



ONE DROP

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2016

ONE DROP

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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, 2016 and the consolidated statements of income, changes in net assets and cash flows for the year ended 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 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, 2016 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 LLP¹

June 6, 2017

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

ONE DROP

Consolidated Balance Sheet

December 31, 2016

(in US dollars)

	2016	2015
Assets		
Current		
Cash, interest bearing	\$ 5,272,129	\$ 2,920,697
Investments (Note 3)	4,522,871	7,559,928
Receivables	181,627	847,875
Prepaid expenses	21,935	25,539
	9,998,562	11,354,039
Investments (Note 3)	10,289,450	9,158,133
Capital assets (Note 4)	267,743	354,256
	\$ 20,555,755	\$ 20,866,428
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,206,009	\$ 678,711
Unearned revenue	95,465	170,688
Deferred contributions (Note 5)	1,688,249	1,172,652
	2,989,723	2,022,051
Deferred lease inducements (Note 6)	197,596	199,859
	3,187,319	2,221,910
Net Assets		
Invested in capital assets	126,612	221,128
Endowments	4,745,828	4,235,675
Restricted by management (Note 7)	6,940,419	6,191,397
Available	5,555,577	7,996,318
	17,368,436	18,644,518
	\$ 20,555,755	\$ 20,866,428

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 Statement of Income

Year ended December 31, 2016

(in US dollars)

	2016	2015
Revenues		
Contributions (Note 8)	\$ 3,829,510	\$ 9,701,416
Benefit events (Note 9)	7,912,165	5,256,931
Investments (Note 10)	435,301	860,941
	12,176,976	15,819,288
Direct costs related to benefit events	4,547,454	2,113,513
	7,629,522	13,705,775
Expenditures		
Programs (Notes 11 and 12)	7,169,843	5,016,324
Revenue generation and advancement (Note 12)	1,697,464	1,942,981
Administration (Note 12)	868,685	834,579
	9,735,992	7,793,884
(Deficiency) excess of revenues over expenditures	\$ (2,106,470)	\$ 5,911,891

See accompanying notes to the consolidated financial statements.

ONE DROP

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2016

(in US dollars)

	Invested in capital assets	Endowments	Restricted by management	Available	Total
Net assets, as at December 31, 2014	\$ 236,533	\$ 4,674,382	\$ 4,691,972	\$ 4,862,071	\$ 14,464,958
Excess (deficiency) of revenues over expenditures	(67,219) *	-	-	5,979,110	5,911,891
Acquisition of capital assets	92,277	-	-	(92,277)	-
Endowments received	-	217,260	-	-	217,260
Net restriction for programs	-	-	2,372,948	(2,372,948)	-
Transfer for the adjustment corresponding to the year's inflation rate on endowments	-	64,676	-	(64,676)	-
Foreign exchange adjustment	(40,463)	(720,643)	(873,523)	(314,962)	(1,949,591)
Net assets, as at December 31, 2015	221,128	4,235,675	6,191,397	7,996,318	18,644,518
Deficiency of revenues over expenditures	(39,914) *	-	-	(2,066,556)	(2,106,470)
Lease inducements received for leasehold improvements	(62,988)	-	-	62,988	-
Endowments received	-	327,430	-	-	327,430
Net restriction for programs	-	-	581,589	(581,589)	-
Transfer for the adjustment corresponding to the year's inflation rate on endowments	-	68,760	-	(68,760)	-
Foreign exchange adjustment	8,386	113,963	167,433	213,176	502,958
Net assets, as at December 31, 2016	\$ 126,612	\$ 4,745,828	\$ 6,940,419	\$ 5,555,577	\$ 17,368,436

* Comprised of the amortization of capital assets of \$98,941 (\$93,025 in 2015) and the amortization of deferred lease inducements related to leasehold improvements of \$59,027 (\$25,806 in 2015).

See accompanying notes to the consolidated financial statements.

