

NIAGARA POWER COALITION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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, 2013 and 2012, 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, 2013 and 2012, 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 21, 2014 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 21, 2014

NIAGARA POWER COALITION, INC.

Balance Sheets

December 31,	2013	2012
Assets		
Current assets:		
Cash	\$ 27,670	\$ 24,055
Prepaid expenses	600	4,168
	<u>28,270</u>	<u>28,223</u>
Amounts held for the benefit of Host Community Standing committee (Note 3)	<u>5,936,354</u>	<u>7,454,244</u>
	<u>\$ 5,964,624</u>	<u>\$ 7,482,467</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 236	\$ -
Amounts due to Host Community Standing Committee (Note 3)	<u>5,936,354</u>	<u>7,454,244</u>
Unrestricted net assets	<u>28,034</u>	<u>28,223</u>
	<u>\$ 5,964,624</u>	<u>\$ 7,482,467</u>

See accompanying notes.

NIAGARA POWER COALITION, INC.

Statements of Activities

For the years ended December 31,	2013	2012
Changes in unrestricted net assets:		
Revenue and other support:		
Membership dues	<u>\$ 61,768</u>	<u>\$ 88,820</u>
Expenses:		
Program		
Legal and other professional fees	<u>49,307</u>	<u>37,709</u>
Administrative		
Rent	6,000	6,000
Clerical assistance	5,413	5,268
Consulting	-	1,132
Meetings	1,060	800
Miscellaneous	177	-
	<u>12,650</u>	<u>13,200</u>
Total expenses	<u>61,957</u>	<u>50,909</u>
Change in unrestricted net assets	(189)	37,911
Unrestricted net assets (deficit) - beginning	<u>28,223</u>	<u>(9,688)</u>
Unrestricted net assets - ending	<u>\$ 28,034</u>	<u>\$ 28,223</u>

See accompanying notes.

NIAGARA POWER COALITION, INC.

Statements of Cash Flows

For the years ended December 31,	2013	2012
Operating activities:		
Change in unrestricted net assets	\$ (189)	\$ 37,911
Adjustments to reconcile change in unrestricted net assets to net cash flows from operating activities:		
Changes in assets and liabilities:		
Prepaid expenses	3,568	(4,168)
Accounts payable	236	(23,724)
Net operating activities	3,615	10,019
Cash - beginning	24,055	14,036
Cash - ending	\$ 27,670	\$ 24,055

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 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 21, 2014, 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 expenses 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 §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, 2010.

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 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.

Fund balances and allocation percentages as of December 31, 2013 and 2012 are as follows:

		<u>2013</u>	<u>2012</u>
Niagara Falls City			
School District	14%	\$ 2,973,529	\$ 2,549,451
Lewiston Porter Central			
School District	14%	434,299	853,835
Niagara Wheatfield			
Central School District	12%	360,709	2,185,214
City of Niagara Falls	17%	1,039,146	528,209
Town of Lewiston	17%	292,398	388,666
County of Niagara	13%	401,264	513,797
Town of Niagara	13%	390,233	390,296
		5,891,578	7,409,468
Checking account		44,776	44,776
		<u>\$ 5,936,354</u>	<u>\$ 7,454,244</u>

As of December 31, 2013, a total of 39 projects had been approved for funding approximating \$45,743,000, and approximately \$15,248,000 had been disbursed.

The funding summary for the years ended December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Beginning of year balance	\$ 7,454,244	\$ 7,510,969
Power Authority contributions	3,000,000	3,000,000
Interest earned	7,451	15,322
Project payments:		
Town of Niagara	(390,487)	(391,000)
City of Niagara Falls	-	(765,000)
Town of Lewiston	(606,640)	(495,000)
Niagara County	(503,000)	(581,047)
Lewiston Porter Central		
School District	(840,000)	(840,000)
Niagara Wheatfield	(2,185,214)	-
End of year balance	<u>\$ 5,936,354</u>	<u>\$ 7,454,244</u>

INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of Niagara Power Coalition, Inc. (the Coalition), a nonprofit organization, which comprise the balance sheet as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Coalition's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described below, that we consider to be a significant deficiency.

Financial accounting and external reporting

Management requests its external auditors to assist in drafting the annual financial statements and notes. Although we feel that our assistance does not impact our overall independence, professional auditing standards do require that we inform the Board and management of our involvement in this process.

Given the current administrative support structure and recognizing that there is no paid staff, the resources that would be required for management to stay current with financial reporting and disclosure requirements is neither practical nor fiscally prudent. As such, there is no expectation that this condition can be addressed or avoided 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 significant knowledge of existing accounting principles and disclosure requirements. Management would have to compile the financial statements, including footnotes, and employ separate and distinct personnel for all accounting standards implementation issues, in lieu of the services presently provided by the 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 from 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*.

Management's Response to Findings

The Coalition's response to the finding identified in our audit is described above. It was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lumsden & McCormick, LLP

March 21, 2014