



**NHA Board of Directors Meeting
May 8, 2023 Agenda**

You can also dial in using your phone.

[Click here to join the meeting](#)

Meeting ID: 273 726 888 941

Passcode: JXGsfW

Or call in (audio only)

[+1 469-253-5858,,336418561#](#) United States, Dallas

Phone Conference ID: 336 418 561#

	8:00 – 8:30	<i>Breakfast</i>		
	8:30 – 8:35	Introductions / Safety	Mike Haynes NHA Chair	
Item 1	8:35 – 8:40	Consent Agenda / Updates <ul style="list-style-type: none">- March 2022 Minutes- Status of Action Items	Mike Haynes	Approve
Item 2	8:40 – 9:00	CEO Report <ul style="list-style-type: none">- New Team Members- 2023 Strategic Priorities- Uncommon Dialogue Update	Malcolm Woolf NHA CEO	Information Only
Item 3	9:00 – 9:10	Treasurer’s Report <ul style="list-style-type: none">- 2023 Q1 Financial Report- Membership Update	Thomas St. John Treasurer Marla Barnes VP of Membership and Industry Engagement	Approve
Item 4	9:10 – 9:30	Auditor’s Report	Marcum	Feedback
Item 5	9:30 - 9:45	1+1 = 3: NHA-Hydropower Foundation Coordination	Linda Ciocci Hydropower Foundation	Feedback
Item 6	9:45 - 10:00	Effort to Grow U.S. Hydropower Manufacturing	Anthony Laurita Program Manager/ Chris Hayes Senior Advisor of Technical Programs	Feedback

Item 7	10:00 - 10:10	Getting Ahead of The Methane Whack-a-Mole Game	Anthony Laurita	Feedback
Item 8	10:10 - 10:20	Re-Imagined Op-Ex is Here!	Anthony Laurita	Feedback
	10:20 - 10:30	BREAK		
Item 9	10:30-10:55	Follow the Money – Update on Infrastructure and IRA Implementation <ul style="list-style-type: none"> - DOE Hydropower Grants (242, 243, & 247) - Other Funding Opportunities - IRA Implementation - 80-20 Discussion 	Michael Purdie Director of Regulatory Affairs and Markets	Feedback
Item 10	10:55-11:10	Legislative Updates <ul style="list-style-type: none"> - License Reform - Tax support to maintain existing fleet - Appropriations and marine energy 	Malcolm Woolf / Matthew Allen Director of Legislative Affairs / Brittney May, Legislative Affairs Manager	Feedback
Item 11	11:10-11:20	CWA 401 - Regulatory / Litigation Update	Charles Sensiba / Michael Purdie	Feedback
Item 12	11:20-11:30	“More Than Just Clean Energy”: Next Steps for NHA’s Digital Media Campaign	LeRoy Coleman Director of Communications	Feedback
Item 13	11:30-11:45	Leveraging Waterpower Week <ul style="list-style-type: none"> - Event highlights - Advocacy Day 	Marla Barnes / Francesca Hadjimichael, Director of Meetings and Events Brittney May	Information only
Item 14	11:45-11:50	New Business		
Item 15	11:50-12:00	Executive Session		
	12:00	Adjourn		



NHA Board of Directors' Meeting

Q2 2023

May 8, 2023

I'm looking forward to seeing (most of you) next week at Waterpower Week in Washington, DC. A TEAMS link will be available for those unable to join us in person. This memorandum provides background information for the items on the agenda.

Agenda Item 1, Consent Agenda and General Updates

Recommended Actions: Approval

- **Approve** the March Q1 2023 Board Minutes (in Appendix), and
- Review for your information the updated Committee and Council report (in Appendix).

Background/Options: To provide more time during our meetings for strategic discussion, items that should not require discussion are placed on a Consent Agenda. All items on this agenda will be moved as one. Any item can be removed from the Consent Agenda at the meeting should Board members desire further clarification or discussion. Board members are encouraged to review the item(s) in advance of the meeting and be prepared to approve them.

Agenda Item 2, CEO Report on Key Activities

Recommended Action: Information only.

Background: Malcolm Woolf will review NHA's progress to date towards achieving our 2023 Strategic Priorities, as well as provide updates on staffing, NHA's recent office relocation and the Uncommon Dialogue.

Attached for your information is:

- NHA "By the Numbers" 2022

Agenda Item 3, Treasurer's Report

Recommended Action: Information only.

Background: Consistent with NHA's Bylaws, NHA's Treasurer Thomas St. John will review NHA's finances, including the latest information on NHA's investments and reserves.

Attached for your information is:

- The 2023 Q1 Treasurer's Report, covering through March 31, 2023,
- NHA's Statement of Financial Position and Operating Income Statement, as of March 31, 2023,

- NHA's 2023 Q1 Membership Report, and
- NHA's 2023 Q1 Non-Dues Revenues Report.

Agenda Item 4, Auditor's Report, Eric Glantz, Marcum

Recommended Actions: Information only

Background: Marcum has just completed NHA's 2023 audit. This session will provide an opportunity for Board members to hear from, and ask their questions directly to, Eric Glantz, who led the audit review team.

Attached for your information is:

- **Marcum's final 2022 audit report**

Agenda Item 5, 1+1 = 3: NHA-Hydropower Foundation Coordination

Recommended Actions: Feedback

Background: The waterpower industry needs all the arrows in the quiver, a strong 501c6 business association and a thriving 501c3 educational foundation. Linda Church Ciocci, president of the Hydropower Foundation, will join us for this session to share the latest from the Foundation, our continuing efforts to leverage each other's work, and engage directly with NHA Board about how best to make 1+1=3.

Agenda Item 6, Effort to Grow U.S. Hydropower Manufacturing

Recommended Action: Feedback

Background: What would it take to attract major new investment in U.S. based hydropower manufacturing? During this session, Anthony Laurita and Chris Hayes will update the Board on NHA's new effort to collaborate with the U.S. Department of Energy to explore what it would take.

Note: This session is scheduled just before an invitation-only DOE "Hydropower Manufacturing Roundtable," scheduled from 11 am – 1 pm on the same day as our Board meeting. David Turk, Deputy Secretary of DOE, is attending the Roundtable, before he joins the Waterpower Week Plenary session at 1:15 pm. We apologize for the scheduling overlap and recognize that some NHA Board members (as well as Anthony Laurita and Chris Hayes) will need to leave the Board meeting early to participate in this Roundtable.

Agenda Item 7, Getting Ahead of the Methane Whack-a-Mole Game

Recommended Action: Feedback

Background: The allegation that hydropower emits methane continues to pop up in various proceedings, ranging from petitions to the U.S. Environmental Protection Agency and the Federal Trade Commission, comments to WRI's GHG Accounting Protocol, and individual relicensing proceedings.

Distinguishing between potential reservoir emissions and emissions that can be attributable to hydropower operations is critical. Unlike the burning of fossil fuels, powerhouses that generate electricity using hydropower do not emit greenhouse gases into the atmosphere. Anthony Laurita will lead this discussion of NHA's efforts to get in front of these spurious allegations.

Agenda Item 8, Re-Imagined Op-Ex is Here!

Recommended Action: Feedback

Background: NHA Operational Excellence (OpEx) program has undergone a makeover to create a more effective user experience and to replace its antiquated database. As you know, OpEx is NHA's voluntary event reporting system that receives, distributes, archives, and catalogs Operational Excellence Information and any resulting best practices and lessons learned.

Anthony Laurita will lead this discussion to showcase the need Re-Imagined Op-Ex system and to seek Board feedback on how best to roll it out to the NHA membership.

