

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, 2007
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2006**

**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, 2007, 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 combined financial statements based on our audit. The prior year summarized comparative information has been derived from the organizations' combined 2006 financial statements and, in our report dated April 6, 2007, 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 combined 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, 2007, 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

June 16, 2008

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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, 2007
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 700,818	\$ 442,774
Investments	-	385,299
Accounts receivable	70,290	80,317
Prepaid expenses	<u>53,848</u>	<u>19,316</u>
Total current assets	<u>824,956</u>	<u>927,706</u>
FIXED ASSETS		
Condo	2,759,135	-
Condo improvements	485,347	-
Furniture and equipment	141,649	64,548
Computers	<u>170,601</u>	<u>159,626</u>
	3,556,732	224,174
Less: Accumulated depreciation and amortization	<u>(248,951)</u>	<u>(141,172)</u>
Net fixed assets	<u>3,307,781</u>	<u>83,002</u>
OTHER ASSETS		
Deposits	8,387	8,387
Investments - restricted (Notes 2 and 8)	<u>470,516</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 4,611,640</u>	<u>\$ 1,019,095</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Current portion of notes payable (Note 8)	\$ 61,687	\$ -
Accounts payable and accrued expenses	146,108	76,891
Due to affiliates	32,033	26,334
Deferred revenue	<u>84,655</u>	<u>85,425</u>
Total current liabilities	<u>324,483</u>	<u>188,650</u>
LONG-TERM LIABILITIES		
Notes payable (Note 8)	<u>3,075,080</u>	<u>-</u>
Total liabilities	<u>3,399,563</u>	<u>188,650</u>
NET ASSETS		
Unrestricted	196,187	532,069
Temporarily restricted (Note 6)	<u>1,015,890</u>	<u>298,376</u>
Total net assets	<u>1,212,077</u>	<u>830,445</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,611,640</u>	<u>\$ 1,019,095</u>

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, 2007
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<u>2007</u>			<u>2006</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE				
Dues	\$ 794,777	\$ -	\$ 794,777	\$ 870,219
NCAC	217,027	-	217,027	214,063
National conference	238,178	-	238,178	104,299
Legislative conference	41,856	-	41,856	64,780
Publications	233,172	-	233,172	263,139
Mailing list	33,480	-	33,480	34,388
Affiliate relations	15,100	-	15,100	15,975
Education provider	104,241	-	104,241	91,201
Contributions	24,292	22,222	46,514	61,550
Investment income (Note 2)	23,190	-	23,190	26,956
Royalties	24,422	-	24,422	35,087
Other	20,964	-	20,964	17,425
Foundation grants	-	1,161,734	1,161,734	388,488
Contracts	-	-	-	73,836
Interest/dividend income	1,790	-	1,790	-
Individual membership	6,651	-	6,651	1,800
Net assets released from donor restrictions (Note 7)	466,442	(466,442)	-	-
Total revenue	<u>2,245,582</u>	<u>717,514</u>	<u>2,963,096</u>	<u>2,263,206</u>
EXPENSES				
Program services:				
Membership Services	170,432	-	170,432	109,119
NCAC Services	246,860	-	246,860	135,692
Counselor and Newsletter	34,853	-	34,853	40,100
National Conference	290,669	-	290,669	154,048
Legislative Conference	75,310	-	75,310	99,040
Trainer Academy	6,960	-	6,960	26,267
Publication	130,197	-	130,197	145,571
Board and Committee Member Services	251,177	-	251,177	164,460
Legislative Affairs	78,974	-	78,974	157,695
Affiliate Relations	158,300	-	158,300	125,518
Education Provider	31,709	-	31,709	30,149
Elections	14,744	-	14,744	21,273
Web Page	17,035	-	17,035	15,874
Campral Project	466,359	-	466,359	260,319
Public Relations	54,924	-	54,924	85,268
Ohio Project	-	-	-	84,179
Co-Occurring Conference	-	-	-	1,331
Katrina Project	-	-	-	2,532
Total program services	<u>2,028,503</u>	<u>-</u>	<u>2,028,503</u>	<u>1,658,435</u>
Supporting services:				
General and Administrative	512,762	-	512,762	257,510
Fundraising	40,199	-	40,199	23,865
Total supporting services	<u>552,961</u>	<u>-</u>	<u>552,961</u>	<u>281,375</u>
Total expenses	<u>2,581,464</u>	<u>-</u>	<u>2,581,464</u>	<u>1,939,810</u>

