ONE DROP

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and December 31, 2011

(US dollars)

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Independent auditor's report

To the members of
ONE DROP

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ONE DROP, which comprise the consolidated balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011, and the consolidated statements of revenues and expenditures, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ONE DROP as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Report on Other Legal Rules and Regulations

As required by Part II of the Canada Corporations Act, we report that, in our opinion, taking into account the retroactive application of the adoption of the new Canadian accounting standards for not-for-profit organizations as described in Note 2, accounting principles have been applied on a basis consistent with that of the preceding year.

Deloitte s.e.n.c.r.l.[1]

June 26, 2013

[1]CPA auditor, CA, public accountancy permit No. A120628

ONE DROP

Consolidated Balance Sheets

as at December 31, 2012, December 31, 2011 and January 1, 2011
(U.S.dollars)

	General Fund	Continuity Fund	December 31, 2012 Total	December 31, 2011 Total	January 1, 2011 Total
Assets					
Current					
Cash	**$ 3,192,104**	**$ -**	**$ 3,192,104**	$ 1,359,665	$ 1,447,144
Receivables:					
Cirque du Soleil	**-**	**-**	**-**	56,413	-
Other	**199,031**	**-**	**199,031**	256,425	558,306
Short-term investments (Note 4)	**5,518,636**	**100,000**	**5,618,636**	3,019,623	3,293,045
Prepaid expenses	**87,613**	**-**	**87,613**	45,696	56,520
	8,997,384	**100,000**	**9,097,384**	4,737,822	5,355,015
Long-term investments (Note 5)	**302,836**	**4,894,913**	**5,197,749**	4,363,116	4,140,231
Capital assets (Note 6)	**611,323**	**-**	**611,323**	692,144	89,387
	$ 9,911,543	**$ 4,994,913**	**$ 14,906,456**	$ 9,793,082	$ 9,584,633
Liabilities					
Current					
Accounts payable and accrued liabilities:					
Cirque du Soleil	**$ 259,626**	**$ -**	**$ 259,626**	$ -	$ 305,509
Other	**1,141,755**	**-**	**1,141,755**	1,163,598	507,872
Deferred contributions (Note 7)	**1,833,860**	**-**	**1,833,860**	2,463,193	3,495,085
	3,235,241	**-**	**3,235,241**	3,626,791	4,308,466
Deferred lease inducements (Note 8)	**393,355**	**-**	**393,355**	371,509	-
Fund balances					
Invested in capital assets (Note 9)	**326,621**	**-**	**326,621**	381,180	89,387
Permanently restricted (Note 9)	**-**	**4,858,243**	**4,858,243**	4,274,478	3,923,570
Restricted by management (Note 9)	**203,791**	**136,670**	**340,461**	133,700	157,576
Restricted by management for programs (Note 9)	**3,432,927**	**-**	**3,432,927**	160,932	438,699
Available (Note 9)	**2,319,608**	**-**	**2,319,608**	844,492	666,935
	6,282,947	**4,994,913**	**11,277,860**	5,794,782	5,276,167
	$ 9,911,543	**$ 4,994,913**	**$ 14,906,456**	$ 9,793,082	$ 9,584,633

Commitments (Note 16)

Approved by the Board,

……………………………………………………., Guy Laliberté, President ………………………..……., Robert Blain, Treasurer

Consolidated Statements of Revenues and Expenditures

years ended December 31, 2012 and December 31, 2011
(U.S.dollars)

		2012		2011
Revenues				
Contributions (Note 10)	**$**	**15,666,319**	$	11,679,408
Investments (Note 11)		**358,145**		(117,592)
		16,024,464		11,561,816
Expenditures				
Programs (Note 12)		**7,233,773**		7,608,427
Development and revenue generation (Note 13)		**1,879,498**		2,318,950
Administration and international network		**2,018,267**		1,393,345
		11,131,538		11,320,722
Excess of revenues over expenditures	**$**	**4,892,926**	$	241,094

