ONE DROP

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014

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Deloitte LLP
1 Place Ville Marie
Suite 3000
Montreal QC H3B 4T9
Canada

Tel.: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

Independent auditor's report

To the members of
ONE DROP

We have audited the consolidated financial statements of ONE DROP, which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, changes in net assets and cash flows for the year ended December 31, 2014 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 consolidated 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 audit. We conducted our audit 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audit 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP[1]

June 3, 2015

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

ONE DROP

Consolidated Balance Sheet

December 31, 2014

(in US dollars)

		2014		2013
Assets				
Current				
Cash, interest bearing	**$**	**11,686,601**	$	7,324,471
Receivables		**141,637**		345,721
Prepaid expenses		**59,085**		71,297
		11,887,324		7,741,489
Investments (Note 3)		**5,428,621**		5,296,413
Capital assets (Note 4)		**423,802**		493,109
	$	**17,739,746**	$	13,531,011
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**734,347**	$	752,162
Unearned revenue		**213,323**		255,073
Deferred contributions (Note 5)		**2,045,980**		1,351,420
		2,993,650		2,358,655
Deferred lease inducements (Note 6)		**281,138**		353,222
		3,274,788		2,711,877
Net Assets				
Invested in capital assets		**236,533**		257,824
Endowments		**4,674,382**		5,211,903
Restricted by management (Note 7)		**4,691,972**		1,328,319
Available		**4,862,071**		4,021,088
		14,464,958		10,819,134
	$	**17,739,746**	$	13,531,011

Commitments (Note 14)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of ONE DROP Canada:

Signed,
Guy Laliberté
Director

Signed,
Robert Blain
Director

ONE DROP

Consolidated Income Statement

Year ended December 31, 2014
(in US dollars)

		2014		2013
Revenues				
Contributions (Note 8)	**$**	**6,101,952**	$	7,268,121
Benefit events		**7,415,590**		3,762,010
Investments (Note 9)		**622,525**		878,388
		14,140,067		11,908,519
Direct costs related to benefit events		**1,301,992**		1,945,332
		12,838,075		9,963,187
Expenditures				
Programs (Notes 10 and 11)		**5,413,298**		6,885,627
Revenue generation and advancement (Note 11)		**1,736,871**		2,240,601
Administration (Note 11)		**907,919**		1,374,466
		8,058,088		10,500,694
Excess (deficiency) of revenues over expenditures	**$**	**4,779,987**	$	(537,507)

See accompanying notes to the consolidated financial statements.

ONE DROP

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2014
(in US dollars)

	Invested in capital assets	Endowments	Restricted by management	Available	Total
Net assets, as at December 31, 2012	$ 326,621	$ 4,994,913	$ 3,636,718	$ 2,319,608	$ 11,277,860
Deficiency of revenues over expenditures	(49,262) *	-	-	(488,245)	(537,507)
Endowments received	-	491,051	-	-	491,051
Allocation of a portion of the year's investment income	-	-	23,572	(23,572)	-
Net use for programs	-	-	(2,277,646)	2,277,646	-
Transfer for the adjustment corresponding to the year's inflation rate on endowments	-	56,316	-	(56,316)	-
Foreign exchange adjustment	(19,535)	(330,377)	(54,325)	(8,033)	(412,270)
Net assets, as at December 31, 2013	**257,824**	**5,211,903**	**1,328,319**	**4,021,088**	**10,819,134**
(Deficiency) excess of revenues over expenditures	**(45,862)** *	**-**	**-**	**4,825,849**	**4,779,987**
Acquisition of capital assets	**46,023**	**-**	**-**	**(46,023)**	**-**
Conversion of endowments to contributions **	**-**	**(543,360)**	**-**	**-**	**(543,360)**
Endowments received	**-**	**336,324**	**-**	**-**	**336,324**
Allocation of a portion of the year's investment income	**-**	**-**	**32,849**	**(32,849)**	**-**
Net transfer to programs	**-**	**-**	**3,607,455**	**(3,607,455)**	**-**
Transfer for the adjustment corresponding to the year's inflation rate on endowments	**-**	**74,990**	**-**	**(74,990)**	**-**
Foreign exchange adjustment	**(21,452)**	**(405,475)**	**(276,651)**	**(223,549)**	**(927,127)**
Net assets, as at December 31, 2014	**$ 236,533**	**$ 4,674,382**	**$ 4,691,972**	**$ 4,862,071**	**$ 14,464,958**

* Comprised of the amortization of capital assets of $75,747 ($81,305 in 2013) and the amortization of deferred lease inducements related to leasehold improvements of $29,885 ($32,043 in 2013).

