

HUDSON HIGHLANDS LAND TRUST, INC.

FINANCIAL STATEMENTS  
(and Report of Independent Auditors)

September 30, 2015  
(with memorandum totals as of September 30, 2014)

HUDSON HIGHLANDS LAND TRUST, INC.  
TABLE OF CONTENTS  
-----

	<u>PAGE(S)</u>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



PATTISON, KOSKEY, HOWE & BUCCI

Richard P. Koskey, CPA  
Ned Howe, CPA  
A. Michael Buccci, CPA  
Bradley Cummings, CPA, CVA  
Suzanne E. Muldoon, CPA  
Nancy K. Patzwahl, CPA  
Matthew H. VanDerbeck, CPA  
Gary F. Newkirk, CPA  
N. Thérèse Wolfe, CPA  
Mary A. Kimball, CPA

Reginald H. Pattison, CPA (1910-2002)  
Jon Rath, CPA (Retired)

Jean Howe Lossi, EA  
Carol LaMont Howe, EA  
Dennis A. O'Brien, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Hudson Highlands Land Trust, Inc.:

We have audited the accompanying financial statements of Hudson Highlands Land Trust, Inc., (a not-for-profit corporation) (the "Land Trust") which comprise the statement of financial position as of September 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *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. 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.

502 Union Street  
Hudson, NY 12534  
Tel: 518-828-1565  
Fax: 518-828-2672

45 Five Mile Woods Road, Ste 1  
Catskill, NY 12414  
Phone: 518-943-4502  
Fax: 518-943-6532

2880 Route 9, Ste 2  
Valatie, NY 12184  
Tel: 518-758-6776  
Fax: 518-758-6779

340 Main Street  
Saugerties, NY 12477  
Tel: 845-246-3803  
Fax: 845-246-1035

465 Washington Ave.  
Kingston, NY 12401  
Tel: 845-331-5030  
Fax: 845-331-0242

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hudson Highlands Land Trust, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Summarized Comparative Information*

We have previously audited Hudson Highlands Land Trust, Inc.'s 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 29, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Pattison, Koskey, Howe & Bucci, CPAs, P.C.*

Valatie, New York  
February 1, 2016

HUDSON HIGHLANDS LAND TRUST, INC.  
STATEMENT OF FINANCIAL POSITION  
September 30, 2015  
(with memorandum totals for September 30, 2014)

	2015	2014 (memorandum only)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents (note 3)	\$ 23,272	\$ 20,981
Money market funds (note 3)	270,872	216,997
Grants receivable (note 5)	525,000	50,000
Pledges receivable (note 4)	5,575	47,384
Prepaid expenses	-	13,407
Total current assets	824,719	348,769
Long-term assets:		
Investments (note 7)	5,935,127	5,690,197
Deposits (note 6)	1,613	1,613
Total long-term assets	5,936,740	5,691,810
Property, plant and equipment:		
Equipment	26,888	26,888
Accumulated depreciation	(25,010)	(23,758)
Property, plant and equipment	1,878	3,130
Total assets	\$ 6,763,337	\$ 6,043,709
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 1,595	\$ -
Accrued expenses	16,558	7,783
Deferred revenue	-	51,690
Total current liabilities	18,153	59,473
Net assets:		
Unrestricted	259,455	166,276
Board restricted	5,935,127	5,690,197
Temporarily restricted (note 9)	550,602	127,763
Total net assets	6,745,184	5,984,236
Total liabilities and net assets	\$ 6,763,337	\$ 6,043,709

See accompanying notes and independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.  
STATEMENT OF ACTIVITIES  
For the year ended September 30, 2015  
(with memorandum totals for the year ended September 30, 2014)

	2015			Total	2014 (memorandum only)
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions received for support	\$ 835,400	\$ 488,645	\$ -	\$ 1,324,045	\$ 973,558
Special event, net of \$205,951 and \$1,755 in related expenses for 2015 and 2014, respectively	235,534	-	-	235,534	91,814
Other events	8,935	-	-	8,935	46,146
Interest and dividend income	119,698	-	-	119,698	95,114
Realized and unrealized gains	229,012	-	-	229,012	669,194
Realized loss on sale of land	-	-	-	-	(234,553)
Assets released from restrictions	65,806	(65,806)	-	-	-
Total support and revenue	<u>1,494,385</u>	<u>422,839</u>	<u>-</u>	<u>1,917,224</u>	<u>1,641,273</u>
Expenses:					
Program services	1,003,648	-	-	1,003,648	979,627
Management and general	79,064	-	-	79,064	67,221
Fundraising	73,564	-	-	73,564	74,985
Total expenses	<u>1,156,276</u>	<u>-</u>	<u>-</u>	<u>1,156,276</u>	<u>1,121,833</u>
Change in net assets	338,109	422,839	-	760,948	519,440
Net assets, beginning of year	<u>5,856,473</u>	<u>127,763</u>	<u>-</u>	<u>5,984,236</u>	<u>5,464,796</u>
Net assets, end of year	<u>\$ 6,194,582</u>	<u>\$ 550,602</u>	<u>\$ -</u>	<u>\$ 6,745,184</u>	<u>\$ 5,984,236</u>

See accompanying notes and independent auditors' report.



