



# **ONE DROP FOUNDATION**

## **FINANCIAL STATEMENTS**

DECEMBER 31, 2008



# ONE DROP FOUNDATION

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## FINANCIAL STATEMENTS

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## Auditors' report

To the Members of the Board of the  
ONE DROP Foundation

We have audited the balance sheet of the ONE DROP Foundation as at December 31, 2008 and the statement of revenue, expenditure and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required under Part II of the *Canada Corporations Act*, we report that, in our opinion, except for the changes made to the application guidance of Section 1535, "Capital Disclosures" and sections 4400, 4430, 4460 and 4470 on not-for-profit organizations, as explained in Note 2k) to the financial statements, these principles have been applied on a basis consistent with that of the preceding year.

*Samson Bélair/Deloitte & Touche s.e.n.c.r.l.<sup>1</sup>*

March 28, 2009

<sup>1</sup> Chartered accountant auditor permit No. 20238

# ONE DROP FOUNDATION

## Balance Sheet

As at December 31, 2008

	2008	2007
<b>Assets</b>		
Current:		
Cash	\$ 599,438	\$ 335,427
Receivables:		
Founder	1,383,123	—
Other	79,005	39,837
Investments (Note 3)	603,812	246,000
Prepaid expenses	13,535	3,633
	<u>2,678,913</u>	<u>624,897</u>
Capital assets (Note 4)	390,925	545,207
	<u>\$ 3,069,838</u>	<u>\$ 1,170,104</u>

## Liabilities

Current:		
Accounts payable and accrued liabilities:		
Cirque du Soleil	\$ 1,506,902	\$ 243,345
Other	138,718	39,691
Deferred contributions (Note 5)	964,857	252,250
	<u>2,610,477</u>	<u>535,286</u>
Deferred contribution related to capital assets (Note 6)	\$ 176,181	\$ 272,279

## Net Assets

Invested in capital assets (Note 7)	\$ 214,744	\$ 272,928
Available (Note 7)	68,436	89,611
	<u>283,180</u>	<u>362,539</u>
	<u>\$ 3,069,838</u>	<u>\$ 1,170,104</u>

Commitments (Note 12)

Approved by the Board,



Director



Director

# ONE DROP FOUNDATION

## Statement of Revenue, Expenditure and Changes in Net Assets

Year ended December 31, 2008

			2008 (12 months)	2007 (3 months)
	Programs	Development & administration	Total	Total
<b>Revenue</b>				
Founder's contribution	\$ 3,044,577	\$ 1,304,254	\$ 4,348,831	\$ 1,096,150
Other contributions (Note 8)	997,435	—	997,435	316,247
Investment income (Note 9)	—	(16,105)	(16,105)	(5,748)
	<b>4,042,012</b>	<b>1,288,149</b>	<b>5,330,161</b>	<b>1,406,649</b>
<b>Expenditure</b>				
Programs (Note 10)	4,042,012	—	4,042,012	713,950
Development	—	528,938	528,938	147,314
Administration	—	838,570	838,570	182,846
	<b>4,042,012</b>	<b>1,367,508</b>	<b>5,409,520</b>	<b>1,044,110</b>
<b>(Deficiency) excess of revenue over expenditure</b>	—	<b>(79,359)</b>	<b>(79,359)</b>	362,539
Net assets at beginning of year	—	362,539	362,539	—
<b>Net assets at end of year</b>	<b>\$ —</b>	<b>\$ 283,180</b>	<b>\$ 283,180</b>	<b>\$ 362,539</b>
Comprised of:				
Net assets invested in capital assets (Note 7)	—	214,744	214,744	272,928
Net assets available for funding working capital and program commitments (Note 7)	—	68,436	68,436	89,611
	<b>\$ —</b>	<b>\$ 283,180</b>	<b>\$ 283,180</b>	<b>\$ 362,539</b>

# ONE DROP FOUNDATION

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## Notes to the Financial Statements

December 31, 2008

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### 1. Governing statutes and nature of operations

A not-for-profit organization, ONE DROP Foundation (the “Foundation”) was incorporated on July 3, 2007 under Part II of the *Canada Corporations Act* to help fight world poverty by providing access to water and raising awareness among individuals and communities about the need for mobilization in order to make safe water accessible to all, in sufficient quantity, today and tomorrow. The Foundation is recognized as a registered charity by the Canadian tax authorities.

The Foundation is sponsored by its Founder, Guy Laliberté, and the 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. The Foundation is generally invoiced for services provided by Cirque du Soleil including the compensation of Foundation personnel, the purchase of information technology and hardware and physical stewardship. 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.

The Founder fully funds the administration. Consequently, contributions from other sources are allocated entirely to the programs, except contributions collected at fundraising events, which are used to absorb the proportional share of the development expenditures related to these events.

