

**NATURAL HERITAGE TRUST**

**Financial Statements**

**March 31, 2017**

# NATURAL HERITAGE TRUST

## Financial Statements

March 31, 2017

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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 Trust has a four member Board of Directors consisting of the Commissioner of New York State Office of Parks, Recreation and Historic Preservation, the Chair of the State Council of Parks, the Commissioner of the Department of Environmental Conservation, and the Secretary of State of the Department of State. All Board members serve without compensation paid by the Trust.

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, 2017. 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 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 *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund* and the *Balance Sheet – Governmental Fund and Reconciliation of Total Governmental Fund Balance to Net position*.

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 related to administrative operations of the Trust.

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 *Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund* 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 2016 fiscal year.

### SUMMARY OF ASSETS, LIABILITIES AND NET POSITION

	<u>2017</u>	<u>2016</u>
Assets	\$ 39,192,770	\$ 38,529,587
Deferred outflows of resources	1,754,401	373,257
Current liabilities	35,145,239	34,849,207
Long-term liabilities	5,025,993	3,185,460
Deferred inflows of resources	<u>431,079</u>	<u>84,687</u>
Unrestricted Net Position	<u>\$ 344,860</u>	<u>\$ 783,490</u>

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 project accounts are tracked on a specific basis and recorded in accordance with established requirements relating to each project or program. As of March 31, 2017, the Trust had 194 of these fiduciary project accounts compared to 202 in the prior year. This is due to the closing out of some existing grants and projects.

Each fixed income debt obligation in the Trust's portfolio bears interest at a fixed rate. At March 31, 2017, 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, 2017, market fluctuations resulted in unrealized losses on the general fund investments and unrealized gains on 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 E 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 54 Full-Time Equivalents as of 3/31/17, 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 E to the financial statements).

### SUMMARY OF CHANGES IN NET POSITION FROM OPERATING RESULTS

	<u>2017</u>	<u>2016</u>
Investment income	\$ 219,296	\$ 201,953
Indirect fringe benefit income	504,002	553,167
Administrative income	243,045	175,950
Realized gains on investments	106,794	39,926
Contributed goods and services	94,211	-
Unrealized gains (losses) on investments	(62,664)	(71,082)
Miscellaneous	-	21,947
Total Revenues	<u>1,104,684</u>	<u>921,861</u>
Salary and payroll related costs	301,119	292,692
Fringe benefit and retirement costs	165,784	138,706
Accrued pension expense	210,670	66,092
Contributed salaries and overhead	94,211	-
Other postemployment benefits expense	621,755	626,838
Bank investment fees and service charges	32,700	31,897
Professional fees	52,897	91,927
Office supplies and postage	16,595	8,031
Travel	8,573	8,646
Award expenses	4,900	-
Miscellaneous	34,110	13
Total Expenditures	<u>1,543,314</u>	<u>1,264,842</u>
Deficiency of revenues over expenditures	(438,630)	(342,981)
Net position at beginning of year	<u>783,490</u>	<u>1,126,471</u>
Net position at end of year	<u>\$ 344,860</u>	<u>\$ 783,490</u>

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

The increase in revenue is primarily due to higher administrative income, lower unrealized losses on investments and the recording of contributed goods and services in the current year. Contributed goods and services represent contributed staff time (salaries and overhead costs) provided by the New York State Department of Parks, Recreation and Historic Preservation and are offset by an equal amount of expenses. Accrued pension expense was higher due to the most recent pension plan valuation; professional fees were lower because of several upgrades made to the Trust's accounting system made in the prior year. Both the accrued pension expense and OPEB expense are considered non-cash expenses the Trust is required to record under GASB standards.

## **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 \$75,000 to be supported with funds from the unrestricted fund balance, as shown on page 32 (Supplementary Information). Actual governmental fund revenue totaled \$1,104,684. 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. Higher revenue is also attributable to contributed goods and services, and net realized and unrealized gains (losses) on investments that are not included in the annual operating budget of the Trust.

Total expenses of \$1,543,314, as noted above, are higher than budget due to OPEB

expense, accrued pension expense, and office supplies which includes costs of new donor software and design/printing expenses related to new stationary and promotional materials produced this year.