Agenda Item 9, Follow the Money – Update on Infrastructure and IRA Implementation

Recommended Action: Feedback

Background: The Bipartisan Infrastructure Law (BIL) and the Inflation Reduction Act (IRA) represent the most ambitious investment in clean energy in our nation's history. In this session, Michael Purdie will:

- Share updates on DOE Hydropower Grants (242, 243, & 247)
- Seek feedback on how NHA can best help members leverage the other federal funding opportunities (such as DOE's new loan program for refurbishments and repairs and USACE's dam safety grant program).
- Provide the latest from Treasury on IRA Implementation, and
- Request direction on whether NHA should hire specialty tax council to seek Treasury guidance on application of the "80-20" rule to hydropower refurbishments.

Agenda Item 10, Legislative Updates

Recommended Action: Feedback

Background: Expectations for new energy legislation are low given the divided Congress between the Democratic controlled Senate and Republican controlled House of Representatives. Nevertheless, as the last Congress demonstrated, luck favors the prepared.

In this session, Matthew Allen, NHA's new legislative director, and Brittney May, NHA's new legislative manager, will provide an update on our progress to date on our top legislative priorities, namely

- license and relicensing reform,
- tax support for environmental and safety improvements to preserve the existing hydropower fleet, and
- federal appropriations to fund hydropower and marine energy research, development, demonstration, and deployment by DOE's Waterpower Technology Office.

Agenda Item 11, Clean Water Act 401 – Regulatory and Litigation Update

Recommended Action: Feedback

Background: Litigation continues over the Trump Administration's 401 rule, notwithstanding the success of NHA (and others) at the U.S. Supreme Court in preserving the rule in effect until a replacement is adopted. The Biden Administration is on track to adopt its own replacement package later this year.

This session will update the Board on the status of the current ongoing litigation over the legality of the Trump-era 401 rules, preview the Biden Administration's efforts, and flag the potential need for additional litigation in the coming year.

Agenda Item 12, "More Than Just Clean Energy": Next Steps for NHA's Digital Media Campaign

Recommended Action: Feedback

Background: NHA successfully launched its "More Than Just Clean Energy" digital media campaign in 2022 in the Southeast and Northeast (where we were successfully able to fundraise). In total, the ad received over 38M digital media impressions, reaching over 2M millennials (aged 25-40) multiple times during its 6-week run. Moreover, the digital media initiative resulted in a statistically significant + 6% increase in strong positive perceptions of community impact.

In this session, LeRoy Coleman will highlight NHA's plans to build on this effort in the Southeast, Northeast, and Midwest and seek feedback on our proposed theme: how hydropower complements other variable renewables.

Agenda Item 13, Leveraging Waterpower Week in Washington

Recommended Action: Informational only

Background: Waterpower Week 2023 is here! Hear from Marla Barnes and Francesca Hadjimichael on how best to leverage all the activities occurring during this week as we work to elevate the industry's voice with D.C. policy makers.

In addition to the tremendous three-day agenda, the week includes a legislative reception on Capitol Hill (Monday event; Board is invited!), an Advocacy Day (Tuesday morning, where we hope to shatter prior records of industry outreach to the Hill), a DOE collegiate competition (Board welcome to Sunday afternoon session with the students), the launch of a new Uncommon Dialogue work group on work force development (Wednesday afternoon), and an invitation-only DOE Hydropower Manufacturers Roundtable (Monday morning). Rest up as its going to be a busy week!

Agenda Item 14, New Items for Board

Recommended Action: Information only.

Background: This session is set aside for any Board member to raise additional items not previously discussed.

Agenda Item 15, Executive Session

Recommended Action: Information only.

Background: Executive Sessions are portions of the Board meeting that only Board members attend. Staff and other attendees are excluded to allow for candid and confidential conversations between Board members and the CEO. Agenda items for Executive Session should be brought to the Board Chair's attention in advance.



2022 BY THE NUMBERS



CONNECT



ADVOCATE



INFORM



IMPLEMENT



CONNECT

206% increase in Clean Currents 2022 attendees from previous year

196 number of speakers at Clean Currents 2022

97 number of speakers at 2022 NHA regional meetings

87% Clean Currents 2022 exhibitors rebooked for Clean Currents 2023

INFORM



2M number of millennials reached by NHA's digital advertising campaign

6% increase in hydropower's favorability as a result of NHA's digital advertising campaign

7,200 recipients of NHA's POWERHOUSE weekly email (26% increase from previous year)

49% POWERHOUSE email open rate (25% increase from previous year)

265 number of event reports in NHA's Operational Excellence database



ADVOCATE

30% Inflation Reduction Act contained a new 10-year, 30% Energy Storage Tax Credit for pumped storage hydropower

IMPLEMENT



300+ number of NHA member organizations (an all-time high!)

95% NHA member organization retention rate

54 new member organizations in 2022

44% of member organizations participated in committees or councils



NHA

PRICELESS Inflation Reduction Act included 10-year extension of existing Hydropower & Marine Energy PTC & ITC tax credits

\$120M FY23 appropriations for marine energy (a new record)

\$59M FY23 appropriations for conventional hydro (a new record)



FINANCIAL REPORT

TO: NHA Board of Directors
FROM: Thomas St. John, Treasurer
DATE: April 28, 2023
RE: NHA Treasurer's Report

Unaudited financial statements through March 31st are submitted for review.

SUMMARY:

NHA is off to a strong start in 2023. At the end of the first quarter, membership and other program revenues are strong with 78% of the budgeted revenue having been recognized. As the year progresses, we expect expenses to continue accruing and come into line with the annual budget. NHA's cash position remains strong with over \$1.7M held in the operating account. The investment account held \$3.15M, up from \$2.7M this time last year. Receivables are up and liabilities are down compared to the same period in 2022.

SIGNIFICANT ITEMS TO NOTE:

Membership – Membership is looking strong with 87% of budgeted revenue collected through the first quarter.

Policy Advocacy – Policy Advocacy revenue has reached 89% of the annual budget. Revenue comes from pledges of Powerhouse Sponsorships and members joining the Deep Dive Policy Group.

Clean Currents – The Clean Currents Meeting has brought in 60% of its budgeted revenue despite being 7 months out. Expenses are considerably under budget, but we expect those to come in line as we get closer to the meeting in October.

Water Power Week – The Waterpower Week meeting has recognized 62% of budgeted revenue with a little more than a month to go until the event. Expenses are also low through March, but should show up on the 2nd quarter statements.

OTHER NOTES:

Investments are down across the board, due to continued declines in the stock market. Consistent with NHA's investment policy, only 18% of NHA's financial assets held in the brokerage account are invested in equities.

NHA's liquid asset balance was \$4.88M at the end of the 1st quarter, down from \$3.49M at the end of 2022. NHA is usually cash heavy at the beginning of the year due to membership and early event related collections, but cash balances diminish as expenses come in throughout the year.



National Hydropower Association
STATEMENTS OF FINANCIAL POSITION - UNAUDITED
As of March 31, 2023

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,727,593	\$ 2,285,578
Investments	3,149,098	2,713,938
Accounts receivable	1,175,310	815,801
Prepaid expenses	78,573	63,037
Property and equipment, net	53,713	286,426
Other assets	976,313	90,768
TOTAL ASSETS	7,160,599	6,255,547
LIABILITIES		
Accounts payable and accrued expenses	59,172	156,541
Payroll liabilities	91,236	105,213
Deferred rent	999,365	696,762
TOTAL LIABILITIES	1,149,772	958,516
NET ASSETS		
Ending Net Assets	6,010,826	5,297,031
TOTAL NET ASSETS	6,010,826	5,297,031
TOTAL LIABILITIES AND NET ASSETS	\$ 7,160,599	\$ 6,255,547



National Hydropower Association
STATEMENT OF ACTIVITIES - UNAUDITED
for the three months ended March 31, 2023