HUDSON HIGHLANDS LAND TRUST, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended September 30, 2015  
(with memorandum totals for September 30, 2014)

	Program	Management and General	Fundraising	Totals 2015	2014 (memorandum only)
Functional Expenses:					
Salaries	\$ 480,920	\$ 52,784	\$ 52,784	\$ 586,488	\$ 452,555
Payroll taxes	31,855	3,496	3,496	38,847	33,484
Employee benefits	36,457	4,002	4,001	44,460	40,770
Occupancy	17,086	1,875	1,875	20,836	20,230
Communications and publicity	14,315	-	-	14,315	11,604
Land conservation and acquisition expenses	257,049	-	-	257,049	66,441
Public policy expenses	2,581	-	-	2,581	11,748
Outreach expenses	119,088	-	-	119,088	227,938
Accounting	-	12,442	-	12,442	12,116
Telephone	2,445	269	268	2,982	3,040
Insurance	6,648	729	730	8,107	3,909
Office expenses	19,246	2,113	2,112	23,471	18,272
Training and education	3,609	-	-	3,609	7,807
Fundraising	-	-	6,942	6,942	10,692
Depreciation	1,027	112	113	1,252	1,438
Bad debt expense	-	-	-	-	2,500
Donated land	-	-	-	-	186,500
Other	11,322	1,242	1,243	13,807	10,789
	<u>\$ 1,003,648</u>	<u>\$ 79,064</u>	<u>\$ 73,564</u>	<u>\$ 1,156,276</u>	<u>\$ 1,121,833</u>

See accompanying notes and independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.  
STATEMENT OF CASH FLOWS  
Year ended September 30, 2015  
(with memorandum totals for September 30, 2014)

	2015	2014 <small>(memorandum only)</small>
Cash flows from operating activities:		
Change in net assets	\$ 760,948	\$ 519,440
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,252	1,438
Loss on sale of land	-	234,553
Donated land	-	186,500
Unrealized and realized gain on investments	(229,012)	(669,194)
Decrease (increase) in prepaid expenses	13,407	(12,710)
Decrease (increase) in pledges receivable	41,809	(89,984)
Increase in grants receivable	(475,000)	-
Increase (decrease) in accounts payable	1,595	(14,513)
Increase in accrued expenses	8,775	420
(Decrease) increase in deferred revenue	(51,690)	51,690
Total adjustments	(688,864)	(311,800)
Net cash provided by operating activities	72,084	207,640
Cash flows from investing activities:		
Sale of land parcel	-	197,447
Purchase of land parcel	-	(432,000)
Deposit	-	20,002
Sales of investments	719,093	666,391
Purchases of investments	(735,011)	(569,834)
Purchases of money market funds, net	(53,875)	(82,302)
Net cash used for investing activities	(69,793)	(200,296)
Net increase in cash and cash equivalents	2,291	7,344
Cash and cash equivalents at beginning of year	20,981	13,637
Cash and cash equivalents at end of year	\$ 23,272	\$ 20,981
Non cash activity:		
Donated Investments	\$ 24,960	\$ -

See accompanying notes and independent auditors' report.



HUDSON HIGHLANDS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS  
-----

**1. Nature of Activities:**

Hudson Highlands Land Trust, Inc. (the "Land Trust") is a not-for-profit corporation exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Land Trust works to preserve open space in the Hudson Highlands as well as the rural character of the area. At September 30, 2015, the Land Trust held eighty three conservation easements protecting 2,204 acres of property in Philipstown, Highlands, and Putnam Valley, New York.

**2. Summary of Significant Accounting Policies:**

Basis of Accounting:

The financial statements of the Land Trust have been prepared on the accrual basis of accounting.

Financial Statement Presentation:

The Land Trust follows standards of accounting and financial reporting for certain not-for-profit organizations. The Land Trust applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205. Under FASB ASC 958-205, the Land Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by this statement, the Land Trust has classified its financial statements to present the three classes of net assets required. A description of the three net asset categories follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets whose use is subject to donor-imposed stipulations that may be fulfilled by actions of the Land Trust to meet the stipulations or that expire with the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by the Land Trust.

In addition, the Land Trust is required to present a statement of cash flows.

