



ONE DROP FOUNDATION, INC.

("ONE DROP CANADA")

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

ONE DROP CANADA

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

TABLE OF CONTENTS

| | |
|---|------|
| Independent Auditor's Report | 1-2 |
| Consolidated Balance Sheet | 3 |
| Consolidated Statement of Loss | 4 |
| Consolidated Statement of Changes in Net Assets | 5 |
| Consolidated Statement of Cash Flows | 6 |
| Notes to the Consolidated Financial Statements | 7-12 |



Deloitte LLP
La Tour Deloitte
1190 Avenue des
Canadiens-de-Montréal
Suite 500
Montréal QC H3B 0M7
Canada

Tel.: 514-393-7115
Fax: 514-390-4116
www.deloitte.ca

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, 2023, and the consolidated statements of loss, 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, 2023, 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

June 18, 2024

ONE DROP CANADA

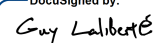
Consolidated Balance Sheet

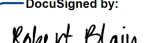
As at December 31, 2023
(in US dollars)

| | 2023 | 2022 |
|--|---------------------|----------------------|
| Assets | | |
| Current | | |
| Cash, interest bearing | \$ 461,994 | \$ 2,356,165 |
| Receivables | 1,041,051 | 345,605 |
| Prepaid expenses | 12,810 | 15,447 |
| | 1,515,855 | 2,717,217 |
| Investments (Note 3) | 6,244,198 | 7,353,807 |
| | \$ 7,760,053 | \$ 10,071,024 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 873,266 | \$ 958,967 |
| Unearned revenue | 47,500 | 59,500 |
| Deferred contributions (Note 4) | 1,011,442 | 1,262,572 |
| | 1,932,208 | 2,281,039 |
| Net Assets | | |
| Endowments | 4,730,579 | 5,909,859 |
| Available | 1,097,266 | 1,880,126 |
| | 5,827,845 | 7,789,985 |
| | \$ 7,760,053 | \$ 10,071,024 |

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

DocuSigned by:

 0B73C85788504C1
 Guy Laliberté
 Director

DocuSigned by:

 010D29AC1F53486...
 Robert Blain
 Director

ONE DROP CANADA

Consolidated Statement of Loss

Year ended December 31, 2023

(in US dollars)

| | 2023 | 2022 |
|---|-----------------------|-----------------------|
| Revenue | | |
| Donations | \$ 451,806 | \$ 276,870 |
| Benefit events (Note 5) | 2,976,647 | 3,544,816 |
| Contributions (Note 6) | 989,240 | 4,219,424 |
| Investments (Note 7) | 1,123,837 | (1,474,677) |
| Government grants due to the pandemic | - | 7,307 |
| | 5,541,530 | 6,573,740 |
| Direct costs related to donations | 69,404 | 152,570 |
| Direct costs related to contributions | 5,000 | - |
| Direct costs related to benefit events | 2,575,432 | 791,763 |
| | 2,891,694 | 5,629,407 |
| Expenditures | | |
| Revenue generation and advancement (Note 9) | 1,109,065 | 1,133,657 |
| Administration (Note 9) | 561,668 | 627,193 |
| | 1,670,733 | 1,760,850 |
| Excess revenues before charitable activities | 1,220,961 | 3,868,557 |
| Charitable activities (Notes 8 and 9) | 3,183,101 | 7,740,141 |
| Deficiency of revenue over expenditures | \$ (1,962,140) | \$ (3,871,584) |

See accompanying notes to the consolidated financial statements.

