

**ANNUAL REPORT
OF THE
NIAGARA POWER COALITION, INC.
FOR THE FISCAL YEAR
JANUARY 1, 2010 – DECEMBER 31, 2010**

(ISSUED March 24, 2011)

This Annual Report of the Niagara Power Coalition, Inc. (the “Coalition”) for the Fiscal Year January 1, 2010 – December 31, 2010 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 plans for implementing 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 efforts in 2010 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 2010, the HC Standing Committee approved Ten (10) projects for funding.

A new web site to serve the needs of both the Coalition and the HC Standing Committee “went live” in early 2010. The web site serves as an up-to-date repository for important information, including documents, regarding the Coalition and the HC Standing Committee.

Also in 2010, the Coalition’s Governance Committee was charged by the Coalition with the task of developing a Mission Statement for the Coalition, together with criteria for measuring the performance of the Coalition under the Mission Statement. The Mission Statement and Performance Measurements are required by the PARA to be in place as of March 31, 2011. The Governance Committee’s proposed Mission Statement and Performance Measurements were adopted by the Coalition in early 2011.

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.

The Niagara County Economic Development Department is reimbursed for staff support and resources provided to the NPC, totaling \$500 per month. In addition, the Niagara County Industrial Development Agency is reimbursed for secretarial support in the amount of \$421.27 per month. There are no other wages or salaries reimbursed to other departments or other entities.

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 2010.

In addition, the Coalition has approved a budget for Fiscal Year 2011. 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 2010.

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 dozen 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 can be expected to 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 utilizes the part-time services of just one employee of the Niagara County Economic Development Department, no additional structural information is provided. The Coalition makes no capital expenditures; therefore, capital budget information is not relevant and is not generated. Likewise, because the Coalition does not purchase or sell assets, there are no such transactions to report. 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, Charles Miller, President, and John Baird, 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.

Charles W. Miller, Jr., President

Date: _____

John M. Baird, Jr., Treasurer

Date: _____

APPENDIX A

(2010 Audit Report of the Niagara Power Coalition)

MANAGEMENT LETTER

March 15, 2011

The Board of Directors
Niagara Power Coalition, Inc.

In planning and performing our audit of the financial statements of the Niagara Power Coalition, Inc. (the Coalition) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Coalition's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of an entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 to be a significant deficiency:

Financial accounting and reporting

Management requests that we draft the Coalition's annual financial statements and footnotes. While this is typical of an organization of the Coalition's size, especially in recognition that there is no paid staff, an auditor cannot be part of an organization's internal control. As such, management's need for our assistance results in a significant deficiency in the Coalition's internal control over financial reporting. However, given the Coalition's current structure, it is not practical to expect an implementation strategy that would avoid this comment in future audits.

PRIOR YEAR RECOMMENDATION

Bank reconciliations

In prior years we noted that bank reconciliations were not prepared for the Coalition's accounts on a monthly basis. Although there are not a significant number of transactions each month, we believe internal control would be enhanced by the required preparation of monthly bank reconciliations. It would be ideal if the President received the bank statements, reviewed them and turned them over to the Treasurer for preparation of the reconciliations. The President should then review and approve the bank reconciliations.

We have discussed these comments with Coalition personnel, would be pleased to discuss them in further detail, perform any additional studies, or assist you in implementing the recommendations.

This communication is intended solely for the information and use of management and the Coalition's Board. It is not intended to be, and should not be used by anyone other than these specified parties.

Jumden # McCormick, LLP

NIAGARA POWER COALITION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

INDEPENDENT AUDITORS' REPORT

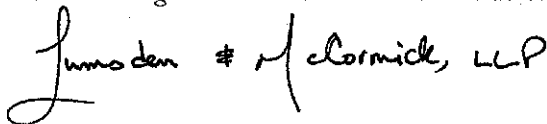
The Board of Directors
Niagara Power Coalition, Inc.

