
Certified Public Accountants

February 19, 2019

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

In planning and performing our audits of the financial statements of the Buffalo Erie Niagara Land Improvement Corporation (the "Corporation") as of and for the years ended December 31, 2018 and 2017, in accordance with auditing standards generally accepted in the United States of America, 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.

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 and other operational matters that are presented for your consideration. This letter does not affect our report dated February 19, 2019 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.

This communication is intended solely for the information and use of management and those charged with governance, and is not intended to be, and should not be, used by anyone other than these specified parties.

Drescher & Malecki LLP

February 19, 2019

Property Valuation Procedures

The Corporation should have formal procedures for valuing donated properties. While the Corporation maintains informal procedures to follow when recording a donated property, we found that during the year ended December 31, 2018 these procedures were not applied consistently to all properties. Currently, the Corporation utilizes informal procedures by determining an initial estimate of fair market value as 50% of equalized assessed value, and then considers certain factors that may adjust from that basis. The factors that will cause adjustment to the initial estimate are as follows: the market demand of donated property, the condition of donated property, and whether there is an untouched sale opportunity related to the donated property. The absence of a formalized process could cause inconsistent procedures when valuing donated properties and increase the risk of inaccurate valuation. This could lead to significant write-downs to cost of sales upon property disposition/sale.

We recommend that the Corporation formalize and establish policies and procedures for valuing donated properties. At a minimum, the policies and procedures should include the valuation method(s) identified by the Board as acceptable for initial estimate basis of donated properties, a list of factors that may impact initial estimates, documentation of the noted factors and the steps taken to reach any adjustments, and examples of donated property transactions.

Management's Response: The Corporation's staff have initiated efforts to establish a transparent process and methodology to value donated properties. The result will be shared with the Corporation's Audit Committee for review and comment.

Bank Reconciliations

During the current year, the Corporation experienced employment transitions that changed the individual responsible for reconciling bank account activity. Further, the Corporation's accounting software has not been updated to utilize the bank reconciliation function for one of the Corporation's two bank accounts, resulting in the need for reconciliations performed outside of the software. The bank account in question represents a small (permanent average daily balance of less than \$5,000) account created by the Corporation to quarantine electronic debits to pay individual utility bills at properties and eliminate the need for writing numerous small checks each month. Consequently, bank reconciliations were not completed for the utilities bank account during the months of January through December.

We recommend that the Corporation update their accounting software to integrate monthly journal entries and bank reconciliation functions for the utilities bank account.

Management's Response: The Corporation's accounting software was upgraded and the utilities bank account was fully reconciled as part of the first 2019 quarterly review performed by Lumsden & McCormick, LLP, the Corporation's hired outside accounting firm.