



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

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

DECEMBER 31, 2017

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 Administrator, Inc. (the Association) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, 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 information 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 28, 2018 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 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 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 28, 2018

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017

ASSETS

Current assets:

Cash	\$	602,049
Accounts receivable		259,030
Inventory		6,126
Prepaid expenses		46,124
Total current assets		<u>913,329</u>

Property and equipment, net 128,827

Restricted cash, agency and custodial funds 287,898

Total assets \$ 1,330,054

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	22,281
Accrued liabilities		46,410
Deferred revenues		480,781
Total current liabilities		<u>549,472</u>

Agency and custodial funds 287,898

Total liabilities 837,370

Net assets:

Unrestricted net assets 492,684

Total liabilities and net assets \$ 1,330,054

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS INC.

STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

Revenues:

Program service fees	\$	1,264,308
Federal financial assistance		1,140,566
Membership dues		353,814
Sponsorships		154,879
Miscellaneous income		53,408
Product sales		1,241
Interest		672
Total revenues		<u>2,968,888</u>

Expenses:

Program expenses:		
Federal programs		1,176,227
Member programs		1,606,169
Government affairs		53,718
Total program expenses		<u>2,836,114</u>
Management and general		46,019
Total expenses		<u>2,882,133</u>

Change in net assets		86,755
Net assets, beginning of year		<u>405,929</u>
Net assets, end of year	\$	<u><u>492,684</u></u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services				Total
	Federal Programs	Member Programs	Government Affairs	Management and General	
Personnel expenses	\$ 412,662	\$ 180,940	\$ 24,530	\$ 197,180	\$ 815,312
Employee benefits	117,846	52,140	7,024	56,972	233,982
Total personnel costs	530,508	233,080	31,554	254,152	1,049,294
Annual conference and board meetings	8,868	108,780		1,410	119,058
Depreciation and amortization				35,952	35,952
Dues and subscriptions		10,000		2,380	12,380
Equipment rental				3,843	3,843
Insurance				6,398	6,398
Maintenance and repairs	330			3,843	4,173
Miscellaneous	5,813	5,564		13,350	24,727
Occupancy				87,320	87,320
Postage and shipping	5,250	4,015		1,341	10,606
Printing and publications	44,096	25,640		13	69,749
Professional fees		3,421		76,848	80,269
Subcontracts	195,074	475,024	7,395	2,683	680,176
Supplies	18,963	12,754		25,310	57,027
Telephone and internet	14,214	7,891		84,063	106,168
Travel - consultants and instructors	67,470	352,912	4,146	2,540	427,068
Travel - general	58,828	49,097			107,925
Indirect	226,813	317,991	10,623	(555,427)	-0-
Total expenses	\$ 1,176,227	\$ 1,606,169	\$ 53,718	\$ 46,019	\$ 2,882,133

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS INC.

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:

Change in net assets	\$	86,755
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization		35,952
Changes in operating assets and liabilities:		
Accounts receivable		(137,321)
Inventory		97
Prepaid expenses		2,326
Accounts payable		13,927
Accrued liabilities		(3,007)
Deferred revenues		114,410
Net cash flows from operating activities		<u>113,139</u>

Cash flows from investing activities:

Purchases of property and equipment		<u>(21,765)</u>
Net change in cash		91,374
Cash, beginning of year		<u>510,675</u>
Cash, end of year	\$	<u><u>602,049</u></u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of National Association of State Boating Law Administrators, Inc. (NASBLA) 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 financial statements of the Association have been prepared following the recommendations of Accounting Standards Codification (ASC) 958-205 - *Nonprofit Organization Entities, Presentation of Financial Statements*. Under the provisions set forth therein, net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations, and used for various program expenses and general operating functions.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, indirect costs have been allocated among the programs the supporting services benefitted using the "Modified Total Direct Cost" basis as defined by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section 200.68. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and directions of NASBLA. Although the methods of allocation are appropriate, other methods could produce different results.

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.

Inventory

Inventory is stated at the lower of cost or market using the specific identification method.

