

LOW IMPACT HYDROPOWER INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018



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**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 statements of financial position as of December 31, 2019 and 2018, 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.

Board of Directors
Low Impact Hydropower Institute

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Low Impact Hydropower Institute as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adopting New Accounting Standards

As described in Note 2, in 2019 Low Impact Hydropower Institute adopted new accounting guidance for recognizing revenue from contracts with customers and guidance for contributions received and made. Our opinion is not modified with respect to this matter.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
May 14, 2020

**LOW IMPACT HYDROPOWER INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 209,572	\$ 176,901
Accounts Receivable	53,221	34,624
Prepaid Expenses and Other Assets	1,374	972
Total Current Assets	264,167	212,497
OTHER ASSETS		
Security Deposit	1,300	1,300
Website, Net	1,290	4,642
Total Other Assets	2,590	5,942
Total Assets	\$ 266,757	\$ 218,439
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,363	\$ 13,162
Accrued Payroll	7,722	5,404
Accrued Expenses	6,841	14,925
Deferred Revenue	26,784	31,510
Total Current Liabilities	49,710	65,001
NET ASSETS - Without Donor Restrictions	217,047	153,438
Total Liabilities and Net Assets	\$ 266,757	\$ 218,439

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
Annual Fees	\$ 416,837	\$ 406,278
Application Fees	228,496	150,591
Contributions	17,660	19,140
Interest Income	11	6
Other Revenue	6,351	2,117
Total Revenue and Support	<u>669,355</u>	<u>578,132</u>
EXPENSES		
Program Services Expense	<u>499,124</u>	<u>445,813</u>
Total Program Services Expense	499,124	445,813
Support Services Expense:		
Management and General	<u>106,622</u>	<u>90,253</u>
Total Support Services Expense	<u>106,622</u>	<u>90,253</u>
Total Expenses	<u>605,746</u>	<u>536,066</u>
CHANGE IN NET ASSETS FROM OPERATIONS	63,609	42,066
Net Assets - Beginning of Year	<u>153,438</u>	<u>111,372</u>
NET ASSETS - END OF YEAR	<u>\$ 217,047</u>	<u>\$ 153,438</u>

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 63,609	\$ 42,066
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	3,352	3,352
(Increase) Decrease in Assets:		
Accounts Receivable	(18,597)	43,615
Prepaid Expenses	(402)	150
Increase (Decrease) in Liabilities:		
Accounts Payable	(4,799)	701
Deferred Revenue	(4,726)	(31,446)
Accrued Expenses	(5,766)	11,360
Net Cash Provided by Operating Activities	32,671	69,798
NET INCREASE IN CASH	32,671	69,798
Cash - Beginning of Year	176,901	107,103
CASH - END OF YEAR	\$ 209,572	\$ 176,901

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 accounting principles generally accepted in the United States of America 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 accounting principles generally accepted 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:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – 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. Other donor-imposed stipulations are perpetual in nature where the donor stipulates that the assets are to be maintained in perpetuity but may permit the Organization to use or expend part or all of the gains derived from the donated assets.

During the years ended December 31, 2019 and 2018, all net assets and revenues were without donor restrictions.

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.

**LOW IMPACT HYDROPOWER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019 and 2018.

Advertising

Advertising costs are expensed as incurred and approximated \$7,752 and \$15,008 during the years ended December 31, 2019 and 2018, respectively.

Website

Website with a historical cost of \$10,057 at December 31, 2019 and 2018 is being amortized over a five-year period using the straight-line method. As of December 31, 2019 and 2018, accumulated amortization related to the website amounted to \$8,767 and \$5,415, respectively.

Revenue Recognition and Deferred Revenue

The Organization receives revenues in the form of annual fees and application fees. Annual fees are recognized based on a customer's application anniversary date when the Organization verifies a customer's compliance during the preceding period. Revenue is recognized at the point in time when that verification is completed annually.

