



**ONE DROP**

**CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2020

# ONE DROP

---

---

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### TABLE OF CONTENTS

Independent Auditor's Report	1-2
Consolidated Balance Sheet	3
Consolidated Statement of Income	4
Consolidated Statement of Changes in Net Assets	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7 - 16

# ONE DROP

## Consolidated Balance Sheet

December 31, 2020

(in US dollars)

	2020	2019
<b>Assets</b>		
Current		
Cash, interest bearing	\$ 4 902 583	\$ 8 812 363
Investments (Note 3)	2 500 081	3 500 000
Receivables	3 168 625	43 993
Prepaid expenses	13 343	28 972
	<b>10 584 632</b>	<b>12 385 328</b>
Investments (Note 3)	10 731 438	9 251 811
Capital assets (Note 4)	34 142	85 083
	<b>\$ 21 350 212</b>	<b>\$ 21 722 222</b>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 753 802	\$ 542 064
Unearned revenue	272 542	62 500
Deferred contributions (Note 5)	5 696 507	5 351 490
	<b>6 722 851</b>	<b>5 956 054</b>
Deferred lease inducements (Note 6)	26 521	70 567
	<b>6 749 372</b>	<b>6 026 621</b>
<b>Net Assets</b>		
Invested in capital assets	14 503	34 682
Endowments	6 744 976	6 662 021
Restricted by management (Note 7)	5 017 281	5 490 448
Available	2 824 080	3 508 450
	<b>14 600 840</b>	<b>15 695 601</b>
	<b>\$ 21 350 212</b>	<b>\$ 21 722 222</b>

Commitments (Note 14)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of One Drop Canada:

Signed by Guy Laliberté

Guy Laliberté

Director

Signed by Robert Blain

Robert Blain

Director

# ONE DROP

## Consolidated Statement of income

Year ended December 31, 2020

(in US dollars)

	2020	2019
<b>Revenue</b>		
Donations	\$ 118 408	\$ 801 299
Benefit events - Founder (Note 8)	1 319 795	-
Benefit events - Others (Note 8)	876 987	4 582 034
Contributions (Note 9)	4 432 174	5 195 811
Investments (Note 10)	1 591 737	872 071
Government grants due to the pandemic	824 770	-
	<b>9 163 871</b>	<b>11 451 215</b>
Direct costs related to donations	2 141	-
Direct costs related to benefit events	781 217	2 163 126
	<b>8 380 513</b>	<b>9 288 089</b>
<b>Expenditures</b>		
Programs (Notes 11 and 12)	7 197 559	9 107 919
Revenue generation and advancement (Note 12)	1 534 235	1 795 879
Administration (Note 12)	787 068	819 272
	<b>9 518 862</b>	<b>11 723 070</b>
<b>Deficiency of revenue over expenditures</b>	<b>\$ (1 138 349)</b>	<b>\$ (2 434 981)</b>

See accompanying notes to the consolidated financial statements.

# ONE DROP

## Consolidated Statement of Changes in Net Assets

Year ended December 31, 2020

(in US dollars)

	Invested in capital assets	Endowments	Restricted by management	Available	Total
Net assets, as at December 31, 2018	\$ 51 329	\$ 6 306 625	\$ 6 587 018	\$ 4 692 620	\$ 17 637 592
Deficiency of revenue over expenditures	(18 824) *	-	-	(2 416 157)	(2 434 981)
Net use for programs	-	-	(1 212 843)	1 212 843	-
Transfer for the adjustment corresponding to the year's inflation rate on endowments	-	115 816	-	(115 816)	-
Change in the cumulative foreign exchange adjustment related to net assets	2 177	239 580	116 273	134 960	492 990
<b>Net assets, as at December 31, 2019</b>	<b>34 682</b>	<b>6 662 021</b>	<b>5 490 448</b>	<b>3 508 450</b>	<b>15 695 601</b>
Deficiency of revenue over expenditures	(20 179) *	-	-	(1 118 170)	(1 138 349)
Endowments received	-	38 604	-	-	38 604
Net use for programs	-	-	(473 167)	473 167	-
Transfer for the adjustment corresponding to the year's inflation rate on endowments	-	39 367	-	(39 367)	-
Change in the cumulative foreign exchange adjustment related to net assets	-	4 984	-	-	4 984
<b>Net assets, as at December 31, 2020</b>	<b>\$ 14 503</b>	<b>\$ 6 744 976</b>	<b>\$ 5 017 281</b>	<b>\$ 2 824 080</b>	<b>\$ 14 600 840</b>

\* Comprised of the amortization of capital assets of \$50 941 (\$49 983 in 2019) and the amortization of deferred lease inducements related to leasehold improvements of \$30 762 (\$31 159 in 2019).

See accompanying notes to the consolidated financial statements.

