

BAY AREA RESCUE MISSION

**Financial Statements for the Years Ended
December 31, 2020 and 2019
and Independent Auditors' Report**



BAY AREA
RESCUE MISSION

BAY AREA RESCUE MISSION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bay Area Rescue Mission
Richmond, California

We have audited the accompanying financial statements of Bay Area Rescue Mission (a California nonprofit organization) ("BARM") which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 BARM's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BARM as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, on March 11, 2020 the World Health Organization declared the novel strain of coronavirus (“Covid-19”) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Harrison & Lane, a.c.

Pleasanton, California
April 26, 2021

BAY AREA RESCUE MISSION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,762,679	\$ 2,509,547
Accounts receivable, net	13,814	-
Contributions and grants receivable	-	55,000
Prepaid expenses and other assets	56,385	43,767
Total current assets	5,832,878	2,608,314
Contributions receivable	55,000	55,000
Property and equipment, net	2,866,308	2,146,661
Total assets	\$ 8,754,186	\$ 4,809,975
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 344,902	\$ 250,254
Total current liabilities	344,902	250,254
Refundable advance	1,250,000	-
Total liabilities	1,594,902	250,254
NET ASSETS:		
Net assets without donor restrictions	5,394,686	3,880,115
Net assets with donor restrictions	1,764,598	679,606
Total net assets	7,159,284	4,559,721
Total liabilities and net assets	\$ 8,754,186	\$ 4,809,975

See notes to financial statements.

BAY AREA RESCUE MISSION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions and grants	\$ 5,522,228	\$ 2,148,699	\$ 7,670,927
Social enterprise	32,408	-	32,408
Special events	368,899	-	368,899
Less: direct benefit to attendees	(217,453)	-	(217,453)
Other revenue	7,474	-	7,474
Contributed clothing and goods	5,734,207	-	5,734,207
Contributed services	180,510	-	180,510
	<u>11,628,273</u>	<u>2,148,699</u>	<u>13,776,972</u>
Net assets released from restrictions	<u>1,063,707</u>	<u>(1,063,707)</u>	<u>-</u>
	<u>12,691,980</u>	<u>1,084,992</u>	<u>13,776,972</u>
EXPENSES:			
Program services:			
Community distribution	4,816,527	-	4,816,527
Men's services	1,809,713	-	1,809,713
Family center	1,824,808	-	1,824,808
Support services:			
Administrative	761,777	-	761,777
Fundraising	1,964,584	-	1,964,584
	<u>11,177,409</u>	<u>-</u>	<u>11,177,409</u>
CHANGE IN NET ASSETS	<u>1,514,571</u>	<u>1,084,992</u>	<u>2,599,563</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,880,115</u>	<u>679,606</u>	<u>4,559,721</u>
NET ASSETS, END OF YEAR	<u>\$ 5,394,686</u>	<u>\$ 1,764,598</u>	<u>\$ 7,159,284</u>

See notes to financial statements.

BAY AREA RESCUE MISSION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT:			
Contributions and grants	\$ 4,742,598	\$ 360,768	\$ 5,103,366
Social enterprise	87,918	-	87,918
Special events	339,883	-	339,883
Less: direct benefit to attendees	(133,842)	-	(133,842)
Other revenue	19,657	-	19,657
Contributed clothing and goods	4,891,608	-	4,891,608
Contributed services	203,252	-	203,252
	<u>10,151,074</u>	<u>360,768</u>	<u>10,511,842</u>
Net assets released from restrictions	<u>356,174</u>	<u>(356,174)</u>	<u>-</u>
	<u>10,507,248</u>	<u>4,594</u>	<u>10,511,842</u>
EXPENSES:			
Program services:			
Community distribution	3,518,353	-	3,518,353
Men's services	2,166,832	-	2,166,832
Family center	1,974,124	-	1,974,124
Support services:			
Administrative	849,052	-	849,052
Fundraising	1,745,456	-	1,745,456
	<u>10,253,817</u>	<u>-</u>	<u>10,253,817</u>
CHANGE IN NET ASSETS	<u>253,431</u>	<u>4,594</u>	<u>258,025</u>
NET ASSETS, BEGINNING OF YEAR	<u>3,626,684</u>	<u>675,012</u>	<u>4,301,696</u>
NET ASSETS, END OF YEAR	<u>\$ 3,880,115</u>	<u>\$ 679,606</u>	<u>\$ 4,559,721</u>

See notes to financial statements.

