

NATURAL HERITAGE TRUST

Financial Statements

March 31, 2018

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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, 2018. 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 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.

The *Schedule of Changes in the Total OPEB Liability and Related Ratios* provides current and historical information on the changes in the Trust's total OPEB liability.

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 2017 fiscal year.

SUMMARY OF ASSETS, LIABILITIES AND NET POSITION

	2018	2017
Assets	\$ 43,808,717	\$ 39,192,770
Deferred outflows of resources	895,605	1,754,401
Current liabilities	39,409,842	35,145,239
Long-term liabilities	3,531,788	4,069,308
Deferred inflows of resources	390,784	431,079
Unrestricted Net Position	<u>\$ 1,371,908</u>	<u>\$ 1,301,545</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 3/31/18, the Trust had 207 of these fiduciary project accounts compared to 194 in the prior year.

Each fixed income debt obligation in the Trust's portfolio bears interest at a fixed rate. 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, 2018, market fluctuations resulted in unrealized losses on the general fund investments and unrealized gains 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 (90%).

The long-term governmental fund liabilities are related to fringe benefits for Trust administrative and program staff (4 and 53 Full-Time Equivalents as of 3/31/18, 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.

The adoption of Governmental Accounting Standards Board (GASB) Statement 75 has resulted in a restatement of the beginning balance of net position and the net OPEB obligation by approximately \$957,000 (see Note B to the financial statements).

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

	2018	2017
Investment income	\$ 278,640	\$ 219,296
Indirect fringe benefit income	592,049	504,002
Administrative income	239,699	243,045
Realized gains on investments	63,307	106,794
Contributed goods and services	98,215	94,211
Unrealized losses on investments	(146,965)	(62,664)
Miscellaneous	154	-
Total Revenues	<u>1,125,099</u>	<u>1,104,684</u>
Salary and payroll related costs	318,771	301,119
Fringe benefit and retirement costs	185,078	165,784
Other postemployment benefits expense	191,795	621,755
Accrued pension expense	131,850	210,670
Contributed salaries and overhead	98,215	94,211
Professional fees	53,196	52,897
Bank investment fees and service charges	36,128	32,700
Office supplies and postage	23,384	16,595
Travel	8,590	8,573
Award expenses	4,550	4,900
Miscellaneous	3,179	34,110
Total Expenditures	<u>1,054,736</u>	<u>1,543,314</u>
Deficiency of revenues over expenditures	70,363	(438,630)
GASB 75 valuation adjustment	-	956,685
Net position at beginning of year	<u>1,301,545</u>	<u>783,490</u>
Net position at end of year	<u>\$ 1,371,908</u>	<u>\$ 1,301,545</u>

With the exception of Other Postemployment 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 investment and indirect fringe income compared to last year. Contributed goods and services represent contributed staff time (salaries and overhead costs) provided by the New York State Office of Parks, Recreation and Historic Preservation (OPRHP) and are offset by an equal amount of expenses. Expenditures were generally in line with 2017 results. Accrued pension expense was lower due to the most recent pension plan valuation. OPEB Expense was lower due to the Trust's change in its retiree health benefit offering (see Note G to the financial statements).

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 flat for the third year in a row at \$610,000 with a projected budget deficit of \$75,000 to be supported with funds from the unrestricted fund balance, as shown on page 34 (Supplementary Information). Actual governmental fund revenue totaled \$1,125,099. 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.

Governmental fund expenses of \$773,755 are higher than budget due to recognition of the contributed goods and services from OPRHP (\$98,215) and retiree health care costs (\$42,664) which were unbudgeted.

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, 2018 and 2017.

SUMMARY OF ASSETS, LIABILITIES AND NET POSITION – FIDUCIARY FUND

	<u>2018</u>	<u>2017</u>
Assets	\$ 40,626,293	\$ 36,414,724
Liabilities	461,061	868,939
Net Assets Held in Trust	<u>40,165,232</u>	<u>35,545,785</u>
	<u>\$ 40,626,293</u>	<u>\$ 36,414,724</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 \$15.5 million for the fiscal year ended March 31, 2018. Overall fiduciary revenue was slightly up from last year, mostly due to increased grants and contract revenue which were higher by \$1 million due to a contractual increase to fund program staffing related to the OPRHP statewide Stewardship Initiative.

