

**NATURAL HERITAGE TRUST**

**Financial Statements**

**March 31, 2021**

# NATURAL HERITAGE TRUST

March 31, 2021

## Financial Statements

Management's Discussion and Analysis .....	1
Independent Auditor's Report .....	7
Statement of Net Position .....	9
Statement of Revenues, Expenses and Change in Net Position .....	10
Statement of Cash Flows .....	11
Statement of Fiduciary Net Position .....	12
Statement of Change in Fiduciary Net Position .....	13
Notes to the Financial Statements .....	14

## Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Net Position – Budget to Actual .....	29
Schedule of Proportionate Share of Net Pension Liability (Asset) .....	30
Schedule of Contributions – Pension Plans .....	31
Schedule of Changes in the Total OPEB Liability and Related Ratios .....	32

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	33
--	----

## **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, 2021. 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 Trust is accounted for as a proprietary fund, and therefore the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

#### **Basic financial statements**

The basic financial statements include the following:

- **Statement of Net Position** – The Statement of Net Position, or balance sheet, includes all assets and liabilities of the Trust using the accrual basis of accounting. The Statement of Net Position reports the Trust's net position, the difference between the total Trust assets, total Trust deferred outflows of resources, total Trust liabilities and total Trust deferred inflows of resources in three main categories, including net positions invested in capital assets, restricted net position and unrestricted net position.
- **Statement of Revenues, Expenses and Change in Net Position** – The Statement of Revenues, Expenses and Change in Net Position records revenue and expenses on the accrual basis. Revenues are recorded when measurable and earned and expenses are recorded when incurred, regardless of when cash is received or paid.
- **Statement of Cash Flows** – The Statement of Cash Flows provides information about the sources and uses of the Trust's cash through operating, noncapital financing, capital financing, and investing activities.

- **Notes to the Financial Statements** – The accompanying notes to the financial statements provide information essential to a full understanding of the Trust’s financial statements and should be read in conjunction with the financial statements.

In addition, the Trust acts in a trustee capacity for individuals, private organizations, and other government units. These funds are not available to fund Trust operations, and accordingly, are accounted for as a fiduciary fund. The assets, liabilities, net position, revenue, and expenses related to these funds are reported in separate fiduciary fund financial statements. The fiduciary fund financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting.

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.

The fiduciary fund financial statements include the following:

- **Statement of Fiduciary Net Position** – The Statement of Fiduciary Net Position presents financial information about the assets, liabilities and fiduciary net position held in trust by the Trust.
- **Statement of Changes in Fiduciary Net Position** – The Statement of Changes in Fiduciary Net Position presents fiduciary activities of the fiduciary fund. It accounts for all of the current year additions and deductions and measures the financial results of fiduciary fund operations over the past year

### **Required Supplementary Information**

The required supplementary information consists of information that is required to be reported by the Governmental Accounting Standards Board in addition to the basic financial statements and includes the following:

The *Statement of Revenues, Expenditures and Changes in Net Position – Budget to Actual* provides a comparison of budget and actual information for the Trust's operations.

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 2020 fiscal year.

### SUMMARY OF ASSETS, LIABILITIES AND NET POSITION

	<u>2021</u>	<u>2020</u>
Assets	\$ 59,258,471	\$ 52,675,930
Deferred outflows of resources	2,024,299	759,531
Current liabilities	(53,246,491)	(47,472,373)
Long-term liabilities	(5,321,551)	(3,168,939)
Deferred inflows of resources	<u>(337,189)</u>	<u>(521,270)</u>
Unrestricted Net Position	<u>\$ 2,377,539</u>	<u>\$ 2,272,879</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, 2021, the Trust had 203 of these fiduciary project accounts compared to 201 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.

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 current liabilities reflect the amount due to the fiduciary fund (approximately 99%).