ONE DROP

Consolidated Statement of Cash Flows

Year ended December 31, 2016

(in US dollars)

	2016	2015
Operating activities		
(Deficiency) excess of revenues over expenditures	\$ (2,106,470)	\$ 5,911,891
Adjustments for:		
Amortization of capital assets	98,941	93,205
Change in the cumulative foreign exchange related to capital assets	(12,428)	68,618
Change in fair value of investments	(322,450)	1,859
Change in the cumulative foreign exchange related to investments	(631,429)	903,154
Amortization of lease inducements	(71,512)	(38,741)
Change in the cumulative foreign exchange related to lease inducements	6,261	(42,538)
Change in the cumulative foreign exchange adjustment related to net assets	502,958	(1,949,591)
	(2,536,129)	4,947,857
Changes in non-cash operating working capital items		
Decrease (increase) in receivables	666,248	(706,238)
Decrease in prepaid expenses	3,604	33,546
Increase (decrease) in accounts payable and accrued liabilities	527,298	(55,636)
Decrease in unearned revenue	(75,223)	(42,635)
Increase (decrease) in deferred contributions	515,597	(873,328)
	1,637,524	(1,644,291)
	(898,605)	3,303,566
Investing activities		
Acquisition of investments	(7,207,207)	(14,603,704)
Proceeds from sale of investments	10,066,826	2,409,251
Acquisition of capital assets	-	(92,277)
	2,859,619	(12,286,730)
Financing activities		
Lease inducements received	62,988	-
Endowments received	327,430	217,260
	390,418	217,260
Net increase (decrease) in cash	2,351,432	(8,765,904)
Cash, beginning of the year	2,920,697	11,686,601
Cash, end of the year	\$ 5,272,129	\$ 2,920,697

See accompanying notes to the consolidated financial statements.

ONE DROP

Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

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 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.

Revenue from benefit events is recognized on completion of the event.

Investment income is recognized as revenue when earned.

c) Contributed goods and services

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

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

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. 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 the consolidated statement of income as interest income or expense.

With respect to financial assets measured at cost or amortized cost, One Drop recognizes in the consolidated statement of income 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 statement of income 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.

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

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.

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.

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.

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

2. Significant accounting policies *(continued)*

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 statement of income 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

	2016	2015
By type of security:		
Cash and money market instruments	\$ 337,413	\$ 404,206
Deposits and notes	9,528,665	12,050,174
Fixed income securities	2,150,615	1,878,059
Equity securities	2,781,708	2,374,059
Accrued revenue	13,920	11,563
	14,812,321	16,718,061
Current portion	4,522,871	7,559,928
	\$ 10,289,450	\$ 9,158,133
By currency:		
Canadian dollars	\$ 3,839,137	\$ 8,294,821
United States dollars	10,381,312	7,861,007
Other currencies	591,872	562,233
	\$ 14,812,321	\$ 16,718,061

Deposits and notes have maturity dates between 2017 and 2019 and yield 1.95% to 2.37% (1.12% to 2.25% in 2015). Fixed income securities have maturity dates between 2017 and 2027 and yield 1.35% to 10.13% (1.20% to 10.13% in 2015).

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

4. Capital assets

	2016			2015	
	Cost	Accumulated amortization	Net book value		Net book value
Furniture and office equipment	\$ 82,166	\$ 82,115	\$ 51	\$	9,398
Computer equipment and software	158,530	101,309	57,221		96,174
Leasehold improvements	458,614	248,142	210,472		248,684
	\$ 699,310	\$ 431,566	\$ 267,743	\$	354,256

5. Deferred contributions

	2016		2015	
Balance at beginning of the year	\$	1,172,652	\$	2,045,980
Restricted contributions received during the year for projects		2,328,625		1,644,357
Restricted contributions recognized as revenue during the year		(1,839,400)		(2,285,859)
Foreign exchange adjustment		26,372		(231,826)
Balance at end of the year	\$	1,688,249	\$	1,172,652
Comprised of:				
Latin America and Caribbean	\$	497,142	\$	-
India (Bihar)		398,557		440,404
Microfinance		111,087		98,454
Burkina Faso 2		-		167,265
Other projects		681,463		466,529
	\$	1,688,249	\$	1,172,652

6. Deferred lease inducements

	2016		2015	
Balance at beginning of the year	\$	199,859	\$	281,138
Lease inducements received during the year		62,988		-
Lease inducements amortized during the year		(71,512)		(38,741)
Foreign exchange adjustment		6,261		(42,538)
Balance at end of the year	\$	197,596	\$	199,859
Comprised of:				
Leasehold improvements reimbursed	\$	141,132	\$	133,128
Other inducements		56,464		66,731
	\$	197,596	\$	199,859

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

7. Net assets restricted by management

	2016	2015
Restricted for programs:		
Latin America and Caribbean	\$ 2,121,968	\$ 2,146,293
Mali	1,679,707	1,802,726
India (Bihar)	1,054,334	800,569
India (Rajasthan)	1,050,862	-
Burkina Faso 3	877,547	-
Awareness and mobilization	156,000	312,500
Burkina Faso 1	-	719,745
Salvador	-	235,376
Burkina Faso 2	-	101,111
India (Odisha)	-	38,025
Mexico	-	35,052
	\$ 6,940,419	\$ 6,191,397

