



**NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.**

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

DECEMBER 31, 2022 AND 2021

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the National Association of State Boating Law Administrators, Inc. (a nonprofit organization, the Association) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
June 21, 2023

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current assets:		
Cash	\$ 269,947	\$ 315,189
Accounts receivable	527,535	436,763
Other assets	0	5,719
Prepaid expenses	104,892	89,653
Total current assets	902,374	847,324
Property and equipment, net	3,002,248	3,097,077
Restricted cash, agency and custodial funds	454,273	343,424
Total assets	<u>\$ 4,358,895</u>	<u>\$ 4,287,825</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 128,133	\$ 61,842
Accrued liabilities	78,876	64,574
Current portion of long-term debt	74,652	52,199
Refundable advances	107,350	167,929
Deferred revenues	335,220	290,767
Total current liabilities	724,231	637,311
Long-term liabilities:		
Long-term debt	1,668,576	1,996,962
Agency and custodial funds	454,273	343,424
Total long-term liabilities	2,122,849	2,340,386
Total liabilities	2,847,080	2,977,697
Net assets:		
Without donor restrictions	1,511,815	1,310,128
Total liabilities and net assets	<u>\$ 4,358,895</u>	<u>\$ 4,287,825</u>

See accompanying notes to the financial statements.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Revenues from services:		
Program service fees	\$ 2,163,764	\$ 1,646,951
Membership dues	345,222	345,240
Association management	67,834	71,929
Total revenues from services	2,576,820	2,064,120
Other revenues:		
Federal financial assistance	1,534,271	1,642,949
Rental income	277,218	287,223
Sponsorships and contributions	63,760	196,755
Employee Retention Tax Credit	161,000	0
Forgiveness, Paycheck Protection Program loan	0	195,992
Miscellaneous income	12,586	9,328
Interest	9,041	170
Total other revenues	2,057,876	2,332,417
Total revenues	4,634,696	4,396,537
Expenses:		
Program services:		
Public policy	1,612,575	1,629,769
Member programs	2,304,705	1,864,449
Government relations	3,901	6,861
Total program services	3,921,181	3,501,079
Supporting services:		
Membership services	46,530	38,560
Management and general	465,298	388,938
Total supporting services	511,828	427,498
Total expenses	4,433,009	3,928,577
Change in net assets	201,687	467,960
Net assets, without donor restrictions, beginning of year	1,310,128	842,168
Net assets, without donor restrictions, end of year	\$ 1,511,815	\$ 1,310,128

See accompanying notes to the financial statements.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services		Total Supporting Services	Total
	Public Policy	Member Programs	Government Relations	Total Program Services	Membership Services	Management and General		
Salaries and wages	\$ 641,778	\$ 260,682	\$ 2,130	\$ 904,590	\$ 13,479	\$ 134,785	\$ 148,264	\$ 1,052,854
Retirement	18,875	6,539	70	25,484	398	3,984	4,382	29,866
Other employee benefits	131,038	45,393	488	176,919	2,765	27,654	30,419	207,338
Payroll taxes	49,243	17,058	184	66,485	1,039	10,392	11,431	77,916
Total personnel costs	840,934	329,672	2,872	1,173,478	17,681	176,815	194,496	1,367,974
Subcontracts	210,004	728,388	0	938,392	97	966	1,063	939,455
Travel	214,692	644,007	1,029	859,728	804	8,044	8,848	868,576
Conferences and events	71,816	171,687	0	243,503	297	2,969	3,266	246,769
Professional services	55,767	18,334	0	74,101	7,967	79,667	87,634	161,735
Supplies	57,946	22,601	0	80,547	3,629	38,519	42,148	122,695
Information technology	41,252	18,612	0	59,864	5,209	52,095	57,304	117,168
Depreciation	17,609	58,257	0	75,866	2,516	25,156	27,672	103,538
Interest expense	11,919	71,512	0	83,431	1,703	17,026	18,729	102,160
Maintenance and other	11,549	66,282	0	77,831	1,358	13,582	14,940	92,771
Printing and publications	23,962	57,661	0	81,623	59	594	653	82,276
Other expenses	19,367	33,006	0	52,373	2,390	21,669	24,059	76,432
Utilities	8,306	49,832	0	58,138	1,187	11,864	13,051	71,189
Insurance	5,491	10,848	0	16,339	784	7,844	8,628	24,967
Dues and subscriptions	13,055	7,444	0	20,499	100	999	1,099	21,598
Continuing education	5,396	9,196	0	14,592	604	6,036	6,640	21,232
Postage and shipping	3,510	7,366	0	10,876	145	1,453	1,598	12,474
Total expenses	\$ 1,612,575	\$ 2,304,705	\$ 3,901	\$ 3,921,181	\$ 46,530	\$ 465,298	\$ 511,828	\$ 4,433,009