	Jan-Mar 2023 Actuals	2023 Annual Budget
REVENUE		
Membership and G&A	2,971,407	3,398,319
Policy Advocacy	208,417	235,000
Tech Insights and Public Affairs	30,000	-
Clean Currents	1,175,390	1,964,674
Waterpower Week	245,870	395,000
Other Events	159,105	185,000
TOTAL OPERATING REVENUE	4,790,189	6,177,993
EXPENSES		
Salaries, Benefits, and Temp Help	591,034	2,292,041
Membership and G&A	183,621	1,003,200
Policy Advocacy	59,242	986,875
Tech Insights and Public Affairs	49,884	669,800
Clean Currents	78,384	1,324,228
Waterpower Week	26,019	278,225
Other Events	16,290	54,711
TOTAL OPERATING EXPENSES	1,004,473	6,609,081
CHANGE IN OPERATING NET ASSETS	3,785,715	(431,088)
Investment Activity, Net	(21,616)	-
TOTAL CHANGE IN NET ASSETS	3,764,099	(431,088)



2023 Membership Update

As of April 27, 2023, Page 1 of 2

2023 By the Numbers

Overall # of Organizations	316
# of New Members so far (list on page 2)	19
Collected Dues	\$3,068,472 (<i>\$740K of this was collected since last board meeting</i>)
# of Dropped Members so far	4

Actions for 2023 Q2

- Continue to collect dues payments for 2023 (~\$335,265 left to collect from 54 organizations) – on track to meet membership dues 2023 budget
- Continue contacting each organization that did not participate in any members-only activities, to determine the “why” and find out how NHA can be more valuable to these organizations
- Continue to engage with top prospects, re: value of membership, to get commitments for 2023:
 - ABB
 - Alliant Energy
 - Avista
 - City of Sturgis, Michigan
 - Dairyland Power Cooperative
 - Hull Street Energy
 - Los Angeles Department of Water and Power
 - Oklahoma Municipal Power Authority
 - Portland General Electric
 - Western Area Power Administration
 - Xcel Energy
 - Clean Currents’ 2023 Exhibiting Companies Who Are Not Yet Members

2023 Membership Update

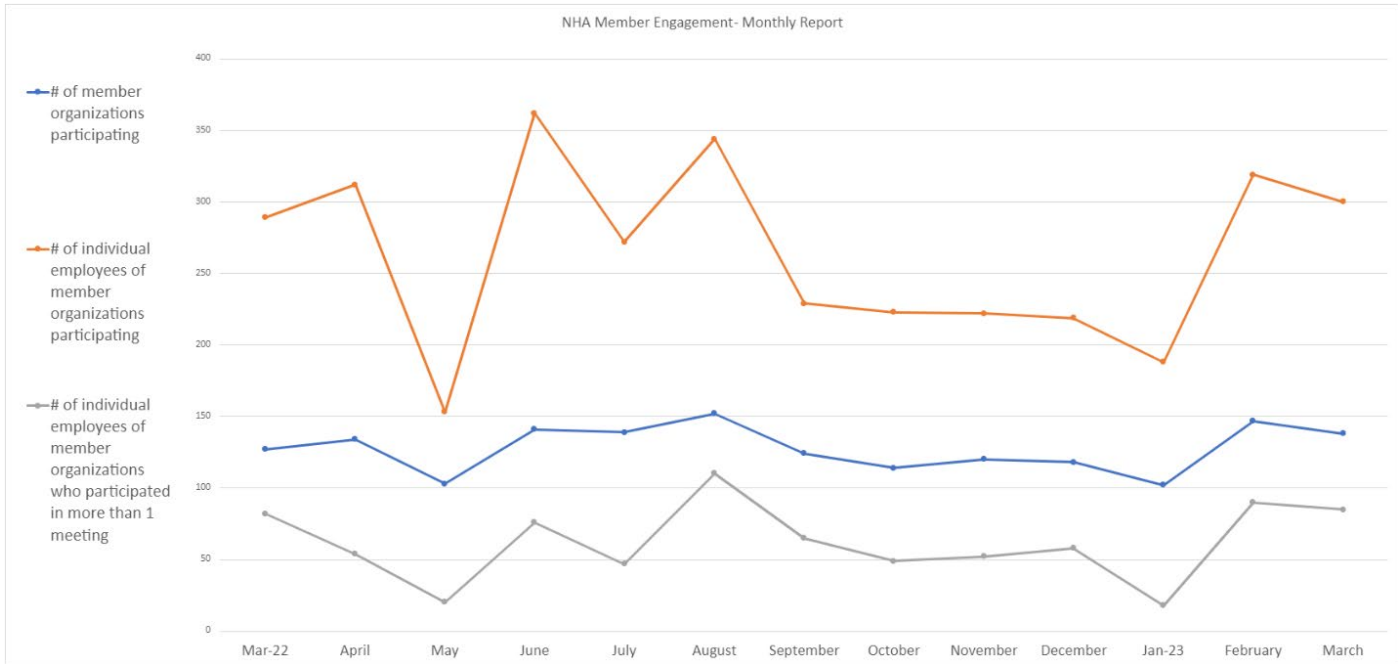
As of April 27, 2023, Page 2 of 2

Member Organizations Joining in 2023

(= those who've joined since last board meeting)*

Agilias Energy*
Anchor Coalition
Bechtel*
California State Polytechnic San Luis Osbispo
Chalmers & Kubeck (C&K)
Douglas County PUD
El Dorado Irrigation District
Gatto Construction Services
Global Diving and Salvage
Global Infrastructure Associates*
Hydro Tech Inc.
KGS Group International Inc. Usa
L&H Industrial
LaBella*
LAPCO (Lynchburg Air Preheater Corp.)
Petrotech, Inc.
Techno Hydro
Thorndike Energy LLC*
Tide Mill Institute

Membership Engagement Data



NHA Member Engagement - Monthly Report	January 2023/(2022)	February 2023/(2022)	March 2023/(2022)
<i># of member organizations participating</i>	102 / (148)	147 / (140)	138 / (127)
<i># of member organizations who participated in more than 1 meeting</i>	48 / (81)	85 / (82)	85 / (76)
<i># of individual employees of member organizations participating</i>	188 / (371)	319 / (283)	300 / (289)
<i># of individual employees of member organizations who participated in more than 1 meeting</i>	18 / (78)	90 / (99)	88 / (82)
<i># of participants that were added to AMS (captured from committee/council calls) - this represents "new" participants</i>	11 / (13)	9 / (11)	6 / (13)
Number of Meetings	5 / (6)	13 / (9)	12 / (8)