Expenses related to fiduciary fund activities totaled approximately \$10.8 million; about \$3.3 million less compared to 2017 primarily due to the funding of less capital projects partially funded through the Trust.

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

	<u>2018</u>	<u>2017</u>
Additions		
Gifts, donations and private grants	\$ 4,814,073	\$ 5,695,461
Grants and contracts	5,207,476	4,120,911
Merchandise sales	1,178,345	1,138,611
Activity and program income	1,118,560	1,184,222
Mitigation and environmental benefits	970,755	439,508
Sponsorship and advertising	266,962	311,856
Other revenue	147,220	135,958
Investment income	432,250	405,464
Realized gains on investments	375,917	767,510
Unrealized gains on investments	<u>936,508</u>	<u>728,556</u>
	15,448,066	14,928,057

Expenditures		
Program support and personnel	\$ 5,734,045	\$ 5,302,283
Activity and event support	2,177,306	2,185,371
Capital construction and maintenance	1,080,562	5,083,148
Promotional materials and merchandise for resale	735,450	738,307
Gift reassignment	618,482	656,964
Professional services	268,377	113,437
Miscellaneous	214,397	69,325
	<u>10,828,619</u>	<u>14,148,835</u>
Change in net position	4,619,447	779,222
Net position at beginning of year	<u>35,545,785</u>	<u>34,766,563</u>
Net position at end of year	<u>\$40,165,232</u>	<u>\$35,545,785</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, 2018, 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.

Auditors' 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 auditors' 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, 2018, 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 34-37, 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 26, 2018, 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 26, 2018

NATURAL HERITAGE TRUST

Statement of Net Position

March 31, 2018

ASSETS

Cash and cash equivalents	\$ 2,060,828
Investments	41,719,975
Interest receivable	<u>27,914</u>

TOTAL ASSETS 43,808,717

DEFERRED OUTFLOWS OF RESOURCES

Pension related	<u>895,605</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	49,335
Due to fiduciary fund	<u>39,360,507</u>

TOTAL CURRENT LIABILITIES 39,409,842

LONG-TERM LIABILITIES

Net OPEB obligation	2,558,399
Net pension liability	<u>973,389</u>
	<u>3,531,788</u>

TOTAL LIABILITIES 42,941,630

DEFERRED INFLOWS OF RESOURCES

Pension related	<u>390,784</u>
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NET POSITION

Unrestricted	<u>1,371,908</u>
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TOTAL NET POSITION \$ 1,371,908

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Activities

For the Year Ended March 31, 2018

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants</u>	<u>Changes in</u>
				<u>Net Position</u>
FUNCTIONS/PROGRAMS				
General and administrative	\$ 1,054,736	\$ 239,699	\$ -	\$ (815,037)
TOTAL FUNCTIONS/PROGRAMS	1,054,736	239,699	-	(815,037)
GENERAL REVENUE				
Indirect fringe benefit income				592,049
Investment income				278,640
Contributed goods and services				98,215
Realized gains on investments				63,307
Unrealized losses on investments				(146,965)
Other income				154
TOTAL GENERAL REVENUE				885,400
CHANGE IN NET POSITION				70,363
NET POSITION, beginning of year - as restated (see Note B)				1,301,545
NET POSITION, end of year				\$ 1,371,908

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, 2018

ASSETS		
Cash and cash equivalents		\$ 2,060,828
Investments		41,719,975
Interest receivable		<u>27,914</u>
	TOTAL ASSETS	<u><u>\$ 43,808,717</u></u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable and accrued expenses		\$ 49,335
Due to fiduciary fund		<u>39,360,507</u>
	TOTAL CURRENT LIABILITIES	39,409,842
FUND BALANCE		
Unassigned		4,283,706
Committed		<u>115,169</u>
	TOTAL FUND BALANCE	<u>4,398,875</u>
	TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 43,808,717</u></u>
RECONCILIATION OF GOVERNMENT FUND BALANCE TO NET POSITON		
Total Governmental Fund Balance per above		\$ 4,398,875
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		895,605
Deferred inflows of resources - pension related		(390,784)
Net pension liability is not due and payable in the current period and, therefore, not reported in the general fund:		(973,389)
Net OPEB obligation is not due and payable in the current period and, therefore, not reported in the general fund:		<u>(2,558,399)</u>
TOTAL NET POSITION		<u><u>\$ 1,371,908</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, 2018