See accompanying notes to the financial statements.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services		Total Supporting Services	Total
	Public Policy	Member Programs	Government Relations	Total Program Services	Membership Services	Management and General		
Salaries and wages	\$ 617,166	\$ 256,696	\$ 4,273	\$ 878,135	\$ 11,821	\$ 118,213	\$ 130,034	\$ 1,008,169
Retirement	17,636	7,099	92	24,827	341	3,405	3,746	28,573
Other employee benefits	132,996	53,537	690	187,223	2,568	25,681	28,249	215,472
Payroll taxes	46,052	18,538	239	64,829	889	8,892	9,781	74,610
Total personnel costs	813,850	335,870	5,294	1,155,014	15,619	156,191	171,810	1,326,824
Subcontracts	317,730	653,600	0	971,330	0	0	0	971,330
Travel	167,901	411,868	1,524	581,293	88	880	968	582,261
Conferences and events	79,936	119,840	0	199,776	105	1,054	1,159	200,935
Information technology	51,423	18,694	0	70,117	4,573	45,730	50,303	120,420
Professional services	40,403	11,544	0	51,947	5,772	57,718	63,490	115,437
Interest expense	12,379	74,272	0	86,651	1,768	23,609	25,377	112,028
Supplies	40,682	19,218	0	59,900	4,011	40,109	44,120	104,020
Depreciation	15,813	53,203	0	69,016	2,259	22,590	24,849	93,865
Maintenance and other	15,542	61,955	0	77,497	1,248	12,480	13,728	91,225
Printing and publications	38,342	25,989	43	64,374	163	1,628	1,791	66,165
Utilities	7,273	43,638	0	50,911	1,039	10,390	11,429	62,340
Other expenses	5,673	14,459	0	20,132	810	5,508	6,318	26,450
Insurance	6,240	9,159	0	15,399	891	8,915	9,806	25,205
Postage and shipping	9,733	3,896	0	13,629	109	1,087	1,196	14,825
Dues and subscriptions	6,849	7,244	0	14,093	105	1,049	1,154	15,247
Total expenses	\$ 1,629,769	\$ 1,864,449	\$ 6,861	\$ 3,501,079	\$ 38,560	\$ 388,938	\$ 427,498	\$ 3,928,577

See accompanying notes to the financial statements.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 201,687	\$ 467,960
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	103,538	93,865
Changes in operating assets and liabilities:		
Accounts receivable	(90,772)	(86,218)
Other assets	5,719	0
Prepaid expenses	(15,239)	(22,501)
Accounts payable	66,291	38,810
Accrued liabilities	14,302	10,344
Deferred revenues	44,453	500
Refundable advances	(60,579)	(118,057)
Agency and custodial funds	110,849	25,698
Net cash flows from operating activities	380,249	410,401
Cash flows from investing activities:		
Purchases of property and equipment	(8,709)	(77,847)
Cash flows from financing activities:		
Principal payments on loan	(305,933)	(152,138)
Net change in cash	65,607	180,416
Cash and restricted cash, beginning of year	658,613	478,197
Cash and restricted cash, end of year	<u>\$ 724,220</u>	<u>\$ 658,613</u>
Supplemental disclosures:		
Cash paid for interest	\$ 102,450	\$ 111,132
Reconciliation to statement of financial position:		
Cash, non-restricted	\$ 269,947	\$ 315,189
Restricted cash, agency and custodial funds	454,273	343,424
Total cash and cash equivalents	<u>\$ 724,220</u>	<u>\$ 658,613</u>

See accompanying notes to the financial statements.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of National Association of State Boating Law Administrators, Inc. (NASBLA, or, the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of NASBLA's management who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Description of Organization

The Association is a non-profit organization incorporated under the laws of the Commonwealth of Kentucky on April 11, 1997. Prior to that, NASBLA operated as a non-profit professional association in affiliation with the Council of State Government. NASBLA is a national boating safety education and enforcement advocacy organization with membership consisting of state, commonwealth, and territorial officials having responsibility for administering and enforcing state boating laws within the fifty-six states and territories of the United States of America.