The Foundation launched its activities on October 1, 2007. Before that, the costs of ONE DROP initiatives, particularly the access-to-water and sustainable development pilot project in Nicaragua, were assumed by Fondation Guy Laliberté.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

#### a) Financial instruments

The Foundation has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations not to apply the following Sections of the CICA Handbook: 2862 and 3863, which would otherwise have applied to the financial statements of the Foundation for the year ended December 31, 2008. The Foundation applies the requirements of Section 3861 of the CICA Handbook.

# ONE DROP FOUNDATION

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## Notes to the Financial Statements

December 31, 2008

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### 2. Significant accounting policies (*continued*)

#### a) Financial instruments (*continued*)

Financial instruments are initially recorded at fair value. Subsequent measurements take the following into consideration:

##### Investments

Investments are classified as financial assets held for trading and, consequently, are recorded at fair value. The fair value of investments is based on market prices, usually the most recent bid price.

Investment transactions are recorded on the transaction date. Investment income is comprised of interest, dividends, and gains or losses resulting from changes in fair value.

##### Accounts receivable, accounts payable and accrued liabilities

Accounts receivable (classified as loans and receivables) and accounts payable and accrued liabilities (classified as other liabilities) are recorded at amortized cost. As at December 31, 2008, their fair value approximates their carrying value due to the short periods to maturity of these financial instruments.

#### b) Capital assets

Capital assets are recorded at cost. Contributed capital assets are recorded at their fair value on the date the contribution is made, except for contributions received from related parties, which are recorded at their carrying value. Amortization of computer equipment, software and the website is calculated on a straight-line basis at an annual rate of 33⅓%.

#### c) Net assets

Net assets invested in capital assets are established using the net value of the capital assets, net of the deferred contribution related to capital assets.

Available net assets are used to fund working capital and program commitments. Available net assets that management deems not to be useful for this purpose are allocated to the programs or restricted to long-term use to ensure longevity and to finance programs and administration.

#### d) 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 period during which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the period they are received.

# ONE DROP FOUNDATION

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## Notes to the Financial Statements

December 31, 2008

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### 2. Significant accounting policies (*continued*)

e) Contributed services

Contributed services, excluding contributions made by volunteers, are recognized at fair value when this value can be reasonably estimated.

Contributed services made by volunteers are not recognized due to the difficulty in measuring their fair value. In addition, members of the Foundation's board of directors and its committees do volunteer work and receive no compensation for the responsibilities they undertake.

f) Contributed capital assets

Contributed capital assets are deferred and recognized as revenue under the same method as that used to amortize the corresponding capital assets.

g) Presentation of expenditures

Expenditures are presented by function: programs, development and administration. Program expenditures consist of expenditures incurred directly to carry out the mission, i.e., access-to-water and awareness. Access-to-water activities are primarily carried out in developing countries, whereas awareness activities are primarily carried out in developed countries. Development expenditures consist of fundraising expenses, and administration expenditures consist of general operating expenses.

Program and development expenditures include only direct expenses. Consequently, no administration expenditure was charged to the other functions.

h) Recognition of access-to-water program expenditure

Access-to-water program contributions 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 board of directors and an agreement has been concluded with the partner responsible for carrying out the program.

i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated using rates in effect on the balance sheet date, while non-monetary items are translated at historical rates. Revenue and expenditure are translated at exchange rates in effect during the period. Translation gains and losses are recognized as revenue or expenditure.

# ONE DROP FOUNDATION

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## Notes to the Financial Statements

December 31, 2008

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### 2. Significant accounting policies (*continued*)

j) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes to the financial statements. These estimates and assumptions are based on management's knowledge of ongoing activities. Actual results could differ from those estimates.

k) Adoption of accounting policies

Section 1535 of CICA Handbook "Capital Disclosures"

The Foundation adopted Section 1535 "Capital Disclosures" on January 1, 2008. The application of Section 1535 did not result in a change in the accounting of transactions or the presentation of financial statements.

Sections 4400, 4460 and 4470 for not-for-profit organizations

In November 2008, the CICA issued amendments to Section 4400 "Financial Statement Presentation by Not-for-profit Organizations", Section 4460 "Disclosure of Related Party Transactions by Not-for-profit Organizations" and issued Section 4470 "Disclosure of Allocated Expenses by Not-for-profit Organizations".

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions.

Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The Foundation opted for the early adoption of the new standards, even though their adoption is mandatory only as of January 1, 2009. The application of the new standards did not result in a change to the accounting of transactions and did not have a significant impact on the presentation of financial statements for the year.

# ONE DROP FOUNDATION

## Notes to the Financial Statements

December 31, 2008

### 3. Investments

	2008	2007
Deposit and short-term notes	\$ 600,536	\$ —
Equity shares	3,276	246,000
	\$ 603,812	\$ 246,000

Deposit and short-term notes have yields from 1.99% to 2.05% and can be cashed anytime.