REVENUES	
Indirect fringe benefit income	\$ 592,049
Investment income	278,640
Administrative income	239,699
Contributed goods and services	98,215
Realized gains on investments	63,307
Unrealized losses on investments	(146,965)
Other income	<u>154</u>
TOTAL REVENUES	1,125,099
EXPENDITURES	
Salary and payroll related costs	318,771
Fringe benefit costs	185,078
Contributed salaries and overhead	98,215
Professional fees	53,196
Retiree health care costs	42,664
Bank investment fees and service charges	36,128
Office supplies and postage	23,384
Travel	8,590
Award expense	4,550
Other program expense	<u>3,179</u>
TOTAL EXPENDITURES	<u>773,755</u>
EXCESS OF REVENUES OVER EXPENDITURES	351,344
FUND BALANCE AT BEGINNING OF YEAR	<u>4,047,531</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 4,398,875</u></u>

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Fiduciary Net Position - Fiduciary Fund

March 31, 2018

ASSETS

Accounts receivable	\$ 1,265,786
Due from governmental fund	<u>39,360,507</u>

TOTAL ASSETS	<u>\$ 40,626,293</u>
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LIABILITIES AND NET POSITION HELD IN TRUST

LIABILITIES

Accounts payable	\$ 170,770
Accrued payroll and related items	<u>290,291</u>

TOTAL LIABILITIES	461,061
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NET POSITION HELD IN TRUST	<u>40,165,232</u>
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TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	<u>\$ 40,626,293</u>
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See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Changes in Fiduciary Net Position - Fiduciary Fund

For the Year Ended March 31, 2018

ADDITIONS

Grants and contracts	\$ 5,207,476
Gifts, donations and private grants	4,814,073
Merchandise sales	1,178,345
Activity and program income	1,118,560
Mitigation and environmental benefits	970,755
Unrealized gains on investments	936,508
Investment income	432,250
Realized gains on investments	375,917
Sponsorship and advertising	266,962
Other revenue	147,220

TOTAL ADDITIONS 15,448,066

PROGRAM EXPENSES

Program support and personnel	5,734,045
Activity and event support	2,177,306
Capital construction and maintenance	1,080,562
Promotional materials and merchandise for resale	735,450
Gift reassignment	618,482
Professional services	268,377
Miscellaneous	214,397

TOTAL PROGRAM EXPENSES 10,828,619

CHANGE IN NET POSITION HELD IN TRUST 4,619,447

Net position held in trust at beginning of year 35,545,785

NET POSITION HELD IN TRUST AT END OF YEAR \$ 40,165,232

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Notes to Financial Statements

March 31, 2018

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, 2018.

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, 2018.

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, 2018.

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, 2018.

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, 2018.

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 a specific purpose but are neither restricted nor committed. The Trust did not have any assigned resources as of March 31, 2018.

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, 2018, 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 27% of all restricted funds for the year ended March 31, 2018. The five (5) largest trust fund accounts in terms of expenditures incurred 23% 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 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.

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, 2018.

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, 2015, 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 26, 2018.

NOTE B--CHANGE IN ACCOUNTING PRINCIPLE

The Trust adopted GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 establishes accounting and financial reporting requirements for governments and governmental agencies who provide their employees postemployment benefits other than pensions. The objective of GASB 75 is to improve the usefulness of information for decisions made by the various users of the Trust's financial statements. Accordingly, the cumulative change in accounting principle adjustment to net position is shown in the table below:

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE B--CHANGE IN ACCOUNTING PRINCIPLE--Continued

	Net OPEB Obligation	Net Position
Balance at March 31, 2017, as previously reported	\$ 3,365,953	\$ 344,860
Adjustment based on GASB 75 actuarial valuation	<u>(956,685)</u>	<u>956,685</u>
Balance at March 31, 2017, as restated	<u>\$ 2,409,268</u>	<u>\$ 1,301,545</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.

