

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
LEXINGTON, KENTUCKY

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REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2008 AND 2007

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Fister, Williams & Oberlander, PLLC

Certified Public Accountants
401 Lewis Hargett Circle, Suite 110
Lexington, Kentucky 40503

Louis E. Fister, Jr.
Jim Mike Williams
Brad Oberlander

Phone (859) 219-0098
Fax (859) 219-9058

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the National Association of State Boating Law Administrators, Inc. (a Kentucky nonprofit corporation) as of September 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Association of State Boating Law Administrators, Inc. as of September 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2009, on our consideration of the National Association of State Boating Law Administrators, Inc.'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 on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the National Association of State Boating Law Administrators, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards on page 19 is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fister, Williams & Oberlander, PLLC

March 4, 2009

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 650,061	\$ 141,546
Accounts receivable	39,719	51,272
Grants receivable	27,525	51,426
Unconditional promises to give	49,504	66,241
Other receivables	21,791	3,841
Inventory	10,894	11,040
Prepaid expenses	11,085	8,313
Total current assets	810,579	333,679
Fixed assets, net	18,549	10,147
Restricted cash	32,560	
Total assets	\$ 861,688	\$ 343,826

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 220,627	\$ 198,219
Agency funds	32,560	
Accrued liabilities	39,502	23,772
Refundable advances	585,485	34,298
Total current liabilities	878,174	256,289
Net assets:		
Unrestricted net assets:		
Board designated	81,358	40,530
Undesignated	(147,348)	(19,734)
Total unrestricted net assets	(65,990)	20,796
Temporarily restricted net assets	49,504	66,741
Total net assets	(16,486)	87,537
Total liabilities and net assets	\$ 861,688	\$ 343,826

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Federal financial assistance	\$ 1,862,875	\$	\$ 1,862,875
Membership dues	366,900		366,900
Program service fees	121,966		121,966
Product sales	20,461		20,461
Contract fees	68,916		68,916
Sponsorships	11,500	14,623	26,123
Contributions	1,030		1,030
Interest income	1,390		1,390
Miscellaneous income	498		498
Net assets released from restrictions	31,860	(31,860)	0
Total revenues	<u>2,487,396</u>	<u>(17,237)</u>	<u>2,470,159</u>
Expenses			
Program expenses:			
Federal programs	1,862,876		1,862,876
Member programs	600,691		600,691
Supporting services:			
Management and general	89,452		89,452
Fundraising	21,163		21,163
Total expenses	<u>2,574,182</u>	<u>0</u>	<u>2,574,182</u>
Change in net assets	(86,786)	(17,237)	(104,023)
Net assets, beginning of year	<u>20,796</u>	<u>66,741</u>	<u>87,537</u>
Net assets, end of year	<u>\$ (65,990)</u>	<u>\$ 49,504</u>	<u>\$ (16,486)</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Federal financial assistance	\$ 1,405,749	\$	\$ 1,405,749
Membership dues	369,100		369,100
Program service fees	131,460		131,460
Product sales	12,037		12,037
Contract fees	48,608		48,608
Sponsorships	9,500	66,741	76,241
In-kind contributions	63,270		63,270
Interest income	1,591		1,591
Total revenues	<u>2,041,315</u>	<u>66,741</u>	<u>2,108,056</u>
Expenses			
Program expenses:			
Federal programs	1,469,519		1,469,519
Member programs	249,879		249,879
Supporting services:			
Management and general	295,428		295,428
Fundraising	6,719		6,719
Total expenses	<u>2,021,545</u>	<u>0</u>	<u>2,021,545</u>
Change in net assets	19,770	66,741	86,511
Net assets, beginning of year	<u>1,026</u>	<u>0</u>	<u>1,026</u>
Net assets, end of year	<u>\$ 20,796</u>	<u>\$ 66,741</u>	<u>\$ 87,537</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2008