We have audited the accompanying balance sheets of Niagara Power Coalition, Inc. (the Coalition) (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Coalition's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2011, 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* and should be considered in assessing the results of our audit.



March 15, 2011

NIAGARA POWER COALITION, INC.

Balance Sheets

December 31,	2010	2009
Assets		
Current assets:		
Cash	\$ 55,800	\$ 63,848
Prepaid expenses	-	2,625
	<u>55,800</u>	<u>66,473</u>
Amounts held for the benefit of		
Host Community Standing Committee (Note 3)	<u>6,842,531</u>	<u>5,773,563</u>
	<u>\$ 6,898,331</u>	<u>\$ 5,840,036</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 5,686	\$ 4,339
Amounts due to Host Community Standing Committee (Note 3)	<u>6,842,531</u>	<u>5,773,563</u>
Unrestricted net assets	<u>50,114</u>	<u>62,134</u>
	<u>\$ 6,898,331</u>	<u>\$ 5,840,036</u>

See accompanying notes.

NIAGARA POWER COALITION, INC.

Statements of Activities

For the years ended December 31,	2010	2009
Changes in unrestricted net assets:		
Revenue and other support:		
Membership dues	<u>\$ 36,112</u>	<u>\$ 283,707</u>
Expenses:		
Program		
Legal and other professional fees	<u>32,895</u>	<u>63,093</u>
Administrative		
Rent	6,000	6,000
Clerical assistance	4,501	4,501
Consulting	4,086	3,100
Meetings	650	722
Supplies	-	200
	<u>15,237</u>	<u>14,523</u>
Total expenses	<u>48,132</u>	<u>77,616</u>
Change in unrestricted net assets	(12,020)	206,091
Unrestricted net assets (deficit) - beginning	<u>62,134</u>	<u>(143,957)</u>
Unrestricted net assets - ending	<u>\$ 50,114</u>	<u>\$ 62,134</u>

NIAGARA POWER COALITION, INC.

Statements of Cash Flows

For the years ended December 31,	2010	2009
Operating activities:		
Change in unrestricted net assets	\$ (12,020)	\$ 206,091
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities:		
Changes in assets and liabilities:		
Prepaid expenses	2,625	(2,625)
Accounts payable	1,347	(211,906)
Net operating activities	(8,048)	(8,440)
Cash - beginning	63,848	72,288
Cash - ending	\$ 55,800	\$ 63,848

See accompanying notes.

NIAGARA POWER COALITION, INC.

Notes to Financial Statements

1. 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.

2. Summary of Significant Accounting Policies

Basis of Presentation:

The Coalition is required to report information regarding financial position and activities according to three classes of net assets: unrestricted, temporarily 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 15, 2011 (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.

Volunteer Services:

All members serve on a volunteer basis and are not paid for the time they devote to the management and operations of the Coalition. The Coalition's policy is to record revenue and expense for those specialized contributed services that the Coalition would be required to purchase at fair value had they not been contributed. Management has determined that member services do not meet these requirements and as such, no amounts have been reflected on the accompanying financial statements for the value of these services.

Income Taxes:

The Coalition is a 501(c)(4) corporation exempt from income taxes under Section 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, 2007.

3. 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 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 Greenway/Recreation/Tourism Fund. The HC Committee has responsibility for selecting projects to be financed by the Fund, to ensure that funds that 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. The 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.

Fund balances and allocation percentages as of December 31, 2010 and 2009 are as follows:

		<u>2010</u>	<u>2009</u>
Niagara Falls City			
School District	14%	\$ 1,697,968	\$ 1,271,333
Lewiston Porter Central			
School District	14%	848,504	426,248
Niagara Wheatfield			
Central School District	12%	1,455,371	1,089,684
City of Niagara Falls	17%	270,930	607,212
Town of Lewiston	17%	556,726	1,152,604
County of Niagara	13%	1,576,684	1,180,523
Town of Niagara	13%	391,572	1,183
		<u>6,797,755</u>	<u>5,728,787</u>
Checking account		44,776	44,776
		<u>\$ 6,842,531</u>	<u>\$ 5,773,563</u>

Funding for the year ended December 31, 2010 consisted of the annual deposit amount made by the Power Authority totaling \$3,000,000 and interest earned on money market balances of \$28,542. As of December 31, 2010, a total of 21 projects had been approved for funding approximating \$23,600,000, and approximately \$5,300,000 had been disbursed.

