

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, 2009 AND 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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 June 9, 2010, 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

June 9, 2010

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>A S S E T S</u>		
Current assets:		
Cash and cash equivalents	\$ 168,548	\$ 650,061
Accounts receivable	15,686	39,719
Grants receivable	42,022	27,525
Unconditional promises to give	33,203	49,504
Other receivables	2,145	21,791
Inventory	24,230	10,894
Prepaid expenses	4,359	11,085
Total current assets	<u>290,193</u>	<u>810,579</u>
Fixed assets, net	80,046	18,549
Restricted cash	<u>6,137</u>	<u>32,560</u>
Total assets	<u>\$ 376,376</u>	<u>\$ 861,688</u>
<u>L I A B I L I T I E S A N D N E T A S S E T S</u>		
Current liabilities:		
Accounts payable	\$ 244,187	\$ 220,627
Agency funds	6,137	32,560
Accrued liabilities	23,420	39,502
Refundable advances	117,430	585,485
Total current liabilities	<u>391,174</u>	<u>878,174</u>
Net assets:		
Unrestricted net assets:		
Board designated	71,729	81,358
Undesignated	(119,730)	(147,348)
Total unrestricted net assets	<u>(48,001)</u>	<u>(65,990)</u>
Temporarily restricted net assets	<u>33,203</u>	<u>49,504</u>
Total net assets	<u>(14,798)</u>	<u>(16,486)</u>
Total liabilities and net assets	<u>\$ 376,376</u>	<u>\$ 861,688</u>

See accompanying notes.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Federal financial assistance	\$ 1,825,304	\$	\$ 1,825,304
Membership dues	359,100		359,100
Program service fees	114,565		114,565
Product sales	8,613		8,613
Contract fees	55,315		55,315
Sponsorships	19,356	11,459	30,815
Contributions	5,536		5,536
Interest income	301		301
Miscellaneous income	3,742		3,742
Net assets released from restrictions	<u>27,760</u>	<u>(27,760)</u>	<u>0</u>
Total revenues	<u>2,419,592</u>	<u>(16,301)</u>	<u>2,403,291</u>
Expenses			
Program expenses:			
Federal programs	1,825,304		1,825,304
Member programs	428,891		428,891
Supporting services:			
Management and general	136,248		136,248
Fundraising	<u>11,160</u>		<u>11,160</u>
Total expenses	<u>2,401,603</u>	<u>0</u>	<u>2,401,603</u>
Change in net assets	17,989	(16,301)	1,688
Net assets, beginning of year	<u>(65,990)</u>	<u>49,504</u>	<u>(16,486)</u>
Net assets, end of year	<u>\$ (48,001)</u>	<u>\$ 33,203</u>	<u>\$ (14,798)</u>

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 FUNCTIONAL EXPENSES
For the Year Ended September 30, 2009

	<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	\$ 257,016	\$ 95,589	\$ 210,183	\$ 4,521	\$ 567,309
Employee benefits	155,649	35,519	45,484	4,346	240,998
Total personnel costs	<u>412,665</u>	<u>131,108</u>	<u>255,667</u>	<u>8,867</u>	<u>808,307</u>
Conference and meeting expense	67,601	99,679	2,103		169,383
Contractual services	895,678	81,348	66,981		1,044,007
Dues and subscriptions		1,826	4,683		6,509
Depreciation			12,883		12,883
Equipment rental & maintenance			5,608		5,608
Occupancy			59,784		59,784
Other expenses	21,162	959	24,841		46,962
Postage and shipping	29,477	2,930	2,648		35,055
Printing and production	90,570	1,343	1,431		93,344
Professional fees		8,182	11,655	61	19,898
Supplies and materials	61,255	12,372	26,236		99,863
Indirect	<u>246,896</u>	<u>89,144</u>	<u>(338,272)</u>	<u>2,232</u>	<u>0</u>
	<u>\$ 1,825,304</u>	<u>\$ 428,891</u>	<u>\$ 136,248</u>	<u>\$ 11,160</u>	<u>\$ 2,401,603</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>

See accompanying notes.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,688	\$ (104,023)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	12,883	3,534
Changes in:		
Accounts receivable	24,033	11,553
Grants receivable	(14,497)	23,901
Unconditional promises to give	16,301	16,737
Other receivables	19,646	(17,950)
Inventory	(13,336)	146
Prepaid expenses	6,726	(2,772)
Accounts payable	23,560	22,408
Accrued liabilities	(16,082)	15,730
Refundable advances	(468,055)	551,187
	<u>(407,133)</u>	<u>520,451</u>
Net cash provided by (used in) operating activities		
Investing activities:		
Purchase of fixed assets	<u>(74,380)</u>	<u>(11,936)</u>
Net change in cash and cash equivalents	(481,513)	508,515
Cash and cash equivalents, beginning of year	<u>650,061</u>	<u>141,546</u>
Cash and cash equivalents, end of year	<u>\$ 168,548</u>	<u>\$ 650,061</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

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, 2009 and 2008

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, 2009 and 2008, 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 \$12,883 and \$3,534 for the years ended September 30, 2009 and 2008.

