ONE DROP

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

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Deloitte.

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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, 2015 and the consolidated statements of income, changes in net assets and cash flows for the year ended December 31, 2015 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, 2015 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 7, 2016

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

Consolidated Balance Sheet

December 31, 2015
(in US dollars)

		2015		2014
Assets				
Current				
Cash, interest bearing	**$**	**2,920,697**	$	11,686,601
Investments (Note 3)		**7,559,928**		-
Receivables		**847,875**		141,637
Prepaid expenses		**25,539**		59,085
		11,354,039		11,887,323
Investments (Note 3)		**9,158,133**		5,428,621
Capital assets (Note 4)		**354,256**		423,802
	$	**20,866,428**	$	17,739,746
Liabilities				
Current				
Accounts payable and accrued liabilities	**$**	**678,711**	$	734,347
Unearned revenue		**170,688**		213,323
Deferred contributions (Note 5)		**1,172,652**		2,045,980
		2,022,051		2,993,650
Deferred lease inducements (Note 6)		**199,859**		281,138
		2,221,910		3,274,788
Net Assets				
Invested in capital assets		**221,128**		236,533
Endowments		**4,235,675**		4,674,382
Restricted by management (Note 7)		**6,191,397**		4,691,972
Available		**7,996,318**		4,862,071
		18,644,518		14,464,958
	$	**20,866,428**	$	17,739,746

Commitments (Note 13)

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, 2015
(in US dollars)

		2015		2014
Revenues				
Contributions (Note 8)	**$**	**9,701,416**	$	6,101,952
Benefit events		**5,256,931**		7,415,590
Investments (Note 9)		**860,941**		622,525
		15,819,288		14,140,067
Direct costs related to benefit events		**2,113,513**		1,301,992
		13,705,775		12,838,075
Expenditures				
Programs (Notes 10 and 11)		**5,016,324**		5,413,298
Revenue generation and advancement (Note 11)		**1,942,981**		1,736,871
Administration (Note 11)		**834,579**		907,919
		7,793,884		8,058,088
Excess of revenues over expenditures	**$**	**5,911,891**	$	4,779,987

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2015
(in US dollars)

		Invested in capital assets		Endowments		Restricted by management		Available		Total
Net assets, as at December 31, 2013	$	257,824	$	5,211,903	$	1,328,319	$	4,021,088	$	10,819,134
Excess (deficiency) 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 use for 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**
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 transfer to 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**

* Comprised of the amortization of capital assets of $93,025 ($75,747 in 2014) and the amortization of deferred lease inducements related to leasehold improvements of $25,806 ($29,885 in 2014).

** 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, 2015
(in US dollars)

		2015		2014
Operating activities				
Excess of revenues over expenditures	**$**	**5,911,891**	$	4,779,987
Adjustments for:				
Amortization of capital assets		**93,205**		75,747
Change in the cumulative foreign exchange adjustment related to capital assets		**68,618**		39,583
Change in fair value of investments		**1,859**		(266,668)
Change in the cumulative foreign exchange adjustment related to investments		**903,154**		469,491
Amortization of lease inducements		**(38,741)**		(44,865)
Change in the cumulative foreign exchange adjustment related to lease inducement		**(42,538)**		(27,219)
Conversion of endowments to contributions		**-**		(543,360)
Change in the cumulative foreign exchange adjustment related to net assets		**(1,949,591)**		(927,127)
		4,947,857		3,555,569
Changes in non-cash operating working capital items				
(Increase) decrease in receivables		**(706,238)**		204,084
Decrease in prepaid expenses		**33,546**		12,212
Decrease in accounts payable and accrued liabilities		**(55,636)**		(17,815)
Decrease increase in unearned revenue		**(42,635)**		(41,750)
(Decrease) increase in deferred contributions		**(873,328)**		694,560
		(1,644,291)		851,291
		3,303,566		4,406,860
Investing activities				
Acquisition of investments		**(14,603,704)**		(3,949,625)
Proceeds from sale of investments		**2,409,251**		3,614,594
Acquisition of capital assets		**(92,277)**		(46,023)
		(12,286,730)		(381,054)
Financing activities				
Endowments received		**217,260**		336,324
Net (decrease) increase in cash		**(8,765,904)**		4,362,130
Cash, beginning of the year		**11,686,601**		7,324,471
Cash, end of the year	**$**	**2,920,697**	$	11,686,601

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.

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.

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 net earnings 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.

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.

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 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

		2015		2014
By type of security:				
Deposits and notes	**$**	**12,454,380**	$	564,909
Fixed income securities		**1,878,059**		2,175,242
Equity securities		**2,374,059**		2,674,215
Accrued revenue		**11,563**		14,255
		16,718,061		5,428,621
Current portion		**7,559,928**		-
	$	**9,158,133**	$	5,428,621
By currency:				
Canadian dollars	**$**	**8 294 821**	$	3,843,327
United States dollars		**7,861,007**		908,717
Other currencies		**562,233**		676,577
	$	**16,718,061**	$	5,428,621

Deposits and notes have maturity dates between 2016 and 2018 and yields ranging from 1.12% to 2.25%. Fixed income securities have maturity dates between 2016 and 2025 and yields ranging from 1.20% to 10.13% (1.75% to 10.13% in 2014).

