvement in activities using private, for-profit companies.

According to an article in today's *La Presse*, WE Charity had no intention of providing services in Quebec. Instead, it wanted to hire the public relations firm NATIONAL to do that work. That is one more curiosity in this entire curious scandal.

I have two questions for you. First, when you evaluate not-for-profit organizations, do you often see government funds move from a charitable organization to a company that makes profits from them?

Second, when you evaluated the contract you mentioned just now, the one that made it possible for money to go to other companies associated with WE, was the firm NATIONAL Public Relations clearly mentioned as one that would be making a profit from this government money?

• (1320)

[English]

**Ms. Kate Bahen:** I would just say that this is part of the entire issue we've been dealing with over these last five weeks. I have not read today's news about this, and there is so much new information coming out that we have not processed yet. You know more about the Quebec situation, and nationally, than I do. We have learned more about speaker fees than we were told by WE management. We are learning more information all the time.

Government funds for for-profit entities inside the charity... I have not seen that before, sir.

**The Chair:** This is your last question, Mr. Julian.

[Translation]

**Mr. Peter Julian:** Thank you.

Of course, the other aspect of the question involves a statement by the Prime Minister, who said that he had done an in-depth evaluation of WE, and there was no other possibility. It was either offer them the program or not offer it at all. In other words, only WE was able to do it.

However, the president of the Public Service Alliance of Canada has clearly stated that the public service could and should have done all the work.

As regards bilingualism and the fact that WE was not able to manage a national program of this kind, does your organization also check whether charitable organizations are able to provide services in both the country's official languages?

[English]

**Ms. Kate Bahen:** No.

I will add that one of the concerns in assessing the ME to WE Foundation in the U.S. three weeks ago was that it was engaged with corporate sponsors and the advertising of the corporate sponsors. The idea was that if you buy this box of garbage bags, the money will go to WE Charity, but it was interesting to me that the contract wasn't signed by WE Charity; it was signed by the ME to WE Foundation in the U.S.

We saw this pattern of a partner thinking they're contracting with one of the entities, but then there's a different name on the contract and the money flows to a different entity. I really questioned whether the corporate sponsor in the U.S. was aware that the contract was not with WE Charity U.S. but with a separate ME to WE entity.



Listening to last week's testimony, I was concerned whether this had happened again, whether the cabinet was not aware and everybody just didn't.... Maybe they were thinking, "It's for charity. It's WE." Maybe people, as we're all learning, weren't aware that the contract was with the WE Charity Foundation, which is very different from WE Charity. Just so long as everybody knew who the co-signing party was....

**The Chair:** We'll go to Ms. May for a couple of minutes.

Be fairly quick, Ms. May.

**Ms. Elizabeth May (Saanich—Gulf Islands, GP):** Thank you, Mr. Chair.

I want to thank both witnesses. Charity Intelligence, I've gone through your website. I think you do good work, and it's impressive that you do it on such a small budget and with so few people.

I want to ask a policy question, if I may. I imagine that you've been very interested in the Senate report, which was referenced by the Kielburgers in their testimony. The Senate report on catalyzing action, or something like that—the road map for charities in Canada—came out from a Senate subcommittee last summer. The Kielburgers mentioned that they regretted that hadn't been acted upon, because it would have given more scope to charities to use social enterprise and have that understood by policy-makers as an appropriate way to assist the good work that charities do. I wonder if you have any commentary at all on the Senate report and the nature of policy around charities in Canada.

I'll ask you, Kate.

• (1325)

**Ms. Kate Bahen:** Not really. You deal with the hand you're dealt.

I didn't want to go into the policy, but I was really surprised that there wasn't a recommendation in the Senate report to raise the disbursement quota from 3.5% to 5%. That, to me, is low-hanging fruit. I would really like to see that happen in Canada, and it could really help front-line charities.

**Ms. Elizabeth May:** Thank you.

This is my second question. I don't know if I'll have more than two.

Have you ever seen a charitable entity with the structure of a board of directors, staff and a separate category called "founders", who are also, apparently, receiving funds from the organization, something of a stipend? In any context, have you seen a structure in which founders play this kind of role and in which, in the bylaws, a founder can fire a board member?

**Ms. Kate Bahen:** No. When people believe in a charity, they serve at that charity, and they serve as a director.

**The Chair:** Be very quick.

**Ms. Elizabeth May:** I was just going to ask Mr. Thomson if he'd ever seen it. I know I never have. I just wondered if there were any other charities in which founders play a role in governance but don't have fiduciary duties, as a board member would normally have.