At March 31, 2018, the book amount of the Trust's deposits was \$2,060,828 and the related bank balance was \$2,125,444. The insured and collateral status of the year-end bank balance was as follows:

<u>Status of Bank Balances</u>	
Covered by FDIC insurance	\$ 492,697
Collateralized	<u>1,632,747</u>
	<u>\$ 2,125,444</u>

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

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, 2018:

	<u>Cost</u>	<u>Market</u>
Corporate and Government Bond Funds	\$ 18,031,533	\$ 17,582,807
Closed-end Equity Mutual Funds	9,596,123	13,276,321
Cash and Money Market Funds	3,384,232	3,385,923
International Closed-end Funds	2,652,079	3,073,004
Corporate and Foreign Bonds	1,973,284	1,953,440
U.S. Treasury Obligations	1,750,851	1,699,350
U.S. Government Agencies	749,042	749,130
	<u>\$ 38,137,144</u>	<u>\$ 41,719,975</u>

Corporate and foreign bonds consist of the following at March 31, 2018:

	<u>Cost</u>	<u>Market</u>
American Express	\$ 300,033	\$ 300,173
Apple Inc.	267,895	268,034
Dow Chemical Company	50,054	49,093
FedEx Corporation	49,420	48,833
General Electric Capital Corporation	200,530	200,182
Goldman Sachs	250,000	250,143
Medtronic Inc.	250,000	250,000
Oracle	172,727	168,956
PNC Bank	251,237	242,123
UnitedHealth	181,388	175,903
	<u>\$ 1,973,284</u>	<u>\$ 1,953,440</u>

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE D--INVESTMENTS--Continued

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.

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.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

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.

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, 2018	\$ 343,702
March 31, 2017	\$ 318,502
March 31, 2016	\$ 287,971

At March 31, 2018, the Trust reported a net pension liability of \$973,389 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2017, 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, 2018, the Trust's proportion was 0.0103594%.

For the year ended March 31, 2018, the Trust recognized pension expense of \$475,552. At March 31, 2018, the Trust reported deferred outflows/inflows of resources related to pensions from the following sources:

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

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	\$ 24,392	\$ 147,815
Changes of assumptions	332,545	-
Net difference between projected and actual earnings on pension plan investments	194,425	-
Changes in proportion and differences between the Trust's contributions and proportionate share of contributions	541	242,969
Contributions subsequent to the measurement date	343,702	-
	<u>\$ 895,605</u>	<u>\$ 390,784</u>

The Trust recognized \$343,702 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2017, which will be recognized as a reduction of the net pension liability in the year ended March 31, 2019.

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

Year Ending March 31:	
2019	\$ 102,214
2020	102,214
2021	105,388
2022	(148,697)
	<u>\$ 161,119</u>

Actuarial Assumptions

The total pension liability at March 31, 2017 (measurement date) was determined using an actuarial valuation as of April 1, 2016, with update procedures used to roll forward the total pension liability to March 31, 2017.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.5%
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, 2011 through March 31, 2015.
Mortality improvement	Society of Actuaries Scale MP-2014
Investment rate of return	7.0% compounded annually, net of investment expense

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, 2017, are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	36.0	4.55
International Equity	14.0	6.35
Private Equity	10.0	7.75
Real Estate	10.0	5.80
Absolute Return	2.0	4.00
Opportunistic Portfolio	3.0	5.89
Real Assets	3.0	5.54
Bonds and Mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation-Indexed Bonds	4.0	1.50
	100%	

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

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.

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)	\$ 3,108,811	\$ 973,389	\$ (832,107)

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, 2017 measurement date were as follows (in thousands of dollars):

Total pension liability	\$ 177,400,586
Net position	<u>(168,004,363)</u>
Net pension liability (asset)	<u>\$ 9,396,223</u>

NYSERS net position as a percentage of total pension liability 94.7%

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

General Information about the OPEB Plan

Plan description – The Trust’s defined benefit OPEB Plan, the Natural Heritage Trust Retiree Health Reimbursement Arrangement Plan (NHT HRA), provides other postemployment benefits for all employees hired prior to December 31, 2017 who have, at the time of retirement, earned 10 or more years of continuous creditable service time with the Trust, and has met the age and vesting requirements to receive benefits from the New York State Employee Retirement System or the New York State Voluntary Defined Contribution Plan. The NHT HRA is a single employer plan administered by the Trust.

