



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

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

DECEMBER 31, 2018 AND 2017

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

TABLE OF CONTENTS DECEMBER 31, 2018 AND 2017

	Page
Report of Independent Auditors	1
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to the Financial Statements	9
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
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 <i>Government Auditing Standards</i>	21
Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	23
Schedule of Findings and Questioned Costs	26
Schedule of Prior Year Findings and Their Resolutions	28



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

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. (the Association) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, 2018 and 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.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, effective January 1, 2018, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019 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
April 11, 2019

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets:		
Cash	\$ 479,810	\$ 602,049
Accounts receivable	445,376	259,030
Inventory	5,953	6,126
Prepaid expenses	47,825	46,124
Total current assets	<u>978,964</u>	<u>913,329</u>
Property and equipment, net	91,498	128,827
Restricted cash, agency and custodial funds	<u>285,916</u>	<u>287,898</u>
Total assets	<u><u>\$ 1,356,378</u></u>	<u><u>\$ 1,330,054</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 31,963	\$ 22,281
Accrued liabilities	40,882	46,410
Deferred revenues	419,726	480,781
Total current liabilities	<u>492,571</u>	<u>549,472</u>
Agency and custodial funds	<u>285,916</u>	<u>287,898</u>
Total liabilities	<u>778,487</u>	<u>837,370</u>
Net assets:		
Without donor restrictions	<u>577,891</u>	<u>492,684</u>
Total liabilities and net assets	<u><u>\$ 1,356,378</u></u>	<u><u>\$ 1,330,054</u></u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Revenues:		
Program service fees	\$ 1,454,958	\$ 1,264,308
Federal financial assistance	1,433,903	1,140,566
Membership dues	344,470	353,814
Sponsorships and contributions	186,269	154,879
Miscellaneous income	46,987	53,408
Product sales	2,418	1,241
Interest	674	672
Total revenues	<u>3,469,679</u>	<u>2,968,888</u>
Expenses:		
Program services:		
Federal programs	1,446,957	1,174,953
Member programs	1,640,541	1,386,944
Government affairs	35,982	52,320
Total program services	<u>3,123,480</u>	<u>2,614,217</u>
Supporting services		
Membership services	43,609	69,183
Management and general	217,383	198,733
Total supporting services	<u>260,992</u>	<u>267,916</u>
Total expenses	<u>3,384,472</u>	<u>2,882,133</u>
Change in net assets	85,207	86,755
Net assets, without donor restrictions beginning of year	<u>492,684</u>	<u>405,929</u>
Net assets, without donor restrictions end of year	<u><u>\$ 577,891</u></u>	<u><u>\$ 492,684</u></u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services			Total