(in US dollars)

4. Capital assets

		2015				2014
		Cost		Accumulated amortization	Net book value	Net book value
Furniture and office equipment	$	79,714	$	70,316	$ 9,398	$ 30,232
Computer equipment and software		153,799		57,625	96,174	43,808
Leasehold improvements		444,928		196,244	248,684	349,762
	$	678,441	$	324,185	$ 354,256	$ 423,802

5. Deferred contributions

		2015		2014
Balance at beginning of the year	$	2,045,980	$	1,351,420
Restricted contributions received during the year for projects		1,644,357		3,335,695
Restricted contributions recognized as revenue during the year		(2,285,859)		(2,524,775)
Foreign exchange adjustment		(231,826)		(116,360)
Balance at end of the year	$	1,172,652	$	2,045,980
Comprised of:				
India (Bihar)	$	440,404	$	859,683
Burkina Faso 2		167,265		-
Microfinance		98,454		100,642
Awareness and mobilization		-		499,229
Mexico		-		100,000
Other projects		466,529		486,426
	$	1,172,652	$	2,045,980

6. Deferred lease inducements

		2015		2014
Balance at beginning of the year	$	281,138	$	353,222
Lease inducements amortized during the year		(38,741)		(44,865)
Foreign exchange adjustment		(42,538)		(27,219)
Balance at end of the year	$	199,859	$	281,138
Comprised of:				
Leasehold improvements reimbursed	$	133,128	$	187,270
Other inducements		66,731		93,868
	$	199,859	$	281,138

(in US dollars)

7. Net assets restricted by management

		2015		2014
Restricted for programs:				
Mali	**$**	**1,802,726**	$	2,253,885
Latin America and Caribbean		**1,120,613**		-
Guatemala		**1,025,680**		-
India (Bihar)		**800,569**		-
Burkina Faso 1		**719,745**		-
Awareness and mobilization		**312,500**		143,245
Salvador		**235,376**		529,009
Burkina Faso 2		**101,111**		1,394,600
India (Odisha)		**38,025**		86,796
Mexico		**35,052**		57,111
Other restricted net assets		**-**		227,326
	$	**6,191,397**	$	4,691,972

8. Contributions

		2015		2014
Restricted contributions deferred from the previous year	**$**	**2,045,980**	$	1,351,420
Contributions received during the year:				
Founder		**5,231,196**		1,325,602
Businesses		**2,660,539**		4,037,388
Individuals		**609,661**		816,725
Foundations		**558,518**		733,157
		9,059,914		6,912,872
Foreign exchange adjustment		**(231,826)**		(116,360)
Restricted contributions deferred to the following year		**(1,172,652)**		(2,045,980)
Contributions recorded as revenue for the year	**$**	**9,701,416**	$	6,101,952

9. Investment income

		2015		2014
Interest	**$**	**96,851**	$	130,884
Dividends		**84,436**		90,923
Currency translation gain		**708,880**		167,652
(Loss) gain from the change in fair value of investments		**(1,859)**		266,668
Management and custody fees		**(27,367)**		(33,602)
	$	**860,941**	$	622,525

(in US dollars)

10. Programs

		2015		2014
India (Bihar)	**$**	**802,129**	$	949,793
Awareness and mobilization		**788,000**		-
Burkina Faso 1		**619,753**		1,516,957
Guatemala		**569,266**		68,554
Mexico		**279,174**		57,029
El Salvador		**222,945**		613,377
Mali		**104,916**		156,866
India (Odisha)		**96,306**		434,472
India (Rajasthan)		**85,974**		6,344
Latin America and Caribbean		**85,216**		-
Burkina Faso 2		**53,090**		-
Microfinance		**28,007**		127,335
Honduras		**-**		188,698
Haiti		**-**		52,736
Programs management and other		**1,281,548**		1,241,137
	$	**5,016,324**	$	5,413,298

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:

		2015		2014
Programs	**$**	**379,378**	$	426,857
Revenue generation and advancement		**456,224**		527,925
Administration		**834,579**		907,919
	$	**1,670,181**	$	1,862,701

(in US dollars)

12. 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, 2015. The expenditure and the amount paid for the year amount to $79,048 ($91,554 in 2014).

13. Commitments

Programs

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

2016	$	**3,273,843**
2017		**2,097,931**
2018		**1,845,185**
2019		**700,042**
2020		**203,986**
	$	**8,120,987**

Comprised of:		
India (Bihar)	$	**3,184,168**
Guatemala		**3,062,362**
Burkina Faso 1		**1,117,575**
Salvador		**425,902**
Awareness and mobilization		**312,000**
Mexico		**18,980**
	$	**8,120,987**

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:

2016	$	**179,177**
2017		**184,385**
2018		**184,385**
2019		**184,385**
2020		**184,385**
2021		**107,558**
	$	**1,024,275**

14. Contributions pledged

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

2016	**$**	**4,905,000**
2017		**5,173,000**
2018		**3,999,000**
2019		**3,273,000**
2020		**2,962,000**
2021 and thereafter		**28,905,000**
	$	**49,217,000**

In addition, One Drop has been informed of pledges to be received upon death amounting to $360,000.

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

15. International programs agreements

During the year, One Drop has signed international program agreements for disbursements totalling $9,456,379 ($11,724,020 signed in 2014) over several years. The respective portions of One Drop and of its implementing partners arising from these agreements are as follows:

		2015		2014
One Drop*	**$**	**5,511,854**	$	5,924,020
Implementing partners		**3,944,525**		5,800,000
	$	**9,456,379**	$	11,724,020

* The undisbursed portion as at December 31, 2015 has been included in One Drop's commitments for programs (Note 13).

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.

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, 2015 (AA as at December 31, 2014) 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, 2015, 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.