ONE DROP CANADA

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2023

(in US dollars)

| | Endowments | Available | Total |
|---|---------------------|---------------------|---------------------|
| Net assets, as at December 31, 2021 | \$ 6,964,025 | \$ 4,697,544 | \$ 11,661,569 |
| Deficiency of revenue over expenditures | - | (3,871,584) | (3,871,584) |
| Transfer for the adjustment corresponding to the year's inflation rate on endowments | (1,054,166) | 1,054,166 | - |
| Net assets, as at December 31, 2022 | 5,909,859 | 1,880,126 | 7,789,985 |
| Deficiency of revenue over expenditures | - | (1,962,140) | (1,962,140) |
| Endowments decapitalized | (1,179,280) | 1,179,280 | - |
| Net assets, as at December 31, 2023 | \$ 4,730,579 | \$ 1,097,266 | \$ 5,827,845 |

See accompanying notes to the consolidated financial statements.

ONE DROP CANADA

Consolidated Statement of Cash Flows

Year ended December 31, 2023

(in US dollars)

| | 2023 | 2022 |
|---|--------------------|---------------------|
| Operating activities | | |
| Deficiency of revenue over expenditures | \$ (1,962,140) | \$ (3,871,584) |
| Adjustment for: | | |
| Change in fair value of investments | (1,148,593) | 1,446,594 |
| | (3,110,733) | (2,424,990) |
| Changes in non-cash operating working capital items: | | |
| Increase in receivables | (695,446) | (310,488) |
| Decrease in prepaid expenses | 2,637 | 4,982 |
| (Decrease) increase in accounts payable and accrued liabilities | (85,701) | 257,443 |
| Decrease in unearned revenue | (12,000) | (37,488) |
| Decrease in deferred contributions | (251,130) | (2,977,600) |
| | (1,041,640) | (3,063,151) |
| | (4,152,373) | (5,488,141) |
| Investing activities | | |
| Proceeds from sale of investments | 2,258,202 | 3,074,994 |
| Net decrease in cash | (1,894,171) | (2,413,147) |
| Cash, beginning of the year | 2,356,165 | 4,769,312 |
| Cash, end of the year | \$ 461,994 | \$ 2,356,165 |

See accompanying notes to the consolidated financial statements.

ONE DROP CANADA

Notes to the Consolidated Financial Statements

December 31, 2023

(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.

One Drop is an international philanthropic organization created by Cirque du Soleil and Lune Rouge founder, Guy Laliberté, with the vision of a better world. Guy Laliberté's sponsorship comes in the forms of financial support and business opportunities. In addition, One Drop Foundation obtains great support from MGM & Cirque du Soleil in 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. The significant accounting policies are:

a) Consolidated financial statements

These consolidated financial statements include the accounts of One Drop Canada, One Drop USA, One Drop UK and One Drop Switzerland.

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 contributions that must be held for perpetuity and are recognized as direct increases in net assets. Donations and pledges are recognized when received.

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

Revenue from auction is recognized on completion of the event, the measurement of the amount receivable is reasonably estimated and collection of the amount is reasonably assured.

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.

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 loss as interest income or expense.

With respect to financial assets measured at cost or amortized cost, One Drop recognizes in the consolidated statement of loss and 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 loss in the period the reversal occurs.

e) Net assets

Endowments

Endowments are contributions from donors requesting that their capital be maintained in accordance with their instructions.

ONE DROP CANADA

Notes to the Consolidated Financial Statements

December 31, 2023

(in US dollars)

2. Accounting policies (continued)

Available

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

f) Presentation of expenditures

Expenditures are presented by function: Charitable activities, Revenue generation and advancement and Administration. The Charitable activities function consists of contributions sent to One Drop Canada to carry out the mission of providing sustainable access to water and sanitation in developing countries, as well as awareness and mobilization. Other charitable activities are donations made to other non-for-profits that do not answer to the same mission than One Drop. The Revenue generation and advancement function consists of fundraising expenses while the Administration function consists of general operating expenses.

g) 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 expenditures 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 loss 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.