** The conversion of endowments to contributions was made at the request of the donor.

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2014
(in US dollars)

		2014		2013
Operating activities				
Excess (deficiency) of revenues over expenditures	**$**	**4,779,987**	$	(537,507)
Adjustments for:				
Amortization of capital assets		**75,747**		81,305
Change in the cumulative foreign exchange adjustment related to capital assets		**39,583**		36,909
Change in fair value of investments		**(266,668)**		(629,037)
Change in the cumulative foreign exchange adjustment related to investments		**469,491**		349,980
Lease inducements received		**-**		32,897
Amortization of lease inducements		**(44,865)**		(48,104)
Change in the cumulative foreign exchange adjustment related to lease inducement		**(27,219)**		(24,926)
Conversion of endowments to contributions		**(543,360)**		-
Change in the cumulative foreign exchange adjustment related to net assets		**(927,127)**		(412,270)
		3,555,569		(1,150,753)
Changes in non-cash operating working capital items				
Decrease (increase) in receivables		**204,084**		(146,690)
Decrease in prepaid expenses		**12,212**		16,316
Decrease in accounts payable and accrued liabilities		**(17,815)**		(649,219)
(Decrease) increase in unearned revenue		**(41,750)**		81,189
Increase (decrease) in deferred contributions		**694,560**		(308,556)
		851,291		(1,006,960)
		4,406,860		(2,157,713)
Investing activities				
Acquisition of investments		**(3,949,625)**		(3,374,207)
Proceeds from sale of investments		**3,614,594**		3,554,600
Acquisition of capital assets		**(46,023)**		-
		(381,054)		180,393
Financing activities				
Endowments received		**336,324**		491,051
Net increase (decrease) in cash		**4,362,130**		(1,486,269)
Cash, beginning of the year		**7,324,471**		8,810,740
Cash, end of the year	**$**	**11,686,601**	$	7,324,471

See accompanying notes to the consolidated financial statements.

1. Governing statutes and nature of operations

The international network of ONE DROP entities ("ONE DROP") is comprised of not-for-profit organizations that pursue the same mission. This mission is to provide access to water and to raise individual and community awareness of the need to mobilize so that safe water is accessible to all, in sufficient quantity, today and tomorrow.

Fondation ONE DROP ("ONE DROP Canada") was incorporated on July 3, 2007 under Part II of The Canada Corporations Act and was continued under section 211 of the Canada Not-for-profit Corporations Act on September 2, 2014. ONE DROP FOUNDATION, INC. ("ONE DROP USA") was incorporated on July 31, 2008 under the General Corporation Law of Delaware. ONE DROP FOUNDATION ("ONE DROP UK") was incorporated on October 7, 2008 under the Great Britain Companies Acts of 1985 and 2006. ONE DROP France was created on May 28, 2010 as an association under France's Association Act of July 1, 1901. Fondation ONE DROP Suisse ("ONE DROP Switzerland") was created on March 21, 2012 and registered on March 28, 2012 with the Trade Register Office of Geneva. Fundación ONE DROP ("ONE DROP Spain") was created on October 8, 2012 and registered on December 30, 2013 with the Protectorate and Register of Foundations of the Ministry of Agriculture, Food and Environment in Spain. All of these entities are recognized as charities registered with the tax authorities of their respective countries.

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

2. 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 include the accounts for ONE DROP Canada, ONE DROP USA, ONE DROP UK, ONE DROP France, ONE DROP Switzerland and ONE DROP Spain.

b) 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. Contributions pledged are recognized when cash is received. Endowments are recorded as direct increases in net assets.

c) Contributed services

Contributed services, including that of volunteers, are not recognized in the consolidated financial statements because of the difficulties in measuring their fair value.

2. Significant accounting policies *(continued)*

d) 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 investment income.

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 income statement 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 occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in the consolidated income statement in the period the reversal occurs.

e) Capital assets

Capital assets are recorded at cost. 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 and software	33 1/3%
Leasehold improvements	Term of lease

f) Deferred lease inducements

Deferred lease inducements are amortized over the term of the lease and the amortization is applied against the rent expenditure.

2. Significant accounting policies *(continued)*

g) Net assets

Invested in capital assets

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

Endowments

Net endowment assets are composed of endowments, increased by the adjustment corresponding to the inflation rate for the year in order to preserve the value of the endowments. Endowments are contributions from donors requesting that their capital be maintained in accordance with their instructions.

