

**COMBINED FINANCIAL STATEMENTS**

**NATIONAL ASSOCIATION OF  
ALCOHOLISM AND DRUG ABUSE  
COUNSELORS**

**NAADAC EDUCATION AND  
RESEARCH FOUNDATION**

**NATIONAL ASSOCIATION OF  
ALCOHOLISM AND DRUG ABUSE  
COUNSELORS - POLITICAL ACTION  
COMMITTEE**

**FOR THE YEAR ENDED DECEMBER 31, 2004  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2003**

**NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS  
NAADAC EDUCATION AND RESEARCH FOUNDATION  
NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE  
COUNSELORS - POLITICAL ACTION COMMITTEE**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
National Association of Alcoholism and Drug Abuse Counselors  
Alexandria, Virginia

We have audited the accompanying combined statement of financial position of the National Association of Alcoholism and Drug Abuse Counselors (NAADAC), the NAADAC Education and Research Foundation (the Foundation) and the National Association of Alcoholism and Drug Abuse Counselors - Political Action Committee (NAADAC-PAC) as of December 31, 2004, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the year then ended. The combined financial statements are the responsibility of the organizations' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organizations' combined 2003 financial statements and, in our report dated April 7, 2004, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of the National Association of Alcoholism and Drug Abuse Counselors, the NAADAC Education and Research Foundation and the National Association of Alcoholism and Drug Abuse Counselors - Political Action Committee as of December 31, 2004, and their combined change in net assets and their combined cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Gelman Rosenberg & Freedman*

April 1, 2005

**NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS  
NAADAC EDUCATION AND RESEARCH FOUNDATION  
NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE  
COUNSELORS - POLITICAL ACTION COMMITTEE**

**COMBINED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2004  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

**ASSETS**

	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 69,172	\$ 127,641
Investments (Note 2)	111,221	325,414
Accounts receivable	51,386	34,287
Contracts receivable	53,900	17,034
Prepaid expenses	<u>4,681</u>	<u>12,247</u>
Total current assets	<u>290,360</u>	<u>516,623</u>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	52,739	102,995
Computers	<u>102,078</u>	<u>129,471</u>
	154,817	232,466
Less: Accumulated depreciation and amortization	<u>(123,175)</u>	<u>(189,076)</u>
Net furniture and equipment	<u>31,642</u>	<u>43,390</u>
<b>OTHER ASSETS</b>		
Deposits	<u>8,387</u>	<u>5,999</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 330,389</u></b>	<b><u>\$ 566,012</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Line of credit (Note 3)	\$ 30,000	\$ 30,000
Accounts payable and accrued expenses	179,416	132,936
Due to affiliates	37,359	40,637
Deferred revenue	<u>96,783</u>	<u>122,163</u>
Total liabilities	<u>343,558</u>	<u>325,736</u>
<b>NET ASSETS</b>		
Unrestricted	(36,993)	188,906
Temporarily restricted (Note 6)	<u>23,824</u>	<u>51,370</u>
Total net assets	<u>(13,169)</u>	<u>240,276</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 330,389</u></b>	<b><u>\$ 566,012</u></b>

See accompanying notes to combined financial statements.

**NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS  
NAADAC EDUCATION AND RESEARCH FOUNDATION  
NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE  
COUNSELORS - POLITICAL ACTION COMMITTEE**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	<u>2004</u>			<u>2003</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Dues	\$ 734,619	\$ -	\$ 734,619	\$ 783,213
NCAC	218,835	-	218,835	199,590
National conference	114,390	-	114,390	134,450
Publications	198,007	-	198,007	398,559
Mailing list	29,815	-	29,815	28,498
Affiliate relations	18,175	-	18,175	16,300
Education provider	30,800	-	30,800	28,400
Contributions	15,844	25,560	41,404	18,233
Investment income (Note 2)	21,390	-	21,390	79,041
Royalties	42,957	-	42,957	40,120
Other	12,933	-	12,933	12,342
Contracts	112,106	-	112,106	51,100
Net assets released from donor restrictions (Note 7)	<u>53,106</u>	<u>(53,106)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,602,977</u>	<u>(27,546)</u>	<u>1,575,431</u>	<u>1,789,846</u>
<b>EXPENSES</b>				
Program services:				
Membership Services	107,683	-	107,683	135,484
NCAC Services	144,408	-	144,408	126,136
Counselor and Newsletter	61,760	-	61,760	60,154
National Conference	163,638	-	163,638	230,282
Trainer Academy	3,196	-	3,196	-
Publication	129,962	-	129,962	164,923
Board and Committee Member Services	249,661	-	249,661	270,067
Legislative Affairs	180,274	-	180,274	229,844
Affiliate Relations	224,665	-	224,665	273,292
Education Provider	10,033	-	10,033	12,492
Elections	17,141	-	17,141	-
Web Page	12,191	-	12,191	13,293
Buprenorphine Project	48,432	-	48,432	11,495
Public Relations	55,528	-	55,528	74,940
Ohio Project	47,690	-	47,690	-
Cyprus	54,106	-	54,106	-
Co-Occurring Conference	<u>17,389</u>	<u>-</u>	<u>17,389</u>	<u>-</u>
Total program services	<u>1,527,757</u>	<u>-</u>	<u>1,527,757</u>	<u>1,602,402</u>
Supporting services:				
General and Administrative	288,662	-	288,662	158,440
Fundraising	<u>12,457</u>	<u>-</u>	<u>12,457</u>	<u>39,343</u>
Total supporting services	<u>301,119</u>	<u>-</u>	<u>301,119</u>	<u>197,783</u>
Total expenses	<u>1,828,876</u>	<u>-</u>	<u>1,828,876</u>	<u>1,800,185</u>
Change in net assets	(225,899)	(27,546)	(253,445)	(10,339)
Net assets at beginning of year	<u>188,906</u>	<u>51,370</u>	<u>240,276</u>	<u>250,615</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ (36,993)</u></b>	<b><u>\$ 23,824</u></b>	<b><u>\$ (13,169)</u></b>	<b><u>\$ 240,276</u></b>

See accompanying notes to combined financial statements.

NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS  
 NAADAC EDUCATION AND RESEARCH FOUNDATION  
 NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS ·  
 POLITICAL ACTION COMMITTEE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003

	2004											
	Program Services											
	Membership Services	NCAC Services	Counselor and Newsletter	National Conference	Trainer Academy	Publication	Board and Committee Member Services	Legislative Affairs	Affiliate Relations	Education Provider	Elections	Web Page
Salaries and employee benefits (Note 5)	\$ 52,727	\$ 72,613	\$ 9,164	\$ 37,053	\$ 1,222	\$ 17,901	\$ 105,634	\$ 64,978	\$ 87,328	\$ 6,574	\$ 2,468	\$ 3,325
Accounting	-	-	-	-	-	-	-	-	-	-	-	-
Legal	-	1,186	-	-	-	-	-	45,246	-	-	-	-
Supplies	-	220	16	159	-	8	1,002	576	49	-	-	-
Telephone	101	522	1	188	-	284	5,834	1,854	1,741	-	-	-
Postage and shipping	17,294	5,131	11,562	10,739	-	7,003	2,339	569	11,887	199	5,541	-
Occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Equipment rental	-	-	-	1,312	-	-	-	-	-	-	-	-
Equipment repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Printing and reproduction	8,282	3,680	29,340	8,113	1	46,911	3,177	4,860	3,058	1	4,764	795
Travel	-	2,859	-	16,058	-	-	52,320	5,763	45,874	-	-	-
Meetings	-	22,869	-	15,171	-	-	10,735	3,408	(1,658)	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Bank service fees	-	-	-	-	-	-	-	-	-	-	-	-
Consultants	-	-	-	-	-	10,354	850	-	4,623	-	-	-
Contributions and donations	-	-	-	-	-	-	-	13,500	-	-	-	-
Dues and subscriptions	-	600	-	-	-	-	-	6,263	-	-	-	-
Insurance	-	4,500	-	-	-	-	10,919	-	18,557	-	-	-
Service fees	-	-	7,829	22,591	1,500	40,662	1,205	3,629	4,194	-	3,338	6,764
Speaker fees	-	-	-	4,894	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-	-	-	-
Temporary assistance	-	510	-	-	-	-	-	2,628	5,800	-	-	-
Training	-	-	-	-	-	-	-	-	-	-	-	-
Hotel and catering	-	-	-	30,366	-	-	-	-	-	-	-	-
Advertising and marketing	-	-	-	465	-	-	-	-	7,963	660	-	-
Awards	7,682	49	-	659	-	-	-	-	-	-	-	-
Bad debt expense	-	-	-	337	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	12,000	-	-	-	-	-
Sub-total	86,086	114,739	57,912	148,105	2,723	123,123	206,015	153,274	189,416	7,434	16,111	10,884
Allocation of overhead	21,597	29,669	3,848	15,533	473	6,839	43,646	27,000	35,249	2,599	1,030	1,307
<b>TOTAL</b>	<b>\$ 107,683</b>	<b>\$ 144,408</b>	<b>\$ 61,760</b>	<b>\$ 163,638</b>	<b>\$ 3,196</b>	<b>\$ 129,962</b>	<b>\$ 249,661</b>	<b>\$ 180,274</b>	<b>\$ 224,665</b>	<b>\$ 10,033</b>	<b>\$ 17,141</b>	<b>\$ 12,191</b>

