



**NATIONAL CENTER FOR RESEARCH IN ADVANCED
INFORMATION AND DIGITAL TECHNOLOGIES**

FINANCIAL STATEMENTS

DECEMBER 31, 2016

NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES

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DECEMBER 31, 2016

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Independent Auditors' Report

To the Board of Directors
National Center for Research in Advanced
Information and Digital Technologies

We have audited the accompanying financial statements of National Center for Research in Advanced Information and Digital Technologies (the Organization), which comprise the statement of financial position as of December 31, 2016, 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016, 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.

To the Board of Directors
National Center for Research in Advanced
Information and Digital Technologies

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 17, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Councilor, Buchanan + Mitchell, P.C.

Washington, D.C.
August 7, 2017

Certified Public Accountants

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2015)

Assets	2016	2015
Cash and Cash Equivalents	\$ 10,271,352	\$ 5,197,017
Accounts Receivable	186,564	166,514
Contributions Receivable (Net of Allowance for Doubtful Accounts of \$21,250 and \$5,000 in 2016 and 2015, Respectively)	181,250	188,750
Unbilled Receivables	82,689	-
Grants Receivable	1,932,000	1,613,517
Due from Digital Promise Global	272,757	84,449
Prepaid Expenses and Other Assets	89,162	54,805
Fixed Assets, Net	409,819	469,093
Total Assets	\$ 13,425,593	\$ 7,774,145
Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 82,647	\$ 228,209
Accrued Expenses	145,402	65,050
Deferred Rent	14,068	19,493
Deferred Revenue	6,360,421	1,864,444
Total Liabilities	6,602,538	2,177,196
Net Assets		
Unrestricted	1,403,509	1,022,590
Unrestricted, Board Designated	155,946	114,177
Total Unrestricted Net Assets	1,559,455	1,136,767
Temporarily Restricted	5,263,600	4,460,182
Total Net Assets	6,823,055	5,596,949
Total Liabilities and Net Assets	\$ 13,425,593	\$ 7,774,145

