
Certified Public Accountants

March 22, 2018

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

In planning and performing our audit of the financial statements of the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation") as of and for the year ended December 31, 2017, 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, we considered the Corporation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined below:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

During our audit we identified certain matters involving the internal control, other operational matters and new reporting standards that are presented for your consideration. This letter does not affect our report dated March 22, 2018 on the financial statements of the Corporation. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

A handwritten signature in black ink that reads 'Drescher & Malecki LLP'.

March 22, 2018

Financial Accounting System

The Corporation's financial accounting system lacks certain sophistication, such as the structure of an organized inventory tracking system to maintain the properties being held for resale. The Corporation has expanded its total property held for resale inventory significantly from prior years and when combined with the complex valuation of properties upon acquisition and unique journal entry requirements of property sales, the need for a more sophisticated inventory tracking system becomes apparent. An integrated inventory tracking software would offer the appropriate account structure to maintain property detail while reporting control totals for financial reporting purposes.

We recommend that the Corporation explore the feasibility of purchasing an inventory tracking module extension to their current accounting software, which would provide a user friendly interface to track the various attributes that accompany each property: acquisition dates, cost, method of valuation; property address, lot and building size; property improvements; sale dates, sale closing details (cash proceeds, broker's commissions, etc.); and the amounts due to municipalities for the corresponding back taxes liabilities.

Accounting Policies and Procedures

Similar to the prior year, the Corporation does not have a complete accounting policies and procedures manual in place. The Corporation has begun documenting and compiling accounting policies and procedures; however, not all relevant policies and procedures are included. The manual should include an organization chart, job descriptions, description of accounting procedures and principles to be followed, and a chart of accounts. Additionally, the manual should include examples of standard and non-standard journal entries with a brief narrative for each type of non-standard journal entry (property acquisition, property improvement, property sale, etc.). The manual should include the Corporation's policies and procedures for year-end accruals and procedures for transactions that have a period of service spanning multiple fiscal years (e.g. excess liability insurance). The Corporation should also include a policy to formalize the inventory of assets held for sale valuation process, including the frequency and other qualifying events that may initiate valuation adjustment. Finally, a policy for timely remittance of back taxes upon property sales should be included.

We recommend that the Corporation work with their contracted accounting services provider to continue populating their accounting policies and procedures manual to document standards procedures surrounding key areas and inform all employees of operating procedures and policies.

New Not-for-Profit Reporting Standard

The Financial Accounting Standards Board ("FASB") released Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profits, which will have a future impact on the Corporation's financial statement presentation. This Standard should be evaluated to determine the extent the Corporation will be impacted. The standard is effective for the Corporation's fiscal year ending December 31, 2018.

The objective of ASU 2016-14 is to improve how not-for-profits communicate their financial performance and condition, while also reducing the certain costs and complexities in preparing financial statements.