BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION

Financial Statements and Supplementary Information
for the Years Ended December 31, 2015 and 2014
and Independent Auditors' Reports

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Table of Contents
Years Ended December 31, 2015 and 2014

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 statements of financial position as of December 31, 2015 and 2014, 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

The Corporation's 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 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 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.

Opinion

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, 2015 and 2014, 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 Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Corporation Investments and the Real Property Listing, as required under New York State Public Authority Law, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Corporation Investments and the Real Property Listing are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 and the Real Property Listing are 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 24, 2016 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 24, 2016

FINANCIAL SECTION

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 655,260	$ 714,401
Noncurrent assets:		
Assets held for sale	772,480	223,258
Total assets	$ 1,427,740	$ 937,659
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable - operating	$ 49,606	$ 16,736
Accounts payable - demolition	-	492,661
Other liabilities to municipalities	172,805	102,171
Unearned revenue	178,775	105,387
Accrued liabilities	952	29
Total current liabilities	402,138	716,984
Net assets:		
Unrestricted	1,020,868	217,731
Temporarily restricted	4,734	2,944
Total net assets	1,025,602	220,675
Total liabilities and net assets	$ 1,427,740	$ 937,659

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

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grant revenue	$ 1,574,557	$ -	$ 1,574,557
Donation revenue	178,395	56,519	234,914
Property sales	43,715	-	43,715
Miscellaneous revenue	729	-	729
Interest income	119	-	119
Total revenues	1,797,515	56,519	1,854,034
Net assets released from restrictions:			
Expiration of purpose restrictions	54,729	(54,729)	-
Total revenues and other support	1,852,244	1,790	1,854,034
Expenses:			
Salary expenses	130,557	-	130,557
Retirement contributions	11,833	-	11,833
Professional services	15,268	-	15,268
Office expenses	197	-	197
Other expenses	48,488	-	48,488
Demolition charges	842,764	-	842,764
Total expenses	1,049,107	-	1,049,107
Change in net assets	803,137	1,790	804,927
Total net assets—beginning	217,731	2,944	220,675
Total net assets—ending	$ 1,020,868	$ 4,734	$ 1,025,602

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, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Grant revenue	$ 1,111,135	$ -	$ 1,111,135
Donation revenue	97,900	15,000	112,900
Property sales	6,311	-	6,311
Miscellaneous revenue	790	-	790
Interest income	212	-	212
Total revenues	1,216,348	15,000	1,231,348
Net assets released from restrictions:			
Expiration of purpose restrictions	107,299	(107,299)	-
Total revenues and other support	1,323,647	(92,299)	1,231,348
Expenses:			
Salary expenses	93,559	-	93,559
Retirement contributions	6,563	-	6,563
Professional services	10,261	-	10,261
Office expenses	260	-	260
Other expenses	2,832	-	2,832
Demolition charges	992,441	-	992,441
Total expenses	1,105,916	-	1,105,916
Change in net assets	217,731	(92,299)	125,432
Total net assets—beginning	-	95,243	95,243
Total net assets—ending	$ 217,731	$ 2,944	$ 220,675

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

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 804,927	$ 125,432
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Decrease in accounts receivable	-	10,000
(Increase) in assets held for sale	(549,222)	(223,258)
Increase in accounts payable - operating	32,870	16,736
(Decrease) increase in accounts payable - demolition	(492,661)	492,661
Increase in other liabilities to municipalities	70,634	102,171
Increase in unearned revenue	73,388	105,387
Increase in accrued liabilities	923	29
Net cash (used for) provided by operating activities	(59,141)	629,158
Change in cash and cash equivalents	(59,141)	629,158
Cash and cash equivalents—beginning	714,401	85,243
Cash and cash equivalents—ending	$ 655,260	$ 714,401

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates—The Corporation's preparation of the financial statements in conformity with generally accepted accounting principles 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 Corporation's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Corporation'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—Resources available to support the mission of the Corporation.

Temporarily restricted net assets—The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Corporation released $54,729 and $107,299 from restrictions for eligible expenses at December 31, 2015 and 2014, respectively.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand, cash on deposit with financial institutions and other highly liquid investments with maturities at the date of purchase of three months or less and are carried at cost, which approximates fair value.