NHA Member Engagement - Monthly Report	January	February	March
<p><i>Committees/councils who met and attendance numbers</i></p> <p>In 2023</p>	<p>Asset Owner Only - 1/31 - 63 FLOW - 1/19- 45 Markets - 1/9 - 33 Regulatory -- Working Group interested in License Amendments for non-capacity related investments/O&M investments - 1/13 - 32 Marine Energy Council (MEC) Featured Presentation - 1/17 - 32</p>	<p>Legislative Affairs - 2/7/23 - 69 Regulatory Affairs - 2/21/23 - 69 Public Affairs - Briefing for Members on Digital Ad Campaign Results - 2/14/23 - 41 Markets - 2/6/23 - 37 Marine Energy Council - 2/7/23 - 36 FLOW - 2/16/23 - 35 Public Affairs - 2/9/23 - 31 Extended Leadership Monthly Call - 2/2/23 - 26 Regulatory - 247 Response Meeting #1 - 2/13/23- 24 Board of Directors Orientation - 2/10/2023 - 23 Marine Energy Council (MEC) Featured Presentation - 2/21/23 - 18 Regulatory - 247 Response Meeting #2 - 2/15/23 - 15 Deep Dive Policy Team Kick-Off - 2/22/23 - 13</p>	<p>Pumped Storage Development Council - 3/10 - 67 Legislative Affairs - 3/7 - 59 Regulatory Affairs - 3/21 - 57 Small Hydro - 3/30 - 45 Markets - 3/6 - 41 Marine Energy Council - 3/7 - 32 FLOW - 3/16 - 30 Meeting to Discuss 242/243 Draft Guidance and DOE Listening Session - 3/30 - 28 Board of Directors Meeting - 3/1 and 3/2 - 25 Marine Energy Council (MEC) Feature Presentation - 3/21 - 24 NHA Inflation Reduction Act - 48C(e) and Future Priorities - 3/6 - 22 Markets - PJM Hydro Caucus - 3/24 - 8</p>
<p><i>Committees/councils who met and attendance numbers</i></p> <p>In 2022</p>	<p>Hydraulic Power Committee/Regulatory Affairs Committee Joint Meeting (1/12/22), 192 Regulatory Affairs (1/24/22), 102 Legislative Affairs (1/10/22), 68 Marine Energy Council (1/4/22 and 1/18/22), 61 FLOW (1/20/22), 23 Extended Leadership Monthly Call (1/7/22), 17</p>	<p>Regulatory Affairs (2/28/22), 89 Legislative Affairs (2/7/22), 77 Public Affairs (2/3/22), 70 Pumped Storage (2/16/22), 51 Board of Directors (2/15/22 and 2/17/22), 51 Asset Owners (2/15/22), 41 Extended Leadership Monthly Call (2/4/22), 35 Marine Energy Council (2/1/22), 30 FLOW (2/17/22), 19</p>	<p>Member Meeting-Special Briefing on License Reform (3/15/22), 158 Legislative Affairs (3/7/22), 72 Extended Leadership Monthly Calls (3/4/22 and 3/25/22), 57 total Markets Committee (3/10/22), 52 Waterpower Innovation Council (3/2/22), 37 Marine Energy Council (3/1/22), 22 Board of Directors (3/11/22), 20 FLOW (3/17/22), 13</p>

Notes about April 2023

Attendance at April member offerings was at an all-time high, with two Ask the Expert: Government Funding sessions and the first Hydropower Technical Community (HTC) Lunch and Learn.

The Ask the Expert with the USDA was attended by 274 contacts of member organizations and the DOE LPO session was attended by 275 member contacts. The Hydropower Technical Community April Lunch and Learn had 119 member attendees.

These three meetings brought in more attendance combined than the average for attendance at all committee/council/member meetings in a normal month.



**Non-dues Revenue Report
2023 Budget to Actuals**

Waterpower Week	Budget	Actuals to date	% of Actuals to Budget
Reg Revenue	\$320,000.00	\$322,300.00	101%
Reg #	460	440	96%
Sponsorship	\$75,000.00	\$78,500.00	105%
Total Revenue	\$395,000.00	\$ 400,800.00	101%
Total Expenses*	\$ 278,225.00		
Total Net	\$116,775.00		

Clean Currents	Budget	Actuals to date	% of Actuals to Budget
Reg Revenue	\$400,000.00	\$ 550.00	0%
Reg #	1,200	9	1%
Sponsorship	\$375,674.00	\$210,560.00	56%
Exhibits	\$1,189,000.00	\$1,101,430.00	93%
Total Revenue	\$1,964,674.00	\$ 1,312,540.00	67%
Total Expenses*	\$1,324,425.00		
Total Net	\$ 640,249.00		

Regional Meetings	Budget	Actuals to date	% of Actuals to Budget
Reg Revenue	\$ 65,000.00	\$ 35,932.00	55%
Reg #	560	223	40%
Sponsorship	\$ 120,000.00	\$ 140,000.00	117%
Total Revenue	\$ 185,000.00	\$ 175,932.00	95%
Total Expenses*	\$51,836.00		
Total Net	\$133,164.00		

POWERHOUSE	Budget	Actuals to date	% of Actuals to Budget
Sponsorship	\$100,000.00	\$71,417.00	71%
Total Revenue	\$100,000.00	\$71,417.00	71%
Total Expenses*	\$36,100.00		
Total Net	\$63,900.00		

Career Center Job Board	Budget	Actuals to date	% of Actuals to Budget
Revenue	\$8,500.00	\$3,343.20	39%
TOTAL	\$8,500.00	\$3,343.20	39%
Total Expenses			
Total Net			

Deep Dive Policy Team	Budget	Actuals to date	% of Actuals to Budget
Participation	\$110,000.00	\$131,000	119%
TOTAL	\$110,000.00	\$131,000.00	119%
Total Expenses			
Total Net			

Digital Media Campaign	Budget	Actuals to date	% of Actuals to Budget
NHA Budget	\$300,000.00	\$300,000.00	100%
Donations from members		\$293,000.00	
Total Revenue	\$300,000.00	\$593,000.00	
Total Expenses			
Total Net			

Grand Total - Revenue	\$3,063,174.00	\$ 2,688,032.20	88%
------------------------------	-----------------------	------------------------	------------



Financial Statements

For the Years Ended December 31, 2022 and 2021



**and
Report Thereon**



NATIONAL HYDROPOWER ASSOCIATION

TABLE OF CONTENTS
For the Years Ended December 31, 2022 and 2021

	<i>Page</i>
Independent Auditors' Report.....	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-18

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
National Hydropower Association

Opinion

We have audited the financial statements of the National Hydropower Association (NHA), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Hydropower Association as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the National Hydropower Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the National Hydropower Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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 GAAS 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 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 GAAS, we:

- 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 the National Hydropower Association'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the National Hydropower Association's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Marcum LLP

Washington, DC
April 28, 2023

NATIONAL HYDROPOWER ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 938,036	\$ 1,082,618
Investments	2,549,127	2,496,158
Accounts receivable	23,904	289,430
Prepaid expenses and other	54,132	25,934
Property and equipment, net	48,109	305,119
Right of use asset – operating	978,858	-
Security deposits	25,257	90,768
	<u>\$ 4,617,423</u>	<u>\$ 4,290,027</u>
TOTAL ASSETS		
	<u>\$ 4,617,423</u>	<u>\$ 4,290,027</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 397,845	\$ 298,684
Contract liabilities	986,745	1,036,439
Lease liability – operating	990,981	-
Security deposit payable	5,125	-
Deferred rent and lease incentive	-	719,478
	<u>2,380,696</u>	<u>2,054,601</u>
TOTAL LIABILITIES		
	<u>2,380,696</u>	<u>2,054,601</u>
Net Assets		
Without donor restrictions	2,211,727	2,235,426
With donor restrictions	25,000	-
	<u>2,236,727</u>	<u>2,235,426</u>
TOTAL NET ASSETS		
	<u>2,236,727</u>	<u>2,235,426</u>
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 4,617,423</u>	<u>\$ 4,290,027</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL HYDROPOWER ASSOCIATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Membership dues	\$ 3,099,746	\$ -	\$ 3,099,746	\$ 2,912,711	\$ -	\$ 2,912,711
Conference revenue	1,889,531	-	1,889,531	1,293,890	-	1,293,890
Sponsorships and contributions	867,565	421,550	1,289,115	1,018,170	-	1,018,170
In-kind contributions	25,000	-	25,000	25,000	-	25,000
Government grants – PPP and ERTC	-	-	-	362,743	-	362,743
Miscellaneous income	28,749	-	28,749	61,403	-	61,403
Meeting revenue	5,516	-	5,516	47,512	-	47,512
Investment income (loss), net	(158,138)	-	(158,138)	107,301	-	107,301
Net assets released from restriction:						
Satisfaction of time restrictions	-	-	-	122,850	(122,850)	-
Satisfaction of program restrictions	396,550	(396,550)	-	73,525	(73,525)	-
TOTAL OPERATING REVENUE AND SUPPORT	6,154,519	25,000	6,179,519	6,025,105	(196,375)	5,828,730
OPERATING EXPENSES						
Program Services:						
Industry connections	2,236,907	-	2,236,907	2,227,944	-	2,227,944
Policy improvements	1,295,600	-	1,295,600	1,435,634	-	1,435,634
Technology insights and public affairs	1,187,459	-	1,187,459	631,956	-	631,956
Membership	202,330	-	202,330	136,777	-	136,777
Total Program Services	4,922,296	-	4,922,296	4,432,311	-	4,432,311
Supporting Services:						
General and administrative	1,255,922	-	1,255,922	732,136	-	732,136
Total Supporting Services	1,255,922	-	1,255,922	732,136	-	732,136
TOTAL OPERATING EXPENSES	6,178,218	-	6,178,218	5,164,447	-	5,164,447
CHANGE IN NET ASSETS	(23,699)	25,000	1,301	860,658	(196,375)	664,283
NET ASSETS, BEGINNING OF YEAR	2,235,426	-	2,235,426	1,374,768	196,375	1,571,143
NET ASSETS, END OF YEAR	\$ 2,211,727	\$ 25,000	\$ 2,236,727	\$ 2,235,426	\$ -	\$ 2,235,426

The accompanying notes are an integral part of these financial statements.