See accompanying notes to combined financial statements.

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 NAADAC EDUCATION AND RESEARCH FOUNDATION  
 NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS ·  
 POLITICAL ACTION COMMITTEE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003

	2004 (Continued)						2003				
	Program Services (Continued)				Co-Occurring Conference		Supporting Services				
	Buprenorphine Project	Public Relations	Ohio Project	Cyprus	Co-Occurring Conference	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and employee benefits (Note 5)	\$ 17,318	\$ 30,701	\$ 18,693	\$ 11,148	\$ 10,974	\$ 549,821	\$ 198,761	\$ 21	\$ 198,782	\$ 748,603	\$ 638,862
Accounting	-	-	-	-	-	-	30,074	-	30,074	30,074	27,927
Legal	-	-	-	-	-	46,432	8,504	-	8,504	54,936	64,787
Supplies	-	205	-	-	-	2,235	9,663	-	9,663	11,898	12,970
Telephone	62	497	142	171	16	11,413	16,438	2	16,440	27,853	26,602
Postage and shipping	356	1,028	80	-	731	74,459	7,012	4,607	11,619	86,078	86,490
Occupancy	-	-	-	-	-	-	87,845	-	87,845	87,845	73,234
Equipment rental	450	-	-	-	-	1,762	20,596	-	20,596	22,358	33,047
Equipment repairs and maintenance	-	-	-	-	-	-	11,521	-	11,521	11,521	10,373
Printing and reproduction	5,626	87	63	-	1,367	120,125	8,786	3,287	12,073	132,198	173,586
Travel	12,276	4,021	4,631	28,658	-	172,460	13,810	1,278	15,088	187,548	149,403
Meetings	-	-	-	-	-	50,525	-	-	-	50,525	55,442
Interest	-	-	-	-	-	-	6,113	-	6,113	6,113	568
Depreciation	-	-	-	-	-	-	20,492	-	20,492	20,492	18,235
Bank service fees	-	-	-	-	-	-	28,967	-	28,967	28,967	32,021
Consultants	-	-	-	500	-	16,327	11,087	-	11,087	27,414	23,291
Contributions and donations	-	-	-	-	-	13,500	2,500	-	2,500	16,000	29,932
Dues and subscriptions	-	12	-	-	-	6,875	7,034	-	7,034	13,909	19,565
Insurance	-	-	-	-	-	33,976	2,607	-	2,607	36,583	34,778
Service fees	4,985	4,482	16,672	8,795	-	126,646	7,437	3,248	10,685	137,331	129,993
Speaker fees	750	-	-	-	-	5,644	-	-	-	5,644	9,892
Other taxes	-	-	-	-	-	-	3,111	-	3,111	3,111	3,356
Temporary assistance	-	2,244	-	-	-	11,182	2,380	-	2,380	13,562	27,685
Training	-	-	-	-	-	-	498	-	498	498	60
Hotel and catering	-	-	-	-	-	30,366	-	-	-	30,366	52,646
Advertising and marketing	-	200	-	-	-	9,288	-	-	-	9,288	49,685
Awards	-	-	-	-	-	8,390	-	-	-	8,390	6,115
Bad debt expense	-	-	-	-	-	337	-	-	-	337	1,710
Other	-	-	-	-	-	12,000	11,797	-	11,797	23,797	12,565
Sub-total	41,823	43,477	40,281	49,272	13,088	1,303,763	517,033	12,443	529,476	1,833,239	1,804,820
Allocation of overhead	6,609	12,051	7,409	4,834	4,301	223,994	(228,371)	14	(228,357)	(4,363)	(4,635)
<b>TOTAL</b>	<b>\$ 48,432</b>	<b>\$ 55,528</b>	<b>\$ 47,690</b>	<b>\$ 54,106</b>	<b>\$ 17,389</b>	<b>\$ 1,527,757</b>	<b>\$ 288,662</b>	<b>\$ 12,457</b>	<b>\$ 301,119</b>	<b>\$ 1,828,876</b>	<b>\$ 1,800,185</b>

