

**ANNUAL REPORT
OF THE NIAGARA POWER COALITION, INC.
FOR THE FISCAL YEAR
JANUARY 1, 2015 – DECEMBER 31, 2015**

(ISSUED March 16, 2016)

This Annual Report of the Niagara Power Coalition, Inc. (the “Coalition”) for the Fiscal Year January 1, 2015 – December 31, 2015 is prepared and presented Pursuant to the By-Laws of the Coalition and the requirements of the Public Authorities Accountability Act of 2005 (the “PAAA”), as amended by the Public Authorities Reform Act of 2009 (“PARA”).

Operations and Accomplishments; Projects Undertaken

Consistent with its special purposes, the Coalition continued to devote much of its time and energies to ongoing implementation of the June 27, 2005 Host Community Relicensing Settlement Agreement (the “Settlement Agreement”) among the Coalition, its members and the New York Power Authority (“NYPA”). The Settlement Agreement provides, in relevant part, for the allocation of a minimum of 25 megawatts of low-cost hydroelectric power and energy from NYPA’s Niagara Power Project to the Host Communities, establishment of a Host Communities Fund totaling at least \$5 million per year, and establishment of a separate Host Community Greenway Fund totaling \$3 million annually. These obligations are to continue over the 50-year term of the new license for the Niagara Power Project. The Federal Energy Regulatory Commission approved the license on March 15, 2007, and it took effect on September 1, 2007, upon the expiration of the original license.

On behalf of its members, a major focus of the Coalition’s effort in 2015 was on consideration and approval of projects by the Host Communities Standing Committee (the “HC Standing Committee”), consisting of the seven members of the Coalition and NYPA, that would utilize the \$3 million annual funding referred to above. During 2015, the HC Standing Committee approved sixteen (16) new projects for funding and four (4) existing projects were granted additional funding.

A second major focus of the Coalition was on follow-up review of previously approved projects to address such matters as changes in scope affecting funding needs, abandonment of projects, and restoration of unused funds to the Host Community Greenway Fund.

The NPC web site continues to serve as an up-to-date repository for important information, including documents regarding the Coalition and the HC Standing Committee.

The Mission Statement and Performance Measurements were reaffirmed by the Coalition on March 16, 2016.

Financial Matters

The Coalition is funded by assessments paid by its members. The funding formula provides for equal division among the seven member entities, one-seventh for each.

In 2015 the Niagara County Economic Development Department was reimbursed for meeting facilities and services provided to the NPC, totaling \$2,000 for the year. In addition, the Niagara Power Coalition's Administrative Assistant had an annual salary of \$9,303. There were no other wages or salaries paid.

Attached to this Report as Appendix A is a copy of the report of the Coalition's outside auditors, Lumsden and McCormick, on the Coalition's financial condition for Fiscal Year 2015.

In addition, the Coalition has approved a budget for Fiscal Year 2016. That budget is attached to this Report as Appendix B. As in past years, much of the Coalition's activities continue to be legally intensive. Hence the largest portion of the budget is devoted to legal services, most of which are expected to be provided by counsel selected by the Coalition pursuant to a bidding process.

Real Property and Transactions

The Coalition owns no real property and did not engage in any transactions pertaining to real property during 2015.

Code of Ethics

The Coalition has adopted a Code of Ethics. A copy is attached to this Report as Appendix C.

Assessment of Effectiveness of internal control structure and procedures

The Coalition has its origins in an informal organization concerned about ensuring that the Host Communities (the municipalities and school districts in Niagara County impacted by the Niagara Power Project) received appropriate compensation and/or benefits proportional to the burdens imposed on them by the Niagara Power Project. Over the sixteen years or so since that group began its efforts, the Coalition has grown in subject matter responsibility and has adapted the organization to keep pace with that expanding responsibility, including effective management of the resources provided by its members. As an organization whose administrative costs are funded by taxpayer money and whose disbursement of funds from NYPA are to benefit the public, the Coalition takes the concept and practice of accountability seriously. The effectiveness of the Coalition's internal controls is assessed and publicly reported annually in the audit process.

Additionally, the Coalition, like many other entities throughout the State, is subject to the PAAA, as amended by the PARA, and must continuously adhere to the requirements of that statute. In the course of compliance, the Coalition has adopted governance provisions, including by-laws and policies to be compliant. The individual representatives of the Coalition members have pursued the requisite PAAA training. The Coalition has addressed the additional requirements of the PARA, including the adoption of a Mission Statement and Performance Measurements, which further effective controls.

Subject to continuous efforts to enhance its internal controls, the current policies and procedures of the Coalition are effective.

