

NATURAL HERITAGE TRUST

Financial Statements

March 31, 2016

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NATURAL HERITAGE TRUST MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Natural Heritage Trust (the “Trust”) is a New York State Public Benefit Corporation and State Authority. The Trust’s mission is to receive and administer gifts, grants and contributions to further public programs for parks, recreation, cultural, land and water conservation and historic preservation purposes of the State of New York.

The Management Discussion and Analysis (MD&A) of the Trust is an introduction to the major activities affecting the operation of the Trust and an overview and analysis of the financial statements of the Trust for the fiscal year ended March 31, 2016. The information contained in the MD&A should be considered in connection with the information contained in the financial statements and footnotes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Trust's financial statements consist of three parts: 1) Management Discussion and Analysis (MD&A) (this section) 2) the basic financial statements, and 3) required supplementary information. The basic financial statements include three kinds of statements that present different views of the Trust:

1. Government wide financial statements provide both short-term and long-term information about the Trust.
2. Governmental fund financial statements provide information on how the government is supported in the short-term.
3. Fiduciary fund financial statements provide information about financial relationships where the Trust acts solely as a trustee of the related funds.

Government-wide Financial Statements

The government-wide financial statements report information about the Trust as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Trust’s assets and liabilities. All of the current year revenue and expenses are reported in that statement of activities regardless of when the cash is received or paid. The government-wide financial statements do not include fiduciary activities.

Fund Financial Statements

A fund is an accountability unit to maintain control over resources segregated for specific activities or objectives. The Trust has two kinds of funds, a governmental fund and a fiduciary fund.

The governmental fund is reported in the fund financial statements. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of the Trust operations and the commitment of spendable resources for the near-term.

The governmental fund represents the general operating fund of the Trust. Revenue is derived principally from interest earned from checking and money market accounts, interest and returns on investments and administrative fees charged to certain programs for which the Trust employs staff. Information on this fund is reported in the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* and the *Governmental Fund Balance Sheet*.

The *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* shows the Trust's change in fund balance during the year. It accounts for all of the current year's revenues and expenses, measures the financial results of the Trust's operations over the past year and can be used to determine how the Trust has funded its costs.

The *Governmental Fund Balance Sheet* provides information about the nature and amounts of investments in resources and the obligations of the Trust, with the difference between the two reported as fund balance.

The fiduciary fund financial statements report resources that are not available to fund Trust administrative expenses. The fiduciary fund is used to account for assets held by the Trust in a trustee capacity for specific projects and programs.

The fiduciary fund represents monies held in trust for restricted purposes in concert with the Trust's partner agencies and other organizations. Revenue is principally derived from gifts, grants, program activity fees, sponsorships, fundraising activity and investment income. Expenditures are project and program specific and support specific purposes under gift agreements, contracts, grant agreements and other arrangements.

Information on the fiduciary fund is reported in the *Statement of Changes in Fiduciary Net Position-Fiduciary Fund* and the *Statement of Fiduciary Net Position – Fiduciary Fund*.

The *Statement of Changes in Fiduciary Net Position* shows the fiduciary fund change in net position during the year. It accounts for all of the current year additions and deductions, and measures the financial results of fiduciary fund operations over the past year.

The *Statement of Fiduciary Net Position – Fiduciary Fund* provides information about the amounts due from the general fund and the obligations of the fiduciary fund accounts, with the difference between the two reported as net position held in trust.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Supplementary Information

The *General Fund Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual* provides a comparison of budget and actual information for the Trust's general fund.

The *Schedule of Funding Progress for the Retiree Health Plan* provides information on the actuarial accrued liability and the unfunded actuarial accrued liability relating to the Trust's Other Postemployment Benefit (OPEB) Obligation.

The *Schedule of Proportionate Share of Net Pension Liability (Asset)* provides current and historical information on the Trust's share of the New York State Employees' Retirement System Plan's net pension liability (asset).

The *Schedule of Contributions – Pension Plans* provides current and historical information on the Trust's required contributions to the New York State Employees' Retirement System Plan.

Supplementary information begins immediately following the notes to the financial statements.

FINANCIAL ANALYSIS OF THE TRUST

Below is a condensed summary of the statement of net position as compared to the 2015 fiscal year.

SUMMARY OF ASSETS, LIABILITIES AND NET POSITION

	2016	2015
Assets	\$ 38,529,587	\$ 32,316,700
Deferred outflows of resources	373,257	494,652
Current liabilities	34,849,207	28,986,269
Long-term liabilities	3,185,460	2,698,612
Deferred inflows of resources	84,687	0
Unrestricted Net Position	\$ 783,490	\$ 1,126,471

The Trust's assets consist primarily of cash, money market funds, fixed income debt obligations and equity exchange traded funds. Funds received from the various fiduciary fund program accounts are deposited into the general fund and invested until they are subsequently disbursed for project and program purposes. For internal accounting purposes, transactions from the fiduciary program accounts are tracked on a specific basis and recorded in accordance with established requirements relating to each project or program.

