

SAFE PASSAGE PROJECT CORPORATION

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2019 AND 2018

SAFE PASSAGE PROJECT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Safe Passage Project Corporation

We have audited the accompanying financial statements of Safe Passage Project Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, 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.

Auditor's 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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe Passage Project Corporation as of December 31, 2019 and 2018, 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.

New York, NY
August 26, 2020

Skody Scot & Company, CPAs, P.C.

SAFE PASSAGE PROJECT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 584,313	\$ 2,709,841
Contributions and accounts receivable	1,457,199	893,611
Investments	2,807,804	101,355
Property and equipment	12,006	-
Prepaid expenses and other assets	4,000	3,440
	<u> </u>	<u> </u>
Total assets	<u>\$ 4,865,322</u>	<u>\$ 3,708,247</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 43,342	\$ 79,392
Total liabilities	<u>43,342</u>	<u>79,392</u>
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	3,856,933	2,283,855
With donor restrictions	965,047	1,345,000
	<u> </u>	<u> </u>
Total net assets	<u>4,821,980</u>	<u>3,628,855</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 4,865,322</u>	<u>\$ 3,708,247</u>

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	\$ 2,197,474	\$ 799,047	\$ 2,996,521	\$ 2,304,808	\$ 1,245,000	\$ 3,549,808
Contributions in-kind	239,093	-	239,093	296,493	-	296,493
Government grants	428,919	-	428,919	358,371	-	358,371
Program service revenue	933,160	-	933,160	210,000	-	210,000
Investment return	41,564	-	41,564	3,424	-	3,424
Net assets released from restriction:						
Satisfaction of time restrictions	629,000	(629,000)	-	90,000	(90,000)	-
Satisfaction of purpose restrictions	550,000	(550,000)	-	140,000	(140,000)	-
Total net assets released from restriction	1,179,000	(1,179,000)	-	230,000	(230,000)	-
Total support and revenues	5,019,210	(379,953)	4,639,257	3,403,096	1,015,000	4,418,096
Expenses:						
Program expenses:						
Immigration assistance	2,923,297	-	2,923,297	1,978,900	-	1,978,900
Total program expenses	2,923,297	-	2,923,297	1,978,900	-	1,978,900
Management and general	296,504	-	296,504	211,306	-	211,306
Fundraising	226,331	-	226,331	200,055	-	200,055
Total expenses	3,446,132	-	3,446,132	2,390,261	-	2,390,261
Increase/(decrease) in net assets	1,573,078	(379,953)	1,193,125	1,012,835	1,015,000	2,027,835
Net assets, beginning of year	2,283,855	1,345,000	3,628,855	1,271,020	330,000	1,601,020
Net assets, end of year	<u>\$ 3,856,933</u>	<u>\$ 965,047</u>	<u>\$ 4,821,980</u>	<u>\$ 2,283,855</u>	<u>\$ 1,345,000</u>	<u>\$ 3,628,855</u>

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Immigration Assistance</u>	<u>Management & General</u>	<u>Fundraising</u>	
Staff salaries	\$ 1,934,793	\$ 162,328	\$ 77,478	\$2,174,599
Payroll taxes	164,284	13,783	6,579	184,646
Employee benefits	124,407	10,438	4,982	139,827
Client welfare expenses	18,338	-	-	18,338
Consultants & contractors	136,094	6,497	100,013	242,604
Depreciation	2,228	187	89	2,504
Dues and subscriptions	23,315	1,955	934	26,204
Insurance	9,701	815	388	10,904
Office supplies & expenses	78,996	38,241	19,458	136,695
Professional fees	128,023	36,831	4,270	169,124
Rent	223,526	18,754	8,951	251,231
Staff development & training	36,606	3,071	1,466	41,143
Telephone & communications	6,184	518	248	6,950
Travel and meetings	36,802	3,086	1,475	41,363
Total expenses	<u>\$ 2,923,297</u>	<u>\$ 296,504</u>	<u>\$ 226,331</u>	<u>\$3,446,132</u>

