

**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, 2005  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2004**

**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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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**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, 2005, 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 2004 financial statements and, in our report dated April 1, 2005, 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, 2005, 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*

March 31, 2006

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**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, 2005  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

**ASSETS**

	<u>2005</u>	<u>2004</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 293,053	\$ 69,172
Investments (Note 2)	261,791	111,221
Accounts receivable	13,910	51,386
Contracts receivable	23,148	53,900
Prepaid expenses	<u>46,544</u>	<u>4,681</u>
Total current assets	<u>638,446</u>	<u>290,360</u>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	54,062	52,739
Computers	<u>118,678</u>	<u>102,078</u>
	172,740	154,817
Less: Accumulated depreciation and amortization	<u>(141,233)</u>	<u>(123,175)</u>
Net furniture and equipment	<u>31,507</u>	<u>31,642</u>
<b>OTHER ASSETS</b>		
Deposits	<u>8,387</u>	<u>8,387</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 678,340</u></b>	<b><u>\$ 330,389</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Line of credit (Note 3)	\$ -	\$ 30,000
Accounts payable and accrued expenses	30,054	179,416
Due to affiliates	32,479	37,359
Deferred revenue	<u>108,758</u>	<u>96,783</u>
Total liabilities	<u>171,291</u>	<u>343,558</u>
<b>NET ASSETS</b>		
Unrestricted	335,561	(36,993)
Temporarily restricted (Note 6)	<u>171,488</u>	<u>23,824</u>
Total net assets	<u>507,049</u>	<u>(13,169)</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 678,340</u></b>	<b><u>\$ 330,389</u></b>

**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, 2005  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	<u>2005</u>			<u>2004</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>				
Dues	\$ 857,324	\$ -	\$ 857,324	\$ 734,619
NCAC	209,036	-	209,036	218,835
National conference	54,816	-	54,816	114,390
Legislative conference	60,661	-	60,661	-
Publications	161,862	-	161,862	198,007
Mailing list	34,170	-	34,170	29,815
Affiliate relations	15,175	-	15,175	18,175
Education provider	34,700	-	34,700	30,800
Contributions	8,736	20,069	28,805	41,404
Investment income (Note 2)	2,808	-	2,808	21,390
Royalties	33,131	-	33,131	42,957
Other	18,751	-	18,751	12,933
Foundation grants	-	163,149	163,149	-
Contracts	305,848	-	305,848	112,106
Individual membership	12,265	-	12,265	-
Net assets released from donor restrictions (Note 7)	<u>35,554</u>	<u>(35,554)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>1,844,837</u>	<u>147,664</u>	<u>1,992,501</u>	<u>1,575,431</u>
<b>EXPENSES</b>				
Program services:				
Membership Services	116,712	-	116,712	107,683
NCAC Services	149,883	-	149,883	144,408
Counselor and Newsletter	49,534	-	49,534	61,760
National Conference	82,631	-	82,631	163,638
Legislative Conference	81,775	-	81,775	-
Trainer Academy	6,646	-	6,646	3,196
Publication	115,937	-	115,937	129,962
Board and Committee Member Services	159,327	-	159,327	249,661
Legislative Affairs	137,331	-	137,331	180,274
Affiliate Relations	107,720	-	107,720	224,665
Education Provider	22,343	-	22,343	10,033
Elections	10,096	-	10,096	17,141
Web Page	17,448	-	17,448	12,191
Buprenorphine Project	26,358	-	26,358	48,432
Public Relations	31,695	-	31,695	55,528
Ohio Project	84,880	-	84,880	47,690
Cyprus	932	-	932	54,106
Co-Occurring Conference	50,220	-	50,220	17,389
Katrina Project	9,913	-	9,913	-
Total program services	<u>1,261,381</u>	<u>-</u>	<u>1,261,381</u>	<u>1,527,757</u>
Supporting services:				
General and Administrative	204,814	-	204,814	288,662
Fundraising	6,088	-	6,088	12,457
Total supporting services	<u>210,902</u>	<u>-</u>	<u>210,902</u>	<u>301,119</u>
Total expenses	<u>1,472,283</u>	<u>-</u>	<u>1,472,283</u>	<u>1,828,876</u>