Consolidated Statements of Changes in Fund Balances

years ended December 31, 2012 and December 31, 2011
(U.S.dollars)

	General Fund	Continuity Fund	Total
Fund balances as at January 1, 2011	$ 1,215,885	$ 4,060,282	$ 5,276,167
Excess of revenues over expenditures	241,094	-	241,094
Endowment contributions (Note 9)	-	428,683	428,683
Interfund tranfers (Note 9)	(20,404)	20,404	-
Change in the cumulative translation adjustment	(49,971)	(101,191)	(151,162)
Fund balances as at December 31, 2011	$ 1,386,604	$ 4,408,178	$ 5,794,782
Excess of revenues over expenditures	**4,892,926**	**-**	**4,892,926**
Endowment contributions (Note 9)	**-**	**451,447**	**451,447**
Interfund transfers (Note 9)	**(35,708)**	**35,708**	**-**
Change in the cumulative translation adjustment	**39,125**	**99,580**	**138,705**
Fund balances as at December 31, 2012	**$ 6,282,947**	**$ 4,994,913**	**$ 11,277,860**

Consolidated Statements of Cash Flows

years ended December 31, 2012 and December 31, 2011
(U.S.dollars)

	2012	2011
Operating activities		
Excess of revenues over expenditures	**$ 4,892,926**	$ 241,094
Adjustments for items not affecting cash		
Amortization of capital assets	**103,964**	101,642
Change in fair value of investments	**(247,752)**	224,272
Lease inducements received	**72,172**	63,710
Amortisation of lease inducements	**(50,326)**	(23,893)
Change in the cumulative translation adjustment	**26,412**	115,844
	4,797,396	722,669
Changes in non-cash operating working capital items		
Decrease in receivables	**113,807**	245,468
(Increase) decrease in short-term investments	**(2,635,201)**	(45,458)
(Increase) decrease in prepaid expenses	**(41,917)**	10,824
Increase in accounts payable and accrued liabilities	**237,783**	350,217
Decrease in deferred contributions	**(629,333)**	(1,031,892)
	(2,954,861)	(470,841)
Cash flow provided by operating activities	**1,842,535**	251,828
Financing activities		
Endowment contributions	**451,447**	428,683
Investing activities		
Acquisition of long-term investments	**(2,778,932)**	(3,394,078)
Proceeds from disposition of long-term investments	**2,325,158**	3,000,764
Acquisition of capital assets	**(7,769)**	(374,676)
Cash flow used in investing activities	**(461,543)**	(767,990)
Net increase (decrease) in cash	**1,832,439**	(87,479)
Cash, beginning of the year	**1,359,665**	1,447,144
Cash, end of the year	**$ 3,192,104**	$ 1,359,665

Non-cash transactions

During the year ended December 31, 2011, capital assets at an aggregate cost of $331,692 were acquired in exchange for deferred lease inducements.

1. Governing statutes and nature of operations

The international network of ONE DROP entities (“ONE DROP”) are not-for-profit organizations that pursue the same mission. This mission is to fight world poverty by providing access to water and raising individual and community awareness of the need to mobilize so that safe water is accessible to all, in sufficient quantity, today and tomorrow.

ONE DROP Canada was incorporated on July 3, 2007 under Part II of The Canada Corporations Act and is recognized as a registered charity by the Canadian tax authorities. ONE DROP France was created on May 28, 2010 as an association under France’s association act of July 1, 1901, and its activities are recognized to be non-profit. ONE DROP USA was incorporated on July 31, 2008 under the General Corporation Law of Delaware and is recognized as a public charity by the Internal Revenue Service. ONE DROP UK was incorporated on January 7, 2009 under the Great Britain Companies Acts of 1985 and 2006 and is recognized as a charity by the Great Britain Charity Commission. ONE DROP Switzerland was created on March 3, 2012 and registered on March 28, 2012 with the Trade Register Office of Geneva.

