

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Institute for Transportation and Development Policy
New York, N.Y.

We have audited the accompanying financial statements of the Institute for Transportation and Development Policy (ITDP), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, 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.

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 audits 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ITDP as of December 31, 2012 and 2011, 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.

Gelman Rosenberg & Friedman

Bethesda, Maryland
August 20, 2013

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,241,191	\$ 2,202,502
Accounts receivable	3,885	54,269
Grants receivable	1,126,607	829,344
Prepaid expenses	<u>32,521</u>	<u>17,073</u>
Total current assets	<u>4,404,204</u>	<u>3,103,188</u>
PROPERTY AND EQUIPMENT		
Equipment	66,010	39,109
Furniture	58,356	58,356
Computer equipment	218,526	190,507
Leasehold improvements	<u>203,549</u>	<u>172,180</u>
	546,441	460,152
Less: Accumulated depreciation and amortization	<u>(349,704)</u>	<u>(240,609)</u>
Net property and equipment	<u>196,737</u>	<u>219,543</u>
OTHER ASSETS		
Deposits	<u>57,974</u>	<u>57,389</u>
TOTAL ASSETS	<u>\$ 4,658,915</u>	<u>\$ 3,380,120</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 411,825	\$ 423,159
Accrued salaries and related benefits	118,539	135,292
Funds held on behalf of others	<u>75,293</u>	<u>75,293</u>
Total current liabilities	<u>605,657</u>	<u>633,744</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,709,184	1,356,772
Board designated (Note 3)	<u>131,589</u>	<u>80,625</u>
Total unrestricted	1,840,773	1,437,397
Temporarily restricted (Note 4)	<u>2,212,485</u>	<u>1,308,979</u>
Total net assets	<u>4,053,258</u>	<u>2,746,376</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,658,915</u>	<u>\$ 3,380,120</u>

See accompanying notes to financial statements.

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE			
Contributions	\$ 138,982	\$ 1,128	\$ 140,110
Grants	1,002,074	8,279,232	9,281,306
Interest income	6,971	-	6,971
Consulting revenue	275,754	-	275,754
Contributed services (Note 5)	7,399	-	7,399
Other revenue	664	-	664
Net assets released from donor restrictions (Note 4)	<u>7,376,854</u>	<u>(7,376,854)</u>	<u>-</u>
Total revenue	<u>8,808,698</u>	<u>903,506</u>	<u>9,712,204</u>
EXPENSES			
Program Services	<u>7,698,182</u>	<u>-</u>	<u>7,698,182</u>
Supporting Services:			
Fundraising	83,427	-	83,427
Management	<u>623,713</u>	<u>-</u>	<u>623,713</u>
Total supporting services	<u>707,140</u>	<u>-</u>	<u>707,140</u>
Total expenses	<u>8,405,322</u>	<u>-</u>	<u>8,405,322</u>
Changes in net assets	403,376	903,506	1,306,882
Net assets at beginning of year	<u>1,437,397</u>	<u>1,308,979</u>	<u>2,746,376</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,840,773</u>	<u>\$ 2,212,485</u>	<u>\$ 4,053,258</u>

See accompanying notes to financial statements.

<u>2011</u>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 119,630	\$ 9,162	\$ 128,792
38,361	8,365,069	8,403,430
3,418	-	3,418
560,802	-	560,802
65,974	-	65,974
464	8,503	8,967
<u>7,425,350</u>	<u>(7,425,350)</u>	<u>-</u>
<u>8,213,999</u>	<u>957,384</u>	<u>9,171,383</u>
<u>7,971,992</u>	<u>-</u>	<u>7,971,992</u>
71,814	-	71,814
<u>954,147</u>	<u>-</u>	<u>954,147</u>
<u>1,025,961</u>	<u>-</u>	<u>1,025,961</u>
<u>8,997,953</u>	<u>-</u>	<u>8,997,953</u>
(783,954)	957,384	173,430
<u>2,221,351</u>	<u>351,595</u>	<u>2,572,946</u>
<u>\$ 1,437,397</u>	<u>\$ 1,308,979</u>	<u>\$ 2,746,376</u>

See accompanying notes to financial statements.

