

**Natural Heritage Trust**

**Annual Budget and Multi-Year Financial Plan**

**Fiscal Year 2020-21**

## **Background and Mission of the Natural Heritage Trust**

Established by Chapter 653 of the Laws of 1968 as a public benefit corporation of the State of New York, the Natural Heritage Trust receives and manages gifts, grants and contributions to further public programs in support of parks, conservation, recreation, historic preservation and waterfront revitalization. The NHT accomplishes its mission by facilitating private investment for these purposes.

The NHT ensures the safekeeping, prudent investment and appropriate expenditure of funds held in trust for cooperative programs and projects with its agency partners: New York State Office of Parks, Recreation and Historic Preservation (OPRHP), Department of Environmental Conservation (DEC) and the Department of State (DOS). The NHT also partners with other public and private entities, not-for-profits and friends groups that share mission-compatible goals and purposes.

The NHT is governed by a Board of Directors comprised of the Commissioner of Parks, Recreation and Historic Preservation, the Commissioner of Environmental Conservation, the Secretary of State and the Chair of the State Council of Parks. The NHT is tax exempt pursuant to Section 170 (b) of the Internal Revenue Code and has been designated a 501(c)(3) corporation.

## **Summary of 2020-21 Administrative Operating Budget**

The Administrative Operating Budget (Budget) supports the core administrative functions of the NHT which include: bookkeeping, accounting, finance, human resources, contract management, compliance, fundraising and donor relations. Fiduciary program and project spending is not included in the Budget and is reported on separately in the NHT's audited financial statements.

The Adopted Budget is a balanced Budget of \$1,005,000 for both revenue and expenditures after four consecutive years of budget surpluses.

Budget contemplates a similar staffing structure as FY 2019-20:

- Budget supports the following **seven** Full-Time Equivalents (7 FTE's): Executive Director, Deputy Director/Chief Financial Officer, Bookkeeper, Development Associate, Program Assistant, Grants Coordinator and Resource Manager
- This is one more FTE than last year and due to bringing the Resource Manager onto the NHT payroll. In years past, OPRHP provided one FTE to support NHT; this assistance ended in 2019. Previously this was recognized as in-kind contributed services in the Budget.
- Accounting, Auditing and Investment Advisory/Custody Services continue as contractually-based services. Grant writing will also be on a contract basis.

The multi-year budget plan uses conservative revenue estimates keeping administrative income relatively flat and investment income at 2.6% with increases of only 15 basis points in each of the out-years. Similarly, salary levels are budgeted with 2% cost of living increases, with other spending categories remaining flat. Small budget surpluses are also projected into the out-years.

## **Budget Process**

The Annual Budget and Multi-Year Financial Plan are developed by Executive staff of the NHT incorporating the input of the Board of Directors. The Budget is submitted to the Board no later than 90 days prior to the commencement of its next fiscal year for review and revisions as directed by the Board. Upon approval by the Board the Budget and Financial Plan are submitted to the Governor, Legislative Fiscal Committees and Office of State Comptroller. The Budget is also posted for review by the public and to the NHT's website for at least 30 days prior to approval by the Board.

## **Assessment of Budgetary Risks**

The Operating Budget supports administrative operations of the NHT and is supported by two primary revenue sources:

1. Income earned on the investment of funds held in trust
2. Administrative fees assessed on specific programs that have staff and investment (endowment) accounts.

Accordingly, the funds available for NHT operations are dependent upon interest rates and the broader financial markets, as well as renewed funding for certain programs.

The investment guidelines of the NHT allow funds to be managed in three different ways depending on the purpose and goals of the gift agreement, consistent with State Law and Regulations. Most of the NHT's funds are invested in fixed income investment products, largely guarding against loss of principal. However, recent actions of the Federal Reserve to cut rates again will keep annual income earned on fixed income investments relatively low. Additionally, the NHT endowment portfolios have around sixty percent equity exposure; those accounts are subject to the largest market risk and fluctuations. Since NHT's administrative fees on endowments are calculated on the total market value of the portfolio at year-end, a down market would likely have some effect on the NHT's administrative income.

## Certification

After reasonable inquiry, the Annual Budget and Multi-Year Financial Plan presented herein is, to the best of my knowledge and belief, based on reasonable assumptions and methods of estimation with the applicable regulation being satisfied.



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Allen G. Payne  
Executive Director



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Sarah Purcell  
Deputy Director & Chief Financial Officer

