

**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.

Lumden # McCormick, LLP

March 15, 2011