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management</u>		
Salaries	\$ 1,582,175	\$ 42,548	\$ 265,473	\$ 308,021	\$ 1,890,196
Payroll taxes	115,843	3,324	17,169	20,493	136,336
Fringe benefits (Note 7)	193,461	15,941	38,237	54,178	247,639
Subtotal	1,891,479	61,813	320,879	382,692	2,274,171
Bank charges	14,549	65	443	508	15,057
Conferences and meetings	368,608	81	161,779	161,860	530,468
Consultants	1,764,858	600	52,808	53,408	1,818,266
Depreciation and amortization	111,923	-	-	-	111,923
Business meals	25,257	93	3,553	3,646	28,903
Equipment rental	2,979	9	84	93	3,072
Exchange rate loss	17,403	-	-	-	17,403
Field staff	1,505,035	-	2,452	2,452	1,507,487
Insurance	19,843	432	4,350	4,782	24,625
Legal	11,699	-	28,375	28,375	40,074
License fees	33,132	2,369	1,205	3,574	36,706
Miscellaneous	4,042	3	3,615	3,618	7,660
Office supplies	70,634	97	878	975	71,609
Postage and delivery	20,938	2,326	1,097	3,423	24,361
Printing	96,949	1,517	519	2,036	98,985
Professional development	7,520	44	218	262	7,782
Professional fees	402,315	8,771	8,791	17,562	419,877
Rent and office cleaning (Note 6)	314,786	1,335	9,392	10,727	325,513
Subscriptions and books	9,535	229	1,546	1,775	11,310
Taxes	71,305	-	-	-	71,305
Telephone and internet	46,714	415	1,950	2,365	49,079
Training	5,166	-	-	-	5,166
Travel	881,513	3,228	19,779	23,007	904,520
TOTAL	<u>\$ 7,698,182</u>	<u>\$ 83,427</u>	<u>\$ 623,713</u>	<u>\$ 707,140</u>	<u>\$ 8,405,322</u>

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management</u>		
Salaries	\$ 1,418,458	\$ 36,061	\$ 262,623	\$ 298,684	\$ 1,717,142
Payroll taxes	103,332	2,638	19,131	21,769	125,101
Fringe benefits (Note 7)	171,344	5,237	9,093	14,330	185,674
Subtotal	1,693,134	43,936	290,847	334,783	2,027,917
Bank charges	33,073	334	1,927	2,261	35,334
Conferences and meetings	468,436	688	192,728	193,416	661,852
Consultants	1,999,756	5,550	191,040	196,590	2,196,346
Depreciation and amortization	100,092	-	1,789	1,789	101,881
Entertainment	27,083	44	3,314	3,358	30,441
Equipment rental	2,549	12	96	108	2,657
Exchange rate loss	24,223	-	-	-	24,223
Field staff	1,470,928	-	4,895	4,895	1,475,823
Insurance	24,670	162	3,099	3,261	27,931
Legal	16,414	-	77,103	77,103	93,517
License fees	36,089	4,292	2,783	7,075	43,164
Loss on disposal of fixed assets	-	-	20,540	20,540	20,540
Miscellaneous	3,366	7	5,686	5,693	9,059
Office supplies	72,492	253	1,551	1,804	74,296
Postage and delivery	38,119	965	286	1,251	39,370
Printing	150,551	3,906	687	4,593	155,144
Professional development	16,824	198	376	574	17,398
Professional fees	287,934	7,033	110,368	117,401	405,335
Rent and office cleaning (Note 6)	377,586	1,112	10,165	11,277	388,863
Subscriptions and books	11,989	215	769	984	12,973
Taxes	78,855	-	-	-	78,855
Telephone and internet	49,998	618	2,179	2,797	52,795
Training	47,880	-	-	-	47,880
Travel	939,951	2,489	31,919	34,408	974,359
TOTAL	<u>\$ 7,971,992</u>	<u>\$ 71,814</u>	<u>\$ 954,147</u>	<u>\$ 1,025,961</u>	<u>\$ 8,997,953</u>

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,306,882	\$ 173,430
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	111,923	101,881
Loss on disposal of fixed assets	221	20,540
(Increase) decrease in:		
Accounts receivable	50,384	(199)
Grants receivable	(297,263)	496,667
Prepaid expenses	(15,448)	9,322
Deposits	(585)	(7,011)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(11,334)	(449,493)
Accrued salaries and related benefits	(16,753)	49,895
Funds held on behalf of others	<u>-</u>	<u>2,173</u>
Net cash provided by operating activities	<u>1,128,027</u>	<u>397,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(89,338)</u>	<u>(44,781)</u>
Net cash used by investing activities	<u>(89,338)</u>	<u>(44,781)</u>
Net increase in cash and cash equivalents	1,038,689	352,424
Cash and cash equivalents at beginning of year	<u>2,202,502</u>	<u>1,850,078</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,241,191</u>	<u>\$ 2,202,502</u>

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Institute for Transportation and Development Policy (ITDP) was organized as a non-profit corporation in Washington, D.C. in 1985 and operates out of its office in New York City, New York. ITDP is a research, dissemination, and project implementing agency, which seeks to promote the use of non-motorized vehicles and the broader implementation of sustainable transportation policies worldwide. ITDP is supported primarily through grants, donor contributions, and contract revenue. Members include bicycle activists, transportation planners, economic development specialists, small business people, environmentalists, and other professionals, and are primarily, but not exclusively U.S. citizens.