NATIONAL HYDROPOWER ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services						
	Industry Connections	Policy Improvements	Technology Insights and Public Affairs	Membership	Total Program Services	General and Administrative	Total Expenses
Payroll and benefits	\$ 394,683	\$ 622,761	\$ 348,354	\$ 127,747	\$ 1,493,545	\$ 617,030	\$ 2,110,575
Consulting	447,000	434,564	609,128	6,793	1,497,485	3,911	1,501,396
Meetings	1,124,981	6,842	963	1,561	1,134,347	6,862	1,141,209
Rent	59,831	94,405	52,807	19,365	226,408	93,536	319,944
Loss from termination of operating lease	-	-	-	-	-	274,286	274,286
Travel	28,295	24,404	23,437	18,275	94,411	33,365	127,776
Accounting	22,966	36,238	20,271	7,434	86,909	35,905	122,814
Advertising	80,892	819	27,952	7,073	116,736	556	117,292
Depreciation and amortization	12,065	19,037	18,148	3,905	53,155	18,862	72,017
Bank and credit card charges	50,874	20	3,925	1,380	56,199	10,116	66,315
Web service	38	-	38,583	3,451	42,072	18,030	60,102
Memberships and seminars	760	41,631	6,163	1,435	49,989	2,133	52,122
Outside services	546	-	-	504	1,050	46,711	47,761
Legal	2,299	1,971	-	-	4,270	32,300	36,570
Publications and subscriptions	127	977	27,506	-	28,610	2,667	31,277
Telephone	81	121	101	93	396	18,785	19,181
Office expense and supplies	2,503	3,949	2,209	810	9,471	3,913	13,384
Catering/AV/Events	-	-	1,377	-	1,377	11,956	13,333
Maintenance and repairs	2,264	3,572	1,998	732	8,566	3,539	12,105
Printing and copying	3,982	864	281	974	6,101	5,602	11,703
Insurance	1,258	1,985	1,110	407	4,760	1,966	6,726
Miscellaneous	-	-	119	-	119	4,968	5,087
Education	549	-	2,295	-	2,844	1,239	4,083
Equipment rental	541	853	477	175	2,046	845	2,891
Meals and entertainment	187	587	255	190	1,219	1,381	2,600
Loss on disposal of property and equipment	-	-	-	-	-	2,109	2,109
Delivery	185	-	-	26	211	1,772	1,983
Interns	-	-	-	-	-	1,411	1,411
Interest expense	-	-	-	-	-	166	166
TOTAL EXPENSES	\$ 2,236,907	\$ 1,295,600	\$ 1,187,459	\$ 202,330	\$ 4,922,296	\$ 1,255,922	\$ 6,178,218

The accompanying notes are an integral part of these financial statements.

NATIONAL HYDROPOWER ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services						
	Industry Connections	Policy Improvements	Technology Insights and Public Affairs	Membership	Total Program Services	General and Administrative	Total Expenses
Payroll and benefits	\$ 369,387	\$ 627,739	\$ 306,697	\$ 92,078	\$ 1,395,901	\$ 568,578	\$ 1,964,479
Consulting	499,938	479,004	37,395	-	1,016,337	7,531	1,023,868
Meetings	1,082,876	103	386	-	1,083,365	269	1,083,634
Rent	87,689	149,019	72,807	21,858	331,373	-	331,373
Travel	20,378	9,902	2,160	1,791	34,231	3,139	37,370
Accounting	31,560	53,633	26,204	7,867	119,264	-	119,264
Advertising	63,035	-	66,585	1,000	130,620	-	130,620
Depreciation and amortization	13,606	23,123	11,297	3,392	51,418	20,943	72,361
Bank and credit card charges	29,881	-	-	958	30,839	7,873	38,712
Web service	76	159	41,680	4,689	46,604	2,241	48,845
Memberships and seminars	-	22,399	-	75	22,474	440	22,914
Outside services	570	-	-	-	570	25,920	26,490
Legal	2,767	35,157	-	-	37,924	25,420	63,344
Publications and subscriptions	-	3,109	27,575	-	30,684	1,324	32,008
Telephone	483	1,426	940	518	3,367	15,769	19,136
Office expense and supplies	2,273	3,863	1,887	567	8,590	-	8,590
Catering/AV/Events	14,082	-	36	-	14,118	8,596	22,714
Maintenance and repairs	-	-	-	-	-	11,791	11,791
Printing and copying	79	-	10,514	-	10,593	5,406	15,999
Insurance	6,876	11,685	5,709	1,714	25,984	-	25,984
Miscellaneous	-	-	18,250	-	18,250	6,450	24,700
Education	-	1,681	75	-	1,756	525	2,281
Equipment rental	956	1,627	795	239	3,617	-	3,617
Meals and entertainment	547	1,715	964	31	3,257	12,177	15,434
Delivery	885	-	-	-	885	434	1,319
Intern programs	-	10,290	-	-	10,290	7,310	17,600
TOTAL EXPENSES	\$ 2,227,944	\$ 1,435,634	\$ 631,956	\$ 136,777	\$ 4,432,311	\$ 732,136	\$ 5,164,447

The accompanying notes are an integral part of these financial statements.

NATIONAL HYDROPOWER ASSOCIATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,301	\$ 664,283
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization of operating right of use assets	11,246	-
Depreciation and amortization	72,017	72,361
Loss on disposal of property and equipment	2,109	-
Loss from termination of operating lease, including disposal of leasehold improvements	274,286	-
Net realized and unrealized losses (gains)	260,273	(40,612)
Changes in assets and liabilities:		
Accounts receivable	265,526	(275,189)
Prepaid expenses and other	(28,198)	21,973
Security deposits	65,511	-
Accounts payable and accrued expenses	99,161	119,825
Contract liabilities	(49,694)	(516,033)
Deferred rent and lease incentive	-	(81,682)
Lease liability	(679,444)	-
Security deposit payable	5,125	-
	299,219	(35,074)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	951,611	1,705,657
Purchases of investments	(1,374,723)	(1,713,708)
Purchases of property and equipment	(20,689)	(25,892)
	(443,801)	(33,943)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(144,582)	(69,017)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,082,618	1,151,635
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 938,036	\$ 1,082,618

The accompanying notes are an integral part of these financial statements.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies

Organization

The National Hydropower Association (NHA) was incorporated on March 4, 1983, under the laws of the District of Columbia. It was formed to promote the development of hydropower as an environmentally superior alternative to energy systems that depend on depletable fuels. NHA is a trade association with a membership that spans the breadth of the industry and includes representatives from utility and other professional companies that work with hydropower resources. NHA's activities are funded primarily from membership dues, conference and meeting revenue, and sponsorships.

Basis of Presentation

The financial statements are presented using the accrual method of accounting. Revenue and support are recognized when earned or when unconditional contributions are made. Expenses are reported when obligations are incurred.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and all highly liquid investments.

