

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

OMB No 1545-0047

2005**Open to Public Inspection**Department of the Treasury
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2005 calendar year, or tax year beginning**, and ending**

- B** Check if applicable:
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Final return
- ☐ Amended return
- ☐ Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization**NARCONON OF NORTHERN CALIFORNIA**

Number and street (or P.O. box if mail is not delivered to street address) Room/suite

262 GAFFEY ROAD

City or town

State or country

ZIP + 4

WATSONVILLE**CA****95076-9731****D Employer identification number****77-0275827****E Telephone number****1-800-556-8885**

F Accounting method: ☐ Cash ☒ Accrual

☐ Other (specify) ▶

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations

H(a) Is this a group return for affiliates? ☐ Yes ☒ No

H(b) If "Yes," enter number of affiliates ▶

H(c) Are all affiliates included? N/A ☐ Yes ☐ No (If "No," attach a list. See instructions.)H(d) Is this a separate return filed by an organization covered by a group ruling? ☒ Yes ☐ NoI Group Exemption Number ▶ **2595**M Check ☐ if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).**G Website:** ▶ **WWW.DRUGREHAB.NET****J Organization type** (check only one) ▶ ☒ 501(c) (3) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

K Check here ☐ if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 ▶ **5,167,450****Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)**

1 Contributions, gifts, grants, and similar amounts received:					
a Direct public support	1a	67,784			
b Indirect public support	1b	90,000			
c Government contributions (grants)	1c	0			
d Total (add lines 1a through 1c) (cash \$ 152,307 noncash \$ 5,477)	1d			157,784	
2 Program service revenue including government fees and contracts (from Part VII, line 93)	2			4,908,332	
3 Membership dues and assessments	3			0	
4 Interest on savings and temporary cash investments	4			766	
5 Dividends and interest from securities	5			0	
6a Gross rents	6a				
b Less: rental expenses	6b				
c Net rental income or (loss) (subtract line 6b from line 6a)	6c			0	
7 Other investment income (describe ▶)	7			0	
8a Gross amount from sales of assets other than inventory	(A) Securities		(B) Other		
	0	8a	0		
b Less: cost or other basis and sales expenses	0	8b	0		
c Gain or (loss) (attach schedule)	0	8c	0		
d Net gain or (loss) (combine line 8c, columns (A) and (B))				8d	0
9 Special events and activities (attach schedule). If any amount is from gaming, check here ▶ <input type="checkbox"/>					
a Gross revenue (not including \$ 0 of contributions reported on line 1a)	9a	0			
b Less: direct expenses other than fundraising expenses	9b	0			
c Net income or (loss) from special events (subtract line 9b from line 9a)	9c			0	
10a Gross sales of inventory, less returns and allowances	10a	88,925			
b Less: cost of goods sold	10b	51,948			
c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c			36,977	
11 Other revenue (from Part VII, line 103)	11			11,643	
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12			5,115,502	
13 Program services (from line 44, column (B))	13			2,879,026	
14 Management and general (from line 44, column (C))	14			1,136,773	
15 Fundraising (from line 44, column (D))	15			9,452	
16 Payments to affiliates (attach schedule)	16			487,029	
17 Total expenses (add lines 16 and 44, column (A))	17			4,512,280	
18 Excess or (deficit) for the year (subtract line 17 from line 12)	18			603,222	
19 Net assets or fund balances at beginning of year (from line 73, column (A))	19			186,201	
20 Other changes in net assets or fund balances (attach explanation)	20			-211,379	
21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21			578,044	

5

Part II **Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See the instructions.)

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ <u>0</u> noncash \$ <u>0</u>) If this amount includes foreign grants, check here <input type="checkbox"/>	22 0	0		
23	Specific assistance to individuals (attach schedule)	23 0	0		
24	Benefits paid to or for members (attach schedule)	24 0			
25	Compensation of officers, directors, etc.	25 312,396		312,396	
26	Other salaries and wages	26 1,609,873	1,378,665	225,688	5,520
27	Pension plan contributions	27 0			
28	Other employee benefits	28 0			
29	Payroll taxes	29 152,379	119,069	32,716	594
30	Professional fundraising fees	30 0			
31	Accounting fees	31 0			
32	Legal fees	32 0			
33	Supplies	33 0			
34	Telephone	34 83,875	65,540	18,008	327
35	Postage and shipping	35 20,856	16,297	4,478	81
36	Occupancy	36 140,808	110,027	30,232	549
37	Equipment rental and maintenance	37 0			
38	Printing and publications	38 186,660	181,441	5,126	93
39	Travel	39 73,940	57,776	15,876	288
40	Conferences, conventions, and meetings	40 0			
41	Interest	41 102,685	80,238	22,047	400
42	Depreciation, depletion, etc. (attach schedule)	42 80,573	62,960	17,299	314
43	Other expenses not covered above (itemize):				
a	See attached statement	43a 1,261,206	807,013	452,907	1,286
b		43b 0	0	0	0
c		43c 0	0	0	0
d		43d 0	0	0	0
e		43e 0	0	0	0
f		43f 0	0	0	0
g		43g 0	0	0	0
44	Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	44 4,025,251	2,879,026	1,136,773	9,452

Joint Costs. Check ☐ if you are following SOP 98-2.Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? ☐ Yes ☒ NoIf "Yes," enter (i) the aggregate amount of these joint costs \$ 0; (ii) the amount allocated to Program services \$ _____; (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See the instructions.)

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ► DRUG REHABILITATION SERVICE & PUBLIC AWARENESS	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others.)
<p>All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)</p> <p>a DRUG REHABILITATION SERVICES WERE PROVIDED TO INDIVIDUALS FOR A TOTAL OF 188,200 HOURS OF DRUG REHAB & LIFE SKILLS. SERVICES INCLUDE SAFE, DRUG-FREE WITHDRAWAL, DETOXIFICATION TO CLEANSE THE BODY OF DRUGS AND OTHER CHEMICALS, AND A CAREFULLY DESIGNED PROGRAM OF COURSES THAT ENABLE STUDENTS TO DEVELOP ESSENTIAL LIFE SKILLS. GRADUATES OF THE NARCONON DRUG REHABILITATION PROGRAM ARE ABLE TO LEAVE THE TRAP OF ADDICTION AND REJOIN SOCIETY AS STABLE, ETHICAL, AND CONTRIBUTING CITIZENS. (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/></p>	2,078,891
<p>b PUBLIC AWARENESS AND EDUCATION CAMPAIGNS WERE DONE THROUGH THE INTERNET, LECTURES, AND PRINTED MEDIA. THE INFORMATION PROVIDED INFORMS THE PUBLIC ABOUT THE MECHANICS OF DRUG AND ALCOHOL ADDICTION AND THE HARMFUL EFFECTS OF DRUG USE. THERE WERE 20,665,476 HITS TO THE ORGANIZATION'S INTERNET WEB SITES DURING THE YEAR. APPROXIMATELY 10,000 DRUG ABUSE EDUCATIONAL ITEMS WERE PRINTED AND DISTRIBUTED. DRUG-FREE LECTURES WERE DELIVERED TO 220 STUDENTS AT PUBLIC SCHOOLS. (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/></p>	800,135
<p>c _____ _____ _____ _____ _____ (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/></p>	
<p>d _____ _____ _____ _____ _____ (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/></p>	
<p>e Other program services (attach schedule) (Grants and allocations \$) If this amount includes foreign grants, check here ► <input type="checkbox"/></p>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ►	2,879,026

Part IV Balance Sheets (See the instructions.)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
Assets	45 Cash—non-interest-bearing	140,733	45	400,877
	46 Savings and temporary cash investments		46	
	47 a Accounts receivable	47a 56,607		
	b Less: allowance for doubtful accounts	47b 0	47c	56,607
	48 a Pledges receivable	48a 90,000		
	b Less: allowance for doubtful accounts	48b 0	48c	90,000
	49 Grants receivable		49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)	0	50	0
	51 a Other notes and loans receivable (attach schedule)	51a 0		
	b Less: allowance for doubtful accounts	51b 0	51c	0
	52 Inventories for sale or use	6,003	52	11,540
	53 Prepaid expenses and deferred charges		53	31,102
	54 Investments—securities (attach schedule) <input type="checkbox"/> Cost <input type="checkbox"/> FMV	0	54	0
	55 a Investments—land, buildings, and equipment: basis	55a 2,185,288		
b Less: accumulated depreciation (attach schedule)	55b 273,257	1,609,361	55c	1,912,031
56 Investments—other (attach schedule)	0	56	0	
57 a Land, buildings, and equipment: basis	57a 0			
b Less: accumulated depreciation (attach schedule)	57b 0	0	57c	0
58 Other assets (describe <input type="checkbox"/> See attached statement)	62,213	58	72,346	
59 Total assets (must equal line 74). Add lines 45 through 58	1,818,310	59	2,574,503	
Liabilities	60 Accounts payable and accrued expenses		60	276,212
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)	0	63	0
	64 a Tax-exempt bond liabilities (attach schedule)	0	64a	0
	b Mortgages and other notes payable (attach schedule)	1,532,534	64b	1,338,303
	65 Other liabilities (describe <input type="checkbox"/> See attached statement)	99,575	65	381,944
66 Total liabilities. Add lines 60 through 65	1,632,109	66	1,996,459	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	186,201	67	487,244
	68 Temporarily restricted		68	90,800
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)	186,201	73	578,044
74 Total liabilities and net assets/fund balances. Add lines 66 and 73.	1,818,310	74	2,574,503	

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See the instructions.)

a	Total revenue, gains, and other support per audited financial statements		a	5,167,450
b	Amounts included on line a but not on Part I, line 12:			
1	Net unrealized gains on investments	b1		
2	Donated services and use of facilities	b2		
3	Recoveries of prior year grants	b3		
4	Other (specify): COST OF GOOD SOLD	b4	51,948	
	Add lines b1 through b4		b	51,948
c	Subtract line b from line a		c	5,115,502
d	Amounts included on Part I, line 12, but not on line a :			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify):	d2	0	
	Add lines d1 and d2		d	0
e	Total revenue (Part I, line 12). Add lines c and d		e	5,115,502

Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements		a	4,564,228
b	Amounts included on line a but not on Part I, line 17:			
1	Donated services and use of facilities	b1		
2	Prior year adjustments reported on Part I, line 20	b2		
3	Losses reported on Part I, line 20	b3		
4	Other (specify): COST OF GOODS SOLD	b4	51,948	
	Add lines b1 through b4		b	51,948
c	Subtract line b from line a		c	4,512,280
d	Amounts included on Part I, line 17, but not on line a :			
1	Investment expenses not included on Part I, line 6b	d1		
2	Other (specify):	d2	0	
	Add lines d1 and d2		d	0
e	Total expenses (Part I, line 17). Add lines c and d		e	4,512,280

Part V-A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (If not paid, enter -0-)	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
Name Daniel Manson Str 262 Gaffey Road City Watsonville ST CA ZIP 95076	Title Exec Dir & Direc Hr/WK 40	153,632	0	0
Name Angie Manson Str 262 Gaffey Road City Watsonville ST CA ZIP 95076	Title Dep. Exec Dir Hr/WK 40	158,764	0	0
Name Chuch Koch Str 18327 Christeph Dr City Morgan Hill ST CA ZIP 95037	Title Voting Member Hr/WK 5	0	0	0
Name Michael Kobrin Str 1842 Ransom Rd City Glendale ST CA ZIP 91201	Title Voting Member Hr/WK .5	0	0	0
Name David Puliafico Str 1630 Tennant Ave City Morgan Hill ST CA ZIP 95037	Title Voting Member Hr/WK .5	0	0	0
Name Jerry Nemier Str 2934 Bresso Drive City Livermore ST CA ZIP 94550	Title Director Hr/WK .5	0	0	0
Name Marc Torres Str 18889 W Cavendas City Castro Valley ST CA ZIP 94552	Title Director Hr/WK .5	0	0	0
Name Edward Panelli Str 14656 Stoneridge Dr City Saratoga ST CA ZIP 95070	Title Director Hr/WK 5	0	0	0
Name Eugene Moore Str 7849 W Mancheste City Playa Del Rey ST CA ZIP 90293	Title Director Hr/WK .5	0	0	0
Name _____ Str _____ City _____ ST ZIP _____	Title _____ Hr/WK _____			

Part V-A Current Officers, Directors, Trustees, and Key Employees (continued)

	Yes	No
75 a Enter the total number of officers, directors, and trustees permitted to vote on organization business at board meetings		5
b Are any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, related to each other through family or business relationships? If "Yes," attach a statement that identifies the individuals and explains the relationship(s) . . See Strm	75b X	
c Do any officers, directors, trustees, or key employees listed in Form 990, Part V-A, or highest compensated employees listed in Schedule A, Part I, or highest compensated professional and other independent contractors listed in Schedule A, Part II-A or II-B, receive compensation from any other organizations, whether tax exempt or taxable, that are related to this organization through common supervision or common control? . . .	75c	X
Note. Related organizations include section 509(a)(3) supporting organizations.		
If "Yes," attach a statement that identifies the individuals, explains the relationship between this organization and the other organization(s), and describes the compensation arrangements, including amounts paid to each individual by each related organization.		
d Does the organization have a written conflict of interest policy?	75d X	

Part V-B Former Officers, Directors, Trustees, and Key Employees That Received Compensation or Other Benefits (If any former officer, director, trustee, or key employee received compensation or other benefits (described below) during the year, list that person below and enter the amount of compensation or other benefits in the appropriate column. See the instructions.)