# ONE DROP

## Consolidated Statement of Cash Flows

Year ended December 31, 2020  
(in US dollars)

	2020	2019
<b>Operating activities</b>		
Deficiency of revenue over expenditures	\$ (1 138 349)	\$ (2 434 981)
Adjustments for:		
Amortization of capital assets	49 972	49 983
Change in the cumulative foreign exchange related to capital assets	969	(5 444)
Gain on disposition of investments	-	(881 334)
Change in fair value of investments related to foreign exchange	(186 024)	143 192
Change in fair value of investments	(1 283 603)	447 961
Change in the cumulative foreign exchange related to investments	-	(620 276)
Amortization of lease inducements	(43 151)	(43 625)
Change in the cumulative foreign exchange related to lease inducements	(895)	4 575
Change in the cumulative foreign exchange adjustment related to net assets	4 984	492 990
	<b>(2 596 098)</b>	<b>(2 846 959)</b>
<b>Changes in non-cash operating working capital items</b>		
(Increase) decrease in receivables	(3 124 632)	304 667
Decrease (increase) in prepaid expenses	15 630	(1 548)
Increase (decrease) in accounts payable and accrued liabilities	211 738	(901 214)
Increase (decrease) in unearned revenue	210 042	(148 834)
Increase (decrease) in deferred contributions	345 017	(2 153 347)
	<b>(2 342 205)</b>	<b>(2 900 276)</b>
	<b>(4 938 303)</b>	<b>(5 747 235)</b>
<b>Investing activities</b>		
Acquisition of investments	(2 585 331)	(10 474 215)
Proceeds from sale of investments	3 575 250	18 360 103
	<b>989 919</b>	<b>7 885 888</b>
<b>Financing activities</b>		
Endowments received	38 604	-
	<b>38 604</b>	<b>-</b>
Net increase in cash	(3 909 780)	2 138 653
Cash, beginning of the year	8 812 363	6 673 710
<b>Cash, end of the year</b>	<b>\$ 4 902 583</b>	<b>\$ 8 812 363</b>

See accompanying notes to the consolidated financial statements.

# ONE DROP

---

## Notes to the Consolidated Financial Statements

December 31, 2020  
(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.

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.

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.

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2020

(in US dollars)

### 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 (loss) income 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) 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 (loss) 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.



# ONE DROP

---

## Notes to the Consolidated Financial Statements

December 31, 2020

(in US dollars)

---

### 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, 2020  
(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

	2020	2019
By type of security:		
Cash	\$ 7 211	\$ 5 384
Deposits	2 500 081	3 500 000
Investment of One Drop USA	168 567	165 245
Green bonds investment fund	2 948 489	2 658 282
Bank loan investment fund	2 137 389	1 985 000
Low volatility equity fund	2 061 741	1 959 212
Global equity fund	3 408 041	2 505 688
	13 231 519	12 778 811
Current portion	2 500 081	3 500 000
	\$ 10 731 438	\$ 9 278 811
By currency:		
Canadian dollars	\$ 2 955 700	\$ 2 663 666
United States dollars	8 214 078	8 155 933
Other currencies	2 061 741	1 959 212
	\$ 13 231 519	\$ 12 778 811

Deposits and notes have maturity dates of 2021 and yield 0.13% (2.15% in 2019).

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2020  
(in US dollars)

### 4. Capital assets

	2020			2019	
	Cost	Accumulated amortization	Net book value	Net book value	
Furniture and office equipment	\$ 106 220	\$ 100 579	\$ 5 641	\$ 9 732	
Computer equipment and software	142 362	142 362	-	-	
Leasehold improvements	483 648	455 147	28 501	75 351	
	\$ 732 230	\$ 698 088	\$ 34 142	\$ 85 083	

### 5. Deferred contributions

	2020		2019	
Balance at beginning of the year	\$ 5 351 490	\$ 7 504 837		
Restricted contributions received during the year for projects	3 334 476	3 042 464		
Deferred revenues from Time counts auction designated to Madagascar Project and other project	1 441 941	-		
Restricted contributions recognized as revenue during the year	(4 432 174)	(5 195 811)		
Foreign exchange adjustment	774	-		
Balance at end of the year	\$ 5 696 507	\$ 5 351 490		

Comprised of:

Latin America and Caribbean	\$ 3 222 421	\$ 3 706 121		
Madagascar	1 300 000	-		
Nunavik	-	658 569		
Microfinance	435 719	524 945		
Burkina Faso	-	146 606		
Mali	350 000	-		
India	112 349	14 601		
Other projects	276 018	300 648		
	\$ 5 696 507	\$ 5 351 490		

### 6. Deferred lease inducements

	2020		2019	
Balance at beginning of the year	\$ 70 567	\$ 109 617		
Lease inducements amortized during the year	(43 151)	(43 625)		
Foreign exchange adjustment	(895)	4 575		
Balance at end of the year	\$ 26 521	\$ 70 567		