**Mr. Greg Thomson:** Possibly at a very small charitable organization.... I've probably seen this once, maybe twice, at a very small charitable organization, but never when a charity becomes anywhere close to the size of WE Charity.

**The Chair:** Thank you, all.

Mr. Poilievre is next. Mr. Vaughan will then wrap it up.

Mr. Poilievre, you have a five-minute round.

**Hon. Pierre Poilievre:** Thank you very much for your good work.

My first question is this. We saw testimony regarding luxury \$4,000-per-night escapes for prospective and previous donors to WE. What percentage of charities would you say offer this kind of luxury and expensive travel to donors, as apparently WE has done from revelations before this committee?

**Ms. Kate Bahen:** I may be confused on that, but I believe those trips were provided by ME to WE, the private business.

**Hon. Pierre Poilievre:** Interesting. All right, that's very interesting to know.

Regarding the contribution agreement, the Kielburgers claim there was no way they could make any money, yet the agreement specifically allows the WE Charity Foundation to subcontract to a series of other organizations, including the ME to WE for-profit enterprise. Do you believe there's anything in the contribution agreement that would have prevented monies from flowing through the WE Charity Foundation to a list of other organizations that would be subcontracted and ultimately, therefore, benefit the Kielburgers?

**Mr. Greg Thomson:** The agreement specifically laid out the possibility of money flowing to other WE organizations, but I want to clarify.... I mean, the Kielburgers said that there was going to be no financial benefit to WE Charity, which is true. It is a charitable organization. They were not going to make a profit on this, because that's not part of the charitable sector. However, it would allow them to maintain their staff, potentially grow their staff, and maintain the charity at its current levels, if not grow it.

So there was certainly a social benefit to having this contract, but clearly there was no.... There's no such thing as a financial profit for a charity.

**Hon. Pierre Poilievre:** Well, of course. I think the word "profit" is being used as a red herring here. Of course, you don't have to make a profit to make money. In fact, we all know people who have businesses that don't have any profit, but they personally do well, either by subcontracting to themselves, covering their expenses or paying themselves a salary, all of which is deducted from a would-be profit.

All of that would have been allowed by this contribution agreement, so the use of the word "profit" is a complete red herring. It tells us nothing about the ability of the Kielburgers or their related organizations to benefit from the contribution agreement.

How many staff hours would the Charity Intelligence group have spent to produce the research it published on WE Charity in the last year?

• (1330)

**Ms. Kate Bahen:** Could you repeat the question?

**Hon. Pierre Poilievre:** How many hours would the Charity Intelligence group have spent on the research that produced the publications you did on WE Charity in the last year?

**Ms. Kate Bahen:** Just to do the update on July 6, or whatever the date was, July 2020, it would have been about two days, so maybe 16 hours. But since then, with all the media, and before then, it has been pretty much.... A lot [*Technical difficulty—Editor*] last month.

**Hon. Pierre Poilievre:** Sorry, just to clarify, prior to June of this year, let's say, how many hours would Charity Intelligence have spent researching the information that you published on WE in this calendar year?

**Ms. Kate Bahen:** On the research report, it wouldn't be much, maybe a day or two.

Greg, the big work was on the impact analysts' side. How many hours do you think the analysts spent on it?

**Mr. Greg Thomson:** They spent probably an additional two days on the impact assessment, so—

**Hon. Pierre Poilievre:** What was the publication date of that?

**Mr. Greg Thomson:** That was back in September 2019, I believe.

**The Chair:** It's your last question, Pierre. Go ahead.

**Hon. Pierre Poilievre:** It's just extraordinary that in three or four days of work, with three or four employees in total, you were able to produce all of this information, when the Prime Minister's own department, the Privy Council Office, which literally has a thousand employees, was not able to produce the same information in a two-week period, during which the Prime Minister himself, the head of government, had supposedly asked for due diligence and scrutiny to occur. "Due diligence" and "scrutiny" were words he used in his own testimony.

[*Translation*]

Here is my final question.

Today, we are learning that WE Charity asked NATIONAL for help in implementing the program in question, which shows that WE Charity was not able to do so itself.

From your research on WE's activities, have you previously seen examples where WE might have run a program with 40,000 volunteers and was planning salaries to pay those same volunteers? Had it previously operated a program of the scale of what was proposed in the contribution agreement between WE and the Government of Canada?