(A) Name and address	(B) Loans and Advances	(C) Compensation	(D) Contributions to employee benefit plans & deferred compensation plans	(E) Expense account and other allowances
Name <u>NONE</u> Str _____ City _____ ST _____ ZIP _____		0	0	0
Name _____ Str _____ City _____ ST _____ ZIP _____				
Name _____ Str _____ City _____ ST _____ ZIP _____				
Name _____ Str _____ City _____ ST _____ ZIP _____				
Name _____ Str _____ City _____ ST _____ ZIP _____				
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Name _____ Str _____ City _____ ST _____ ZIP _____				
Name _____ Str _____ City _____ ST _____ ZIP _____				
Name _____ Str _____ City _____ ST _____ ZIP _____				
Name _____ Str _____ City _____ ST _____ ZIP _____				

Part VI Other Information (See the instructions.)

	Yes	No
76 Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77 Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.	77	X
78 a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b If "Yes," has it filed a tax return on Form 990-T for this year?	78b N/A	
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b If "Yes," enter the name of the organization ► _____ _____ and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81 a Enter direct and indirect political expenditures. (See line 81 instructions.)	81a 0	
b Did the organization file Form 1120-POL for this year?	81b	X

Part VI Other Information (continued)

		Yes	No
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.)		
	82b N/A		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84 a	Did the organization solicit any contributions or gifts that were not tax deductible?		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
	N/A		
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?		
	N/A		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less?		
	N/A		
	If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year		
	N/A		
c	Dues, assessments, and similar amounts from members		
	85c N/A		
d	Section 162(e) lobbying and political expenditures		
	85d N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices		
	85e N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)		
	85f N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?		
	N/A		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?		
	N/A		
86	501(c)(7) orgs Enter: a Initiation fees and capital contributions included on line 12.		
	86a N/A		
b	Gross receipts, included on line 12, for public use of club facilities		
	86b N/A		
87	501(c)(12) orgs Enter: a Gross income from members or shareholders		
	87a N/A		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)		
	87b N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
89 a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 N/A; section 4912 N/A; section 4955 N/A		
b	501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction		X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958		0
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization		N/A
90 a	List the states with which a copy of this return is filed CA		
b	Number of employees employed in the pay period that includes March 12, 2005 (See instructions)	90b	43
91 a	The books are in care of Name KATHI HORTON Telephone no. 1-800-556-8885 Located at 262 GAFFEY ROAD City WATSONVILLE ST CA ZIP + 4 95076-9731		
b	At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	Yes	No
	If "Yes," enter the name of the foreign country N/A		X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
c	At any time during the calendar year, did the organization maintain an office outside of the United States?		X
	If "Yes," enter the name of the foreign country N/A		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041— Check here		
	and enter the amount of tax-exempt interest received or accrued during the tax year	92	N/A

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a DRUG REHABILITATION SERVICES					4,908,332
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	766	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					36,977
103 Other revenue: a COMMISSIONS					11,643
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0		766	4,956,952
105 Total (add line 104, columns (B), (D), and (E))					4,957,718

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93A	REVENUE FROM DRUG REHABILITATION SERVICES.
102	REVENUE FORM SALE OF DRUG REHAB & LIFE SKILLS MATERIALS AS PART OF NARCONON'S SERVICES

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

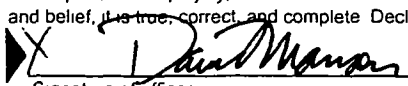
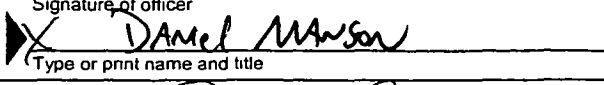
(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%		0	0
	%		0	0
	%		0	0
	%		0	0

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? ☐ Yes ☒ No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? ☐ Yes ☒ No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Please Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.				
	<input checked="" type="checkbox"/> Signature of officer  Signature of officer		<input checked="" type="checkbox"/> Date 10/30/06		
Paid Preparer's Use Only	Preparer's signature  Firm's name (or yours if self-employed), address, and ZIP + 4		Date 10/29/2006	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN (See Gen. Inst. W)
	DAVID PULIAFICO INC 1630 TENNANT AVE, MORGAN HILL, CA 95037-9564		EIN		Phone no 408-778-1345

SCHEDULE A
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Organization Exempt Under Section 501(c)(3)**(Except Private Foundation) and Section 501(e), 501(f), 501(k), 501(n),
or 4947(a)(1) Nonexempt Charitable Trust**Supplementary Information—(See separate instructions.)**▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

2005

Name of the organization

NARCONON OF NORTHERN CALIFORNIA

Employer identification number

77-0275827

Part I**Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**

(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
DANA REBASTI, 1565 EL MONTE CT WATSONVILLE, CA 95076 USA	Public Registration 45	100,125	0	0
MICHAEL G DIPALMA, 137 MARINA AVE #B WATSONVILLE, CA 95003 USA	Public Registration 45	98,414	0	0
STACEY PAYNE, 515 TRABING ROAD WATSONVILLE, CA 95076 USA	Snr. Dir. of Expansion 45	80,605	0	0
MATTHEW GUERNACCINI, 1565 EL MONTE CT WATSONVILLE, CA 95076 USA	Snr Dir of Production 45	78,124	0	0
ELEANOR JOURDAIN, 262 GAFFEY RD WATSONVILLE, CA 95076 USA	Registered Nurse 45	73,263	0	0
Total number of other employees paid over \$50,000 ▶	5			

Part II-A**Compensation of the Five Highest Paid Independent Contractors for Professional Services**

(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
STEPHEN M STEIN MD, 140 PINERIDGE RD SANTA CRUZ, CA 95060 USA	MEDICAL EXAMINATIONS	71,925
FRANK MONTERO, 3106 HERMITAGE ROAD PEBBLE BEACH, CA 93953 USA	INTELLECTUAL PROPERTY	150,800
		0
		0
		0
Total number of others receiving over \$50,000 for professional services ▶	2	

Part II-B**Compensation of the Five Highest Paid Independent Contractors for Other Services**

(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter "None" See page 2 of the instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		0
		0
		0
		0
		0
		0
Total number of other contractors receiving over \$50,000 for other services ▶	0	

For Paperwork Reduction Act Notice, see the Instructions for Form 990 and Form 990-EZ.

Schedule A (Form 990 or 990-EZ) 2005

(HTA)

Part III Statements About Activities (See page 2 of the instructions.)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ <u>0</u> (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B)		X
Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes" must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions)		
a Sale, exchange, or leasing of property? SEE STATEMENT 1	X	
b Lending of money or other extension of credit?		X
c Furnishing of goods, services, or facilities?		X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? See Part V, Form 990	X	
e Transfer of any part of its income or assets?		X
3 a Do you make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how you determine that recipients qualify to receive payments)	X	
b Do you have a section 403(b) annuity plan for your employees?		X
c During the year, did the organization receive a contribution of qualified real property interest under section 170(h)?		X
4 a Did you maintain any separate account for participating donors where donors have the right to provide advice on the use or distribution of funds?		X
b Do you provide credit counseling, debt management, credit repair, or debt negotiation services?		X

Part IV Reason for Non-Private Foundation Status (See pages 3 through 6 of the instructions.)The organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5 ☐ A church, convention of churches, or association of churches Section 170(b)(1)(A)(i).
- 6 ☐ A school Section 170(b)(1)(A)(ii) (Also complete Part V.)
- 7 ☐ A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8 ☐ A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v).
- 9 ☐ A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ► _____ City _____ ST _____ Country _____
- 10 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11 a ☒ An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11 b ☐ A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)
- 12 ☐ An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A.)
- 13 ☐ An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above; or (2) sections 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) Check the box that describes the type of supporting organization ► ☐ Type 1 ☐ Type 2 ☐ Type 3

Provide the following information about the supported organizations (See page 6 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 ☐ An organization organized and operated to test for public safety. Section 509(a)(4). (See page 6 of the instructions.)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) **Use cash method of accounting.****Note:** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28)	64,872	39,109	46,839	21,328	172,148
16 Membership fees received					0
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose	3,128,299	3,361,097	1,941,075	1,503,441	9,933,912
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	12	157	546	1,339	2,054
19 Net income from unrelated business activities not included in line 18					0
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					0
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets	0	906	6,057	0	6,963
23 Total of lines 15 through 22	3,193,183	3,401,269	1,994,517	1,526,108	10,115,077
24 Line 23 minus line 17	64,884	40,172	53,442	22,667	181,165
25 Enter 1% of line 23	31,932	34,013	19,945	15,261	

26 Organizations described on lines 10 or 11:	a	Enter 2% of amount in column (e), line 24	▶	26a	3,623
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts			▶	26b	48,791
c Total support for section 509(a)(1) test: Enter line 24, column (e)			▶	26c	181,165
d Add: Amounts from column (e) for lines:	18	2,054	19	0	
	22	6,963	26b	48,791	
			▶	26d	57,808
e Public support (line 26c minus line 26d total)			▶	26e	123,357
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))			▶	26f	68.09%

27 Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year. N/A

(2004) (2003) (2002) (2001)

b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year N/A

(2004) (2003) (2002) (2001)

c Add: Amounts from column (e) for lines: 15 0 16 0 17 0 20 0 21 0 27c N/A

d Add: Line 27a total 0 and line 27b total 0 27d N/A

e Public support (line 27c total minus line 27d total) 27e N/A

f Total support for section 509(a)(2) test: Enter amount from line 23, column (e) 27f N/A

g Public support percentage (line 27e (numerator) divided by line 27f (denominator)) 27g N/A

h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)) 27h N/A

28 **Unusual Grants:** For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

Part V Private School Questionnaire (See page 7 of the instructions.)

(To be completed ONLY by schools that checked the box on line 6 in Part IV)

		N/A	Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	29		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	30		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement)	31		
32	Does the organization maintain the following:			
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c		
d	Copies of all material used by the organization or on its behalf to solicit contributions?	32d		
	If you answered "No" to any of the above, please explain (If you need more space, attach a separate statement)			
33	Does the organization discriminate by race in any way with respect to			
a	Students' rights or privileges?	33a		
b	Admissions policies?	33b		
c	Employment of faculty or administrative staff?	33c		
d	Scholarships or other financial assistance?	33d		
e	Educational policies?	33e		
f	Use of facilities?	33f		
g	Athletic programs?	33g		
h	Other extracurricular activities?	33h		
	If you answered "Yes" to any of the above, please explain (If you need more space, attach a separate statement)			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a		
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement	34b		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev. Proc. 75-50, 1975-2 C B. 587, covering racial nondiscrimination? If "No," attach an explanation	35		

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions.)(To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check ☒ **a** if the organization belongs to an affiliated group. Check ☐ **b** if you checked "a" and "limited control" provisions apply**Limits on Lobbying Expenditures**

(The term "expenditures" means amounts paid or incurred.)

		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	0
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	0
41	Lobbying nontaxable amount Enter the amount from the following table—		
	<div> If the amount on line 40 is— Not over \$500,000 Over \$500,000 but not over \$1,000,000 Over \$1,000,000 but not over \$1,500,000 Over \$1,500,000 but not over \$17,000,000 Over \$17,000,000 </div> <div> The lobbying nontaxable amount is— 20% of the amount on line 40 \$100,000 plus 15% of the excess over \$500,000 \$175,000 plus 10% of the excess over \$1,000,000 \$225,000 plus 5% of the excess over \$1,500,000 \$1,000,000 </div>	41	0
42	Grassroots nontaxable amount (enter 25% of line 41)	42	0
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	0
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	0

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below

See the instructions for lines 45 through 50 on page 11 of the instructions)

N/A

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in) ►	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45 Lobbying nontaxable amount					0
46 Lobbying ceiling amount (150% of line 45(e))					0
47 Total lobbying expenditures					0
48 Grassroots nontaxable amount					0
49 Grassroots ceiling amount (150% of line 48(e))					0
50 Grassroots lobbying expenditures					0

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

- a Volunteers
- b Paid staff or management (Include compensation in expenses reported on lines c through h.)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (Add lines c through h.)

Yes	No	Amount
	X	
	X	
	X	
	X	
	X	
	X	
	X	
		0

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities

N/A

Depreciation and Amortization

(Rev. January 2006)

(Including Information on Listed Property)

2005

Department of the Treasury
Internal Revenue ServiceAttachment
Sequence No 67

▶ See separate instructions.