Application fees are recognized over the application review period as the Organization satisfies the performance obligation. When payments are received on applications in advance of the review period, the Organization records deferred revenue until the review period is complete.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as without donor restrictions or with donor restrictions depending on the nature of donor restrictions. Restricted contributions are reported as increases in net assets with donor restrictions. When the restriction is met the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions. If a donor's restriction is met in the same period that the support is recognized, the contribution is reported as an increase in net assets without donor restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are directly allocated to program or support services whenever possible. Other shared expenses are allocated based on staff time spent in each area that is consistently applied. The expenses that are allocated include salaries and related expenses, depreciation, and occupancy expenses.

LOW IMPACT HYDROPOWER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is classified as not a private foundation as defined in section 509(a) of the IRC. As of December 31, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's tax years are generally open for examination by the federal and state taxing authorities for three years following the date filed.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform to the current year financial statement presentation. The reclassification has no effect on the previously reported net assets or changes in net assets.

Adoption of New Accounting Standards:

In 2019, the Organization adopted Financial Accounting Standards Board's Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Organization's financial position and results of operations upon adoption of the new standard.

The Organization also adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

There was no material impact on the Organization's financial position and results of operations upon adoption of the new standards.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 14, 2020, the date that the financial statements were available to be issued.

NOTE 3 COMMITMENTS

The Organization entered into a one-year lease for space commencing March 1, 2019. This new lease requires monthly payments of \$1,450 through February 29, 2020. After February 29, 2020, the Organization became a tenant at will.

Minimum future lease payments as of December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 2,900

Rent expense for the Lexington location for the years ended December 31, 2019 and 2018 totaled \$17,400 and \$16,500, respectively.

LOW IMPACT HYDROPOWER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 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, 2019 or 2018.

As of December 31, 2019, approximately 90%, or \$47,979, of the accounts receivable is due from three customers. As of December 31, 2018, approximately 73%, or \$25,149, of the accounts receivable is due from three customers.

As of December 31, 2019, one-customer accounts for approximately 18% of revenue, and as of December 31, 2018, one customer accounts for approximately 23% of revenue.

NOTE 5 FUNCTIONAL EXPENSES

Expenses are allocated as follows for the year ended December 31, 2019:

	Program Expenses	Management and General	2019 Total Expenses
Salaries and Related Expenses	\$ 278,244	\$ 39,849	\$ 318,093
Occupancy Costs	23,792	3,760	27,552
Reviewer Fees	108,594	-	108,594
Insurance	3,025	534	3,559
Professional Fees	20,293	42,843	63,136
Supplies and Other	11,918	9,225	21,143
Meetings and Travel	49,906	10,411	60,317
Depreciation and Amortization	3,352	-	3,352
Total Expenses	<u>\$ 499,124</u>	<u>\$ 106,622</u>	<u>\$ 605,746</u>

Expenses are allocated as follows for the year ended December 31, 2018:

	Program Expenses	Management and General	2018 Total Expenses
Salaries and Related Expenses	\$ 265,036	\$ 37,548	\$ 302,584
Occupancy Costs	23,038	3,662	26,700
Reviewer Fees	76,156	-	76,156
Insurance	3,362	593	3,955
Professional Fees	11,950	36,795	48,745
Supplies and Other	24,630	1,964	26,594
Meetings and Travel	38,289	9,691	47,980
Depreciation and Amortization	3,352	-	3,352
Total Expenses	<u>\$ 445,813</u>	<u>\$ 90,253</u>	<u>\$ 536,066</u>

**LOW IMPACT HYDROPOWER INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and accounts receivable.

For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12-months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statements of cash flows which identifies the sources and uses of the Organization's cash.

At December 31 the following table shows the total financial assets held by the Organization:

Financial Assets at Year-End	2019	2018
Cash	\$ 209,572	\$ 176,901
Accounts Receivable	53,221	34,624
Total	<u>\$ 262,793</u>	<u>\$ 211,525</u>

All of the above financial assets could readily be made available within one year of the statements of financial position date to meet general expenditures.

NOTE 7 RISK OF UNCERTAINTIES

Subsequent to year-end, the World Health Organization declared the spread of coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, additional costs for emergency preparedness, potential shortages of personnel, or loss of revenue due to reductions in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of May 14, 2020.