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, 2005  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

	<u>2005</u>			<u>2004</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Change in net assets	\$ 372,554	\$ 147,664	\$ 520,218	\$ (253,445)
Net assets at beginning of year	<u>(36,993)</u>	<u>23,824</u>	<u>(13,169)</u>	<u>240,276</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 335,561</u></b>	<b><u>\$ 171,488</u></b>	<b><u>\$ 507,049</u></b>	<b><u>\$ (13,169)</u></b>

**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, 2005  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	<u>2005</u>						
	<u>Program Services</u>						
	<u>Membership</u>	<u>NCAC</u>	<u>Counselor</u>	<u>National</u>	<u>Legislative</u>	<u>Trainer</u>	
	<u>Services</u>	<u>Services</u>	<u>and</u>	<u>Conference</u>	<u>Conference</u>	<u>Academy</u>	<u>Publication</u>
			<u>Newsletter</u>				
Salaries and employee benefits (Note 5)	\$ 51,830	\$ 62,876	\$ 11,748	\$ 18,407	\$ 11,740	\$ 2,592	\$ 28,316
Accounting	-	-	-	-	-	-	-
Legal	-	2,145	-	-	-	-	-
Supplies	-	1,378	34	432	68	-	-
Telephone	59	1,177	6	159	-	-	288
Postage and shipping	14,667	2,405	7,166	2,526	4,328	-	7,456
Occupancy	-	-	-	-	-	-	-
Equipment rental	-	-	-	2,988	6,092	-	-
Equipment repairs and maintenance	-	-	-	-	-	-	-
Printing and reproduction	12,946	5,243	16,849	3,161	4,098	75	15,870
Travel	-	4,996	-	9,619	8,717	820	-
Meetings	-	23,336	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Bank service fees	-	-	-	-	-	-	-
Consultants	-	-	-	-	-	-	26,390
Contributions and donations	-	-	-	-	-	-	-
Dues and subscriptions	-	600	-	-	-	-	-
Insurance	-	4,000	-	-	-	-	-
Service fees	-	320	6,690	6,621	3,304	2,000	19,398
Speaker fees	-	-	-	779	6,345	-	-
Other taxes	-	-	-	-	-	-	-
Temporary assistance	-	1,200	-	-	-	-	-
Training	-	-	-	-	-	-	-
Hotel and catering	-	-	-	22,544	22,470	-	-
Advertising and marketing	741	-	-	1,354	2,780	-	-
Awards	2,896	-	-	714	3,252	-	-
Bad debt expense	-	-	-	2,067	-	-	-
Other	-	-	-	-	-	-	-
Data processing	-	-	-	-	-	3	-
Sub-total	<u>83,139</u>	<u>109,676</u>	<u>42,493</u>	<u>71,371</u>	<u>73,194</u>	<u>5,490</u>	<u>97,718</u>
Allocation of overhead	<u>33,573</u>	<u>40,207</u>	<u>7,041</u>	<u>11,260</u>	<u>8,581</u>	<u>1,156</u>	<u>18,219</u>
<b>TOTAL</b>	<b><u>\$ 116,712</u></b>	<b><u>\$ 149,883</u></b>	<b><u>\$ 49,534</u></b>	<b><u>\$ 82,631</u></b>	<b><u>\$ 81,775</u></b>	<b><u>\$ 6,646</u></b>	<b><u>\$ 115,937</u></b>

See accompanying notes to combined financial statements.