▶ Attach to your tax return.

Name(s) shown on return NARCONON OF NORTHERN CALIFORNIA	Business or activity to which this form relates 990	Identifying number 77-0275827
--	--	----------------------------------

Part I Election To Expense Certain Property Under Section 179**Note:** If you have any listed property, complete Part V before you complete Part I.

1 Maximum amount. See the instructions for a higher limit for certain businesses	1	105,000
2 Total cost of section 179 property placed in service (see instructions).	2	0
3 Threshold cost of section 179 property before reduction in limitation	3	420,000
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	105,000

(a) Description of property	(b) Cost (business use only)	(c) Elected cost
6		

7 Listed property. Enter the amount from line 29	7	0
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	0
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	0
10 Carryover of disallowed deduction from line 13 of your 2004 Form 4562.	10	0
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	0
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	0
13 Carryover of disallowed deduction to 2006. Add lines 9 and 10, less line 12	13	0

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property) (See instructions)**

14 Special allowance for certain aircraft, certain property with a long production period, and qualified NYL or GO Zone property (other than listed property) placed in service during the tax year (see instructions)	14	0
15 Property subject to section 168(f)(1) election	15	0
16 Other depreciation (including ACRS)	16	156

Part III MACRS Depreciation (Do not include listed property.) (See instructions)**Section A**

17 MACRS deductions for assets placed in service in tax years beginning before 2005	17	63,683
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		<input type="checkbox"/>

Section B - Assets Placed in Service During 2005 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19 a 3-year property						
b 5-year property		See	Attached	Statement		2,487
c 7-year property		See	Attached	Statement		2,147
d 10-year property						
e 15-year property		See	Attached	Statement		3,244
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

Section C - Assets Placed in Service During 2005 Tax Year Using the Alternative Depreciation System

20 a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part IV Summary (see instructions)

21 Listed property. Enter amount from line 28	21	8,152
22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations - see instr.	22	79,869
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	0

For Paperwork Reduction Act Notice, see separate instructions.

Form 4562 (2005) (Rev. 1-2006)

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.**Section A - Depreciation and Other Information** (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				24b If "Yes," is the evidence written? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special allowance for certain aircraft, certain property with a long production period, and qualified NYL or GO Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions)							25	0
26 Property used more than 50% in a qualified business use:								
		%						
		%						
See Statement		%					8,152	0
27 Property used 50% or less in a qualified business use:								
		%				S/L -		
		%				S/L -		
		%				S/L -	0	
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1							28	8,152
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29	0

Section B - Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
	See Stmt											
30 Total business/investment miles driven during the year (do not include commuting miles)		0		0		0		0		0		0
31 Total commuting miles driven during the year		0		0		0		0		0		0
32 Total other personal (noncommuting) miles driven		0		0		0		0		0		0
33 Total miles driven during the year Add lines 30 through 32		0		0		0		0		0		0
34 Was the vehicle available for personal use during off-duty hours?	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
35 Was the vehicle used primarily by a more than 5% owner or related person?												
36 Is another vehicle available for personal use?												

Section C - Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions)		

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," do not complete Section B for the covered vehicles**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2005 tax year (see instructions)					
43 Amortization of costs that began before your 2005 tax year				43	704
44 Total. Add amounts in column (f). See the instructions for where to report				44	704

Part I (8868) - Books in care of

Name			
<input checked="checked" type="checkbox"/>	Person		
<input type="checkbox"/>	Business	KATHI HORTON	
Address		Fax no.	Telephone no
262 GAFFEY ROAD			1-800-556-8885
City	State	Zip code	Foreign country
WATSONVILLE	CA	95076-9731	

Line 1 (990) - Public Support and Contributions

YEAR END 12/31/05

	Cash		Non Cash
Line 1a - Direct public support			
1 Contributions	62,307	1	5,477
2 Membership dues and assessments (contributions from the public)		2	
3 Commercial co-venture		3	
4 Special events contributions (Line 9 - Special Events)	0	4	
5		5	
6		6	
7		7	
8		8	
9		9	
10 Total	62,307	10	5,477
Line 1b - Indirect public support	90,000		
Line 1c - Government contributions (grants)			

Line 10c (990) - Gross Profit from Sale of Inventory

TAX YEAR: 12/31/05

	Category	Gross Sales	Cost of Goods Sold	Net
1	NARCONON PROGRAM MATERIAL SALES	88,925	51,948	36,977
2				0
3				0
4				0
5				0
6				0
7				0
8				0
9				0
10				0
11	Totals	88,925	51,948	36,977

Line 16 (990) - Payments to affiliates

TAX YEAR: 12/31/05

	Name	Street	City	ST	ZIP	ID number	Purpose	Amount
1	Narconon International	7060 Hollywood Blvd #220	Los Angeles	CA	90028	95-2769582	Trademark License Fee	487,029
2								
3								
4								
5								
6								
7								
8								
9								
10								
11	Total							487,029

Line 20 (990) - Other changes in net assets or fund balances

YEAR END: 12/31/05

1	CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE FROM CASH TO ACCRUAL	1	-211,379
2	THE CHANGE WAS DUE TO THE CALIFORNIA NONPROFIT INTEGRITY ACT OF 2004 EFFECTIVE	2	
3	JANUARY 1, 2005. CHARITABLE CORPORATIONS THAT ACCRUE OVER \$2 MILLION OR	3	
4	MORE IN GROSS REVENUE IN ANY FISCAL YEAR MUST HAVE AUDITED FINANCIAL STATEMENTS	4	
5	BY AN INDEPENDENT CPA. BECAUSE OF THE ACCRUE REQUIREMENTS THE AUDITED FINANCIAL	5	
6	STATEMENTS WERE DONE USING THE ACCRUAL ACCOUNTING MEDTHOD TO ACCURATELY	6	
7	REFLECT ACCRUED REVENUE PER THE NEW CALIFORNIA LAW	7	
8		8	
9		9	
10	Total	10	-211,379

Assets by Classification - 990

TAX YEAR 21/131/05

NARCONON OF NORTHERN CALIFORNIA

77-0275827

Item No	Description of Property ***** indicates RETIRED	Date Placed In Service	Asset Code	Bus. Use %	Cost or Other Basis	Sec. 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum Deprec., 179, Bonus	2005 Deprec.	2005 Accum. Deprec.
GROUP: SOFTWARE														
**	SOFTWARE	4/29/2002	F-1	100.00%	349	0	0	349	3	SL	MM	310	39	349
**	SOFTWARE DONA	6/26/2002	F-1	100.00%	500	0	0	500	3	SL	MM	417	83	500
**	CHECK BY FAX PR	2/24/2003	F-1	100.00%	188	0	0	188	5	SL/GDS	HY	57	34	91
					1,037	0	0	1,037						
GROUP: SOFTWARE TOTAL												784	156	940
GROUP: COMPUTER & OFFICE EQUIP														
**	FAX PHONE	2/1/1996	F-6	100.00%	272	0	0	272	5	SL/GDS	HY	272	0	272
**	MATERIALS FOR N	6/28/1997	F-6	100.00%	1,622	0	0	1,622	5	SL/GDS	HY	1,620	2	1,622
**	USED JEMINI COM	1/10/1998	F-6	100.00%	800	0	0	800	5	SL/GDS	HY	800	0	800
**	MEMORY UPGRAC	2/16/1998	F-6	100.00%	173	0	0	173	5	SL/GDS	HY	173	0	173
**	LASERJET PRINTE	2/18/1998	F-6	100.00%	452	0	0	452	5	SL/GDS	HY	452	0	452
**	PAPER FOLDER	4/3/1998	F-6	100.00%	540	0	0	540	5	SL/GDS	HY	540	0	540
**	ZIP DRIVE	4/30/1998	F-6	100.00%	162	0	0	162	5	SL/GDS	HY	162	0	162
**	TELEPHONE	10/26/1998	F-6	100.00%	480	0	0	480	5	SL/GDS	HY	448	32	480
**	PAPER FOLDER	3/11/1999	F-6	100.00%	714	0	0	714	7	SL/GDS	HY	599	102	701
**	MODEM	4/12/1999	F-6	100.00%	108	0	0	108	5	SL/GDS	HY	108	0	108
**	3 COMPUTERS	8/2/1999	F-6	100.00%	3,075	0	0	3,075	7	SL/GDS	HY	2,360	439	2,799
**	PHONE LINES	9/5/1999	F-6	100.00%	3,292	0	0	3,292	7	SL/GDS	HY	2,526	470	2,996
**	LAPTOP	9/19/2000	F-6	100.00%	1,080	0	0	1,080	5	SL/GDS	HY	972	108	1,080
**	COMPUTER/MONI	5/30/2001	F-6	100.00%	1,030	0	0	1,030	5	SL/GDS	HY	765	206	971
**	COMPUTER	7/25/2001	F-6	100.00%	1,418	0	0	1,418	5	SL/GDS	HY	1,055	284	1,339
LASER PRINTER		7/27/2001	F-6	100.00%	1,469	0	0	1,469	5	SL/GDS	HY	1,092	294	1,386
**	COMPUTER/MONI	10/11/2001	F-6	100.00%	1,378	0	0	1,378	5	SL/GDS	HY	1,025	276	1,301
**	COMPUTER	6/12/2002	F-6	100.00%	756	0	0	756	5	SL/GDS	MM	384	151	535
**	FAX MACHINE	6/25/2002	F-6	100.00%	200	0	0	200	5	SL/GDS	HY	100	40	140
**	LABEL MACHINE	8/28/2002	F-6	100.00%	1,285	0	0	1,285	5	SL/GDS	MM	600	257	857
**	LAPTOP	10/2/2002	F-6	100.00%	2,332	0	0	2,332	5	SL/GDS	FM	1,049	466	1,515
**	CELL PHONE	12/26/2002	F-6	100.00%	348	0	0	348	5	SL/GDS	MM	140	70	210
**	2 NEW PHONES AI	2/3/2003	F-6	100.00%	1,667	0	0	1,667	5	SL/GDS	HY	500	333	833
**	FAX MACHINE	2/24/2003	F-6	100.00%	150	0	0	150	5	SL/GDS	HY	45	30	75
3 DESKTOPS AND 1		3/3/2003	F-6	100.00%	6,534	0	0	6,534	5	SL/GDS	HY	1,960	1,307	3,267
**	PRINTER	3/25/2003	F-6	100.00%	115	0	0	115	5	SL/GDS	HY	35	23	58
**	PHONE ANSWERII	3/25/2003	F-6	100.00%	130	0	0	130	5	SL/GDS	HY	39	26	65
**	LAPTOP	4/28/2003	F-6	100.00%	2,933	0	0	2,933	5	SL/GDS	HY	880	587	1,467
**	HIGH SPEED INTEI	5/22/2003	F-6	100.00%	140	0	0	140	5	SL/GDS	HY	42	28	70
**	2 TOSHIBA PHONE	5/27/2003	F-6	100.00%	380	0	0	380	5	SL/GDS	HY	114	76	190
**	DESKTOP	6/2/2003	F-6	100.00%	1,241	0	0	1,241	5	SL/GDS	HY	372	248	620
2 DESKTOP COMPUT		6/6/2003	F-6	100.00%	1,394	0	0	1,394	5	SL/GDS	HY	418	279	697
**	FAX MACHINE	6/30/2003	F-6	100.00%	130	0	0	130	7	SL/GDS	HY	28	19	47
2 LAPTOPS		6/30/2003	F-6	100.00%	5,583	0	0	5,583	5	SL/GDS	HY	1,675	1,117	2,792
**	EMACHINE COMPI	7/8/2003	F-6	100.00%	680	0	0	680	5	SL/GDS	HY	204	136	340

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TAX YEAR 21/131/05

NARCONON OF NORTHERN CALIFORNIA

77-0275827

Item No	Description of Property **** indicates RETIRED	Date Placed In Service	Asset Code	Bus. Use %	Cost or Other Basis	Sec 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum Deprec., 179, Bonus	2005 Deprec.	2005 Accum Deprec.
**	COMPUTER COMP	7/9/2003	F-6	100 00%	900	0	0	0	900	5 SL/GDS	HY	270	180	450
**	FAX AND PHONE	8/25/2003	F-6	100 00%	312	0	0	0	312	5 SL/GDS	HY	93	62	155
	ELECTRONICS UP	9/2/2003	F-6	100 00%	1,476	0	0	0	1,476	5 SL/GDS	HY	443	295	738
**	SHREDDERS	9/26/2003	F-6	100 00%	315	0	0	0	315	5 SL/GDS	HY	95	63	158
	SAFE	1/20/2004	F-6	100 00%	969	0	0	0	969	5 SL/GDS	HY	97	194	291
	FAX & LASER PRINTI	3/9/2005	F-6	100 00%	423	0	0	0	423	5 SL/GDS	FM	0	71	71
	LASER PRINTER DIV	5/16/2005	F-6	100 00%	400	0	0	0	400	5 SL/GDS	FM	0	47	47
	LAPTOP - TREASUR	5/27/2005	F-6	100 00%	538	0	0	0	538	5 SL/GDS	FM	0	63	63
	DESK & PRINTER	6/27/2005	F-6	100 00%	1,200	0	0	0	1,200	5 SL/GDS	FM	0	120	120
	SDA & DIV 2 COMPU	9/26/2005	F-6	100 00%	1,675	0	0	0	1,675	5 SL/GDS	FM	0	84	84
	PHONE/INTERNET/C	11/15/2005	F-6	100 00%	47,535	0	0	0	47,535	5 SL/GDS	FM	0	1,585	1,585
	D/ED LAPTOP	12/15/2005	F-6	100 00%	2,234	0	0	0	2,234	5 SL/GDS	FM	0	37	37
	DELL COMPUTER	12/15/2005	F-6	100 00%	2,458	0	0	0	2,458	5 SL/GDS	FM	0	41	41
GROUP: COMPUTER & OFFICE EQUIP TOTAL					104,498	0	0	0	104,498			24,552	10,248	34,800