Accounts and Pledges Receivable

Trade receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on the review of all outstanding amounts. Unconditional pledges are recorded at their net realizable value. Management determines the allowance for doubtful receivables by reviewing all outstanding amounts for possible uncollectibility. Receivables are charged to the allowance account when deemed uncollectible. As of December 31, 2022 and 2021, all receivables are deemed to be fully collectible within one year. Account receivable at January 1, 2021 was \$14,241.

Investments

Investments consist of certificates of deposit, government bonds and common stocks. These investments are recorded in the accompanying financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses are determined by a comparison of average costs at the investment's acquisition to the proceeds at the time of its sale. Unrealized gains or losses are determined by comparison of the investment's acquisition cost to its fair value at year-end.

Fair Value of Financial Instruments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP), and requires disclosures about fair value measurement for assets and liabilities measured at fair value on a recurring basis.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurement, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement. These investments include securities that are not readily marketable and do not have an active market.

Only NHA's investments are measured at fair value on a recurring basis, as disclosed in Note 2.

Property and Equipment and Related Depreciation and Amortization

Property and equipment acquisitions in excess of \$1,000 or more are capitalized and recorded at cost. Depreciation on computer equipment and furniture and fixtures is provided for on a straight-line basis over the estimated useful lives of the assets, which range from three to 10 years. Computer software and website design are recorded at cost and amortized using the straight-line method over three to five years. Leasehold improvements are amortized over the shorter of the lease term or useful life. Major additions are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in the accompanying statements of activities.

Classification of Net Assets

The net assets of NHA are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of NHA's operations.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Sponsorships, Contributions and Grants

NHA recognizes all unconditional contributed support, including some sponsorships or portions thereof, in the period in which the commitment is made. Unconditional contributions are considered without donor restriction and available to support general operations unless specifically restricted by the donor. NHA reports contributions as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When a stipulated time restriction ends or the purpose of a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Conditional promises to give are not included as support until such time as the conditions are substantially met. Amounts received in advance are recorded as refundable advances.

During the year ended December 31, 2021, NHA received certain government assistance, including a \$221,075 loan under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) and a payroll tax credit totaling \$141,668 under the Employee Retention Tax Credit (ERTC), both of which NHA elected to record as conditional grants, as NHA satisfied the eligibility requirements for forgiveness under the PPP, and met eligibility requirements to receive the ERTC, by incurring the necessary qualifying expenditures. As the conditions were satisfied during the year ended December 31, 2021, the PPP loan proceeds and ERTC were recognized as government grants – PPP and ERTC in the accompanying statement of activities.

Program Income

Program income consists of membership dues and conference and meeting revenues, which primarily consist of registrations, exhibitor fees and sponsorships. Membership dues are offered on a calendar basis and members that join during the year are prorated. NHA recognizes revenue from these services ratably over the membership term. Membership benefits are provided to members over the entire membership period. Conference and meeting revenues, including sponsorships to the extent of the benefits received by the sponsor, are recognized at the point in time that the conference or meeting event occurs. Revenue from these activities received in advance of the actual service is reported as contract liabilities in the accompanying statements of financial position, and are expected to be recognized as revenue within the next year. Contract liabilities at January 1, 2021 were \$1,552,472.

Donated Services

Donated services are recognized in the accompanying financial statements if the services enhance or create nonfinancial assets or if they require specialized skills that would be purchased if not donated.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Costs that can be identified as wholly related to particular programs or support functions are charged directly to those programs

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2022 and 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

or functions. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each purpose. Other allocable costs have been allocated to program services and to supporting services based upon direct labor. Certain general and administrative costs, such as accounting fees, insurance, office expenses and rent, are combined in a cost pool and are allocated based on time and effort.

Advertising and Promotion Costs

NHA expenses the costs of advertising and promotion as incurred.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The standard applies a right-of-use model that requires, all leases with a lease term of more than 12 months, to recognize an asset representing its right to use the underlying asset for the lease term and liability to make lease payments to be recorded. NHA elected not to restate the comparative period. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, (iii) initial direct costs for existing leases. NHA adopted ASC 842 related to its existing operating office and copier leases effective January 1, 2022, and its new operating office lease effective December 1, 2022, by determining if an arrangement contains a lease at inception based on whether NHA has the right to control the asset during the contract period and other facts and circumstances. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with NHA's historical accounting treatment. The adoption of ASC 842 did not have a material impact on NHA's results of operations and cash flows. See Note 4.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. NHA adopted ASU 2020-07 retrospectively on January 1, 2021. The adoption of the standard did not result in a material change to the financial statements.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

2. Investments and Fair Value Measurement

The following table summarizes NHA's investments measured at fair value on a recurring basis as of December 31, 2022:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Certificates of deposit	\$ 1,959,355	\$ -	\$ 1,959,355	\$ -
Common stocks:				
Financial	114,036	114,036	-	-
Consumer goods	113,810	113,810	-	-
Healthcare	97,949	97,949	-	-
Energy	71,837	71,837	-	-
Industrial goods	46,852	46,852	-	-
Communication services	44,243	44,243	-	-
Utilities	32,141	32,141	-	-
Technology	28,872	28,872	-	-
Real estate	19,730	19,730	-	-
Basic materials	<u>14,658</u>	<u>14,658</u>	<u>-</u>	<u>-</u>
Total Common Stocks	<u>584,128</u>	<u>584,128</u>	<u>-</u>	<u>-</u>
Government bonds	<u>5,644</u>	<u>-</u>	<u>5,644</u>	<u>-</u>
Total Investments	<u>\$ 2,549,127</u>	<u>\$ 584,128</u>	<u>\$ 1,964,999</u>	<u>\$ -</u>

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

2. Investments and Fair Value Measurement (continued)

The following table summarizes NHA's investments measured at fair value on a recurring basis as of December 31, 2021:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Certificates of deposit	\$ 1,878,604	\$ -	\$ 1,878,604	\$ -
Common stocks:				
Financial	126,386	126,386	-	-
Consumer goods	122,590	122,590	-	-
Healthcare	88,260	88,260	-	-
Energy	54,584	54,584	-	-
Communication services	51,543	51,543	-	-
Technology	50,675	50,675	-	-
Industrial goods	31,392	31,392	-	-
Real estate	28,723	28,723	-	-
Utilities	27,199	27,199	-	-
Basic materials	<u>25,664</u>	<u>25,664</u>	<u>-</u>	<u>-</u>
Total Common Stocks	607,016	607,016	-	-
Government bonds	<u>10,538</u>	<u>-</u>	<u>10,538</u>	<u>-</u>
Total Investments	<u>\$ 2,496,158</u>	<u>\$ 607,016</u>	<u>\$ 1,889,142</u>	<u>\$ -</u>

NHA used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Certificates of deposit – Valued on the basis of current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news.

Common stocks – Valued at the closing price reported in the active market in which the individual stocks are traded.

Government bonds – Valued by a computerized pricing service or by utilizing a yield-based matrix system to arrive at an estimated fair value.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2022 and 2021

3. Property and Equipment and Accumulated Depreciation and Amortization

NHA's property and equipment consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ -	\$ 432,534
Website design	158,904	158,904
Computer equipment	89,302	95,589
Furniture and fixtures	75,749	81,168
Computer software	<u>27,106</u>	<u>29,106</u>
Total Property and Equipment	351,061	797,301
Less: Accumulated Depreciation and Amortization	<u>(302,952)</u>	<u>(492,182)</u>
Property and Equipment, Net	<u>\$ 48,109</u>	<u>\$ 305,119</u>

Depreciation and amortization expense totaled \$72,017 and \$72,361 for the years ended December 31, 2022 and 2021, respectively.