<b>Board and Committee Member Services</b>	<b>Legislative Affairs</b>	<b>Affiliate Relations</b>	<b>Education Provider</b>	<b>Elections</b>	<b>Web Page</b>	<b>Buprenorphine Project</b>	<b>Public Relations</b>	<b>Ohio Project</b>	<b>Cyprus</b>	<b>Co- Occurring Conference</b>
\$ 44,100	\$ 65,584	\$ 33,670	\$ 13,775	\$ 2,244	\$ 3,037	\$ 8,657	\$ 12,457	\$ 5,582	\$ 611	\$ 6,890
-	-	-	-	-	-	-	-	-	-	-
833	65	90	-	-	-	-	26	97	-	-
4,898	701	1,127	4	-	-	-	26	172	-	8
1,612	208	5,635	16	1,656	13	9	182	151	-	3,048
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,528
-	-	-	-	-	-	-	-	-	-	-
2,036	3,148	1,315	4	2,607	3	3,201	2,764	93	-	4,942
56,897	3,135	16,316	-	-	-	6,111	3,559	2,557	-	10,466
10,923	4,491	-	-	-	-	-	-	-	-	15,091
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
5,550	-	802	-	-	-	4,535	-	18,968	-	-
-	9,500	500	-	-	-	-	-	-	-	-
-	5,376	-	-	-	-	-	-	-	-	-
11,052	-	18,030	-	-	-	-	-	-	-	-
605	3,862	884	-	2,000	12,197	-	183	49,320	-	4,710
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
500	2,250	2,165	-	-	-	-	3,500	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	7,644	-	-	-	-	1,450	5,000	-	-
49	-	-	-	-	-	-	-	-	-	-
(2,997)	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
136,058	98,320	88,178	13,799	8,507	15,250	22,513	24,147	81,940	611	46,683
<u>23,269</u>	<u>39,011</u>	<u>19,542</u>	<u>8,544</u>	<u>1,589</u>	<u>2,198</u>	<u>3,845</u>	<u>7,548</u>	<u>2,940</u>	<u>321</u>	<u>3,537</u>
<b>\$ 159,327</b>	<b>\$ 137,331</b>	<b>\$ 107,720</b>	<b>\$ 22,343</b>	<b>\$ 10,096</b>	<b>\$ 17,448</b>	<b>\$ 26,358</b>	<b>\$ 31,695</b>	<b>\$ 84,880</b>	<b>\$ 932</b>	<b>\$ 50,220</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, 2005  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004

	2005 (Continued)				2004		
	Supporting Services				Total	Total	
	Katrina Project	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and employee benefits (Note 5)	\$ 4,960	\$ 389,076	\$ 129,328	\$ 2,647	\$ 131,975	\$ 521,051	\$ 748,603
Accounting	-	-	30,709	-	30,709	30,709	30,074
Legal	-	2,145	1,236	-	1,236	3,381	54,936
Supplies	-	3,023	10,123	-	10,123	13,146	11,898
Telephone	-	8,625	14,390	-	14,390	23,015	27,853
Postage and shipping	67	51,145	7,353	-	7,353	58,498	86,078
Occupancy	-	-	104,682	-	104,682	104,682	87,845
Equipment rental	-	10,608	16,611	-	16,611	27,219	22,358
Equipment repairs and maintenance	-	-	4,931	-	4,931	4,931	11,521
Printing and reproduction	-	78,355	6,059	10	6,069	84,424	132,198
Travel	40	123,233	13,696	-	13,696	136,929	187,548
Meetings	-	53,841	-	-	-	53,841	50,525
Interest	-	-	3,287	-	3,287	3,287	6,113
Depreciation	-	-	18,058	-	18,058	18,058	20,492
Bank service fees	-	-	26,581	-	26,581	26,581	28,967
Consultants	780	57,025	48,159	-	48,159	105,184	27,414
Contributions and donations	-	10,000	-	-	-	10,000	16,000
Dues and subscriptions	-	5,976	5,302	-	5,302	11,278	13,909
Insurance	-	33,082	1,348	-	1,348	34,430	36,583
Service fees	326	112,420	5,858	1,760	7,618	120,038	137,331
Speaker fees	-	7,124	-	-	-	7,124	5,644
Other taxes	-	-	2,036	-	2,036	2,036	3,111
Temporary assistance	-	9,615	3,114	-	3,114	12,729	13,562
Training	-	-	269	-	269	269	498
Hotel and catering	-	45,014	-	-	-	45,014	30,366
Advertising and marketing	-	18,969	-	-	-	18,969	9,288
Awards	-	6,911	-	-	-	6,911	8,390
Bad debt expense	-	2,067	-	-	-	2,067	337
Other	-	(2,997)	(387)	-	(387)	(3,384)	23,797
Data processing	-	3	-	-	-	3	-
Sub-total	6,173	1,025,260	452,743	4,417	457,160	1,482,420	1,833,239
Allocation of overhead	3,740	236,121	(247,929)	1,671	(246,258)	(10,137)	(4,363)
<b>TOTAL</b>	<b>\$ 9,913</b>	<b>\$ 1,261,381</b>	<b>\$ 204,814</b>	<b>\$ 6,088</b>	<b>\$ 210,902</b>	<b>\$ 1,472,283</b>	<b>\$ 1,828,876</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, 2005  
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 520,218	\$ (253,445)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	18,058	20,492
Realized gain on sale of investment	(3,547)	(40,502)
Unrealized loss on investments	7,797	28,849
(Increase) decrease in:		
Accounts receivable	49,586	(17,099)
Contracts receivable	30,752	(36,866)
Prepaid expenses	(41,863)	7,566
Deposits	-	(2,388)
Increase (decrease) in:		
Accounts payable and accrued expenses	(161,477)	39,475
Due to affiliates	(4,880)	(3,278)
Deferred revenue	<u>11,975</u>	<u>(25,380)</u>
Net cash provided (used) by operating activities	<u>426,619</u>	<u>(282,576)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(17,923)	(11,495)
Purchase of investments	(200,276)	(17,954)
Proceeds from investments	<u>45,461</u>	<u>253,556</u>
Net cash provided (used) by investing activities	<u>(172,738)</u>	<u>224,107</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net activity on line of credit	<u>(30,000)</u>	<u>-</u>
Net cash used by financing activities	<u>(30,000)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	223,881	(58,469)
Cash and cash equivalents at beginning of year	<u>69,172</u>	<u>127,641</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 293,053</u></b>	<b><u>\$ 69,172</u></b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest Paid	<b><u>\$ 3,287</u></b>	<b><u>\$ 6,113</u></b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**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 2005.