Each fixed income debt obligation in the Trust's portfolio bears interest at a fixed rate. At March 31, 2016 the market yield ranged from 0.9% to 1.9% for fixed income debt obligations, and 1.9% to 2.8% for equities. The market value of fixed income debt obligations fluctuates between purchase date and maturity date based on changes in market interest rates. For the year ended March 31, 2016, market fluctuations resulted in unrealized losses on the general fund investments and the fiduciary fund investments.

Deferred outflows of resources are a separate financial statement element that represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The deferred outflows reported on the statement of net position are related to pensions (see Note F to the financial statements).

Almost all of the governmental fund current liabilities reflect the amount due to the fiduciary fund (99%).

The long-term governmental fund liabilities are related to fringe benefits for Trust administrative and program staff (4 and 48 Full-Time Equivalents, respectively) and consist of the Trust's net OPEB obligation (retirement health benefits) and net pension liability. These liabilities are based on an actuarial valuation and represent the estimated amount due for vested future employee retirement benefits. The liabilities will be paid incrementally over future fiscal years. However, due to the nature of the liabilities the liabilities will likely continue to increase and will never be fully repaid.

Deferred inflows of resources are a separate financial statement element that represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The deferred inflows reported on the statement of net position are related to pensions (see Note F to the financial statements).

SUMMARY OF CHANGES IN NET POSITION FROM OPERATING RESULTS

	<u>2016</u>	<u>2015</u>
Investment income	\$ 201,953	\$ 188,066
Indirect fringe benefit income	553,167	318,012
Administrative income	175,950	292,709
Realized gains on investments	39,926	18,817
Unrealized gains (losses) on investments	(71,082)	178,960
Miscellaneous	21,947	10,854
Total Revenues	<u>921,861</u>	<u>1,007,418</u>
Salary and payroll related costs	292,692	353,891
Fringe benefit and retirement costs	204,798	262,875
Other postemployment benefits expense	626,838	405,416
Bank investment fees and service charges	31,897	33,739
Professional fees	91,927	64,106
Office supplies and postage	8,031	20,056
Travel	8,646	3,508
Award expenses	0	3,050
Miscellaneous	13	152
Total Expenditures	<u>1,264,842</u>	<u>1,146,793</u>
Deficiency of revenues over expenditures	(342,981)	(139,375)
Net position at beginning of year	<u>1,126,471</u>	<u>1,265,846</u>
Net position at end of year	<u>\$ 783,490</u>	<u>\$ 1,126,471</u>

With the exception of Other Post Retirement Benefits (OPEB) expense, these expenditures represent the costs to support the core administrative operations of the Trust, which include finance, accounting, contract management, development, payroll and benefit administration.

The decrease in revenue is primarily due to lower administrative income and unrealized losses on investments. Salary and fringe benefit costs were lower; professional fees were higher because of several upgrades made to the Trust's accounting system. OPEB expense is considered a non-cash expense the Trust is required to record under GASB standards. OPEB expense increased significantly as the result of a new actuarial valuation received during the current fiscal year. The actual costs for retirement health benefits (OPEB) to the Trust for the 2015-16 fiscal year were just over \$32,000.

FINANCIAL ANALYSIS OF THE TRUST'S GOVERNMENTAL FUND

Governmental Fund

The variances between years for the governmental fund financial statements will be different between years of the government wide financial statements. The governmental fund financial statements are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, the governmental fund of the Trust does not include long-term liabilities of the Trust related to the OPEB obligation, the net pension liability, and related deferred outflows/inflows of resources. Since these liabilities are due and payable in incremental amounts from future fiscal years and are not due and payable from current economic resources, these amounts are not included in the governmental fund financial statements. Only the related expense that is due and payable in the current year out of current economic resources for each of these liabilities is recorded in the governmental fund financial statements.

General Fund Budgetary Highlights

The general fund revenue budget for the fiscal year was \$610,000 with a projected budget deficit of \$150,000 to be supported with funds from the unrestricted fund balance, as shown on page 32 (Supplementary Information). Actual governmental fund revenue totaled \$921,861. The higher revenue amount is due to indirect fringe benefit income assessed on those program accounts with payroll expense, over the actual fringe benefits paid out by the Trust, and net realized and unrealized gains (losses) on investments that are not included in the annual operating budget of the Trust.

Governmental fund expenses of approximately \$571,912 were lower than the budgeted expenditures of \$610,000. The Trust had costs savings in salary and fringe benefit costs do in part to the recent reorganization of the Trust's administrative functions. These savings were partially offset by increases in professional fees relating to outsourced accounting services.