8. Contributions

	2016	2015
Restricted contributions deferred from the previous year	\$ 1,172,652	\$ 2,045,980
Contributions received during the year:		
Businesses and corporate foundations	3,412,222	2,660,539
Individuals	469,374	609,661
Other foundations	366,145	558,518
Governmental and multilateral organizations	65,481	-
Founder	5,513	5,231,196
	4,318,735	9,059,914
Foreign exchange adjustment	26,372	(231,826)
Restricted contributions deferred to the following year	(1,688,249)	(1,172,652)
Contributions recorded as revenue for the year	\$ 3,829,510	\$ 9,701,416

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

9. Benefit events

As part of its benefit events, One Drop held a poker festival in Monaco during the year. This festival featured many tournaments, including the Big One for One Drop, a tournament with a € 1,000,000 buy-in. A significant portion of the buy-ins to these tournaments was given back into the prize pool. Only the difference between the buy-ins and the prize pool has been included in the revenues from benefit events, as follows:

	2016	2015
Buy-ins	\$ 35,394,782	\$ -
Prize pool	31,908,090	-
	3,486,692	-
Other benefit events	4,425,473	5,256,931
	\$ 7,912,165	\$ 5,256,931

10. Investment income

	2016	2015
Interest	\$ 194,678	\$ 96,851
Dividends	71,416	84,436
Currency translation (loss) gain	(124,347)	708,880
Gain (loss) from the change in fair value of investments	322,450	(1,859)
Management and custody fees	(28,896)	(27,367)
	\$ 435,301	\$ 860,941

11. Programs

	2016	2015
Latin America and Caribbean	\$ 1,553,733	\$ 654,482
Mali	1,127,819	104,916
Burkina Faso 2	823,701	53,090
Burkina Faso 1	755,588	619,753
India (Bihar)	472,856	802,129
India (Rajasthan)	375,378	85,974
Burkina Faso 3	319,505	-
El Salvador	174,621	222,945
Awareness and mobilization	156,000	788,000
Microfinance	28,626	28,007
Mexico	27,459	279,174
India (Odisha)	21,821	96,306
Programs management and other	1,332,736	1,281,548
	\$ 7,169,843	\$ 5,016,324

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

12. 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:

	2016	2015
Programs	\$ 471,016	\$ 379,378
Revenue generation and advancement	596,356	456,224
Administration	868,685	834,579
	\$ 1,936,057	\$ 1,670,181

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, 2016. The expenditure and the amount paid for the year amount to \$81,096 (\$79,048 in 2015).

14. Commitments

Programs

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

2017	\$ 5,113,600
2018	4,746,585
2019	2,839,535
2020	530,000
2021	326,200
	\$ 13,555,920

Comprised of:

Burkina Faso 3	\$ 2,977,567
India (Bihar)	2,711,123
Latin America and Caribbean	2,446,200
India (Rajasthan)	2,009,985
Mali	1,933,725
Burkina Faso 2	1,321,320
Awareness and mobilization	156,000
	\$ 13,555,920

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

14. Commitments (continued)

Administrative office

One Drop signed a contract for the rental of administrative offices expiring July 31, 2021. Minimum commitments for the upcoming years are as follows:

2017	190,517
2018	190,517
2019	190,517
2020	190,517
2021	111,135
	\$ 873,203

15. Contributions pledged

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

2017	8,106,000
2018	8,063,000
2019	6,785,000
2020	6,014,000
2021	4,693,000
2022 and thereafter	30,177,000
	\$ 63,838,000

In addition, One Drop has been informed of pledges to be received upon death amounting to \$375,000.

A significant portion of contributions pledged is denominated in Canadian dollars.

16. Financial instruments and risk management

Foreign exchange risk

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

Cash and investments in various currencies present a foreign exchange risk. Certain investments are made in foreign currency to minimize the risks linked to a concentration of investments.

Currency risk is also present in revenues and expenditures. One Drop carries out transactions in foreign currencies and is therefore exposed to foreign exchange fluctuations. This risk is managed during the budgeting and monitoring of operations, including each project.

Foreign exchange risk is handled by the treasury management policy and the investment policy.

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Notes to the Consolidated Financial Statements

December 31, 2016

(in US dollars)

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

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.

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, 2016 (AA as at December 31, 2015) 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, 2016, the most significant financial liabilities are accounts payable and accrued liabilities.

17. Comparative figures

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