GROUP: PLANT & TECHNICAL EQUIPMENT

**	STAIR STEPPERS	4/27/1996	F-7	100 00%	200	0	0	0	200	5 SL/GDS	HY	200	0	200
**	STAIR STEPPERS	5/20/1996	F-7	100 00%	400	0	0	0	400	5 SL/GDS	HY	400	0	400
**	SAUNA HEATER	2/28/1999	F-7	100 00%	1,392	0	0	0	1,392	7 SL/GDS	HY	1,169	199	1,368
**	FREEZER	9/22/2000	F-7	100 00%	620	0	0	0	620	5 SL/GDS	HY	558	62	620
**	TOILET & HEATER	1/30/2001	F-7	100 00%	685	0	0	0	685	7 SL/GDS	HY	392	98	490
**	MIXER FOR KITCH	2/21/2001	F-7	100 00%	245	0	0	0	245	7 SL/GDS	HY	140	35	175
	FURNACE REPAIR	3/15/2001	F-7	100 00%	1,038	0	0	0	1,038	7 SL/GDS	HY	592	148	740
	DRIER	8/15/2001	F-7	100 00%	592	0	0	0	592	7 SL/GDS	HY	340	85	425
**	VACUUM CLEANI	12/20/2001	F-7	100 00%	200	0	0	0	200	7 SL/GDS	HY	116	29	145
**	WATER HEATER	12/20/2001	F-7	100 00%	180	0	0	0	180	7 SL/GDS	HY	104	26	130
**	DRILL, SCRAPER	12/20/2001	F-7	100 00%	136	0	0	0	136	7 SL/GDS	HY	76	19	95
	WATER HEATER	7/1/2002	F-7	100 00%	2,137	0	0	0	2,137	5 SL/GDS	HY	1,068	427	1,495
	REFRIGERATOR	7/3/2002	F-7	100 00%	216	0	0	0	216	5 SL/GDS	HY	108	43	151
	WASHER/DRYER	9/3/2002	F-7	100 00%	1,633	0	0	0	1,633	5 SL/GDS	FM	763	327	1,090
	ICE MACHINE	9/26/2002	F-7	100 00%	995	0	0	0	995	5 SL/GDS	MM	456	199	655
**	2 VACUUMS	11/4/2002	F-7	100 00%	612	0	0	0	612	5 SL/GDS	MM	264	122	386
	GENERATOR	12/16/2002	F-7	100 00%	699	0	0	0	699	5 SL/GDS	MM	286	140	426
**	WASHER/DRYER	12/31/2002	F-7	100 00%	900	0	0	0	900	5 SL/GDS	MM	360	180	540
**	MICROWAVE DON	12/31/2002	F-7	100 00%	150	0	0	0	150	5 SL/GDS	MM	60	30	90
**	REFRIGERATOR	12/31/2002	F-7	100 00%	648	0	0	0	648	5 SL/GDS	MM	260	130	390
**	MOWER	12/31/2002	F-7	100 00%	237	0	0	0	237	5 SL/GDS	MM	94	47	141
**	FREEZER	12/31/2002	F-7	100 00%	600	0	0	0	600	5 SL/GDS	MM	240	120	360
	GENERATOR	1/13/2003	F-7	100 00%	875	0	0	0	875	5 SL/GDS	HY	263	175	438
	SEARS FREEZER	2/3/2003	F-7	100 00%	703	0	0	0	703	5 SL/GDS	HY	211	141	352
	WALK IN REFRIGER	2/18/2003	F-7	100 00%	6,284	0	0	0	6,284	5 SL/GDS	HY	1,885	1,257	3,142
	HOT WATER HEATE	2/24/2003	F-7	100 00%	895	0	0	0	895	5 SL/GDS	HY	269	179	448

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TAX YEAR 21/131/05

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	SCALE FOR SAUNA	2/24/2003	F-7	100.00%	282	0	0	0	282	5 SL/GDS	HY	84	56	140
	NAUTILUS SYSTEM	2/24/2003	F-7	100.00%	341	0	0	0	341	5 SL/GDS	HY	102	68	170
	BREATHALYZER	2/24/2003	F-7	100.00%	562	0	0	0	562	5 SL/GDS	HY	168	112	280
	WASHER SEARS	3/10/2003	F-7	100.00%	390	0	0	0	390	5 SL/GDS	HY	117	78	195
	** MOWER	3/10/2003	F-7	100.00%	97	0	0	0	97	5 SL/GDS	HY	29	19	48
	** BB HOOP	3/17/2003	F-7	100.00%	120	0	0	0	120	5 SL/GDS	HY	36	24	60
	** 40 GALLON PROP/	4/14/2003	F-7	100.00%	250	0	0	0	250	5 SL/GDS	HY	75	50	125
	TREADMILL	4/22/2003	F-7	100.00%	1,061	0	0	0	1,061	5 SL/GDS	HY	318	212	530
	NEW OVENS	4/28/2003	F-7	100.00%	4,841	0	0	0	4,841	5 SL/GDS	HY	1,452	988	2,420
	** FREEZER	6/12/2003	F-7	100.00%	269	0	0	0	269	5 SL/GDS	HY	81	54	135
	** GRILL	6/24/2003	F-7	100.00%	200	0	0	0	200	5 SL/GDS	HY	60	40	100
	WORK OUT BENCH	6/24/2003	F-7	100.00%	408	0	0	0	408	5 SL/GDS	HY	123	82	205
	MOWER TRIMMER B	6/24/2003	F-7	100.00%	468	0	0	0	468	5 SL/GDS	HY	141	94	235
	** SECURITY	6/30/2003	F-7	100.00%	130	0	0	0	130	5 SL/GDS	HY	39	26	65
	INDUSTRIAL WASHE	7/8/2003	F-7	100.00%	549	0	0	0	549	5 SL/GDS	HY	165	110	275
	REACH IN REFRIG	7/8/2003	F-7	100.00%	1,450	0	0	0	1,450	5 SL/GDS	HY	435	290	725
	2 DRIERS SEARS	7/8/2003	F-7	100.00%	713	0	0	0	713	5 SL/GDS	HY	214	143	357
	WEIGHTS	8/11/2003	F-7	100.00%	176	0	0	0	176	5 SL/GDS	HY	53	35	88
	** WEDEATER	8/25/2003	F-7	100.00%	124	0	0	0	124	5 SL/GDS	HY	37	25	62
	RAMP WHEEL	8/25/2003	F-7	100.00%	398	0	0	0	398	5 SL/GDS	HY	120	80	200
	SURVEILLANCE CAM	9/8/2003	F-7	100.00%	340	0	0	0	340	15 SL/GDS	MM	30	23	53
	2 WATER HEATERS	10/20/2003	F-7	100.00%	355	0	0	0	355	5 SL/GDS	HY	107	71	178
	** WEDEATER	11/10/2003	F-7	100.00%	105	0	0	0	105	5 SL/GDS	HY	32	21	53
	TABLE SAW	2/23/2004	F-7	100.00%	200		0	0	200	5 SL/GDS	HY	20	40	60
	WATER HEATER	3/22/2004	F-7	100.00%	280		0	0	280	5 SL/GDS	HY	28	56	84
	SURVEILLEANCE (	3/22/2004	F-7	100.00%	240		0	0	240	5 SL/GDS	HY	24	48	72
	MEAT SLICER	3/26/2004	F-7	100.00%	1,000		0	0	1,000	5 SL/GDS	HY	100	200	300
	** REFRIGERATOR	4/5/2004	F-7	100.00%	477		0	0	477	5 SL/GDS	HY	48	95	143
	** TREADMILL	4/26/2004	F-7	100.00%	183		0	0	183	5 SL/GDS	HY	18	37	55
	GARBAGE DISPOSAL	11/5/2004	F-7	100.00%	624		0	0	624	5 SL/GDS	HY	62	125	187
	INDUSTRIAL WASHE	11/30/2004	F-7	100.00%	324		0	0	324	5 SL/GDS	HY	32	65	97
	STAIR STEPPER	12/15/2004	F-7	100.00%	530		0	0	530	5 SL/GDS	HY	53	106	159
	PATIO HEATERS	1/18/2005	F-7	100.00%	638		0	0	638	7 SL/GDS	FM	0	84	84
	TENT COVER	3/9/2005	F-7	100.00%	3,539		0	0	3,539	7 SL/GDS	FM	0	421	421
	2 STORAGE SHEDS	5/23/2005	F-7	100.00%	1,191		0	0	1,191	5 SL/GDS	FM	0	232	232
	STORAGE SHED - Tf	5/31/2005	F-7	100.00%	595		0	0	595	5 SL/GDS	FM	0	69	69
	LAWN MOWER	6/27/2005	F-7	100.00%	1,380		0	0	1,380	5 SL/GDS	FM	0	138	138
	EXERCISE EQUIPME	7/13/2005	F-7	100.00%	864		0	0	864	7 SL/GDS	FM	0	62	62
	ARCHIVE CONTAIN	8/22/2005	F-7	100.00%	3,004		0	0	3,004	7 SL/GDS	FM	0	143	143
	APPLIANCES - PLAC	9/6/2005	F-7	100.00%	1,388		0	0	1,388	7 SL/GDS	FM	0	66	66
	COMMERCIAL WASH	11/28/2005	F-7	100.00%	5,351		0	0	5,351	7 SL/GDS	FM	0	64	64
	SURVEILLANCE EQL	12/27/2005	F-7	100.00%	999		0	0	999	7 SL/GDS	FM	0	0	0