FINANCIAL ANALYSIS OF THE FIDUCIARY FUND

The fiduciary fund represents monies held in trust for restricted purposes in concert with the Trust's partner agencies and other organizations. Below is a summary of the net position and the revenues, expenditures and change in net position for the years ended March 31, 2016 and 2015.

SUMMARY OF ASSETS, LIABILITIES AND NET POSITION – FIDUCIARY FUND

	<u>2016</u>	<u>2015</u>
Assets	<u>\$ 35,212,716</u>	<u>\$ 29,101,588</u>
Liabilities	446,153	489,994
Net Assets Held in Trust	<u>34,766,563</u>	<u>28,611,594</u>
	<u>\$ 35,212,716</u>	<u>\$ 29,101,588</u>

Nearly all of the fiduciary fund assets reflect the amount due from the Governmental Fund.

Restricted gifts and grants received by the fiduciary fund, project sponsorships, project activity fees and investment earnings, totaled approximately \$15,800,000 for the fiscal year ended March 31, 2016. Program expenses related to fiduciary fund activities totaled approximately \$9,600,000, resulting in an increase of the fiduciary fund net position of approximately \$6,200,000. This increase is largely due to the establishment of two new permanent endowments, several new projects, and continued investment in older projects this year. The total number of program accounts the Trust manages, with account balances at year end, increased to 202 as of March 31, 2016, from 189 as of March 31, 2015.

**SUMMARY OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - FIDUCIARY FUND**

	<u>2015</u>	<u>2015</u>
Additions		
Gifts, donations and private grants	\$ 8,516,103	\$ 5,420,638
Grants and contracts	2,728,440	3,360,832
Merchandise sales	1,016,578	977,074
Activity and program income	1,223,294	772,473
Sponsorship and advertising	402,435	266,600
Mitigation and environmental benefits	933,296	0
Other revenue	922,379	60,004
Investment income	299,659	224,992
Realized gains on investments	158,580	167,830
Unrealized gains (losses) on investments	<u>(402,823)</u>	<u>398,774</u>
	15,797,941	11,649,217

Expenditures		
Program support and personnel	\$ 4,468,542	\$ 3,726,863
Activity and event support	2,241,810	1,600,245
Capital construction and maintenance	945,888	1,080,373
Promotional materials and merchandise for resale	782,167	706,821
Professional services	262,874	377,420
Gift reassignment	862,338	363,080
Miscellaneous	79,353	3,386
	<u>9,642,972</u>	<u>7,858,188</u>
Change in net position	6,154,969	3,791,029
Net position at beginning of year	<u>28,611,594</u>	<u>24,820,565</u>
Net position at end of year	<u>\$34,766,563</u>	<u>\$28,611,594</u>

Requests for Information

The accompanying financial statements are designed to provide readers with a general overview of the Trust's finances and to demonstrate the Trust's accountability for the revenue it receives. Questions concerning any of the information provided in this report, or any request for additional information, should be addressed to the Executive Director, Natural Heritage Trust, Albany, NY 12238.

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Audit Committee
Natural Heritage Trust

We have audited the accompanying financial statements of Natural Heritage Trust (the "Trust"), a component unit of the State of New York, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 audit. We conducted our audit 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 respective financial position of Natural Heritage Trust as of March 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8, and the budgetary comparison information and other schedules on pages 32-35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of Natural Heritage Trust'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 Trust's internal control over financial reporting and compliance.

Wojcik & Co. CPAs, P.C.

East Greenbush, New York
June 29, 2016

NATURAL HERITAGE TRUST

Statement of Net Position

March 31, 2016

ASSETS

Cash and cash equivalents	\$ 3,159,324
Investments	35,354,134
Interest receivable	<u>16,129</u>

TOTAL ASSETS 38,529,587

DEFERRED OUTFLOWS OF RESOURCES

Pension related	<u>373,257</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	33,987
Due to fiduciary fund	<u>34,815,220</u>

TOTAL CURRENT LIABILITIES 34,849,207

LONG-TERM LIABILITIES

Net OPEB obligation	2,770,842
Net pension liability	<u>414,618</u>
	<u>3,185,460</u>

TOTAL LIABILITIES 38,034,667

DEFERRED INFLOWS OF RESOURCES

Pension related	<u>84,687</u>
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NET POSITION

Unrestricted	<u>783,490</u>
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TOTAL NET POSITION \$ 783,490

