BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION

Financial Statements for the
Year Ended December 31, 2013
and Independent Auditors' Reports

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
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Drescher & Malecki LLP
3083 William Street, Suite 5
Cheektowaga, New York 14227
Telephone: 716.565.2299
Fax: 716.565.2201

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Buffalo
Erie Niagara Land Improvement Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of the Buffalo Erie Niagara Land Improvement Corporation ("the Corporation"), which comprise the statement of financial position 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.

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.

Auditor's Responsibility

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 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 auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Corporation Investments, as required under New York State Public Authority Law, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Corporation Investments is fairly stated, in all material respects, in relation to the financial statements as a whole.

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 Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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 Corporation's internal control over financial reporting and compliance.

Drescher & Malecki LLP

March 21, 2014

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statement of Financial Position
December 31, 2013

ASSETS		
Cash	$	85,243
Accounts receivable		10,000
Total assets	$	95,243
LIABILITIES AND NET ASSETS		
Total liabilities	$	-
Net assets:		
Temporarily restricted		95,243
Total liabilities and net assets	$	95,243

The notes to the financial statements are an integral part of this statement.

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION

Statement of Activities
Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Grants	$ -	$ 100,000	$ 100,000
Interest income	-	40	40
Total revenues and other support	-	100,040	100,040
Net assets released from restrictions:			
Expiration of purpose restrictions	4,797	(4,797)	-
Total revenues and other support	4,797	95,243	100,040
Expenses:			
Insurance for purchased properties	4,277	-	4,277
Fees for deed filing	520	-	520
Total expenses	4,797	-	4,797
Change in net assets	-	95,243	95,243
Net assets—beginning of year	-	-	-
Net assets—end of year	$ -	$ 95,243	$ 95,243

The notes to the financial statements are an integral part of this statement.

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statement of Cash Flows
Year Ended December 31, 2013

Operating activities:		
Change in net assets	$	95,243
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Increase in accounts receivable		(10,000)
Net cash provided by operating activities		85,243
Change in cash		85,243
Cash—beginning of year		-
Cash—end of year	$	85,243

The notes to the financial statements are an integral part of this statement

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1. DESCRIPTION OF THE ORGANIZATION

The Buffalo Erie Niagara Land Improvement Corporation ("the Corporation") was organized on June 6, 2012 pursuant to Article 16 of the Not-for-Profit Corporation Law of the State of New York. The Corporation was formed through a joint venture of the County of Erie and Cities of Buffalo, Lackawanna, and Tonawanda. The Corporation was created to confront and alleviate the problems distressed properties cause to communities by supporting municipal and regional revitalization efforts and strategically acquiring, improving, assembling, and selling distressed, vacant, abandoned, and/or tax-delinquent properties.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America ("GAAP") for not for profit organizations. The significant accounting and reporting policies used by the organization are described below to enhance the usefulness and understandability of the financial statements.

Use of estimates— The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets—The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

***Unrestricted net assets*—**Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purpose specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily restricted net assets—Temporary restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

***Cash* —**Cash represents demand and savings deposits held by banks.

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. As of December 31, 2013, the Corporation's deposits were FDIC insured or collateralized.

Accounts Receivable—Accounts receiveable are primarily unsecured non-interest-bearing amounts due from grantors. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

Tax Status—The organization is incorporated exempt from federal income taxation under 501(c)(3) of the Internal Revenue Code ("IRC"), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The organization's application with the Internal Revenue Service is still pending as of the date of this report. The tax year ending December 31, 2013 is still open to audit for federal purposes.

3. SUBSEQUENT EVENTS

The Corporation is eligible to receive financial assistance from federal and state governmental agencies in the form of grants. During February 2014, the Corporation finalized a grant agreement for $2,087,500 with the New York State Office of the Attorney General to carry out community revitalization activities in Erie and Niagara Counties.

Management has evaluated subsequent events through March 21, 2014, which is the date the financial statements are available for issuance, and have determined, except as disclosed above, there are no subsequent events that require disclosure under generally accepted accounting principles.

SUPPLEMENTAL INFORMATION

Presented as supplemental information is certain information as required to be reported under New York State Public Authority Law.

Buffalo Erie Niagara Land Improvement Corporation
Schedule of Corporation Investments
Year Ended December 31, 2013

Annual Investment Report - §2925(6) of Public Authorities Law of the State of New York requires that each public authority must annually prepare an investment report.

Investment income record – investment income for the year ended December 31, 2013 consisted of:

	Interest Earned
KeyBank	$ 40

No fees or commissions were paid during the year ended December 31, 2013.

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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*

To the Board of Directors of the Buffalo
Erie Niagara Land Improvement Corporation:

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 accompanying financial statements of the Buffalo Erie Niagara Land Improvement Corporation ("the Corporation"), which comprise the statement of financial position 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 Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

We noted certain matters that we have reported to management of the Corporation in a separate letter dated March 21, 2014.

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.

Drescher & Malecki LLP

March 21, 2014