

NATURAL HERITAGE TRUST

Financial Statements

March 31, 2023

NATURAL HERITAGE TRUST

March 31, 2023

Financial Statements

Management’s Discussion and Analysis 1
Independent Auditor’s Report 8
Statement of Net Position 11
Statement of Revenues, Expenses and Change in Net Position 12
Statement of Cash Flows 13
Statement of Fiduciary Net Position 14
Statement of Change in Fiduciary Net Position 15
Notes to the Financial Statements 16

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Net Position –
Budget to Actual 31
Schedule of Proportionate Share of Net Pension Liability (Asset) 32
Schedule of Contributions – Pension Plans 33
Schedule of Changes in the Total OPEB Liability and Related Ratios 34

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 35

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, 2023. 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 other post-employment benefits (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 2022 fiscal year.

SUMMARY OF ASSETS, LIABILITIES AND NET POSITION

	2023	2022
Assets	\$ 62,529,826	\$ 65,869,279
Deferred outflows of resources	1,957,017	2,238,695
Current liabilities	(57,696,876)	(61,133,986)
Long-term liabilities	(1,616,031)	(1,875,198)
Deferred inflows of resources	(3,389,677)	(3,149,191)
Unrestricted Net Position	<u>\$ 1,784,259</u>	<u>\$ 1,949,599</u>

The Trust's assets consist primarily of cash, money market funds, fixed income debt obligations and equity exchange traded funds. Funds received for the various fiduciary fund program accounts are deposited into the general fund and invested until they are subsequently disbursed for project and program purposes. 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 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, 2023, the Trust had 189 of these fiduciary project accounts compared to 192 in the prior year and total assets decreased by about \$3.4M.

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).

Nearly all of the current liabilities reflect the amount due to the fiduciary fund. Fiduciary fund assets represent approximately 92% of the Trust's total assets.

The long-term liabilities are related to fringe benefits for Trust administrative and program staff (6 and 48 Full-Time Equivalents as of March 31, 2023, respectively) and consist of the Trust's net OPEB obligation (for retirement health benefits) and net pension liability.

These liabilities are based on annual actuarial valuations and represent the estimated amount due for future employee retirement benefits. The liabilities are paid incrementally over future fiscal years. Notably, this year the pension liability is reflected as an \$890k asset. This is because the actuarial valuations and related accounting entries for the long-term liabilities are closely tied to market factors – specifically the rate of return and market value of the New York State Common Retirement Fund (Fund) managed by the Office of the State Comptroller – as well as other actuarial rating factors specific to the NHT's payroll demographic and the discount rate.

Due to its size, the valuation of the Fund is always lagged by a year, so the figures are based on the Fund's March 31, 2022 valuation, which was an all-time high for the Fund (See Note F to the financial statements). The Trust anticipates the pension position is likely revert back to a liability in ensuing years.

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

	2023	2022
Investment income	\$ 641,726	\$ 487,218
Indirect fringe benefit income	264,129	54,681
Administrative income	268,003	285,650
Unrealized gains (losses) on investments	(713,729)	(1,216,985)
Realized gains (losses) on investments	(8,338)	68,972
Contributed goods and services	17,034	13,657
Miscellaneous Income	5,245	3,546
Total Revenues	<u>474,070</u>	<u>(303,261)</u>
Salary and payroll related costs	545,967	539,329
Accrued change in unused vacation	2,425	(15,253)
Fringe benefit costs	236,215	225,320
Accrued pension expense (benefit)	(78,385)	(261,676)
Professional fees	61,542	54,695
Bank investment fees and service charges	53,177	46,948
Contributed salaries and overhead	17,034	13,657
Travel	3,455	1,754
Office supplies and postage	40,385	35,758
Accrued OPEB expense (benefit)	(249,642)	(518,410)
Miscellaneous	7,237	2,557
Total Expenditures	<u>639,410</u>	<u>124,679</u>
Deficiency of revenues over expenditures	(165,340)	(427,940)
Net position at beginning of year	<u>1,949,599</u>	<u>2,377,539</u>
Net position at end of year	<u>\$ 1,784,259</u>	<u>\$ 1,949,599</u>

With the exception of accrued pension and OPEB benefit, 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 (nor refunds).