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Activities

For the Year Ended March 31, 2016

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS				
General and administrative	\$ 1,264,842	\$ 175,950	\$ -	\$ (1,088,892)
TOTAL FUNCTIONS/PROGRAMS	1,264,842	175,950	-	(1,088,892)
GENERAL REVENUE				
Indirect fringe benefit income				553,167
Investment income				201,953
Realized gains on investments				39,926
Unrealized losses on investments				(71,082)
Miscellaneous income				21,947
TOTAL GENERAL REVENUE				745,911
CHANGE IN NET POSITION				(342,981)
NET POSITION, beginning of year - as restated (see Note B)				1,126,471
NET POSITION, end of year				\$ 783,490

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Balance Sheet - Governmental Fund and Reconciliation of Total Governmental Fund Balance to Net Position

March 31, 2016

ASSETS

Cash and cash equivalents	\$ 3,159,324
Investments	35,354,134
Interest receivable	<u>16,129</u>

TOTAL ASSETS \$ 38,529,587

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 33,987
Due to fiduciary fund	<u>34,815,220</u>

TOTAL CURRENT LIABILITIES 34,849,207

FUND BALANCE

Unassigned	3,156,365
Assigned	<u>524,015</u>

TOTAL FUND BALANCE 3,680,380

TOTAL LIABILITIES AND FUND BALANCE \$ 38,529,587

RECONCILIATION OF GOVERNMENT FUND BALANCE TO NET POSITON

Total Governmental Fund Balance per above \$ 3,680,380

Deferred outflows/inflows of resources related to pensions that are applicable to future periods and, therefore, are not reported in the general fund:

Deferred outflows of resources - pension related	373,257
Deferred inflows of resources - pension related	(84,687)

Net pension liability is not due and payable in the current period and, therefore, not reported in the general fund: (414,618)

Net OPEB obligation is not due and payable in the current period and, therefore, not reported in the general fund: (2,770,842)

TOTAL NET POSITION \$ 783,490

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund

For the Year Ended March 31, 2016

REVENUES

Indirect fringe benefit income	\$ 553,167
Investment income	201,953
Administrative income	175,950
Realized gains on investments	39,926
Unrealized losses on investments	(71,082)
Other revenue	21,947

TOTAL REVENUES 921,861

EXPENDITURES

Salary and payroll related costs	292,692
Fringe benefit and retirement costs	138,706
Professional fees	91,927
Bank investment fees and service charges	31,897
Travel	8,646
Office supplies and postage	8,031
Miscellaneous	13

TOTAL EXPENDITURES 571,912

EXCESS OF REVENUES OVER EXPENDITURES 349,949

FUND BALANCE AT BEGINNING OF YEAR 3,330,431

FUND BALANCE AT END OF YEAR \$ 3,680,380

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Fiduciary Net Position - Fiduciary Fund

March 31, 2016

ASSETS

Accounts receivable	\$ 397,496
Due from governmental fund	<u>34,815,220</u>

TOTAL ASSETS \$ 35,212,716

LIABILITIES AND NET POSITION HELD IN TRUST

LIABILITIES

Accounts payable	\$ 229,789
Accrued payroll and related items	<u>216,364</u>

TOTAL LIABILITIES 446,153

NET POSITON HELD IN TRUST 34,766,563

TOTAL LIABILITIES AND NET POSITION HELD IN TRUST \$ 35,212,716

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Changes in Fiduciary Net Position - Fiduciary Fund

For the Year Ended March 31, 2016

ADDITIONS

Gifts, donations and private grants	\$ 8,516,103
Grants and contracts	2,728,440
Activity and program income	1,223,294
Merchandise sales	1,016,578
Mitigation and environmental benefits	933,296
Sponsorship and advertising	402,435
Investment income	299,659
Realized gains on investments	158,580
Unrealized losses on investments	(402,823)
Other revenue	922,379

TOTAL ADDITIONS 15,797,941

PROGRAM EXPENSES

Program support and personnel	4,468,542
Activity and event support	2,241,810
Capital construction and maintenance	945,888
Gift reassignment	862,338
Promotional materials and merchandise for resale	782,167
Professional services	262,874
Miscellaneous	79,353

TOTAL PROGRAM EXPENSES 9,642,972

CHANGE IN NET POSITION HELD IN TRUST 6,154,969

Net position held in trust at beginning of year 28,611,594

NET POSITION HELD IN TRUST AT END OF YEAR \$ 34,766,563

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Notes to Financial Statements

March 31, 2016

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Natural Heritage Trust (the “Trust”), a public benefit corporation, was created in 1968 under Article 55 of the Arts and Cultural Affairs Law to receive and administer private gifts, grants, devises and bequests of real and personal property donated to further conservation, outdoor recreation and historic preservation and to cooperate with other public and private organizations with interests in appropriate projects intended to preserve and improve the natural and historic preservation of resources of New York State and advance public understanding, revitalization, and restoration of New York’s waterfronts. The Trust is administered at the direction of the Board of Directors comprised of the Commissioner of the New York State Office of Parks, Recreation and Historic Preservation, Chair of the State Council of Parks, Commissioner of the New York State Department of Environmental Conservation and Secretary of State. The Trust is a component unit of the State of New York for financial reporting purposes and is included in the State’s basic financial statements.