The long-term liabilities are related to fringe benefits for Trust administrative and program staff (5 and 51 Full-Time Equivalents as of March 31, 2021, respectively) and consist of the Trust's net OPEB obligation (retirement health benefits) and net pension liability. These liabilities are based on an annual 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 increase of \$2.2M in long-term liabilities is related to the steep drop in market value of the NYS Common Retirement Fund as of *March 31, 2020*, when the US and other world economies were first reacting to all the uncertainties of the global pandemic (there is always a one-year lag for the Common Retirement Fund's actuarial report). The NHT anticipates this liability will decrease significantly next fiscal year, as markets have not only recovered the previous year's losses, but have also soared to historic all-time highs.

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

	2021	2020
Investment income	\$ 497,277	\$ 507,129
Indirect fringe benefit income	282,028	356,164
Administrative income	249,002	225,650
Unrealized gains (losses) on investments	(166,439)	212,720
Realized gains on investments	919,280	45,645
Contributed goods and services	16,825	27,911
Miscellaneous Income	4,365	-
Total Revenues	1,802,338	1,375,219
Salary and payroll related costs	511,956	465,034
Accrued value of unused vacation	26,566	6,588
Fringe benefit costs	204,051	197,107
Retiree health care costs	38,689	44,591
Accrued pension expense	561,010	138,659
Professional fees	60,080	133,206
Bank investment fees and service charges	42,888	41,898
Contributed salaries and overhead	16,825	27,911
Travel	1,319	6,369
Office supplies and postage	51,145	4,188
Huttleston Award expenses	-	5,950
Accrued other post-employment benefits expense	181,442	(120,738)
Miscellaneous	1,707	90,151
Total Expenditures	1,697,678	1,040,914
Deficiency of revenues over expenditures	104,660	334,305
Net position at beginning of year	2,272,879	1,938,574
Net position at end of year	\$ 2,377,539	\$ 2,272,879

With the exception of accrued pension, Other Postemployment Benefits (OPEB), and Huttleston Award program 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 accrued expenses are not actual cash outlays for the fiscal year.

The increase in revenue is primarily due to realized gains on investments in the current year 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. Accrued pension expense was much higher due to the most recent pension plan valuation, which accounted for a large, temporary decline in value, due to the pandemic.

Office supplies were higher as the Trust invested in new computer equipment and software to accommodate pandemic work from home orders. Accrued OPEB Expense was higher due to changes in the assumptions used in the most recent OPEB plan valuation (see Note F to the financial statements).

## 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, 2021 and 2020.

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

	2021	2020
Assets	<u>\$ 54,001,712</u>	<u>\$ 48,602,377</u>
Liabilities	\$ 540,749	\$ 974,875
Net Assets Held in Trust	<u>53,460,963</u>	<u>47,627,502</u>
	<u>\$ 54,001,712</u>	<u>\$ 48,602,377</u>

Included in the fiduciary fund is the 13 park or site-specific endowments managed by the Trust. The market value of these permanent endowments was \$32.2M: the highest ever in the Trust's 53-year history. The remaining assets of the fiduciary fund support a wide variety of environmental, recreational, historic, and cultural programming and projects statewide.

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

	2021	2020
Additions		
Gifts, donations and private grants	\$ 5,255,804	\$ 8,114,333
Grants and contracts	3,486,330	3,572,089
Activity and program income	246,423	1,068,531
Mitigation and environmental benefits	572,445	657,796
Investment income	526,730	630,732
Sponsorship and advertising	30,950	286,299
Realized gains on investments	7,862,365	284,824
Merchandise sales	-	66,073
Unrealized Gains (losses) on investments	170,038	(2,299,217)
Other revenue	42,466	45,688
	<u>18,193,551</u>	<u>12,427,148</u>

Expenditures		
Program support and personnel	\$ 4,731,647	\$ 5,306,654
Activity and event support	867,310	1,895,190
Capital construction and maintenance	4,494,054	1,832,218
Gift reassignment	1,932,732	1,575,023
Professional services	154,426	387,648
Promotional materials and merchandise for resale	109,074	343,394
Miscellaneous	70,847	346,703
	<u>12,360,090</u>	<u>11,686,830</u>
Change in net position	5,833,461	740,318
Net position at beginning of year	<u>47,627,502</u>	<u>46,887,184</u>
Net position at end of year	<u>\$ 53,460,963</u>	<u>\$ 47,627,502</u>