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, 2007
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	<u>2007</u>			<u>2006</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Change in net assets	\$ (335,882)	\$ 717,514	\$ 381,632	\$ 323,396
Net assets at beginning of year	<u>532,069</u>	<u>298,376</u>	<u>830,445</u>	<u>507,049</u>
NET ASSETS AT END OF YEAR	<u>\$ 196,187</u>	<u>\$ 1,015,890</u>	<u>\$ 1,212,077</u>	<u>\$ 830,445</u>

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, 2007
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	Program Services						
	Membership Services	NCAC Services	Counselor and Newsletter	National Conference	Legislative Conference	Trainer Academy	Publication
Salaries and employee benefits (Note 5)	\$ 73,182	\$ 93,294	\$ 7,880	\$ 42,006	\$ 17,872	\$ 2,098	\$ 31,764
Accounting	-	-	-	-	-	-	-
Legal	-	5,000	-	-	-	-	-
Supplies	99	418	-	2,894	882	-	46
Telephone	-	1,620	-	603	79	-	427
Postage and shipping	14,864	1,722	2,851	9,569	6,086	-	7,054
Occupancy	-	-	-	-	-	-	-
Equipment rental	-	-	-	4,761	979	-	-
Equipment repairs and maintenance	-	-	-	-	-	-	-
Printing and reproduction	15,320	6,830	13,097	17,799	10,584	-	34,162
Travel	-	8,343	-	18,130	2,562	1,053	-
Meetings	-	26,670	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Bank service fees	-	-	-	-	-	-	-
Consultants	-	8,851	-	706	-	-	9,772
Contributions and donations	-	-	-	-	-	-	-
Dues and subscriptions	-	35,700	-	-	-	-	-
Insurance	-	4,500	-	878	-	-	-
Service fees	413	2,926	6,547	5,252	4,147	1,500	24,723
Speaker fees	-	-	-	4,500	-	-	-
Other taxes	-	-	-	-	-	-	-
Temporary assistance	-	1,000	-	-	-	-	-
Training	-	-	-	-	-	-	-
Hotel and catering	-	-	-	98,912	22,486	-	-
Advertising and marketing	-	939	-	19,855	3,859	-	-
Awards	2,290	518	-	8,859	400	-	-
Bad debt expense	-	-	-	14,699	-	-	-
Other	-	-	-	-	-	-	-
Data processing	-	-	-	-	-	-	-
Sub-total	<u>106,168</u>	<u>198,331</u>	<u>30,375</u>	<u>249,423</u>	<u>69,936</u>	<u>4,651</u>	<u>107,948</u>
Allocation of overhead	<u>64,264</u>	<u>48,529</u>	<u>4,478</u>	<u>41,246</u>	<u>5,374</u>	<u>2,309</u>	<u>22,249</u>
TOTAL	<u>\$ 170,432</u>	<u>\$ 246,860</u>	<u>\$ 34,853</u>	<u>\$ 290,669</u>	<u>\$ 75,310</u>	<u>\$ 6,960</u>	<u>\$ 130,197</u>

See accompanying notes to combined financial statements.