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, 2009 and 2008

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 76% and 75% in 2009 and 2008 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, 2009 and 2008

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, 2009 and 2008

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, 2009 and 2008

NOTE 3 - DESCRIPTION OF GRANTS AND PROJECTS (CONTINUED)

Operation Dry Water - Pilot Program

This grant 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.

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, 2009 and 2008. 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, 2009 and 2008, respectively.

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of at September 30:

	<u>2009</u>	<u>2008</u>
Boater exam corporate sponsorship	\$ 10,916	\$ 21,025
Boat education corporate sponsorship	<u>22,287</u>	<u>28,479</u>
Total unconditional promises to give	<u>\$ 33,203</u>	<u>\$ 49,504</u>

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE 6 - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

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

	<u>2009</u>	<u>2008</u>
Promises to give due in less than one year	\$ 35,261	\$ 27,760
Promises to give due in one to five years	<u>0</u>	<u>27,760</u>
	35,261	55,520
Less discount to present value	<u>2,058</u>	<u>6,016</u>
Total unconditional promises to give	<u>\$ 33,203</u>	<u>\$ 49,504</u>

NOTE 7 - FIXED ASSETS

Fixed assets consist of the following at September 30:

	<u>2009</u>	<u>2008</u>
Office furniture and equipment	\$ 23,147	\$ 24,937
Audio visual equipment	0	9,353
Computer equipment	9,958	16,774
Software	51,598	0
Trademark	<u>24,760</u>	<u>0</u>
	109,463	51,064
Less accumulated depreciation and amortization	<u>29,417</u>	<u>32,515</u>
Fixed assets, net	<u>\$ 80,046</u>	<u>\$ 18,549</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.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

NOTE 8 – AGENCY FUNDS (CONTINUED)

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, 2009, the amount held by NASBLA on behalf of TPWD was \$6,137.

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 an expiration date of May 2010.

Total rent expense for the years ended September 30, 2009 and 2008 was \$63,674 and \$57,674, respectively.

The future lease payments under noncancellable lease agreements totaled \$15,042 for the year ending September 30, 2009.

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, 2009 and 2008 was 3.25% and 7.00%, respectively.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2009 and 2008

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, 2009. 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 \$14,806 and \$15,217 to the Plan during the fiscal years ended September 30, 2009 and 2008.

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 \$71,729 and \$81,358 at September 30, 2009 and 2008, respectively.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2009</u>	<u>2008</u>
Unconditional promises to give:		
Boater exam corporate sponsorship	\$ 10,916	\$ 21,025
Boat education corporate sponsorship	<u>22,287</u>	<u>28,479</u>
Total temporarily restricted net assets	\$ <u>33,203</u>	\$ <u>49,504</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, 2009 and 2008

NOTE 15 - INCOME TAXES

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 Certain Nonpublic Enterprises*. FSP FIN 48-3 permits an entity with its scope to defer the effective date of FASB Interpretation 48 (Interpretation 48), *Accounting for Uncertainty in Income Taxes*, to its annual financial statements for fiscal years beginning after December 15, 2008. The NASBLA has elected to defer the application of Interpretation 48 for the year ending September 30, 2009. NASBLA evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

NOTE 16 - SUBSEQUENT EVENTS

NASBLA has evaluated all subsequent events through June 9, 2010, the date the financial statements were available to be issued.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2009

<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	\$ 1,825,304

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2009

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.

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, 2009, and have issued our report thereon dated June 9, 2010. 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 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 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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

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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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Fister, Williams & Oberlander, PLLC

June 9, 2010

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, 2009. 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

Page Two

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, 2009.

Internal Control over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not all 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

June 9, 2010

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2009

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, 2009

Identification of major programs:

CFDA Number

97.012

Name of Federal Program or Cluster

United States Coast Guard Boating
Safety Financial Assistance

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

\$ 300,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II - Financial Statement of Findings

No findings reported.

Section III - Federal Award Findings and Questioned Costs

No findings reported.

NATIONAL ASSOCIATION OF STATE
BOATING LAW ADMINISTRATORS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
September 30, 2008

2008-1 United States Coast Guard Boating Safety Financial Assistance, CFDA 97.012

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.

Recommendation - The auditor recommended that NASBLA review its policies and procedures and implement new controls related to credit card transactions.

Current Status - NASBLA implemented new policies and procedures during the year ended September 30, 2009 for credit card transactions. No similar findings were noted in the 2009 audit.