A summary of the Trust’s significant accounting policies follows:

Basis of Presentation

The financial statements of the Trust are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Trust applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Government Wide Financial Statements

The statement of net position and the statement of activities present financial information about the Trust’s governmental activities. These statements include the financial activities of the entire organization, except those that are fiduciary. The statements report using the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash transaction takes place. Revenue for grants and contributions is recognized in the fiscal year in which the eligibility requirements have been satisfied. Net position is classified into three components – net investment in capital assets; restricted; and unrestricted.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and accumulated amortization, reduced by the outstanding balances of bonds, notes, and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of investment in capital assets, net of related debt. Rather that portion of the debt is included in restricted net position. The Trust did not have any net investment in capital assets at March 31, 2016.

Restricted net position: This component of net position represents external restrictions on net position imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Trust did not have any restricted net position at March 31, 2016.

Unrestricted net position: This component represents net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Trust considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the liability is incurred. The Trust reports the following governmental fund:

General Fund

This fund represents the general operating fund of the Trust. Revenues are derived principally from interest earned from checking and money market accounts, interest and investment returns earned on fixed income debt obligations, and administrative fees charged to certain programs for which the Trust hires personnel. Disbursements from this fund cover the general administrative expenses of the Trust.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Governmental Fund--Continued

General Fund--Continued

The L.L. Huttleston Fund, also included in the government fund, represents general operating fund monies set aside by the Board of Directors to support and sustain, in perpetuity, annual awards for outstanding performance by employees of New York State Office of Parks, Recreation and Historic Preservation. Investment earnings on such funds are available to finance the L.L. Huttleston awards.

Fund Balance Classification: The governmental fund financial statements present a fund balance based on classifications that comprise a hierarchy that is based primarily on the extent to which the Trust is bound to honor constraints on the specific purpose for which amounts in the respective governmental fund can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Trust did not have any nonspendable resources as of March 31, 2016.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Trust did not have any restricted resources as of March 31, 2016.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Trust's governance board. These amounts cannot be used for any other purpose unless the Trust's governance board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Trust did not have any committed resources as of March 31, 2016.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Assigned: This classification includes amounts that are constrained by the Trust's intent to be used for specific purpose but are neither restricted nor committed. The Trust has assigned funds for the purpose of funding amounts payable in future years related to the Trust's postemployment healthcare benefit plan as discussed in Note F.

Unassigned: This classification includes the residual fund balance for the governmental fund.

The Trust would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Fiduciary Fund

This fund is used to account for assets held by the Trust in a trustee capacity for individuals, private organizations, and other governmental units. Fiduciary fund financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting. The Trust reports the following fiduciary fund:

Private-Purpose Trust Funds

Private-purpose trust funds represent grants and programs and activities established for a definite purpose in concert with the Trust's partner agencies and other organizations. These trust funds generate revenue and expenditures that are administered by the Trust, and are subject to oversight by the Trust. As of March 31, 2016 the Trust held funds received through relationships with its partner agencies and organizations for over 185 different programs and projects. The five (5) largest trust fund accounts in terms of revenue accounted for approximately 39% of all restricted funds for the year ended March 31, 2016. The five (5) largest trust fund accounts in terms of expenditures incurred 26% of program expenses for the same period.

Use of Estimates

Management of the Trust has made estimates and assumptions relating to the reporting of assets and liabilities and disclosure of contingent assets and liabilities to prepare these financial statements in accordance with generally accepted accounting principles. Actual results could differ from those estimates.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Restricted Gifts, Grants and Other Funds

The Trust receives gifts, grants and other raised funds from outside organizations, including government entities that are restricted for specific purposes.

Investments

Investments are recorded at market value. Investments received by gift are recorded at market value at the date of the gift.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Trust reports deferred outflows related to pensions in the Statement of Net Position. The types of deferred outflows related to pensions are described in Note F.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Trust reports deferred inflows related to pensions in the Statement of Net Position. The types of deferred inflows related to pensions are described in Note F.

Tax Status

The Trust has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The Trust qualifies for the charitable contribution deduction for individual donors. The Trust does not conduct unrelated business income activities and, therefore, has made no provision for income taxes in the accompanying financial statements.

Management has evaluated the Trust's tax positions, including interest and penalties attributable thereto, and concluded that the Trust has taken no tax positions that required adjustment in its financial statements as of March 31, 2016.