2018-19 NHT OPERATING BUDGET - ACTUAL

<u>REVENUE</u>	2018-19 BUDGETED	2018-19 ACTUAL	Variance Favorable (Unfavorable)
Administrative Income - Indirect/Residual Fringe	\$ 350,000	\$ 390,804	\$ 40,804
Administrative Income - Management Fees	\$ 245,000	\$ 250,078	\$ 5,078
Investment Income	\$ 300,000	\$ 392,967	\$ 92,967
Contributed Goods & Services	\$ 95,000	\$ 98,408	\$ 3,408
TOTAL REVENUES	\$ 990,000	\$ 1,132,257	\$ 142,257
<u>EXPENDITURES</u>			
Salary and payroll related costs	\$ 397,000	\$ 380,694	\$ 16,306
Fringe Benefits	\$ 235,000	\$ 207,866	\$ 27,134
Contributed Salaries and Overhead	\$ 95,000	\$ 98,408	\$ (3,408)
Professional fees and contractual services	\$ 63,000	\$ 72,383	\$ (9,383)
Bank investment fees and service charges	\$ 38,000	\$ 37,577	\$ 423
Retiree Health Benefit Costs	\$ 40,000	\$ 30,919	\$ 9,081
Office supplies and materials	\$ 15,000	\$ 26,431	\$ (11,431)
Travel	\$ 10,000	\$ 8,819	\$ 1,181
Miscellaneous	\$ 2,000	\$ 2,030	\$ (30)
Huttleston Program	\$ 5,000	\$ 5,450	\$ (450)
TOTAL EXPENDITURES	\$ 900,000	\$ 870,577	\$ 29,423
SURPLUS (DEFICIT) OF REVENUE OVER EXPENDITURES	<u>\$ 90,000</u>	<u>\$ 261,680</u>	<u>\$ 171,680</u>

FY 2019-20 BUDGET TO ACTUAL THROUGH October 31,2019

<b><u>REVENUE</u></b>	2019-20 ADOPTED BUDGET	2019-20 TOTAL ACTUAL	2019-20 PROJECTED/ REVISED	Variance Favorable (Unfavorable)
Administrative Income - Indirect Residual Fringe	\$ 450,000	\$ -	\$ 350,000	\$ (100,000)
Administrative Income - Management Fees	\$ 245,000	\$ 59,847	\$ 230,000	\$ (15,000)
Investment Income	\$ 300,000	\$ 274,325	\$ 500,000	\$ 200,000
Contributed Goods and Services	\$ 95,000	\$ 10,000	\$ 10,000	\$ (85,000)
<b>TOTAL REVENUES</b>	<b>\$ 1,090,000</b>	<b>\$ 344,172</b>	<b>\$ 1,090,000</b>	<b>\$ -</b>
<b><u>EXPENDITURES</u></b>				
Salaries	\$ 450,000	\$ 271,486	\$ 455,000	\$ (5,000)
Fringe benefits	\$ 280,000	\$ 142,695	\$ 240,000	\$ 40,000
Professional fees and contractual services	\$ 65,000	\$ 86,116	\$ 105,000	\$ (40,000)
Contributed Goods and Services	\$ 95,000	\$ 10,000	\$ 10,000	\$ 85,000
Bank investment fees and service charges	\$ 38,000	\$ 24,261	\$ 38,000	\$ -
Retiree Health Benefits	\$ 45,000	\$ 21,193	\$ 45,000	\$ -
Office supplies and postage	\$ 25,000	\$ 16,264	\$ 25,000	\$ -
Travel	\$ 10,000	\$ 3,015	\$ 10,000	\$ -
Huttleston Program	\$ 5,000	\$ 5,650	\$ 5,650	\$ (650)
Miscellaneous	\$ 2,000	\$ 139	\$ 2,000	\$ -
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,015,000</b>	<b>\$ 580,819</b>	<b>\$ 935,650</b>	<b>\$ 79,350</b>
<b>SURPLUS (DEFICIT) OF REVENUE OVER EXPENDITURES</b>	<b>\$ 75,000</b>	<b>\$ (236,647)</b>	<b>\$ 154,350</b>	<b>\$ 79,350</b>

\*Most of the Administrative Income (both Indirect Residual Fringe and Management Fees on Endowments) are booked at year-end on 3/31

## Memorandum

To: NHT Board of Directors  
From: Sarah Purcell and Allen Payne  
Subject: Current Year 2019/20 NHT Operating Budget Revision  
Date: December 11, 2019

The purpose of this memo is to provide an update on the current year operating budget (results through October 31, 2019) as detailed on “Page 2” in the budget documents.

Revenue

Revenue overall should come in on target at year-end, but with some shifting among revenue categories. Investment income specifically should come in higher (\$500,000) than originally budgeted (\$300,000) due to better yield on some of our bond holdings and temporarily investing some of excess cash we had on hand at the end of last year. Indirect admin income is projected to be lower (\$350,000) than originally budgeted (\$450,000).

Professional Fees and Contractual Services

The NHT has used the fund accounting software product called the “Financial Edge” by Blackbaud since 2010. We were notified this Spring the company is transitioning all of its users to their new product, “Financial Edge NXT” which will be much more user friendly than the current system and has new functionality that will enable us to implement some paperless work flows for invoice processing.

We didn’t originally anticipate or budget for the transition to NXT this year, so the revised/projected cost is related to new software (\$15,000) and consulting hours (\$20,000) with implementation.

Last year was the first time the NHT had a full time Grants Writer position. The employee in this position left for another opportunity in the fall. We have re-evaluated this function and think that project-specific freelance grant writing may be better on a contract basis (\$15,000) and save money by not having a full-time staff person. For next year’s proposed budget, we propose hiring a Coordinator to better organize grant activities taking place in the Regions and Bureaus.