See accompanying notes to combined financial statements.

**NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS  
 NAADAC EDUCATION AND RESEARCH FOUNDATION  
 NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE  
 COUNSELORS - POLITICAL ACTION COMMITTEE**

**COMBINED STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (253,445)	\$ (10,339)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,492	18,235
Realized (gain) loss on sale of investment	(40,502)	5,322
Unrealized (gain) loss on investments	28,849	(74,414)
(Increase) decrease in:		
Accounts receivable	(17,099)	(28,969)
Contracts receivable	(36,866)	(17,034)
Prepaid expenses	7,566	8,517
Deposits	(2,388)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	39,475	50,216
Due to affiliates	(3,278)	4,877
Deferred revenue	<u>(25,380)</u>	<u>60,091</u>
Net cash provided (used) by operating activities	<u>(282,576)</u>	<u>16,502</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(11,495)	(32,253)
Purchase of investments	(17,954)	(19,171)
Proceeds from investments	<u>253,556</u>	<u>99,198</u>
Net cash provided by investing activities	<u>224,107</u>	<u>47,774</u>
Net increase (decrease) in cash and cash equivalents	(58,469)	64,276
Cash and cash equivalents at beginning of year	<u>127,641</u>	<u>63,365</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 69,172</u></b>	<b><u>\$ 127,641</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<u>\$ 6,113</u>	<u>\$ 568</u>

See accompanying notes to combined financial statements.

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COUNSELORS - POLITICAL ACTION COMMITTEE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The National Association of Alcoholism and Drug Abuse Counselors (NAADAC) was organized to advance the knowledge and improve the methods used by alcoholism and drug abuse counselors.

The NAADAC Education and Research Foundation (Foundation) was organized to study and report on the credentialing bodies for alcohol and drug abuse counselors, and to advance the knowledge and improve the methods used by alcoholism and drug abuse counselors.

The National Association of Alcoholism and Drug Abuse Counselors Political Action Committee (NAADAC-PAC) was formed by the National Association of Alcoholism and Drug Abuse Counselors to promote public policies which further the interests and needs of the alcoholism and drug abuse counselors' profession.

Basis of presentation -

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Intercompany transactions -

The accompanying combined financial statements reflect the activity of NAADAC, the Foundation and NAADAC-PAC. All significant intercompany balances and transactions have been eliminated in combination.

Income tax status -

NAADAC is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. The Foundation is not a private foundation.