BAY AREA RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services				Support Services		
	Community Distribution	Men's Services	Family Center	Total Program	Administrative	Fundraising	Total
Gifts in kind	\$ 4,334,811	\$ 817,314	\$ 759,997	\$ 5,912,122	\$ -	\$ -	\$ 5,912,122
Payroll, taxes, benefits	353,586	679,284	660,132	1,693,002	575,753	493,337	2,762,092
Contract services/professional fees	6,759	18,773	101,504	127,036	107,408	1,196,334	1,430,778
Facilities & equipment expense	78,413	202,502	217,099	498,014	38,384	30,367	566,765
Non-personnel expenses	105	12,432	14,232	26,769	13,215	194,942	234,926
Supplies	10,296	44,273	43,990	98,559	5,613	735	104,907
Other expense	1,709	4,401	5,538	11,648	12,010	40,760	64,418
Direct support	13	19,076	18,319	37,408	346	44	37,798
Vehicle expenses	13,044	11,122	3,448	27,614	7,219	-	34,833
Outreach	17,760	-	-	17,760	-	7,667	25,427
Travel and meetings expense	31	536	549	1,116	1,829	398	3,343
Total	\$ 4,816,527	\$ 1,809,713	\$ 1,824,808	\$ 8,451,048	\$ 761,777	\$ 1,964,584	\$ 11,177,409

See notes to financial statements.

BAY AREA RESCUE MISSION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services				Support Services		
	Community Distribution	Men's Services	Family Center	Total Program	Administrative	Fundraising	Total
Gifts in kind	\$ 3,160,542	\$ 984,270	\$ 936,159	\$ 5,080,971	\$ -	\$ -	\$ 5,080,971
Payroll, taxes, benefits	223,410	872,568	714,027	1,810,005	676,418	324,463	2,810,886
Contract services/professional fees	6,628	19,124	22,149	47,901	133,722	1,207,767	1,389,390
Facilities & equipment expense	70,201	187,617	213,000	470,818	13,546	19,054	503,418
Non-personnel expenses	891	10,874	14,886	26,651	8,259	161,690	196,600
Supplies	12,685	34,909	33,327	80,921	-	-	80,921
Other expense	1,484	15,934	17,967	35,385	3,716	30,684	69,785
Vehicle expenses	13,376	18,290	1,372	33,038	7,852	130	41,020
Direct support	-	19,199	15,602	34,801	151	-	34,952
Outreach	28,977	1,822	2,283	33,082	-	-	33,082
Travel and meetings expense	159	2,225	3,352	5,736	5,388	1,668	12,792
Total	\$ 3,518,353	\$ 2,166,832	\$ 1,974,124	\$ 7,659,309	\$ 849,052	\$ 1,745,456	\$ 10,253,817

See notes to financial statements.

BAY AREA RESCUE MISSION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,599,563	\$ 258,025
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	129,053	126,325
Donated property and equipment	(2,595)	
Loss on sale and disposal of property and equipment	-	6,288
Change in allowance for doubtful accounts	(23,505)	17,576
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	9,691	(12,786)
Prepaid expenses and other assets	(12,618)	(1,545)
Contributions and grants receivable	55,000	86,828
Accounts payable and accrued expenses	94,648	(25,531)
Net cash provided by operating activities	<u>2,849,237</u>	<u>455,180</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(846,105)</u>	<u>(339,628)</u>
Net cash used in investing activities	<u>(846,105)</u>	<u>(339,628)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from refundable advance	<u>1,250,000</u>	<u>-</u>
Net cash provided by investing activities	<u>1,250,000</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,253,132	115,552
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,509,547</u>	<u>2,393,995</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,762,679</u>	<u>\$ 2,509,547</u>

See notes to financial statements.

BAY AREA RESCUE MISSION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. ORGANIZATION

Nature of Operation - The Bay Area Rescue Mission (“BARM”) is a Christian not-for-profit organization incorporated in California. BARM is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and is also exempt from state income taxes. The primary source of revenue is contributions by the public.