**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, 2017 and 2016.

**SUMMARY OF ASSETS, LIABILITIES AND NET POSITION – FIDUCIARY FUND**

	<u>2017</u>	<u>2016</u>
Assets	<u>\$ 36,414,724</u>	<u>\$ 35,212,716</u>
Liabilities	868,939	446,153
Net Assets Held in Trust	<u>35,545,785</u>	<u>34,766,563</u>
	<u>\$ 36,414,724</u>	<u>\$ 35,212,716</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 \$14.9 million for the fiscal year ended March 31, 2017. Overall gifts and donations were lower compared to 2016 because in the prior year the Trust received a one-time transfer of funds of totaling \$3 million for one of the endowments. Grants and contract revenue were higher by \$1.4 million due to a contractual increase to fund program staffing and other costs related to the OPRHP statewide Stewardship Initiative.

Expenses related to fiduciary fund activities totaled approximately \$14.1 million; about \$5 million more compared to 2016 due to the completion of several capital projects partially funded through the Trust. The overall change in net position was an increase of about \$800,000.

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

	<u>2017</u>	<u>2016</u>
Additions		
Gifts, donations and private grants	\$ 5,695,461	\$ 8,516,103
Grants and contracts	4,120,911	2,728,440
Merchandise sales	1,138,611	1,016,578
Activity and program income	1,184,222	1,223,294
Sponsorship and advertising	311,856	402,435
Mitigation and environmental benefits	439,508	933,296
Other revenue	135,958	922,379
Investment income	405,464	299,659
Realized gains on investments	767,510	158,580
Unrealized gains (losses) on investments	<u>728,556</u>	<u>(402,823)</u>
	14,928,057	15,797,941
Expenditures		
Program support and personnel	\$ 5,302,283	\$ 4,468,542
Activity and event support	2,185,371	2,241,810
Capital construction and maintenance	5,083,148	945,888
Promotional materials and merchandise for resale	738,307	782,167
Professional services	113,437	262,874
Gift reassignment	656,964	862,338
Miscellaneous	<u>69,325</u>	<u>79,353</u>
	<u>14,148,835</u>	<u>9,642,972</u>
Change in net position	779,222	6,154,969
Net position at beginning of year	<u>34,766,563</u>	<u>28,611,594</u>
Net position at end of year	<u>\$35,545,785</u>	<u>\$34,766,563</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

### Report on the Financial Statements

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, 2017, 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, 2017, 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, 2017, 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, 2017

# NATURAL HERITAGE TRUST

## Statement of Net Position

March 31, 2017

### ASSETS

Cash and cash equivalents	\$ 1,619,717
Investments	37,559,088
Interest receivable	<u>13,965</u>

TOTAL ASSETS 39,192,770

### DEFERRED OUTFLOWS OF RESOURCES

Pension related	<u>1,754,401</u>
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### LIABILITIES

#### CURRENT LIABILITIES

Accounts payable and accrued expenses	44,367
Due to fiduciary fund	<u>35,100,872</u>

TOTAL CURRENT LIABILITIES 35,145,239

#### LONG-TERM LIABILITIES

Net OPEB obligation	3,365,953
Net pension liability	<u>1,660,040</u>
	<u>5,025,993</u>

TOTAL LIABILITIES 40,171,232

### DEFERRED INFLOWS OF RESOURCES

Pension related	<u>431,079</u>
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### NET POSITION

Unrestricted	<u>344,860</u>
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TOTAL NET POSITION \$ 344,860

See accompanying notes to financial statements.

**NATURAL HERITAGE TRUST**

**Statement of Activities**

**For the Year Ended March 31, 2017**

	<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	\$ 1,543,314	\$ 243,045	\$ -	\$ (1,300,269)
TOTAL FUNCTIONS/PROGRAMS	1,543,314	243,045	-	(1,300,269)
GENERAL REVENUE				
Indirect fringe benefit income				504,002
Investment income				219,296
Realized gains on investments				106,794
Contributed goods and services				94,211
Unrealized losses on investments				<u>(62,664)</u>
TOTAL GENERAL REVENUE				<u>861,639</u>
CHANGE IN NET POSITION				(438,630)
NET POSITION, beginning of year				<u>783,490</u>
NET POSITION, end of year				<u>\$ 344,860</u>