h) 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

| | 2023 | 2022 |
|-----------------------------|---------------------|---------------------|
| By type of security: | | |
| (Bank overdraft) cash | \$ (44,422) | \$ 823 |
| Green bonds investment fund | 1,550,897 | 1,814,825 |
| Bank loan investment fund | 765,162 | 917,568 |
| Low volatility equity fund | 1,087,382 | 1,391,345 |
| Global equity fund | 2,885,179 | 3,229,246 |
| | \$ 6,244,198 | \$ 7,353,807 |
| By currency: | | |
| Canadian dollars | \$ 2,271,637 | \$ 2,733,216 |
| United States dollars | 2,885,179 | 3,229,246 |
| Other currencies | 1,087,382 | 1,391,345 |
| | \$ 6,244,198 | \$ 7,353,807 |

ONE DROP CANADA

Notes to the Consolidated Financial Statements

December 31, 2023

(in US dollars)

4. Deferred contributions

| | 2023 | 2022 |
|--|--------------|--------------|
| Balance at beginning of the year | \$ 1,262,572 | \$ 4,240,172 |
| Restricted contributions received during the year for projects | 738,110 | 1,241,824 |
| Restricted contributions recognized as revenue during the year | (989,240) | (4,219,424) |
| Balance at end of the year | \$ 1,011,442 | \$ 1,262,572 |
| Comprised of: | | |
| Madagascar | \$ 514,919 | \$ 735,555 |
| India | 261,578 | 261,578 |
| Microfinance | 234,945 | 234,945 |
| Canada | - | 30,494 |
| | \$ 1,011,442 | \$ 1,262,572 |

5. Benefit events

| | 2023 | 2022 |
|---|--------------|--------------|
| Poker - Others | \$ 1,359,794 | \$ 614,674 |
| F1 Suite Experience | 796,216 | - |
| One Night for One Drop | 694,290 | - |
| Other events | 126,347 | 177,160 |
| Cuvée One Drop (Winter One Drop Land in 2021) | - | 2,121,327 |
| Watch Auction | - | 542,000 |
| Art Auction | - | 89,655 |
| | \$ 2,976,647 | \$ 3,544,816 |
| Distribution: | | |
| Founder | 675,000 | 796,703 |
| Others | 2,301,647 | 2,748,113 |
| | \$ 2,976,647 | \$ 3,544,816 |

As of December 31, 2023, there was an amount of \$82,500 in receivables (\$161,499 as at december 31, 2022) from auction.

6. Contributions

| | 2023 | 2022 |
|--|--------------|--------------|
| Restricted contributions deferred from the previous year | \$ 1,262,572 | \$ 4,240,172 |
| Contributions received during the year: | | |
| Businesses and corporate foundations | 589,110 | 1,000,402 |
| Governmental and multilateral organizations | 149,000 | 241,422 |
| Restricted contributions deferred to the following year | (1,011,442) | (1,262,572) |
| Contributions recorded as revenue for the year | \$ 989,240 | \$ 4,219,424 |

7. Investments revenue

| | 2023 | 2022 |
|-------------------------------------|--------------|----------------|
| Interest | \$ 29,048 | \$ 18,690 |
| Change in fair value of investments | 1,148,593 | (1,446,594) |
| Currency translation (loss) gain | (14,003) | 16,766 |
| Management and custody fees | (39,801) | (63,539) |
| | \$ 1,123,837 | \$ (1,474,677) |

ONE DROP CANADA

Notes to the Consolidated Financial Statements

December 31, 2023

(in US dollars)

8. Charitable activities

| | 2023 | 2022 |
|-----------------------------|---------------------|---------------------|
| Latin America and Caribbean | \$ 545,238 | \$ 4,279,898 |
| Mali | 509,994 | 1,580,266 |
| India | 326,316 | 607,062 |
| Madagascar | 220,636 | 378,095 |
| Canada | 564,230 | 166,656 |
| Burkina Faso | 99,242 | 153,232 |
| Programs' administration | 532,136 | 555,553 |
| Other programs | 199,361 | 19,379 |
| Other charitable activities | 185,948 | - |
| | \$ 3,183,101 | \$ 7,740,141 |

9. Allocation of expenses

Administration expenditures, including those related to compensation, communication, management of human resources, premises and information technology, have been divided between the three functions as follows:

| | 2023 | 2022 |
|------------------------------------|---------------------|---------------------|
| Revenue generation and advancement | \$ 500,000 | \$ 537,567 |
| Programs | 500,000 | 537,567 |
| Administration | 561,668 | 627,193 |
| | \$ 1,561,668 | \$ 1,702,327 |

10. 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, 2023. The expenditure and the amount paid for the year amount to \$57,775 (\$86,087 in 2022).