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Revenues and Support				
Contributions	\$ 698,250	\$ 202,500	\$ 900,750	\$ 802,007
Grant Revenue	5,306,524	4,274,312	9,580,836	6,145,428
In-Kind Contributions	22,595,010	-	22,595,010	10,610,237
Professional Services Income	778,374	-	778,374	551,488
Interest and Other Income	48,502	-	48,502	71
Net Assets Released from Restrictions	<u>3,673,394</u>	<u>(3,673,394)</u>	<u>-</u>	<u>-</u>
Total Revenues and Support	<u>33,100,054</u>	<u>803,418</u>	<u>33,903,472</u>	<u>18,109,231</u>
Expenses				
Program Services	31,777,249	-	31,777,249	16,564,587
Supporting Services				
General and Administrative	745,207	-	745,207	566,695
Fundraising	<u>154,910</u>	<u>-</u>	<u>154,910</u>	<u>107,951</u>
Total Supporting Services	<u>900,117</u>	<u>-</u>	<u>900,117</u>	<u>674,646</u>
Total Expenses	<u>32,677,366</u>	<u>-</u>	<u>32,677,366</u>	<u>17,239,233</u>
Change in Net Assets	422,688	803,418	1,226,106	869,998
Net Assets, Beginning of Year	<u>1,136,767</u>	<u>4,460,182</u>	<u>5,596,949</u>	<u>4,726,951</u>
Net Assets, End of Year	<u><u>\$ 1,559,455</u></u>	<u><u>\$ 5,263,600</u></u>	<u><u>\$ 6,823,055</u></u>	<u><u>\$ 5,596,949</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	League of Innovative Schools	Adult Education	VILS	Engaged Learning	Research and Markets	Educator Micro - credentials	Education Innovation Clusters	General Programs	Professional Services	Total Programs Services	General and Administrative	Fundraising	2016 Total	2015 Total
Salaries	\$ 180,607	\$ 208,897	\$ 1,063,429	\$ 93,469	\$ 490,318	\$ 498,873	\$ 115,346	\$ 111,219	\$ 237,411	\$ 2,999,569	\$ 237,117	\$ 118,897	\$ 3,355,583	\$ 2,381,406
Payroll Taxes and Benefits	28,068	42,436	223,074	18,376	100,360	100,579	23,650	19,729	44,112	600,384	119,995	21,502	741,881	465,565
Consultants	105,638	97,718	538,289	64,197	151,962	457,621	70,633	164,046	170,657	1,820,761	23,508	875	1,845,144	1,224,883
Equipment Expense	-	-	22,906,263	-	-	2,329	-	17,267	2,170	22,928,029	41,591	-	22,969,620	10,266,121
Web and Media	-	-	-	-	27,575	200	-	-	-	27,775	-	-	27,775	20,129
Legal and Professional Fees	-	-	-	-	-	-	-	384,166	-	384,166	96,042	-	480,208	551,565
Site Payments	600	180,000	1,050,000	-	-	-	-	-	-	1,230,600	-	-	1,230,600	859,805
Staff Travel	46,842	35,815	404,259	19,124	35,561	47,529	21,494	45,442	35,894	691,960	7,940	11,917	711,817	365,989
Travel Stipends	29,368	5,271	115,439	3,699	17,869	11,834	27,865	5,182	38,182	254,709	1,501	-	256,210	177,881
Convening Costs -														
Biannual League Meeting	137,082	-	-	-	-	-	-	-	-	137,082	-	-	137,082	222,000
Other In-Person Convenings	-	-	219,772	410	19,642	7,847	163	1,236	-	249,070	76	-	249,146	217,127
Accounting Services	-	-	-	-	-	-	-	6,850	-	6,850	58,068	-	64,918	46,995
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	11,469
Dues and Subscriptions	120	-	260	5	7,950	942	20	795	-	10,092	3,375	-	13,467	9,480
Office Supplies	2,875	140	6,729	-	957	1,204	25	2,115	61	14,106	14,933	-	29,039	26,449
Taxes and Licenses	-	-	-	-	-	-	-	185	-	185	413	-	598	500
Insurance	-	-	-	-	-	-	-	-	-	-	12,090	-	12,090	15,651
Uncollected Pledges	-	-	-	-	-	-	-	-	-	-	70,000	-	70,000	71,500
Postage and Delivery	15	6	3,253	2	10	101	-	166	35	3,588	1,103	-	4,691	1,059
Internet and Telephone	-	-	15	-	-	-	-	-	-	15	5,890	-	5,905	20,215
Recruiting Costs	-	-	-	-	1,800	-	-	-	-	1,800	17,082	-	18,882	16,203
Online Administrative Tools	1,216	-	16,373	133	7,795	1,871	700	17,162	2,288	47,538	19,768	-	67,306	21,879
Registration Fees	165	4,253	5,351	163	2,485	1,382	85	885	1,618	16,387	2,395	-	18,782	9,160
Office Rent	3,086	3,329	153,712	1,156	5,184	6,560	1,506	4,456	3,085	182,074	6,362	888	189,324	131,474
Depreciation and Amortization	2,890	3,117	143,948	1,083	4,855	6,143	1,411	4,173	2,889	170,509	5,958	831	177,298	104,728
Total Expenses	\$ 538,572	\$ 580,982	\$ 26,850,166	\$ 201,817	\$ 874,323	\$ 1,145,015	\$ 262,898	\$ 785,074	\$ 538,402	\$ 31,777,249	\$ 745,207	\$ 154,910	\$ 32,677,366	\$ 17,239,233

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2015)**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,226,106	\$ 869,998
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	177,298	104,728
Change in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	(20,050)	(166,514)
Contributions Receivable	7,500	(98,250)
Unbilled Receivables	(82,689)	-
Grants Receivable	(318,483)	647,633
Due from Digital Promise Global	(188,308)	(62,942)
Prepaid Expenses and Other Assets	(34,357)	(40,788)
Increase (Decrease) in		
Accounts Payable	(145,562)	157,799
Accrued Expenses	80,352	(795)
Deferred Rent	(5,425)	19,493
Deferred Revenue	4,495,977	1,293,191
Net Cash Provided by Operating Activities	<u>5,192,359</u>	<u>2,723,553</u>
Cash Flows from Investing Activities		
Purchases of Fixed Assets	<u>(118,024)</u>	<u>(284,759)</u>
Net Cash Used in Investing Activities	<u>(118,024)</u>	<u>(284,759)</u>
Net Increase in Cash and Cash Equivalents	5,074,335	2,438,794
Cash and Cash Equivalents, Beginning of Year	<u>5,197,017</u>	<u>2,758,223</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 10,271,352</u></u>	<u><u>\$ 5,197,017</u></u>