ONE DROP is sponsored by its Founder, Guy Laliberté, and Cirque du Soleil or its affiliates (“Cirque du Soleil”). Support comes in the form of financial contributions, services and business opportunities. The Founder provides funding on a regular basis. Cirque du Soleil provides services to ONE DROP free of charge or on a cost basis. Cirque du Soleil also generously offers its support for the organization of benefit events. The Founder and Cirque du Soleil offer business opportunities that facilitate the creation of a global movement on water issues and help diversify program funding.

2. Adoption of a new accounting framework

During the year ended December 31, 2012, ONE DROP adopted the new Canadian accounting standards for not-for-profit organizations (the “new standards”) issued by the Accounting Standards Board of the Canadian Institute of Chartered Accountants (“CICA”) and set out in Part III of the CICA Handbook. In accordance with Section 1501 of Part III of the CICA Handbook, First-time adoption, (“Section 1501”), the date of transition to the new standards is January 1, 2011 and ONE DROP has prepared and presented a consolidated opening balance sheet at the date of transition to the new standards. This consolidated opening balance sheet is the starting point for ONE DROP accounting under the new standards. In its consolidated opening balance sheet, under the recommendations of Section 1501, ONE DROP :

a) recognized all assets and liabilities whose recognition is required by the new standards;

b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

c) reclassified items that it recognized previously as one type of asset, liability or component of fund balance, but are recognized as a different type of asset, liability or component of fund balance under the new standards; and

d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented in consolidated financial statements. The adjustments resulting from the adoption of the new standards have been applied retrospectively.

One Drop has elected to adopt the exemption relating to financial instruments permitting the accounting at fair value of certain investments at the date of transition.

The adoption of these new standards had no impact on the consolidated financial statements, except for the presentation of the consolidated statement of cash flows, which was not presented last year.

3. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and are expressed in US dollars. The significant accounting policies are:

a) Consolidated financial statements

These consolidated financial statements have been prepared in order to be used for information purposes. They include the accounts for ONE DROP Canada, ONE DROP France, ONE DROP UK, ONE DROP USA and ONE DROP Switzerland.

b) Fund accounting

The consolidated financial statements are presented according to the fund accounting method, and the deferral method is applied to record contributions.

General Fund

The General Fund cumulates all activities carried out by ONE DROP to implement its programs.

Continuity Fund

The Continuity Fund's purpose is to ensure ONE DROP's longevity and provide adequate capital funding for long-term fulfillment of its programs. The fund records endowments, which are contributions from donors requesting that their contribution be maintained.

c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when ONE DROP becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for investments that are recognized at fair value at the date of the financial statements. The investment's fair value is established at bid price. Fair value fluctuations, which include interest earned, accrued interest, realized gain and loss and unrealized gain and loss, are included in the investment's revenue.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, ONE DROP recognizes in the consolidated statement of revenues and expenditures an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occuring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the consolidated statement of revenues and expenditures in the period the reversal occurs.

3. Significant accounting policies *(continued)*

d) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at their fair value on the date the contribution is made. Amortization is calculated on a straight-line basis over the estimated useful life at the following rates:

	Rate
Furniture and office equipment	20%
Computer equipment, software and website	33 1/3%
Leasehold improvements	Term of lease

e) Deferred lease inducements

Deferred lease inducements are amortized over the term of the lease.

f) Fund balances

General Fund

Fund balances invested in capital assets are established using the net value of the capital assets, net of deferred lease inducements given for leasehold improvements.

Funds restricted by management include:

- A reserve for the transfer to the Continuity Fund of the adjustment equal to the year's inflation rate on endowments. This reserve has been established at 5% of endowments. The annual adjustment comes from the allocation of a portion of investment income.
- Funds restricted by management for international development programs.

Available fund balances are used to fund working capital and program commitments.