[*English*]

**The Chair:** Ms. Bahen.

**Ms. Kate Bahen:** No, just to give you context, for the Fort McMurray fires, the Canadian Red Cross deployed about 2,800 volun-

teers. That would have been people in their network. On the number of volunteers, the 40,000, maybe that's a better question for Volunteer Canada, because they would have better context for that number.

**The Chair:** Okay, Mr.—

**Hon. Pierre Poilievre:** Mr. Chair, could I just clarify that?

I just want to see if there was any evidence in your research on this organization that it had, in the past, deployed 40,000 youth volunteers and coordinated them, and compensated them with honorariums.

**The Chair:** Give a quick answer, please, Ms. Bahen.

**Ms. Kate Bahen:** We were looking at the WE Days and we were looking at the WE Schools program—so not a service volunteer program like this.

• (1335)

**The Chair:** Okay.

Mr. Vaughan, you have the last round, for five minutes.

**Mr. Adam Vaughan (Spadina—Fort York, Lib.):** Thank you very much.

I just have a quick question. Members of the opposition have said that you provide valuable information, that you do good work. Some have called it excellent work. It's impressive analysis that you provide.

I have a question for you. What do Habitat for Humanity, Oxfam, the YWCA, the YMCA and the Canadian Hearing Society all have in common?

**Ms. Kate Bahen:** They're all organizations. It would be similar to, what does—

**Mr. Adam Vaughan:** You rated them, though, didn't you?

**Ms. Kate Bahen:** —a Loblaw's or a Royal Bank—

**Mr. Adam Vaughan:** No, I asked the question, what do they have in common based on your ratings?

**The Chair:** We'll give Ms. Bahen time to answer.

**Ms. Kate Bahen:** They are organizations fundraising for Canadians who are trying to make a decision about which charity they can donate to, and that's it. At the end of the day, a donor has \$100—

**Mr. Adam Vaughan:** Fair enough. That's a fair answer, but are you aware that they have also scored lower than WE Canada on virtually every one of your charts? Therefore, based on what the opposition is saying, Habitat for Humanity, YWCA both in Vancouver and Toronto, Oxfam, and the Canadian Hearing Society are all more of a risk to donate to than WE Charity, based on the research the opposition has declared as valuable, excellent and impressive.

**Ms. Kate Bahen:** I would say that with WE Charity, our ratings measure objective metrics that don't capture accurately our concerns about its governance, and also that there were unique characteristics with the flow of donations to for-profit private businesses.

**Mr. Adam Vaughan:** Let me ask you another question, then.

**The Chair:** Mr. Vaughan, just let Ms. Bahen complete her answer.

**Ms. Kate Bahen:** That's fine, sir.

**Mr. Adam Vaughan:** You give the poppy fund from the Royal Canadian Legion zero, and you raise extraordinary concerns about transparency, extraordinary concerns about impact. Would you suggest that the Canadian government and Canadians, based on the opposition appraisal of your fine work, cease any relationship whatsoever with the poppy fund, based on your analysis, which has been described by members of the opposition as valuable, good work, excellent and impressive? Would you suggest that's a fair way to proceed with the poppy fund, based on your very harsh review?

**Ms. Kate Bahen:** That's an interesting example, sir, because the poppy fund Legion in Calgary, which has that rating, has—

**Mr. Adam Vaughan:** It's not the Calgary one. The Calgary one is separate. I'll get to that later.

**The Chair:** Ms. Bahen, go ahead.

**Ms. Kate Bahen:** If you go to the CRA, you see that there are over 280 Legions and poppy funds, but the largest in Canada is the one in Calgary. Since our research report—and we have covered it for years—it has actually been folded back into the Legion command, so it no longer exists, and it was because of the concerns about its financial transparency.

You have a charity that is refusing to say how much in donations, that refuses to provide its audited financial—

**Mr. Adam Vaughan:** I just looked at your website. They're still ranked at zero, and I don't share your appraisal.

On the Jewish—

**Ms. Kate Bahen:** That's wonderful, and I appreciate that.

**Mr. Adam Vaughan:** The Jewish National Fund is also an organization to which you have given a zero and very harsh criticism. This is the organization that named a bird sanctuary after the former prime minister, that held fundraisers hosted by Linda Frum, that has been celebrated by a former foreign minister, John Baird. They get a zero as well.

