

**LOW IMPACT HYDROPOWER INSTITUTE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**LOW IMPACT HYDROPOWER INSTITUTE  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Low Impact Hydropower Institute  
Lexington, Massachusetts

We have audited the accompanying financial statements of Low Impact Hydropower Institute (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the 2017 financial statements referred to above present fairly, in all material respects, the financial position of Low Impact Hydropower Institute as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors  
Low Impact Hydropower Institute

***Prior Period Financial Statements***

The 2016 financial statements of Low Impact Hydropower Institute, were audited by other auditors whose report dated September 13, 2017, expressed an unmodified opinion on those statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
April 14, 2018

**LOW IMPACT HYDROPOWER INSTITUTE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 107,103	\$ 152,624
Accounts Receivable	78,239	47,120
Prepaid Expenses and Other Assets	1,122	1,577
Total Current Assets	186,464	201,321
<b>PROPERTY AND EQUIPMENT</b>		
Property and Equipment	-	2,188
Less: Accumulated Depreciation	-	(991)
Net Property and Equipment	-	1,197
<b>OTHER ASSETS</b>		
Security Deposit	1,300	1,300
Website, Net	7,994	-
Total Other Assets	9,294	1,300
Total Assets	\$ 195,758	\$ 203,818
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 12,461	\$ 43,656
Accrued Payroll	2,741	10,227
Accrued Expenses	6,228	6,480
Deferred Revenue	62,956	9,350
Total Current Liabilities	84,386	69,713
<b>NET ASSETS - UNRESTRICTED</b>		
Total Liabilities and Net Assets	\$ 195,758	\$ 203,818

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>REVENUE AND SUPPORT</b>		
Annual Fees	\$ 397,186	\$ 391,422
Contributions	17,250	26,191
Application Fees	150,604	108,403
Interest Income	13	11
Total Revenue and Support	<u>565,053</u>	<u>526,027</u>
<b>EXPENSES</b>		
Program Services Expense	495,947	423,063
Total Program Services Expense	<u>495,947</u>	<u>423,063</u>
Support Services Expense:		
Management and General	91,839	80,984
Total Support Services Expense	<u>91,839</u>	<u>80,984</u>
Total Expenses	<u>587,786</u>	<u>504,047</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(22,733)	21,980
Net Assets - Beginning of Year	134,105	111,200
Adjustment Due to Change in Depreciation Method	-	925
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 111,372</u>	<u>\$ 134,105</u>

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (22,733)	\$ 21,980
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	3,260	438
(Increase) Decrease in Accounts Receivable	(31,119)	(3,541)
(Increase) Decrease in Prepaid Expenses	455	(1,577)
(Increase) Decrease in Security Deposits	-	(1,300)
(Increase) Decrease in Website, Net	(10,057)	-
Increase (Decrease) in Accounts Payable	(31,195)	10,788
Increase (Decrease) in Deferred Revenue	53,606	9,350
Increase (Decrease) in Accrued Expenses	<u>(7,738)</u>	<u>16,707</u>
Net Cash Provided (Used) by Operating Activities	<u>(45,521)</u>	<u>52,845</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(45,521)	52,845
Cash - Beginning of Year	<u>152,624</u>	<u>99,779</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 107,103</u></u>	<u><u>\$ 152,624</u></u>

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS**

Low Impact Hydropower Institute (the Organization) is a nonprofit 501(c)(3) organization dedicated to reducing the impacts of hydropower generation through the certification of hydropower projects that avoided or reduced their environmental impacts pursuant to the criteria set forth.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles for nonprofit entities. Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from the estimates that were used and those differences could be material.

**Net Assets**

Net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.



**LOW IMPACT HYDROPOWER INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

During the years ended December 31, 2017 and 2016, all net assets and revenues were unrestricted.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows the Organization considers cash on hand and demand deposits in banks as cash and all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivables are stated at the amount management expect to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management determined that no allowance for doubtful accounts was deemed necessary for the years ended December 31, 2017 and 2016.

**Advertising**

Advertising costs are expensed as incurred and approximated \$16,236 and \$10,365 during the years ended December 31, 2017 and 2016, respectively.

**Property and Equipment**

Property and equipment are stated at cost at the date of acquisition or fair value at the date of purchase. Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line bases. A summary of depreciable lives follows:

Computers	5 Years
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Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

When required, impairment losses on assets to be held and used are recognized based on the excess of the assets' carrying amount over the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

**Website**

Website with a historical cost of \$10,057 at December 31, 2017 is amortized over a five-year period using the straight-line method. As of December 31, 2017, accumulated amortization related to the website was equal to \$2,063.

**LOW IMPACT HYDROPOWER INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition and Deferred Revenue**

The Organization receives revenues in the form of annual fees and application fees. Annual fees are based on a customer's application anniversary date and revenue is recognized once the certification has been evaluated. Application fees are recognized over the application review period on a straight-line basis. For applications when payment has been received but the review period is not complete the Organization reflects deferred revenue.

**Contributions**

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets. If a donor's restriction is met in the same period that the support is recognized, the contribution is reported as an increase in unrestricted net assets.

**Expense Allocation**

The costs of providing services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and management and general benefited.

**Income Taxes**

The Company is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is classified as an organization that is not a private foundation as defined in section 509(a) of the IRC. As of December 31, 2017, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 14, 2018, the date that the financial statements were available to be issued.

**NOTE 3 RETIREMENT AGREEMENTS**

The Organization provided payments to employees to fund individual retirement accounts pursuant to the respective employee's employment contract. Total payments of \$9,000 were made during the year ended December 31, 2016. This was discontinued as of December 31, 2017.

**LOW IMPACT HYDROPOWER INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**NOTE 4 COMMITMENTS**

The Organization entered into a one-year operating lease agreement for its new headquarters located in Lexington, Massachusetts commencing October 1, 2016. The lease required monthly payments of \$650 through September 30, 2017. The lease provides for a renewal option of 12 months at a mutually agreeable rate. During the year ended December 31, 2017, the Organization incurred rent expense of \$1,950 under this lease, and additionally paid a realtor fee of \$650. The Organization terminated this lease and entered into another one-year lease for space within the same building commencing July 1, 2017. This new lease requires monthly payments of \$1,350 through June 30, 2018. The Organization has a renewal option for 12 months under the same terms and conditions at a mutually agreeable rate.

The Organization leases office space in Old Tappen, New Jersey under an operating lease agreement which expired December 31, 2016. The lease was renewed for calendar year 2017 under similar terms and conditions. The Organization elected to terminate the lease effective August 6, 2017 pursuant to the terms of the lease.

Minimum future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	<u>\$ 8,100</u>
Total Minimum Lease Payments	<u><u>\$ 8,100</u></u>

Rent expense for the years ended December 31, 2017 and 2016 totaled \$20,381 and \$12,225, respectively.

**NOTE 5 RELATED PARTY TRANSACTIONS**

The Organization leases office space on a month-to-month basis from an employee. Rent expense for the year ended December 31, 2017 and 2016 totaled \$1,200 and \$2,600, respectively.

**NOTE 6 CONCENTRATIONS**

The Organization maintains its cash deposits at a local financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Deposits at FDIC insured institutions are insured up to at least \$250,000 per depositor. There was no uninsured balance at December 31, 2017 or 2016.

As of December 31, 2017, approximately 55%, or \$42,683, of the accounts receivable is due from two customers. As of December 31, 2016, approximately 46%, or \$21,792, of the accounts receivable is due from three customers.

As of December 31, 2017, one customer accounts for approximately 25% of revenue, and December 31, 2016, one customer account for approximately 27% of revenue.