Continuity Fund

Permanently restricted fund balances are composed of endowments, increased by the adjustment corresponding to the inflation rate of the year, in order to conserve the value of the endowments.

g) Revenue recognition

The deferral method is used to recognize contributions. Restricted contributions, which are contributions that must be used for a specified purpose, are recognized as revenue in the year during which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the year they are received. Endowments are recorded as an increase of the Continuity fund balance.

h) Contributed services

Contributed services, including that of volunteers, are not recognized because it is difficult to measure their fair value. The work accomplished by members of ONE DROP's Board of Directors is on a volunteer basis. As such, they receive no compensation for the responsibilities they undertake.

3. Significant accounting policies *(continued)*

i) Contributed capital assets

Contributed capital assets are initially recognized at fair value. They are deferred and recognized as revenue based on the same method as that used to amortize the corresponding capital assets.

j) Presentation of expenditures

Expenditures are presented by function: Programs, Development and revenue generation, and Administration and international network. The Programs function consists of expenditures incurred to directly carry out the mission, i.e., international development, as well as awareness and mobilization. International development activities aim to provide access to water and are primarily carried out in developing countries, whereas awareness and mobilization activities are primarily carried out in developed countries. The Development and revenue generation function consists of fundraising expenses, the Administration function consists of general operating expenses and the International network consists of implementing and operating expenses for an international network of ONE DROP entities.

The expenditures of the Programs and Development and revenue generation functions include only direct expenses. Accordingly, no administration expenditure was charged to these functions.

k) Recognition of international development program expenditure

International development program expenditures are recognized when funds are transferred to the partners in charge of carrying out the programs. Funds are transferred after a commitment has been approved by the ONE DROP's Board of Directors and an agreement has been entered into with the partner responsible for carrying out the program.

l) Foreign currency translation

The consolidated financial statements are presented in U.S. dollars. The balance sheet of each entity has been translated using the rate in effect at year-end, while revenues and expenditures have been translated using the average rates in effect during the year. Foreign currency translation gains and losses are mainly generated from the translation of cash and investments and are presented with investment income.

m) Use of estimates

Preparing consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the notes to the consolidated financial statements. These estimates and assumptions are based on management’s knowledge of ongoing activities. Actual results could differ from these estimates.

Notes to the Consolidated Financial Statements

December 31, 2012 and December 31, 2011
(U.S.dollars)

4. Short-term investments

		December 31, 2012		December 31, 2011		January 1, 2011
Deposits and short-term notes	**$**	**5,503,794**	$	2,974,815	$	3,270,342
Other		**114,842**		44,808		22,703
	$	**5,618,636**	$	3,019,623	$	3,293,045

Deposits and short-term notes have yields from 0.15% to 0.25% (0.24% to 1.03% as at December 31, 2011 and 0.6% to 1.46% at January 1, 2011).

5. Long-term investments

		December 31, 2012		December 31, 2011		January 1, 2011
By type of security:						
Deposits and notes	**$**	**929,845**	$	563,903	$	852,172
Fixed income securities*		**1,886,225**		1,754,234		1,478,998
Equity securities		**2,365,203**		2,027,988		1,798,530
Accrued revenue		**16,476**		16,991		10,531
	$	**5,197,749**	$	4,363,116	$	4,140,231
By currency:						
Canadian dollars	**$**	**3,915,866**	$	3,285,112	$	3,188,324
United States dollars		**541,992**		405,488		335,652
Other currrencies		**739,891**		672,516		616,255
	$	**5,197,749**	$	4,363,116	$	4,140,231

* Fixed income securities represent maturity terms between 2013 and 2022 and yields ranging from 0,50% to 8,90% (0,50% to 8.90% as at December 31, 2011 and 2.75% to 8.9% at January 1, 2011).

