Lumsden McCormick LLP
CERTIFIED PUBLIC ACCOUNTANTS

Cyclorama Building | 369 Franklin Street | Buffalo, NY 14202

p: 716.856.3300 | f: 716.856.2524 | www.LumsdenCPA.com

MANAGEMENT LETTER

March 28, 2018

The Board of Directors and Management
Buffalo Niagara Convention Center Management Corporation

In planning and performing our audit of the financial statements of Buffalo Niagara Convention Center Management Corporation (the Center) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Center'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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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.

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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

OTHER COMMENTS AND RECOMMENDATIONS

Policies and Procedures Manual

We recommend the Center complete a formal accounting policies and procedures manual. A comprehensive manual is a fundamental component of an effective internal control, accounting and financial reporting system. Formalized, documented procedures offer employees a clear picture of the Center's controls, accounting procedures and practices, provide the Center with a source of information that will not be lost if key personnel leave, and are helpful in training new employees. The manual would serve as formal documentation of the existing monthly closing and reporting procedures, formal policies for preparing weekly payroll, preparing and reviewing general journal entries, and approving invoices for payment and billing customers for services performed.

Excess Cash

The Center currently maintains essentially all cash in its operating account. Since excess cash can be significant at various times throughout the year, we continue to recommend the Center consider conservatively investing excess cash, in accordance with its investment policy. We understand management is evaluating cash management opportunities with the bank.

Local Authority

On January 23, 2013 the Center received notification from the State of New York Authorities Budget Office (ABO) that the organization meets the definition of a local authority pursuant to the Public Authorities Law. Accordingly, the Center is now required to comply with regulations established by the Public Authorities Accountability Act (PAAA).

Although the Center has complied with certain aspects of PAAA, it has been notified by the ABO that it is not in full compliance. Management has advised us that resolution of this matter is pending certain actions to be taken by the Center's Members, the County of Erie and the City of Buffalo. Since the ABO has the authority to take enforcement action, we continue to recommend the Center's Members take the necessary actions to be in full compliance with PAAA.

Cybersecurity

Cybersecurity continues to be a high-risk area for most businesses, including exempt entities. Therefore, we recommend the Center periodically review its internal control policies and procedures, including insurance coverage, in order to protect data, ensure against losses and safeguard assets.

PRIOR YEAR RECOMMENDATIONS

Included in our current procedures is an update of the status of recommendations made in previous audits. Recommendations not mentioned elsewhere include:

Internal Controls

In prior years, we recommended the Center evaluate segregation of duties and implement procedures to enhance controls over cash receipts. We are pleased to report the recommend procedures were implemented during the current year.

AWARENESS MATTERS

Accounting Standards Updates

The following accounting standards and tax law changes will impact the recording and reporting of the Center upon implementation:

- ASU 2016-14 *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for Profit Entities* (Effective 2018) – New accounting standard requires changes to the net asset classifications, allocation of functional expenses, and the presentation of the financial statements, including enhanced quantitative and qualitative disclosures related to liquidity.

- ASU 2014-09 *Revenue from Contracts with Customers* (Effective 2019) – New accounting standard provides additional guidance on the recording and reporting of revenue from contracts with customers, which includes government contracts and grants received by the Center.

- ASU 2016-02 *Leases* (Effective 2020) – New accounting standard generally requires lessees to recognize the assets and liabilities arising from leases on the balance sheet unless lease term is less than twelve months.

This report is intended solely for the information and use of the Board of Directors and management of the Center. It is not intended to be, and should not be, used by anyone other than these specified parties.

Lumsden & McCormick, LLP