### 4. Capitals assets

	2008		2007	
	Cost	Accumulated amortization	Net Value	Net Value
Computer equipment, software and website	\$ 621,309	\$ 230,384	\$ 390,925	\$ 545,207

Amortization expense for the year amounts to \$198,316 (\$32,068 in 2007). Capital assets acquired during the year amount to \$44,034.

# ONE DROP FOUNDATION

## Notes to the Financial Statements

December 31, 2008

### 5. Deferred contributions

	2008	2007
Balance at beginning of year	\$ 252,250	\$ —
Restricted contributions received during the year:		
Access-to-water project in Nicaragua	1,389,995	350,000
Access-to-water project in Honduras	1,162,229	252,250
Public awareness project AQUA	848,000	54,592
	<b>3,400,224</b>	<b>656,842</b>
Contributions recognized as revenue during the year:		
Access-to-water project in Nicaragua	1,389,995	350,000
Access-to-water project in Honduras	449,622	—
Public awareness project AQUA	848,000	54,592
	<b>2,687,617</b>	<b>404,592</b>
Balance at end of year*	\$ 964,857	\$ 252,250

\* Comprised of contributions for access-to-water project in Honduras

### 6. Deferred contribution related to capital assets

The deferred contribution related to capital assets consists of contributed capital assets from Fondation Guy Laliberté. The change during the year is as follows:

	2008	2007
Balance at beginning of year	\$ 272,279	\$ —
Change during the year:		
Contributed capital assets	—	288,294
Contribution recognized as revenue	(96,098)	(16,015)
Balance at end of year	\$ 176,181	\$ 272,279

# ONE DROP FOUNDATION

## Notes to the Financial Statements

December 31, 2008

### 7. Net assets

Net assets invested in capital assets

	2008	2007
Balance at beginning of year	\$ 272,928	\$ —
Change during the year:		
Acquisition of contributed capital assets	44,034	288,981
Amortization of capital assets	(198,316)	(32,068)
Change in deferred contribution related to capital assets	96,098	16,015
	<b>(58,184)</b>	<b>272,928</b>
Balance at end of year	\$ 214,744	\$ 272,928

Net assets available

Balance at beginning of year	\$ 89,611	\$ —
(Deficiency) excess of revenue over expenditure	(79,359)	362,539
Current change in net assets invested in capital assets	58,184	(272,928)
Balance at end of year	\$ 68,436	\$ 89,611

### 8. Other Contributions

	2008 (12 months)	2007 (3 months)
Contributions related to the Founder and Cirque du Soleil:		
Cirque du Soleil employees and creators	\$ 378,282	\$ 149,164
Fondation Guy Laliberté for prior year employee contributions	—	95,611
Portion of contributed capital assets recognized as revenue	96,098	16,015
Contributions from public	469,000	51,457
Contributed services	54,055	4,000
	<b>\$ 997,435</b>	<b>\$ 316,247</b>

# ONE DROP FOUNDATION

## Notes to the Financial Statements

December 31, 2008

### 9. Investment income

	2008 (12 months)	2007 (3 months)
Interest	\$ 27,275	\$ 252
Loss from the change in fair value of investments	(43,380)	(6,000)
	<b>\$ (16,105)</b>	<b>\$ (5,748)</b>

### 10. Programs

	2008 (12 months)		2007 (3 months)	
	Access-to- water	Public awareness	Total	Total
Nicaragua Project	\$ 1,389,995	\$ —	\$ 1,389,995	\$ 350,000
Honduras Project	449,622	—	449,622	—
AQUA Project	—	936,606	936,606	54,592
Public awareness	—	483,475	483,475	88,073
Programs management	528,421	253,893	782,314	221,285
	<b>\$ 2,368,038</b>	<b>\$ 1,673,974</b>	<b>\$ 4,042,012</b>	<b>\$ 713,950</b>

### 11. Transactions with Cirque du Soleil

Transactions with Cirque du Soleil are disclosed separately in the financial statements, except for the expenditure incurred by Cirque du Soleil and billed to the Foundation that amounts to \$2,856,082 (\$491,792 in 2007) of which \$1,734,687 relates to programs (\$238,641 in 2007), \$457,165 to development (\$76,491 in 2007) and \$664,230 to administration (\$176,660 in 2007). These transactions have been concluded in the normal course of business and have been recorded at the exchange amounts.

# ONE DROP FOUNDATION

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## Notes to the Financial Statements

December 31, 2008

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### 12. Commitments

The access-to-water projects span over several years. Commitments by the Foundation for these projects are as follows:

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2009	\$	2,010,000
2010		2,415,000
2011		490,000
	\$	4,915,000

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### 13. Cash flow statement

A cash flow statement has not been prepared since the flow information is readily apparent from the other financial statements and related notes.

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