Restricted gifts and grants, program sponsorships, project activity fees and investment earnings, totaling approximately \$18.1 million for the fiscal year ended March 31, 2021. Overall fiduciary revenue was up from last year, mostly due to realized gains on investments as a result of NHT's shift in its investment policies to focus on ESG investments, which are investments that meet certain environmental and social criteria, as well diversity in governance structures. The investment gains were partially offset by reduced gifts, donations, sponsor and activity revenue in the current year.

Expenses related to fiduciary fund activities totaled approximately \$12.4 million; about \$740K more compared to 2020 primarily due to an increase in capital construction costs as a result of the continuation of large construction projects which began in the previous year and continued throughout the current year. Activity, event and programming expenses were all lower because there were so many cancelled public programs and events due to the pandemic.

### **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.





**WOJESKI & COMPANY CPAs, P.C.**

159 Wolf Road, Albany, New York 12205 | Phone 518-477-1102 | Fax 518-477-1302 | [www.wojeskico.com](http://www.wojeskico.com)

---

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees and Audit Committee  
Natural Heritage Trust

We have audited the accompanying financial statements of Natural Heritage Trust (the "Trust"), a component unit of the State of New York, as of and for the year ended March 31, 2021, 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 financial position of the Trust as of March 31, 2021, and the changes in financial position, and its cash flows 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 1-6 and the budgetary comparison information and other schedules on pages 29-32, 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 21, 2021, on our consideration of the 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 effectiveness of the Trust's 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.

*Wojeski & Company, CPAs, P.C.*

Albany, New York  
June 21, 2021

**NATURAL HERITAGE TRUST**

**Statement of Net Position**

**March 31, 2021**

ASSETS

Cash and cash equivalents	\$	1,159,085
Investments		57,998,000
Interest receivable		<u>101,386</u>

TOTAL ASSETS 59,258,471

DEFERRED OUTFLOWS OF RESOURCES

Pension related		<u>2,024,299</u>
-----------------	--	------------------

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses		116,752
Due to fiduciary fund		<u>53,129,739</u>

TOTAL CURRENT LIABILITIES 53,246,491

LONG-TERM LIABILITIES

Net OPEB obligation		2,452,744
Net pension liability		<u>2,868,807</u>
		<u>5,321,551</u>

TOTAL LIABILITIES 58,568,042

DEFERRED INFLOWS OF RESOURCES

Pension related		<u>337,189</u>
-----------------	--	----------------

NET POSITION

Unrestricted		<u>2,377,539</u>
--------------	--	------------------

TOTAL NET POSITION \$ 2,377,539

See accompanying notes to financial statements.

## NATURAL HERITAGE TRUST

### Statement of Revenues, Expenses and Change in Net Position

For the Year Ended March 31, 2021

OPERATING REVENUES	
Realized gains on investments	\$ 919,280
Investment income, net	497,277
Indirect fringe benefit income	282,028
Administrative income	249,002
Contributed goods and services	16,825
Unrealized loss on investments	(166,439)
Miscellaneous income	4,365
	<hr/>
TOTAL OPERATING REVENUES	1,802,338
OPERATING EXPENSES	
Accrued pension expense	561,010
Salary and payroll related costs	511,956
Fringe benefit costs	204,051
Accrued other post retirement benefit costs	181,442
Professional fees	60,080
Office supplies and postage	51,145
Retiree health care costs	38,689
Bank investment fees and service charges	42,888
Accrued value of unused vacation	26,566
Contributed salaries and overhead	16,825
Travel	1,319
Other program expenses	1,707
	<hr/>
TOTAL OPERATING EXPENSES	1,697,678
CHANGE IN NET POSITION	104,660
NET POSITION, beginning of year	<hr/>
	2,272,879
NET POSITION, end of year	<hr/> <hr/>
	\$ 2,377,539

See accompanying notes to financial statements.