Prior Year Amounts:

Amounts shown for September 30, 2014, in the accompanying statements, are included to provide a basis for comparison with September 30, 2015 and present summarized totals only. Accordingly, the September 30, 2014 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

**2. Summary of Significant Accounting Policies (Continued):**

Pledges Receivable

Pledges receivable that are expected to be collected within one year are recorded at their net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the net present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Support and expenses:

Contributions received and unconditional promises to give are initially measured at their estimated fair values and are reported as an increase in net assets. The Land Trust reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Land Trust reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the Land Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. No such donations were recorded in the financial statements for the year ended September 30, 2015.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Equipment:

Equipment is recorded at cost. Depreciation is computed using the straight-line method over five years (the estimated useful lives of the assets). Depreciation expense was \$1,252 during the year ended September 30, 2015.

Fair Value Measurements:

FASB ASC 820-10 "Fair Value Measurement" defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 does not require any new fair value measurements but applies to other GAAP accounting pronouncements that use fair value as a relevant measurement attribute.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

**2. Summary of Significant Accounting Policies (Continued):**

Income Taxes:

The Land Trust is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Land Trust has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2015.

Conservation Easements

The Land Trust does not record donated easements at fair value. Donated easements are carried at zero book value primarily because a typical conservation easement provides the Land Trust with no affirmative rights except to monitor and enforce the easement. Generally, donated land conservation easements restrict the use of the underlying property, are meant to be held in perpetuity, and are not separately marketable. Costs incurred by the Land Trust for conservation easement stewardship and conservation easement enforcement and to purchase development rights are expensed in the period incurred in the statement of activities.

Donated Services, Goods and Facilities:

A substantial number of volunteers have donated time to the Land Trust's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services, legal services and specialized skills, if any, which enhanced or created a financial asset are reflected in the statement of activities at their fair value. No such donations were recorded in the financial statements for the year ended September 30, 2015. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Concentrations of Credit Risk:

Financial instruments that potentially expose the Land Trust to concentrations of credit risk consist primarily of cash equivalents, money market funds, grant receivables, and pledge receivables. Cash and cash equivalents are maintained at Federal Deposit Insurance Corporation (FDIC) insured financial institutions and credit exposure is not limited to any one institution. The Land Trust has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of these institutions, management believes that the risk of loss of any uninsured balances is minimal.

Vanguard money market funds (the "Fund") are not covered by FDIC. Credit risk is considered very low for the Fund because it invests primarily in securities that are considered to be high quality. Although the Fund seeks to preserve the value of the investment of \$1 per share, it is possible to lose money by investing in the Fund.

The Land Trust reviews all outstanding pledges and grants receivable as of the end of the fiscal year for collectability. Reserves are established when management has determined that collection is not probable taking into account payment history and conversations with the donors.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of Significant Accounting Policies (Continued):**

Investments

In accordance with FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations" investments in debt and equity securities are reported at fair value on the statement of financial position with corresponding unrealized gains and losses reported in the statement of activities as increases or decreases in unrestricted net assets, unless explicitly restricted by donor stipulation or by law.

The Organization accounts for its investments at market value on a trade date basis. The value of publicly traded common stocks is based upon quoted market prices. Investment fees are recorded as a reduction of interest and dividend income for the year ended September 30, 2015. The average cost method is primarily used to determine the basis for computing realized gains or losses.

Pension

In fiscal 2007, the Land Trust adopted a Section 403(b)(7) pension plan under which employees may elect to contribute a portion of their salaries into a retirement account. The Land Trust matches each employee's contributions up to a stated cap which, for all employees, aggregated \$44,460 for the year ended September 30, 2015.

Subsequent Events:

Subsequent events have been evaluated through February 1, 2016, which is the date the financial statements were available to be issued.

**3. Cash, cash equivalents and money market funds:**

For purposes of reporting cash flows, the Land Trust considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents. Money market funds are not considered cash equivalents given the composition of such investments.

The balance of cash and cash equivalents at September 30, 2015 consists of the following:

Financial Institution	Book Balance	Bank Balance	FDIC Insurance	In Excess
M&T Bank	\$ 23,177	\$ 35,000	\$ 250,000	\$ -
Vanguard	270,872	184,872	N/A	184,872
Petty cash	95	-	N/A	-
	\$ 294,144	\$ 219,872		\$ 184,872

**4. Pledges receivable:**

The balance of pledges receivable at September 30, 2015 is \$5,575 and is expected to be collected in full in the next fiscal year. No discount has been applied to the balance as of September 30, 2015.

**5. Grants receivable:**

The balance of grants receivable at September 30, 2015 is \$525,000 and was collected in October 2015. The balance consists of \$400,000 designated for the fjord trail project and \$125,000 designated for general purposes for the 2015-2016 fiscal year.

