



**ONE DROP FOUNDATION, INC.
("ONE DROP USA")**

ANNUAL FINANCIAL STATEMENTS

AT DECEMBER 31, 2009

Water for all, all for water



ONE DROP USA

ANNUAL FINANCIAL STATEMENTS AT DECEMBER 31, 2009

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Auditors' report

To the Members of
ONE DROP Foundation Inc.

We have audited the balance sheet of the ONE DROP Foundation Inc. as at December 31, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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

February 25, 2010

¹Comptable agréé auditeur permis n° 20238

ONE DROP USA

Balance Sheet

At December 31, 2009
(U.S. dollars)

Assets

Current:		
Cash	\$	535,053
Receivables		108,939
Prepaid expenses		266
	\$	644,258

Liabilities

Current:		
Accounts payable and accrued liabilities:		
ONE DROP Canada	\$	22,307
Cirque du Soleil		266,371
Other		100,072
Deferred contributions (Note 3)		255,508
		644,258

Net Assets

Available		—
	\$	644,258

Approved by the Board,

Director

Director

ONE DROP USA

Statement of Revenue and Expenditure, and Changes in Net Assets

Year ended December 31, 2009
(U.S. dollars)

Revenue

Contributions (Note 4)	\$ 603,915
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Expenditure

Programs (Note 5)	289,322
Development and corporate partnerships (Note 6)	313,686
Administration	907
	<hr/> 603,915

Excess of revenue over expenditure	—
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Net assets at beginning of year	—
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Net assets at end of year	\$ —
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ONE DROP USA

Notes to the Financial Statements

At December 31, 2009
(U.S. dollars)

1. Governing statutes and nature of operations

A not-for-profit organization, ONE DROP Foundation Inc., (“ONE DROP USA”) was incorporated on July 31, 2008 under the *General Corporation Law* of Delaware. Its mission is to help fight world poverty by providing access to water and raising individual and community awareness of the need to mobilize so that safe water is accessible to all, in sufficient quantity, today and tomorrow.

ONE DROP USA is recognized as a public charity by Internal Revenue Service (“IRS”). To maintain its public charity status, ONE DROP USA must meet IRS requirements. Failure to comply with IRS requirements could lead to a revocation of the public charity status. As at December 31, 2009, ONE DROP USA complies with IRS requirements.

ONE DROP USA is sponsored by ONE DROP Canada, its founder Guy Laliberté, and the Cirque du Soleil or its affiliates (“Cirque du Soleil”). Support comes in the form of services and business opportunities. Services provided by Cirque du Soleil include support for the organization of the benefit events. ONE DROP Canada, its founder and Cirque du Soleil offer business opportunities that facilitate the creation of a global movement on water issues and help diversify program funding.

2. Significant accounting policies

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

a) Financial instruments

ONE DROP USA has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations to not apply the following Sections 3862 and 3863 of the *CICA Handbook* which would otherwise have applied to the financial statements of ONE DROP USA for the year ended December 31, 2009. ONE DROP USA continues to apply the requirements of Section 3861 of the *CICA Handbook* regarding information to disclose and presentation of financial instruments.

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

Cash is classified as financial asset held for trading and, accordingly, is recorded at fair value.

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, 2009, their fair value approximates their carrying value due to the short periods to maturity of these financial instruments.

ONE DROP USA

Notes to the Financial Statements (continued)

At December 31, 2009
(U.S. dollars)

2. Significant accounting policies (continued)

b) Net assets

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

c) 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.

d) 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 because it is difficult to measure their fair value. In addition, the work accomplished by members of ONE DROP USA's Board of Directors is on a volunteer basis. As such, they receive no compensation for the responsibilities they undertake.

e) Presentation of expenditures

Expenditures are presented by function: Programs, Development and Corporate Partnerships, and Administration. The Programs function consists of expenditures incurred to directly carry out the mission, i.e., international cooperation and development, as well as awareness and mobilization. International cooperation and development activities aim to provide access to water and are primarily carried out in developing countries, whereas awareness and mobilization activities are primarily carried out in developed countries. The Development and Corporate Partnerships function consists of fundraising expenses while the Administration function consists of general operating expenses.

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

f) Recognition of international cooperation and development program expenditure

International cooperation and development 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 entered into with the partner responsible for carrying out the program.

ONE DROP USA

Notes to the Financial Statements

At December 31, 2009
(U.S. dollars)

2. Significant accounting policies (*continued*)

g) Foreign currency translation

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

h) Use of estimates

Preparing 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 these estimates.

3. Deferred contributions

Balance at beginning of year	\$	—
Restricted contributions received during the year for project in Honduras		455,508
		455,508
Contributions recognized as revenue during the year		(200,000)
Balance at end of year	\$	255,508

4. Contributions

Contributions received during the year:		
Benefit event	\$	487,860
Individuals		122,562
Businesses		49,001
Foundations		200,000
		859,423
Less restricted contributions deferred for project in Honduras		(255,508)
	\$	603,915

ONE DROP USA

Notes to the Financial Statements (continued)

At December 31, 2009
(U.S. dollars)

5. Programs

International cooperation and development:	
Project in Honduras realized with ONE DROP Canada	\$ 200,000
Awareness:	
Donation to not-for-profit organization	89,322
	<hr/> \$ 289,322

6. Development and corporate partnerships

Expenditures related to benefit event	\$ 309,215
Other expenditures	4,471
	<hr/> \$ 313,686

7. Transactions with ONE DROP Canada and Cirque du Soleil

Transactions with ONE DROP Canada are disclosed separately in the financial statements, except for the following revenues and expenditures. Revenues cashed by ONE DROP Canada for ONE DROP USA and reimbursed by ONE DROP Canada amount to \$27,619. Expenditures paid by ONE DROP Canada for ONE DROP USA and reimbursed to ONE DROP Canada amount to \$48,759 of which \$47,909 relate to development and corporate partnerships and \$850 to administration.

Transactions with Cirque du Soleil are also disclosed separately in the financial statements, except for the expenditures incurred by Cirque du Soleil and billed to ONE DROP USA that amount to \$263,182 and that is related to development and corporate partnerships.

These transactions have been concluded in the normal course of business and have been recorded at the exchange amounts.

8. 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.
