

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, 2006
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 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**

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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, 2006, 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 2005 financial statements and, in our report dated March 31, 2006, 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, 2006, 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 6, 2007

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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, 2006
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005**

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	\$ 442,774	\$ 293,053
Investments (Note 2)	385,299	261,791
Accounts receivable	80,317	13,910
Contracts receivable	-	23,148
Prepaid expenses	<u>19,316</u>	<u>46,544</u>
Total current assets	<u>927,706</u>	<u>638,446</u>
FURNITURE AND EQUIPMENT		
Furniture and equipment	64,548	54,062
Computers	<u>159,626</u>	<u>118,678</u>
	224,174	172,740
Less: Accumulated depreciation and amortization	<u>(141,172)</u>	<u>(141,233)</u>
Net furniture and equipment	<u>83,002</u>	<u>31,507</u>
OTHER ASSETS		
Deposits	<u>8,387</u>	<u>8,387</u>
TOTAL ASSETS	<u>\$ 1,019,095</u>	<u>\$ 678,340</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 76,891	\$ 30,054
Due to affiliates	26,334	32,479
Deferred revenue	<u>85,425</u>	<u>108,758</u>
Total liabilities	<u>188,650</u>	<u>171,291</u>
NET ASSETS		
Unrestricted	532,069	335,561
Temporarily restricted (Note 6)	<u>298,376</u>	<u>171,488</u>
Total net assets	<u>830,445</u>	<u>507,049</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,019,095</u>	<u>\$ 678,340</u>

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**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005**

	<u>2006</u>			<u>2005</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Dues	\$ 870,219	\$ -	\$ 870,219	\$ 857,324
NCAC	214,063	-	214,063	209,036
National conference	104,299	-	104,299	54,816
Legislative conference	64,780	-	64,780	60,661
Publications	263,139	-	263,139	161,862
Mailing list	34,388	-	34,388	34,170
Affiliate relations	15,975	-	15,975	15,175
Education provider	91,201	-	91,201	34,700
Contributions	48,762	12,788	61,550	28,805
Investment income (Note 2)	26,956	-	26,956	2,808
Royalties	35,087	-	35,087	33,131
Other	17,425	-	17,425	18,751
Foundation grants	-	388,488	388,488	163,149
Contracts	73,836	-	73,836	305,848
Individual membership	1,800	-	1,800	12,265
Net assets released from donor restrictions (Note 7)	<u>274,388</u>	<u>(274,388)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,136,318</u>	<u>126,888</u>	<u>2,263,206</u>	<u>1,992,501</u>
EXPENSES				
Program services:				
Membership Services	109,119	-	109,119	116,712
NCAC Services	135,692	-	135,692	149,883
Counselor and Newsletter	40,100	-	40,100	49,534
National Conference	154,048	-	154,048	82,631
Legislative Conference	99,040	-	99,040	81,775
Trainer Academy	26,267	-	26,267	6,646
Publication	145,571	-	145,571	115,937
Board and Committee Member Services	164,460	-	164,460	159,327
Legislative Affairs	157,695	-	157,695	137,331
Affiliate Relations	125,518	-	125,518	107,720
Education Provider	30,149	-	30,149	22,343
Elections	21,273	-	21,273	10,096
Web Page	15,874	-	15,874	17,448
Campral Project	260,319	-	260,319	26,358
Public Relations	85,268	-	85,268	31,695
Ohio Project	84,179	-	84,179	84,880
Cyprus	-	-	-	932
Co-Occurring Conference	1,331	-	1,331	50,220
Katrina Project	<u>2,532</u>	<u>-</u>	<u>2,532</u>	<u>9,913</u>
Total program services	<u>1,658,435</u>	<u>-</u>	<u>1,658,435</u>	<u>1,261,381</u>
Supporting services:				
General and Administrative	257,510	-	257,510	204,814
Fundraising	<u>23,865</u>	<u>-</u>	<u>23,865</u>	<u>6,088</u>
Total supporting services	<u>281,375</u>	<u>-</u>	<u>281,375</u>	<u>210,902</u>
Total expenses	<u>1,939,810</u>	<u>-</u>	<u>1,939,810</u>	<u>1,472,283</u>

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 POLITICAL ACTION COMMITTEE

COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005

	<u>2006</u>			<u>2005</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Change in net assets	\$ 196,508	\$ 126,888	\$ 323,396	\$ 520,218
Net assets at beginning of year	<u>335,561</u>	<u>171,488</u>	<u>507,049</u>	<u>(13,169)</u>
NET ASSETS AT END OF YEAR	<u>\$ 532,069</u>	<u>\$ 298,376</u>	<u>\$ 830,445</u>	<u>\$ 507,049</u>

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

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2006
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005**