Other Matters

With certain exceptions, the remaining information required to be reported pursuant to Public Authorities Law Section 2800(2) may be found on the Coalition's web site, www.niagarapowercoalition.com. For example, the web site describes the Coalition and its structure, contains the Coalition's By-Laws and Mission Statement (with Performance Measurements), and provides extensive financial information. Since the Coalition was not established pursuant to a particular legislative authorization, the "statutory basis" of the Coalition is not provided. Because the Coalition has a "single-layer" structure and, during 2015 utilized the part-time services of just one employee, no additional structural information is provided.

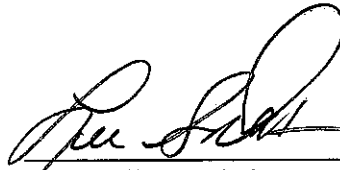
In 2014, the Niagara Power Coalition moved from the office of the Niagara County Industrial Development Agency to the Administration Building of the City of Niagara Falls School District and incurred moving and related incidental expenses at that time. Necessary office equipment, including a laptop computer and software was also purchased to be compatible with the school district's system. Ongoing expenses at this time are related to office supplies and in addition, the Coalition maintains premises liability insurance with an annual premium of approximately \$635. Finally, the Coalition is not currently engaged in any pending or threatened litigation.

Waiver

The Coalition understands that regulations governing the issuance of waivers pertaining to the matters to be reported pursuant to Public Authorities Law Section 2800(2) have not been promulgated. To the extent deemed necessary, and pending the adoption of such regulations, the Coalition respectfully requests that the information provided in the foregoing report, together with the information posted on the Coalition's web site, be deemed full compliance with the statutory reporting requirements or, alternatively, that a waiver be granted so that the Coalition is not required to submit additional information. The Coalition submits that such treatment is consistent with the intent of the statute and is appropriate in light of the Coalition's limited mission and small size, including its extremely limited staffing. Developing and reporting on information beyond that presented here or on the Coalition's web site would be burdensome and, the Coalition respectfully submits, would serve no useful purpose.

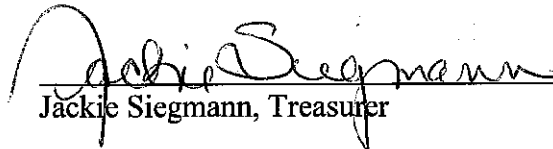
CERTIFICATION

We, Lee Wallace, Chairperson/President, and Jackie Siegmann, Treasurer, hereby certify, based on our knowledge, that the information contained in the above Annual Report is accurate, correct and does not contain any untrue statement of material fact; does not omit any material fact which, if omitted, would cause the financial statements to be misleading in light of the circumstances under which the statements are made; and fairly presents in all material respects the financial condition and results of operations of the Coalition as of, and for, the periods presented in the financial statements.



Lee Wallace, Chairperson/President

Date: 4/1/16



Jackie Siegmann, Treasurer

Date: 4/1/16

NIAGARA POWER COALITIONS, INC
FINANCIAL STATEMENTS
DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara Power Coalition, Inc.

We have audited the accompanying balance sheets of Niagara Power Coalition (the Coalition), a nonprofit organization, as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coalition as of December 31, 2015 and 2014, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2016 on our consideration of the Coalition's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Coalition's internal control over financial reporting and compliance.

Lumsden & McCormick LLP

March 16, 2016

NIAGARA POWER COALITION, INC.

Balance Sheets

December 31,	2015	2014
Assets		
Current assets:		
Cash	\$ 44,196	\$ 24,892
Membership dues receivable	16,446	-
Prepaid expenses	3,821	-
	<u>64,463</u>	<u>24,892</u>
Amounts held for the benefit of Host Community Standing Committee (Note 2)	<u>3,780,612</u>	<u>4,807,622</u>
	<u>\$ 3,845,075</u>	<u>\$ 4,832,514</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ -	\$ 15,818
Amounts due to Host Community Standing Committee (Note 2)	3,780,612	4,807,622
Unrestricted net assets	<u>64,463</u>	<u>9,074</u>
	<u>\$ 3,845,075</u>	<u>\$ 4,832,514</u>

See accompanying notes.

NIAGARA POWER COALITION, INC.

Statements of Activities

For the years ended December 31,

2015

2014

Changes in unrestricted net assets:

Revenue and other support:

Membership dues

\$ 115,122 \$ 68,068

Expenses:

Program

Legal and other professional fees

42,448 68,035

Administrative

Salaries

9,303 9,053

Payroll taxes and benefits

1,188 1,078

Meetings

2,875 2,788

Office supplies

2,865 5,040

Insurance

1,054 1,034

17,285 18,993

Total expenses

59,733 87,028

Change in unrestricted net assets

55,389 (18,960)

Unrestricted net assets - beginning

9,074 28,034

Unrestricted net assets - ending

\$ 64,463 \$ 9,074

NIAGARA POWER COALITION, INC.