6. Capital assets

						December 31, 2012		December 31, 2011		January 1, 2011
		Cost		**Accumulated amortization**		**Net value**		Net value		Net value
Furniture and office equipment	**$**	**110,890**	**$**	**31,269**	**$**	**79,621**	$	98,704	$	-
Computer equipment, software and website		**225,450**		**225,450**		**-**		19,694		89,387
Leasehold improvements		**618,938**		**87,236**		**531,702**		573,746		-
	$	**955,278**	**$**	**343,955**	**$**	**611,323**	$	692,144	$	89,387

7. Deferred contributions

		2012		2011
Balance at beginning of the year	**$**	**2,463,193**	$	3,495,085
Restricted contributions received during the year:				
International development projects *		**1,988,004**		3,147,004
Awareness and mobilization projects *		**482,930**		910,359
Activities of the following year		**216,663**		22,607
		2,687,597		4,079,970
Contributions recognized as revenue during the year:				
International development projects *		**(2,901,535)**		(4,174,967)
Awareness and mobilization projects*		**(447,945)**		(872,382)
Activities of the year		**-**		(45,450)
		(3,349,480)		(5,092,799)
Foreign exchange adjustment		**32,550**		(19,063)
Balance at end of the year	**$**	**1,833,860**	$	2,463,193

* An amount of $612,019 (none in 2011) was reallocated from awareness and mobilization projets to international development projects.

Comprised of:				
International development projects				
Burkina Faso project	**$**	**-**	$	500,000
El Salvador project		**-**		20,603
Haiti project		**303,579**		620,712
India project		**944,171**		494,293
Other projects		**175,384**		73,749
Awareness and mobilization projects		**236,842**		731,849
Activities of the following year		**173,884**		21,987
	$	**1,833,860**	$	2,463,193

8. Deferred lease inducements

		2012		2011
Balance at beginning of the year	**$**	**371,509**	$	-
Lease inducements received during the year		**72,172**		395,402
Lease inducements amortized during the year		**(50,326)**		(23,893)
Balance at the end of the year	**$**	**393,355**	$	371,509
Comprised of:				
Leasehold improvements reimbursed	**$**	**284,702**	$	310,964
Other inducements		**108,653**		60,545
	$	**393,355**	$	371,509

Lease inducements are amortized on the term of the lease and the amortization is applied against the rent expenditure.

9. Fund balances

ONE DROP's capital is composed of the fund balances of the General Fund and the Continuity Fund. ONE DROP manages its capital in such a way as to ensure the continuation of its activities in order to fulfill its mission, in particular through its Continuity Fund.

a) General Fund: fund balances invested in capital assets

		2012		2011
Balance at beginning of the year	**$**	**381,180**	$	89,387
Changes during the year:				
Acquisition of capital assets		**7,769**		706,368
Amortization of capital assets		**(103,964)**		(101,642)
Variation of deferred lease inducements related to leasehold improvements		**33,166**		(310,964)
		(63,029)		293,762
Cumulative translation adjustement		**8,470**		(1,969)
Balance at the end of the year	**$**	**326,621**	$	381,180

b) Continuity Fund: fund balances permanently restricted

		2012		2011
Balance at beginning of the year	**$**	**4,274,478**	$	3,923,570
Endowment contributions		**451,447**		428,683
Transfer from general fund for the adjustment corresponding to the year's inflation rate on endowments		**35,708**		20,404
Cumulative translation adjustment		**96,610**		(98,179)
Balance at the end of the year	**$**	**4,858,243**	$	4,274,478

c) General Fund: fund balances restricted by management

Reserve for transfer to the continuity fund of the adjustment corresponding to the year's inflation rate on endowments.

		2012		2011
Balance at beginning of the year	**$**	**-**	$	20,864
Allocation of a portion of investment income		**203,791**		-
Transfer from Continuity Fund to cover the shortfall of investment income over the adjustment corresponding to the year's inflation on endowments		**-**		(20,404)
Cumulative translation adjustement		**-**		(460)
Balance at the end of the year	**$**	**203,791**	$	-

