



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

**FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT AUDITORS**

**DECEMBER 31, 2019 AND 2018**

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

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DECEMBER 31, 2019 AND 2018

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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. (the Association) which comprise the statements of financial position as of December 31, 2019 and 2018, 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, 2019 and 2018, 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.

### Changes in Accounting Principles

As discussed in Note 13 to the financial statements, effective January 1, 2019, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customer (Topic 606)*, ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, and ASU No. 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

### 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 (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 May 18, 2020 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  
May 18, 2020

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash	\$ -0-	\$ 479,810
Accounts receivable	479,119	445,376
Other assets	5,740	5,953
Prepaid expenses	82,167	47,825
Total current assets	<u>567,026</u>	<u>978,964</u>
Property and equipment, net	2,891,181	91,498
Restricted cash, agency and custodial funds	<u>312,623</u>	<u>285,916</u>
Total assets	<u>\$ 3,770,830</u>	<u>\$ 1,356,378</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 5,266	\$ 31,963
Accrued liabilities	70,748	40,882
Current portion of long-term debt	47,251	-0-
Deferred revenues	261,247	419,726
Total current liabilities	<u>384,512</u>	<u>492,571</u>
Long-term liabilities:		
Long-term debt	2,201,299	-0-
Agency and custodial funds	324,057	285,916
Total long-term liabilities	<u>2,525,356</u>	<u>285,916</u>
Total liabilities	<u>2,909,868</u>	<u>778,487</u>
Net assets:		
Without donor restrictions	<u>860,962</u>	<u>577,891</u>
Total liabilities and net assets	<u>\$ 3,770,830</u>	<u>\$ 1,356,378</u>

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Revenues from services:</b>		
Program service fees	\$ 1,832,783	\$ 1,454,958
Membership dues	344,988	344,470
Total revenues from services	2,177,771	1,799,428
<b>Other revenues:</b>		
Federal financial assistance	1,723,474	1,433,903
Sponsorships and contributions	105,380	186,269
Rental income	83,022	-0-
Miscellaneous income	41,934	46,987
Product sales	1,858	2,418
Interest	468	674
Total other revenues	1,956,136	1,670,251
Total revenues	4,133,907	3,469,679
<b>Expenses:</b>		
Program services:		
Federal programs	1,667,928	1,446,957
Member programs	1,651,809	1,640,541
Government affairs	22,748	35,982
Total program services	3,342,485	3,123,480
Supporting services:		
Membership services	45,333	43,609
Management and general	463,018	217,383
Total supporting services	508,351	260,992
Total expenses	3,850,836	3,384,472
<b>Change in net assets</b>	283,071	85,207
<b>Net assets, without donor restrictions, beginning of year</b>	577,891	492,684
<b>Net assets, without donor restrictions, end of year</b>	\$ 860,962	\$ 577,891

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

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2019

	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	\$ 611,388	\$ 186,349	\$ 15,165	\$ 812,902	\$ 10,556	\$ 105,559	\$ 116,115	\$ 929,017
Retirement	19,839	5,776	501	26,116	758	7,583	8,341	34,457
Other employee benefits	131,248	46,538	3,893	181,679	2,620	26,196	28,816	210,495
Payroll taxes	45,521	13,301	1,378	60,200	793	7,926	8,719	68,919
Total personnel costs	<u>807,996</u>	<u>251,964</u>	<u>20,937</u>	<u>1,080,897</u>	<u>14,727</u>	<u>147,264</u>	<u>161,991</u>	<u>1,242,888</u>
Subcontracts	363,273	655,078	-0-	1,018,351	145	1,452	1,597	1,019,948
Travel	206,309	497,088	773	704,170	5,633	-0-	5,633	709,803
Conferences and events	65,202	124,179	-0-	189,381	480	-0-	480	189,861
Occupancy	44,995	12,856	-0-	57,851	6,428	73,186	79,614	137,465
Office expenses	48,526	42,531	-0-	91,057	173	4,587	4,760	95,817
Professional services	14,421	5,820	-0-	20,241	11,060	63,035	74,095	94,336
Information technology	56,056	16,543	1,038	73,637	706	7,056	7,762	81,399
Supplies	31,170	21,175	-0-	52,345	2,319	23,187	25,506	77,851
Provision for uncollectable accounts	-0-	-0-	-0-	-0-	-0-	36,000	36,000	36,000
Depreciation	7,655	2,187	-0-	9,842	1,094	22,128	23,222	33,064
Interest expense	3,530	1,009	-0-	4,539	504	25,214	25,718	30,257
Taxes	-0-	-0-	-0-	-0-	-0-	28,112	28,112	28,112
Registration fees	8,301	14,284	-0-	22,585	-0-	809	809	23,394
Other expenses	5,921	6,226	-0-	12,147	1,630	9,060	10,690	22,837
Maintenance	1,532	-0-	-0-	1,532	-0-	17,288	17,288	18,820
Insurance	3,041	869	-0-	3,910	434	4,640	5,074	8,984
Total expenses	<u>\$ 1,667,928</u>	<u>\$ 1,651,809</u>	<u>\$ 22,748</u>	<u>\$ 3,342,485</u>	<u>\$ 45,333</u>	<u>\$ 463,018</u>	<u>\$ 508,351</u>	<u>\$ 3,850,836</u>