Salary, fringe benefits, professional, and office supply expenses were all similar compared to last year. Contributed goods and services recognizes the contributed services provided by the New York State Office of Parks, Recreation and Historic Preservation (OPRHP) and is offset by an equal amount of expenses (generally, this reflects the office space provided).

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, 2023 and 2022.

SUMMARY OF ASSETS, LIABILITIES AND NET POSITION – FIDUCIARY FUND

	2023	2022
Assets	<u>\$ 57,803,936</u>	<u>\$ 61,226,530</u>
Liabilities	\$ 427,653	\$ 434,250
Net Assets Held in Trust	57,376,283	60,792,280
Fiduciary Net Position Held in Trust	<u><u>\$ 57,803,936</u></u>	<u><u>\$ 61,226,530</u></u>

Included in the fiduciary fund is the 17 park or site-specific endowments managed by the Trust. The market value of these permanent endowments was \$31.8 million, a decrease of about \$2.7 million compared to 2022. The decline is consistent with similar decreases experienced in the major global capital markets. The remaining assets of the fiduciary fund continue to 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**

	2023	2022
Additions		
Gifts, donations and private grants	\$ 8,643,438	\$ 17,545,383
Grants and contracts	4,042,081	3,472,782
Activity and program income	1,211,698	585,294
Mitigation and environmental benefits	540,924	560,160
Investment income	624,642	476,860
Sponsorship and advertising	359,344	100,450
Realized gains (losses) on investments	(166,134)	218,787
Unrealized Gains (losses) on investments	(2,468,455)	(310,074)
Other revenue	92,218	37,994
	12,879,756	22,687,636
 Expenditures		
Capital construction and maintenance	7,377,198	8,029,062
Program support and personnel	\$ 5,418,637	\$ 4,830,551
Activity and event support	2,036,749	1,456,824
Gift reassignment	967,903	498,221
Professional services	158,358	241,995
Promotional materials	140,231	161,881
Miscellaneous	196,677	137,785
	16,295,753	15,356,319
 Change in net position	(3,415,997)	7,331,317
 Net position at beginning of year	60,792,280	53,460,963
Net position at end of year	\$ 57,376,283	\$ 60,792,280

Overall, fiduciary revenue was down compared to last year, mostly attributable to 1) a single large foundation grant received for a major capital project received in 2022, and 2) the unrealized losses on the endowments this year. Restricted gifts and grants, program sponsorships, project activity fees and investment income totaled approximately \$15.4 million for the fiscal year ended March 31, 2023. The Trust received more than double the amount of program and sponsorship income compared to last year, as pandemic restrictions on public events and programming continued to phase out.

Expenses related to fiduciary fund activities totaled approximately \$16.3 million, about \$1 million more compared to 2022 and is primarily due to continued progress and completion of large capital projects and more program offerings. Activity, event and program spending were higher and generally more consistent with typical pre-covid program spending levels.

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 AUDITOR'S REPORT

To the Board of Trustees and Audit Committee
Natural Heritage Trust

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-7 and the budgetary comparison information and other schedules on pages 31-34, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the Annual Report of the Trust as defined by Section 2800 of the New York State Public Authorities Law, *Annual Reports by Authorities*, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023, 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 29, 2023

NATURAL HERITAGE TRUST

Statement of Net Position

March 31, 2023

ASSETS

Cash and cash equivalents	\$	1,501,573
Investments		59,998,310
Interest receivable		139,244
Net pension asset		<u>890,699</u>

TOTAL ASSETS 62,529,826

DEFERRED OUTFLOWS OF RESOURCES

Pension related		<u>1,957,017</u>
-----------------	--	------------------

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses		142,576
Due to fiduciary fund		<u>57,554,300</u>

TOTAL CURRENT LIABILITIES 57,696,876

LONG-TERM LIABILITIES

Net OPEB obligation		<u>1,616,031</u>
---------------------	--	------------------