4. Commitments

Operating Leases

On November 15, 2016, NHA entered into a noncancelable lease agreement for its current office space that commenced on November 15, 2016, and will terminate on May 18, 2028. The agreement allows for abatement of a portion of the monthly rent through May 2018 and requires monthly rental payments of \$4,256, subject to annual fixed escalations. Beginning in June 2018, monthly rental payments under the agreement increased to \$31,012, subject to annual fixed escalations. In addition to the minimum rental payments, NHA is obligated to pay its pro rata share of the building's real estate and operating expenses after the abatement period ends. In September 2022, NHA and their landlord entered into a termination agreement, effective December 1, 2022, with a termination fee of \$704,852. The lease termination resulted in the removal of the associated leasehold improvements, right of use asset and lease liability as of December 1, 2022, and a recognition of a loss from termination of operating lease in the amount of \$274,286, as recorded in the accompanying statement of functional expenses.

On June 13, 2019, NHA entered into a noncancelable lease agreement for use of a copy machine that commenced on June 13, 2019 and will terminate on June 12, 2024. On January 1, 2022, this lease was converted to an operating right of use asset and operating lease liability under the terms of ASC 842, *Leases*.

In September 2022, NHA entered into a noncancelable lease agreement for its current office space that commenced on December 1, 2022 and will terminate on November 30, 2030. The agreement allows for abatement of a portion of the monthly rent through November 2023 and requires monthly rental payments of \$12,473, subject to annual fixed escalations. In addition to the minimum rental payments, NHA is obligated to pay its pro rata share of the building's real estate and operating expenses at commencement of the lease.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2022 and 2021

4. Commitments (continued)

Operating Leases (continued)

This new lease and the pre-existing lease are accounted for in accordance with ASC 842, *Leases*, and an operating lease liability is recorded based on the present value of the future payments of the leases, discounted at a risk-free rate of 3.62% as of the date of the lease inception. NHA has established an operating right of use asset equal to the remaining lease liability under the lease agreements.

The future minimum lease payments owed by NHA under these leases are as follows:

<u>For the Year Ending December 31,</u>	<u>Rental Payments</u>
2023	\$ 15,423
2024	154,747
2025	157,575
2026	161,514
2027	165,552
Thereafter	<u>506,708</u>
Total	1,161,519
Less: Present Value Discount	<u>(170,538)</u>
Lease Liability	<u>\$ 990,981</u>

For the year ended December 31, 2022, total operating lease cost was \$319,944. Cash paid for operating leases, including the lease termination fee, totaled \$992,681 for the year ended December 31, 2022. Rent expense totaled \$331,373 for the year ended December 31, 2021.

Concentration of Credit Risk

NHA maintains its cash and cash equivalents with a certain commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2022 and 2021, NHA had approximately \$763,000 and \$1,082,000, respectively, of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$513,000 and \$832,000, respectively. NHA monitors the creditworthiness of the institution and has not experienced any credit losses on its cash and cash equivalents.

Employment Agreement

On July 21, 2019, NHA signed a five-year employment agreement with its President and Chief Executive Officer. Under the terms of the agreement, if NHA terminates the agreement for reasons other than cause or disability, the President and Chief Executive Officer is entitled to receive severance compensation equal to six months of base salary, plus four weeks of base salary for every year or partial year employed under the agreement.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2022 and 2021

4. Commitments (continued)

Hotel Commitments

NHA has entered into agreements with hotels providing accommodations for conferences to be held through 2025. These agreements contain clauses whereby NHA is liable for liquidated damages in the event of cancellation. The maximum possible amount of liquidated damages was approximately \$72,000 as of December 31, 2022.

5. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2022, were restricted for the purpose of the digital media campaign. NHA had no net assets with donor restrictions as of December 31, 2021.

Net assets with donor restrictions released from program restrictions for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Digital Media Campaign	\$ 366,550	\$ -
EPA's Clean Water Act sec 401 Final Rule	30,000	73,525
Time Restriction	<u>-</u>	<u>122,850</u>
Total Released from Net Assets With Donor Restrictions	<u>\$ 396,550</u>	<u>\$ 196,375</u>

6. Pension Plan

NHA has a Savings Incentive Match Plan for Employees Individual Retirement Account plan available to employees. Participants may make pre-tax contributions not to exceed amounts allowable under applicable provisions of the Internal Revenue Code (the IRC). The plan allows for matching contributions at the discretion of the Board of Directors (the Board). For the years ended December 31, 2022 and 2021, the Board authorized an employee contribution match of 6% of base salary. Retirement plan expenses totaled \$56,877 and \$74,548 for the years ended December 31, 2022 and 2021, respectively.

7. Income Taxes

NHA qualifies as a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code (IRC) and is classified as a publicly supported organization under Section 509(a)(1) of the IRC. No provision for income taxes is required for the years ended December 31, 2022 and 2021, as unrelated business income was insignificant.

NHA has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. NHA reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources, and the tax

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

7. Income Taxes (continued)

treatment thereof, to identify any uncertainty in income taxes. For the years ended December 31, 2022 and 2021, management did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. NHA's tax returns are subject to possible examination by the taxing authorities; however, there are currently no examinations pending or in progress. For federal tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

It is NHA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

8. Donated Services

NHA received donated legal services totaling \$25,000 that contained no donor restrictions and that were valued at the estimated cost of the services provided in each of the years ended December 31, 2022 and 2021. These donated services are included in legal expenses in the accompanying statements of functional expenses.

9. Liquidity and Availability

NHA's working capital and cash flows have fluctuations during the year attributable to timing of member dues payments and conference registrations. The following reflects NHA's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year of the statement of financial position date. Amounts not available include net assets with donor-imposed time or purpose restrictions are as follows:

	2022	2021
Financial assets available at year-end:		
Cash and cash equivalents	\$ 938,036	\$ 1,082,618
Investments	2,549,127	2,496,158
Accounts receivable	23,904	289,430
Total	3,511,067	3,868,206
Less: Net assets with donor purpose restrictions	(25,000)	-
Financial Assets Available To Meet General Expenditures Over the Next 12 Months	\$ 3,486,067	\$ 3,868,206

As part of its liquidity plan, NHA invests excess cash in short-term and long-term investments, including certificates of deposit, government bonds and common stocks, all of which are liquid investments. NHA's reserve goal is to retain financial assets of between six and 12 months of budgeted operating expenses, which is deemed sufficient given the stability of its cash receipts from its membership dues and conference registration revenues. The Board has agreed to allow the reserve balance to climb above the six-month threshold due to additional projected future expenses related to conference management.

NATIONAL HYDROPOWER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

10. Reclassification

Certain reclassifications to the prior year financial statements have been made to conform to the current year presentation.

11. Subsequent Events

In preparing these financial statements, the NHA has evaluated events and transactions, for potential recognition or disclosure, through April 28, 2023, the date the financial statements were issued.

April 28, 2023

To the Board of Directors of the
National Hydropower Association

We have audited the financial statements of National Hydropower Association (NHA) for the year ended December 31, 2022, and have issued our report thereon dated April 28, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 5, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NHA's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of NHA solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of NHA and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to NHA or to acts by management or employees acting on behalf of NHA. We generally communicate our significant findings at the conclusion of the audit. We also communicate any internal control related matters that are required to be communicated under professional standards.

As part of our audit, professional standards require us to perform risk assessment procedures that are sufficient to provide a reasonable basis for identifying and assessing the risks of material misstatement due to error or fraud, and designing further audit procedures. We are also required

to determine whether any risks we have identified and assessed are significant risks that require special attention. Based on our risk assessment process we determined that the following risks are significant risks:

- Management override of internal controls
- Improper revenue recognition
- Implementation of new accounting standards

Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practice

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by NHA are described in Note 1 to the financial statements. ASC 842, *Leases*, and ASU 2020-07, *Presentation for Contributed Assets*, were adopted in the year. The application of other existing policies was not changed during 2022. We noted no transactions entered into by NHA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allocation of functional expenses is described in Note 1 of the financial statements. We evaluated the key factors and assumptions used to develop the allocation of functional expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the lease liability and related right of use asset under ASC 842, *Leases*.