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	**** indicates RETIRED													
	SHEDS - ESTATES A	12/27/2005	F-7	100 00%	1,455		0	1,455	5	SL/GDS	FM	0	0	0
	GENERATOR	12/31/2005	F-7	100 00%	755		0	755	7	SL/GDS	FM	0	0	0
GROUP: PLANT & TECHNICAL EQUIPMENT TOTAL														
					61,918	0	0	61,918				15,077	8,950	24,027
GROUP: FURNITURE & FIXTURES														
** FURNITURE & EQ	1/1/1995	F-10	100 00%	1,027	0	0	0	1,027	5	SL/GDS	HY	1,027	0	1,027
** FURNITURE & EQ	1/1/1995	F-10	100 00%	1,845	0	0	0	1,845	5	SL/GDS	HY	1,845	0	1,845
** BED & FRAME	3/3/1997	F-10	100 00%	127	0	0	0	127	7	SL/GDS	HY	126	1	127
** BED & FRAMES	3/5/1997	F-10	100 00%	154	0	0	0	154	7	SL/GDS	HY	153	1	154
** 2 BEDS & FRAMES	4/29/1997	F-10	100 00%	268	0	0	0	268	7	SL/GDS	HY	266	2	268
** CHAIR	5/30/1997	F-10	100 00%	173	0	0	0	173	7	SL/GDS	HY	173	0	173
** SAFE	6/24/1997	F-10	100 00%	175	0	0	0	175	5	SL/GDS	HY	160	15	175
** FRAMES FOR BED	6/30/1997	F-10	100 00%	108	0	0	0	108	7	SL/GDS	HY	106	2	108
** BEDS	6/30/1997	F-10	100 00%	167	0	0	0	167	7	SL/GDS	HY	167	0	167
LIGHTS FOR COURTS	7/1/1997	F-10	100 00%	128	0	0	0	128	5	SL/GDS	HY	125	3	128
** FURNITURE NEW	7/10/1997	F-10	100 00%	683	0	0	0	683	7	SL/GDS	HY	683	0	683
** OFFICE FURNITUR	1/28/1998	F-10	100 00%	3,500	0	0	0	3,500	7	SL/GDS	HY	3,458	42	3,500
** OFFICE FURNITUR	6/2/1999	F-10	100 00%	2,639	0	0	0	2,639	7	SL/GDS	HY	2,121	377	2,498
** FILING CABINETS	1/5/2000	F-10	100 00%	150	0	0	0	150	7	SL/GDS	HY	32	21	53
** MISC FURNITURE	7/1/2000	F-10	100 00%	3,946	0	0	0	3,946	7	SL/GDS	HY	2,538	564	3,102
** CABINET	11/2/2000	F-10	100 00%	502	0	0	0	502	5	SL/GDS	HY	450	52	502
** 3 MATTRESS SETS	1/5/2001	F-10	100 00%	324	0	0	0	324	7	SL/GDS	HY	184	46	230
TOILET	2/23/2001	F-10	100 00%	290	0	0	0	290	7	SL/GDS	HY	164	41	205
** PATIO FURNITURE	3/22/2001	F-10	100 00%	1,159	0	0	0	1,159	7	SL/GDS	HY	664	166	830
** BUNK BEDS	4/4/2001	F-10	100 00%	1,026	0	0	0	1,026	7	SL/GDS	HY	588	147	735
** 2 BOX STRINGS/M	5/9/2001	F-10	100 00%	203	0	0	0	203	7	SL/GDS	HY	116	29	145
** OFFICE CHAIR	5/30/2001	F-10	100 00%	149	0	0	0	149	7	SL/GDS	HY	84	21	105
PARTITIONS	8/1/2001	F-10	100 00%	1,054	0	0	0	1,054	7	SL/GDS	HY	604	151	755
** OFFICE CHAIR	8/1/2001	F-10	100 00%	249	0	0	0	249	7	SL/GDS	HY	144	36	180
** FURNISHINGS FOR	8/14/2001	F-10	100 00%	288	0	0	0	288	7	SL/GDS	HY	164	41	205
** BEDS	8/27/2001	F-10	100 00%	1,054	0	0	0	1,054	7	SL/GDS	HY	604	151	755
LATERAL FILE CABIN	10/3/2001	F-10	100 00%	240	0	0	0	240	5	SL/GDS	HY	178	48	226
** SAFE	10/3/2001	F-10	100 00%	119	0	0	0	119	7	SL/GDS	HY	68	17	85
** DESKS	10/17/2001	F-10	100 00%	592	0	0	0	592	7	SL/GDS	HY	340	85	425
** BEDS	10/19/2001	F-10	100 00%	398	0	0	0	398	7	SL/GDS	HY	228	57	285
** DRESSERS	10/31/2001	F-10	100 00%	347	0	0	0	347	7	SL/GDS	HY	200	50	250
** BEDS	11/7/2001	F-10	100 00%	1,032	0	0	0	1,032	7	SL/GDS	HY	588	147	735
** OFFICE CHAIR	11/8/2001	F-10	100 00%	130	0	0	0	130	7	SL/GDS	HY	76	19	95
** LATERAL FILE CAB	12/5/2001	F-10	100 00%	372	0	0	0	372	7	SL/GDS	HY	212	53	265
FURNITURE VARIOU	7/1/2002	F-10	100 00%	18,198	0	0	0	18,198	7	SL/GDS	HY	6,500	2,600	9,100
ENTERTAINMENT CE	12/31/2002	F-10	100 00%	219	0	0	0	219	7	SL/GDS	MM	62	31	93
** FURNITURE	12/31/2002	F-10	100 00%	245	0	0	0	245	7	SL/GDS	MM	70	35	105

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77-0275827

Item No	Description of Property ***** indicates RETIRED	Date Placed In Service	Asset Code	Bus Use %	Cost or Other Basis	Sec 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum Deprec. 179, Bonus	2005 Deprec	2005 Accum Deprec
5	DRESSERS FOR S	1/3/2003	F-10	100.00%	415	0	0	415	7	SL/GDS	HY	89	59	148
BEDS		2/3/2003	F-10	100.00%	1,764	0	0	1,764	7	SL/GDS	HY	378	252	630
TOILET		2/10/2003	F-10	100.00%	120	0	0	120	5	SL/GDS	HY	36	24	60
CARPETING		2/24/2003	F-10	100.00%	8,700	0	0	8,700	7	SL/GDS	HY	1,864	1,243	3,107
** ASSIST TABLE		2/24/2003	F-10	100.00%	348	0	0	348	5	SL/GDS	HY	105	70	175
BUNK BEDS		3/10/2003	F-10	100.00%	960	0	0	960	7	SL/GDS	HY	206	137	343
** DINING TABLE ANI		3/17/2003	F-10	100.00%	107	0	0	107	7	SL/GDS	HY	23	15	38
** COMPUTER DESK		3/25/2003	F-10	100.00%	108	0	0	108	7	SL/GDS	HY	23	15	38
2 COURSE ROOM TA		3/25/2003	F-10	100.00%	110	0	0	110	7	SL/GDS	HY	24	16	40
BEDS		3/27/2003	F-10	100.00%	497	0	0	497	7	SL/GDS	HY	107	71	178
BEDS		4/22/2003	F-10	100.00%	1,591	0	0	1,591	7	SL/GDS	HY	341	227	568
COFFEE TABLE AND		5/16/2003	F-10	100.00%	278	0	0	278	7	SL/GDS	HY	60	40	100
BEDS		5/22/2003	F-10	100.00%	322	0	0	322	7	SL/GDS	HY	69	46	115
BEDS AND DRESSEF		5/23/2003	F-10	100.00%	1,483	0	0	1,483	7	SL/GDS	HY	318	212	530
BEDS AND DRESSEF		5/23/2003	F-10	100.00%	7,629	0	0	7,629	7	SL/GDS	HY	1,635	1,090	2,725
** COURSE ROOM CI		5/27/2003	F-10	100.00%	357	0	0	357	7	SL/GDS	HY	77	51	128
** 2 DESKS		5/27/2003	F-10	100.00%	360	0	0	360	7	SL/GDS	HY	77	51	128
** OFFICE CABINETS		5/27/2003	F-10	100.00%	205	0	0	205	7	SL/GDS	HY	44	29	73
** STORAGE CABINE		5/27/2003	F-10	100.00%	257	0	0	257	7	SL/GDS	HY	55	37	92
** OFFICE CHAIRS		5/27/2003	F-10	100.00%	150	0	0	150	7	SL/GDS	HY	32	21	53
2 ASSIST TABLES		6/6/2003	F-10	100.00%	691	0	0	691	5	SL/GDS	HY	207	138	345
DINING TABLE		6/6/2003	F-10	100.00%	1,067	0	0	1,067	5	SL/GDS	HY	320	213	533
BEDS		6/6/2003	F-10	100.00%	1,301	0	0	1,301	7	SL/GDS	HY	279	186	465
STORAGE CONTAINI		6/24/2003	F-10	100.00%	585	0	0	585	5	SL/GDS	HY	176	117	293
DRESSERS		6/24/2003	F-10	100.00%	393	0	0	393	7	SL/GDS	HY	84	56	140
DESKS AND LATERA		6/24/2003	F-10	100.00%	795	0	0	795	7	SL/GDS	HY	171	114	285
BEDS		6/24/2003	F-10	100.00%	365	0	0	365	7	SL/GDS	HY	78	52	130
** OFFICE CHAIRS		6/24/2003	F-10	100.00%	240	0	0	240	7	SL/GDS	HY	51	34	85
OFFICE CHAIRS		6/30/2003	F-10	100.00%	1,837	0	0	1,837	7	SL/GDS	HY	393	262	655
3 DESKS		6/30/2003	F-10	100.00%	400	0	0	400	7	SL/GDS	HY	86	57	143
** OFFICE CHAIRS		6/30/2003	F-10	100.00%	270	0	0	270	7	SL/GDS	HY	58	39	97
BOOKCASES		6/30/2003	F-10	100.00%	210	0	0	210	7	SL/GDS	HY	45	30	75
7 COURSE ROOM TA		6/30/2003	F-10	100.00%	500	0	0	500	7	SL/GDS	HY	107	71	178
FILING CABINETS		6/30/2003	F-10	100.00%	190	0	0	190	7	SL/GDS	HY	41	27	68
** 15 OUTSIDE CHAIF		7/1/2003	F-10	100.00%	117	0	0	117	7	SL/GDS	HY	25	17	42
FURNITURE		7/8/2003	F-10	100.00%	7,382	0	0	7,382	7	SL/GDS	HY	1,582	1,055	2,637
** STORAGE CABINE		7/28/2003	F-10	100.00%	350	0	0	350	7	SL/GDS	HY	75	50	125
2 DESKS AND 3 OFFI		7/28/2003	F-10	100.00%	480	0	0	480	7	SL/GDS	HY	103	69	172
** PORTABLE AC		8/5/2003	F-10	100.00%	167	0	0	167	5	SL/GDS	HY	50	33	83
OFFICE CHAIR		8/5/2003	F-10	100.00%	108	0	0	108	7	SL/GDS	HY	23	15	38
INDUSTRIAL STACKI		8/18/2003	F-10	100.00%	1,280	0	0	1,280	5	SL/GDS	HY	384	256	640
TV FOR STUDENT LC		8/25/2003	F-10	100.00%	648	0	0	648	5	SL/GDS	HY	195	130	325

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Item No	Description of Property **** indicates RETIRED	Date Placed In Service	Asset Code	Bus Use %	Cost or Other Basis	Sec 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum Deprec, 179, Bonus	2005 Deprec	2005 Accum Deprec
	TABLES AND FILES (	8/25/2003	F-10	100.00%	475	0	0	0	475	7 SL/GDS	HY	102	68	170
	** CHAIRS FOR STAF	8/25/2003	F-10	100.00%	262	0	0	0	262	7 SL/GDS	HY	56	37	93
	DINING TABLE AND (	8/25/2003	F-10	100.00%	685	0	0	0	685	7 SL/GDS	HY	147	98	245
	** DESK AND BOOKC	8/25/2003	F-10	100.00%	314	0	0	0	314	7 SL/GDS	HY	67	45	112
	PATIO FURNITURE	9/21/2003	F-10	100.00%	1,350	0	0	0	1,350	7 SL/GDS	HY	289	193	482
	5 DRAWER LATERAL	9/26/2003	F-10	100.00%	795	0	0	0	795	7 SL/GDS	HY	171	114	285
	** COMM CENTER	11/3/2003	F-10	100.00%	263	0	0	0	263	5 SL/GDS	HY	79	53	132
	3 LATERAL FILES	3/8/2004	F-10	100.00%	370				370	7 SL/GDS	HY	26	53	79
	BLINDS	3/25/2004	F-10	100.00%	385				385	7 SL/GDS	HY	28	55	83
	BED & DRESSERS	4/14/2004	F-10	100.00%	3,383				3,383	7 SL/GDS	HY	242	483	725
	RECEPTION FURNIT	4/26/2004	F-10	100.00%	1,232				1,232	7 SL/GDS	HY	88	176	264
	** 2 OFFICE CHAIRS	5/10/2004	F-10	100.00%	173				173	7 SL/GDS	HY	12	25	37
	** VACUUM - TV	5/17/2004	F-10	100.00%	280				280	7 SL/GDS	HY	20	40	60
	2 BUNK BEDS	3/11/2005	F-10	100.00%	1,764				1,764	7 SL/GDS	FM	0	210	210
	PIN PONG TABLE	3/11/2005	F-10	100.00%	572				572	7 SL/GDS	FM	0	68	68
	BUNKBEDS	4/12/2005	F-10	100.00%	1,312				1,312	7 SL/GDS	FM	0	141	141
	RECEPTION DESK &	5/17/2005	F-10	100.00%	2,047				2,047	7 SL/GDS	FM	0	171	171
	3 BUNK BEDS & DES	5/17/2005	F-10	100.00%	2,585				2,585	7 SL/GDS	FM	0	215	215
	CONFERENCE ROOM	6/1/2005	F-10	100.00%	1,000				1,000	7 SL/GDS	FM	0	83	83
	WORKCENTERS	6/21/2005	F-10	100.00%	2,009				2,009	7 SL/GDS	FM	0	144	144
	BEDS & CHESTS	7/18/2005	F-10	100.00%	1,635				1,635	7 SL/GDS	FM	0	97	97
	BED & CHESTS	9/6/2005	F-10	100.00%	1,710				1,710	7 SL/GDS	FM	0	81	81
	FURNITURES	11/28/2005	F-10	100.00%	428				428	7 SL/GDS	MM	0	5	5
	POOL TABLE - DONT	12/16/2005	F-10	100.00%	1,999				1,999	7 SL/GDS	FM	0	0	0
GROUP: FURNITURE & FIXTURES TOTAL					115,445	0	0	0	115,445			36,691	14,433	51,124