Comprised of:

Leasehold improvements reimbursed	\$ 18 942	\$ 50 401		
Other inducements	7 579	20 166		
	\$ 26 521	\$ 70 567		

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2020

(in US dollars)

### 7. Net assets restricted by management

	2020	2019
Restricted for programs:		
Latin America and Caribbean	\$ 957 888	\$ 930 443
Burkina Faso	500 500	1 219 988
Malawi	523 891	514 349
India	1 291 076	1 338 269
Nunavik	556 679	592 500
Mali	925 968	894 899
Others projects	261 279	-
	\$ 5 017 281	\$ 5 490 448

### 8. Benefit events

	2 020	2 019
One night for One Drop	\$ 166 448	\$ 2 785 618
Poker - Others	-	1 268 586
Wine Auction	317 815	-
Watches Auctions	2 969 873	-
Other events	184 587	527 830
	3 638 723	4 582 034
Deferred revenues from Time counts auction designated to Madagascar Project and other project	(1 441 941)	-
	\$ 2 196 782	\$ 4 582 034
Founder	1 319 795	-
Others	876 987	4 582 034
	\$ 2 196 782	\$ 4 582 034

As of December 31, 2020, there are \$ 2 689 682 in receivables from watch auctions.

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2020  
(in US dollars)

### 9. Contributions

	2020	2019
Restricted contributions deferred from the previous year	\$ 5 351 490	\$ 7 504 837
Contributions received during the year:		
Businesses and corporate foundations	2 931 930	2 205 937
Governmental and multilateral organizations	402 546	798 030
Other	-	38 497
	3 334 476	3 042 464
Foreign exchange adjustment	774	-
Deferred revenues from Time counts auction designated to Madagascar Project and other project	1 441 941	-
Restricted contributions deferred to the following year	(5 696 507)	(5 351 490)
Contributions recorded as revenue for the year	\$ 4 432 174	\$ 5 195 811

### 10. Investments Revenue

	2020	2019
Interest	\$ 209 899	\$ 582 300
Change in fair value of investments	1 283 603	(447 961)
Gain on disposition of investments	-	881 334
Dividends	-	53 107
Currency translation loss	(29 362)	(17 740)
Gain (loss) on foreign exchange related to investments	186 024	(143 192)
Management and custody fees	(58 427)	(35 777)
	\$ 1 591 737	\$ 872 071

### 11. Programs

	2020	2019
Latin America and Caribbean	\$ 3 271 279	\$ 4 598 903
Burkina Faso	1 246 335	889 147
Mali	142 667	308 972
India	789 167	1 161 060
Malawi	376 062	659 838
Nunavik	702 795	509 169
Others	189 947	467 034
Programs management	479 307	513 796
	\$ 7 197 559	\$ 9 107 919

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2020

(in US dollars)

### 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:

	2020	2019
Programs	\$ 400 000	\$ 407 617
Revenue generation and advancement	400 000	407 615
Administration	787 068	819 272
	<b>\$ 1 587 068</b>	<b>\$ 1 634 504</b>

### 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, 2020. The expenditure and the amount paid for the year amount to \$98 626 (\$97 544 in 2019).

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2020  
(in US dollars)

### 14. Commitments

#### Programs

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

2021	\$	7 616 580
2022		7 516 292
2023		4 443 332
2024		1 064 106
2025		292 332
	\$	20 932 642

Comprised of:

Latin America and Caribbean	\$	9 983 636
India		2 764 199
Nunavik		556 679
Burkina Faso		596 674
Malawi		951 974
Mali		3 710 458
Madagascar		1 800 000
Others projects		569 022
	\$	20 932 642

#### 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:

2021		175 106
2022		110 462
2023		110 462
2024		110 462
2025		110 462
2026		55 231
	\$	672 185

### 15. Contributions pledged

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

2021		2 687 360
2022		3 836 462
2023		3 141 690
2024		3 141 690
2025 and thereafter		32 255 613
	\$	45 062 815

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

# ONE DROP

## Notes to the Consolidated Financial Statements

December 31, 2020  
(in US dollars)

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

As at December 31, 2020, the non-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:

	2020	2019
Cash	109 650 \$	132 071
Receivables	318 588	26 299
Accounts payable and accrued liabilities	387 701	323 732
	815 939 \$	482 102

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. The cash represents deposits with Canadian financial institutions.

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 balance sheet represents the maximum credit risk at the balance sheet date. One Drop's credit risk is mainly due to its debtors.

The amounts are presented in the 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.



# ONE DROP

---

## Notes to the Consolidated Financial Statements

December 31, 2020

(in US dollars)

---

### 16. Financial instruments and risk management (continued)

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, 2020 (BB as at December 31, 2019). The investments are also made up of 2 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, 2020, the most significant financial liabilities are accounts payable and accrued liabilities.

### 17. 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.

### 18. Comparative figures

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