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Supporting Services</u>		Total Expenses
	Immigration Assistance	Management & General	Fundraising	
Staff salaries	\$ 1,296,149	\$ 110,874	\$ 74,908	\$1,481,931
Payroll taxes	102,766	8,791	5,939	117,496
Employee benefits	27,831	2,381	1,608	31,820
Bad debt	-	6,250	-	6,250
Client welfare expenses	14,304	-	-	14,304
Consultants & contractors	144,985	6,719	48,838	200,542
Cost of living allowances	2,281	-	-	2,281
Dues and subscriptions	-	1,124	759	1,883
Event costs	-	-	36,974	36,974
Insurance	5,915	505	342	6,762
Office supplies & expenses	34,511	22,608	11,703	68,822
Professional fees	121,599	33,026	5,969	160,594
Program sub-grants	5,000	-	-	5,000
Rent	177,757	15,205	10,273	203,235
Staff development & training	14,268	1,221	824	16,313
Telephone & communications	3,475	201	297	3,973
Travel and meetings	28,059	2,401	1,621	32,081
Total expenses	<u>\$ 1,978,900</u>	<u>\$ 211,306</u>	<u>\$ 200,055</u>	<u>\$2,390,261</u>

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 1,193,125	\$ 2,027,835
Adjustments for non-cash items included in operating activities:		
Bad debt	-	6,250
(Gains)/losses on sales of investments	1,667	(893)
Donated investments	(15,484)	(101,170)
Depreciation	2,504	-
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(36,050)	57,056
Contributions and accounts receivable	(563,588)	(374,556)
Prepaid expenses and other assets	(560)	(3,440)
Net cash provided/(used) by operating activities	581,614	1,611,082
Cash flows from investing activities:		
Purchase of property and equipment	(14,510)	-
Purchase of investments	(3,291,990)	-
Sale of investments	599,358	102,747
Net cash provided/(used) by investing activities	(2,707,142)	102,747
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(2,125,528)	1,713,829
Cash and cash equivalents, at beginning of year	2,709,841	996,012
Cash and cash equivalents, at end of year	\$ 584,313	\$ 2,709,841

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Safe Passage Project Corporation (Organization), a not-for-profit organization, was incorporated in the State of New York on May 13, 2013. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions.

The Organization's mission is to address unmet legal needs of immigrant youth living in the New York City area. Safe Passage Project fundamentally believes no child should face the immigration process alone. Safe Passage Project provides comprehensive legal services to immigrant children facing deportation through direct representation, and through mentoring and training pro bono attorneys to take on cases.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Change in Accounting Principle

On January 1, 2019, the Organization adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* using the full retrospective approach. Accordingly, the 2018 financial statements have been adjusted in accordance with the standard. The adjustment resulted in contribution revenue being reclassified as program service revenue, with no net effect on net assets. Additionally, the presentation and disclosures of revenue have been enhanced in accordance with the standard.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments

All marketable debt and equity securities and mutual funds are measured at fair value on a recurring basis and are reported at their fair values as of December 31, 2019 and 2018 in the statements of financial position.

The Organization initially records investments it receives as donations at the fair value as of the dates the investments are donated to the Organization and thereafter carries such investments at current fair values.

Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of equipment and furniture is computed by the straight-line method over estimated useful lives ranging from three to seven years. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries and related expenses based on estimated time and effort and other expenses including rent, insurance, depreciation, staff development, travel, professional fees, office expenses, telephone & communications, and consultants based on usage. The Organization classifies expenses, which are not directly related to a specific program, as management and general expenses.

**SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes contributions when cash, noncash assets, and unconditional promises to give are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. At December 31, 2019 and 2018, the Organization did not have any conditional pledges that were not recognized.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a purpose are reported as revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization receives grants from governmental agencies. Depending upon the terms of the grant, it can be either an exchange transaction or a contribution. In accordance with grant provisions, the grant can be an expense reimbursement grant which requires that approved expenses be incurred prior to reimbursement by the grantor. Other grants permit advances of grant funds or full payment of grant funds at the start of the grant. If the grant is an exchange type grant, all unreimbursed expenses, for approved purposes, as of year-end are recorded as receivables and any unexpended advances are recorded as refundable advances. If the grant is a contribution it is recognized in accordance with the contribution recognition policy described above.

Program contract revenue relates to fees received in exchange for consulting work related to immigration legal services. Revenue is recognized as the consulting work is completed. Any revenue received which has not been earned is recorded as deferred revenue.

Program fellowship hosting revenue relates to fees received in exchange for hosting and supervising immigration attorneys. Revenue is recognized when the related hosting costs have been incurred. Any revenue received which has not been earned is recorded as deferred revenue.