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

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>			<b>Total Program Services</b>	<u>Supporting Services</u>		<b>Total Supporting Services</b>	<b>Total</b>
	Public Policy	Member Programs	Government Relations		Membership Services	Management and General		
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
Depreciation	22,345	9,035	947	32,327	455	4,548	5,003	37,330
Other expenses	5,371	16,092	228	21,691	4,302	3,488	7,790	29,481
Registration fees	10,760	4,859	-0-	15,619	4,118	-0-	4,118	19,737
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.

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 283,071	\$ 85,207
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	33,067	37,329
Changes in operating assets and liabilities:		
Accounts receivable	(33,743)	(186,346)
Inventory	213	173
Prepaid expenses	(34,342)	(1,701)
Accounts payable	(26,697)	9,682
Accrued liabilities	29,866	(5,528)
Deferred revenues	(158,479)	(61,055)
Agency and custodial funds	38,141	(1,982)
Net cash flows from operating activities	131,097	(124,221)
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,832,750)	-0-
<b>Cash flows from financing activities:</b>		
Borrowings on mortgage loan	2,260,000	-0-
Principal payments on loan	(11,450)	-0-
Net cash flows from financing activities	2,248,550	-0-
Net change in cash	(453,103)	(124,221)
<b>Cash, beginning of year</b>	765,726	889,947
<b>Cash, end of year</b>	\$ 312,623	\$ 765,726
<b>Supplemental disclosures:</b>		
Cash paid for interest	\$ 28,146	\$ -0-
Reconciliation to statement of financial position:		
Cash, non-restricted	\$ -0-	\$ 479,810
Restricted cash, agency and custodial funds	312,623	285,916
Total cash and cash equivalents	\$ 312,623	\$ 765,726

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 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.

There were no net assets with donor restrictions at December 31, 2019 and 2018.

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 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 \$33,000 and \$37,000, respectively, for the years ended December 31, 2019 and 2018.

### Revenue Recognition

As discussed in Note 13, on January 1, 2019, NASBLA adopted "Revenue from Contracts with Customers" using the retrospective method applied to all contracts. 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 DECEMBER 31, 2019 AND 2018

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A portion of the Association's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Rental income is recognized as revenue during the period in which the tenants occupy NASBLA's building. Rent is due on the 1<sup>st</sup> of each calendar month and recognized as deferred rent (contract liability) and recognized as income at the end of each month. As of December 31, 2019 and 2018, there was no deferred rent.

NASBLA's membership period runs from October 1<sup>st</sup> through September 30<sup>th</sup> 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

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national and global economies. The extent to which COVID-19 impacts our results is dependent on the breadth and duration of the pandemic and could be affected by other factors we are not currently able to predict. These impacts may include, but are not limited to, additional costs for responding to COVID-19, potential shortages of personnel, potential shortages of supplies, potential delays, loss of, or reduction to, revenue, and investment portfolio declines. Management believes NASBLA is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at this time.

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 May 18, 2020, 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."

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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*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)
- Coordinate 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.

### *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.

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### *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 42% and 41% 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, 2019 and 2018.

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, 2019 and 2018, NASBLA had uninsured cash balances of approximately \$99,000 and \$526,000. 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, 2019 and 2018 (amounts rounded):

	2019	2018
Software	\$ 144,000	\$ 144,000
Office furniture and equipment	109,000	109,000
Building	2,268,000	-0-
Leasehold improvements	36,000	36,000
Land	565,000	-0-
Trademark	24,000	24,000
Computer equipment	-0-	15,000
Total	<u>3,146,000</u>	<u>328,000</u>
Less: accumulated depreciation	255,000	237,000
Property and equipment, net	<u>\$ 2,891,000</u>	<u>\$ 91,000</u>

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 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, 2019 and 2018 (amounts rounded):