BARM was founded in 1965 to meet the physical needs of the poor and needy with the primary purpose of preaching of the gospel of Jesus Christ for the salvation of their souls. To that end, BARM provides the homeless and needy of the San Francisco Bay Area with a comprehensive array of emergency and long-term services, including, food, clothing, shelter, recovery programs, life-skills and job-skills training, job placement, family reconciliation, and spiritual counseling. BARM offers these services through three primary programs which are organized and conducted as follows:

- **MEN’S SERVICES** - where men struggling with homelessness, addictions, and other life debilitating circumstances can receive both short-term emergency services (including overnight shelter, meals, and case management and referral services) and long-term recovery and transitional programming, which includes 12-18 months of housing and life transformational programming centered on the Gospel and an empowering, holistic curriculum aimed at helping guests heal, reconnect into supportive relationships, and transition into healthy living outside the mission.
- **FAMILY CENTER** - where single women, as well as women and children, struggling with homelessness and difficult circumstances can find both short-term emergency services and relief (shelter, meals, wraparound case management support) and more long-term life transformational recovery programming for families who express need for more rehabilitative support, which includes support groups, counseling, and a holistic curriculum grounded in the Gospel aimed at helping families build supportive networks and transition into stable, healthy environments outside the mission.
- **COMMUNITY DISTRIBUTION** - an outreach center where donated in-kind gifts are gathered and distributed both internally, to short-term emergency services guests and long-term recovery program participants, and externally, to both the local community in need near the mission and the greater Bay Area through grocery recovery and gift sharing with a variety of similar agencies offering services to those in need. In-kind gifts include food, clothing, personal hygiene products, home goods, and school supplies. Our community distribution facilitates the extension of BARM’s ministry and services to those in need throughout the San Francisco Bay Area irrespective of their homeless status.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") No. 958-205. Under ASC 958-205, BARM is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

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

Fair Value - ASC 820 includes a fair value hierarchy that is intended to increase the consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level 1 - instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2 - instrument valuations are obtained from readily-available pricing sources for comparable instruments.

Level 3 - instrument valuations are obtained without observable market values and require a high level of judgment to determine the fair value.

Cash and Cash Equivalents - Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts, Contributions and Grants Receivable - Accounts receivable are recorded at the value of the revenue earned and require payment within thirty days. Account balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent accounts receivable do not accrue interest. Unconditional contributions and grants receivable are reported at fair value and are recognized in the period promised. Delinquent contributions and grants receivable do not accrue interest. BARM continually monitors the credit worthiness of each account and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. BARM regularly adjusts any allowance for subsequent collections and final determination that a receivable is no longer collectible. Bad debt recoveries are included in income as realized. Allowances for bad debts are presented net on the statements of financial position, and totaled \$23,505 at December 31, 2019. No allowance was considered necessary at December 31, 2020.

Property and Equipment - Property and equipment items purchased by BARM are recorded at cost. BARM follows the practice of capitalizing all expenditures for land, buildings and equipment over \$2,500. The fair value of donated property and equipment is similarly capitalized. Depreciation has been provided on the straight-line method based upon the estimated useful lives of the assets.

Classification of Net Assets - BARM reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions.

Contributions - Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions whose restrictions are met during the period are presented as net assets released from restrictions on the statements of activities.

Contributed services and contributed clothing and goods are recognized at fair value as contribution revenue and program expenses at the time of donation. Fair value is determined using Level 3 management estimates and similar third-party data. Any significant balances held at year end are capitalized as inventory and are expensed at the time of distribution.

Income Taxes - Under provision of Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, BARM is exempt from income taxes, except for net income from unrelated business income. There were no unrelated business activities in 2020 or 2019, respectively. Accordingly, no tax expense was incurred during the years ending December 31, 2020 or 2019, respectively.

BARM has evaluated its tax positions taken for all open tax years. In management's judgment there are no uncertain tax positions as of December 31, 2020.

Functional Expense Classification - BARM charges and allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with the program or support service are assigned directly. Expenses common to several functions are allocated based on a measure of usage that best relates to the particular expense.

Credit Risk - Financial instruments which potentially subject BARM to credit risk consist principally of cash and equivalents. BARM’s cash is maintained in demand deposits and in money funds. Cash balances at December 31, 2020 exceeded federal depository insurance limits by \$3,746,982.

Reclassifications - Certain 2019 balances have been reclassified to conform to the 2020 financial statement presentation.

3. CONTRIBUTIONS RECEIVABLE

Long term contributions receivable at December 31, 2020 are expected to be collected in 2022.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020 and 2019:

	2020	2019
Land	\$ 428,101	\$ 428,101
Buildings and improvements	2,143,605	1,922,045
Equipment	249,305	286,408
Furniture and fixtures	150,445	175,709
Vehicles	258,569	287,410
Construction in progress	1,421,204	808,982
Less: accumulated depreciation	(1,784,921)	(1,761,994)
Net property and equipment	\$ 2,866,308	\$ 2,146,661

Depreciation expense for the years ended December 31, 2020 and 2019 was \$129,053 and \$126,325, respectively.