In addition, the Trust provides other postemployment healthcare benefits to two grandfathered employees who receive benefits through the New York State Health Insurance Program (NYSHIP). Benefits provided through NYSHIP are considered part of a single employer plan administered by the Trust. Non-grandfathered Trust employees are no longer eligible for other postemployment healthcare benefits through the NYSHIP.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided – The NHT HRA plan provides for the reimbursement of out-of-pocket medical, dental, vision and long-term care expenses incurred by the retiree and their dependents. The plan will provide an annual contribution between \$4,800 and \$9,600 depending on the retiree’s years of service. Retiree benefits continue for the life of the retiree. In the event of the retiree’s death, the surviving spouse benefits will continue for the life of the surviving spouse. The surviving spouse will receive 50% of the annual contribution made while the retiree was alive. The Trust reserves the right to amend or cancel the plan.

The two grandfathered employees who receive healthcare coverage through NYSHIP are provided with health insurance coverage through plans offered by NYSHIP (NYSHIP Empire Plan and Capital District PHP Plan) that continue for the life of the retiree and surviving spouse. Retirees are required to contribute 10% of the single person premium and 25% of the difference between the single person and family coverage premium for dependents. Surviving spouses are required to make the same contribution percentage that was made when the retiree was alive.

The Trust supports the annual OPEB cost 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.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

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

Employees Covered by Benefit Terms

At March 31, 2018, the following employees or beneficiaries were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>47</u>
	<u>51</u>

The plan is closed to all employees hired after December 31, 2017.

Total OPEB Liability

The Trust's total OPEB liability of \$2,558,399 was measured as of March 31, 2018 and was determined by an actuarial valuation as of April 1, 2017. The alternative measurement method was used to calculate the OPEB liability.

For the year ended March 31, 2018, the Trust recognized a net OPEB expense of \$191,795.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the March 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	3.00%
Discount rate	3.61%
Healthcare cost trend rates – Medical	6.25% for 2018, decreasing approximately .25% per year to an ultimate rate of 3.89% for 2075 and later years.
Healthcare cost trend rates – Prescription Drug	10.5% for 2018, decreasing approximately .25% per year to an ultimate rate of 3.89% for 2075 and later years.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

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

Retirees' share of benefit-related costs 100% of projected health insurance premiums for retirees. Grandfathered employees pay 10% of single coverage and 25% of the cost difference between single and family coverage for dependents.

The discount rate was based on an analysis of returns on the Fidelity General Obligation 20-Year AA Municipal Bond Index as of March 31, 2018.

Mortality rates were based on the RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with scale MP-2014, and then adjusted for mortality improvements with scale MP-2017 mortality improvement scale on a fully generational basis.

The actuarial assumptions used in the March 31, 2018 valuation were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at March 31, 2017, as restated	\$ 2,409,268
Changes for the year:	
Service cost	21,124
Interest	91,144
Changes of benefit terms	-
Differences between expected and actual experience and changes in assumptions or other inputs	79,527
Benefit payments	(42,664)
Net changes	<u>149,131</u>
Balance at March 31, 2018	<u>\$ 2,558,399</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.80% as of April 1, 2017 and 3.61% as of March 31, 2018.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Trust, as well as what the Trust's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.61%) or 1% higher (4.61%) than the current discount rate:

	1% Decrease (2.61%)	Current Discount (3.61%)	1% Increase (4.61%)
Total OPEB Liability	\$ 3,025,037	\$ 2,558,399	\$ 2,157,244

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Trust, as well as what the Trust's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25%) or 1% higher (7.25%) than the current healthcare cost trend rates:

	1% Decrease (5.25% decreasing to 2.89%)	Healthcare Cost Trend Rates (6.25% decreasing to 3.89%)	1% Increase (7.25% decreasing to 4.89%)
Total OPEB Liability	\$ 2,386,025	\$ 2,558,399	\$ 2,719,175