See accompanying Notes to Financial Statements.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
AND DIGITAL TECHNOLOGIES**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. ORGANIZATION

The National Center for Research in Advanced Information and Digital Technologies (the Organization) was incorporated in April 2011 in the District of Columbia. The Organization is a bipartisan independent nonprofit corporation authorized by Congress to support a comprehensive research and development program to harness the increasing capacity of advanced information and digital technologies to improve all levels of learning and education, formal and informal, in order to provide Americans with the knowledge and skills needed to compete in the global economy.

The Organization's activities are funded primarily through grants and contributions.

The Organization's major programs are:

League of Innovative Schools: national coalition of school districts that fosters collaboration between education leaders and entrepreneurs, researchers, and thought leaders.

Adult Education: working to spur the design and development of digital learning tools that address the unique needs of adult learners.

Verizon Innovative Learning Schools (VILS): partnership with Verizon and middle schools to create innovative learning environments.

Engaged Learning: hands-on, creative, and design-centered learning to facilitate student voice and choice.

Research and Markets: to support the education community in using research to inform decision-making, as well as the design of programs and learning products.

Educator Micro-credentials: the Organization has built an innovative system of micro-credentials to recognize educators for the skills they learn throughout their careers, in order to craft powerful learning experiences for their students.

Education Innovation Clusters: by working together, local communities of practice form a network that is uniquely positioned to design, launch, iterate on and disseminate breakthrough learning practices and tools.

General Programs: beyond specific initiatives, the Organization works to accelerate the pace of innovation and broadly share stories of excellence in the American education system.

Professional Services: the Organization provides fee-for-service work in the areas of leadership, coaching, development, professional learning, storytelling, and other areas.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Organization considers demand deposits, money market funds, and investments with an original maturity of three months or less, when purchased, to be cash and cash equivalents.

Accounts Receivable

Accounts receivable consists of amounts due for professional services that have not been collected as of year-end. At December 31, 2016, all accounts receivable are assumed to be collectible; therefore, no allowance for doubtful accounts is deemed necessary.

Contributions Receivable

Unconditional promises to give that have not been collected as of year-end are recorded as contributions receivable in the accompanying statement of financial position. All contributions receivable are expected to be collected in less than one year and are reported at net realizable value. Allowances are established for receivables that are delinquent and considered uncollectible by management based on periodic reviews.

Grants Receivable

Grants receivable are due in less than one year and are recorded at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At December 31, 2016, all grants receivable are assumed to be collectible; therefore, no allowance for doubtful accounts is deemed necessary.

Fixed Assets

The Organization capitalizes all fixed asset acquisitions of \$2,500 and above. Fixed assets are stated at cost and are depreciated using the straight-line method over estimated useful lives of three to five years, with no salvage value. Direct costs incurred during the application stage of the development of the Organization's website are capitalized and amortized over the estimated useful life of three years. Maintenance and repairs, including planned major maintenance activities, are charged to expense when incurred; major renewals and betterments are capitalized. Donated fixed assets are recorded at fair market value at the date of donation.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Deferred Revenue

Amounts received under agreements for work to be performed after year end have been accounted for as deferred revenue.

NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions as revenue and expense in the accompanying financial statements. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense applicable to programs and supporting services that are directly benefited.

Revenue Recognition

The Organization reports contributions and grants as unrestricted and available for general operations, unless specifically restricted by the donor. If such contributions and grants are received with donor stipulations that limit the use of the donated funds for a particular purpose or for a specific period of time, they are reported as temporarily restricted. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. The Organization is exempt from the payment of taxes on income other than net unrelated business income. No provision for federal or state income taxes is required as of December 31, 2016, for net unrelated business income.

Accounting for Uncertain Tax Positions

The Organization requires that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions. The Organization’s Form 990 is generally subject to examination by the taxing authorities for three years after filing.

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

NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2015. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Reclassifications

Certain 2015 financial statements amounts have been reclassified for comparative purposes.