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 \$35,952 for the year ended December 31, 2017.

Sponsorships

Sponsorships for conferences are recognized when the conferences are held and the organization provides recognition to the sponsors as agreed. Sponsorships are not restricted.

Revenue Recognition

Federal grant awards are recognized in the period in which expenses are incurred in compliance with the specific restrictions of the grant agreement. Membership dues are recognized as revenue in the applicable membership period. All other revenue is recorded as earned.

Deferred revenue consist of state membership dues, program service fees and grants, and represents revenues collected in advance of the period or the event to which it relates.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Subsequent Events

NASBLA has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through June 28, 2018, 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 are 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."

Implementing the National Recreational Boating Safety Strategic Plan: NASBLA and the States (formerly known as "State and Federal Partnering in the National Recreational Boating Safety Program")

This grant supports the states, the U.S. Coast Guard and recreational boating safety (RBS) community in implementation of the National Recreational Boating Safety Strategic Plan. NASBLA accomplishes this by:

- Developing policy solutions and products (committee work)
- Communicating strategies to the states and others (website, monthly e-newsletter)
- Coordinating state program administration and performance measurement (Spring BLA Workshop)
- Engaging the RBS community, the Coast Guard and the states (annual conference)

Decreasing Alcohol-Related Recreational Boating Accidents

This project produces a series of Boating Under the Influence (BUI) Detection and Enforcement Training Courses. This training provides state and local marine patrol officers, Coast Guard boarding officers and others with the comprehensive knowledge and skills necessary to reduce the number of alcohol-related accidents and fatalities to foster a stronger and more visible deterrent to alcohol use on the water. Additionally, this project supports year three of Validating Field Sobriety Tests in the Marine Environment to help in the prosecution of BUI offenders.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Boating Accident Investigation Courses for Marine Law Enforcement Officers

This project provides funding for courses in comprehensive boating accident investigation and advance boating accident investigation for marine patrol officers. The courses are portable and hosted by state agencies to reach the maximum number of officers per course. Officers are trained in accident reporting and reconstruction. Greater knowledge of these techniques in the field leads to more accurate reporting and more accurate research into the most common and preventable causes of boating accidents.

Spring Abroad Campaign

This project establishes a national campaign to encourage boaters to take a boating safety class, whether required by the state or one that develops higher skills. The project also included a process for verifying the content of on-water training courses.

Education Standards Panel

This project provides funding for the development and maintenance of the National Boating Education Safety Standards, which encompass the content of boating safety education courses across the country. The project funds the software program that allows members of the public to propose changes to the standards and to comment on proposed changes. The project also provides funding for two panel meetings each calendar year.

Operation Dry Water

This project supports a coordinated, national weekend of boating under the influence (BUI) detection and enforcement to reduce the number of alcohol-related accidents and fatalities and to foster a stronger and more visible deterrent to alcohol use on the water.

The Boating Safety Education Dashboard

This project works with a vendor to create templates that states, federal government agencies and other nonprofit organizations can use to customize data displays to show the effectiveness of boating safety education efforts by state, region, or locality.

3. CONCENTRATIONS

NASBLA received approximately 38% 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 year ended December 31, 2017.

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, 2017, NASBLA had uninsured cash balances of approximately \$650,000. NASBLA has not experienced any losses on such accounts and does not believe that it is subject to significant risk related to the accounts.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017:

Software	\$	143,876
Office furniture and equipment		108,910
Leasehold improvements		35,914
Trademark		24,760
Computer equipment		14,908
Total		<u>328,368</u>
Less: accumulated depreciation		<u>199,541</u>
Property and equipment, net	\$	<u>128,827</u>

5. RESTRICTED FUNDS

FASB 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 organization receives funds as an agent, trustee, or intermediary.

Agency Funds

During 2008, NASBLA entered into an agreement with the Texas Parks and Wildlife Department (TPWD) to act as an agent on behalf of TPWD. NASBLA is responsible for receiving and depositing funds, as well as writing checks on behalf of TPWD. In return, NASBLA agrees to provide TPWD with educational assistance, training courses, or seminars on present and emerging topics regarding recreational boating safety. Transactions made on behalf of TPWD are not included in NASBLA's statement of activities. At December 31, 2017, the amount held by NASBLA on behalf of TPWD was \$19,985.