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, 2017**

<b>ASSETS</b>		
Cash and cash equivalents		\$ 1,619,717
Investments		37,559,088
Interest receivable		<u>13,965</u>
	<b>TOTAL ASSETS</b>	<u><u>\$ 39,192,770</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses		\$ 44,367
Due to fiduciary fund		<u>35,100,872</u>
	<b>TOTAL CURRENT LIABILITIES</b>	35,145,239
<b>FUND BALANCE</b>		
Unassigned		3,412,134
Assigned		524,015
Committed		<u>111,382</u>
	<b>TOTAL FUND BALANCE</b>	<u>4,047,531</u>
	<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 39,192,770</u></u>
<b>RECONCILIATION OF GOVERNMENT FUND BALANCE TO NET POSITON</b>		
Total Governmental Fund Balance per above		\$ 4,047,531
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		1,754,401
Deferred inflows of resources - pension related		(431,079)
Net pension liability is not due and payable in the current period and, therefore, not reported in the general fund:		(1,660,040)
Net OPEB obligation is not due and payable in the current period and, therefore, not reported in the general fund:		<u>(3,365,953)</u>
<b>TOTAL NET POSITION</b>		<u><u>\$ 344,860</u></u>

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, 2017**

REVENUES

Indirect fringe benefit income	\$ 504,002
Administrative income	243,045
Investment income	219,296
Realized gains on investments	106,794
Contributed goods and services	94,211
Unrealized losses on investments	<u>(62,664)</u>

TOTAL REVENUES 1,104,684

EXPENDITURES

Salary and payroll related costs	301,119
Fringe benefit costs	165,784
Contributed salaries and overhead	94,211
Professional fees	52,897
Bank investment fees and service charges	32,700
Retiree health care costs	26,644
Office supplies and postage	16,595
Travel	8,573
Award expense	4,900
Miscellaneous	<u>34,110</u>

TOTAL EXPENDITURES 737,533

EXCESS OF REVENUES OVER EXPENDITURES 367,151

FUND BALANCE AT BEGINNING OF YEAR 3,680,380

FUND BALANCE AT END OF YEAR \$ 4,047,531

See accompanying notes to financial statements.

**NATURAL HERITAGE TRUST**

**Statement of Fiduciary Net Position - Fiduciary Fund**

**March 31, 2017**

ASSETS

Accounts receivable	\$ 1,313,852
Due from governmental fund	<u>35,100,872</u>

TOTAL ASSETS \$ 36,414,724

LIABILITIES AND NET POSITION HELD IN TRUST

LIABILITIES

Accounts payable	\$ 582,760
Accrued payroll and related items	<u>286,179</u>

TOTAL LIABILITIES 868,939

NET POSITION HELD IN TRUST

35,545,785

TOTAL LIABILITIES AND NET POSITION HELD IN TRUST \$ 36,414,724

See accompanying notes to financial statements.

## NATURAL HERITAGE TRUST

### Statement of Changes in Fiduciary Net Position - Fiduciary Fund

For the Year Ended March 31, 2017

#### ADDITIONS

Gifts, donations and private grants	\$	5,695,461
Grants and contracts		4,120,911
Activity and program income		1,184,222
Merchandise sales		1,138,611
Realized gains on investments		767,510
Unrealized gains on investments		728,556
Mitigation and environmental benefits		439,508
Investment income		405,464
Sponsorship and advertising		311,856
Other revenue		<u>135,958</u>

TOTAL ADDITIONS 14,928,057

#### PROGRAM EXPENSES

Program support and personnel		5,302,283
Activity and event support		2,185,371
Capital construction and maintenance		5,083,148
Gift reassignment		656,964
Promotional materials and merchandise for resale		738,307
Professional services		113,437
Miscellaneous		<u>69,325</u>

TOTAL PROGRAM EXPENSES 14,148,835

CHANGE IN NET POSITION HELD IN TRUST 779,222

Net position held in trust at beginning of year 34,766,563

NET POSITION HELD IN TRUST AT END OF YEAR \$ 35,545,785

See accompanying notes to financial statements.

# NATURAL HERITAGE TRUST

## Notes to Financial Statements

March 31, 2017

### 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, 2017.

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, 2017.

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, 2017.

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, 2017.

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's committed fund balance consists of the L.L. Huttleston Fund as of March 31, 2017.

## 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, 2017 the Trust held funds received through relationships with its partner agencies and organizations for approximately 200 different programs and projects. The five (5) largest trust fund accounts in terms of revenue accounted for approximately 29% of all restricted funds for the year ended March 31, 2017. The five (5) largest trust fund accounts in terms of expenditures incurred 39% 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 fair market value. Investments received by gift are recorded at fair market value at the date of the gift.

##### Fair Value Measurements

The Trust records fair value adjustments to certain assets and liabilities in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs are inputs, other than quoted market prices that are observable for the asset or liability, either directly or indirectly, and Level 3 inputs are unobservable and generally consist of assumptions and are developed using the best information available in the circumstances and have the lowest priority. When available, the Trust measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs would only be used when Level 1 inputs were not available.