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, 2018

	<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							
Indirect fringe benefit income	\$ -	\$ -	\$ -	\$ -	\$ 592,049	\$ 592,049	\$ 592,049
Administrative income	235,000	-	235,000	239,699	-	239,699	4,699
Investment income	300,000	-	300,000	278,640	-	278,640	(21,360)
Realized gains on investments	-	-	-	-	63,307	63,307	63,307
Contributed goods and services	-	-	-	-	98,215	98,215	98,215
Unrealized losses on investments	-	-	-	-	(146,965)	(146,965)	(146,965)
Other income	-	-	-	-	154	154	154
	<u>535,000</u>	<u>-</u>	<u>535,000</u>	<u>518,339</u>	<u>606,760</u>	<u>1,125,099</u>	<u>590,099</u>
EXPENDITURES							
Salaries and payroll related costs	312,000	-	312,000	318,771	-	318,771	(6,771)
Fringe benefit and retirement costs	175,000	-	175,000	185,078	-	185,078	(10,078)
Contributed salaries and overhead	-	-	-	-	98,215	98,215	(98,215)
Professional fees	63,000	-	63,000	53,196	-	53,196	9,804
Bank investment fees and service charges	38,000	-	38,000	36,128	-	36,128	1,872
Retiree health care costs	-	-	-	-	42,664	42,664	(42,664)
Office supplies and postage	15,000	-	15,000	23,384	-	23,384	(8,384)
Travel	5,000	-	5,000	8,590	-	8,590	(3,590)
Award expense	-	-	-	4,550	-	4,550	(4,550)
Miscellaneous	2,000	-	2,000	3,179	-	3,179	(1,179)
	<u>610,000</u>	<u>-</u>	<u>610,000</u>	<u>632,876</u>	<u>140,879</u>	<u>773,755</u>	<u>(163,755)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ (114,537)</u>	<u>\$ 465,881</u>	<u>\$ 351,344</u>	<u>\$ 426,344</u>

See independent auditors' report.

NATURAL HERITAGE TRUST

Schedule of Proportionate Share of Net Pension Liability (Asset)

March 31, 2018

New York State Employees' Retirement System Plan	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Proportion of net pension liability (asset)	0.0103594%	0.0103427%	0.0122732%							
Proportionate share of net pension liability (asset)	\$ 973,389	\$ 1,660,040	\$ 414,618							
Covered-employee payroll	\$ 3,430,527	\$ 2,626,717	\$ 2,729,006							
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	28.37%	63.20%	15.19%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.70%	90.68%	97.95%							

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.

NATURAL HERITAGE TRUST

Schedule of Contributions - Pension Plans

March 31, 2018

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
New York State Employees' Retirement System Plan										
Contractually required contribution	\$ 318,502	\$ 287,971	\$ 494,651							
Contributions in relation to the contractually required contribution	318,502	287,971	494,651							
Contribution deficiency (excess)	\$ -	\$ -	\$ -							
Agency's covered-employee payroll	\$3,430,527	\$2,626,717	\$2,729,006							
Contributions as a percentage of covered-employee payroll	9.28%	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.

NATURAL HERITAGE TRUST

Schedule of Changes in the Total OPEB Liability and Related Ratios

March 31, 2018

	Last 10 Fiscal Years									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$ 21,124									
Interest	91,144									
Changes of benefit terms	-									
Differences between expected and actual experience and changes of assumptions or other inputs	79,527									
Benefit payments	<u>(42,664)</u>									
Net change in total OPEB liability	149,131									
Total OPEB liability - beginning	2,409,268									
Total OPEB liability - ending	<u>\$2,558,399</u>									
Covered-employee payroll	\$3,430,527									
Total OPEB liability as a percentage of covered-employee payroll	74.58%									

Information for periods prior to the implementation of GASB 75 is unavailable and will be completed for each year going forward as information becomes available

Notes to Schedule of Changes in the Trust's Total OPEB Liability and Related Ratios

Changes of benefit terms - There are no reportable changes in benefit terms.

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

March 31, 2018 - 3.61%
April 1, 2017 - 3.80%

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, 2018, 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 26, 2018.

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 26, 2018