## NATURAL HERITAGE TRUST

### Statement of Cash Flows

For the Year Ended March 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from fiduciary activities	\$ 9,774,506
Proceeds from investment income	500,189
Proceeds from indirect fringe benefits	282,028
Proceeds from administrative income	249,002
Proceed from other income	4,365
Payments for fiduciary activities	(12,794,216)
Payments for personnel expenses	(767,245)
Payments for other operating expenses	<u>(163,012)</u>
CASH USED IN OPERATING ACTIVITIES	<u>(2,914,383)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales of investments	43,187,390
Payments for purchases of investments	<u>(43,597,788)</u>
CASH USED IN INVESTING ACTIVITIES	<u>(410,398)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,324,781)
Cash and cash equivalents at beginning of year	<u>4,483,866</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,159,085</u></u>
RECONCILIATION OF CHANGE IN NET POSITION TO	
NET CASH USED IN OPERATING ACTIVITIES	
Change in net position	\$ 104,660
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Realized gains on investments	(919,280)
Unrealized loss on investments	166,439
Changes in operating assets, liabilities, deferred outflows of	
resources and deferred inflows of resources:	
Interest receivable	2,912
Deferred outflows of resources - pension related	(1,264,768)
Accounts payable and accrued expenses	46,833
Due to fiduciary fund	(3,019,710)
Net OPEB obligation	142,753
Net pension liability	2,009,859
Deferred inflows of resources - pension related	<u>(184,081)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u><u>\$ (2,914,383)</u></u>

See accompanying notes to financial statements.

**NATURAL HERITAGE TRUST**

**Statement of Fiduciary Net Position**

**March 31, 2021**

ASSETS

Accounts receivable	\$	871,973
Due from the Trust		<u>53,129,739</u>

TOTAL ASSETS \$ 54,001,712

LIABILITIES AND NET POSITION HELD IN TRUST

LIABILITIES

Accounts payable and accrued expenses	\$	228,259
Accrued payroll and related items		<u>312,490</u>

TOTAL LIABILITIES 540,749

NET POSITION HELD IN TRUST 53,460,963

TOTAL LIABILITIES AND NET POSITION HELD IN TRUST \$ 54,001,712

See accompanying notes to financial statements.

## NATURAL HERITAGE TRUST

### Statement of Changes in Fiduciary Net Position

For the Year Ended March 31, 2021

#### ADDITIONS

Realized gains on investments	\$	7,862,365
Gifts, donations and private grants		5,255,804
Grants and contracts		3,486,330
Mitigation and environmental benefits		572,445
Investment income		526,730
Activity and program income		246,423
Unrealized losses on investments		170,038
Other revenue		42,466
Sponsorship and advertising		<u>30,950</u>

TOTAL ADDITIONS 18,193,551

#### PROGRAM EXPENSES

Program support and personnel		4,731,647
Capital construction and maintenance		4,494,054
Gift reassignment		1,932,732
Activity and event support		867,310
Professional services		154,426
Promotional materials and merchandise for resale		109,074
Miscellaneous		<u>70,847</u>

TOTAL PROGRAM EXPENSES 12,360,090

CHANGE IN NET POSITION HELD IN TRUST 5,833,461

Net position held in trust at beginning of year 47,627,502

NET POSITION HELD IN TRUST AT END OF YEAR \$ 53,460,963

See accompanying notes to financial statements.

## **NATURAL HERITAGE TRUST**

### **Notes to Financial Statements**

**March 31, 2021**

#### **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 New York State 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 ("Board") 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 (U.S. GAAP). The Trust applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and financial reporting treatment applied to the Trust is determined by its measurement focus. The transactions of the Trust are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operations are included in the statement of net position with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Net position is classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

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, 2021.



## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

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

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, 2021.