The fair value of the Trust's investments is based on quoted prices in active markets (Level 1 inputs).

##### 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 E.

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 E.

## **NATURAL HERITAGE TRUST**

### **Notes to Financial Statements--Continued**

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

##### 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, 2017.

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, 2014, and currently, there are no examinations in process nor has the Trust been informed of any pending examinations.

##### 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, 2017.

#### **NOTE B--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 B--CASH AND CASH EQUIVALENTS--Continued

At March 31, 2017, the book amount of the Trust's deposits was \$1,619,717 and the related bank balance was \$1,716,853. The insured and collateral status of the year-end bank balance was as follows:

<u>Status of Bank Balances</u>	
Covered by FDIC insurance	\$ 418,622
Collateralized	1,298,231
	<u>\$ 1,716,853</u>

#### NOTE C--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, 2017:

	<u>Cost</u>	<u>Market</u>
Corporate and Government Bond Funds	\$ 17,613,132	\$ 17,455,322
Closed-end Equity Mutual Funds	8,459,076	11,259,504
International Closed-end Funds	3,259,802	3,433,737
Corporate and Foreign Bonds	2,445,191	2,449,923
U.S. Government Agencies	1,492,328	1,495,748
Cash and Money Market Funds	1,199,978	1,199,978
U.S. Treasury Obligations	264,928	264,876
	<u>\$ 34,734,435</u>	<u>\$ 37,559,088</u>

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE C--INVESTMENTS--Continued

Corporate and foreign bonds consist of the following at March 31, 2017:

	Cost	Market
American Express	\$ 300,277	\$ 301,137
Apple Inc.	267,896	268,871
BP Capital Markets PLC	325,042	324,701
Dow Chemical Company	50,063	50,513
FedEx Corporation	49,420	49,825
General Electric Capital Corporation	201,195	202,778
Goldman Sachs	250,031	252,212
JP Morgan Chase & Company	250,405	250,558
Medtronic Inc.	250,192	249,588
WellPoint Inc.	250,542	250,190
Wells Fargo & Company	250,128	249,550
	<u>\$ 2,445,191</u>	<u>\$ 2,449,923</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:

	Operating Accounts	Capital Project/Reserve Accounts	Long-Term Investment Accounts
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

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.

## **NATURAL HERITAGE TRUST**

### **Notes to Financial Statements--Continued**

#### **NOTE D--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 E--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](http://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 E--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, 2017	\$ 318,502
March 31, 2016	\$ 287,971
March 31, 2015	\$ 494,651

At March 31, 2017, the Trust reported a net pension liability of \$1,660,040 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2016, 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, 2017, the Trust's proportion was 0.0103427%.

For the year ended March 31, 2017, the Trust recognized pension expense of \$529,172. At March 31, 2017, the Trust 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	\$ 8,389	\$ 196,770
Changes of assumptions	442,683	-
Net difference between projected and actual earnings on pension plan investments	984,827	-
Changes in proportion and differences between the Agency's contributions and proportionate share of contributions	-	234,309
Contributions subsequent to the measurement date	318,502	-
	<u>\$ 1,754,401</u>	<u>\$ 431,079</u>

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE E--PENSION PLAN--Continued

The Trust recognized \$318,502 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2016 which will be recognized as a reduction of the net pension liability in the year ended March 31, 2018.

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

Year Ending March 31:	
2018	\$ 250,404
2019	250,404
2020	250,404
2021	<u>253,608</u>
	<u>\$ 1,004,820</u>

#### Actuarial Assumptions

The total pension liability at March 31, 2016 (measurement date) was determined using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	3.8 percent indexed by service
Projected COLAs	1.3% compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015.
Mortality improvement	Society of Actuaries Scale MP-2014
Investment rate of return	7.0% compounded annually, net of investment expense

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE E--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, 2016 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	6.75
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%. 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 E--PENSION PLAN--Continued

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

The following presents the Trust's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Trust's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	1% Decrease 6%	Current Discount 7%	1% Increase 8%
Proportionate share of net pension liability (asset)	\$ 3,743,270	\$ 1,660,040	\$ (100,200)

##### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers participating in the New York State and Local Employees Retirement System as of the March 31, 2016 measurement date were as follows (in thousands of dollars):

Total pension liability	\$ 172,303,544
Net position	<u>(156,253,265)</u>
Net pension liability (asset)	<u>\$ 16,050,279</u>
 NYSERS net position as a percentage of total pension liability	 90.68%

#### NOTE F--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 F--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 30 years.