Basis of Accounting

The financial statements of NASBLA have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Association are classified and reported as follows:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations, and used for various program expenses and general operating functions.

There were no net assets with donor restrictions at December 31, 2022 and 2021. Amounts in the notes to financial statements may be rounded.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Direct costs are allocated by project code. Certain expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel expenses, which are allocated on the basis of estimates of time and effort, and office expenses, information technology, occupancy, supplies, other expenses, depreciation, utilities and insurance which are allocated on the basis of personnel. Although the methods used were appropriate, alternative methods may have provided different results.

Reclassifications

Certain amounts reflected in prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications did not affect previously reported total amounts as for assets, liabilities, net assets, revenues, or expenses.

Accounts Receivable

Accounts receivable are carried at their estimated collectible amounts. The amounts consists primarily of program and registration fees and is considered by NASBLA's management to be fully collectible; therefore, no allowance for doubtful accounts is required. As is customary for receivables of this nature, NASBLA does not require collateral on its accounts receivable.

Property and Equipment

Property and equipment is stated at cost, if purchased, and at fair market value on the date of gift, if donated. NASBLA capitalizes all expenditures for property and equipment of \$5,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the property and equipment ranging from three to five years. Depreciation expense was approximately \$104,000 and \$94,000, respectively, for the years ended December 31, 2022 and 2021.

Revenue Recognition

NASBLA derives its revenue primary from registration fees, special events, federal grants, membership dues, rental income and sponsorships. Registration is generally accounted for as a single unit of account (a single performance obligation), and are not grouped together. Registrations are opened up a few months prior to an event and any amount received by NASBLA prior to an event is recognized as deferred income (contract liability) on the statements of financial position. Sponsorships for conferences are recognized when the conferences are held and the Association provides recognition to the sponsors as agreed. Sponsorships are not restricted.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

The Association occasionally receives government assistance in the form of government grants. The Association evaluates whether these grants are unconditional or conditional based on the absence or presence of barriers and any right of return provisions. Receipt of funds for conditional contributions are recorded as a refundable advance in the statement of financial position until conditions are satisfied. Once satisfied, the refundable advance is released into revenue.

Rental income is recognized as revenue during the period in which the tenants occupy NASBLA's building. As of December 31, 2022 and 2021, there was approximately \$0 and \$5,000, respectively, in deferred rent.

NASBLA's membership period runs from October 1st through September 30th of the following year. Membership dues are paid for peer networking, educational and professional development opportunities, and advocacy. Payments received in advanced are recognized as deferred income (contract liability) until the membership period has been satisfied.

Subsequent Events

NASBLA has evaluated all other events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements June 21, 2023, the date which the financial statements were available to be issued.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period one year from the date the financial statements were available to be issued.

2. DESCRIPTION OF GRANTS AND PROJECTS

NASBLA's major programs and activities include, along with the administrative activity, various projects, which are primarily funded through federal grants from the U.S. Coast Guard's "Boating Safety Financing Assistance Program."

Standardizing State Recreational Boating Safety Statutes & Regulations: NASBLA & the States

This project partners with the states on providing guidelines for implementation of recreational boating safety (RBS) laws. NASBLA provides support to the states by:

- Maintain records of state laws and provide uniformity boating safety laws.
- Facilitate on-hands coordination with state concerning recreational boating laws through conferences and workshops so boat law administrators can communicate concerns on issues, brainstorm on resolutions and discuss best practices amongst each other.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

Boating Under the Influence Detection and Enforcement Training (BUI)

The purpose of this program is to reduce the amount of alcohol-related recreational boating accidents in the United States. NASBLA with collaboration the National District Attorneys Association (NDAA) to develop training modules for preparation of prosecuting defenders for boating under the influence (BUI) cases. As part of the one-year funding through the "Boating Safety Financing Assistance Program", *Effectively Prosecuting Boating Under the Influence Cases: Enhanced Training for Courtroom Preparation*. NASBLA will coordinate and implement all aspects of BUI training courses for Prosecutors Module.

Boating Incident Investigation & GPA Forensic Courses (BII)

With continue support from the U.S. Coast Guard, the BII program to help improve states efforts in reliable boating incident reporting and data collection including GPS tracking training. This program helps trains marine law enforcement officers to recognize the root causes of boating accidents.

National Boating Education Standards

The purpose of the project is to develop American National Standards for recreational boating education that courses are uniformed throughout the United States and territories to enhance safer boating behavior. The project allows for public through software system to suggest changes to the standards and comment on proposing changes.