	<u>2006</u>						
	<u>Program Services</u>						
	<u>Membership Services</u>	<u>NCAC Services</u>	<u>Counselor and Newsletter</u>	<u>National Conference</u>	<u>Legislative Conference</u>	<u>Trainer Academy</u>	<u>Publication</u>
Salaries and employee benefits (Note 5)	\$ 58,010	\$ 53,888	\$ 6,578	\$ 44,695	\$ 29,814	\$ 10,865	\$ 33,210
Accounting	-	-	-	-	-	-	-
Legal	-	600	-	-	-	-	-
Supplies	-	666	-	120	727	-	-
Telephone	21	437	-	646	82	-	98
Postage and shipping	14,261	2,557	7,853	6,543	1,085	-	10,801
Occupancy	-	-	-	-	-	-	-
Equipment rental	-	-	-	2,057	1,398	-	-
Equipment repairs and maintenance	-	-	-	-	-	-	-
Printing and reproduction	7,808	6,102	16,582	4,362	6,766	-	36,978
Travel	-	5,021	-	25,516	13,453	3,854	-
Meetings	-	26,154	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Bank service fees	-	-	-	-	-	-	-
Consultants	-	5,889	-	-	-	-	24,350
Contributions and donations	-	-	-	-	-	-	-
Dues and subscriptions	-	1,200	-	-	-	-	-
Insurance	-	4,500	-	1,943	-	-	-
Service fees	400	2,499	6,166	5,834	4,983	6,000	25,704
Speaker fees	-	-	-	-	3,799	-	-
Other taxes	-	-	-	-	-	-	-
Temporary assistance	-	150	-	-	-	-	-
Training	-	-	-	-	-	-	-
Hotel and catering	-	-	-	36,005	17,139	-	-
Advertising and marketing	-	-	-	6,068	4,364	-	-
Awards	763	413	-	3,527	432	-	-
Bad debt expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Data processing	-	-	-	-	-	-	-
Sub-total	<u>81,263</u>	<u>110,076</u>	<u>37,179</u>	<u>137,316</u>	<u>84,042</u>	<u>20,719</u>	<u>131,141</u>
Allocation of overhead	<u>27,856</u>	<u>25,616</u>	<u>2,921</u>	<u>16,732</u>	<u>14,998</u>	<u>5,548</u>	<u>14,430</u>
TOTAL	<u>\$ 109,119</u>	<u>\$ 135,692</u>	<u>\$ 40,100</u>	<u>\$ 154,048</u>	<u>\$ 99,040</u>	<u>\$ 26,267</u>	<u>\$ 145,571</u>

See accompanying notes to combined financial statements.

Board and Committee Member Services	Legislative Affairs	Affiliate Relations	Education Provider	Elections	Web Page	Buprenorphine Project	Public Relations	Ohio Project	Co- Occurring Conference
\$ 45,685	\$ 77,438	\$ 54,055	\$ 12,063	\$ 2,028	\$ 1,914	\$ 33,589	\$ 30,930	\$ 16,474	\$ -
-	-	-	-	-	-	-	-	-	-
399	-	-	94	-	-	681	56	97	-
4,750	-	1,568	-	-	-	213	14	-	-
973	2,382	4,569	1,188	4,832	5	4,173	3,391	18	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,189	-	-	-
-	-	-	-	-	-	-	-	-	-
1,534	2,079	3,114	1,474	1	12	16,379	6,106	4,947	-
41,290	3,463	13,579	-	-	-	46,277	5,192	4,708	-
6,148	3,049	-	-	-	-	25,145	-	-	1,331
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
5,800	-	419	4,490	-	-	23,163	-	-	-
-	12,500	1,000	-	-	-	-	-	-	-
-	16,010	-	5,000	-	-	-	432	-	-
10,335	-	17,856	-	-	-	-	-	-	-
6,575	1,346	1,324	650	12,975	13,017	62,075	21,727	50,614	-
-	-	-	-	-	-	31,000	-	-	-
-	3,985	975	-	-	-	-	2,950	-	-
-	-	-	-	-	-	-	-	-	-
-	-	1,690	-	-	-	-	200	-	-
228	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
22,000	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
145,717	122,252	100,149	24,959	19,836	14,948	245,884	70,998	76,858	1,331
18,743	35,443	25,369	5,190	1,437	926	14,435	14,270	7,321	-
\$ 164,460	\$ 157,695	\$ 125,518	\$ 30,149	\$ 21,273	\$ 15,874	\$ 260,319	\$ 85,268	\$ 84,179	\$ 1,331

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, 2006
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005