The Trust's information return filings are subject to examinations by the Internal Revenue Service. The Trust is no longer subject to examinations for the years ending before March 31, 2013, and currently, there are no examinations in process nor has the Trust been informed of any pending examinations.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES--Continued

Subsequent Events

The Trust evaluates transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on June 29, 2016.

NOTE B--CHANGE IN ACCOUNTING PRINCIPLE

The Trust adopted GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. GASB 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pension through pension plans that are covered by the scope of GASB 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. Accordingly, the cumulative change in accounting principle adjustment to net position is shown in the table below:

	Net Pension Liability	Deferred Outflows	Net Position
Balance at March 31, 2015, as previously reported	\$ -	\$ -	\$ 1,186,427
Contributions made subsequent to measurement date NYS Employee Retirement System Plan	- (554,608)	494,652 -	494,652 (554,608)
Balance at March 31, 2015, as restated	<u>\$ (554,608)</u>	<u>\$ 494,652</u>	<u>\$ 1,126,471</u>

NOTE C--CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried at cost plus accrued interest. Nearly all cash and cash equivalents needed for short-term check writing purposes are maintained at one financial institution

Cash and cash equivalents are maintained in Federal Deposit Insurance Corporation (FDIC) insured accounts and may at times exceed FDIC insurance limits. The Trust has written agreements with the financial institutions for the collateralization of funds in excess of FDIC insurance coverage limits.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE C--CASH AND CASH EQUIVALENTS--Continued

At March 31, 2015, the book amount of the Trust's deposits was \$3,159,324 and the related bank balance was \$3,381,845. The insured and collateral status of the year-end bank balance was as follows:

<u>Status of Bank Balances</u>	
Covered by FDIC insurance	\$ 384,746
Collateralized	2,997,099
	<u>\$ 3,381,845</u>

NOTE D--INVESTMENTS

The Trust has adopted an investment policy in accordance with the NYS Public Authorities Law and rules and regulations of the State of New York Office of the State Comptroller ("OSC"). The Trust's written investment policy has been approved by the Board of Directors. Cash, cash equivalents and investments in the Trust's investment accounts consists of the following at March 31, 2016:

	<u>Cost</u>	<u>Market</u>
Corporate and Government Bond Funds	\$ 16,422,355	\$ 16,567,680
Closed-end Equity Mutual Funds	7,561,949	9,681,846
Corporate and Foreign Bonds	3,070,687	3,084,673
Cash and Money Market Funds	2,314,431	2,314,431
International Closed-end Funds	1,930,771	1,862,615
U.S. Government Agencies	1,485,732	1,502,040
U.S. Treasury Obligations	339,906	340,849
	<u>\$ 33,125,831</u>	<u>\$ 35,354,134</u>

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE D--INVESTMENTS--Continued

Corporate and foreign bonds consist of the following at March 31, 2016:

	<u>Cost</u>	<u>Market</u>
American Express	\$ 300,514	\$ 298,017
Apple Inc.	267,895	267,520
AT&T Inc.	76,939	81,932
BP Capital Markets PLC	325,112	323,951
Caterpillar Financial Inc.	60,140	60,178
Dow Chemical Company	50,071	51,134
FedEx Corporation	49,420	50,594
General Electric Capital Corporation	276,849	281,985
Goldman Sachs	250,060	251,058
Illinois Tool Works	109,958	110,150
JP Morgan Chase & Company	326,939	328,204
Medtronic Inc.	250,380	251,480
Viacom Inc.	74,451	75,533
WellPoint Inc.	326,584	326,030
Wells Fargo & Company	325,375	326,907
	<u>\$ 3,070,687</u>	<u>\$ 3,084,673</u>

The Trust has established individual investment policy statements for Operating Accounts, Capital Project/Reserve Accounts and Long-Term Investment Accounts. The investment policy statements having the following credit quality ratings from a nationally recognized statistical rating organization (NRSRO) for the following investment categories:

	<u>Operating Accounts</u>	<u>Capital Project/Reserve Accounts</u>	<u>Long-Term Investment Accounts</u>
Corporate Bonds	A	BBB/Baa	BBB/Baa
Commercial Paper	A1/P1	A1/P1	A1/P1
Taxable Municipal Bonds	A	BBB/Baa	BBB/Baa
Money Market Funds	AAAm	AAAm	AAAm
Mutual Funds and Exchange Traded Funds	A	BBB/Baa	BBB/Baa

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE D--INVESTMENTS--Continued

The individual investment policy statements establish minimums and maximums that may be invested in fixed income, equities and cash holdings. The policy statements also establish limits within the fixed income investments for concentration of investments within the portfolio.

NOTE E--DUE TO/FROM OTHER FUNDS

All private purpose trust fund revenue is deposited into the general fund cash and investment accounts. These monies are held and invested in the general fund accounts until disbursements are requested by the authorized signatory. Accordingly, outstanding balances between the governmental fund and the fiduciary fund are reported as “due to/from” the respective funds.