Operation Dry Water

The purpose of the program is to coordinate awareness of boating under the influence (BUI) detection and prevention through 4th July weekend. During the national holiday weekend, law enforcement will heighten their surveillance of waterways for boaters handling boating vessels under the influence and removing and educating the individuals of the danger of handling boating vessels under the influence.

Boating Collision & Video Documentation

With support from the U.S. Coast Guard, the states and NASBLA will continue to improve the reliability of incident reporting and data collection. This project stages collision and have marine units, reconstruction teams and investigators to examine the vessels for deterioration from the collision.

Boat Occupant Injury Surveillance Tier 3: Testing and Refinement of Technical Solutions & Surveillance Recommendation

The purpose of this project is built on two prior tiers and commence the final tier on three-tiered initiative to focus on public health after boating incident. Based on the recommendations in the prior tier reports, this project will focus on three key areas of the recommendations such as data access, data linkages and partnerships. Working with selected state partners, NASBLA would evaluate the findings and refine the recommendations for broader public usage in the field.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

3. CONCENTRATIONS

NASBLA received approximately 33% and 37% of its annual revenue from grants provided by the United States Department of Homeland Security/U.S. Coast Guard's Boating Safety Financial Assistance program for the years ended December 31, 2022 and 2021.

NASBLA has a concentration of credit risk in that it periodically maintains cash deposits in a single financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2022 and 2021, NASBLA had uninsured cash balances of approximately \$475,000 and \$530,000. NASBLA has not experienced any losses on such accounts and does not believe that it is subject to significant risk related to the accounts.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2022	2021
Software	\$ 144,000	\$ 144,000
Office furniture and equipment	151,000	143,000
Building	2,619,000	2,619,000
Land	565,000	565,000
Trademark	25,000	25,000
Total	3,504,000	3,496,000
Less: accumulated depreciation	502,000	399,000
Property and equipment, net	<u>\$ 3,002,000</u>	<u>\$ 3,097,000</u>

5. CONTRACT LIABILITIES (DEFERRED REVENUES)

Contract liabilities are reflected as deferred revenue in the accompanying statements of financial position. The following table provides information about significant changes in contract liabilities for the years ended December 31:

	2022	2021
Deferred revenue, beginning of year	\$ 291,000	\$ 261,000
Revenue recognized during the year	(2,854,000)	(2,351,000)
Increase due to cash received		
during the year	2,898,000	2,381,000
Deferred revenue, end of year	<u>\$ 335,000</u>	<u>\$ 291,000</u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

Deferred revenue consists of the following at December 31:

	2022	2021
Prepaid memberships	\$ 180,000	\$ 171,000
Prepaid registrations	150,000	110,000
Other	5,000	10,000
	<u>\$ 335,000</u>	<u>\$ 291,000</u>

6. AGENCY AND CUSTODIAL FUNDS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *“Not-for-Profit Entities - Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others,”* identifies certain situations when an organization does not record contribution revenue when it receives funds. Instead, the recipient organization records an asset and a liability. These situations include transactions where the Association receives funds as an agent, trustee, or intermediary.

NASBLA has entered into agreements with the following organizations to act as an agent. NASBLA is responsible for receiving and depositing funds, as well as writing checks on behalf of the organizations. Transactions made on behalf of the organizations are not included in NASBLA's statement of activities.

Life Jacket Association (Life Jacket)
Texas Parks and Wildlife Department (TPWD)
Illinois Travel Account Funds (ILTA)
Western States Boating Administration Association (WSBAA)
States Organization for Boating Access (SOBA)

NASBLA has entered into a Memorandum of Understanding (MOU) and took control of the cash assets of Southern States Boating Law Administrators Association (SSBLAA) upon dissolution of the corporation. The former corporation is now a caucus under NASBLA referred to as the Southern Caucus. In accordance with the MOU, NASBLA is to hold and disburse the assets as directed by the caucus until all funds are expended.