TOTAL LIABILITIES 59,312,907

DEFERRED INFLOWS OF RESOURCES

Pension related		<u>3,389,677</u>
-----------------	--	------------------

NET POSITION

Unrestricted		<u>1,784,259</u>
--------------	--	------------------

TOTAL NET POSITION \$ 1,784,259

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Revenues, Expenses and Change in Net Position

For the Year Ended March 31, 2023

OPERATING REVENUES

Investment income, net	\$	641,726
Indirect income, net		264,129
Administrative income		268,003
Contributed goods and services		17,034
Realized loss on investments		(8,338)
Unrealized loss on investments		(713,729)
Miscellaneous income		5,245

TOTAL OPERATING REVENUES 474,070

OPERATING EXPENSES

Salary and payroll related costs		545,967
Accrued value of unused vacation		2,425
Fringe benefit costs		236,215
Professional fees		61,542
Office supplies and postage		40,385
Bank investment fees and service charges		53,177
Contributed salaries and overhead		17,034
Travel		3,455
Net pension benefit		(78,385)
Net other post retirement benefit		(249,642)
Other program expenses		7,237

TOTAL OPERATING EXPENSES 639,410

CHANGE IN NET POSITION (165,340)

NET POSITION, beginning of year 1,949,599

NET POSITION, end of year \$ 1,784,259

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Cash Flows

For the Year Ended March 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from fiduciary activities	\$ 14,389,768
Proceeds from administrative income	268,003
Proceeds from indirect fringe benefits	264,129
Proceeds from miscellaneous income	5,245
Payments for fiduciary activities	(16,074,534)
Payments for personnel expenses	(791,244)
Payments for other operating expenses	<u>(122,832)</u>
CASH USED IN OPERATING ACTIVITIES	<u>(2,061,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from withdrawal of investments	2,433,000
Payments for purchase of investments	<u>(4,133,000)</u>
CASH USED IN INVESTING ACTIVITIES	<u>(1,700,000)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,761,465)
Cash and cash equivalents at beginning of year	<u>5,263,038</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,501,573</u>
RECONCILIATION OF CHANGE IN NET POSITION TO	
NET CASH USED IN OPERATING ACTIVITIES	
Change in net position	\$ (165,340)
Adjustments to reconcile operating income to net cash used in operating activities:	
Investment income, net	(547,801)
Realized gains on investments	8,338
Unrealized loss on investments	713,729
Pension benefit	(78,385)
Other Postemployment Benefit plan service benefit	(217,571)
Changes in operating assets, liabilities, deferred outflows of resources and deferred inflows of resources:	
Accounts payable and accrued expenses	28,133
Due to fiduciary fund	(1,470,822)
Deferred outflows of resources - pension related	(299,675)
Net OPEB obligation	<u>(32,071)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (2,061,465)</u>

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Fiduciary Net Position

March 31, 2023

ASSETS

Accounts receivable	\$	249,636
Due from the Trust		<u>57,554,300</u>

TOTAL ASSETS	\$	<u><u>57,803,936</u></u>
--------------	----	--------------------------

LIABILITIES AND NET POSITION HELD IN TRUST

LIABILITIES

Accounts payable and accrued expenses	\$	103,972
Accrued payroll and related items		<u>323,681</u>

TOTAL LIABILITIES		427,653
-------------------	--	---------

NET POSITION HELD IN TRUST		<u>57,376,283</u>
----------------------------	--	-------------------

TOTAL LIABILITIES AND NET POSITION HELD IN TRUST	\$	<u><u>57,803,936</u></u>
--	----	--------------------------

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Statement of Changes in Fiduciary Net Position

For the Year Ended March 31, 2023

ADDITIONS

Gifts, donations and private grants	\$	8,643,438
Grants and contracts		4,042,081
Activity and program income		1,211,698
Investment income		624,642
Mitigation and environmental benefits		540,924
Sponsorship and advertising		359,344
Realized losses on investments		(166,134)
Unrealized losses on investments		(2,468,455)
Other revenue		92,218

TOTAL ADDITIONS 12,879,756

PROGRAM EXPENSES

Capital construction and maintenance		7,377,198
Program support and personnel		5,418,637
Activity and event support		2,036,749
Gift reassignment		967,903
Professional services		158,358
Promotional materials and merchandise for resale		140,231
Miscellaneous		196,677

TOTAL PROGRAM EXPENSES 16,295,753

CHANGE IN NET POSITION HELD IN TRUST (3,415,997)

Net position held in trust at beginning of year 60,792,280

NET POSITION HELD IN TRUST AT END OF YEAR \$ 57,376,283

See accompanying notes to financial statements.