Statements of Cash Flows

For the years ended December 31,	2015	2014
Operating activities:		
Change in unrestricted net assets	\$ 55,389	\$ (18,960)
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities:		
Changes in assets and liabilities:		
Membership dues receivable	(16,446)	-
Prepaid expenses	(3,821)	600
Accounts payable	(15,818)	15,582
Net operating activities	19,304	(2,778)
Cash - beginning	24,892	27,670
Cash - ending	\$ 44,196	\$ 24,892

See accompanying notes.

NIAGARA POWER COALITION, INC.

Notes to Financial Statements

1. Summary of Significant Accounting Policies:

Nature of Organization:

Niagara Power Coalition, Inc. (the Coalition) is a not-for-profit membership organization established to work with elected officials and representatives of the United States Federal Government and New York State Government in dealing with the New York State Power Authority (the Power Authority) and the relicensing of its Niagara County Facility. The Coalition is funded entirely by dues collected from seven governmental member organizations located within the boundaries of the Niagara Power Project. Coalition members include the County of Niagara, the City of Niagara Falls, the Town of Lewiston, the Town of Niagara, the Niagara Wheatfield Central School District, the Niagara Falls City School District, and the Lewiston Porter Central School District.

Basis of Presentation:

The Coalition is required to report information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Coalition does not currently maintain any temporarily or permanently restricted net assets.

Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 16, 2016, the date the financial statements were available to be issued.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash:

At various times, cash in financial institutions may exceed federally insured limits and subject the Coalition to concentrations of credit risk.

Revenue Recognition:

The Coalition's revenue consists primarily of dues assessed the seven member organizations, and is recognized when billed.

Income Taxes:

The Coalition is a §501(c)(4) organization exempt from income taxes under §501(a) of the Internal Revenue Code. Management of the Coalition believes it is no longer subject to examination by Federal and State taxing authorities for years ended prior to December 31, 2012.

2. Amounts Held for the Host Community Standing Committee:

The Host Community Relicensing Agreement provides for the organization of the Host Community Greenway Fund Standing Committee (HC Committee) to administer and oversee projects financed by the Greenway Recreation/Tourism Fund (the Fund). The HC Committee consists of all seven members of the Coalition and the Power Authority. The Power Authority is required to annually deposit \$3,000,000 into the Fund. The HC Committee has responsibility for selecting projects to be financed by the Fund and for ensuring that funds are used for construction and/or rehabilitation of parks, recreation, and related facilities, for the purpose of redefining the Niagara riverfront, promoting tourism, enhancing the environment, and advancing the economic revitalization of the Niagara River Greenway within Niagara County. Accounts are held for each of the Host Communities in a master money market account. Funds are allocated among the individual Host Community accounts in accordance with the percentages stated in the Coalition's by-laws, which allocation percentages can only be amended by unanimous vote of the

Coalition's members. The Coalition, however, has no control over the approval of the projects or the disbursement of monies from the Host Community. The HC Committee is also responsible for having each individual project audited to ensure that expenditure of grant funds is consistent with the requirements of the project and the intent of the Fund.

As of December 31, 2015, a total of 8 projects remain in progress and have been approved for funding approximating \$23,036,000. Of this amount, \$6,510,000 has been disbursed to date.

The funding summary for the years ended December 31, 2015 and 2014 is as follows:

Fund balances and allocation percentages as of December 31, 2015 and 2014 are as follows:

		2015	2014
Niagara Falls City			
School District	14%	\$ 868,294	\$ 447,886
Lewiston Porter Central			
School District	14%	434,771	434,553
Niagara Wheatfield			
Central School District	12%	1,081,734	721,010
City of Niagara Falls	17%	52,108	1,150,228
Town of Lewiston	17%	297,286	265,687
County of Niagara	13%	40,655	466,160
Town of Niagara	13%	960,988	1,277,322
		<u>3,735,836</u>	<u>4,762,846</u>
Checking account		44,776	44,776
		<u>\$ 3,780,612</u>	<u>\$ 4,807,622</u>

	2015	2014
Beginning of year balance	\$ 4,807,622	\$ 5,936,354
Power Authority contributions	3,000,000	3,000,000
Interest earned	3,743	3,010
Return of unused funds:		
City of Niagara Falls	102,179	-
Town of Niagara	-	496,728
Project disbursements:		
Town of Niagara	(707,680)	-
Niagara Falls City		
School District	-	(2,946,210)
City of Niagara Falls	(1,711,000)	(400,000)
Town of Lewiston	(478,640)	(536,860)
County of Niagara	(815,612)	(325,400)
Lewiston Porter Central		
School District	(420,000)	(420,000)
Niagara Wheatfield		
Central School District	-	-
End of year balance	<u>\$ 3,780,612</u>	<u>\$ 4,807,622</u>