2007

Board and Committee Member Services	Legislative Affairs	Affiliate Relations	Education Provider	Elections	Web Page	Campral Project	Public Relations	Total Program Services
\$ 67,497	\$ 28,494	\$ 63,333	\$ 10,147	\$ 2,816	\$ 1,978	\$ 54,650	\$ 26,718	\$ 523,729
-	-	-	-	-	-	-	-	-
1,214	338	55	-	-	-	2,001	630	5,000
4,200	707	2,792	-	-	-	89	78	8,577
4,226	373	6,858	672	6,036	-	7,433	182	10,595
-	-	-	-	-	-	-	-	67,926
-	-	-	-	-	-	2,988	-	-
-	-	-	-	-	-	-	-	8,728
-	-	-	-	-	-	-	-	-
4,365	3,100	1,833	4,351	1,670	-	42,552	8,269	163,932
58,371	2,873	22,857	52	-	-	52,635	259	167,135
15,351	6,525	2,800	-	-	-	31,117	-	82,463
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
4,361	6,054	-	4,583	-	-	35,351	171	69,849
6,755	1,000	-	-	-	-	-	-	7,755
-	7,000	-	3,000	-	-	-	299	45,999
10,335	-	17,856	-	-	-	-	-	33,569
4,622	4,080	2,685	1,388	3,050	13,561	193,461	(592)	267,763
-	-	-	-	-	-	-	-	4,500
-	-	-	-	-	-	-	-	-
-	-	253	-	-	-	-	853	2,106
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	121,398
350	-	3,605	-	-	-	2,566	609	31,783
1,522	-	-	-	-	-	-	-	13,589
-	-	-	-	-	-	-	-	14,699
16,000	-	-	-	-	-	-	-	16,000
-	-	-	-	-	-	-	-	-
199,169	60,544	124,927	24,193	13,572	15,539	424,843	37,476	1,667,095
52,008	18,430	33,373	7,516	1,172	1,496	41,516	17,448	361,408
\$ 251,177	\$ 78,974	\$ 158,300	\$ 31,709	\$ 14,744	\$ 17,035	\$ 466,359	\$ 54,924	\$ 2,028,503

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, 2007
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	2007 (Continued)			2006	
	Supporting Services				
	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and employee benefits (Note 5)	\$ 202,204	\$ 15,092	\$ 217,296	\$ 741,025	\$ 710,924
Accounting	32,939	-	32,939	32,939	32,366
Legal	23,226	-	23,226	28,226	5,185
Supplies	16,016	-	16,016	24,593	9,400
Telephone	21,664	102	21,766	32,361	27,801
Postage and shipping	16,181	3,188	19,369	87,295	77,582
Occupancy	139,703	-	139,703	139,703	107,317
Equipment rental	22,554	-	22,554	31,282	29,074
Equipment repairs and maintenance	7,036	-	7,036	7,036	3,468
Printing and reproduction	15,584	8,462	24,046	187,978	122,661
Travel	13,165	485	13,650	180,785	174,230
Meetings	-	-	-	82,463	61,827
Interest	108,046	-	108,046	108,046	228
Depreciation	107,779	-	107,779	107,779	23,593
Bank service fees	42,990	-	42,990	42,990	32,837
Consultants	623	825	1,448	71,297	64,111
Contributions and donations	500	-	500	8,255	14,850
Dues and subscriptions	1,956	-	1,956	47,955	29,006
Insurance	10,103	-	10,103	43,672	36,090
Service fees	82,302	4,780	87,082	354,845	234,610
Speaker fees	-	-	-	4,500	34,799
Other taxes	15,844	-	15,844	15,844	2,380
Temporary assistance	-	-	-	2,106	11,847
Training	995	-	995	995	722
Hotel and catering	-	-	-	121,398	53,144
Advertising and marketing	-	-	-	31,783	12,322
Awards	-	-	-	13,589	5,363
Bad debt expense	-	-	-	14,699	-
Other	25	-	25	16,025	22,073
Data processing	-	-	-	-	-
Sub-total	881,435	32,934	914,369	2,581,464	1,939,810
Allocation of overhead	(368,673)	7,265	(361,408)	-	-
TOTAL	\$ 512,762	\$ 40,199	\$ 552,961	\$ 2,581,464	\$ 1,939,810

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, 2007
 WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 381,632	\$ 323,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,779	23,593
Realized gain on sale of investment	(26,498)	(13,303)
Unrealized loss on investments	13,154	(5,589)
(Increase) decrease in:		
Accounts receivable	10,027	(66,407)
Contracts receivable	-	23,148
Prepaid expenses	(34,532)	27,228
Increase (decrease) in:		
Accounts payable and accrued expenses	69,217	46,837
Due to affiliates	5,699	(6,145)
Deferred revenue	(770)	(23,333)
Net cash provided by operating activities	<u>525,708</u>	<u>329,425</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(3,332,558)	(75,088)
Purchase of investments	(71,873)	(143,657)
Proceeds from investments	<u>-</u>	<u>39,041</u>
Net cash used by investing activities	<u>(3,404,431)</u>	<u>(179,704)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank loans	<u>3,136,767</u>	<u>-</u>
Net cash provided by financing activities	<u>3,136,767</u>	<u>-</u>
Net increase in cash and cash equivalents	258,044	149,721
Cash and cash equivalents at beginning of year	<u>442,774</u>	<u>293,053</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 700,818</u>	<u>\$ 442,774</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 108,046</u>	<u>\$ 228</u>

See accompanying notes to combined financial statements.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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, 2006, 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 2007.