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Federal Programs</u>	<u>Member Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel expenses	\$ 318,748	\$ 125,720	\$ 181,313	\$ 5,202	\$ 630,983
Employee benefits	141,156	61,927	5,616	1,682	210,381
Total personnel costs	<u>459,904</u>	<u>187,647</u>	<u>186,929</u>	<u>6,884</u>	<u>841,364</u>
Communications and technology	16,265	3,555	22,149		41,969
Conference and meeting expense	26,503	139,869	4,327		170,699
Contractual services	631,719	51,189	10,186	7,985	701,079
Depreciation			3,534		3,534
Equipment rental & maintenance			5,813		5,813
Occupancy			53,569		53,569
Other expenses	47	4,640	52,125		56,812
Postage and shipping	26,200	9,505	3,717		39,422
Printing and production	69,094	24,380	310	890	94,674
Professional fees		8,798	18,113		26,911
Shipping and storage of boats	22,950				22,950
Supplies and materials	73,868	7,428	22,653		103,949
Travel	270,235	116,099	23,931	1,172	411,437
Indirect	266,091	47,581	(317,904)	4,232	0
	<u>\$ 1,862,876</u>	<u>\$ 600,691</u>	<u>\$ 89,452</u>	<u>\$ 21,163</u>	<u>\$ 2,574,182</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2007

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Federal Programs</u>	<u>Member Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel expenses	\$ 243,912	\$ 20,988	\$ 166,662	\$ 2,980	\$ 434,542
Employee benefits	79,750	5,205	69,449	954	155,358
Total personnel costs	<u>323,662</u>	<u>26,193</u>	<u>236,111</u>	<u>3,934</u>	<u>589,900</u>
Communications and technology			12,203		12,203
Conference and meeting expense	39,774	115,023	16,270	268	171,335
Contractual services	347,225	24,390	9,248	855	381,718
Depreciation			7,228		7,228
Equipment rental & maintenance			4,489		4,489
Occupancy			52,557		52,557
Other expenses	14,171	418	60,187	268	75,044
Postage and shipping	23,840	5,988	2,632		32,460
Printing and production	87,056	5,445	2,381		94,882
Professional fees		4,650	30,721		35,371
Supplies and materials	110,919	4,753	51,440		167,112
Travel	300,232	26,169	70,453	392	397,246
Indirect	<u>222,640</u>	<u>36,850</u>	<u>(260,492)</u>	<u>1,002</u>	<u>0</u>
	<u>\$ 1,469,519</u>	<u>\$ 249,879</u>	<u>\$ 295,428</u>	<u>\$ 6,719</u>	<u>\$ 2,021,545</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (104,023)	\$ 86,511
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,534	7,228
Changes in:		
Accounts receivable	11,553	(15,693)
Grants receivable	23,901	(51,426)
Unconditional promises to give	16,737	(61,241)
Other receivables	(17,950)	3,825
Inventory	146	6,056
Prepaid expenses	(2,772)	4,855
Accounts payable	22,408	71,942
Accrued liabilities	15,730	(2,875)
Refundable advances	<u>551,187</u>	<u>(484,174)</u>
Net cash provided by (used in) operating activities	<u>520,451</u>	<u>(434,992)</u>
Investing activities:		
Purchase of fixed assets	<u>(11,936)</u>	<u>0</u>
Net change in cash and cash equivalents	508,515	(434,992)
Cash and cash equivalents, beginning of year	<u>141,546</u>	<u>576,538</u>
Cash and cash equivalents, end of year	<u>\$ 650,061</u>	<u>\$ 141,546</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 1 - NATURE OF ACTIVITIES

The National Association of State Boating Law Administrators, Inc. (NASBLA) is a non-stock, nonprofit corporation formed in the Commonwealth of Kentucky on April 11, 1997. Prior to that, NASBLA operated as a nonprofit professional association in affiliation with the Council of State Governments. 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. Non-voting membership is open on an associate basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of NASBLA is presented to assist in understanding NASBLA's operations and financial position. The financial statements and notes are representation of NASBLA's management who is 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.

Basis of Accounting:

The accompanying financial statements of NASBLA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation:

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, Under SFAS No. 117, NASBLA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents:

NASBLA considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash and cash equivalents.