Assets Held for Sale—Properties acquired by the Corporation for sale are recorded at the lower of cost of acquisition or fair market value. Capital improvements made to properties held for sale are recorded at cost.

Accounts Payable - Demolition—Represents amounts approved for demolition charges incurred by other municipalities to be reimbursed by the Corporation that have not been paid as of the balance sheet date.

Other Liabilities to Municipalities—Represents amounts due to municipalities for certain estimated back taxes and fees on acquired property held for sale, which are expected to be paid to the appropriate municipalities upon sale of property.

Unearned Revenue—Revenue from grants are recognized as earned, that is, as the related costs are incurred under the grant agreements. Amounts received in advance are reported as unearned revenue. The Corporation reported unearned revenues of $178,775 and $105,387 at December 31, 2015 and 2014, respectively.

Donation Revenue—Revenue from donated assets are recorded at the fair market value of the asset, and revenue from cash donations are recorded as the amount received. The Corporation reported $234,914 and $112,900 of donation revenue for the years ended December 31, 2015 and 2014, respectively.

Demolition Charges—Expenses incurred by municipalities for demolition services performed are submitted to the Corporation for reimbursement. Upon their approval, subject to grant restrictions, they are recorded as demolition charges by the Corporation. The Corporation has incurred $842,764 and $992,441 of demolition charges for the years ended December 31, 2015 and 2014, respectively.

Tax Status—The organization is incorporated exempt from federal income taxation under section 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). All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2014. The tax years ended December 31, 2015, 2014 and 2013 are still open to audit for federal purposes.

3. ASSETS HELD FOR SALE

Assets held for sale consists of the following components at December 31, 2015 and 2014:

	2015	2014
Cost of properties held	$ 321,848	$ 196,029
Property improvements	450,632	27,229
Total	$ 772,480	$ 223,258

4. NET ASSETS

Unrestricted Net Assets—Include resources available to support operations. At December 31, 2015 and 2014, the Corporation reports $1,020,868 and $217,731, respectively, in unrestricted net assets.

Temporarily Restricted Net Assets**—**Include assets of the Corporation whose use is limited by stipulations that can be fulfilled and removed by actions of the Corporation, pursuant to contractual agreement. As of December 31, 2015 and 2014, the Corporation had $4,734 and $2,944, respectively, in temporarily restricted net assets for the purpose of property improvements at 69 Ross Avenue, as specified by the donor at the time of donation.

5. CONTINGENCIES

In the normal course of operations, the Corporation receives grant funds from State and other agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenses resulting from such audits could become a liability to the Corporation. While the amount of any expense that may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

6. SUBSEQUENT EVENTS

On Feburary 11, 2016, the Corporation received a commitment from Bank of America to make a donation in the amount of $500,000.

Management has evaluated subsequent events through March 24, 2016, 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.

*** * * * ***

** THIS PAGE INTENTIONALLY LEFT BLANK **

SUPPLEMENTARY 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, 2015

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 which shall include (a) investment guidelines, (b) amendments to such guidelines since the last investment report, (c) an explanation of the investment guidelines and amendments, (d) results of the annual independent audit, (e) the investment income record of the corporation, and (f) a list of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report.

a. Investment guidelines—The Corporation's investment policies are governed by State statutes. All investments are maintained in bank deposit accounts which are federally insured. The Corporation's deposits are held at quality institutions.

b. Amendments to guidelines—None.

c. Explanation of guidelines and investments—These guidelines restrict investment of the Corporation's funds to deposits in federally insured banks. The Corporation has not made any amendments to its investment policy.

d. Results of the annual independent audit—The independent auditors have issued an unmodified opinion on the Corporation's financial statements for the year ended December 31, 2015.

e. Investment income record—Investment income for the year ended December 31, 2015 consisted of:

	Interest Earned
Interest earned on cash and cash equivalents	$ 119

f. List of the total fees, commissions or other charges paid to each investment banker, broker, dealer and adviser rendering investment associated services to the Corporation since the last investment report—No such fees or commissions were paid during the year ended December 31, 2015.