3. CONCENTRATIONS

The Organization maintains cash balances at financial institutions in the Washington, D.C., metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Organization's cash balance exceeded the FDIC insurance amount. Management believes the risk in these situations to be minimal.

As of December 31, 2016, approximately 56% of accounts, contributions, and grants receivable were due from three donors, and approximately 81% of revenue for the year ended December 31, 2016, was from one donor.

4. LINE OF CREDIT

The Organization had a line of credit for \$200,000 with a bank, which was closed in July 2016. There were no borrowings on this line of credit during the year ended December 31, 2016.

5. EMPLOYEE BENEFIT PLAN

Through August 2016, the Organization offered a 401(k) retirement plan (the Original Plan) to their employees. Effective September 1, 2016, the Organization terminated the Original Plan and became a member of a multiple-employer plan (the New Plan).

The Organization made a 3% non-elective safe harbor contribution for each participant of the Original and the New Plan. For the year ended December 31, 2016, the Organization made contributions to the Original and the New Plan on behalf of its employees of approximately \$98,000, which is included in payroll taxes and benefits in the accompanying statement of functional expenses.

**NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. BOARD DESIGNATED NET ASSETS

In 2014, the Organization's Board of Directors adopted a policy of setting aside as a reserve fund, 10% of unrestricted net assets. As of December 31, 2016, approximately \$156,000 has been set aside for this purpose.

7. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2016:

Furniture	\$ 5,068
Website	712,469
	<hr/>
	717,537
Less Accumulated Depreciation and Amortization	(307,718)
	<hr/>
Fixed Assets, Net	<u>\$ 409,819</u>

8. RELATED PARTY TRANSACTIONS

The Organization has agreements with a related party, Digital Promise Global (DPG), to provide administrative and other services and to purchase required consulting services. The Organization charged DPG approximately \$1,022,000 for administrative and other services and paid DPG approximately \$28,000 for consulting services rendered during the year ended December 31, 2016, under these agreements.

9. COMMITMENTS

The Organization has entered into contracts with facilities in connection with future meetings and conferences. In the event of cancellation by the Organization or if attendance is less than agreed-upon minimum levels, the Organization would be responsible for certain fees. Management does not anticipate cancellation of these events or attendance below minimum levels.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes as of December 31, 2016:

League of Innovative Schools	\$ 159,981
Adult Education	225,000
Research and Markets	1,283,667
Educator Micro-credentials	1,874,741
Engaged Learning	1,027,857
Education Innovation Clusters	489,854
Time Restricted	202,500
	<hr/>
Total Temporarily Restricted Net Assets	<u>\$ 5,263,600</u>

NATIONAL CENTER FOR RESEARCH IN ADVANCED INFORMATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

10. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Amounts released from temporarily restricted net assets during the year ended December 31, 2016, were:

League of Innovative Schools	\$ 187,432
Adult Education	615,209
Research and Markets	969,967
Educator Micro-credentials	1,248,896
Engaged Learning	177,435
Education Innovation Clusters	280,705
Time Restricted	<u>193,750</u>
Total Amounts Released from Restrictions	<u><u>\$ 3,673,394</u></u>

11. OPERATING LEASES

In 2015, the Organization entered into a non-cancelable lease for office space through July 31, 2018. The lease provides for annual rent escalations, the payment of operating expenses, and a period of free rent. The difference between the total rent recognized evenly over the lease term and the cash payments required under the lease has been accounted for as deferred rent in the accompanying statement of financial position. Future minimum lease payments under the lease are as follows:

For the Years Ending December 31,

2017	\$ 92,201
2018	<u>55,009</u>
Total	<u><u>\$ 147,210</u></u>

12. IN-KIND CONTRIBUTIONS

The Organization received tablets and data plan services valued at approximately \$22,114,000 pursuant to a grant under its Verizon Innovative Learning Schools program in the year ended December 31, 2016.

The Organization received donated legal services valued at approximately \$480,000 for the year ended December 31, 2016. Such amounts are recognized as in-kind contributions and have been allocated among General Program and General and Administrative expenses.

13. SUBSEQUENT EVENTS

Subsequent events were evaluated through August 7, 2017, which is the date the financial statements were available to be issued.