Accounts and Grants Receivable:

Accounts receivable consists primarily of program and registration fees and is considered by NASBLA to be fully collectible; accordingly, 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. On September 30, 2008 and 2007, inventory primarily consisted of manuals.

Fixed Assets:

NASBLA capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment ranging from three to five year. Depreciation expense was \$3,534 and \$7,228 for the years ended September 30, 2008 and 2007.

Contributions:

Contributions are recognized when the donor makes a promise to give to NASBLA that is, in substance, unconditional. Contributions restricted by the donor are reported as increases in unrestricted net assets when restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are not included as contributions until the conditions are substantially met.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue:

Income from conference registration and other service fees is deferred and recognized over the period to which the fees relate.

Concentration of Revenue:

NASBLA received approximately 75% and 67% in 2008 and 2007 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.

Revenue Recognition:

NASBLA's federal grant awards are accounted for as exchange transactions. Grant funds received in exchange transactions are deemed to be earned and reported as federal financial assistance of the applicable grant when NASBLA has incurred expenses in compliance with the specific restrictions of the grant agreement. Expenses incurred for which grant funds have not been received are reported as grants receivable, while grant funds received but not yet earned are reported as refundable advances.

Expense Allocation:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, indirect costs have been allocated among the programs the supporting services benefitted using the "Modified Total Direct Cost" basis as defined by United States Office of Management and Budget, Circular A-122, Cost Principles for Non-Profit organizations, subparagraph D.3.f. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of NASBLA.

Income Tax Status:

NASBLA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code retroactive to July 1, 1976 and therefore has no provision for federal, state or local income taxes. Also, NASBLA has been determined not to be a private foundation within the meaning of the Internal Revenue Code 509(a).

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 3 - 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 the 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 (Small Craft Advisory, 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)

Improving the Reliability of Accident Reporting

This grant supports the continued effort of the states and NASBLA to improve the reliability of recreational boating accident reporting through two closely related projects: the Boating Accident Investigation Courses and the Staged Boating Collisions. This grant funds five comprehensive boating accident investigation courses, one advanced course and four Charleston, South Carolina Marine Patrol Officer Courses (MPOC). The Staged Boating Collisions project portion of this grant augments the Staged Boating Collisions grant project of 2006 and enhances the accident investigation courses program by providing two sets of wrecked boats – one set for the East Coast and one set for the West Coast – allowing NASBLA to expand training to more marine law enforcement officers in the West.

Decreasing Alcohol-Related Recreational Boating Accidents

This grant 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 and to foster a stronger and more visible deterrent to alcohol use on the water. Additionally, this grant 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 THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 3 - DESCRIPTION OF GRANTS AND PROJECTS (CONTINUED)

Creation of a National Registry Database of Boating Education Certificates

This grant supports the development and implementation of a national registry database of boating education certificate holders in the United States to track the number of NASBLA-approved boating safety education certificates issued annually. By capturing these instances of course completion, NASBLA and the USCG will be able to compare the data to accident statistics for the first time and be able to show, definitively, whether boating safety education makes a difference in recreational boating.

Comprehensive Review of Boating Education Programs Nationwide with Recommendations for Improvements

This grant supports a comprehensive review of all boating education programs nationwide with the purpose of comparing the effectiveness of state mandatory vs. voluntary boater education programs. The goal of the project is to determine the overall national status of boater safety education programs and make recommendations for programmatic improvement.

Navigation Rules Training Module for the Marine Law Enforcement Officer

This grant supports the development of a training program for marine law enforcement officers to improve officer knowledge and consistency of identifying/documenting navigation rules violations. This will help reduce the number of boating accidents related to navigation rules violations.

Boating Safety Education Instructor Training Module with an Increased Focus on Navigation Rules

This grant supports the development and implementation of a training module for boating safety instructors designed to increase focus time and attention to navigation rules in boating safety classes and to increase navigation rules awareness through other means of boating public outreach.