The financial statement disclosures are neutral, consistent, and clear.

Independence

During the year ended December 31, 2022, we were engaged to provide non-attest services, which included assisting management with the preparation of the financial statements and tax returns. We reviewed the nature of the requested work, our role and management's role and determined that our independence would not be impaired, in fact or appearance.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The attached schedule A of audit adjustments, which have been recorded in the books and records have been reviewed and approved by management and reflected properly in the financial statements and footnotes.

The attached schedule B summarizes uncorrected financial statement misstatements whose effects, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Such determination included appropriate qualitative considerations. Management has also considered the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 28, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to NHA's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our

professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as NHA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

Our consideration of internal control was for the limited purpose described in the section above titled *Our Responsibility for U.S. GAAS* and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NHA's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following in NHA's internal control to be a significant deficiency:

Revenue Recognition

NHA periodically raises contributions from its members to fund specific programmatic initiatives that could not otherwise be funded from other operating revenues. These contributions should be recognized as donor restricted support upon the members making the promise and being invoiced for said promise. We noted that some these contributions were treated as conditional rather than unconditional, which resulted in proposed adjustments to increase the contribution revenue by a net amount of \$65,000 for the year ended December 31, 2022. We recommend that NHA more closely monitor its specific programmatic contribution activity to ensure that any unconditional contributions are recorded when promised rather than when the purpose has been fulfilled.

National Hydropower Association

April 28, 2023

Page 5

This information is intended solely for the use of Board of Directors and management of National Hydropower Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Marcum LLP

Marcum LLP

National Hydropower Association**Schedule A**

Year End: December 31, 2022

Adjusting Journal Entries

Date: 1/1/2022 To 12/31/2022

Number	Date	Name	Account No	Debit	Credit
1	12/31/2022	Sponsorships	2316	95,000.00	
1	12/31/2022	SPONSORSHIPS/UNDERWRITING	4325		95,000.00
		To remove Sponsorships from Deferred Revenue.			
2	12/31/2022	Sponsorships	2316		10,000.00
2	12/31/2022	SPONSORSHIPS/UNDERWRITING	4325	10,000.00	
		To reclass deferred 2023 sponsorship revenue erroneously recorded as CY revenue.			
				105,000.00	105,000.00

National Hydropower Association
 Waived Audit Adjustment
 December 31, 2022

Schedule B

Description of the Proposed Adjustment	Financial Statement Effect – Increase/(Decrease)						
	Assets	Liabilities	Net Assets – Beginning of Year, as Restated	Net Assets – End of Year	Revenue	Expenses	Change in Net Assets
<u>Current year effect of prior year waived adjustment</u>							
PAJE 1 To record effect of contribution revenue which should have been recognized in prior year	\$ -	\$ -	\$ 30,000	\$ -	\$ (30,000)	\$ -	\$ (30,000)
Net Audit Differences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ (30,000)</u>	<u>\$ -</u>	<u>\$ (30,000)</u>
Financial Statement Totals	<u>\$ 4,617,423</u>	<u>\$ 2,380,696</u>	<u>\$ 2,235,426</u>	<u>\$ 2,236,727</u>	<u>\$ 6,179,519</u>	<u>\$ 6,178,218</u>	<u>\$ 1,301</u>
Net Audit Differences as a Percent of the Financial Statement Totals	<u>0.0%</u>	<u>0.0%</u>	<u>1.3%</u>	<u>0.0%</u>	<u>-0.5%</u>	<u>0.0%</u>	<u>-2305.9%</u>

NATIONAL HYDROPOWER ASSOCIATION
601 New Jersey Ave NW, Suite 660
Washington, DC 20001

Marcum LLP
Accountants & Advisors
1899 L Street NW, Suite 850
Washington, DC 20036

This representation letter is provided in connection with your audit of the financial statements of National Hydropower Association (the Association) , which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”) for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 5, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

Marcum LLP

Page 2

6. There have been no communications, whether written or oral, nor have there been inquiries from any governmental or regulatory agencies concerning noncompliance with, or deficiencies in, applicable law or financial reporting practices nor any other matters.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
9. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter. In addition, you have proposed adjusting journal entries that have been posted to the Organization's accounts. We are in agreement with those adjustments.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
12. Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
13. In regards to your financial statement preparation and tax services, Association's management has:
 - a. made all management decisions and performed all management functions relating to the non-attest services that you have provided.
 - b. established and maintained internal controls including monitoring ongoing activities relating to the non-attest services that you have provided.
 - c. evaluated the adequacy and results of the non-attest services performed and accepts responsibility for the results of the services that you have provided.
 - d. designated a competent management level individual who possesses suitable skill, knowledge, and/or experience to oversee the services that you have provided.

Information Provided

14. We have provided you with:
 - a. access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and all audit or relevant monitoring reports, if any, received from funding sources.

Marcum LLP

Page 3

- b. additional information that you have requested from us for the purpose of the audit.
 - c. unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
 - d. minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
 - a. management,
 - b. employees who have significant roles in internal control, or
 - c. others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, grantors, regulators, or others.
19. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing financial statements.
20. There are no significant deficiencies, including material weaknesses, in the design or operation of internal controls, including complementary user entity controls identified in SSAE 18 reports related to our use of service organizations, if applicable, which could adversely affect the Association's ability to record, process, summarize, and report financial data.
21. We acknowledge our responsibility for adopting sound accounting policies, the design, implementation, and maintenance of internal control to prevent and detect fraud, and as such internal control relates to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
22. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances. There are no such estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements.

Marcum LLP

Page 4

23. We have evaluated our tax positions in accordance with ASC 740 *"Income Taxes"*. Specifically, we have determined whether our tax positions would be sustained upon examination, including resolution of any related appeals or litigation, based on the technical merits of the positions (assuming the taxing authority has full knowledge of all information) based upon a "more-likely-than-not" (MLTN) threshold. If this threshold is not met, none of the tax benefit provided by the position is reflected in the financial statements. For a tax position that meets the MLTN recognition threshold, the benefit is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. Additionally, related interest and penalties, if any, have been recorded in accordance with ASC 740 *"Income Taxes"*.
24. There are no:
 - a. instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.
 - b. other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC 450 *"Contingencies"*.
 - c. material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - d. cybersecurity breaches or other cyber events whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or otherwise considered when preparing the financial statements.
25. We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims that are required to be accrued or disclosed in accordance with ASC 450 *"Contingencies"* and we have not consulted a lawyer concerning litigation, claims or assessments.
26. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
27. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
28. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.
29. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

Marcum LLP

Page 5

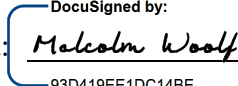
30. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
31. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
32. The National Hydropower Association is an exempt organization under Section 501(c)(6) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Association's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
33. We have reviewed ASC 820 "*Fair Value Measurement*", and all assets and liabilities have been properly categorized into Level 1, 2, or 3 of the Fair Value Hierarchy, and all disclosure requirements have been complied with in all material respects.
34. Receivables recorded in the financial statements represent valid claims against members and sponsors for services provided arising on or before the statement of financial position date and have been appropriately reduced to their estimated net realizable value.
35. We did not incur \$750,000 in federal award expenditures which would require a federal single audit under the Uniform Guidance for the year under audit.
36. You have provided us with all documents and records for both the current year and for prior years that are necessary to ensure that our books and records are complete.
37. In assessing the appropriateness of the going concern basis for the Association, we have taken account of all relevant information covering a period of at least 12 months from the date of approval of the financial statements.
38. We have implemented ASU 2016-02, *Leases* (Topic 842) during the audit period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the ASU. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amounts recorded and disclosed in the financial statements.
39. We have a process to track the status of audit findings and recommendations.
40. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

Marcum LLP

Page 6

41. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

National Hydropower Association

Signed:  _____
93D419EE1DC14BE...

Title: President and CEO

Date: April 28, 2023