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Certified Public Accountants

March 7, 2022

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

In planning and performing our audit of the financial statements of Buffalo Erie Niagara Land Improvement Corporation (the "Corporation") as of and for the year ended December 31, 2021, 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 opinion 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 over financial reporting, 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 as follows:

- *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 future reporting requirements that are presented for your consideration. This letter does not affect our report dated March 7, 2022 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 is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

March 7, 2022

Financial Planning

For each of the last three years, grant revenue has accounted for over 30 percent of the Corporation's total revenue. The Enterprise Attorney General ("AG") grant has been the primary source of grant revenue, received through the Not-For-Profit Enterprise Community Partners. As of December 31, 2021, the Corporation has drawn down the total AG grant amount.

As the Corporation continues its strategic planning process, we recommend that the Corporation place an increased emphasis on budgeting techniques focused on property-derived revenues, and a long-term financial approach to plan for the potential decreased grant funding. We encourage the continued efforts to advocate renewal of such state grants, and seeking new alternative grant opportunities as well. Finally, we recommend that a cash flow analysis be developed as part of the Corporation's regular financial planning procedures, which will help to anticipate significant cash receipts and disbursements from upcoming operations.

Accounting Standards Update

The Financial Accounting Standards Board ("FASB") released the following Accounting Standards Update ("ASU"), which will have an impact on the Corporation's financial statement presentation for the year ending December 31, 2022.

- ASU 2016-02, *Leases (Topic 842)*: The objective of ASU 2016-02 is to establish the principles that lessees and lessors should apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between current practice is the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases with a term greater than twelve months. In addition, ASU 2016-02 requires disclosures of qualitative and quantitative information to supplement the amounts recorded on the financial statements so that users can understand more about the Corporation's leasing activities.

- ASU 2014-09, *Revenue from Contracts with Customers (Topic 606*): The objective of ASU 2014-09 is to provide additional guidance for non-public entities on reporting revenues from contracts with customers.

- ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*: The objective of ASU 2021-10 is to provide guidance on disclosures for transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy.

- ASU 2021-05—*Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*: The objective of ASU 2021-05 is to require that a lessor determine whether a lease should be classified as a sales-type lease or a direct financing lease at lease commencement on the basis of specified classification criteria.

- ASU 2021-09—*Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*: The objective of ASU 2021-09 is to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

- ASU 2021-07—*Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Based Awards*: The objective of ASU 2021-07 is to provide a basis for determining the current price of an underlying share for equity-classified share-based awards.

- ASU 2021-04—*Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options* (a consensus of the FASB Emerging Issues Task Force): The objective of ASU 2021-04 is to provide additional guidance for issuer's accounting for certain modifications or exchanges of freestanding equity-classified written call options.

- ASU 2021-02—Franchisors—*Revenue from Contracts with Customers (Subtopic 952-606): Practical Expedient*: The objective of ASU 2021-02 is to introduce a new practical expedient that simplifies the application of the guidance about identifying performance obligations