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

The Trust would typically use restricted resources first, as appropriate opportunities arise, but reserves the right to selectively spend unrestricted resources first to defer the use of these other restricted resources.

The Trust distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Trust's principal ongoing operations. All revenue and expenses that do not meet this definition are reported as nonoperating revenues and expenses.

#### Fiduciary Fund Financial Statements

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, 2021, 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 35% of all restricted funds for the year ended March 31, 2021. The five (5) largest trust fund accounts in terms of expenditures incurred 25% 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.

##### Accounts Receivable

Accounts receivable are non-interest bearing and are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on a review of outstanding receivables, historical collection information and current economic conditions. In the opinion of Trust management, all receivables are collectible, accordingly, no allowance for doubtful accounts has been recorded.

##### Investments

Investments are recorded at fair value. Investments received by gift are recorded at fair 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.

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

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

##### Deferred Outflows/Inflows of Resources--Continued

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.

##### 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, 2021.

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, 2018, and currently, there are no examinations in process nor has the Trust been informed of any pending examinations.

##### Accounting Standards Update Adopted

In 2021, the Trust adopted GASB Statement No. 84 (GASB No. 84), *Fiduciary Activities*. GASB No. 84 addresses criteria for identifying activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Activities meeting this criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Trust applied GASB No. 84 on a retrospective basis, this did not result in any reclassifications or restatement or changes in net position.

##### 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 available to be issued on June 21, 2021.

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

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

##### Subsequent Events--Continued

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 available to be issued on June 21, 2021.

#### 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.

At March 31, 2021, the book amount of the Trust's deposits was \$1,159,085 and the related bank balance was \$2,380,576. The total amount of collateralized uninsured deposits was approximately \$1,796,000 for the year ended March 31, 2021.

#### 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, 2021:

	Cost	Market
Corporate and Government Bond Funds	\$ 17,697,455	\$ 17,853,831
Closed-end Equity Mutual Funds	14,667,088	14,842,895
Corporate and Foreign Bonds	8,686,251	8,797,042
International Closed-end Funds	7,650,578	7,619,759
U.S. Treasury Obligations	5,826,481	6,019,812
U.S. Government Agencies	1,802,736	1,828,628
Cash and Money Market Funds	1,036,033	1,036,033
	<u>\$ 57,366,622</u>	<u>\$ 57,998,000</u>

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

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

Corporate and foreign bonds consist of the following at March 31, 2021:

	Cost	Market
Air Products and Chemicals	\$ 150,939	\$ 152,388
Amazon	251,302	254,258
Bank of Nova Scotia	255,250	250,225
Bank of NY Mellon	209,702	217,168
Bank of America	355,681	369,285
Bank of Montreal	260,139	256,000
BB&T Corporation	102,011	106,786
Blackrock Inc.	152,828	155,397
Bristol-Myers Squibb Co.	106,773	107,066
Caterpillar Financial Services	258,176	253,313
Charles Schwab Corp	514,870	534,070
Cisco Systems	271,900	271,323
Citibank	103,829	108,070
Coca-Cola Co.	160,220	161,211
Commonwealth Edison	150,394	150,680
Emmerson Electric	200,987	202,780
FedEx Corp	49,420	51,471
Fifth Third Bank Medium	150,462	151,593
Florida Power and Light Co.	269,649	269,672
General Dynamics	206,297	212,742
Gilead Sciences, Inc.	155,366	161,540
Glaxosmithkline Capital	101,022	102,783
Hershey Co.	249,890	248,942
Honeywell International	150,741	153,756
Huntington National Bank	268,646	268,667
IBM Corp	305,503	305,556
Illinois Tools Works Inc.	103,361	108,112
Intel Corp.	99,701	103,582
John Deere	277,805	273,238
JP Morgan	200,758	207,050
KeyBank	101,182	102,512
Microsoft Corp	251,555	254,118
Merck & Co Inc.	100,670	107,162
Oracle Corp	174,689	176,026
PepsiCo.	324,147	323,052
PNC Bank	250,379	256,470
Proctor and Gamble	269,917	268,788
Suntrust Bank	101,651	104,555
Target Corp	263,481	261,833
TD Ameritrade	350,805	357,696
Walt Disney Co	151,250	154,916
Wisconsin Electric Power	252,903	261,190
	<u>\$ 8,686,251</u>	<u>\$ 8,797,042</u>