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Bank deposits and cash	\$ 584,313	\$ 2,439,907
Money market funds	-	269,934
	<u>\$ 584,313</u>	<u>\$ 2,709,841</u>

**SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Level 1	\$ 2,797,059	\$ 101,355
Level 2	10,745	-
Level 3	-	-
Total	<u>\$ 2,807,804</u>	<u>\$ 101,355</u>

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 4 - Investments

Investments consisted of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Mutual funds	\$ 2,797,059	\$ 2,797,059	\$ -
Corporate bonds	<u>6,478</u>	<u>10,745</u>	<u>4,267</u>
Total investments	<u>\$ 2,803,537</u>	<u>\$ 2,807,804</u>	<u>\$ 4,267</u>

Investments consisted of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Exchange traded funds	\$ <u>104,254</u>	\$ <u>101,355</u>	\$(<u>2,899</u>)
Total investments	<u>\$ 104,254</u>	<u>\$ 101,355</u>	<u>\$(2,899)</u>

Note 5 - Contributions Receivable

As of December 31, 2019 and 2018, pledges are expected to be realized in the following periods:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 1,407,199	\$ 893,611
Between one and two years	<u>50,000</u>	<u>-</u>
	<u>\$ 1,457,199</u>	<u>\$ 893,611</u>

Due to low interest rates as of December 31, 2019, management has determined it is not necessary to record a discount on long-term receivables because the discount would be immaterial.

Note 6 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Furniture and fixtures	\$ 12,967	\$ -
Office equipment	<u>1,543</u>	<u>-</u>
	14,510	-
Less: Accumulated depreciation	(<u>2,504</u>)	<u>-</u>
	<u>\$ 12,006</u>	<u>\$ -</u>

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 7 - Net Assets With Donor Restrictions

As of December 31, 2019 and 2018, net assets with donor restrictions are available as follows:

	<u>2019</u>	<u>2018</u>
2019 activities	\$ -	\$ 666,500
2020 activities	243,577	333,000
2021 activities	108,000	33,000
Services for immigrant children	229,891	287,500
Long Island expansion	375,000	-
Comic book project	8,579	-
Safe Passage in schools	-	25,000
	<u>\$ 965,047</u>	<u>\$ 1,345,000</u>

Note 8 - Related Party Transactions

One of the Organization's board members is also an employee of the Organization. For the years ended December 31, 2019 and 2018, the total salary paid to the board member amounted to \$145,894 and \$137,648. This employee stepped down from the board on July 17, 2019.

Note 9 - In-Kind Services

Significant services and facilities were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

For the years ended December 31, 2019 and 2018, \$239,093 and \$296,493, respectively, was received and reported as contributions in-kind on the accompanying statements of activities and mainly consisted of donated office and program space, pro bono legal and other professional services.

Various individuals volunteered their time to perform a variety of tasks that assist the Organization. The majority of volunteers provide pro bono legal assistance to immigrants. An average case requires 35 hours of legal work to complete. Pro bono attorneys worked on 527 and 496 cases during the years ended December 31, 2019 and 2018, respectively. The value of the contributed time is not being disclosed due to a lack of an objective valuation.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 10 - Revenue from Contracts with Customers

All of the revenue derived from contracts with customers during 2019 and 2018 was fully earned in the same annual reporting period. Detail of revenue from contracts with customers during the years ended December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Program contract revenue	\$ 758,160	\$ -
Program fellowship hosting	<u>175,000</u>	<u>210,000</u>
	<u>\$ 933,160</u>	<u>\$ 210,000</u>

Note 11 - Government Grants

The Organization was awarded various grants by governmental entities. The total revenue recognized under the grants for the years ended December 31, 2019 and 2018, specified by grant type, is as follows:

	<u>2019</u>	<u>2018</u>
Program restricted grants – NYC	\$ 320,900	\$ 280,000
Program restricted grants – NYS	108,019	58,021
Program restricted grants – Federal	<u>-</u>	<u>20,350</u>
	<u>\$ 428,919</u>	<u>\$ 358,371</u>

Note 12 - Concentrations

The Organization maintains its checking and investment accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts have exceeded the insured limits during the years ended December 31, 2019 and 2018.

Note 13 - Retirement Plan

In September 2019, the Organization adopted a 401(k) defined contribution plan (Plan). Any employee is eligible to participate in the Plan. The Organization makes voluntary matching contributions based on a percentage of the employee contribution. For the year ended December 31, 2019, the Organization contributed a total of \$47,016 towards the Plan.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 14 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2019 and 2018, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 584,313	\$ 2,709,841
Contributions and accounts receivable	1,457,199	893,611
Investments	2,807,804	101,355
Total financial assets	4,849,316	3,704,807
Less those unavailable for general expenditures within one year:		
Receivables expected to be received over one year	(50,000)	(-)
Contributions restricted for 2020 activities	(-)	(333,000)
Contributions restricted for 2021 activities	(108,000)	(33,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,691,316	\$ 3,338,807

Note 15 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through August 26, 2020, which is the date the financial statements were available to be issued.