	2019	2018
Deferred revenue, beginning of year	\$ 420,000	\$ 481,000
Revenue recognized during the year	(418,000)	(481,000)
Increase due to cash received during the year	259,000	420,000
Deferred revenue, end of year	<u>\$ 261,000</u>	<u>\$ 420,000</u>

Deferred revenue consists of the following at December 31, 2019 and 2018 (amounts rounded):

	2019	2018
Prepaid memberships	\$ 184,000	\$ 202,000
Advances on grants	74,000	193,000
Prepaid registrations	3,000	25,000
	<u>\$ 261,000</u>	<u>\$ 420,000</u>

### 6. AGENCY AND CUSTODIAL 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.

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.



# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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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.

During 2014, NASBLA 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.

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.

Agency and custodial funds consist of the following at December 31, 2019 and 2018 (amounts rounded):

	2019	2018
TPWD	\$ 25,000	\$ 11,000
SSBLAA	12,000	13,000
NABA	38,000	40,000
Life Jacket	249,000	222,000
	<u>\$ 324,000</u>	<u>\$ 286,000</u>

### 7. LEASES

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, 2019 and 2018 was approximately \$92,000 and \$86,124. Future minimum lease payments are \$7,000 which is payable in January 2020.

In 2019, NASBLA acquired sublease agreements for office space in a building it purchased in 2019. The leases are for varying terms through January 2022. The carrying amount of the building and land as of December 31, 2019 is approximately \$2,816,000. Rental income in 2019 totaled approximately \$88,000.

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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Future minimum rental income is as follows (amounts rounded):

2020	\$ 287,000
2021	287,000
2022	19,000
	<u>\$ 593,000</u>

### 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 payments on the loan are approximately \$13,000, including interest and principle. 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 \$2,816,000 at December 31, 2019. Scheduled principal payments for the next five years and thereafter are as follows (amounts rounded):

2020	\$ 47,000
2021	50,000
2022	52,000
2023	55,000
2024	58,000
Thereafter	1,987,000
	<u>\$ 2,249,000</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, 2019 was 4.75%. No amounts were drawn in 2019 and 2018.

### 9. 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, 2019 and 2018. NASBLA will provide matching contributions based on approval of the board. NASBLA matches up to 3% of the eligible compensation and contributed approximately \$25,000 and \$21,000 to the Plan during the years ended December 31, 2019 and 2018.

### 10. 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

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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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.

### 11. 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, 2019 and 2018 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, 2018. 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.

### 12. AVAILABILITY OF FINANCIAL ASSETS

The majority of the Association's non-restricted support is derived from program service fees, memberships, and sponsorships. 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 (amounts rounded):

	2019	2018
Cash	\$ -0-	\$ 480,000
Accounts receivable	479,000	445,000
	<u>\$ 479,000</u>	<u>\$ 925,000</u>

# NATIONAL ASSOCIATION OF STATE BOATING LAW ADMINISTRATORS, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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### 13. CHANGES IN ACCOUNTING PRINCIPLES

During 2019, the Association adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2015-14, *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.” These new standards deal with the timing of reporting revenues from contracts with customers, and disclosures related thereto. The adoption of ASU 2014-09 and ASU 2015-14 did not have a material effect on the accompanying financial statements.

During 2019, the Association adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents be included in beginning and ending cash in the statements of cash flows. The adoption of this ASU resulted in the reclassification of certain items related to restricted cash in the statements of cash flows for the years ended December 31, 2019 and 2018, and enhanced the disclosures related to and restricted cash as presented as supplemental disclosures in the statement of cash flows. The balance for cash and cash equivalents as of January 1, 2018 was increased by approximately \$288,000 in order to include restricted cash. There was no significant impact to the statements of financial position or the statements of activities, as a result of adopting this ASU.

During 2019, the Association adopted ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new standard deals with the recording of contributions with respect to exchange and non-exchange transactions. The Association has determined it has no transactions involving right of return or right of release and it has no conditional pledges or contributions. The adoption of ASU 2018-08 did not have a material effect on the accompanying financial statements.

### 14. UPCOMING PRONOUNCEMENTS

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, 2021, 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 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, 2019

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<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>\$ 1,723,474</u>	<u>\$ -0-</u>

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

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DECEMBER 31, 2019**

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### **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, 2019. 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, 2019, 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 May 18, 2020.

### 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  
May 18, 2020





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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, 2019. 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, 2019.

#### 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  
May 18, 2020

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019

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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, 2019

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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, 2018

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No findings or questioned costs were reported for the year ended December 31, 2018.