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE C--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:

	<u>Operating Accounts</u>	<u>Capital Project/Reserve Accounts</u>	<u>Long-Term Investment Accounts</u>
Corporate Bonds	BBB/Baa	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 D--DUE TO/FROM OTHER FUNDS

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

#### 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.

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE E--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](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.

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, 2021	\$	286,046
March 31, 2020	\$	314,005
March 31, 2019	\$	362,131

At March 31, 2021, the Trust reported a net pension liability of \$2,868,807 for its proportionate share of the NYSERS net pension liability. The net pension liability was measured as of March 31, 2020, 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, 2021, the Trust's proportion was 0.0108336%.

For the year ended March 31, 2021, the Trust recognized pension expense of \$847,058. At March 31, 2021, the Trust reported deferred outflows/inflows of resources related to pensions from the following sources:

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE E--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	\$ 168,841	\$ -
Changes of assumptions	57,764	49,878
Net difference between projected and actual earnings on pension plan investments	1,470,690	-
Changes in proportion and differences between the Trust's contributions and proportionate share of contributions	40,958	287,311
Contributions subsequent to the measurement date	286,046	-
	<u>\$ 2,024,299</u>	<u>\$ 337,189</u>

The Trust recognized \$286,046 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020, which will be recognized as a reduction of the net pension liability in the year ended March 31, 2022.

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

Year Ending March 31:	
2022	\$ 192,086
2023	346,765
2024	472,625
2025	389,588
	<u>\$ 1,401,064</u>

The total pension liability at March 31, 2020 (measurement date) was determined using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020.



## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

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

##### Actuarial Assumptions

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.5%
Salary scale	4.2 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-2018
Investment rate of return	6.8% 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, 2020, are summarized below:

<u>Asset Type</u>	<u>Target Allocations in %</u>	<u>Long-Term expected real rate of return in %</u>
Domestic Equity	36.0	4.05
International Equity	14.0	6.15
Private Equity	10.0	6.75
Real Estate	10.0	4.95
Absolute Return	2.0	3.25
Opportunistic Portfolio	3.0	4.65
Real Assets	3.0	5.95
Bonds and Mortgages	17.0	0.75
Cash	1.0	0.00
Inflation-Indexed Bonds	4.0	0.50
	<u>100%</u>	

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

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

##### Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 6.8%, 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 (5.8%) or 1% higher (7.8%) than the current rate:

	1% Decrease (5.8%)	Current Discount (6.8%)	1% Increase (7.8%)
Proportionate share of net pension liability	\$ 5,265,071	\$ 2,868,807	\$ 661,838

##### 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, 2020 measurement date were as follows (in thousands of dollars):

Total pension liability	\$ 194,596,261
Net position	<u>(168,115,682)</u>
Net pension liability	<u>\$ 26,480,579</u>
NYSERS net position as a percentage of total pension liability	86.39%

## **NATURAL HERITAGE TRUST**

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

#### **NOTE F--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 F--OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION--Continued

##### Employees Covered by Benefit Terms

At March 31, 2021, 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>21</u>
	<u>25</u>

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

##### Total OPEB Liability

The Trust's total OPEB liability of \$2,452,744 was measured as of March 31, 2021 and was determined by an actuarial valuation as of April 1, 2019. The alternative measurement method was used to calculate the OPEB liability.

For the year ended March 31, 2021, the Trust recognized OPEB expenses of \$181,442.