BUFFALO ERIE NIAGARA LAND IMPROVEMENT CORPORATION
Real Property Listing
Year Ended December 31, 2015

1. **Real Property List** – §2896(3) of Public Authorities Law of the State of New York requires that each public authority must publish, at least annually, a report listing all real property of the authority. At December 31, 2015, the Corporation owned the following real property:

Date Acquired	Section/Block/Lot Identification	Property Location and Description	Recorded Value *
9/2/2014	038.74-6-03	585 Morgan Street - 6,600 Sqft	$ 28,667
9/2/2014	038.84-4-06	272 Kohler Street - 3,960 SqFt	10,292
9/2/2014	038.67-7-05	465 Broad Street - 4,400 SqFt	115,707
12/1/2014	080.11-5-26	235 W. Royal Parkway - 10,950 SqFt	103,011
12/1/2014	064.12-3-16	100 Sawyer Avenue - 6,839 SqFt	3,647
12/1/2014	335.15-5-18	53 W. Main Street - 14,014 SqFt	4,950
12/1/2014	112.27-1-70	290 Atlantic Avenue - 5,310 SqFt	113,187
3/11/2015	66.71-2-20	74 Stillwell Avenue- 1,056 SqFt	167,332
5/20/2015	235.20-1-8	59 N. Main Street - 8,712 SqFt	10,298
6/16/2015	77.640-2-41	93 Fuller Street - 2,940 SqFt	75,070
8/21/2015	77.49-2-45	69 Ross Avenue - 4,200 SqFt	61,812
10/15/2015	124.14-4-4	316 Dorris Drive - 10,800 SqFt	7,884
10/15/2015	124.77-2-27.1	50 Aurora Avenue - 1,102 SqFt	10,009
10/15/2015	65.84-4-20	332 Wabash Avenue - 3,910 SqFt	4,955
10/15/2015	112.27-1-15	310 Wagner Avenue - 2,513 SqFt	11,476
10/15/2015	102.53-2-3	64 Hedwig Avenue - 3,120 SqFt	3,954
10/15/2015	102.38-3-27	12 Lyman Avenue - 5,553 SqFt	20,221
10/15/2015	93.17-11-1	33 Donna Court - 13,285 SqFt	12,704
10/15/2015	113.22-4-9	0 Harlem Road - 7,684 SqFt	2,451
10/15/2015	196.09-1-28.1	0 Buffalo Street - 5,885 SqFt	2,951
10/15/2015	104.66-3-10	71 Central Avenue - 5,200 SqFt	1,451
10/29/2015	91.14-1-14	44a Windwood Court - 7,386 SqFt	451
		Total	$ 772,480

2. **Real Property Acquisitions/Dispositions** – During the year ended December 31, 2015, the Corporation acquired 15 real properties and disposed of 11 real properties.

* Recorded value is based on lower cost or market. Donated properties are recorded at management's estimated fair value at acquisition.

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 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 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 the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2016.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings as item 2015-001 to be a material weakness.

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*.

Corporation's Response to Finding

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings. The Corporation's response 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.

Drescher & Malecki LLP

March 24, 2016

We consider the deficiency presented below to be a material weakness in internal control.

Finding 2015-001—Journal Entries

Criteria—All journal entries recorded throughout the year should be reviewed by an individual independent of the journal entry process.

Condition and Context—As noted in the prior year, journal entries were not reviewed prior to posting. It was noted that some entries were either not recorded in the general ledger or posted to the incorrect account / fiscal year.

Effect—The absence of a formal review of journal entries increases the likelihood that assets could be misappropriated and/or a material misstatement could occur on the Corporation's financial statements.

Cause—The review of journal entries does not occur due to limited staffing and the lack of a formalized journal entry policy.

Recommendation—The Corporation should implement a formalized journal entry policy that requires an independed review of journal entries. The Corporation's operations have grown from the prior year and require increased attention to the journal entry process, specifically for recording real property acquisitions and dispositions. Additionally, the Corporation should consider hiring additional staff to assist with the oversight of the accounting function due to the complexity and nature of the Corporation.

Management's Response—The Corporation intends to formalize its journal enry process. Additionally, the Corporation is reviewing its options for additional accounting oversight by evaluating the hiring of an individual or the utilization of an existing position with a working knowledge in accounting.

** THIS PAGE INTENTIONALLY LEFT BLANK **