GROUP: BUILDING IMPROVEMENTS

** SAUNA	2/28/1999	F-11	100.00%	4,524	0	0	0	4,524	7 SL/GDS	HY		3,796	646	4,442
ROOFING	10/25/2000	F-11	100.00%	603	0	0	0	603	15 SL/GDS	HY		180	40	220
TREASURY OFFICE I	8/23/2001	F-11	100.00%	6,520	0	0	0	6,520	39 SL/GDS	MM		564	167	731
REMODELING VARIC	7/1/2002	F-11	100.00%	1,963	0	0	0	1,963	39 SL/GDS	MM		125	50	175
ELECTRICAL/PLUMB	10/10/2002	F-11	100.00%	11,930	0	0	0	11,930	39 SL/GDS	MM		676	306	982
HEATING SYSTEMS	10/28/2002	F-11	100.00%	2,043	0	0	0	2,043	39 SL/GDS	MM		116	52	168
ELECTRICAL UPGRA	1/6/2003	F-11	100.00%	1,011	0	0	0	1,011	39 SL/GDS	MM		51	26	77
HEATING SYSTEM	1/13/2003	F-11	100.00%	8,210	0	0	0	8,210	39 SL/GDS	MM		413	211	624
SAUNA	7/18/2003	F-11	100.00%	13,003	0	0	0	13,003	15 SL/GDS	MM		1,264	867	2,131
CENTRAL AIR	8/26/2003	F-11	100.00%	2,938	0	0	0	2,938	5 SL/GDS	HY		882	588	1,470
AIR CONDITIONING I	9/10/2003	F-11	100.00%	3,000	0	0	0	3,000	15 SL/GDS	MM		258	200	458
NEW SAUNA	9/12/2003	F-11	100.00%	11,986	0	0	0	11,986	5 SL/GDS	HY		3,596	2,397	5,993
4 OUTLETS	11/14/2003	F-11	100.00%	1,230	0	0	0	1,230	5 SL/GDS	HY		369	246	615
FIRE SYSTEM UPGR	2/18/2004	F-11	100.00%	485				485	15 SL/GDS	MM		28	32	60
OFFICE EMPROVEMI	2/23/2004	F-11	100.00%	3,019				3,019	39 SL/GDS	MM		68	77	145

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Item No	Description of Property **** indicates RETIRED	Date Placed In Service	Asset Code	Bus Use %	Cost or Other Basis	Sec 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum Deprec, 179 Bonus	2005 Deprec	2005 Accum Deprec
	VANITY & BATH TUB	10/1/2004	F-11	100 00%	2,380		0	2,380	5 SL/GDS	HY		238	476	714
	BATHROOM IMPROV	12/28/2004	F-11	100 00%	1,505		0	1,505	39 SL/GDS	MM		2	39	41
	GUTTERING	3/31/2005	F-11	100 00%	9,092		0	9,092	15 SL/GDS	MM		0	455	455
	DECKING-COURSER	4/30/2005	F-11	100 00%	15,223		0	15,223	15 SL/GDS	MM		0	677	677
	WALL MURAL	5/2/2005	F-11	100 00%	3,500		0	3,500	40 SL/GDS	MM		0	58	58
	HOT WATER SYSTEM	5/20/2005	F-11	100 00%	1,975		0	1,975	15 SL/GDS	MM		0	77	77
	AWNING - DIV 7 ARE	9/19/2005	F-11	100 00%	3,368		0	3,368	15 SL/GDS	MM		0	56	56
	DECKING - EXEC AR	10/21/2005	F-11	100 00%	2,422		0	2,422	15 SL/GDS	MM		0	27	27
	REMODEL ETHICS C	10/31/2005	F-11	100 00%	2,073		0	2,073	15 SL/GDS	MM		0	23	23
	SANA	11/30/2005	F-11	100 00%	11,018		0	11,018	7 SL/GDS	MM		0	92	92
	IMPROVEMENTS - W	12/15/2005	F-11	100 00%	21,413		0	21,413	40 SL/GDS	MM		0	45	45
GROUP: BUILDING IMPROVEMENTS TOTAL					146,434	0	0	146,434				12,626	7,930	20,556

Land

LAND FACILITIES	12/30/1998	N-1	100 00%	577,752	0	0	577,752					0	0	0
Total Land				577,752	0	0	577,752					0	0	0

GROUP: LAND IMPROVEMENTS

DRIVEWAY	10/15/1999	R-2	100 00%	19,300	0	0	19,300	15 SL/GDS	HY			6,596	1,287	7,883
SEPTIC TANK	4/5/2000	R-2	100 00%	4,500	0	0	4,500	15 SL/GDS	HY			1,350	300	1,650
PAVING	10/17/2000	R-2	100 00%	5,200	0	0	5,200	15 SL/GDS	HY			1,561	347	1,908
ROCK FOR SEPTIC	3/27/2001	R-2	100 00%	2,575	0	0	2,575	15 SL/GDS	HY			645	172	817
FENCING DONATED	2/2/2002	R-2	100 00%	3,985	0	0	3,985	15 SL/GDS	FM			776	266	1,042
WATER SYSTEM	9/9/2002	R-2	100 00%	4,000	0	0	4,000	15 SL/GDS	MM			612	267	879
PAVING	10/22/2002	R-2	100 00%	4,250	0	0	4,250	15 SL/GDS	MM			613	283	896
WATER SYSTEM	12/30/2002	R-2	100 00%	1,504	0	0	1,504	15 SL/GDS	MM			200	100	300
POOL UPGRADE	2/10/2003	R-2	100 00%	1,650	0	0	1,650	39 SL/GDS	MM			79	42	121
PAVING ROAD	5/14/2003	R-2	100 00%	4,335	0	0	4,335	15 SL/GDS	MM			470	289	759
PAVING VOLLEYBAL	6/9/2003	R-2	100 00%	2,450	0	0	2,450	15 SL/GDS	MM			251	163	414
RIVER ROCK LAND	9/2/2003	R-2	100 00%	593	0	0	593	15 SL/GDS	HY			60	40	100
FOUNDATION B AND	10/6/2003	R-2	100 00%	7,200	0	0	7,200	15 SL/GDS	HY			720	480	1,200
LEACH FIELDS	2/2/2004	R-2	100 00%	15,382	0	0	15,382	15 SL/GDS	MM			897	1,025	1,922
TILE	3/18/2004	R-2	100 00%	3,850	0	0	3,850	15 SL/GDS	MM			203	257	460
PAD - DUMPSTER AF	6/30/2005	R-2	100 00%	10,321	0	0	10,321	15 SL/GDS	MM			0	344	344
ROAD IMPROVEMEN	11/21/2005	R-2	100 00%	20,880	0	0	20,880	15 SL/GDS	MM			0	116	116
FENCEING	11/21/2005	R-2	100 00%	912	0	0	912	15 SL/GDS	MM			0	5	5
SEPTIC SYSTEM	12/8/2005	R-2	100 00%	143,493	0	0	143,493	15 SL/GDS	MM			0	797	797
LANDSCAPING	12/12/2005	R-2	100 00%	4,995	0	0	4,995	15 SL/GDS	MM			0	28	28
LAMPPOST	12/15/2005	R-2	100 00%	1,250	0	0	1,250	15 SL/GDS	MM			0	7	7
GROUP: LAND IMPROVEMENTS TOTAL					262,625	0	0	262,625				15,033	6,615	21,648

GROUP: BUILDINGS

BUILDING - WATSON	12/30/1998	R-5	100 00%	847,388	0	0	847,388	39 SL/GDS	MM			130,364	21,728	152,092
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Item No.	Description of Property *** indicates RETIRED	Date Placed In Service	Asset Code	Bus Use %	Cost or Other Basis	Sec 179 Deduction	Special Allowance	Recovery Basis	Recovery Period	Method	Conv Code	Prior Accum Deprec. 179, Bonus	2005 Deprec	2005 Accum Deprec
	BUILDING SHED	5/17/2001	R-5	100 00%	1,293	0	0	1,293	39	SL/GDS	MM	120	33	153
	MODULAR UNIT	2/16/2003	R-5	100 00%	38,700	0	0	38,700	39	SL/GDS	MM	1,862	992	2,854
	MODULAR BUILDING	5/17/2005	R-5	100 00%	16,263	0	0	16,263	15	SL/GDS	MM	0	632	632
GROUP: BUILDINGS TOTAL														
					903,644	0	0	903,644				132,346	23,385	155,731
GROUP: MOTOR VEHICLES														
	1999 FORD VAN	7/8/2002	V-5	100 00%	13,759	0	0	13,759	5	SL/GDS	HY	6,880	2,752	9,632
	1993 MITSUBISHI V	1/27/2003	V-5	100 00%	3,500	0	0	3,500	5	SL/GDS	HY	1,050	700	1,750
	1999 FORD WINDST/	2/3/2003	V-5	100 00%	9,932	0	0	9,932	5	SL/GDS	HY	2,979	1,986	4,965
	1996 SUBARU LEGAL	4/4/2005	V-5	100 00%	5,600		0	5,600	3	SL/GDS	FM	0	1,400	1,400
	1999 OLDSMOBILE S	8/18/2005	V-5	100 00%	11,830		0	11,830	3	SL/GDS	FM	0	1,314	1,314
	2004 FORD ECONOL	12/18/2005	V-5	100 00%	19,000		0	19,000	5	SL/GDS	FM	0	0	0
GROUP: MOTOR VEHICLES														
					63,621	0	0	63,621				10,909	8,152	19,061
Amort - 197 - Intangible costs														
	APPRAISAL FEE	11/2/2002	Z-9	100 00%	6,000	0	0	6,000	30	SL	FM	400	200	600
	NEW LOAN ESCROW	12/27/2002	Z-9	100 00%	15,124	0	0	15,124	30	SL	FM	1,008	504	1,512
Total Amortization - 197 - Intangibles (goodwill, etc)														
					21,124	0	0	21,124				1,408	704	2,112
SubTotals														
	Less assets retired and disposed				2,258,098	0	0	2,258,098				249,426	80,573	329,999
	Ending Totals				(72,810)	(0)	(0)	(72,810)				(46,899)	(56,742)	(56,742)
					2,185,288	0	0	2,185,288				202,527	80,573	273,257

Line 43 (990) - Other Deductions

1,261,206

807,013

452,907

1,286

TAX YEAR: 12/31/05		(A)	(B)	(C)	(D)
Description		Total	Program services	Management and general	Fundraising
1	CONTRIBUTIONS TO OTHER NONPROFITS ORGS.	10,120	10,120		
2	INSURANCE	110,090	86,024	23,637	429
3	LEGAL SETTLEMENT	360,000		360,000	
4	LOSS ON DISPOSAL	16,068	12,555	3,450	63
5	MAINTENANCE	42,302	33,055	9,082	165
6	UTILITIES	95,680	74,765	20,542	373
7	OFFICE AND ADMINISTRATIVE	100,947	85,947	14,839	161
8	PROFESSIONAL FEES	17,835	3,124	14,695	16
9	PROGRAM DELIVERY COSTS	348,071	348,071		
10	REFERAL FEES	137,545	137,545		
11	STAFF TRAINING	20,229	15,807	4,343	79
12	TAXES, FEES AND DUES	2,319		2,319	
13		0			
14		0			
15		0			
16		0			
17		0			
18		0			
19		0			
20		0			

Line 55 (990) - Investments land, buildings, and equipment

TAX YEAR 12/31/05

Land (net of any amortization)		Land (net of any amortization)	
		Beginning	End
1 LAND	1	577,752	577,752
2	2		
3	3		
4	4		
5	5		
6 Total land (net of any amortization)	6	577,752	577,752

Buildings and equipment		Buildings and equipment		Accumulated depreciation	
		Beginning	End	Beginning	End
7 LAND IMPROVEMENTS	7	80,774	262,626		
8 BUILDING	8	865,358	881,621		
9 BUILDING IMPROVEMENTS	9	76,350	141,910		
10 COMPUTER AND OFFICE EQUIPMENT	10	29,342	55,196		
11 FURNITURE AND EQUIPMENT	11	99,421	87,965		
12 PLANT AND TECHNICAL EQUIPMENT	12	40,759	52,757		
13 VEHICLES	13	27,191	63,621		
14 CAPITALIZED LEASES	14	40,716	40,716		
15 LOAN COSTS	15	21,124	21,124		
16 SEE DEPRECIATION WORKSHEET	16			249,426	273,257
17 Total buildings and equipment	17	1,281,035	1,607,536	249,426	273,257
18 Buildings and equipment (less accumulated depreciation)	18			1,031,609	1,334,279
19 Total land, buildings and equipment	19			1,609,361	1,912,031

Category or Item		Cost/Other Basis	Accumulated Depreciation	Book Value
1	1			
2	2			
3	3			
4	4			
5	5			
6	6			
7	7			
8	8			
9	9			
10	10			
11 Total	11	0	0	0

Line 58 (990) - Other assets

62,213

72,346

YEAR ENDED 12/31/05		Beginning	End
1	DEPOSITS	30,906	19,146
2	PURCHASE OPTION	31,307	53,200
3			
4			
5			
6			
7			
8			
9			
10			