5. REFUNDABLE ADVANCE

During 2020, BARM received a \$1,250,000 subsidy from the Federal Home Loan Bank of San Francisco (“FHLB-SF”) under the Affordable Housing Program (“AHP”) relating to the construction in progress of a new family housing center in Richmond, California (the “Facility”). The subsidy is conditional, including a fifteen year retention period during which FHLB-SF can recover the funds advanced should BARM not comply with various programmatic and reporting conditions. Additionally, should BARM sell the Facility prior to the expiration of the retention period, it would be required to repay the subsidy in full to FHLB-SF.

FHLB-SF's interest is secured through a promissory note payable and security agreement, with the Facility as collateral. The note payable does not have principal repayment terms during the retention period. Additionally, the note payable does not provide for interest accrual or payments during the retention period, unless the note payable is determined to be in default, at which time a default rate of interest would be charged at a rate to be determined at the time of default and within local legal default rate limits. This lack of interest accrual and payment has been determined to be the market rate for the note payable under the AHP program.

Due to the terms of the subsidy and the related promissory note payable, the funds received from FHLB-SF are reported as a refundable advance on the statements of financial position. At the end of the retention period, the subsidy will no longer be recoverable by FHLB-SF, the note payable will be cancelled, and BARM will recognize the subsidy as revenue in the statements of activities. The retention period begins upon project completion, and is expected to expire during the year ending December 31, 2036.

6. NET ASSETS

Net assets with restrictions are available for the following purposes or periods:

	2020	2019
Bridge of Hope project	\$ 1,696,015	\$ 556,019
Other program expenses	68,583	123,587
Total net assets with donor restrictions	<u>\$ 1,764,598</u>	<u>\$ 679,606</u>

7. CONTRIBUTED SERVICES

BARM receives pro bono health services and other supporting professional services from a variety of professionals in support of BARM's Men's Services and Family Center programs. BARM received professional services with a fair value of \$180,510 and \$203,252 for the years ended December 31, 2020 and 2019, respectively.

8. LIQUIDITY

Financial assets available for general expenditures within one year at December 31, 2020 consisted of the following:

Cash and cash equivalents	\$ 5,762,679
Accounts receivable, net	13,814
Contributions and grants receivable	55,000
Less: Restricted by donor with purpose restriction	<u>(1,764,598)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,066,895</u>

BARM manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

BARM has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. BARM has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 60 to 90 days of expected expenditures. To achieve these targets, BARM forecasts its future cash flows and monitors its liquidity monthly, and monitors its reserves annually. During the years ended December 31, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

9. OPERATING LEASES

BARM leases certain office equipment under non-cancelable lease agreements.

Rent expense totaled \$7,644 and \$7,288 for the years ended December 31, 2020 and 2019. Future minimum lease payments are as follows:

<u>Year end December 31,</u>		
2021	\$	7,644
2022		7,644
2023		<u>567</u>
Total	\$	<u><u>15,855</u></u>

10. RETIREMENT PLAN

BARM has a defined contribution plan (the “Plan”) covering all employees who meet minimum requirements. The Plan conforms to the provisions set by the Internal Revenue Service Code Section 403(b). BARM may make discretionary contributions based on eligible employees’ annual compensation, which are fully vested upon contribution. BARM made discretionary contributions of \$70,331 and \$70,782 to the Plan during the years ended December 31, 2020 and 2019, respectively.

11. RELATED PARTY TRANSACTIONS

In 2019 BARM contracted for media services with a company managed and partially owned by a board member of BARM. Expenses paid to the company totaled \$3,900 for the year ended December 31, 2019. There were no related party transactions for the year ended December 31, 2020.

12. CONCENTRATIONS

One donor accounted for 100% of contributions receivable at December 31, 2020.

13. RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus (“Covid-19”) a global pandemic and recommended containment and mitigation measures worldwide. The Covid-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and restrictions in operations, including California, where BARM is headquartered.

Impacts to BARM’s operations include disruptions and restrictions on BARM’s programs and employee’s ability to work. While the disruption from Covid-19 is currently expected to be temporary, there is considerable uncertainty around the duration of pandemic and the ultimate financial impact. It is at least reasonably possible that this matter will negatively impact BARM in the future. However, the final impact and duration cannot be reasonably estimated at this time.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 26, 2021, which is the date the financial statements were available to be issued.