Niagara Power Coalition
2016 BUDGET

	<u>2015 Budget</u>	<u>YTD Actual</u>	<u>Proj. YE 2015</u>	<u>2015 Variance</u>	<u>2016 Budget</u>
Bank Balance (as of 08/31/15)			20,418.28		
Outstanding Budget Pmts			41,115.00		
Total			61,533.28		
Legal Fees (as of 09/30/14)					
2014 Budget	62,000.00	(14,088.00)	(10,000.00)	37,912.00	45,000.00
Accounting Fees					
2015 NPC Audit (Lumsden McCormick)	5,600.00	(5,600.00)	0.00		5,700.00
3-Year HCSC Audit	2,500.00	(6,200.00)	0.00	(3,700.00)	N/A
Administrative Support					
12,000.00		(7,501.00)	(3,600.00)	899.00	12,360.00
Meetings/Supplies/Misc					
2015 (as of 8/31/15)	3,500.00	(2,125.00)	(860.00)	515.00	3,300.00
Includes: Workers Comp and Liability Insurance; phone; lunches; office supplies					
Occupancy					
2013	2,000.00	(2,000.00)	0.00		2,000.00
NPC Web Site					
Annual Fees (Maintenance, Hosting)	500.00	(675.00)	0.00	(175.00)	500.00
TOTALS	88,100.00	(38,189.00)	(14,460.00)	35,451.00	68,860.00

APPENDIX C

CODE OF ETHICS FOR THE NIAGARA POWER COALITION, INC.

Statement of Purpose:

The Code of Ethics (the "Code") is a public statement by the Niagara Power Coalition, Inc. (the "Corporation") that sets clear expectations and principles to guide practice and inspire professional excellence. The Corporation believes a commonly held set of principles can assist in the individual exercise of professional judgment. This Code speaks to the core values of public accountability and transparency. The purpose of having a code of ethics and practices is to protect the credibility of the Corporation by ensuring high standards of honesty, integrity, and conduct of staff. To that end, this Code of Ethics attempts to accomplish this by articulating the ethical standards observed by the Corporation in pursuing and implementing its objectives, and setting rules and policies that prevent conflicts of interest.

Rule with respect to conflicts of interest:

No officer, Member of the Board or employee of the Corporation should have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of his or her or her duties in the public interest.

Standards:

- a. No officer, Member of the Board or employee of the Corporation should accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties.
- b. No officer, Member of the Board or employee of the Corporation should accept employment or engage in any business or professional activity which will require him or her to disclose confidential information which he or she has gained by reason of his or her official position or authority.
- c. No officer, Member of the Board or employee of the Corporation should disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests.
- d. No officer, Member of the Board or employee of the Corporation should use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself, herself or others.
- e. No officer, Member of the Board or employee of the Corporation should engage in any transaction as representative or agent of the Corporation with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his or her official duties.

f. An officer, Member of the Board or employee of the Corporation should not by his or her conduct give reasonable basis for the impression that any person can improperly influence him or her, unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position or influence of any party or person.

g. An officer, Member of the Board or employee of the Corporation should abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her, or which will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest. Nothing contained within this Code, however, shall prohibit an officer, Member of the Board or employee of the Corporation from obtaining interests in mutual funds which may include within its investment portfolio, bonds, debentures, notes or other evidence of indebtedness of the Corporation; provided, however, that the Corporation's bonds, debentures, notes or other evidence of indebtedness may not make up more than ten percent (10%) of the mutual fund's total portfolio and the officer, Member of the Board or employee of the Corporation may not exercise any discretion with respect to the investments made by the mutual fund company.

h. An officer, Member of the Board or employee of the Corporation should endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

i. No officer or employee of the Corporation employed on a full-time basis, nor any firm or association of which such an officer or employee is a member, nor any corporation a substantial portion of the stock of which is owned or controlled directly or indirectly by such officer, Member of the Board or employee, should sell goods or services to any person, firm, corporation or association which receives financial assistance from the Corporation.

j. If an officer, Member of the Board or employee of the Corporation shall have a financial interest, direct or indirect, having a value of ten thousand dollars or more in any activity which is the subject of a Corporation project, he or she must file with the Corporation a written statement that he or she has such a financial interest in such activity which statement shall be open to public inspection.

k. No officer, Member of the Board or employee of the Corporation shall accept or arrange for any loan or extension of credit from the Corporation or any affiliate of the Corporation.

Violations:

In addition to any penalty contained in any other provision of law, any such officer, Member of the Board or employee who shall knowingly and intentionally violate any of the provisions of this Code of Ethics may be fined, suspended or removed from office or employment in the manner provided by law.