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**6. Deposits:**

Deposits at September 30, 2015 include a lease deposit of \$1,613.

**7. Investments:**

Investments, stated at fair value, at September 30, 2015, are as follows:

	Cost	Unrealized Gain	Fair Market Value	FASB ASC 820-10 Measurements
Common Stocks	\$ 3,225,804	\$ 2,175,519	\$ 5,401,323	Level 1
Vanguard money market fund	533,804	-	533,804	Level 1
Total Investments	<u>\$ 3,759,608</u>	<u>\$ 2,175,519</u>	<u>\$ 5,935,127</u>	

Investments are measured at fair value on a recurring basis. In accordance with FASB ASC 820-10, fair value measurements are identified as Level 1, Level 2, or Level 3. Level 1 fair value is based on quoted prices in active markets for identical assets/liabilities. Level 2 fair value is based on significant other observable inputs. Level 3 fair value is based on significant unobservable inputs. See above for classification of the Land Trust's investments. The Land Trust does not have any Level 2 or Level 3 investments.

Investment income included the following at September 30, 2015:

Realized gains on investments	\$ 176,824
Unrealized appreciation of investments	<u>52,188</u>
Total	<u>\$ 229,012</u>

**8. Commitments:**

Effective May 1, 2015, the Land Trust entered into a lease with 20 Nazareth Way, LLC for office space in Garrison, New York. The lease is for three years through April 2018. Rent expense for Fiscal 2015 was \$20,836. Rent expense under the lease agreement is as follows:

Fiscal 2016	\$ 21,409
Fiscal 2017	22,051
Fiscal 2018	<u>13,085</u>
	<u>\$ 21,409</u>

See independent auditors' report.



HUDSON HIGHLANDS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

-----

**9. Net Assets:**

*Temporarily Restricted Assets*

The Land Trust has several funds designated as temporarily restricted net assets. Temporarily restricted net assets at September 30 consisted of:

Fjord Trail	\$ 400,000
Time restricted - general purpose	125,000
403 (b) match	11,370
Map project	8,397
Poetry Garden	<u>5,835</u>
	<u>\$ 550,602</u>

Releases from Temporarily Restricted Net Assets for the year ended September 30, 2015, are as follows:

River of Words	\$ 9,309
Farm to School	4,962
LTA- Conservation Catalyst	7,500
403 (b) match	10,035
Fjord Trail-Master Plan	<u>34,000</u>
	<u>\$ 65,806</u>

*Board Restricted Net Assets*

In fiscal 2008, the Land Trust commenced a capital fund raising campaign to provide for its long-term capital needs. In January 2011 and again in June 2014, the Land Trust's Board of Directors refined an earlier May 2008 resolution updating the designation of the assets. Board designated net assets are as follows at September 30, 2015:

Initial Conservation Easement Monitoring	
Enforcement Fund	\$ 400,000
Highlands Steward Fund	2,551,936
Additional amounts for land acquisitions	
and land conservation projects	<u>2,983,191</u>
	<u>\$ 5,935,127</u>

The purposes of this fund are: to fund the likely future costs of monitoring and enforcing the Land Trust's conservation easements; to support the salary of the Highland Steward of the Land Trust, who is also the Executive Director, to support the other annual operating costs of the stewardship and land conservation activities of the Land Trust; and, to pay for land acquisition and land conservation projects, all as directed by the Land Trust Board of Directors. Annually, the Board determines if funds should be released based on the financial results of the Land Trust and ongoing land acquisition and conservation projects. The investment strategy for this fund is to invest in a manner that will

See independent auditors' report.

HUDSON HIGHLANDS LAND TRUST, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

---

**9. Net Assets (Continued):**

*Board Restricted Net Assets (continued):*

balance investment return with preservation of principal, while meeting the daily cash flow needs of the Trust. The S&P 500 is the comparative benchmark for evaluation of the fund's performance. In addition, the Land Trust will increase the Highlands Steward Fund annually to reflect changes in CPI.

During the year ended September 30, 2015, the fund's investment return increased by \$348,553 (\$229,012 of gains and \$119,541 of interest and dividends) and was reinvested. The Land Trust decided to draw-down \$285,940 from this fund during the year ended September 30, 2015. The fund also received \$19,317 in contributions and \$163,000 in net proceeds from the 25<sup>th</sup> Anniversary Gala event.

**10. Significant Contributors:**

During the year ended September 30, 2015, four contributors donated a total of \$630,991 to the Land Trust. Two of the contributors are foundations related to Land Trust board members, and two contributors are Land Trust board members.

**11. Related Party Transactions:**

A director of the Land Trust is the owner of 20 Nazareth Way, LLC, the entity from which the Land Trust leases its office space (See Note 8).