Creation of Education Standards for Paddlesports-Focused Boating Safety Courses

This grant supports the development of education standards specifically for paddlesports-focused courses. The resulting standards will contain information relevant and necessary to create a safe, legal and enjoyable paddling experience. This grant will also create a framework for a paddlesports course approval program and develop the procedures and processes required to administer the approval program.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 4 - DONATED SERVICES

The Board of Directors of NASBLA consists of state, commonwealth, and territorial boating law officials. NASBLA has been the recipient of substantial service time contributed by the President and certain members of the Board of Directors during the fiscal years ended September 30, 2008 and 2007. However, such services do not meet the criteria of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, and accordingly, have not been valued or reported in the accompanying financial statements.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

NASBLA maintains its cash balances with a financial institution located in Central Kentucky. The cash balance is insured by the Federal Deposit Insurance Corporation up to \$100,000. NASBLA's uninsured bank balance totaled approximately \$564,000 and \$105,000 at September 30, 2008 and 2007, respectively.

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of at September 30:

	<u>2008</u>	<u>2007</u>
Boater exam corporate sponsorship	\$ 21,025	\$ 28,133
Boat education corporate sponsorship	<u>28,479</u>	<u>38,108</u>
Total unconditional promises to give	<u>\$ 49,504</u>	<u>\$ 66,241</u>

Unconditional promises to give are classified as follows at September 30:

	<u>2008</u>	<u>2007</u>
Promises to give due in less than one year	\$ 27,760	\$ 27,760
Promises to give due in one to five years	<u>27,760</u>	<u>55,520</u>
	55,520	83,280
Less discount to present value	<u>6,016</u>	<u>17,039</u>
Total unconditional promises to give	<u>\$ 49,504</u>	<u>\$ 66,241</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 7 - FIXED ASSETS

Fixed assets consist of the following at September 30:

	<u>2008</u>	<u>2007</u>
Office furniture and equipment	\$ 24,937	\$ 24,937
Audio visual equipment	9,353	9,353
Computer equipment	<u>16,774</u>	<u>4,839</u>
	51,064	39,129
Less accumulated depreciation	<u>32,515</u>	<u>28,982</u>
Fixed assets, net	<u>\$ 18,549</u>	<u>\$ 10,147</u>

NOTE 8 - AGENCY FUNDS

Statement of Financial Accounting Standards (SFAS) No. 136, "*Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others,*" identifies certain situations when an organization does not record contribution revenue when it receives funds. Instead, the recipient organization records an asset and a liability. These situations include transactions where the organization receives funds as an agent, trustee or intermediary.

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. During 2008 TPWD deposited \$36,000 with NASBLA. Transactions made on behalf of TPWD are not included in NASBLA's statement of activities. At September 30, 2008, the amount held by NASBLA on behalf of TPWD was \$32,560.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 9 - LEASE AGREEMENT

NASBLA leases office space under a noncancellable five year lease that commenced on February 1, 2005, with annual rentals of \$39,897. In addition NASBLA entered into a one year noncancellable lease agreement for additional office space with annual rentals of \$14,683. NASBLA also leases a copy machine and postage machine with annual rentals of \$2,625 with \$990 and expiration dates of May 2010 and June 2008, respectively.

Total rent expense for the years ended September 30, 2008 and 2007 was \$57,674 and \$56,129, respectively.

The future lease payments under noncancellable lease agreements are as follows for the year ending September 30, 2008:

2009	\$ 49,866
2010	<u>15,042</u>
Total	<u>\$ 64,908</u>

NOTE 10 - LINE OF CREDIT

NASBLA has a \$50,000 line of credit available, bearing interest at prime plus 2%. When drawn, the loan is secured by business assets. The line of credit has no specified maturity date. Prime rate at September 30, 2008 and 2007 was 7.00% and 7.75%, respectively.