9. Fund balances *(suite)*

d) Continuity Fund: fund balances restricted by management

		2012		2011
Balance at beginning of the year	$	**133,700**	$	136,712
Excess of the investment income earned on the continuity fund over the adjustment corresponding to the year's inflation rate on the endowments and the adjustment of the reserves set aside for this purpose		**-**		-
Cumulative translation adjustment		**2,970**		(3,012)
Balance at the end of the year	$	**136,670**	$	133,700

e) General Fund: fund balances restricted by management for programs

		2012		2011
Balance at beginning of the year	$	**160,932**	$	438,699
Funds restricted by management:				
International development projects		**5,395,035**		-
Awareness and mobilization projects		**-**		160,932
Fund balances released and transferred to fund balances available				
International development projects		**(1,962,108)**		-
Awareness and mobilization projects		**(160,932)**		(438,699)
Balance at the end of the year		**3,432,927**	$	160,932
Comprised of:				
Burkina Faso Project	$	**2,231,611**	$	-
El Salvador project		**1,005,772**		-
Honduras project		**195,544**		-
Awareness and mobilization projects		**-**		160,932
	$	**3,432,927**	$	160,932

9. Fund balances *(suite)*

f) General Fund: fund balances available

	2012	2011
Balance at beginning of the year	$ **844,492**	$ 666,935
Excess of revenues over expenditures	**4,892,926**	241,094
Current change in fund balances invested in capital assets	**63,029**	(293,762)
Fund restricted by management for programs	**(5,395,035)**	(160,932)
Fund balances restricted by management released	**2,123,040**	438,699
Fund restricted from investement income:		
Transfer to Continuity Fund of the adjustment corresponding to the year's inflation rate on endowments	**(35,708)**	-
Allocation of a portion of investment income to build a reserve for the transfer to the Continuity Fund of the adjustment mentioned above	**(203,791)**	-
Total of funds restricted from investment income	**(239,499)**	-
Cumulative translation adjustement	**30,655**	(47,542)
Balance at the end of the year	$ **2,319,608**	$ 844,492

10. Contributions

	2012	2011
Restricted contributions deferred from the previous year	$ **2,463,193**	$ 3,495,085
Contributions received during the year:		
Founder's contribution	**1,899,352**	1,773,696
Benefit events*	**6,651,492**	2,788,621
Individuals	**1,048,423**	3,321,051
Businesses		
Cirque du Soleil	**51,228**	-
Other businesses	**2,866,041**	842,887
Foundations		
RBC Foundation	**724,129**	1,526,640
Prince Albert II de Monaco Foundation	**158,037**	86,266
De Gaspé Beaubien Foundation	**48,403**	332,407
Other foundations	**679,028**	774,490
Science centres and museums for AQUA project	**191,327**	830,439
AZULA Fund	**256,415**	142,097
Others	**430,561**	6,669
	13,105,084	10,651,567
Foreign exchange adjustment	**32,550**	(4,051)
Restricted contributions deferred to the following year	**(1,833,860)**	(2,463,193)
Contributions recorded as revenue for the year	$ **13,766,967**	$ 11,679,408

* The benefit events may include contributions from the above-mentioned partners.

11. Investment income (loss)

		2012		2011
Interest and dividends	**$**	**157,343**	$	153,915
Currency translation losses		**(16,578)**		(15,528)
Gains (loss) from the change in fair value of investments		**247,752**		(224,272)
		388,517		(85,885)
Management and safekeeping fees		**(30,372)**		(31,707)
	$	**358,145**	$	(117,592)
Comprised of:				
Investment loss generated by the General Fund's short-term investments	**$**	**(24,653)**	$	(40,201)
Investment income (loss) generated by the long-term investments		**382,798**		(77,391)
	$	**358,145**	$	(117,592)