NOTE F--PENSION PLAN

The Trust participates in the New York State and Local Employee’s Retirement System (NYSERS). This is a cost sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of the NYSERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net position and record changes in plan net position allocated to the NYSERS. The NYSERS benefits are established under the provisions of the New York State Retirement and Social Security law. Once an employer elects to participate in the NYSERS, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of State statute. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244-0001.

NYSERS is noncontributory for employees who joined NYSERS prior to July 27, 1976. For employees who joined NYSERS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in NYSERS for more than ten years are no longer required to contribute. Employees that join NYSERS after January 1, 2010 and prior to April 1, 2012 are required to contribute 3% of their salaries throughout their active membership. Employees that join after April 1, 2012 are required to contribute 3% to 6% of their salaries, depending on their salaries, throughout their active membership.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

The Trust is required to contribute at an actuarially determined rate. The Trust contributions made to NYSERS were equal to 100% of the contributions required each year. The required contributions for the current year and two preceding years were:

March 31, 2016	\$ 287,971
March 31, 2015	\$ 494,651
March 31, 2014	\$ 440,586

At March 31, 2016, the Trust reported a net pension liability of \$414,618 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The Trust's proportion of the net pension liability was based on a projection of the Trust's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

As of March 31, 2016, the Trust's proportion was 0.0122732%.

For the year ended March 31, 2016, the Trust recognized pension expense of \$354,062. At March 31, 2016, the Agency reported deferred outflows/inflows of resources related to pensions from the following sources:

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,272	\$ -
Net difference between projected and actual earnings on pension plan investments	72,014	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	-	84,687
Contributions subsequent to the measurement date	287,971	-
	<u>\$ 373,257</u>	<u>\$ 84,687</u>

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

The Agency recognized \$287,971 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2015 which will be recognized as a reduction of the net pension liability in the year ended March 31, 2017.

The other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending March 31:	
2017	\$ 150
2018	150
2019	150
2020	<u>149</u>
	<u>\$ 599</u>

Actuarial Assumptions

The total pension liability at March 31, 2015 was determined using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The total pension liability for the March 31, 2014 measurement date was determined by using an actuarial valuation as of April 1, 2014.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.70%
Salary scale	4.9 percent indexed by service
Projected COLAs	1.4% compounded annually
Decrement	Developed from the Plan's 2010 experience study of the period April 1, 2005 through March 31, 2010.
Mortality improvement	Society of Actuaries Scale MP-2014
Investment rate of return	7.5% compounded annually, net of investment expense

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	38.0	7.3
International Equity	13.0	8.55
Private Equity	10.0	11.00
Real Estate	8.0	8.25
Absolute Return	3.0	6.5
Opportunistic Portfolio	3.0	8.60
Real Assets	3.0	8.65
Bonds & Mortgages	18.0	4.00
Cash	2.0	2.25
Inflation-Indexed Bonds	2.0	4.00
	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

Sensitivity of the Proportionate Share of the New Pension Liability to the Discount Rate Assumption

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount 7.5%	1% Increase 8.5%
Proportionate share of net pension liability (asset)	\$ 2,763,607	\$ 414,618	\$ (1,568,512)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2015 were as follows (in thousands of dollars):

Total pension liability	\$ 164,591,504
Net position	<u>(161,213,259)</u>
Net pension liability (asset)	<u>\$ 3,378,245</u>
NYSERS net position as a percentage of total pension liability	97.95%

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

The Trust provides postemployment healthcare benefits as a participating employer in the New York State Health Insurance Program (NYSHIP). NYSHIP was established by the New York State Legislature in 1957 to provide health insurance for New York State employees, retirees and their eligible dependents. NYSHIP is an agent multiple-employer plan and financial information is reported in an agency fund of the State of New York.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION--Continued

The Trust's OPEB obligation under the plan is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers/or Postemployment Benefits Other Than Pensions*. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to provide sufficient resources to fund both the normal cost each year and to amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years.

The Trust supports the ARC on an ongoing basis with indirect fringe benefit income assessed on those programs accounts with payroll expenses, over the actual fringe benefit amounts paid out by the Trust. The Trust has also assigned a portion of its fund balance for the purpose of supporting future liabilities.