NOTE 11 - RETIREMENT PLAN

During the fiscal year ended September 30, 2000, NASBLA established a Savings Incentive Match Plan for Employees (“SIMPLE”) IRS 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 \$10,500 (or \$13,000 if over age 50) for the Plan year ended December 31, 2008. NASBLA will provide matching or nonelective contributions based on options predetermined by the Internal Revenue Service. All contributions made under the Plan are fully vested and nonforfeitable. NASBLA contributed \$15,217 and \$12,385 to the Plan during the fiscal years ended September 30, 2008 and 2007.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 12 - BOARD DESIGNATED NET ASSETS

Unrestricted net assets have been Board designated to establish an internal quasi-endowment fund. The balance of Board designated net assets totaled \$81,358 and \$40,530 at September 30, 2008 and 2007, respectively.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30:

	<u>2008</u>	<u>2007</u>
Unconditional promises to give:		
Boater exam corporate sponsorship	\$ 21,025	\$ 28,133
Boat education corporate sponsorship	<u>28,479</u>	<u>38,108</u>
 Total temporarily restricted net assets	 <u>\$ 49,504</u>	 <u>\$ 66,241</u>

NOTE 14 - 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.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 15 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, and disclosure. On December 31, 2008 the FASB issued FASB Staff Position (FSP) FIN 48-3 changing the effective date of FIN 48 for fiscal years beginning after December 15, 2008 for certain nonpublic enterprises, including nonpublic not-for-profit organizations. The NASBLA is in the process of evaluating the impact that FIN 48 will have on the financial statements.

The FASB issued FASB Staff Position (FSP) FAS 117-1 *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). This FSP also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA. The provisions of this FSP are effective for fiscal years ending after December 15, 2008. The NASBLA is in the process of evaluating the impact that FAS 117-1 will have on the financial statements.

In September 2006, FASB issued SFAS No. 157, "*Fair Value Measurement.*" This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements but could change the current practices in measuring current fair value measurements. The Statement is effective January 1, 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value on a recurring basis. For all other nonfinancial assets and liabilities, the Statement is effective January 1, 2009. The NASBLA is in the process of evaluating the impact SFAS No. 157 will have on the financial statements, if any.

In February 2007, FASB issued SFAS No. 159 "*The Fair Value Option for Financial Assets and Financial Liabilities.*" This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective January 1, 2008. The NASBLA is in the process of evaluating the impact SFAS No. 159 will have on the financial statements, if any.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Federal CDFA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Homeland Security		
Direct Award		
United States Coast Guard Boating Safety Financial Assistance	97.012	\$ 1,862,876

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies used in preparing the Schedule of Expenditures of Federal Awards are the same as those used to prepare the basic financial statements and are disclosed in Note 2 to the financial statements.

NOTE 2 - BASIS OF DETERMINATION OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards includes the federal grant activity of NASBLA. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Fister, Williams & Oberlander, PLLC

Certified Public Accountants
401 Lewis Hargett Circle, Suite 110
Lexington, Kentucky 40503

Louis E. Fister, Jr.
Jim Mike Williams
Brad Oberlander

Phone (859) 219-0098
Fax (859) 219-9058

REPORT 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 Executive Board
National Association of State
Boating Law Administrators, Inc.
Lexington, Kentucky

We have audited the financial statements of the National Association of State Boating Law Administrators, Inc. (a Kentucky nonprofit organization) as of and for the year ended September 30, 2008, and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the National Association of State Boating Law Administrators, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the National Association of State Boating Law Administrators, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Association's financial statements that is more than inconsequential will not be prevented or detected by the Association's internal control. We consider the deficiencies described as item 2008-1 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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

Page Two

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the National Association of State Boating Law Administrators, Inc.'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

The National Association of State Boating Law Administrators, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did audit the National Association of State Boating Law Administrators, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Executive Board and management of National Association of State Boating Law Administrators, Inc., the U. S. Department of Homeland Security and the U. S. Coast Guard and is not intended to be and should not be used by anyone other than these specified parties.