Line 64b (990) - Mortgages and other notes payable

TAX YEAR 12/31/05

Lender's name		Check if lender is a business	Balance due beginning of year	Balance due end of year
1	WELLS FARGO BANK	<input checked="" type="checkbox"/>	1,339,211	1,289,449
2	LONG TERM CONTRACT	<input checked="" type="checkbox"/>	171,300	18,618
3	LEASE OBLIGATIONS	<input checked="" type="checkbox"/>	22,023	30,236
19	Totals		1,532,534	1,338,303

Line 65 (990) - Other liabilities

		99,575	381,944
TAX YEAR: 112/31/05		Beginning	End
1	SALES TAX PAYABLE	1,095	
2	CREDIT LINE PAYABLE	98,480	
3	SETTLEMENTS PAYABLE		381,944
4			
5			
6			
7			
8			
9			
10			

Part V-A, Line 75b (990) - Officers, Directors, Trustees, and Key Employee Relationships

TAX YEAR 12/31/05

Name		Title or Role		Name		Title or Role		Business		Person		Business		Title or Role		Relationship	
1 DANIEL MANSON		EXEC DIR.		ANGIE MANSON		EXEC DIR.		Business		Person		Business		DEP EXEC DIR		MARRIED	
2		<input checked="" type="checkbox"/>	Person					<input type="checkbox"/>	Business		<input checked="" type="checkbox"/>	Person		<input type="checkbox"/>	Business		
3			Person					<input type="checkbox"/>	Business			Person			Business		
4			Person					<input type="checkbox"/>	Business			Person			Business		
5			Person					<input type="checkbox"/>	Business			Person			Business		
6			Person					<input type="checkbox"/>	Business			Person			Business		
7			Person					<input type="checkbox"/>	Business			Person			Business		
8			Person					<input type="checkbox"/>	Business			Person			Business		
9			Person					<input type="checkbox"/>	Business			Person			Business		
10			Person					<input type="checkbox"/>	Business			Person			Business		

NARCONON OF NORTHERN CALIFORNIA

77-0275827

Tax Year: 12/31/05

STATEMENT 1

REF SCH A FORM 990 (2003) PART III 2a.

NARCONON OF NORTHERN CALIFORNIA PAID RENT OF \$26,440 TO ANDY
MOORE, FORMER EXECUTIVE DIRECTOR, FOR USE OF PROPERTY

Part III, Line 3a (Sch A (990/990-EZ)) - Fellowships, Scholarships, and Student Loans

TAX YEAR 12/31/05

Do you make grants for scholarships, fellowships, student loans, etc ? ☒ Yes ☐ No

If "Yes," attach an explanation of how you determine that recipients qualify to receive payments

DETERMINATION IS MADE BY FINANCIAL AND PERSONAL HARDSHIP

Application for Change in Accounting Method

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions) 77-0275827
Principal business activity code number (see instructions) 813000-NON PROFIT DRUG REHAB SERVICES		
Number, street, and room or suite no. If a P.O. box, see the instructions 262 GAFFEY ROAD		Tax year of change begins (MM/DD/YYYY) 01/01/2005
City or town, state, and ZIP code WATSONVILLE CA 95076-9731		Tax year of change ends (MM/DD/YYYY) N/A
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Name of contact person (see instructions) ANGIE MANSON
		Contact person's telephone number 1-800-556-8885

If the applicant is a member of a consolidated group, check this box ☐

If Form 2848, Power of Attorney and Declaration of Representative, is attached, check this box ☐

Check the box to indicate the applicant.

- | | |
|--|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Cooperative (Sec. 1381) |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> Controlled foreign corporation (Sec. 957) | <input type="checkbox"/> S Corporation |
| <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) | <input type="checkbox"/> Insurance co. (Sec. 816(a)) |
| <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) | <input type="checkbox"/> Insurance co. (Sec. 831) |
| <input checked="" type="checkbox"/> Exempt organization. Enter Code section 501(c)(3) | <input type="checkbox"/> Other (specify) _____ |

Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)

- | |
|---|
| <input type="checkbox"/> Depreciation or Amortization |
| <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions |
| <input checked="" type="checkbox"/> Other (specify) _____ |

Caution: The applicant must provide the requested information to be eligible for approval of the requested accounting method change. The applicant may be required to provide information specific to the accounting method change such as an attached statement. The applicant must provide all information relevant to the requested accounting method change, even if not specifically requested by the Form 3115.

Part I Information For Automatic Change Request	Yes	No
1 Enter the requested designated accounting method change number from the List of Automatic Accounting Method Changes (see instructions). Enter only one method change number, except as provided for in the instructions. If the requested change is not included in that list, check "Other," and provide a description. ▶ (a) Change No. <u>30</u> (b) Other <input type="checkbox"/> Description ▶ _____		
2 Is the accounting method change being requested one for which the scope limitations of section 4.02 of Rev. Proc. 2002-9 (or its successor) do not apply?	X	
3 Is the tax year of change the final tax year of a trade or business for which the taxpayer would be required to take the entire amount of the section 481(a) adjustment into account in computing taxable income? . . . N/A If "Yes," the applicant is not eligible to make the change under automatic change request procedures.		

Note: Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).

Part II Information For All Requests	Yes	No
4 a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If you answered "No," go to line 5.		X
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?		X

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Preparer (other than filer/applicant)

X

Signature and date

Signature of individual preparing the application and date 11/15/2006

X

Name and title (print or type)

DAVID PULIAFICO

Name of individual preparing the application (print or type)

DAVID PULIAFICO INC

Name of firm preparing the application

Part II Information For All Requests (continued)

	Yes	No
4 c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?		X
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.		X
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day		X
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ N/A Telephone number ▶ Tax year(s) ▶		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f? N/A		
5 a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, and the tax year(s) before Appeals and/or a Federal court. Name ▶ N/A Telephone number ▶ Tax year(s) ▶		X
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a? N/A		
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member)? If "Yes," attach an explanation.		X
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, N/A provide each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.		
7 If the applicant is an entity (including a limited liability company) treated as a partnership or S corporation for Federal income tax purposes, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.		X
8 Is the applicant making a change to which audit protection does not apply (see instructions)?		X
9 a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in accounting method within the past 5 years (including the year of the requested change)?		X
b If "Yes," attach a description of each change and the year of change for each separate trade or business and whether consent was obtained. N/A		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement was sent to the taxpayer but was not signed and returned to the IRS, or if the change was not made or not made in the requested year of change, include an explanation.		
10 a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in accounting method, or technical advice?		X
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in accounting method, or technical advice), and the specific issue(s) in the request(s).		
11 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of the form. Present method: <input checked="" type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description) Proposed method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)	X	
12 If the applicant is not changing its overall method of accounting, attach a detailed and complete description for each of the following: N/A		
a The item(s) being changed.		
b The applicant's present method for the item(s) being changed.		
c The applicant's proposed method for the item(s) being changed.		
d The applicant's present overall method of accounting (cash, accrual, or hybrid).		

Part II Information For All Requests (continued)

- | | Yes | No |
|--|-----|----|
| 13 Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE ATTACHED | | |
| 14 Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions
If "No," attach an explanation. | X | |
| 15 a Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)? | | X |
| b If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. | | |
| 16 Does the applicant request a conference of right with the IRS National Office if the IRS proposes an adverse response? | X | |
| 17 If the applicant is changing to or from the cash method or changing its method of accounting under sections 263A, 448, 460, or 471, enter the gross receipts of the 3 tax years preceding the year of change.
1st preceding year ended mo 12 yr 2004 2nd preceding year ended mo 12 yr 2003 3rd preceding year ended mo 12 yr 2002
\$ 3,245,974 \$ 3,432,826 \$ 2,023,522 | | |

Part III Information For Advance Consent Request

N/A

- | | Yes | No |
|---|-----|----|
| 18 Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request?
If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent procedures. | | |
| 19 Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. The applicant should include a discussion of any authorities that may be contrary to its use of the proposed method. | | |
| 20 Attach a copy of all documents related to the proposed change (see instructions). | | |
| 21 Attach a statement of the applicant's reasons for the proposed change. | | |
| 22 If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed?
If "No," attach an explanation. | | |
| 23 a Enter the amount of user fee attached to this application (see instructions). ► \$ _____
b If the applicant qualifies for a reduced user fee, attach the necessary information or certification required by Rev. Proc. 2003-1 (or its successor) (see instructions). | | |

Part IV Section 481(a) Adjustment

- | | Yes | No |
|--|-----|----|
| 24 Do the procedures for the accounting method change being requested require the use of the cut-off method? If "Yes," do not complete lines 25, 26, and 27 below. | | X |
| 25 Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ► \$ 221,379 Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. | | |
| 26 If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change? N/A | | |
| 27 Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties?
If "Yes," attach an explanation. N/A | | |

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)**Part I Change in Overall Method** (see instructions)

- 1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

- a Income accrued but not received
- b Income received or reported before it was earned. Attach a description of the income and the legal basis for the proposed method
- c Expenses accrued but not paid
- d Prepaid expenses previously deducted
- e Supplies on hand previously deducted and/or not previously reported
- f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II
- g Other amounts (specify) ► SEE ATTACHED
- h **Net section 481(a) adjustment** (Combine lines 1a-1g.)

Amount	
\$	NONE
	NONE
	NONE
	NONE
	NONE
	-221,379
\$	-221,379

- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? ☐ Yes ☒ No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet, state the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, explain the differences on a separate sheet.

Part II Change to the Cash Method For Advance Consent Request (see instructions)

N/A

Applicants requesting a change to the cash method must attach the following information:

- 1 A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business
- 2 An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations

Schedule B—Change in Reporting Advance Payments (see instructions)

N/A

- 1 If the applicant is requesting to defer advance payment for services under Rev. Proc. 71-21, 1971-2 C.B. 549, attach the following information.
- a Sample copies of all service agreements used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the service agreement that require the taxpayer to perform services
- b If any parts or materials are provided, explain whether the obligation to provide parts or materials is incidental (of minor or secondary importance) to an agreement providing for the performance of personal services.
- c If the change relates to contingent service contracts, explain how the contracts relate to merchandise that is sold, leased, installed, or constructed by the applicant and whether the applicant offers to sell, lease, install, or construct without the service agreement
- d A description of the method the applicant will use to determine the amount of income earned each year on service contracts and why that method clearly reflects income earned and related expenses in each year
- e An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See section 3.11 of Rev. Proc. 71-21
- 2 If the applicant is requesting a deferral of advance payments for goods under Regulations section 1.451-5, attach the following information:
- a Sample copies of all agreements for goods or items requiring advance payments used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the agreement that require the applicant to provide goods or items.
- b A statement providing that the entire advance payment is for goods or items. If not entirely for goods or items, a statement that an amount equal to 95% of the total contract price is properly allocable to the obligation to provide activities described in Regulations section 1.451-5(a)(1)(i) or (ii) (including services as an integral part of those activities).
- c An explanation of how the method the applicant will use to determine the amount of gross receipts each year will be no less than the amount included in gross receipts for purposes of its books and records. See Regulations section 1.451-5(b)(1).

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method. N/A

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIIC) pools, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIIC method, etc.).
 - d Determining the current year cost of goods in the ending inventory (e.g., most recent purchases, earliest acquisitions during the year, average cost of purchases during the year, etc.).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, specify the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, specify the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, the applicant should identify which inventory items are valued under each method.
- 6 If changing to the IPIIC method, attach a completed Form 970 and a statement indicating the indexes, tables, and categories the applicant proposes to use.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2).
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, the applicant should explain the reasons for the separate facilities, indicate the location of each facility, and provide a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other**Section 263A Assets** (see instructions)**Part I Change in Reporting Income From Long-Term Contracts** (Also complete Part III on pages 7 and 8.)

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. If the applicant is a construction contractor, include a detailed description of its construction activities. N/A
- 2 a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? ☐ Yes ☐ No
- b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? ☐ Yes ☐ No
If line 2b is "No," attach an explanation.
- c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)? ☐ Yes ☐ No
- d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)? ☐ Yes ☐ No
If line 2d is "Yes," explain what cost comparison the applicant will use to determine a contract's completion factor
If line 2d is "No," explain what method the applicant is using and the authority for its use
- 3 a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? ☐ Yes ☐ No
- b If "Yes," explain the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
- c Describe the applicant's manufacturing activities, including any required installation of manufactured goods
- 4 To determine a contract's completion factor using the percentage-of-completion method:
- a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ☐ Yes ☐ No
- b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))? ☐ Yes ☐ No
- 5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.)