NAADAC - PAC is subject to Federal income taxes on interest income under Internal Revenue Code Section 527. No taxes were due in 2004.

Investments -

Investments are recorded at market value. Realized and unrealized gains and losses are included in investment income in the Combined Statement of Activities and Change in Net Assets.

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**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Furniture and equipment -

Furniture and equipment are recorded at cost and depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, generally five years.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Contributions -

Contributions are recorded as revenue in the year notification is received from the donor. Contributions are recognized as unrestricted revenue upon satisfaction or completion of the programs in compliance with donor imposed restrictions. Contributions received prior to the satisfaction or completion of the programs are presented as temporarily restricted net assets in the accompanying combined financial statements.

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.

Cash and cash equivalents -

Cash and cash equivalents include cash on hand and certificates of deposit with a maturity of twelve months or less.

At times during the year, NAADAC maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Organizations and include both internally designated and undesignated resources.

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**NOTES TO COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
 (Continued)**

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Organizations and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Organizations. As of December 31, 2004 there were no permanently restricted net assets.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2004:

	<b>Cost</b>	<b>Market Value</b>
<b>Mutual Funds</b>	<b><u>\$ 96,702</u></b>	<b><u>\$ 111,221</u></b>

Included in investment income are the following:

Interest and dividends	\$ 9,737
Unrealized loss	(28,849)
Realized gain	<u>40,502</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 21,390</u></b>

**3. LINE OF CREDIT**

NAADAC has a line of credit with First Union National Bank, with a borrowing limit of \$30,000. The line of credit is secured by a \$30,000 certificate of deposit. Interest is the Prime Rate plus one percent. The interest rate at December 31, 2004 was 5.75%. Outstanding borrowings on the line of credit at December 31, 2004 were \$30,000.

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NAADAC EDUCATION AND RESEARCH FOUNDATION  
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COUNSELORS - POLITICAL ACTION COMMITTEE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**4. LEASE COMMITMENTS**

Office lease -

NAADAC entered into a non-cancelable operating lease for office space, commencing on February 15, 2004. Rent will increase three percent every year following the first year. In addition, the lease requires NAADAC to pay, as additional rent, a proportion of the building operating expenses. This cost is expected to escalate five percent per year. On March 30, 2004, the office lease was amended to include an expansion area on the current premises. The base rent paid by NAADAC increased under the new agreement, which will increase three percent every year following the first year. The lease expires September 30, 2009.

Approximate annual minimum lease payments under this operating lease as of December 31, 2004 are as follows:

**Year Ended December 31,**

2005	\$ 101,404
2006	104,446
2007	107,580
2008	110,807
2009	<u>84,961</u>
	<b><u>\$ 509,198</u></b>

Rent expense for the year ended December 31, 2004 was \$87,845.

Equipment operating leases -

NAADAC entered into a lease agreement for a copier, which expires in February 2005.

At December 31, 2004, the minimum future rental payments under the lease are as follows:

**Year Ended December 31,**

2005	<b><u>\$ 1,630</u></b>
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Equipment rental expense for the year ended December 31, 2004 was \$22,358.

**5. PENSION PLAN**

NAADAC adopted a 401(k) retirement plan for all employees with at least one year of service. The plan is administered by Principal Mutual Life Insurance. NAADAC contributes three percent of each eligible employee's total salary. The retirement plan expense was \$12,385 for the year ended December 31, 2004.

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**NOTES TO COMBINED FINANCIAL STATEMENTS  
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**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2004:

<b>Political Action Campaign</b>	<b>\$ <u>23,824</u></b>
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**7. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Political Action Campaign	\$ 13,500
Buprenorphine Project	<u>39,606</u>
	<b>\$ <u>53,106</u></b>

**8. RISK AND UNCERTAINTIES**

The majority of the Organizations' income is derived from the financial support of contributors. The Organizations are actively seeking ongoing funding from its existing contributors in addition to pursuing new sources of funding. The Organizations' ability to continue depends on the success of their efforts.