11. Commitments

Programs

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

| | Contributions | Expenditures |
|-----------------------------|---------------------|---------------------|
| 2024 | \$ 359,921 | \$ 1,923,094 |
| 2025 | - | 1,312,544 |
| 2026 | - | 1,335,855 |
| 2027 | - | 1,444,444 |
| 2028 and thereafter | 1,000,000 | 2,222,593 |
| | \$ 1,359,921 | \$ 8,238,530 |
| Comprised of: | | |
| Burkina Faso | \$ - | \$ 1,333,333 |
| Mali | - | 299,775 |
| Madagascar | - | 791,181 |
| Canada | 359,921 | 475,636 |
| India | - | 338,605 |
| Latin America and Caribbean | 1,000,000 | 5,000,000 |
| | \$ 1,359,921 | \$ 8,238,530 |

Administrative office

One Drop signed a contract for the rental of administrative offices expiring July 31, 2026. Minimum commitments for the upcoming years are as follows:

| | |
|------|-------------------|
| 2024 | \$ 110,462 |
| 2025 | 110,462 |
| 2026 | 55,231 |
| | \$ 276,155 |

ONE DROP CANADA

Notes to the Consolidated Financial Statements

December 31, 2023

(in US dollars)

12. Donations and contributions pledged

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

| | |
|---------------------|----------------------|
| 2024 | 523,408 |
| 2025 | 428,898 |
| 2026 | 334,387 |
| 2027 | 258,778 |
| 2028 and thereafter | 28,220,823 |
| | \$ 29,766,294 |

A significant portion of contributions pledged is denominated in Canadian dollars and converted

13. 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. This risk is handled by the treasury management policy and the investment policy.

As at December 31, 2023, the consolidated balance sheet includes the following amounts denominated in US currency of the financial assets and liabilities for which the cash flows are in Canadian dollars. The amount of cash, accounts receivable and accounts payable and accrued liabilities in Canadian funds are as follows:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| Cash | \$ 171,864 | \$ 505,495 |
| Receivables | 115,641 | 151,527 |
| Accounts payable and accrued liabilities | 522,188 | 320,422 |
| | \$ 809,693 | \$ 977,444 |

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.

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 by the treasury management and the investment policy.

Credit risk

One Drop's exposure to credit risk in respect of its assets is not significant.

One Drop's main financial assets include cash and accounts receivable, which are subject to credit risk. The net value of financial assets on the consolidated balance sheet represents the maximum credit risk at the consolidated balance sheet date. One Drop's credit risk is mainly

The amounts are presented in the consolidated balance sheet, net of the allowance for doubtful accounts, which has been estimated by management based on past experience and its assessment of economic conditions. It continuously performs credit evaluations with respect to its customers and maintains provisions for potential credit losses.

The investments are made up of a green bond fund and a bank loan fund and are high quality instruments with a minimum credit rating of BB as at December 31, 2023 (BB as at December 31, 2022). The investments are also made up of two high-quality equity funds managed by quality managers under the supervision of the investment committee, which evaluates their performance regularly.

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, 2023, the most significant financial liabilities are accounts payable and accrued liabilities.

ONE DROP CANADA

Notes to the Consolidated Financial Statements

December 31, 2023

(in US dollars)

14. Artworks

In 2018, One Drop USA 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 balance sheet. The proceeds from their sale will be recognized as a revenue upon reception.