



**ONE DROP**

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2018

# ONE DROP

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## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018

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## Independent Auditor's Report

To the members of  
ONE DROP

### Opinion

We have audited the consolidated financial statements of ONE DROP, which comprise the consolidated balance sheet as at December 31, 2018, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of ONE DROP as at December 31, 2018, 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 (ASNPO).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of ONE DROP in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with ASNPO, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing ONE DROP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate ONE DROP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing ONE DROP financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 ONE DROP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ONE DROP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause ONE DROP to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within ONE DROP to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our qualified audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte LLP<sup>1</sup>*

June 12, 2019

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A120628

# ONE DROP

## Consolidated Balance Sheet

December 31, 2018

(in US dollars)

	2018	2017
<b>Assets</b>		
Current		
Cash, interest bearing	\$ 6 673 710	\$ 4 906 138
Investments (Note 3)	11 018 157	4 020 690
Receivables	348 660	814 366
Prepaid expenses	27 424	17 687
	<b>18 067 951</b>	<b>9 758 881</b>
Investments (Note 3)	8 709 085	12 484 189
Capital assets (Note 4)	129 622	210 211
	<b>\$ 26 906 658</b>	<b>\$ 22 453 281</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 1 443 278	\$ 1 328 768
Unearned revenue	211 334	334 350
Deferred contributions (Note 5)	7 504 837	2 214 131
	<b>9 159 449</b>	<b>3 877 249</b>
Deferred lease inducements (Note 6)	109 617	165 345
	<b>9 269 066</b>	<b>4 042 594</b>
<b>Net Assets</b>		
Invested in capital assets	51 329	92 114
Endowments	5 234 785	5 340 323
Restricted by management (Note 7)	6 587 018	11 071 995
Available	5 764 460	1 906 255
	<b>17 637 592</b>	<b>18 410 687</b>
	<b>\$ 26 906 658</b>	<b>\$ 22 453 281</b>

Commitments (Note 14)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of One Drop Canada:

\_\_\_\_\_  
Guy Laliberté  
Director

\_\_\_\_\_  
Robert Blain  
Director

# ONE DROP

## Consolidated Statement of operations

Year ended December 31, 2018

(in US dollars)

	2018	2017
<b>Revenue</b>		
Donations	\$ 1 142 067	\$ 2 498 132
Benefit events (Note 8)	8 604 565	4 236 919
Contributions (Note 9)	4 039 112	3 186 766
Investments (Note 10)	661 309	333 799
	<b>14 447 053</b>	10 255 616
Direct costs related to benefit events	3 072 611	2 055 240
	<b>11 374 442</b>	8 200 376
<b>Expenditures</b>		
Programs (Notes 11 and 12)	8 899 807	5 987 849
Revenue generation and advancement (Note 12)	1 704 094	1 328 244
Administration (Note 12)	832 502	714 329
	<b>11 436 403</b>	8 030 422
<b>(Deficiency) excess of revenue over expenditures</b>	<b>\$ (61 961)</b>	<b>\$ 169 954</b>

See accompanying notes to the consolidated financial statements.

# ONE DROP

## Consolidated Statement of Changes in Net Assets

Year ended December 31, 2018

(in US dollars)

	Invested in capital assets	Endowments	Restricted by management	Available	Total
Net assets, as at December 31, 2016	\$ 126 612	\$ 4 745 828	\$ 6 940 419	\$ 5 555 577	\$ 17 368 436
Excess (deficiency) of revenue over expenditures	(61 115) *	-	-	231 069	169 954
Capital asset acquisition	19 188	-	-	(19 188)	-
Endowments received	-	193 859	-	-	193 859
Net restriction for programs	-	-	3 738 088	(3 738 088)	-
Transfer for the adjustment corresponding to the year's inflation rate on endowments	-	93 542	-	(93 542)	-
Change in the cumulative foreign exchange adjustment related to net assets	7 429	307 094	393 488	(29 573)	678 438
<b>Net assets, as at December 31, 2017</b>	<b>92 114</b>	<b>5 340 323</b>	<b>11 071 995</b>	<b>1 906 255</b>	<b>18 410 687</b>
Deficiency of revenue over expenditures	(35 142) *	-	-	(26 819)	(61 961)
Endowments received	-	192 501	-	-	192 501
Net use for programs	-	-	(4 317 073)	4 317 073	-
Transfer for the adjustment corresponding to the year's inflation rate on endowments	-	103 356	-	(103 356)	-
Change in the cumulative foreign exchange adjustment related to net assets	(5 643)	(401 395)	(167 904)	(328 693)	(903 635)
<b>Net assets, as at December 31, 2018</b>	<b>\$ 51 329</b>	<b>\$ 5 234 785</b>	<b>\$ 6 587 018</b>	<b>\$ 5 764 460</b>	<b>\$ 17 637 592</b>

\* Comprised of the amortization of capital assets of \$67 051 (\$92 955 in 2017) and the amortization of deferred lease inducements related to leasehold improvements of \$31 909 (\$31 840 in 2017).