During 2014, NASBLA 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. At December 31, 2017, the amount held by NASBLA on behalf of SSBLAA was \$13,192.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

During 2014, NASBLA entered into a Memorandum of Understanding (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. At December 31, 2017, the amount held by NASBLA on behalf of SSBLAA was \$42,137.

During 2017, NASBLA entered into an agreement with the Life Jacket Association (Life Jacket) to act as an agent on behalf of Life Jacket. NASBLA is responsible for receiving and depositing funds, as well as writing checks on behalf of Life Jacket. Transactions made on behalf of Life Jacket are not included in NASBLA's statement of activities. At December 31, 2017, the amount held by NASBLA on behalf of Life Jacket was \$212,584.

6. LEASE AGREEMENT

On September 26, 2012, NASBLA entered into a new non-cancellable lease agreement for office space. The lease expires on January 31, 2019 and requires monthly payments. NASBLA also leases a copy machine and postage machine on a month-to-month term with annual rentals of approximately \$3,000.

Total rent expense for the year ended December 31, 2017 was \$87,320.

Future minimum lease payments are as follows:

2018	\$	80,144
2019		<u>6,679</u>
	\$	<u>86,823</u>

7. LINE OF CREDIT

NASBLA has a \$50,000 line of credit available, bearing interest at prime plus 2%. When drawn, the loan is secured by business assets. The line of credit has no specified maturity date. Prime rate at December 31, 2017 was 4.50%. No amounts were drawn in 2017.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

8. 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 year ended December 31, 2017. NASBLA will provide matching contributions based on approval of the board. NASBLA matches up to 3% of the eligible compensation and contributed \$21,154 to the Plan during the year ended December 31, 2017.

9. CONTINGENCIES

NASBLA receives funding from a federal governmental agency. The funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purposes, the grantors may request a refund of monies advanced, or refuse to reimburse NASBLA for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of NASBLA'S grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

10. 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, 2017 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.

NASBLA has filed its federal income tax returns for periods through December 31, 2016. 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.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

11. UPCOMING PRONOUNCEMENTS

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of this new guidance is that "an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". On August 12, 2015, the FASB further amended this guidance and issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606), which deferred the effective date for all entities by one year. These new standards, which NASBLA is not required to adopt until its year ending December 31, 2019, deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto.

On February 25, 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This new standard, which NASBLA is not required to adopt until its year ending December 31, 2020, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their 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 the ASU) of twelve months or less are not required to be reflected on an entity's balance sheet.

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958) that amends how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. This new standard, which NASBLA is not required to adopt until its year ending December 31, 2018, requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This ASU completes the first phase of a two phase project to amend not-for-profit financial reporting requirements.

NASBLA is presently evaluating the effects that these ASUs 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, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Federal Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Homeland Security</u>			
Direct award:			
United States Coast Guard Boating Safety Financial Assistance	97.012	\$ 1,140,566	\$ -0-

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2017

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, 2017. 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.

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 24.65% through December 31, 2019.



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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, 2017, 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 28, 2018.

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) to determine the 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 the entity'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 over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NASBLA's financial statements are free of 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 determination of financial statement amounts. 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 28, 2018



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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

We have audited National Association of State Boating Law Administrators, Inc. (a nonprofit organization, NASBLA) compliance with the types of compliance requirements described 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, 2017. NASBLA's major federal programs are identified in this summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NASBLA's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NASBLA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NASBLA's compliance.

Opinion on Each Major Federal Program

In our opinion, NASBLA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of NASBLA is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred above. In planning and performing our audit of compliance, we considered NASBLA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NASBLA's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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 28, 2018

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

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:

CFDA 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, 2017

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

\$750,000

Auditee qualified as low-risk auditee?

X yes

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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, 2016

No findings or questioned costs were reported for the year ended December 31, 2016.