12. Programs

		2012						2011
		International development		**Awareness and mobilization**		**Total**		Total
Burkina Faso project	**$**	**1,193,650**	**$**	**-**	**$**	**1,193,650**	$	-
El Salvador project		**1,692,359**		**-**		**1,692,359**		1,805,814
Haiti project		**779,063**		**-**		**779,063**		1,422,623
Honduras project		**268,463**		**-**		**268,463**		880,120
India project		**651,734**		**-**		**651,734**		292,896
Nicaragua project		**33,907**		**-**		**33,907**		-
AQUA project		**-**		**267,743**		**267,743**		728,280
GAÏA project		**-**		**629,018**		**629,018**		-
Interactive game project		**-**		**-**		**-**		706,874
Waterhero project		**-**		**198,801**		**198,801**		
Youth/School project		**-**		**-**		**-**		52,932
Other projects		**400,336**		**583,149**		**983,485**		289,703
Communication and awareness		**-**		**366,330**		**366,330**		545,767
Programs management and other		**-**		**169,220**		**169,220**		883,418
	$	**5,019,512**	**$**	**2,214,261**	**$**	**7,233,773**	$	7,608,427

13. Development and revenue generation

		2012		2011
Expenditures related to benefit events	**$**	**840,303**	$	1,264,559
Other development activities		**1,039,195**		1,054,391
	$	**1,879,498**	$	2,318,950

14. Transactions with Cirque du Soleil

Transactions with Cirque du Soleil are disclosed separately in the consolidated financial statements, except for the following expenditures. These transactions were completed in the normal course of business and recorded at the exchange amount.

		2012		2011
Expenditures incurred by Cirque du Soleil and billed to ONE DROP				
Programs	**$**	**317,718**	$	424,822
Development and revenue generation		**445,094**		421,196
Administration		**124,124**		229,846
	$	**886,936**	$	1,075,864

15. Pension plan

ONE DROP Canada has a defined contribution plan providing pension benefits to its employees. The financial obligations towards the plan are discharged regularly and as at December 31, 2012, all obligations have been recorded in the accounts. The expenditure and the amount paid were $87,263 ($69,445 in 2011).

16. Commitments

Programs

The international development projects span over several years. Commitments by ONE DROP for these projects are as follows:

2013	**$**	**5,813,178**
2014		**2,166,215**
2015		**92,517**
	$	**8,071,910**

Comprised of:		
Burkina Faso Project	**$**	**4,265,966**
El Salvaldor project		**1,206,648**
Haiti project		**511,977**
Honduras project		**831,833**
India project		**1,255,486**
	$	**8,071,910**

16. Commitments *(suite)*

Administrative office

ONE DROP Canada signed a contract for the rental of administrative offices expiring May 31, 2021. Minimum commitments for the upcoming years are as follows:

2013	$ **170,268**
2014	**204,322**
2015	**204,322**
2016	**209,643**
2017	**217,092**
2018 and thereafter	**777,915**
	$ **1,783,562**

17. Financial instruments and risk management

Given the nature of its financial assets and liabilities, certain ONE DROP entities are exposed to foreign exchange risk, to the risk of interest rate fluctuation and to liquidity risk.

2013

Foreign exchange risk

Foreign exchange risk is a risk resulting from fluctuations in foreign currency.

As certain long-term investments are foreign currency investments made to minimize the risks linked to a concentration of investments, long-term investments present a foreign exchange risk. This risk is handled through the investment policy.

International cooperation and development projects also present a foreign exchange risk, since these projects are carried out in foreign currency. This risk is managed during the budgeting process and follow-up for each project.

Risk of interest rate fluctuation

The risk of interest rate fluctuation is a loss risk resulting from an interest rate fluctuation.

Fixed-yield investments present a risk of interest rate fluctuation. For titles with a fixed rate of interest, interest rate changes on the market will produce an impact on their fair value. This risk is handled through the investment policy.

Credit risk

ONE DROP's exposure to credit risk in respect of its assets is not significant. The bonds are investment grade instruments with a credit rating of AA as at December 31, 2012 (AA as at December 31, 2011 and AA as at January 1, 2011) and the short-term investments represent deposits with Canadian banks.

Liquidity risk

ONE DROP's objective is to have sufficient liquidity to meet its liabilities when due. ONE DROP monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2012, the most significant financial liabilities are: accounts payable and accrued liabilites and deferred contributions.