Low Impact Hydropower Institute
Financial Statements
For the Years Ended
December 31, 2023 and 2022

Low Impact Hydropower Institute

Index

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Independent Auditor's Report

To the Board of Directors
Low Impact Hydropower Institute
Arlington, MA

Opinion
I 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, 2023 and 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my 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, 2023 and 2022, 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.

Basis for Opinion
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Low Impact Hydropower Institute and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Low Impact Hydropower Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued

Auditor's Responsibilities for the Audit of the Financial Statements
My objectives are to obtain reasonable assurance about whether the 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Low Impact Hydropower Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Low Impact Hydropower Institute's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Melissa Gilroy

Melissa Gilroy, Certified Public Accountant
Westwood, Massachusetts
March 28, 2024

Low Impact Hydropower Institute
Statement of Financial Position

As of December 31,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	$ **149,753**	$ 156,450
Accounts receivable	**89,340**	44,608
Investments	**490,682**	383,842
Other current assets	**3,098**	1,756
Total current assets	**732,873**	586,656
Non-Current Assets		
Website	**10,057**	10,057
Less accumulated amortization	**(10,057)**	(10,057)
Total non-current assets	**-**	-
Total Assets	$ **732,873**	$ 586,656
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ **1,272**	$ 12,919
Accrued expenses	**20,579**	12,238
Deferred revenue	**80,180**	28,708
Total current liabilities	**102,031**	53,865
Total liabilities	**102,031**	53,865
Net Assets		
Without donor restrictions	**630,842**	532,791
Total net assets	**630,842**	532,791
Total Liabilities and Net Assets	$ **732,873**	$ 586,656

The accompanying notes are integral to the financial statements.

Low Impact Hydropower Institute
Statement of Activities

For the years ended December 31,	2023	2022
Revenue and Support		
Annual fee income	$ 597,781	$ 554,044
Application fee income	73,554	103,046
Donation income	27,577	14,048
Other income	4,895	5,785
Unrealized and realized gains and (losses)	14,587	(18,272)
Interest and dividend income	20,231	4,065
Total revenue and support	738,625	662,716
Expenses		
Program services	488,109	430,730
General and administrative	142,987	182,636
Fundraising	9,478	-
Total expenses	640,574	613,366
Change in Net Assets from operations	98,051	49,350
Net Assets at Beginning of Year	532,791	483,441
Net Assets at End of Year	$ 630,842	$ 532,791

The accompanying notes are integral to the financial statements.

Low Impact Hydropower Institute
Statement of Functional Expenses
For the year ended December 31, 2022 and 2021

		Program	General & Administrative	Fundraising	**2023 Total**		Program	General & Administrative	**2022 Total**
Salaries	$	296,807	83,997	8,101	**388,905**	$	268,954	61,766	**330,720**
Payroll taxes		23,951	6,933	631	**31,515**		21,726	5,431	**27,157**
Benefits		15,834	4,583	417	**20,834**		14,537	3,634	**18,171**
		336,592	95,513	9,149	**441,254**		305,217	70,831	**376,048**
Reviewer fees		33,774	-	-	**33,774**		55,587	-	**55,587**
Professional fees		37,500	37,248	-	**74,748**		7,642	70,768	**78,410**
Rent		2,251	570	28	**2,849**		9,950	2,487	**12,437**
Utilities		9,614	2,783	253	**12,650**		9,264	1,643	**10,907**
Dues and fees		6,972	5,151		**12,123**		9,952	5,199	**15,151**
Meeting and travel		58,075	-	-	**58,075**		27,820	8,339	**36,159**
Insurance		1,810	1,722	48	**3,580**		2,318	1,772	**4,090**
Office expenses		1,521	-	-	**1,521**		2,980	949	**3,929**
Advertising and marketing		-	-	-	**-**		-	20,648	**20,648**
Total Functional Expenses	$	488,109	142,987	9,478	**640,574**	$	430,730	182,636	**613,366**

The accompanying notes are integral to the financial statements.

Low Impact Hydropower Institute
Statement of Cash Flows

For the years ended December 31,	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets from operations	**$ 98,051**	$ 49,350
Adjustments to reconcile change in net assets to cash provided by operations		
Dividend and interest income	**(14,587)**	(3,987)
Unrealized / Realized gains losses	**(10,133)**	18,272
Change in operating assets and liabilities		
Accounts receivables	**(44,732)**	16,594
Prepaid expenses	**(1,342)**	787
Accounts payable	**(11,647)**	(9,679)
Accrued expenses	**8,341**	(745)
Deferred revenue	**51,472**	3,204
Net Cash Provided by Operating Activities	**75,423**	73,796
Cash Flows from Investing Activities		
Proceeds from sale of investments	**94,414**	410,397
Purchase of invesments	**(176,534)**	(808,524)
Net Cash (Used in) Provided by Investing Activities	**(82,120)**	(398,127)
Net decrease in Cash and Cash Equivalents	**(6,697)**	(324,331)
Cash and Cash Equivalents - Beginning	**156,450**	480,781
Cash and Cash Equivalents - Ending	**$ 149,753**	$ 156,450

The accompanying notes are integral to the financial statements.