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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POLITICAL ACTION COMMITTEE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**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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 POLITICAL ACTION COMMITTEE**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2005**

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

Net asset classification (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, 2005 there were no permanently restricted net assets.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2005:

	<b>Cost</b>	<b>Market Value</b>
<b>Mutual Funds</b>	<b><u>\$ 309,785</u></b>	<b><u>\$ 261,791</u></b>

Included in investment income are the following:

Interest and dividends	\$ 7,058
Unrealized loss	(7,797)
Realized gain	<u>3,547</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 2,808</u></b>

**3. LINE OF CREDIT**

NAADAC had a line of credit with First Union National Bank, with a borrowing limit of \$30,000. The line of credit was secured by a \$30,000 certificate of deposit. Interest was the Prime Rate plus one percent. In May of 2005, NAADAC paid off the entire line of credit.

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**NOTES TO COMBINED FINANCIAL STATEMENTS  
 DECEMBER 31, 2005**

**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.

On July 15, 2004, NAADAC entered into an operating lease for equipment. The lease expires July 15, 2009.

Approximate annual minimum lease payments under this operating lease as of December 31, 2005 are as follows:

<u>Year Ended December 31,</u>	<u>Office Lease</u>	<u>Equipment Lease</u>	<u>Total</u>
2006	\$ 104,446	\$ 9,043	\$ 113,489
2007	107,580	9,043	116,623
2008	110,807	9,043	119,850
2009	<u>84,961</u>	<u>4,898</u>	<u>89,859</u>
	<b><u>\$ 407,794</u></b>	<b><u>\$ 32,027</u></b>	<b><u>\$ 439,821</u></b>

Rent expense for the year ended December 31, 2005 was \$104,682.

**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 \$9,372 for the year ended December 31, 2005.

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2005:

Political Action Campaign	\$ 34,394
Campral Training Program	<u>137,094</u>
	<b><u>\$ 171,488</u></b>

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**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2005**

**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	\$ 9,500
Campral Training Program	<u>26,054</u>
	<b><u>\$ 35,554</u></b>