NASBLA has entered into an MOU and took control of the cash assets of Northern Association of Boating Administrators (NABA) upon dissolution of the corporation. The former corporation is now a caucus under NASBLA referred to as the Northern Caucus. In accordance with the MOU, NASBLA is to hold and disburse the assets as directed by the caucus until all funds are expended.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

Agency and custodial funds consist of the following at December 31:

	2022	2021
Life Jacket	\$ 316,000	\$ 284,000
SOBA	38,000	(8,000)
NABA	32,000	34,000
WSBAA	30,000	6,000
ILTA	16,000	0
TPWD	11,000	15,000
SSBLAA	11,000	12,000
	<u>\$ 454,000</u>	<u>\$ 343,000</u>

7. LEASES

On January 1, 2022, NASBLA adopted the new lease accounting standard issued by the Financial Accounting Standards Board (FASB) and codified in the Accounting Standards Codification (ASC) as Topic 842 (ASC 842). The lease standard in ASC 842 intended to improve financial reporting about leasing transactions by requiring entities to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in ASC 842) of twelve months or less are not required to be reflected on an entity's balance sheet.

NASBLA applied the modified retrospective approach to all lease agreements when adopting ASC 842. The adoption of ASC 842 did not have an impact on beginning balances for assets, liabilities, or net assets. NASBLA elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether any expired or existing contracts contain a lease, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs, if any, before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. In addition, NASBLA elected the hindsight practical expedient to determine the lease term for existing leases. In addition, the Association has made a policy election to not separate the lease and non-lease components related to tenant lease agreements, where applicable.

NASBLA acquired sublease agreements for office space in a building it purchased in 2019. The leases are for varying terms through March 2023. The cost of the building and land leased by NASBLA is approximately \$3,184,000 and \$3,184,000 with accumulated depreciation of approximately \$245,000 and \$162,000 for the years ended December 31, 2022 and 2021, respectively. Rental income for the years ended December 31, 2022 and 2021 totaled approximately \$277,000 and \$287,000, respectively. Future minimum rental income is \$57,000 for 2023. There are no long-term agreements at December 31, 2022.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

8. DEBT

On September 24, 2019, NASBLA purchased a building in Lexington, Kentucky and entered into a mortgage loan with the intent to occupy the space the following year. Monthly required payments on the loan are approximately \$13,000, including interest and principal. The note has a fixed interest rate of 4.99% and a maturity date of September 2029. The loan is collateralized by building and land with a carrying amount of approximately \$2,940,000 and \$3,022,000 at December 31, 2022 and 2021, respectively. Scheduled principal payments for the next five years and thereafter are as follows:

2023	\$ 75,000
2024	77,000
2025	81,000
2026	85,000
2027	89,000
Thereafter	1,336,000
	<u>\$ 1,743,000</u>

NASBLA has a \$50,000 line of credit available, bearing interest at prime plus 2%. It is secured by business assets and has no specified maturity date. The prime rate at December 31, 2022 was 7.50%. No amounts were drawn for the year ended December 31, 2022 and 2021.

9. PAYCHECK PROTECTION LOAN

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the paycheck protection program (PPP) which provides small business with the resources needed to maintain payroll and cover applicable overhead. The PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. NASBLA applied for and was accepted to participate in this program. In May 2020, NASBLA received its first PPP funding of \$185,200, and received its second PPP funding of \$195,992 in January 2021.

NASBLA applied for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA. NASBLA's first loan was forgiven in April 2021, and the second PPP loan was forgiven in December 2021.

NASBLA elected to treat the loans under FASB ASC 958-605 as conditional grants. NASBLA evaluated the criteria for each loan and determined that the conditions for forgiveness were substantially met at December 31, 2021 and 2020, and therefore recognized as revenue the full amount of the loans on the statements of activities for the years ended December 31, 2021 and 2020.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

10. EMPLOYEE RETENTION TAX CREDIT

The CARES Act included a provision for the Employee Retention Credit (ERTC). Later the Consolidated Appropriations Act of 2021, signed on December 27, 2020, significantly modified and expanded the provision. The ERTC is a fully refundable payroll tax credit for employers with 100 (for 2020) or 500 (for 2021) or fewer employees. In addition, the entity must have been at least partly closed due to a government order or report a decrease in gross receipts of at least 50% for the same quarter in 2019 (for 2020) and below 80% (for 2021).

For 2020, the ERTC is equal to 50% of up to \$10,000 in qualified wages (including amounts paid toward allocable qualified health plan expenses) per full-time employee beginning March 13, 2020, and ending Dec. 31, 2020. As such, the maximum payroll credit is worth \$5,000 per employee for the calendar year. For 2021, the ERTC is equal to 70% of the first \$10,000 in wages per employee per quarter for the first 3 quarters of calendar year 2021. That means this credit is worth up to \$7,000 per employee per quarter from January to September, and up to \$21,000 for the year.

NASBLA recognized \$161,000 and \$0, respectively, of ERTC as grant revenue during 2022 and 2021.

