MANAGEMENT LETTER

April 15, 2009

The Board of Directors
Niagara Power Coalition, Inc.
Sanborn, New York

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, 2008, 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to errors or fraud may occur and not be detected by such controls. We considered the following to be significant deficiencies in internal control.

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

[Signature]
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

April 15, 2009

The Board of Directors
Niagara Power Coalition, Inc.
Sanborn, New York

We have audited the financial statements of Niagara Power Coalition, Inc. (the Coalition) for the year ended December 31, 2008, and have issued our report thereon dated April 15, 2009. 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. We communicated such information in our engagement letter dated January 13, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Coalition are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Coalition 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.

Estimates
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 include the recognition of member dues receivable without an adjustment for amounts that may not be collected.

Management’s process for determining the above estimate is based on firm concepts and reasonable assumptions of future events. We evaluated these key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements as a whole.

Footnote Disclosures
Certain financial statement disclosures are particularly important because of their significance to financial statement users. The most important disclosures are reflected in Note 1 – Summary of Significant Accounting Policies and Note 3 which reflects the Coalition’s fiduciary responsibility in connection with Greenway funds controlled by the Host Committee.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.
Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 4, 2009.

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 the Coalition's financial statements or a determination of the type of auditor's 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 the Coalition's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of members of the Board and management of the Coalition. It is not intended to be and should not be used by anyone other than these specified parties.
NIAGARA POWER COALITION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008
INDEPENDENT AUDITORS' REPORT

The Board of Directors
Niagara Power Coalition, Inc.
Sanborn, New York

We have audited the accompanying balance sheets of Niagara Power Coalition, Inc. (the Coalition) (a nonprofit organization) as of December 31, 2008, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides 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, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

April 15, 2009
NIAGARA POWER COALITION, INC.

Balance Sheets

December 31, 2008  2007

Assets
Current assets:
  Cash $72,288  $126,542
  Member dues receivable - 24,301
  72,288  150,843

Amounts held for the benefit of
  Host Community Standing Committee (Note 3) 6,040,317

$6,112,605  150,843

Liabilities and Net Assets
Current liabilities:
  Accounts payable $216,245  $270,293

Amounts due to Host Community Standing Committee (Note 3) 6,040,317

Unrestricted net assets (deficit)
  (143,957)  (119,450)

$6,112,605  150,843

See accompanying notes.
### Statements of Activities

For the years ended December 31, 2008  2007

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Changes in unrestricted net assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue and other support:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues</td>
<td>$535,297</td>
<td>$375,075</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Program</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and other professional fees</td>
<td>366,864</td>
<td>470,315</td>
</tr>
<tr>
<td>Settlement</td>
<td>175,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>541,864</td>
<td>470,315</td>
</tr>
<tr>
<td><strong>Administrative</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>12,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Clerical assistance</td>
<td>4,501</td>
<td>2,927</td>
</tr>
<tr>
<td>Meetings</td>
<td>1,291</td>
<td>2,808</td>
</tr>
<tr>
<td>Advertising</td>
<td>-</td>
<td>1,808</td>
</tr>
<tr>
<td>Supplies</td>
<td>148</td>
<td>-</td>
</tr>
<tr>
<td>Tax filing fee</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>17,940</td>
<td>31,643</td>
</tr>
<tr>
<td><strong>Change in unrestricted net assets</strong></td>
<td>(24,507)</td>
<td>(126,883)</td>
</tr>
<tr>
<td>Unrestricted net assets (deficit) - beginning</td>
<td>(119,450)</td>
<td>7,433</td>
</tr>
<tr>
<td><strong>Unrestricted net assets (deficit) - ending</strong></td>
<td>$143,957</td>
<td>$(119,450)</td>
</tr>
</tbody>
</table>

*See accompanying notes.*
### NIAGARA POWER COALITION, INC.

#### Statement of Cash Flows

For the years ended December 31, 2008  2007

**Cash flows from operating activities:**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in unrestricted net assets</td>
<td>$(24,507)</td>
<td>$(126,883)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member dues receivable</td>
<td>24,301</td>
<td>(24,301)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(54,048)</td>
<td>270,293</td>
</tr>
<tr>
<td><strong>Net cash flows from (for) operating activities</strong></td>
<td>(54,254)</td>
<td>119,109</td>
</tr>
</tbody>
</table>

| Cash - beginning | 126,542 | 7,433 |

| Cash - ending | 72,288 | $ 126,542 |
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. The members are committed to continually fund the Coalition to alleviate the deficit net assets balance.

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.

Basis of Presentation:

The financial statements are presented in accordance with SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, 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.

Cash:

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

Member Dues Receivable:

Member dues receivable are stated at the amount management expects to collect on balances outstanding at year end. Based on management's history with members having outstanding balances and current relationships with them, it has concluded that realization of losses on balances outstanding at year end, if any, would not be material.

Revenue Recognition:

The Coalition’s revenue consists solely 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.
2. Contingency:

The Coalition was involved in a legal proceeding with its former executive director who sought compensation related to his efforts in assisting the members in securing the future income stream resulting from the Power Authority’s Relicensing Agreement with the Coalition’s members (Host Communities). The Coalition and the former executive director settled on $175,000 which was paid in 2008.

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, 2008 are as follows:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niagara Falls City Schools</td>
<td>14%</td>
<td>$845,602</td>
</tr>
<tr>
<td>Lewiston Porter Schools</td>
<td>14%</td>
<td>845,602</td>
</tr>
<tr>
<td>Niagara Wheatfield Schools</td>
<td>12%</td>
<td>724,772</td>
</tr>
<tr>
<td>City of Niagara Falls</td>
<td>17%</td>
<td>1,026,802</td>
</tr>
<tr>
<td>Town of Lewiston</td>
<td>17%</td>
<td>1,026,802</td>
</tr>
<tr>
<td>Niagara County</td>
<td>13%</td>
<td>785,202</td>
</tr>
<tr>
<td>Town of Niagara</td>
<td>13%</td>
<td>785,202</td>
</tr>
<tr>
<td>Checking account</td>
<td></td>
<td>333</td>
</tr>
</tbody>
</table>

**Total**: $6,040,317

Funding for the year ended December 31, 2008 consisted of two annual deposit amounts made by the Power Authority totaling $6,000,000, and interest earned on money market balances of $40,317. As of December 31, 2008, a total of nine projects had been approved for funding approximating $4,483,000, but no funds had been disbursed.