Funding summary for the years ending December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Beginning of year balance	\$ 5,773,563	\$ 6,040,317
Power Authority contributions	3,000,000	3,000,000
Interest earned	28,542	74,323
Project payments:		
Lewiston Porter Central		
School District	-	(840,000)
City of Niagara Falls	(850,000)	(932,577)
Town of Lewiston	(1,109,574)	(390,000)
Town of Niagara	-	(1,178,500)
End of year balance	<u>\$ 6,842,531</u>	<u>\$ 5,773,563</u>

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Directors
Niagara Power Coalition, Inc.

We have audited the financial statements of Niagara Power Coalition, Inc. (the Coalition) (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 15, 2011. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Coalition's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Coalition's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Coalition's internal control over financial reporting.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described below, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or 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.

Financial accounting and reporting

Management requests that we draft the Coalition's annual financial statements and footnotes. While this is typical of an organization of the Coalition's size, especially in recognition that there is no paid staff, an auditor cannot be part of an organization's internal control. As such, management's need for our assistance results in a significant deficiency in the Coalition's internal control over financial reporting. However, given the Coalition's current structure, it is not practical to expect an implementation strategy that would avoid this comment in future audits.

Management's response

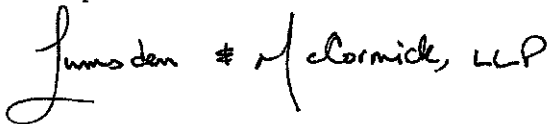
In order to eliminate this condition, the Coalition would need to devote considerable resources, either internally or externally to ensure complete mastery of existing and future accounting principles and disclosure requirements. Management would have to compile the financial statements, including footnotes, and employ separate and distinct personnel for all accounting standard implementation issues, in lieu of the services presently provided by our auditing firm. Based on an evaluation of resources and cost/benefit scenarios, we do not believe this is practical for the Coalition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coalition's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Coalition's response to the finding is included above. We did not audit the Coalition's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Coalition's Board and the New York State Comptroller's office. It is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of James J. McCormick, LLP.

March 15, 2011

APPENDIX B

(Budget of the Niagara Power Coalition for Fiscal Year 2011)

2011 Budget
Niagara Power Coalition

	<u>2010 Budget</u>	<u>YTD Actual</u>	<u>Proj. YE 2010</u>	<u>2010 Variance</u>	<u>2011 Budget</u>
Nixon Peabody					
2010 Budget	70,000.00	(24,527.02)	(6,000.00)	39,472.98	49,000.00
IRS Tax Opinion Letter	11,500.00	0.00		11,500.00	
Accounting Fees					
2010 Audit	5,200.00	(5,400.00)	0.00	(200.00)	5,500.00
Administrative Support					
2010	4,501.32	(4,501.32)	0.00	0.00	4,772.00
Meetings (lunches)/Supplies/Misc					
Sept - Dec 2009	600.00	(504.51)	(125.00)	(29.51)	600.00
2010					
Occupancy					
2010	6,000.00	(4,500.00)	0.00	1,500.00	6,000.00
		<i>(\$1500 pd in 12/2009)</i>			
NPC Web Site					
Design 2009		(4,084.44)	0.00	(4,084.44)	
Annual Fees (Maintenance, Hosting)	1,000.00			1,000.00	500.00
TOTALS	98,801.32	(43,517.29)	(6,125.00)	49,159.03	66,372.00

TOTAL BUDGET 2011

\$17,212.97