1. Nature of the Business

Low Impact Hydropower Institute (the "Organization" or "LIHI") is a nonprofit corporation founded in 1999. The Organization is a 501(c)(3) non-profit organization whose primary purpose is to: 1) set criteria for characterizing hydropower facilities that are low impact; 2) conduct a program to certify that hydropower facilities meet these criteria; and 3) make information about the impacts of hydropower available to the public. LIHI's Certification Program encourages a range of benefits associated with healthy rivers and enables low impact projects to access renewable energy markets.

The Organization is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). LIHI is also exempt from state income taxes.

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 Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in two categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. The net assets of the Organization are classified and defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less, when acquired, to be cash equivalents.

2. Summary of Significant Accounting Policies (continued)

Accounting Pronouncement

Effective January 1, 2023, the Organization adopted ASC 326 which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivables. We adopted this standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures.

Accounts Receivable

The Organization certifies facilities as low impact hydropower projects using rigorous science based criteria and public input and its accounts receivables are primarily derived from these activities. At each financial position date, the Organization recognizes an expected allowance for credit losses. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This allowance estimate is derived from a review of the Organization's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant. The Organization believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses. The Organization writes off receivables when there is information that indicates that the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial for the year ended December 31, 2023.

Accounts receivables due from one customer represented 38% and 75% of the outstanding balance as of December 31, 2023 and 2022, respectively .

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of realized and unrealized capital gains and losses, less external and direct internal investment expenses. Investments are exposed to risks such as interest rate, credit and overall market volatility.

Revenue recognition and deferred revenue

The Organization receives revenue primarily in the form of annual fees and application fees. Annual and Application fee revenue is recognized upon completion of the related service period. The performance obligation of delivering the services is simultaneously received and consumed by the customers; therefore, the revenue is recognized as services are delivered. Annual fee income from one customer amounted to 41% and 42% of total annual fee income for the years ended December 31, 2023 and 2022, respectively. When payments are received for the applications in advance, the Organization records deferred revenue until the review period is complete.

2. **Summary of Significant Accounting Policies (continued)**

Revenue recognition and deferred revenue (continued)

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. During 2023, the Organization received a conditional grant for which qualifying expenditures amounting to approximately $16,000 were spent and as such recorded as revenue at December 31, 2023. At December 31, 2023, the unearned amount related to this grant amounted to approximately $220,500 which will be earned as the conditions of the grant are satisfied.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Goods and Services

Donated goods and services are recorded at the estimated fair value provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received in accordance with GAAP.

Income Taxes

The Organization is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code and is not considered to be a private foundation. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Accordingly, no provision for income taxes is included in the financial statements. The Organization has filed all of its known and required tax returns in a timely manner, including as permitted, allowed extensions.

3. **Fair Value Measurements**

The Organization applies the provisions of GAAP, which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), a lower priority to significant other observable inputs (level 2 measurements), and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under these provisions are described below:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs that are observable either directly or indirectly such as quoted prices for similar assets or liabilities in either active or inactive markets, observable assets or liabilities other than quoted prices, inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

3. Fair Value Measurements (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following fair value hierarchy table presents information about the Organization's assets measured at fair value on a recurring basis based upon Level 1 at December 31, 2023 and 2022:

	2023	2022
Description	Level 1	Level 1
Money Market funds	$ 244,525	$ 105,448
U.S. Treasury notes	-	49,815
Mutual funds	246,157	228,579
	$ 490,682	$ 383,842

4. Cash 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 $250,000 per depositor. During 2023 and 2022, the Organization did not have any deposits in excess of the FDIC insurance limit.

5. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are comprised of:

	2023	2022
Cash and cash equivalents	$ 149,753	$ 156,450
Accounts receivable	89,340	44,608
Investments	490,682	383,842
	$ 729,775	$ 584,900

The Organization has a goal to maintain at least six months of cash on hand to meet expenditures as of its year-end which it has attained as of December 31, 2023 and 2022.

6. Retirement Plan

The Organization sponsors a SIMPLE/IRA retirement plan for the benefit of eligible employees who met certain requirements. Under the plan provisions, contributions are elective by employees. The Organization’s plan contains a discretionary matching provision of up to 3%. During the years ended December 31, 2023 and 2022, the employer matching contributions amounted to $11,016 and $9,866, respectively.

7. Subsequent Events

Management has evaluated subsequent events through March 28, 2024 which is the date financial statements were available to be issued.