Restricted by management

Net assets restricted by management include net assets restricted by management for programs. They also include a reserve for the transfer of the adjustment equal to the year's inflation rate on endowments to net endowment assets. This reserve has been established at a maximum of 5% of endowments. The annual adjustment comes from the allocation of a portion of investment income.

Available

Available net assets are used to fund working capital and program commitments.

h) Presentation of expenditures

Expenditures are presented by function. The Programs function consists of expenditures incurred to directly carry out the mission to provide access to water in developing countries, as well as expenditures related to awareness and mobilization. The Revenue generation and advancement function consists of fundraising expenses. The Administration function consists of general operating expenses.

Administration expenditures, including those related to compensation, management of human resources, premises and information technology, have been divided between the three functions as follows:

- compensation on the basis of the time spent in each function;
- human resources management, premises and information technology on the basis of the number of people employed within each function.

2. Significant accounting policies *(continued)*

i) Recognition of program expenditure

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.

j) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated using rates in effect at year-end, while non-monetary items are translated at historical rates. Revenue and expenditure are translated using 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.

The consolidated financial statements are presented in US dollars. For the purposes of consolidation, the balance sheet of each entity has been translated using rates in effect at year-end, while the income statement of each entity has been translated using average rates in effect during the year. Foreign currency gains and losses resulting from this translation are recorded in the consolidated statement of changes in net assets.

k) 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.

3. Investments

		2014		2013
By type of security:				
Deposits and notes	**$**	**564,909**	$	375,333
Fixed income securities*		**2,175,242**		2,178,853
Equity securities		**2,674,215**		2,725,640
Accrued revenue		**14,255**		16,587
	$	**5,428,621**	$	5,296,413
By currency:				
Canadian dollars	**$**	**3,843,327**	$	3,759,787
United States dollars		**908,717**		758,493
Other currencies		**676,577**		778,133
	$	**5,428,621**	$	5,296,413

* Fixed income securities have maturity dates between 2015 and 2024 and yields ranging from 1.75% to 10.13% (1.70% to 8.90% in 2013).

(in US dollars)

4. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	$ 95,099	$ 64,867	$ 30,232	$ 53,721
Computer equipment and software	237,155	193,347	43,808	-
Leasehold improvements	530,803	181,041	349,762	439,388
	$ 863,057	$ 439,255	$ 423,802	$ 493,109

5. Deferred contributions

	2014	2013
Balance at beginning of the year	$ 1,351,420	$ 1,659,976
Restricted contributions received during the year for projects	3,335,695	2,033,220
Restricted contributions recognized as revenue during the year	(2,524,775)	(2,298,923)
Foreign exchange adjustment	(116,360)	(42,853)
Balance at end of the year	$ 2,045,980	$ 1,351,420
Comprised of:		
India project (Bihar)	$ 859,683	$ -
Awareness and mobilization projects	499,229	-
Microfinance	100,642	91,387
Mexico project	100,000	-
India project (Odisha)	-	783,345
Burkina Faso project	-	30,473
Haiti project	-	7,944
El Salvador project	-	5,745
Other projects	486,426	432,526
	$ 2,045,980	$ 1,351,420

6. Deferred lease inducements

	2014	2013
Balance at beginning of the year	$ 353,222	$ 393,355
Lease inducements received during the year	-	32,897
Lease inducements amortized during the year	(44,865)	(48,104)
Foreign exchange adjustment	(27,219)	(24,926)
Balance at end of the year	$ 281,138	$ 353,222
Comprised of:		
Leasehold improvements reimbursed	$ 187,270	$ 235,285
Other inducements	93,868	117,937
	$ 281,138	$ 353,222

(in US dollars)

7. Net assets restricted by management

		2014		2013
Restricted for programs:				
Mali project	**$**	**2,253,885**	$	-
Burkina Faso project		**1,394,600**		680,208
Salvador project		**529,009**		-
Awareness and mobilization projects		**143,245**		-
India project (Odisha)		**86,796**		434,659
Mexico project		**57,111**		-
Reserve for the transfer to endowments of the adjustment corresponding to the inflation rate on endowments		**227,326**		213,452
	$	**4,691,972**	$	1,328,319