The accompanying financial statements include all financial activity incurred by ITDP's field offices located in Brazil, China, India, Indonesia and Mexico.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

ITDP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). ITDP maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

ITDP had \$380,465 and \$312,500 of cash and cash equivalents held in foreign countries at December 31, 2012 and 2011. A majority of funds held in foreign countries are uninsured. Such amount is shown under cash and cash equivalents in the accompanying Statements of Financial Position.

Accounts and grants receivable -

Accounts and grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$750 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

ITDP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. ITDP is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2012 and 2011, ITDP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ITDP and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ITDP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Temporarily restricted contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

ITDP receives funding under grants and contracts from international organizations and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Contributed services -

Contributed services consist of pro-bono legal services and staff time contributed by a donor. Contributed services are recorded at their fair market value as of the date of the gift.

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Use of estimates -

The preparation of the 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 amounts of 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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. LINE OF CREDIT

ITDP has a \$300,000 bank line of credit, which extends through October 16, 2013. Amounts borrowed under this agreement bear interest at the LIBOR rate, plus 2.78 percentage points.

As of December 31, 2012 and 2011, there was no outstanding balance on the line of credit.

Terms of the agreement require ITDP to maintain unrestricted net assets of not less than \$600,000. As of the date of this report, ITDP is in compliance with these requirements.

3. BOARD DESIGNATED NET ASSETS

As of December 31, 2012 and 2011, net assets have been designated by the Board of Directors for the following purposes:

	2012	2011
Operating Reserve	\$ <u>131,589</u>	\$ <u>80,625</u>

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012 and 2011:

	2012	2011
Africa projects	\$ 11,637	\$ 1,024
Asia projects	-	689,277
Global projects	145,143	408,118
Latin America projects	901,271	210,560
United States projects	<u>1,154,434</u>	<u>-</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>2,212,485</u>	\$ <u>1,308,979</u>

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

4. TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following temporarily restricted net assets were released from donor restrictions by incurring expenses (or through the passage of time), which satisfied the restricted purposes specified by the donors:

	<u>2012</u>	<u>2011</u>
Africa projects	\$ 516	\$ 102,655
Asia projects	892,121	876,106
Global projects	5,506,996	6,377,339
Latin America projects	323,537	69,250
United States projects	<u>653,684</u>	<u>-</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTION	<u>\$ 7,376,854</u>	<u>\$ 7,425,350</u>

5. CONTRIBUTED SERVICES

During the years ended December 31, 2012 and 2011, ITDP was the beneficiary of contributed services, which allow ITDP to provide greater resources towards various programs.

To properly reflect total expenses, the following donations have been included in revenue and expense for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Contributed Services	<u>\$ 7,399</u>	<u>\$ 65,974</u>

The following programs have benefited from these contributed services:

	<u>2012</u>	<u>2011</u>
Management	<u>\$ 7,399</u>	<u>\$ 65,974</u>

6. LEASE COMMITMENTS

ITDP leases office space in New York under a five-year agreement, which originated on April 26, 2010. Base rent is \$112,500. ITDP also leases office space under agreements in Washington, D.C. and several other countries.

The following is a schedule of the future minimum lease payments, including both U.S. and foreign leases:

<u>Year Ending December 31,</u>	
2013	\$ 168,402
2014	125,700
2015	<u>31,656</u>
	<u>\$ 325,758</u>

Rent expense under the aforementioned leases totaled \$302,580 and \$366,291 for the years ended December 31, 2012 and 2011, respectively.

INSTITUTE FOR TRANSPORTATION AND DEVELOPMENT POLICY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

7. RETIREMENT PLAN

Full-time ITDP staff are eligible for a 403(b)(7) retirement plan. ITDP will also make an annual contribution to the employee's retirement plan for employees who have worked more than six months with the organization at the time when the contributions are made.

For the first three years, ITDP will provide an annual contribution of \$3,000 or the equivalent of 3% of the employee's annual salary (whichever is greater). After three years of employment, ITDP will provide an annual contribution of the equivalent of 8% of the employee's annual salary toward the retirement plan. Bonuses do not count toward the annual salary calculation for retirement purposes. The contributions are prorated for the first year of employment. Part-time employees will be eligible for a pro-rated amount. ITDP reserves the right of not making an annual contribution if funding is not available. Contributions to the plan during the years ended December 31, 2012 and 2011 totaled \$105,151 and \$86,141, respectively.

8. RELATED PARTY TRANSACTIONS

During the fiscal years ended December 31, 2012 and 2011, ITDP paid several Board members for consulting services and reimbursed their travel expenses. The amount paid to the Board members for their consulting services totaled \$0 in 2012 and \$26,895 in 2011. The amount reimbursed for travel expenses totaled \$3,890 in 2012 and \$12,659 in 2011.

9. SUBSEQUENT EVENTS

In preparing these financial statements, ITDP has evaluated events and transactions for potential recognition or disclosure through August 20, 2013, the date the financial statements were issued.