See accompanying notes to the consolidated financial statements.

# ONE DROP

## Consolidated Statement of Cash Flows

Year ended December 31, 2018

(in US dollars)

	2018	2017
<b>Operating activities</b>		
(Deficiency) excess of revenue over expenditures	\$ (61 961)	\$ 169 954
Adjustments for:		
Amortization of capital assets	67 051	92 955
Change in the cumulative foreign exchange related to capital assets	13 538	(16 235)
Gain on disposition of investments	(158 895)	(107 690)
Change in fair value of investments related to foreign exchange	(407 457)	239 749
Change in fair value of investments	578 863	(147 464)
Change in the cumulative foreign exchange related to investments	1 030 858	(687 549)
Amortization of lease inducements	(44 675)	(44 578)
Change in the cumulative foreign exchange related to lease inducements	(11 053)	12 327
Change in the cumulative foreign exchange adjustment related to net assets	(903 635)	678 438
	<b>102 634</b>	<b>189 907</b>
<b>Changes in non-cash operating working capital items</b>		
Decrease (increase) in receivables	465 706	(632 739)
(Increase) decrease in prepaid expenses	(9 737)	4 248
Increase in accounts payable and accrued liabilities	114 510	122 759
(Decrease) increase in unearned revenue	(123 016)	238 885
Increase in deferred contributions	5 290 706	525 882
	<b>5 738 169</b>	<b>259 035</b>
	<b>5 840 803</b>	<b>448 942</b>
<b>Investing activities</b>		
Acquisition of investments	(11 386 844)	(7 431 387)
Proceeds from sale of investments	7 121 112	6 441 783
Acquisition of capital assets	-	(19 188)
	<b>(4 265 733)</b>	<b>(1 008 792)</b>
<b>Financing activities</b>		
Endowments received	192 501	193 859
Net increase (decrease) in cash	1 767 572	(365 991)
Cash, beginning of the year	4 906 138	5 272 129
<b>Cash, end of the year</b>	<b>\$ 6 673 710</b>	<b>\$ 4 906 138</b>

See accompanying notes to the consolidated financial statements.



# ONE DROP

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## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

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### 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. 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.

# ONE DROP

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## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

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### 2. 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 consolidated 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 operations as interest income or expense.

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

# ONE DROP

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## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

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### 2. 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.

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

### 2. 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

	2018	2017
By type of security:		
Cash and money market instruments	\$ 498 878	\$ 384 042
Deposits and notes	14 484 940	10 521 157
Fixed income securities	2 220 947	2 413 759
Equity securities	2 508 052	3 170 854
Accrued revenue	14 425	15 067
	<b>19 727 242</b>	16 504 879
Current portion	11 018 157	4 020 690
	<b>\$ 8 709 085</b>	\$ 12 484 189
By currency:		
Canadian dollars	\$ 4 047 562	\$ 4 487 450
United States dollars	15 073 374	11 290 732
Other currencies	606 306	726 697
	<b>\$ 19 727 242</b>	\$ 16 504 879

Deposits and notes have maturity dates between 2019 and 2020 and yield 2.15% to 2.75% (1.59% to 2.37% in 2017). Fixed income securities have maturity dates between 2019 and 2027 and yield 1.35% to 10.13% (1.35% to 10.13% in 2017).

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

### 4. Capital assets

	2018			2017	
	Cost	Accumulated amortization	Net book value	Net book value	
Furniture and office equipment	\$ 99 134	\$ 86 390	\$ 12 744	\$	17 641
Computer equipment and software	132 866	132 866	-		16 386
Leasehold improvements	451 386	334 508	116 878		176 184
	\$ 683 386	\$ 553 764	\$ 129 622	\$	210 211

### 5. Deferred contributions

	2018		2017	
Balance at beginning of the year	\$	2 214 131	\$	1 688 249
Restricted contributions received during the year for projects		4 820 304		3 637 451
Deferred contributions from auction art designated to Lazos de Agua		4 822 947		-
Restricted contributions recognized as revenue during the year		(4 039 112)		(3 186 766)
Foreign exchange adjustment		(313 433)		75 197
Balance at end of the year	\$	7 504 837	\$	2 214 131

Comprised of:

Latin America and Caribbean	\$	5 723 139	\$	154 040
Nunavik		801 317		432 509
Microfinance		463 127		427 373
Burkina Faso 3		146 606		253 407
Burkina Faso 2		-		513 574
India (Bihar)		-		62 580
Other projects		370 648		370 648
	\$	7 504 837	\$	2 214 131