8. Contributions

		2014		2013
Restricted contributions deferred from the previous year	**$**	**1,351,420**	$	1,659,976
Contributions received during the year:				
Businesses		**2,706,065**		2,620,921
Founder and Cirque du Soleil		**2,656,925**		2,920,618
Individuals		**816,725**		1,159,695
Foundations		**733,157**		301,184
		6,912,872		7,002,418
Foreign exchange adjustment		**(116,360)**		(42,853)
Restricted contributions deferred to the following year		**(2,045,980)**		(1,351,420)
Contributions recorded as revenue for the year	**$**	**6,101,952**	$	7,268,121

9. Investment income

		2014		2013
Interest	**$**	**130,884**	$	91,336
Dividends		**90,923**		71,824
Currency translation gain		**167,652**		116,622
Gain from the change in fair value of investments		**266,668**		629,037
Management and custody fees		**(33,602)**		(30,431)
	$	**622,525**	$	878,388

(in US dollars)

10. Programs

		2014		2013
Burkina Faso project	**$**	**1,516,957**	$	2,023,379
India project (Bihar)		**949,793**		64,099
El Salvador project		**613,377**		1,452,655
India project (Odisha)		**434,472**		805,625
Honduras project		**188,698**		415,473
Mali project		**156,866**		-
Microfinance		**127,335**		248,078
Guatemala project		**68,554**		-
Mexico project		**57,029**		-
Haiti project		**52,736**		430,717
India project (India 3)		**6,344**		-
AQUA project		**-**		65,809
Millennium Water Alliance		**-**		54,975
GAÏA project		**-**		22,972
Awareness and mobilization projects		**-**		200,000
Programs management and other		**1,241,137**		1,101,845
	$	**5,413,298**	$	6,885,627

11. Allocation of expenses

Administration expenditures, including those related to compensation, management of human resources, premises and information technology, have been divided between the three functions as follows:

		2014		2013
Programs	**$**	**426,857**	$	324,420
Revenue generation and advancement		**527,925**		264,070
Administration		**907,919**		1,374,466
	$	**1,862,701**	$	1,962,956

12. Transactions with related parties

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

		2014		2013
Cirque du Soleil				
Receivables	**$**	**18,678**	$	94,020
Accounts payable and accrued liabilities		**160,615**		246,298
Expenditures paid to Cirque du Soleil for services rendered				
Direct costs related to benefit events		**141,247**		170,000
Expenditures		**45,009**		310,900
	$	**186,256**	$	480,900

(in US dollars)

13. Pension plan

ONE DROP has a defined contribution plan providing pension benefits to its employees. The financial obligations towards the plan are discharged regularly and all obligations have been recorded in the accounts at December 31, 2014. The expenditure and the amount paid for the year amount to $91,554 ($73,390 in 2013).

14. Commitments

Programs

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

2015	$	**5,224,000**
2016		**3,224,911**
2017		**2,103,348**
2018		**1,110,041**
2019		**250,000**
	$	**11,912,300**

Comprised of:		
India project (Bihar)	$	**4,050,200**
Mali project		**3,500,000**
Burkina Faso project		**1,966,330**
Awareness and mobilization projects		**1,050,000**
El Salvador project		**915,770**
Mexico project		**300,000**
India project (Odisha)		**130,000**
	$	**11,912,300**

Administrative office

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

2015	$	**175,225**
2016		**179,790**
2017		**186,180**
2018		**186,180**
2019		**186,180**
2020 and 2021		**294,785**
	$	**1,208,340**

15. Contributions pledged

Contributions pledged, including those from the Founder, are as follows:

2015	$	**6,113,000**
2016		**4,845,000**
2017		**4,639,000**
2018		**3,863,000**
2019		**3,690,000**
2020 and thereafter		**40,258,000**
	$	**63,408,000**

16. Financial instruments and risk management

Foreign exchange risk

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

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

Currency risk is also present due to expenditures which are incurred largely in Canadian currency, while less than half of the revenues are in Canadian currency. This risk is managed during the budgeting and monitoring of operations, including each project.

Market risk

Market risk is the risk arising from the volatility of the prices of securities, rates of interest and exchange rates. ONE DROP is exposed to market risk because of its investment activities. This risk is handled through the investment policy.

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 since interest rate changes on the market will produce an impact on their fair value. This risk is handled through the investment policy.

17. Financial instruments and risk management *(continued)*

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, 2014 (AA as at December 31, 2013) and cash represents deposits with Canadian financial institutions.

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, 2014, the most significant financial liabilities are accounts payable and accrued liabilities.

20. Comparative figures

Certain prior year amounts have been reclassified to conform to the current year presentation.