	Public Policy	Member Programs	Government Relations	Total Program Services	Membership Services	Management and General	Total Supporting Services	
Salaries and wages	\$ 501,998	\$ 202,965	\$ 21,264	\$ 726,227	\$ 10,218	\$ 102,179	\$ 112,397	\$ 838,624
Retirement	12,334	4,987	522	17,843	251	2,511	2,762	20,605
Other employee benefits	97,192	39,377	4,117	140,686	1,979	19,792	21,771	162,457
Payroll taxes	37,434	15,135	1,586	54,155	762	7,620	8,382	62,537
Total personnel costs	<u>648,958</u>	<u>262,464</u>	<u>27,489</u>	<u>938,911</u>	<u>13,210</u>	<u>132,102</u>	<u>145,312</u>	<u>1,084,223</u>
Subcontracts	280,351	577,547	523	858,421	251	2,514	2,765	861,186
Travel	170,763	451,585	426	622,774	7,245	-0-	7,245	630,019
Conferences and events	61,876	161,018	-0-	222,894	1,969	-0-	1,969	224,863
Office expenses	47,074	75,536	163	122,773	78	784	862	123,635
Occupancy	68,857	27,840	2,917	99,614	1,402	14,016	15,418	115,032
Information technology	68,024	22,134	1,608	91,766	772	8,474	9,246	101,012
Professional services	20,059	8,110	850	29,019	9,408	42,996	52,404	81,423
Supplies	28,886	20,300	627	49,813	301	3,015	3,316	53,129
Other expenses	16,131	20,951	228	37,310	8,420	3,488	11,908	49,218
Depreciation	22,345	9,035	947	32,327	455	4,548	5,003	37,330
Maintenance	8,819	2,075	-0-	10,894	-0-	4,466	4,466	15,360
Insurance	4,814	1,946	204	6,964	98	980	1,078	8,042
Total expenses	<u>\$ 1,446,957</u>	<u>\$ 1,640,541</u>	<u>\$ 35,982</u>	<u>\$ 3,123,480</u>	<u>\$ 43,609</u>	<u>\$ 217,383</u>	<u>260,992</u>	<u>\$ 3,384,472</u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total
	Public Policy	Member Programs	Government Relations		Membership Services	Management and General		
Salaries and wages	\$ 459,985	\$ 200,658	\$ 24,530	\$ 685,173	\$ 31,549	\$ 98,590	\$ 130,139	\$ 815,312
Retirement	11,935	5,206	636	17,777	819	2,558	3,377	21,154
Other employee benefits	85,671	37,837	4,579	128,087	5,971	18,658	24,629	152,716
Payroll taxes	33,914	14,794	1,809	50,517	2,326	7,269	9,595	60,112
Total personnel costs	591,505	258,495	31,554	881,554	40,665	127,075	167,740	1,049,294
Subcontracts	195,074	475,024	7,395	677,493	2,683	-0-	2,683	680,176
Travel	126,298	402,933	4,146	533,377	2,540	-0-	2,540	535,917
Conferences and events	8,868	108,780	-0-	117,648	1,410	-0-	1,410	119,058
Occupancy	63,276	27,744	3,761	94,781	4,364	13,638	18,002	112,783
Office expenses	53,620	41,520	228	95,368	293	916	1,209	96,577
Information technology	46,112	22,313	1,763	70,188	2,268	8,248	10,516	80,704
Professional services	21,370	12,743	1,140	35,253	10,466	34,550	45,016	80,269
Supplies	33,242	18,983	762	52,987	979	3,061	4,040	57,027
Other expenses	11,364	7,986	296	19,646	1,876	2,281	4,157	23,803
Depreciation	20,284	8,848	1,082	30,214	1,391	4,347	5,738	35,952
Maintenance	330	-0-	-0-	330	-0-	3,843	3,843	4,173
Insurance	3,610	1,575	193	5,378	248	774	1,022	6,400
Total expenses	\$ 1,174,953	\$ 1,386,944	\$ 52,320	2,614,217	\$ 69,183	198,733	267,916	\$ 2,882,133