	2006 (Continued)					2005	
	Supporting Services					Total Expenses	Total Expenses
	Katrina Project	Total Program Services	General and Administrative	Fundraising	Total Supporting Services		
Salaries and employee benefits (Note 5)	\$ -	\$ 511,236	\$ 183,733	\$ 15,955	\$ 199,688	\$ 710,924	\$ 521,051
Accounting	-	-	32,366	-	32,366	32,366	30,709
Legal	-	600	4,585	-	4,585	5,185	3,381
Supplies	-	2,840	6,560	-	6,560	9,400	13,146
Telephone	-	7,829	19,972	-	19,972	27,801	23,015
Postage and shipping	1,519	66,150	10,915	517	11,432	77,582	58,498
Occupancy	-	-	107,317	-	107,317	107,317	104,682
Equipment rental	-	6,644	22,430	-	22,430	29,074	27,219
Equipment repairs and maintenance	-	-	3,468	-	3,468	3,468	4,931
Printing and reproduction	-	114,244	8,408	9	8,417	122,661	84,424
Travel	-	162,353	11,579	298	11,877	174,230	136,929
Meetings	-	61,827	-	-	-	61,827	53,841
Interest	-	-	228	-	228	228	3,287
Depreciation	-	-	23,593	-	23,593	23,593	18,058
Bank service fees	-	-	32,837	-	32,837	32,837	26,581
Consultants	-	64,111	-	-	-	64,111	105,184
Contributions and donations	-	13,500	1,350	-	1,350	14,850	10,000
Dues and subscriptions	-	22,642	6,364	-	6,364	29,006	11,278
Insurance	-	34,634	1,456	-	1,456	36,090	34,430
Service fees	1,013	222,902	11,708	-	11,708	234,610	120,038
Speaker fees	-	34,799	-	-	-	34,799	7,124
Other taxes	-	-	2,380	-	2,380	2,380	2,036
Temporary assistance	-	8,060	3,787	-	3,787	11,847	12,729
Training	-	-	722	-	722	722	269
Hotel and catering	-	53,144	-	-	-	53,144	45,014
Advertising and marketing	-	12,322	-	-	-	12,322	18,969
Awards	-	5,363	-	-	-	5,363	6,911
Bad debt expense	-	-	-	-	-	-	2,067
Other	-	22,000	73	-	73	22,073	(3,384)
Data processing	-	-	-	-	-	-	3
Sub-total	2,532	1,427,200	495,831	16,779	512,610	1,939,810	1,482,420
Allocation of overhead	-	231,235	(238,321)	7,086	(231,235)	-	(10,137)
TOTAL	\$ 2,532	\$ 1,658,435	\$ 257,510	\$ 23,865	\$ 281,375	\$ 1,939,810	\$ 1,472,283

See accompanying notes to combined financial statements.

**NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS
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**COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2006
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 323,396	\$ 520,218
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	23,593	18,058
Realized gain on sale of investment	(13,303)	(3,547)
Unrealized loss on investments	(5,589)	7,797
(Increase) decrease in:		
Accounts receivable	(66,407)	49,586
Contracts receivable	23,148	30,752
Prepaid expenses	27,228	(41,863)
Increase (decrease) in:		
Accounts payable and accrued expenses	46,837	(161,477)
Due to affiliates	(6,145)	(4,880)
Deferred revenue	<u>(23,333)</u>	<u>11,975</u>
Net cash provided by operating activities	<u>329,425</u>	<u>426,619</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(75,088)	(17,923)
Purchase of investments	(143,657)	(200,276)
Proceeds from investments	<u>39,041</u>	<u>45,461</u>
Net cash used by investing activities	<u>(179,704)</u>	<u>(172,738)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net activity on line of credit	<u>-</u>	<u>(30,000)</u>
Net cash used by financing activities	<u>-</u>	<u>(30,000)</u>
Net increase in cash and cash equivalents	149,721	223,881
Cash and cash equivalents at beginning of year	<u>293,053</u>	<u>69,172</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 442,774</u>	<u>\$ 293,053</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 228</u>	<u>\$ 3,287</u>

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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"

The combined financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended December 31, 2005, from which the summarized information was derived.

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 2006.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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.

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.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
 DECEMBER 31, 2006**

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

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.
- **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, 2006 there were no permanently restricted net assets.

2. INVESTMENTS

Investments consisted of the following at December 31, 2006:

	Cost	Market Value
Mutual Funds	\$ 309,785	\$ 385,299

Included in investment income are the following:

Interest and dividends	\$ 8,064
Unrealized gain	5,589
Realized gain	<u>13,303</u>
TOTAL INVESTMENT INCOME	\$ <u>26,956</u>

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. There were no outstanding borrowings at December 31, 2006.

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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, 2006 are as follows:

<u>Year Ended December 31,</u>	<u>Office Lease</u>	<u>Equipment Lease</u>	<u>Total</u>
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>
	<u>\$ 303,348</u>	<u>\$ 22,984</u>	<u>\$ 326,332</u>

Rent expense for the year ended December 31, 2006 was \$107,317.

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 \$11,681 for the year ended December 31, 2006.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2006:

Political Action Campaign	\$ 34,681
Campral Training Program	139,945
Cephalon grant	<u>123,750</u>
	<u>\$ 298,376</u>

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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	\$ 12,500
Campral Training Program	147,149
Cephalon grant	<u>114,739</u>
	<u>\$ 274,388</u>