Would you suggest that the Conservative Party in particular, and others, should also refrain from conducting business with this charity, based on the fact that they scored three stars lower than WE Charity?

**Ms. Kate Bahen:** Do you know that you can only receive its audited financial statements through a request for information with the charity's directorate—

**Mr. Adam Vaughan:** I'm just going by your score system.

**The Chair:** Adam, just give the lady time to answer, please.

Go ahead, Ms. Bahen.

**Ms. Kate Bahen:** For every dollar you donate, 50¢ goes to the cause, and—

**Mr. Adam Vaughan:** Which is even lower than WE.

**Ms. Kate Bahen:** Absolutely, and if you read its annual report to understand the work it does and the programs and benefits it provides, it receives a C-. If you look at the charity's financial statements, you see that it has 3.7 years of cash on its balance sheet to

fund its programs. Relative to the other 780 charities we have rankings on, it ranks—

**Mr. Adam Vaughan:** Just on your assessment of the Quebec operations of WE, you do know that they have a head office at 3736 Saint Hubert Street in Montreal.

**Ms. Kate Bahen:** It's difficult to keep track of all their real estate.

**Mr. Adam Vaughan:** I just checked their website while you were speaking.

The second point I would have is this. Out of the top 100 charities—

**The Chair:** This will be the last question.

**Mr. Adam Vaughan:** Out of the top 100 charities you have in Canada, can you explain why only five are in Quebec? Only two serve francophone populations, and the other three are international-facing, except for one local community organization. Why are your records on Quebec activity so deplorably low? Is it in part due to the fact that you have vacancies on your board and have staff members serving as board members in the interim and have no francophone members, or is it simply because you don't have—

• (1340)

**Mr. Peter Julian:** I have a point of order.

**The Chair:** Mr. Vaughan, we have a point of order.

Mr. Julian, go ahead.

**Mr. Peter Julian:** Thank you very much, Mr. Chair.

This is really disgraceful behaviour on the part of the member. He knows what's appropriate in a committee, and one of the things that are appropriate is that rather than berating witnesses, we ask the questions. It's very inappropriate behaviour, and I hope you bring him to bear, Mr. Chair.

Thank you.

**The Chair:** I've interrupted Mr. Vaughan a couple of times, Mr. Julian, but I've seen this kind of questioning from all sides during this hearing process, I might admit.

Mr. Vaughan, you have a last question.

**Mr. Adam Vaughan:** The last question is on your inability to assess charitable work in Quebec—

**Ms. Kate Bahen:** I want—

**The Chair:** I'll give you time to answer that, Ms. Bahen, but we'll get the last question first.

**Mr. Adam Vaughan:** On your inability to fairly assess charitable activity in Quebec and the fact that out of the top 100 in Canada, only five are in Quebec and only two are francophone-serving, would you share my assessment of your work as being incomplete in Quebec? In fact, you have no capacity to assess Quebec charities because you actually don't assess Quebec charities.

**The Chair:** We'll go to Ms. Bahen and Mr. Thomson.

Ms. Bahen, go ahead.

**Ms. Kate Bahen:** Quebec is a very important part of Canada, and we have research reports on 80 of Quebec's largest charities. We work with donors in Quebec and private foundations in Quebec and—

**Mr. Adam Vaughan:** And none of them make the grade.

**The Chair:** Mr. Vaughan, could you allow Ms. Bahen to answer, please?

**Ms. Kate Bahen:** There are definite cultural differences we are seeing. When we look at Australian and British charities, their annual reports have much more detailed information about a charity's operations, compared to those in Canada. We also look across Canada, and we see much higher transparency in Alberta. In Quebec, one of the largest issues we have is that many Quebec charities

do not post audited financial statements on their website, despite receiving upwards of \$5 million to \$10 million in donations.

Our rating highly values financial transparency; 98% of Canadian donors expect charities to be financially transparent, and we will continue to work with Quebec charities to improve their financial transparency.

**The Chair:** Okay, that's it.

I'll ask Mr. Thomson if he has any final words.

**Mr. Greg Thomson:** There have been questions about our assessments, and we love to learn. At Charity Intelligence, we love to learn and we love to hear what others have to say about our analysis, so thank you very much for the feedback. We will take that back and discuss it internally.

**The Chair:** With that, thank you for appearing today, Ms. Bahen and Mr. Thomson, and for answering our questions—intense questioning at times. We have that from all sides at this committee, I might admit, and that goes with the territory.

Thank you all.

The meeting is adjourned.

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