Information related to the Trust's annual OPEB cost, ARC, actual contributions and changes in net OPEB Obligation for the year ending March 31, 2016 is as follows:

Normal cost	\$ 416,865
Amortization of unfunded actuarial liability	<u>258,796</u>
Annual Required Contribution (ARC)	675,661
Interest on OPEB Obligation	69,682
Adjustment to ARC	<u>(118,505)</u>
OPEB Expense	<u>\$ 626,838</u>
Net OPEB Obligation at the beginning of the year	\$ 2,144,004
OPEB Expense	626,838
Net OPEB Contributions made during the year	<u>(32,147)</u>
Net OPEB Obligation at the end of the year	<u>\$ 2,738,695</u>
Percent of Expense Contributed	5.1%
Funded Status	
Actuarial Accrued Liability at end of year	\$ 5,072,501
Plan assets at end of year	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 5,072,501</u>

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION-- Continued

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial valuation used the projected unit credit actuarial cost method. The actuarial assumptions include a 3% investment rate of return and an annual healthcare cost trend rate of 7% initially, reduced in decrements to an ultimate rate of 3.9% by the year 2075. Both rates include a 3% inflation assumption. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period used for the April 2014 valuation was 30 years.

REQUIRED SUPPLEMENTARY INFORMATION

NATURAL HERITAGE TRUST

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget to Actual - General Fund

For the Year Ended March 31, 2016

	<u>Original Budget</u>	<u>Revisions</u>	<u>Revised Budget</u>	<u>Total Actual Budgeted</u>	<u>Total Actual Unbudgeted</u>	<u>Total Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES							
Investment income	\$ 225,000	\$ -	\$ 225,000	\$ 201,953	\$ -	\$ 201,953	\$ (23,047)
Indirect fringe benefit income	-	-	-	-	553,167	553,167	553,167
Administrative income	235,000	-	235,000	175,950	-	175,950	(59,050)
Realized gains on investments	-	-	-	-	39,926	39,926	39,926
Unrealized losses on investments	-	-	-	-	(71,082)	(71,082)	(71,082)
Other revenue	-	-	-	-	21,947	21,947	21,947
	<u>460,000</u>	<u>-</u>	<u>460,000</u>	<u>377,903</u>	<u>543,958</u>	<u>921,861</u>	<u>461,861</u>
EXPENDITURES							
Salaries and payroll related costs	305,000	-	305,000	292,692	-	292,692	12,308
Fringe benefit and retirement costs	180,000	-	180,000	138,706	-	138,706	41,294
Bank investment fees and service charges	40,000	-	40,000	31,897	-	31,897	8,103
Professional fees	63,000	-	63,000	91,927	-	91,927	(28,927)
Office supplies and postage	15,000	-	15,000	8,031	-	8,031	6,969
Travel	5,000	-	5,000	8,646	-	8,646	(3,646)
Award expense	-	-	-	-	-	-	-
Miscellaneous	2,000	-	2,000	13	-	13	1,987
	<u>610,000</u>	<u>-</u>	<u>610,000</u>	<u>571,912</u>	<u>-</u>	<u>571,912</u>	<u>38,088</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (150,000)</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ (194,009)</u>	<u>\$ 543,958</u>	<u>\$ 349,949</u>	<u>\$ 499,949</u>

See independent auditors' report.

NATURAL HERITAGE TRUST

Schedule of Funding Progress for the Retiree Health Plan

March 31, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/1/2014	\$ -	\$ 5,072,501	\$ 5,072,501	0.00%	\$ 2,729,006	185.87%
4/1/2012	\$ -	\$ 3,379,190	\$ 3,379,190	0.00%	\$ 2,626,717	128.65%
4/1/2012	\$ -	\$ 3,064,857	\$ 3,064,857	0.00%	\$ 2,684,385	114.17%

See independent auditors' report.

NATURAL HERITAGE TRUST

Schedule of Proportionate Share of Net Pension Liability (Asset)

March 31, 2016

	Last 10 fiscal years									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
New York State Employees' Retirement System Plan										
Proportion of net pension liability (asset)	0.0122732%	Information for periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as information becomes available								
Proportionate share of net pension liability (asset)	\$ 414,618									
Covered-employee payroll	\$ 2,729,006									
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	15.19%									
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.95%									

See independent auditors' report.

NATURAL HERITAGE TRUST

Schedule of Contributions - Pension Plans

March 31, 2016

New York State Employees' Retirement System Plan

Contractually required contribution
 Contributions in relation to the contractually required contribution
 Contribution deficiency (excess)

Agency's covered-employee payroll
 Contributions as a percentage of covered-employee payroll

	Last 10 fiscal years									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 494,651									
Contributions in relation to the contractually required contribution	494,651									
Contribution deficiency (excess)	\$ -									
Agency's covered-employee payroll	\$2,729,006									
Contributions as a percentage of covered-employee payroll	18.13%									

Information for periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as information becomes available

See independent auditors' report.

COMPLIANCE REPORT

**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
Natural Heritage Trust
Albany, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Natural Heritage Trust (the "Trust") as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated June 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of 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*.

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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wojcik & Co. CPAs, P.C.

East Greenbush, New York
June 29, 2016