11. RETIREMENT PLAN

NASBLA maintains a 401(k) Plan covering all eligible employees. All employees are eligible to participate in the Plan. Employees can elect to make salary reduction contributions not to exceed \$18,000 (or \$24,000 if over age 50) for the Plan years ended December 31, 2022 and 2021. NASBLA will provide matching contributions based on approval of the board. NASBLA matches up to 3% of the eligible compensation and contributed approximately \$30,000 and \$29,000 to the Plan during the years ended December 31, 2022 and 2021, respectively.

12. INCOME TAXES

NASBLA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). However, income from certain activities not directly related to NASBLA's tax-exempt purpose is subject to taxation as unrelated business income. In addition, NASBLA has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by NASBLA and recognize a tax liability if NASBLA has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by NASBLA, and has concluded that as of December 31, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

NASBLA has filed its federal income tax returns for periods through December 31, 2021. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions). NASBLA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The majority of the Association's non-restricted support is derived from program service fees, memberships, and sponsorships. The following reflects the Association's financial assets available within one year of December 31:

	2022	2021
Cash	\$ 270,000	\$ 315,000
Accounts receivable	528,000	437,000
	<u>\$ 798,000</u>	<u>\$ 752,000</u>

The Association's structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Association has a \$50,000 line of credit available for use in the event of an immediate or unanticipated liquidity need.

14. UPCOMING PRONOUNCEMENT

On June 17, 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments (Topic 326)*. This new standard, which NASBLA is not required to adopt until its year ending December 31, 2023, is intended to improve financial reporting about expected credit losses on financial assets by requiring entities to use the new current expected credit loss approach that will generally result in early recognition of allowances for credit losses. The standard also requires a formal process to estimate current expected credit losses and will require specific, supporting calculations of the allowance for doubtful accounts supported by the formal process. NASBLA is presently evaluating the effects that this ASU will have on its future financial statements, including related disclosures.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing (AL) Number</u>	<u>Total Awards</u>	<u>Total Federal Expenditures</u>	<u>Subrecipient Expenditures</u>
<u>U.S. Department of Homeland Security</u>				
Direct award:				
United States Coast Guard Boating Safety Financial Assistance	97.012	<u>\$ 3,245,239</u>	<u>\$ 1,534,271</u>	<u>\$ 0</u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the National Association of State Boating Law Administrators, Inc. (NASBLA) under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of NASBLA, it is not intended to be and does not present the financial position, changes in net assets or cash flows of NASBLA. NASBLA did not elect to use the 10% de minimis indirect cost rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.
- 2) NASBLA has a negotiated indirect cost agreement with the Department of Interior for 24.50% through December 31, 2022.



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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Association of State Boating Law Administrators, Inc. (a nonprofit organization, "NASBLA") which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NASBLA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NASBLA's internal control. Accordingly, we do not express an opinion on the effectiveness of NASBLA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NASBLA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NASBLA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NASBLA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NASBLA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
June 21, 2023



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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited National Association of State Boating Law Administrators, Inc.'s ("NASBLA") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of NASBLA's major federal programs for the year ended December 31, 2022. NASBLA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, NASBLA complied, in all material respects, with the compliance requirements referred to above is that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NASBLA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of NASBLA's compliance with the compliance requirements referred to above.

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to NASBLA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on NASBLA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about NASBLA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NASBLA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NASBLA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of NASBLA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Board of Directors
National Association of State Boating Law Administrators, Inc.
Lexington, Kentucky

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blue & Co., LLC

Lexington, Kentucky
June 21, 2023

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal Control over financial reporting:

Material weakness(es)
identified? ☐ yes ☒ no

Significant deficiency(s)
identified that are not
considered to be
material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial
statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

Material weakness(es)
identified? ☐ yes ☒ no

Significant deficiency(s)
identified that are not
considered to be
material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are
required to be reported in accordance
with the Uniform Guidance? ☐ yes ☒ no

Identification of major programs:

AL Number
97.012

Name of Federal Program or Cluster
U.S Department of Homeland Security, United States
Coast Guard Boating Safety Financial Assistance

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2022

Dollar threshold used to distinguish between type A
and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

Section II - Financial Statement Findings

No findings were reported.

Section III - Federal Award Findings and Questioned Costs

No findings were reported.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS AND THEIR RESOLUTIONS
YEAR ENDED DECEMBER 31, 2022

No findings or questioned costs were reported for the year ended December 31, 2021.