NATURAL HERITAGE TRUST

Notes to Financial Statements

March 31, 2023

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, 2023.

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, 2023.

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, 2023, the Trust held funds received through relationships with its partner agencies and organizations for approximately 205 different programs and projects. The five (5) largest trust fund accounts in terms of revenue accounted for approximately 53% of all restricted funds for the year ended March 31, 2023. The five (5) largest trust fund accounts in terms of expenditures incurred 37% 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 3 inputs are only used when Level 1 or Level 2 inputs are not available.

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, 2023.

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, 2020, and currently, there are no examinations in process nor has the Trust been informed of any pending examinations.

New Accounting Standards Adopted

During the year ended March 31, 2023, the Trust implemented GASB No. 87, *Leases* (GASB 87). GASB 87 enhances the relevance and consistency of information related to a government's leasing activities. The requirements of GASB 87 are based on the principle that leases represent the financing of the right to use and underlying nonfinancial asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflows of resources. The adoption of GASB 87 did not have a material impact on the Trust's financial statements and did not result in any reclassifications or restatements of net position 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 29, 2023.

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.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE B--CASH AND CASH EQUIVALENTS--Continued

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, 2023, the book amount of the Trust's deposits was \$1,501,573 and the related bank balance was \$1,581,848. The total amount of collateralized uninsured deposits was approximately \$1,097,040 for the year ended March 31, 2023.

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, 2023:

	Cost	Market
Corporate and Government Bond Funds	\$ 18,324,964	\$ 16,494,997
Closed-end Equity Mutual Funds	14,126,848	13,888,092
Corporate and Foreign Bonds	10,584,610	10,066,923
U.S. Treasury Obligations	9,374,242	9,188,363
International Closed-end Funds	8,072,001	7,082,209
Cash and Money Market Funds	1,723,028	1,723,028
U.S. Government Agencies	1,600,313	1,554,698
	<u>\$ 63,806,006</u>	<u>\$ 59,998,310</u>

The estimated fair values of the Trust's financial instruments, none of which are held for trading purposes, are as follows:

	Carrying Amount	Level 1	Level 2
Corporate and Government Bond Funds	\$ 16,494,997	\$ 16,494,997	\$ -
Closed-end Equity Mutual Funds	13,888,092	13,888,092	-
Corporate and Foreign Bonds	10,066,923	-	10,066,923
U.S. Treasury Obligations	9,188,363	9,188,363	-
International Closed-end Funds	7,082,209	7,082,208	-
Cash and Money Market Funds	1,723,028	1,723,028	-
U.S. Government Agencies	1,554,698	1,554,698	-
	<u>\$ 59,998,310</u>	<u>\$ 49,931,387</u>	<u>\$ 10,066,923</u>

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE C--INVESTMENTS--Continued

Corporate and foreign bonds consist of the following at March 31, 2023:

	Cost	Market
3M Company	\$ 262,617	\$ 240,333
Amazon	99,825	93,041
Bank of Nova Scotia	252,768	230,533
Bank of NY Mellon	403,515	394,930
Bank of Montreal	357,226	327,807
Bristol-Myers Squibb Co.	410,354	393,115
Canadian Imperial Bank	249,865	242,073
Caterpillar Financial Services	354,307	329,968
Charles Schwab Corp	353,701	343,220
Cisco Systems	263,137	241,820
Citibank	101,044	98,629
Entergy LA LLC	337,705	329,696
Diageo Capital PLC	278,134	278,561
Duke Energy Florida LLC	195,044	186,024
Fifth Third Bank	337,377	307,440
Florida Power and Light Co.	260,343	242,127
General Dynamics	204,365	196,653
Gilead Sciences, Inc.	299,504	294,981
Glaxosmithkline Capital	300,000	293,358
Hershey Co.	150,117	138,495
Home Depot, Inc	369,475	339,301
Honeywell International	202,549	187,654
Huntington National Bank	456,058	441,819
Illinois Tools Works Inc.	347,173	335,960
John Deere	367,257	344,348
JP Morgan	240,193	236,902
KeyBank	150,000	147,363
Morgan Stanley	276,994	268,848
Merck & Co Inc.	255,113	244,797
PepsiCo.	313,912	290,310
Procter and Gamble	261,804	241,885
Royal Bank of Canada	307,471	290,235
Target Corp	256,729	240,187
Toronto-Dominion Bank	311,501	299,839
Toyota Motor Credit Corp	349,622	335,076
Truist Financial Corp	100,878	95,455

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE C--INVESTMENTS--Continued

Westpac Banking Corp	295,606	285,837
Wisconsin Electric Power	251,327	238,303
	<u>\$ 10,584,610</u>	<u>\$ 10,066,923</u>

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

	Operating Accounts	Capital Project/Reserve Accounts	Long-Term Investment Accounts
Corporate Bonds	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--LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended March 31, 2023 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due within One Year
OPEB Obligation	\$ 1,865,673	\$ -	\$ (249,642)	\$ 1,616,031	\$ -
Pension liability	9,525	-	(9,525)	-	-
	<u>\$ 1,875,198</u>	<u>\$ -</u>	<u>\$ (259,167)</u>	<u>\$ 1,616,031</u>	<u>\$ -</u>

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN

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

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

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

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, 2023	\$	349,599
March 31, 2022	\$	286,046
March 31, 2021	\$	314,005

At March 31, 2023, the Trust reported a net pension asset of \$890,699 for its proportionate share of the NYSERS net pension asset. The net pension asset was measured as of March 31, 2022, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of that date. The Trust's proportion of the net pension asset 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, 2023, the Trust's proportion was 0.0108960%.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

For the year ended March 31, 2023, the Trust recognized pension income of \$78,385. At March 31, 2023, the Trust reported deferred outflows/inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 67,454	\$ 87,492
Changes of assumptions	1,486,477	25,083
Net difference between projected and actual earnings on pension plan investments	-	2,916,667
Changes in proportion and differences between the Trust's contributions and proportionate share of contributions	103,411	360,435
Contributions subsequent to the measurement date	299,675	-
	<u>\$ 1,957,017</u>	<u>\$ 3,389,677</u>

The Trust recognized \$299,675 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2022, which will be recognized as a reduction of the net pension liability in the year ended March 31, 2024.

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

Year Ending March 31:	
2023	\$ (336,983)
2024	(420,612)
2025	(812,661)
2026	(162,079)
2027	-
	<u>\$ (1,732,335)</u>

The total pension asset at March 31, 2022 (measurement date) was determined using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

NOTE F--PENSION PLAN--Continued

Actuarial Assumptions

The actuarial valuation used the following actuarial assumptions:

Measurement Date	March 31, 2022
Actuarial Valuation Date	April 1, 2021
Inflation	2.7%
Salary scale	4.4 % indexed by service
Projected COLAs	1.4% compounded annually
Decrements	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020.
Mortality improvement	Society of Actuaries Scale MP-2020
Investment rate of return	5.9% 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, 2022, are summarized below:

Asset Type	Target Allocations in %	Long-Term expected real rate of return in %
Domestic Equity	32.0	3.30
International Equity	15.0	5.85
Private Equity	10.0	6.50
Real Estate	9.0	5.00
Opportunistic/ARS Portfolio	3.0	4.10
Credit	4.0	3.78
Real Assets	3.0	5.58
Fixed Income	23.0	0.00
Cash	1.0	-1.00
	<u>100%</u>	

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 5.9 percent. 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 System'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 (asset) calculated using the discount rate of 5.9%, as well as what the Trust's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (4.9%) or 1% higher (6.9%) than the current rate:

	1% Decrease (4.9%)	Current Discount (5.9%)	1% Increase (6.9%)
Proportionate share of net pension liability (asset)	\$ 2,292,650	\$ (890,699)	\$ (3,553,417)

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, 2022 measurement date were as follows (in thousands of dollars):

Total pension liability	\$ 223,874,888
Net position	<u>(232,049,473)</u>
Net pension asset	<u>\$ (8,174,585)</u>
NYSERS net position as a percentage of total pension liability	103.65%

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, 2022, the following employees or beneficiaries were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>13</u>
	<u>18</u>

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

Total OPEB Liability

The Trust's total OPEB liability of \$1,616,031 was measured as of March 31, 2023 and was determined by an actuarial valuation as of April 1, 2022. The alternative measurement method was used to calculate the OPEB liability.

For the year ended March 31, 2023, the Trust recognized OPEB benefit of \$189,424.

Actuarial Assumptions and Other Inputs

The total OPEB liability as of March 31, 2023 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Discount rate	3.78%
Healthcare cost trend rates – Medical	4.5% for 2023, decreasing to an ultimate trend rate of 4.04% for 2075 and later years.
Healthcare cost trend rates – Prescription Drug	6.5% for 2023, decreasing to an ultimate trend rate of 4.04% 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, 2023.

NATURAL HERITAGE TRUST

Notes to Financial Statements--Continued

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

Mortality rates for active employees, healthy retirees, and contingent survivors were based on the MP-2021 mortality improvement scale released in October 2022 which reflects the U.S. population mortality experience through 2020.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at March 31, 2022	\$ 1,865,673
Changes for the year:	
Service cost	13,992
Interest	52,342
Differences between expected and actual experience and changes in assumptions or other inputs	(255,758)
Benefit payments	(60,218)
Net changes	(249,642)
Balance at March 31, 2023	<u>\$ 1,616,031</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, 2023. The discount rate was updated from 2.83% as of March 31, 2022 to 3.78% as of March 31, 2023.

The healthcare trend rate remained consistent at 4.5% for medical. The healthcare trend rate for prescription drug use updated from 7% as of March 31, 2022 to 6.5% as of March 31, 2023.

The change in assumptions resulted in a decrease 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 (2.78%) or 1% higher (4.78%) than the current discount rate:

	1% Decrease (2.78%)	Current Discount (3.78%)	1% Increase (4.78%)
Total OPEB Liability	\$ 1,889,420	\$ 1,616,031	\$ 1,398,606

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 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 3.04%)	Healthcare Cost Trend Rates (4.5% decreasing to 4.04%)	1% Increase (5.5% decreasing to 5.04%)
Total OPEB Liability	\$ 1,545,587	\$ 1,616,031	\$ 1,698,554