##### Actuarial Assumptions and Other Inputs

The total OPEB liability as of March 31, 2021 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	3.0%
Discount rate	2.27%
Healthcare cost trend rates – Medical	4.5% for 2021, decreasing approximately .25% per year to an ultimate rate of 3.78% for 2075 and later years.
Healthcare cost trend rates – Prescription Drug	7.0% for 2021, decreasing approximately .25% per year to an ultimate rate of 3.78% for 2075 and later years.
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, 2021.

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE F--OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION--Continued

Mortality rates were based on the sex distinct RPH-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-2018 mortality improvement scale on a fully generational basis.

The actuarial assumptions used in the March 31, 2021 valuation were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020.

#### Changes in Total OPEB Liability

	Total OPEB Liability
Balance at March 31, 2020	\$ 2,309,991
Changes for the year:	
Service cost	16,839
Interest	54,827
Differences between expected and actual experience and changes in assumptions or other inputs	109,776
Benefit payments	(38,689)
Net changes	142,753
Balance at March 31, 2021	<u>\$ 2,452,744</u>

Changes of assumptions and other inputs reflect a change in the discount rate and Healthcare cost trend rates for the year ended March 31, 2021. The discount rate was updated from 2.48% as of March 31, 2020 to 2.27% as of March 31, 2021.

The healthcare trend rate remained consistent at 4.5% for medical and 7% for prescription drugs for the year ended March 31, 2021.

The change in assumptions resulted in a increase in the Total OPEB Liability.

#### 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 (1.27%) or 1% higher (3.27%) than the current discount rate:

	1% Decrease (1.27%)	Current Discount (2.27%)	1% Increase (3.27%)
Total OPEB Liability	\$ 2,825,180	\$ 2,452,744	\$ 1,973,871

## NATURAL HERITAGE TRUST

### Notes to Financial Statements--Continued

#### NOTE F--OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION--Continued

##### 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 (3.5%) or 1% higher (5.5%) than the current healthcare cost trend rates:

	1% Decrease (3.5% decreasing to 2.78%)	Healthcare Cost Trend Rates (4.5% decreasing to 3.78%)	1% Increase (5.5% decreasing to 4.78%)
Total OPEB Liability	\$ 2,223,849	\$ 2,452,744	\$ 2,487,765

**REQUIRED SUPPLEMENTARY INFORMATION**

**NATURAL HERITAGE TRUST**

**Statement of Revenues, Expenditures and Changes in Net Position - Budget to Actual**

**For the Year Ended March 31, 2021**

	<b>Original Budget</b>	<b>Revisions</b>	<b>Revised Budget</b>	<b>Total Actual Budgeted</b>	<b>Total Actual Unbudgeted</b>	<b>Total Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>REVENUES</b>							
Investment income	\$ 600,000	\$ (75,000)	\$ 525,000	\$ 497,277	\$ -	\$ 497,277	\$ (27,723)
Indirect fringe benefit income	115,000	-	115,000	282,028	-	282,028	167,028
Administrative income	290,000	(30,000)	260,000	249,002	-	249,002	(10,998)
Unrealized loss on investments	-	-	-	-	(166,439)	(166,439)	(166,439)
Realized gains on investments	-	-	-	-	919,280	919,280	919,280
Contributed goods and services	-	-	-	-	16,825	16,825	16,825
Miscellaneous income	-	-	-	-	4,365	4,365	4,365
	<u>1,005,000</u>	<u>(105,000)</u>	<u>900,000</u>	<u>1,028,307</u>	<u>774,031</u>	<u>1,802,338</u>	<u>902,338</u>
<b>EXPENDITURES</b>							
Salaries and payroll related costs	540,000	(45,000)	495,000	511,956	-	511,956	(16,956)
Accrued value of unused vacation	-	-	-	-	26,566	26,566	(26,566)
Fringe benefit costs	255,000	(45,000)	210,000	204,051	-	204,051	5,949
Professional fees	85,000	(25,000)	60,000	60,080	-	60,080	(80)
Accrued pension expense	-	-	-	-	561,010	561,010	(561,010)
Accrued OPEB costs	-	-	-	-	181,442	181,442	(181,442)
Retiree health care costs	45,000	-	45,000	38,689	-	38,689	6,311
Bank investment fees and service charges	38,000	-	38,000	42,888	-	42,888	(4,888)
Contributed salaries and overhead	-	-	-	-	16,825	16,825	(16,825)
Travel	10,000	(5,000)	5,000	1,319	-	1,319	3,681
Office supplies and postage	25,000	15,000	40,000	51,145	-	51,145	(11,145)
Huttleston award expense	5,000	-	5,000	-	-	-	5,000
Miscellaneous	2,000	-	2,000	1,707	-	1,707	293
	<u>1,005,000</u>	<u>(105,000)</u>	<u>900,000</u>	<u>911,835</u>	<u>785,843</u>	<u>1,697,678</u>	<u>(797,678)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,472</u>	<u>\$ (11,812)</u>	<u>\$ 104,660</u>	<u>\$ 104,660</u>