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POLITICAL ACTION COMMITTEE**

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2007**

**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.

Fixed assets -

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

Condo amount primarily include the capitalized cost of acquiring the property. Certain improvements were made to the condo that were considered to have estimated useful lives equal to that of the related property, and therefore, they have been classified as condo improvements. The useful lives of these assets was estimated to be 39 year.

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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NATIONAL ASSOCIATION OF ALCOHOLISM AND DRUG ABUSE COUNSELORS -
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**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2007**

**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, 2007 there were no permanently restricted net assets.

2. INVESTMENTS

Investments are restricted (See Note 8) and consisted of the following at December 31, 2007:

Interest and dividends	\$ 9,846
Unrealized loss	(13,154)
Realized gain	<u>26,498</u>
TOTAL INVESTMENT INCOME	<u>\$ 23,190</u>

3. LINE OF CREDIT

NAADAC had a line of credit with Bank of America, with a borrowing limit of \$200,000. Interest was the Prime Rate plus one percent. There were no outstanding borrowings at December 31, 2007.

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 DECEMBER 31, 2007**

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.

In connection with moving into acquired condo, NAADAC entered into a sublease agreement which commenced on March 1, 2008 and terminates 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 and sublease payments to be received under the leases as of December 31, 2007 are as follows:

<u>Year Ended December 31,</u>	<u>Office Lease</u>	<u>Office Sublease</u>	<u>Equipment Lease</u>	<u>Net Future Commitments</u>
2008	\$ 110,807	\$ (59,936)	\$ 9,043	\$ 59,914
2009	<u>84,961</u>	<u>(53,942)</u>	<u>4,898</u>	<u>35,917</u>
	<u>\$ 195,768</u>	<u>\$ (113,878)</u>	<u>\$ 13,941</u>	<u>\$ 95,831</u>

Rent expense for the year ended December 31, 2007 was \$139,703.

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 \$14,885 for the year ended December 31, 2007.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2007:

Political Action Campaign	\$ 55,871
Campral Training Program	46,822
Cephalon grant	685,340
Online Course Servicing	35,930
Reckit Benckiser	<u>191,927</u>
	<u>\$ 1,015,890</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	\$ 1,032
Campral Training Program	93,124
Cephalon grant	349,359
Reckit Benckiser	<u>22,927</u>
	<u>\$ 466,442</u>

8. NOTES PAYABLE

On June 5, 2007, NAADAC borrowed \$2,666,251 to finance the purchase of a condo located at 1001 N. Fairfax Street, Alexandria, Virginia. The note bears interest at a fixed rate of 7.000% for ten years. The loan agreement was amended on June 8, 2007, to provide only for interest payment during 2007. Interest payments commenced June 2007 and principal and interest payments commenced in January 2008.

The note is secured by a first deed of trust on the condo and by a first lien on all improvements. As additional collateral, the loan is secured by an assignment of income, rents, leases and security deposits of the building.

On June 5, 2007, NAADAC borrowed \$470,516 to finance the build-out of the condo located at 1001 N. Fairfax Street, Alexandria, Virginia. The note bears interest at a fixed rate of 7.000% for five years. The note was amended on June 8, 2007, to provide only for interest payment during 2007. Interest payments commenced June 2007 and principal and interest payments commenced in January 2008. The note is secured by a Certificate of Deposit for \$470,516 held with the bank.

The maturities of the notes at December 31, 2007 are as follows:

<u>Year Ended October 31,</u>	
2008	\$ 61,687
2009	66,147
2010	70,929
2011	76,056
2012	443,852
2013 and Thereafter	<u>2,418,096</u>
	3,136,767
Less: Current portion	<u>(61,687)</u>
	<u>\$ 3,075,080</u>