Contributed Good and Services

Contributed Goods and Services represents the in-kind staff support NHT has traditionally received from OPRHP. This was the first year the Enterprise Fund operations that were previously managed by NHT (gift shops, self-operated concessions and recreational rentals) were transitioned over to OPRHP creating new workload for OPRHP finance staff, so they need the FTE to support the work. As a result, the OPRHP staff person (Resource Manager) was moved to the NHT payroll and will now be supported through the NHT operating budget moving forward.

**FY 2020-21 NHT ADOPTED OPERATING BUDGET**

<b><u>REVENUE</u></b>	2019-20 REVISED	2020-21 ADOPTED	<i>Budget CHANGE</i>
Administrative Income - Indirect	\$ 350,000	\$ 115,000	\$ (235,000)
Administrative Income - Management Fees	\$ 230,000	\$ 290,000	\$ 60,000
Investment Income	\$ 500,000	\$ 600,000	\$ 100,000
Contributed Goods and Services	\$ 10,000	\$ -	\$ -
<b>TOTAL REVENUES</b>	<b>\$ 1,090,000</b>	<b>\$ 1,005,000</b>	<b>\$ (85,000)</b>
<b><u>EXPENDITURES</u></b>			
Salaries	\$ 455,000	\$ 540,000	\$ 85,000
Fringe benefits	\$ 240,000	\$ 255,000	\$ 15,000
Professional fees and contractual services	\$ 105,000	\$ 85,000	\$ (20,000)
Contributed Goods and Services	\$ 10,000	\$ -	\$ (10,000)
Bank investment fees and service charges	\$ 38,000	\$ 38,000	\$ -
Retiree Health Benefits	\$ 45,000	\$ 45,000	\$ -
Office supplies and postage	\$ 25,000	\$ 25,000	\$ -
Travel	\$ 10,000	\$ 10,000	\$ -
Huttleston Program	\$ 5,650	\$ 5,000	\$ (650)
Miscellaneous	\$ 2,000	\$ 2,000	\$ -
<b>TOTAL EXPENDITURES</b>	<b>\$ 935,650</b>	<b>\$ 1,005,000</b>	<b>\$ 69,350</b>
<b>SURPLUS (DEFICIT) OF REVENUE OVER EXPENDITURES</b>	<b>\$ 154,350</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TRANSFER FROM RESERVE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>YEAR END RESULT</b>	<b><u>\$ 154,350</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

\*Realized and Unrealized Gains (Losses) will be accounted for under Revenue at year end but are difficult to budget due to market fluctuations

\* Salary allocation supports the following positions (7 FTE's) with salaries based on 2019 levels and estimates 2% colas (effective 4/1/20):  
 Executive Director (\$134,217), Deputy Director/CFO (\$110,855), Resource Manager (\$84,660), Bookkeeper/AP (61,269),  
 Development Associate (\$59,391) Grants Coordinator (\$50,000) and Program/Development Assistant (\$40,000)

## ADOPTED NHT MULTI-YEAR FINANCIAL PLAN

<u>REVENUE</u>	2020-21 ADOPTED	2021-22 PROJECTED	2022-23 PROJECTED	2023-24 PROJECTED
Investment Income	\$ 600,000	\$ 662,425	\$ 724,850	\$ 787,275
Administrative Income - Management Fees	\$ 290,000	\$ 245,000	\$ 245,000	\$ 245,000
Administrative Income - Indirect/Residual Fringe	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000
<b>TOTAL REVENUES</b>	<b>\$ 1,005,000</b>	<b>\$ 1,022,425</b>	<b>\$ 1,084,850</b>	<b>\$ 1,147,275</b>
 <u>EXPENDITURES</u>				
Salaries	\$ 540,000	\$ 550,800	\$ 561,816	\$ 573,052
Fringe benefits	\$ 255,000	\$ 260,418	\$ 265,627	\$ 270,939
Professional fees and contractual services	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
Bank investment fees and service charges	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000
Retiree Health Benefits	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
Office supplies and postage	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Travel	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Huttleston Program	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Miscellaneous	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,005,000</b>	<b>\$ 1,021,218</b>	<b>\$ 1,037,443</b>	<b>\$ 1,053,991</b>
<b>SURPLUS (DEFICIT) OF REVENUE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ 1,207</b>	<b>\$ 47,407</b>	<b>\$ 93,284</b>

### ASSUMPTIONS

Investment income derived from interest and dividends off of the "Main Management" Investment Accounts (Aggregate value of ~\$22.7 Million); Projections estimate modest gradual income increases in each of the out-years, increasing from 2.60% to 2.75% , 2.90%, 3.05% respectively

Admin Management Fee income not projected at the \$290k level into the out-years because 2020-21 NHT will be booking an admin fee for a large grant it is administering.

Salaried positions support the following seven FTE's: Executive Director, Deputy Director & CFO, Resource Manager, Bookkeeper/AP, Development Associate, Grants Coordinator, Program/Development Assistant and contemplate 2% colas into the out-years

Fringe benefit rate used is 47.30% and is carried forward in the out-years. Rate is mostly dependent on the cost of pension contributions and health insurance premiums