### 6. Deferred lease inducements

	2018		2017	
Balance at beginning of the year	\$	165 345	\$	197 596
Lease inducements amortized during the year		(44 675)		(44 578)
Foreign exchange adjustment		(11 053)		12 327
Balance at end of the year	\$	109 617	\$	165 345
Comprised of:				
Leasehold improvements reimbursed	\$	78 293	\$	118 097
Other inducements		31 324		47 248
	\$	109 617	\$	165 345

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

### 7. Net assets restricted by management

	2018	2017
Restricted for programs:		
Latin America and Caribbean	\$ 1 948 265	\$ 4 899 412
Burkina Faso 3	1 340 701	817 122
Malawi	749 688	858 619
India (Rajasthan)	744 219	1 090 404
India (Bihar)	701 001	1 569 507
Nunavik	551 627	642 738
Mali	551 517	974 796
Burkina Faso 2	-	219 397
	\$ 6 587 018	\$ 11 071 995

### 8. Benefit events

	2 018	2 017
One night for One Drop	\$ 2 807 806	\$ 2 366 026
Poker - Big One	2 160 000	-
Poker - Others	646 827	1 780 191
Auction art	7 594 454	-
Other events	218 425	90 702
	13 427 512	4 236 919
Deferred contributions from the art auction designated to Lazos de Agua	(4 822 947)	-
	\$ 8 604 565	\$ 4 236 919

### 9. Contributions

	2018	2017
Restricted contributions deferred from the previous year	\$ 2 214 131	\$ 1 688 249
Contributions received during the year:		
Businesses and corporate foundations	3 220 153	2 149 164
Other foundations	573 046	696 475
Fonds Azula, a controlled entity	-	556 125
Microfinance	35 754	40 508
Governmental and multilateral organizations	991 351	195 179
	4 820 304	3 637 451
Foreign exchange adjustment	(313 433)	75 197
Deferred contributions from auction art designated to Lazos de Agua	4 822 947	-
Restricted contributions deferred to the following year	(7 504 837)	(2 214 131)
Contributions recorded as revenue for the year	\$ 4 039 112	\$ 3 186 766

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

### 10. Investment

	2018	2017
Interest	\$ 387 955	\$ 273 827
Change in fair value of investments	(578 863)	147 464
Gain on disposition of investments	158 895	107 690
Dividends	82 727	80 862
Currency translation gain (loss)	237 478	(3 552)
Gain (loss) on foreign exchange related to investments	407 457	(239 749)
Management and custody fees	(34 340)	(32 743)
	\$ 661 309	\$ 333 799

### 11. Programs

	2018	2017
Latin America and Caribbean	\$ 3 235 142	\$ 2 411 587
Burkina Faso 3	1 318 952	518 645
Burkina Faso 2	1 296 356	37 934
Mali	745 284	919 028
India (Bihar)	690 389	461 168
Malawi	298 273	12 766
India (Rajasthan)	276 239	280 173
Nunavik	115 788	286 257
Awareness and mobilization	135 000	196 955
Burkina Faso 1	162	53 859
India (Odisha)	-	45 554
Programs management and other	788 222	763 923
	\$ 8 899 807	\$ 5 987 849

### 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:

	2018	2017
Programs	\$ 391 313	\$ 407 554
Revenue generation and advancement	394 487	413 055
Administration	832 502	714 329
	\$ 1 618 302	\$ 1 534 938

### 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 as at December 31, 2018. The expenditure and the amount paid for the year amount to \$60 335 (\$62 822 in 2017).

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

### 14. Commitments

#### Programs

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

2019	\$	9 997 443
2020		11 971 498
2021		6 331 460
	\$	28 300 401

Comprised of:

Latin America and Caribbean	\$	17 840 818
India		4 511 426
Nunavik		1 732 012
Burkina Faso		1 535 531
Malawi		1 286 788
Mali		310 051
Others projects		1 083 775
	\$	28 300 401

#### 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:

2019	\$	192 819
2020		192 819
2021		112 478
	\$	498 116

### 15. Contributions pledged

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

2019	\$	6 890 506
2020		6 307 962
2021		4 849 613
2022		2 932 000
2023 and thereafter		31 335 750
	\$	52 315 831

A significant portion of contributions pledged is denominated in Canadian dollars and converted at the closing rate.



# ONE DROP

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## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

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### 16. Financial instruments and risk management

#### 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.

#### 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 revenue 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.

#### Interest rate risk

The interest rate risk 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, 2018 (AA as at December 31, 2017) 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, 2018, the most significant financial liabilities are accounts payable and accrued liabilities.

# ONE DROP

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## Notes to the Consolidated Financial Statements

December 31, 2018

(in US dollars)

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### 17. Artworks

During the year 2018, One Drop USA has received artworks donated by the artists. Considering the difficulty of establishing the fair market value of the artworks, they were not presented in the assets in the consolidated balance sheet. The proceeds from their sale will be recognized as a revenue upon reception.

### 18. Comparative figures

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