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 85,207	\$ 86,755
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	37,329	35,952
Changes in operating assets and liabilities:		
Accounts receivable	(186,346)	(137,321)
Inventory	173	97
Prepaid expenses	(1,701)	2,326
Accounts payable	9,682	13,927
Accrued liabilities	(5,528)	(3,007)
Deferred revenues	(61,055)	114,410
Net cash flows from operating activities	<u>(122,239)</u>	<u>113,139</u>
Cash flows from investing activities:		
Purchases of property and equipment	-0-	(21,765)
Net change in cash	(122,239)	91,374
Cash, beginning of year	<u>602,049</u>	<u>510,675</u>
Cash, end of year	<u><u>\$ 479,810</u></u>	<u><u>\$ 602,049</u></u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of National Association of State Boating Law Administrators, Inc. (the Association, 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 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.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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. The total amount of indirect expenses for 2018 and 2017 was approximately \$669,000 and \$555,000, respectively. Although the methods used were appropriate, alternative methods may have provided 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 approximately \$37,000 and \$36,000, respectively, for the years ended December 31, 2018 and 2017.

Sponsorships

Sponsorships for conferences are recognized when the conferences are held and the Association 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 consists of state membership dues received for the subsequent year, program service fees received for services not yet provided, and advances received on grants.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

Reclassification

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

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 April 11, 2019, 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, 2018 AND 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 Aboard 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 41% and 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 years ended December 31, 2018 and 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, 2018 and 2017, NASBLA had uninsured cash balances of approximately \$525,800 and \$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, 2018 AND 2017

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018 and 2017:

	2018	2017
Software	\$ 143,876	\$ 143,876
Office furniture and equipment	108,910	108,910
Leasehold improvements	35,914	35,914
Trademark	24,760	24,760
Computer equipment	14,908	14,908
Total	<u>328,368</u>	<u>328,368</u>
Less: accumulated depreciation	236,870	199,541
Property and equipment, net	<u>\$ 91,498</u>	<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 Association 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, 2018 and 2017, the amount held by NASBLA on behalf of TPWD was \$10,583 and \$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, 2018 and 2017, the amount held by NASBLA on behalf of SSBLAA was \$12,692 and \$13,192.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 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, 2018 and 2017, the amount held by NASBLA on behalf of SSBLAA was \$40,275 and \$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, 2018 and 2017, the amount held by NASBLA on behalf of Life Jacket was \$222,366 and \$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, 2020 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, 2018 and 2017 was \$86,124 and \$87,320.

Future minimum lease payments are as follows:

2019	\$ 80,144
2020	6,679
	<u>\$ 86,823</u>

7. LINE OF CREDIT

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, 2018 was 5.50%. No amounts were drawn in 2018 and 2017.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 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 years ended December 31, 2018 and 2017. NASBLA will provide matching contributions based on approval of the board. NASBLA matches up to 3% of the eligible compensation and contributed \$20,606 and \$21,154 to the Plan during the years ended December 31, 2018 and 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, 2018 and 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, 2017. 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, 2018 AND 2017

11. AVAILABILITY OF FINANCIAL ASSETS

The majority of the Association's support is derived from program service fees and federal grants. Federal grants are on a reimbursement basis. Program service fees are earned income and do not have any restrictions. Also, membership fees do not have restrictions. As part of the Association's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Association's financial assets available within one year of December 31:

	2018	2017
Cash	\$ 479,810	\$ 602,049
Accounts receivable	445,376	259,030
Prepaid expenses	47,825	46,124
	<u>\$ 973,011</u>	<u>\$ 907,203</u>

12. CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Association adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as information it presents in the financial statements and notes about its liquidity, financial performance and cash flows. The Association has adjusted the presentation of its 2018 financial statements herein and retrospectively restated the prior year financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 11), and disclosures related to the functional allocation of expenses were included in the accompanying statement of functional expenses.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

The impact of the adoption of ASU No. 2016-14 on the Association's net assets are as follows:

	As previously stated, December 31, 2017	Adjustment	As restated, December 31, 2017
<u>Statement of Financial Position</u>			
Unrestricted net assets	\$ 492,684	\$ (492,684)	\$ -0-
Without donor restrictions	-0-	492,684	492,684
Total net assets	\$ 492,684	\$ -0-	\$ 492,684

	As previously stated, December 31, 2017	Adjustment	As restated, December 31, 2017
<u>Statement of Activities</u>			
Change in unrestricted net assets	\$ 86,755	\$ (86,755)	\$ -0-
Change in net assets without donor restrictions	-0-	86,755	86,755
Total changes in net assets	\$ 86,755	\$ -0-	\$ 86,755

There was no impact to the statement of cash flows as a result of adopting this ASU.

13. 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.

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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.

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, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>U.S. Department of Homeland Security</u>			
Direct award:			
United States Coast Guard Boating Safety Financial Assistance	97.012	<u>\$ 1,433,903</u>	<u>\$ -0-</u>

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2018

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, 2018. 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.



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

**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, 2018, 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 April 11, 2019.

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
April 11, 2019



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

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, 2018. 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, 2018.

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
April 11, 2019

NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

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, 2018

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

\$750,000

Auditee qualified as low-risk auditee?

X 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, 2017

No findings or questioned costs were reported for the year ended December 31, 2017.