The Trust supports the ARC on an ongoing basis with indirect fringe benefit income assessed on those program 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, 2017 is as follows:

Normal cost	\$ 429,371
Amortization of unfunded actuarial liability	<u>285,642</u>
Annual Required Contribution (ARC)	715,013
Interest on OPEB Obligation	87,221
Adjustment to ARC	<u>(148,332)</u>
OPEB Expense	<u>\$ 653,902</u>
Net OPEB Obligation at the beginning of the year	\$ 2,738,695
OPEB Expense	653,902
Net OPEB Contributions made during the year	<u>(26,644)</u>
Net OPEB Obligation at the end of the year	<u>\$ 3,365,953</u>
Percent of Expense Contributed	4.1%
Funded Status	
Actuarial Accrued Liability at end of year	\$ 5,598,707
Plan assets at end of year	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 5,598,707</u>

## **NATURAL HERITAGE TRUST**

### **Notes to Financial Statements--Continued**

#### **NOTE F--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, 2017**

	<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>
<b>REVENUES</b>							
Indirect fringe benefit income	\$ -	\$ -	\$ -	\$ -	\$ 504,002	\$ 504,002	\$ 504,002
Administrative income	235,000	-	235,000	243,045	-	243,045	8,045
Investment income	300,000	-	300,000	219,296	-	219,296	(80,704)
Realized gains on investments	-	-	-	-	106,794	106,794	106,794
Contributed goods and services	-	-	-	-	94,211	94,211	94,211
Unrealized losses on investments	-	-	-	-	(62,664)	(62,664)	(62,664)
	<u>535,000</u>	<u>-</u>	<u>535,000</u>	<u>462,341</u>	<u>642,343</u>	<u>1,104,684</u>	<u>569,684</u>
<b>EXPENDITURES</b>							
Salaries and payroll related costs	305,000	-	305,000	301,119	-	301,119	3,881
Fringe benefit and retirement costs	180,000	-	180,000	165,784	-	165,784	14,216
Contributed salaries and overhead	-	-	-	-	94,211	94,211	(94,211)
Professional fees	63,000	-	63,000	52,897	-	52,897	10,103
Bank investment fees and service charges	40,000	-	40,000	32,700	-	32,700	7,300
Retiree health care costs	-	-	-	-	26,644	26,644	(26,644)
Office supplies and postage	15,000	-	15,000	16,595	-	16,595	(1,595)
Travel	5,000	-	5,000	8,573	-	8,573	(3,573)
Award expense	-	-	-	4,900	-	4,900	(4,900)
Miscellaneous	2,000	-	2,000	34,110	-	34,110	(32,110)
	<u>610,000</u>	<u>-</u>	<u>610,000</u>	<u>616,678</u>	<u>120,855</u>	<u>737,533</u>	<u>(127,533)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ (154,337)</u>	<u>\$ 521,488</u>	<u>\$ 367,151</u>	<u>\$ 442,151</u>

See independent auditors' report.

**NATURAL HERITAGE TRUST**

**Schedule of Funding Progress for the Retiree Health Plan**

**March 31, 2017**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
4/1/2014	\$ -	\$ 5,598,707	\$ 5,598,707	0.00%	\$ 2,626,717	213.14%
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%

See independent auditors' report.

**NATURAL HERITAGE TRUST**

**Schedule of Proportionate Share of Net Pension Liability (Asset)**

**March 31, 2017**

New York State Employees' Retirement System Plan	Last 10 fiscal years									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of net pension liability (asset)	0.0103427%	0.0122732%	<b>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</b>							
Proportionate share of net pension liability (asset)	\$ 1,660,040	\$ 414,618								
Covered-employee payroll	\$ 2,626,717	\$ 2,729,006								
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	63.20%	15.19%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.68%	97.95%								

See independent auditors' report.

NATURAL HERITAGE TRUST

Schedule of Contributions - Pension Plans

March 31, 2017

	Last 10 fiscal years									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>New York State Employees' Retirement System Plan</b>										
Contractually required contribution	\$ 287,971	\$ 494,651								
Contributions in relation to the contractually required contribution	287,971	494,651								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Agency's covered-employee payroll	\$2,626,717	\$2,729,006								
Contributions as a percentage of covered-employee payroll	10.96%	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, 2017, 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, 2017.

**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, 2017