Fister, Williams & Oberlander, PLLC

March 4, 2009

Fister, Williams & Oberlander, PLLC

Certified Public Accountants
401 Lewis Hargett Circle, Suite 110
Lexington, Kentucky 40503

Louis E. Fister, Jr.
Jim Mike Williams
Brad Oberlander

Phone (859) 219-0098
Fax (859) 219-9058

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the National Association of State Boating Law Administrators, Inc. (a Kentucky nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement*" that are applicable to each of its major federal programs for the year ended September 30, 2008. The National Association of State Boating Law Administrators, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the National Association of State Boating Law Administrators, Inc.'s management. Our responsibility is to express an opinion of the National Association of State Boating Law Administrators, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the National Association of State Boating Law Administrators, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the National Association of State Boating Law Administrators, Inc.'s compliance with those requirements.

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

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In our opinion, the National Association of State Boating Law Administrators, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-2.

Internal Control Over Compliance

The management of the National Association of State Boating Law Administrators, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the National Association of State Boating Law Administrators, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the National Association of State Boating Law Administrators, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

Page Three

The National Association of State Boating Law Administrators, Inc.'s response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the National Association of State Boating Law Administrators, Inc.'s responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Executive Board and management of the National Association of State Boating Law Administrators, Inc., the U. S. Department of Homeland Security, and the U. S. Coast Guard and is not intended to be and should not be used by anyone other than these specified parties.

Fister, Williams & Oberlander, PLLC

March 4, 2009

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies 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 deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

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

- Any audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133? yes no

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
September 30, 2008

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.012	United States Coast Guard Boating Safety Financial Assistance
• Dollar threshold used to distinguish between type A and type B programs	<u>\$ 300,000</u>
• Auditee qualified as low-risk auditee?	<u>X</u> yes ___ no

Section II - Financial Statement of Findings

2008-1 *Criteria* – Federal administrative requirements call for maintaining documents such as receipts and invoices sufficient enough to establish that funds have not been used in violation of law and regulations.

Condition – A random sample of 40 credit card charges out of approximately 1,640 credit card charges for the year was selected. Our tests disclosed 20% of the credit card charges in the random sample were not properly supported with a receipt or invoice.

Effect – Without supporting receipts or invoices NASBLA may have charged expenditures to federal awards that were not allowed.

Cause – Due to the nature and extent of NASBLA’s use of credit cards NASBLA’s control policies and procedures may not properly reflect the procedures need to ensure all receipts and invoices are obtained for credit card transactions.

Recommendation – We recommend NASBLA review its policies and procedures and implement new controls related to credit card transactions.

Views of Responsible Officials and Planned Corrective Action – NASBLA will review the current policies and procedures and implement new controls for credit card transactions specifically dealing with receipts for smaller purchases under a certain dollar amount.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
September 30, 2008

Section III - Federal Award Findings and Questioned Costs

2008-2 CFDA #97.012 United States Coast Guard Boating Safety Financial Assistance

Criteria – Federal administrative requirements call for maintaining documents such as receipts and invoices sufficient enough to establish that funds have not been used in violation of law and regulations.

Condition – A random sample of 40 credit card charges out of approximately 1,640 credit card charges for the year was selected. Our tests disclosed 20% of the credit card charges in the random sample were not properly supported with a receipt or invoice.

Effect – Without supporting receipts or invoices NASBLA may have charged expenditures to federal awards that were not allowed.

Questioned Costs - \$190.

Cause – Due to the nature and extent of NASBLA's use of credit cards NASBLA's control policies and procedures may not properly reflect the procedures need to ensure all receipts and invoices are obtained for credit card transactions.

Recommendation – We recommend NASBLA review its policies and procedures and implement new controls related to credit card transactions.

Views of Responsible Officials and Planned Corrective Action – NASBLA will review the current policies and procedures and implement new controls for credit card transactions specifically dealing with receipts for smaller purchases under a certain dollar amount.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
September 30, 2007

2007-1 *Condition* - During August 2007 the general ledger data file was accidentally erased from the chief financial officer's laptop. Through September 30, 2007 and subsequent to September 30, 2007 NASBLA's general ledger software and data file resided on the accountant's laptop hard drive with all designated users accessing the data file using NABLA's in-house peer-to-peer network.

Current Status – NABLA is currently implementing a new general software program using a centralized network server rather than on an individual's laptop.