

**LOW IMPACT HYDROPOWER INSTITUTE**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**



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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 statement of financial position as of December 31, 2018 and 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.

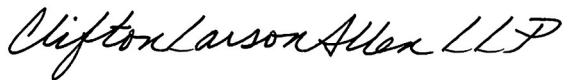
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the 2018 financial statements referred to above present fairly, in all material respects, the financial position of Low Impact Hydropower Institute as of December 31, 2018 and 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.

***Effect of Adopting New Accounting Standard***

As described in Note 2, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.

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

**CliftonLarsonAllen LLP**

Boston, Massachusetts  
May 8, 2019

**LOW IMPACT HYDROPOWER INSTITUTE**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 176,901	\$ 107,103
Accounts Receivable	34,624	78,239
Prepaid Expenses and Other Assets	972	1,122
Total Current Assets	<u>212,497</u>	<u>186,464</u>
<b>OTHER ASSETS</b>		
Security Deposit	1,300	1,300
Website, Net	4,642	7,994
Total Other Assets	<u>5,942</u>	<u>9,294</u>
Total Assets	<u><u>\$ 218,439</u></u>	<u><u>\$ 195,758</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 13,162	\$ 12,461
Accrued Payroll	5,404	2,741
Accrued Expenses	14,925	6,228
Deferred Revenue	31,510	62,956
Total Current Liabilities	<u>65,001</u>	<u>84,386</u>
<b>NET ASSETS - Without Donor Restrictions</b>	<u>153,438</u>	<u>111,372</u>
Total Liabilities and Net Assets	<u><u>\$ 218,439</u></u>	<u><u>\$ 195,758</u></u>

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>REVENUE AND SUPPORT</b>		
Annual Fees	\$ 406,278	\$ 397,186
Contributions	19,140	17,250
Application Fees	150,591	150,604
Interest Income	6	13
Other Revenue	2,117	-
Total Revenue and Support	<u>578,132</u>	<u>565,053</u>
<b>EXPENSES</b>		
Program Services Expense	<u>445,310</u>	<u>495,947</u>
Total Program Services Expense	445,310	495,947
Support Services Expense:		
Management and General	<u>90,756</u>	<u>91,839</u>
Total Support Services Expense	<u>90,756</u>	<u>91,839</u>
Total Expenses	<u>536,066</u>	<u>587,786</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	42,066	(22,733)
Net Assets - Beginning of Year	<u>111,372</u>	<u>134,105</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 153,438</u></u>	<u><u>\$ 111,372</u></u>

See accompanying Notes to Financial Statements.

**LOW IMPACT HYDROPOWER INSTITUTE  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 42,066	\$ (22,733)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	3,352	3,260
(Increase) Decrease in:		
Accounts Receivable	43,615	(31,119)
Prepaid Expenses	150	455
Website, Net	-	(10,057)
Increase (Decrease) in:		
Accounts Payable	701	(31,195)
Deferred Revenue	(31,446)	53,606
Accrued Expenses	11,360	(7,738)
Net Cash Provided (Used) by Operating Activities	<u>69,798</u>	<u>(45,521)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	69,798	(45,521)
Cash - Beginning of Year	<u>107,103</u>	<u>152,624</u>
<b>CASH - END OF YEAR</b>	<u><u>\$ 176,901</u></u>	<u><u>\$ 107,103</u></u>

*See accompanying Notes to Financial Statements.*

**LOW IMPACT HYDROPOWER INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**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:

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, 2018 and 2017, 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, 2018 AND 2017**

**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, 2018 and 2017.

**Advertising**

Advertising costs are expensed as incurred and approximated \$15,008 and \$16,236 during the years ended December 31, 2018 and 2017, respectively.

**Website**

Website with a historical cost of \$10,057 at December 31, 2018 and 2017 is amortized over a five-year period using the straight-line method. As of December 31, 2018 and 2017, accumulated amortization related to the website was equal to \$5,415 and \$2,063, respectively.

**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 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.

**Measure of Operations**

For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating items. Nonoperating items generally include net realized and unrealized gains or losses on investments.

**LOW IMPACT HYDROPOWER INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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

**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 a reasonable basis that is consistently applied, including based on estimate of time spent by employees on administrative and program activities. The expenses that are allocated include salaries, depreciation, and occupancy.

**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, 2018 and 2017, 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.

**Change in Accounting Principle**

The Organization has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. Adoption of the new standard had no effect on the previously reported total change in net assets or net assets balance.

**Accounting Standard Changes**

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ended December 31, 2019. Management continues to evaluate the impact of the adoption of this standard, but based on the latest industry guidance, management believes this standard will not have a material impact on the financial statements.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 8, 2019, the date that the financial statements were available to be issued.

**LOW IMPACT HYDROPOWER INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 3 COMMITMENTS**

The Organization entered into a one-year lease for space commencing July 1, 2017. This new lease requires monthly payments of \$1,350 through June 30, 2018. The Organization renewed this option for 12 months with a monthly payment of \$1,400.

Subsequent to year-end, the Organization entered into a one-year lease in a different unit within the same building. The agreement commenced on March 1, 2019 at a rate of \$1,450 per month. The lease term expires on February 29, 2020.

Minimum future lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 17,300
2020	2,900
Total Minimum Lease Payments	<u>\$ 20,200</u>

Rent expense for the Lexington location for the years ended December 31, 2018 and 2017 totaled \$16,500 and \$12,700, respectively. In 2017, the Organization was also leasing office space in Old Tappen, New Jersey, which was terminated on August 6, 2017. Rent incurred in 2017 related to this totaled \$5,040.

**NOTE 4 RELATED PARTY TRANSACTIONS**

The Organization leased office space on a month-to-month basis from an employee, and was discontinued in 2017. Rent expense for the year ended December 31, 2017 was \$1,200.

**NOTE 5 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, 2018 or 2017.

As of December 31, 2018, approximately 73%, or \$24,149, of the accounts receivable is due from three customers. As of December 31, 2017, approximately 55%, or \$42,683, of the accounts receivable is due from three customers.

As of December 31, 2018, one-customer accounts for approximately 23% of revenue, and December 31, 2017, one customer account for approximately 25% of revenue.

**LOW IMPACT HYDROPOWER INSTITUTE**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**NOTE 6 FUNCTIONAL EXPENSES**

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	2,849	503	3,352
Total Expenses	<u>\$ 445,310</u>	<u>\$ 90,756</u>	<u>\$ 536,066</u>

**NOTE 7 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 not covered by donor-restricted resources. Refer to the statements of cash flows which identifies the sources and uses of the Organization's cash.

As December 31, 2018 and 2017, the following table shows the total financial assets held by the Organization:

Financial Assets at Year-End	2018	2017
Cash	\$ 176,901	\$ 107,103
Accounts Receivable	34,624	78,239
Total	<u>\$ 211,525</u>	<u>\$ 185,342</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.