See independent auditor's report.



NATURAL HERITAGE TRUST

Schedule of Proportionate Share of Net Pension Liability (Asset)

March 31, 2021

New York State Employees' Retirement System Plan	Last 10 Fiscal Years									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability (asset)	0.0108336%	0.0121229%	0.0119344%	0.0103594%	0.0103427%	0.0122732%				
Proportionate share of net pension liability (asset)	\$ 2,868,807	\$ 858,948	\$ 385,177	\$ 973,389	\$ 1,660,040	\$ 414,618				
Covered-employee payroll	\$ 3,115,714	\$ 2,928,680	\$ 3,233,186	\$ 3,430,527	\$ 2,626,717	\$ 2,729,006				
Proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	92.08%	29.33%	11.91%	28.37%	63.20%	15.19%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.24%	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 auditor's report.

NATURAL HERITAGE TRUST

Schedule of Contributions - Pension Plans

March 31, 2021

New York State Employees' Retirement System Plan	Last 10 Fiscal Years									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 314,005	\$ 362,131	\$ 343,702	\$ 318,502	\$ 287,971	\$ 494,651				
Contributions in relation to the contractually required contribution	314,005	362,131	343,702	318,502	287,971	494,651				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Agency's covered-employee payroll	\$ 3,115,714	\$ 2,928,680	\$ 3,233,186	\$ 3,430,527	\$ 2,626,717	\$ 2,729,006				
Contributions as a percentage of covered-employee payroll	10.08%	12.36%	10.63%	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 auditor's report.

**NATURAL HERITAGE TRUST**

**Schedule of Changes in the Total OPEB Liability and Related Ratios**

**March 31, 2021**

	Last 10 Fiscal Years									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total OPEB Liability										
Service cost	\$ 16,839	\$ 25,530	\$ 23,067	\$ 21,124	<b>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</b>					
Interest	54,827	82,306	91,186	91,144						
Changes of benefit terms	-	-	-	-						
Differences between expected and actual experience										
and changes of assumptions or other inputs	109,776	(228,574)	(166,413)	79,527						
Benefit payments	(38,689)	(44,591)	(30,919)	(42,664)						
Net change in total OPEB liability	142,753	(165,329)	(83,079)	149,131						
Total OPEB liability - beginning	2,309,991	2,475,320	2,558,399	2,409,268						
Total OPEB liability - ending	<u>\$2,452,744</u>	<u>\$2,309,991</u>	<u>\$2,475,320</u>	<u>\$2,558,399</u>						
Covered-employee payroll	\$ 3,115,714	\$ 2,928,680	\$ 3,233,186	\$ 3,430,527						
Total OPEB liability as a percentage of covered-employee payroll	78.72%	78.87%	76.56%	74.58%						

See independent auditor's report.

## **COMPLIANCE REPORT**



**INDEPENDENT AUDITOR'S 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, 2021, 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 21, 2021.

**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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

*Wojeski & Company, CPAs, P.C.*

Albany, New York  
June 21, 2021