REQUIRED SUPPLEMENTARY INFORMATION

NATURAL HERITAGE TRUST

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

For the Year Ended March 31, 2023

	Original Budget	Revisions	Revised Budget	Total Actual Budgeted	Total Actual Unbudgeted	Total Actual	Variance Favorable/ (Unfavorable)
REVENUES							
Investment income, net	\$ 500,000	\$ -	\$ 500,000	\$ 641,726	\$ -	\$ 641,726	\$ 141,726
Indirect fringe benefit income	45,000	-	45,000	264,129	-	264,129	219,129
Administrative income	275,000	-	275,000	268,003	-	268,003	(6,997)
Realized losses on investments	-	-	-	-	(8,338)	(8,338)	(8,338)
Unrealized losses on investments	-	-	-	-	(713,729)	(713,729)	(713,729)
Contributed goods and services	-	-	-	-	17,034	17,034	17,034
Miscellaneous income	-	-	-	-	5,245	5,245	5,245
	<u>820,000</u>	<u>-</u>	<u>820,000</u>	<u>1,173,858</u>	<u>(699,788)</u>	<u>474,070</u>	<u>(345,930)</u>
EXPENDITURES							
Salaries and payroll related costs	550,000	-	550,000	545,967	-	545,967	4,033
Accrued value of unused vacation	-	-	-	-	2,425	2,425	(2,425)
Fringe benefit costs	238,000	-	238,000	236,215	-	236,215	1,785
Contributed salaries and overhead	-	-	-	-	17,034	17,034	(17,034)
Net pension benefit	-	-	-	-	(78,385)	(78,385)	78,385
Net other post retirement benefit	-	-	-	-	(249,642)	(249,642)	249,642
Bank investment fees and service charges	45,000	-	45,000	53,177	-	53,177	(8,177)
Professional fees	55,000	-	55,000	61,542	-	61,542	(6,542)
Office supplies and postage	40,000	-	40,000	40,385	-	40,385	(385)
Travel	5,000	-	5,000	3,455	-	3,455	1,545
Huttleston program	5,000	-	5,000	-	-	-	5,000
Other program expenses	2,000	-	2,000	7,237	-	7,237	(5,237)
	<u>940,000</u>	<u>-</u>	<u>940,000</u>	<u>947,978</u>	<u>(308,568)</u>	<u>639,410</u>	<u>300,590</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>\$ (120,000)</u>	<u>\$ -</u>	<u>\$ (120,000)</u>	<u>\$ 225,880</u>	<u>\$ (391,220)</u>	<u>\$ (165,340)</u>	<u>\$ (45,340)</u>

See independent auditor's report.

NATURAL HERITAGE TRUST

Schedule of Proportionate Share of Net Pension Liability (Asset)

March 31, 2023

New York State Employees' Retirement System Plan	Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of net pension liability (asset)	0.0108960%	0.0095657%	0.0108336%	0.0121229%	0.0119344%	0.0103594%	0.0103427%	0.0122732%		
Proportionate share of net pension liability (asset)	\$ (890,699)	\$ 9,525	\$ 2,868,807	\$ 858,948	\$ 385,177	\$ 973,389	\$ 1,660,040	\$ 414,618		
Covered-employee payroll	\$ 3,881,353	\$ 3,415,609	\$ 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	-22.95%	0.28%	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)	103.65%	99.95%	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, 2023

New York State Employees' Retirement System Plan	Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 349,599	\$ 286,046	\$ 314,005	\$ 362,131	\$ 343,702	\$ 318,502	\$ 287,971	\$ 494,651		
Contributions in relation to the contractually required contribution	349,599	286,046	314,005	362,131	343,702	318,502	287,971	494,651		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Agency's covered-employee payroll	\$ 3,881,353	\$ 3,415,609	\$ 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	9.01%	8.37%	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

See independent auditor's report.

NATURAL HERITAGE TRUST

Schedule of Changes in the Total OPEB Liability and Related Ratios

March 31, 2023

	Last 10 Fiscal Years									
	2023	2022	2021	2020	2021	2020	2019	2018	2017	2016
Total OPEB Liability										
Service cost	\$ 13,992	\$ 18,934	\$ 16,839	\$ 25,530	\$ 23,067	\$ 21,124				
Interest	52,342	52,863	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	(255,758)	(590,208)	109,776	(228,574)	(166,413)	79,527				
Benefit payments	(60,218)	(68,660)	(38,689)	(44,591)	(30,919)	(42,664)				
Net change in total OPEB liability	(249,642)	(587,071)	142,753	(165,329)	(83,079)	149,131				
Total OPEB liability - beginning	1,865,673	2,452,744	2,309,991	2,475,320	2,558,399	2,409,268				
Total OPEB liability - ending	<u>\$1,616,031</u>	<u>\$1,865,673</u>	<u>\$2,452,744</u>	<u>\$2,309,991</u>	<u>\$2,475,320</u>	<u>\$2,558,399</u>				
Covered-employee payroll	\$ 3,881,353	\$ 3,415,609	\$ 3,115,714	\$ 2,928,680	\$ 3,233,186	\$ 3,430,527				
Total OPEB liability as a percentage of covered-employee payroll	41.64%	54.62%	78.72%	78.87%	76.56%	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

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, 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated June 29, 2023.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 29, 2023