- 1 Attach a description of the inventory goods being changed. N/A
- 2 Attach a description of the inventory goods (if any) NOT being changed.
- 3 If the applicant is subject to section 263A, is its present inventory valuation method in compliance with section 263A (see instructions)? ☐ Yes ☐ No
- 4 a Check the appropriate boxes below.
- | | Inventory Being Changed | | Inventory Not Being Changed |
|------------------------------------|-------------------------|-----------------|-----------------------------|
| | Present method | Proposed method | Present method |
| Identification methods: | | | |
| Specific identification | | | |
| FIFO | | | |
| LIFO | | | |
| Other (attach explanation) | | | |
| Valuation methods: | | | |
| Cost | | | |
| Cost or market, whichever is lower | | | |
| Retail cost | | | |
| Retail, lower of cost or market | | | |
| Other (attach explanation) | | | |
- b Enter the value at the end of the tax year preceding the year of change
- 5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions)
- a Copies of Form(s) 970 filed to adopt or expand the use of the method.
- b **Only for applicants requesting advance consent.** A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
- c **Only for applicants requesting an automatic change.** Attach the statement required by section 10.01(4) of the Appendix of Rev. Proc. 2002-9 (or its successor).

Part III—Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions).) N/A

Section A—Allocation and Capitalization Methods

N/A

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated (Check the appropriate boxes in Section B showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.)

		N/A	
		Present method	Proposed method
1	Direct material		
2	Direct labor		
3	Indirect labor		
4	Officers' compensation (not including selling activities)		
5	Pension and other related costs		
6	Employee benefits		
7	Indirect materials and supplies		
8	Purchasing costs		
9	Handling, processing, assembly, and repackaging costs		
10	Offsite storage and warehousing costs		
11	Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12	Depletion		
13	Rent		
14	Taxes other than state, local, and foreign income taxes		
15	Insurance		
16	Utilities		
17	Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18	Engineering and design costs (not including section 174 research and experimental expenses)		
19	Rework labor, scrap, and spoilage		
20	Tools and equipment		
21	Quality control and inspection		
22	Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23	Licensing and franchise costs		
24	Capitalizable service costs (including mixed service costs)		
25	Administrative costs (not including any costs of selling or any return on capital)		
26	Research and experimental expenses attributable to long-term contracts		
27	Interest		
28	Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

N/A

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs)

		N/A	
		Present Method	Proposed Method
1	Marketing, selling, advertising, and distribution expenses		
2	Research and experimental expenses not included on line 26 above		
3	Bidding expenses not included on line 22 above		
4	General and administrative costs not included in Section B above		
5	Income taxes		
6	Cost of strikes		
7	Warranty and product liability costs		
8	Section 179 costs		
9	On-site storage		
10	Depreciation, amortization, and cost recovery allowance not included on line 11 above		
11	Other costs (Attach a list of these costs.)		

Schedule E—Change in Depreciation or Amortization (see instructions)

N/A

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section.

Applicants must provide this information for each item or class of property for which a change is requested.

N/A

Note: See the **List of Automatic Accounting Method Changes** in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? ☐ Yes ☐ No
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? ☐ Yes ☐ No
If "Yes," enter the applicable section ►
- 3 Has a depreciation or amortization election been made for the property (e.g., the election under section 168(f)(1))?. ☐ Yes ☐ No
If "Yes," state the election made ►
- 4 a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
b If the property is residential rental property, did the applicant live in the property before renting it? ☐ Yes ☐ No
c Is the property public utility property? ☐ Yes ☐ No
- 5 To the extent not already provided in the applicant's description of its present method, explain how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6 If the property is not currently treated as depreciable or amortizable property, provide the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information under both the present (if applicable) and proposed methods:
 - a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
 - b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L, the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
 - c The facts to support the asset class for the proposed method.
 - d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
 - e The useful life, recovery period, or amortization period of the property.
 - f The applicable convention of the property.

NARCONON OF NORTHERN CALIFORNIA 77-0275827

FORM 3115 ATTACHMENT

PART II LINE 13

Narconon Northern California is a 501(c) (3) tax-exempt nonprofit organization that delivers a drug rehabilitation program to the public. The services entail delivering a safe, drug-free withdrawal, detoxification of residues in the body of drugs and other chemicals and a carefully designed program of courses that enable students to develop essential life skills. Narconon Northern California also provides public awareness and education on the harmful effects of drugs use.

Business code: 813000 for nonprofits and charities.

NARCONON OF NORTHERN CALIFORNIA 77-0275827

FORM 3115 ATTACHMENT

Part IV line 25 and Schedule A -Change in overall Method of Accounting

Part 1

Line 1g statement.

Cumulative effect of change in accounting method from cash to accrual.

California Nonprofit Integrity Act of 2004 made effective changes as of January 1, 2005.

Charitable corporations with assets of \$2 million or more and who accrue \$2 million or more in gross revenue in any fiscal year must have annual financial statements audited by an independent certified public account (CPA) and must make these statements available for inspection to the California Attorney General. As per the law the organization must know it's accrued income, therefore the audited financial statement for 2005 and future years will be done using the accrual method of accounting to comply with this requirement. A great deal of work went into changing the accounting system from cash to accrual method of accounting to satisfy the California State Law. Therefore the Form 990 for 2005 and future years are and will be done using the audited accrual basis financial reports from an independent CPA firm. This was a major undertaking and took months to complete changing the books from cash to accrual basis. Extensions for filing till November 15th, 2006 were filed for the 2005 tax year. All prior years Form 990 and audited financial statements by a CPA were done using the cash method of accounting and the Form 990 was done using the audited CPA reports cash basis.

Due to the overall change in account method from cash to accrual, the 2005 CPA's audited financial reports and 2005 Form 990 line 20 (Other changes in net assets or fund balances) show a negative \$211379 cumulative effect because of the change in accounting method from cash to accrual in net assets/fund balances.

Attached is the requested 2004 Form 990 Revenue, Expense and changes in Net Assets or Fund Balances Part 1, Part 1 and Part 4 sections that apply.

NARCONON OF NORTHERN CALIFORNIA 77-0275827

FORM 3115 ATTACHMENT

Schedule A -Change in overall Method of Accounting

Part 1

Line 1g statement.

Cumulative effect of change in accounting method from cash to accrual.

California Nonprofit Integrity Act of 2004 made effective changes as of January 1, 2005

Charitable corporations with assets of \$2 million or more and who accrue \$2 million or more in gross revenue in any fiscal year must have annual financial statements audited by an independent certified public account (CPA) and must make these statements available for inspection to the California Attorney General. As per the law the organization must know it's accrued income, therefore the audited financial statement for 2005 and future years will be done using the accrual method of accounting to comply with this requirement. A great deal of work went into changing the accounting system from cash to accrual method of accounting to satisfy the California State Law. Therefore the Form 990 for 2005 (and future years) are and will be done using the audited accrual basis financial reports from the independent CPA firm. This was a major undertaking and took months to complete. Extensions for filing till November 15th, 2006 were filed for the 2005 tax year. All prior years Form 990 and audited financial statements by a CPA were done using the cash method of accounting and the Form 990 was done using the audited CPA reports cash basis.

Due to the overall change in account method from cash to accrual, the 2005 CPA's audited financial reports and 2005 Form 990 line 20 (Other changes in net assets or fund balances) show a negative \$211379 cumulative effect of change in accounting method from cash to accrual in net assets/fund balances.

Attached is the 2005 Form 990 Revenue, Expense and changes in Net Assets or Fund Balances Part 1, Part 1 and Part 4 sections that apply.

California
Registry of
Charitable
Trusts

NONPROFIT INTEGRITY ACT OF 2004

Effective January 1, 2005

Applies To

■ **Charities**

■ **Commercial
Fundraisers**

■ **Fundraising
Counsels**

■ **Unincorporated
Associations**

■ **Trusts**

Attorney General
Bill Lockyer

October 2004

1. Charitable Organizations Have 30 Days, Instead Of Six Months, To Register And File Articles Of Incorporation With The Attorney General's Registry Of Charitable Trusts *[Government Code section 12585]*

► Charitable corporations, unincorporated associations and trusts must file with the Attorney General articles of incorporation, or other documents governing the organization's operations, (e.g., articles of association or trust instrument) within 30 days after initial receipt of property.

2. Independent Audit Of Annual Financial Statements Now Required For Charities With Gross Revenues Of \$2 Million Or More *[Government Code section 12586(e)(1)]*

► Charitable corporations with assets of \$2 million or more must prepare annual financial statements audited by an independent certified public accountant (CPA). The statements must use generally accepted accounting principles. The independent CPA must follow generally accepted auditing standards.

► If the accounting firm and CPA performing the audit also provides non-audit services to the nonprofit, the accounting firm and CPA must follow the independence standards in the Yellow Book issued by the U.S. Comptroller General.

► The audited financial statements must be made available for inspection by the Attorney General and the public no later than nine months after the close of the fiscal year covered by the financial statement.

► The audit requirement applies to charitable corporations, unincorporated associations and trustees required to register and file reports with the Attorney General, whenever such organizations accrue \$2 million or more in gross revenue in any fiscal year.

► The \$2 million-threshold excludes grants received from governmental entities, if the nonprofit must provide an accounting of how it used the grant funds.

Application for Extension of Time To File an
Exempt Organization Return

OMB No 1545-1709

► File a separate application for each return

- If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** and check this box ☒ **Part I**
 - If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** (on page 2 of this form)
- Do not complete Part II unless** you have already been granted an automatic 3-month extension on a previously filed Form 8868

Part I Automatic 3-Month Extension of Time—Only submit original (no copies needed)

Form 990-T corporations requesting an automatic 6-month extension—check this box and complete Part I only ☐
All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs, and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041

Electronic Filing (e-file). Form 8868 can be filed electronically if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for corporate Form 990-T filers). However, you cannot file it electronically if you want the additional (not automatic) 3-month extension, instead you must submit the fully completed signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit www.irs.gov/efile.

Type or print File by the due date for filing your return. See instructions	Name of Exempt Organization	Employer identification number
	NARCONON OF NORTHERN CALIFORNIA	77-0275827
	Number, street, and room or suite no. If a P O box, see instructions	
	262 GAFFEY ROAD	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions	
	WATSONVILLE, CA 95076-9731	

Check type of return to be filed (file a separate application for each return):

- | | | |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- The books are in the care of ► See attached worksheet

Telephone No. ► 1-800-556-8885

FAX No. ►

- If the organization does not have an office or place of business in the United States, check this box ☐
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) 2595. If this is for the **whole** group, check this box ☐. If it is for part of the group, check this box ☒ and attach a list with the names and EINs of all members the extension will cover.

- 1 I request an automatic 3-month (6-months for a **Form 990-T corporation**) extension of time until 8/15/2006 to file the exempt organization return for the organization named above. The extension is for the organization's return for
- ☒ calendar year 2005 or
- ☐ tax year beginning _____, and ending _____
- 2 If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period
- 3 a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions. \$ 0
- b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit. \$ 0
- c **Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$ 0

Caution. If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

(HTA)

Form **8868** (Rev. 12-2004)

- If you are filing for an **Additional (not automatic) 3-Month Extension**, complete only **Part II** and check this box ☒
Note. Only complete **Part II** if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
 • If you are filing for an **Automatic 3-Month Extension**, complete only **Part I** (on page 1).

Part II Additional (not automatic) 3-Month Extension of Time—Must File Original and One Copy.

Type or print File by the extended due date for filing the return. See instructions.	Name of Exempt Organization Narconon of Northern California	Employer identification number 77-0275827
	Number, street, and room or suite no. If a P.O. box, see instructions 262 Gaffey Rd	For IRS use only
	City, town or post office, state, and ZIP code. For a foreign address, see instructions Watsonville, CA 95076	

Check type of return to be filed (File a separate application for each return):

- | | | |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 4720 | |

STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of **Kathryn L. Horton, 664 Paget Avenue, Santa Cruz, CA 95062**
 Telephone No. **(831) 274-6978** FAX No. **(831) 475-4976**
- If the organization does not have an office or place of business in the United States, check this box ☐
- If this is for a **Group Return**, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the **whole group**, check this box ☐. If it is for **part of the group**, check this box ☐ and attach a list with the names and EINs of all members the extension is for.

- 4 I request an additional 3-month extension of time until **November 15**, 20**06**
- 5 For calendar year **2005**, or other tax year beginning _____, 20____, and ending _____, 20____
- 6 If this tax year is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period
- 7 State in detail why you need the extension **Additional time is needed to compile and review the information required to submit a full and accurate return.**

- 8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions \$ _____
- b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ **081806**
- c **Balance Due.** Subtract line 8b from line 8a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions. \$ _____

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature **Kathryn L. Horton** Title **Treasury Supervisor** Date **8/15/2006****Notice to Applicant—To Be Completed by the IRS**

- ☒ We have approved this application. Please attach this form to the organization's return.
- ☐ We have not approved this application. However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions). This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return. Please attach this form to the organization's return.
- ☐ We have not approved this application. After considering the reasons stated in item 7, we cannot grant your request for an extension of time to file. We are not granting a 10-day grace period.
- ☐ We cannot consider this application because it was filed after the extended due date of the return for which an extension was requested.
- ☐ Other _____

Director _____

By _____

Date _____

Alternate Mailing Address — Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above.

Type or print	Name
	Number and street (include suite, room, or apt. no.) or a P.O. box number
	City or town, province or state, and country (including postal or ZIP code)