

Form **990**
 Department of the Treasury
 Internal Revenue Service

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
2006
 Open to Public Inspection

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

A For the 2006 calendar year, or tax year beginning , and ending

B Check if applicable: <input checked="" type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	C Name of organization NARCONON INTERNATIONAL	D Employer identification number 95-2769582
		Number and street (or P.O. box if mail is not delivered to street address) Room/suite 4652 HOLLYWOOD BLVD	E Telephone number 323-962-2404
		City or town, state or country, and ZIP + 4 LOS ANGELES CA 90027-5408	F Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> 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 are not applicable to section 527 organizations. I
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 No

G Website: **WWW.NARCONON.ORG**

J Organization type
 (check only one) 501(c) (**3**) 4947(a)(1) or 527

K Check here if the organization is not a 509(a)(3) supporting organization and its gross receipts are normally not more than \$25,000. A return is not required, but if the organization chooses to file a return, be sure to file a complete return.

I Group Exemption Number **▶ N/A**

M Check if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF).

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 **▶ 5,587,885**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See the instructions.)

		1a		1b		1c		1d		1e	
1 Contributions, gifts, grants, and similar amounts received:											
a Contributions to donor advised funds											
b Direct public support (not included on line 1a)				6,281							
c Indirect public support (not included on line 1a)				297,682							
d Government contributions (grants) (not included on line 1a)											
e Total (add lines 1a through 1d) (cash \$ 303,963 noncash \$)										303,963	
2 Program service revenue including government fees and contracts (from Part VII, line 93)										5,170,928	
3 Membership dues and assessments											
4 Interest on savings and temporary cash investments										2,423	
5 Dividends and interest from securities											
6a Gross rents		16,373									
b Less: rental expenses											
c Net rental income or (loss). Subtract line 6b from line 6a										16,373	
7 Other investment income (describe)											
8a Gross amount from sales of assets other than inventory		(A) Securities		(B) Other							
b Less: cost or other basis and sales expenses											
c Gain or (loss) (attach schedule)											
d Net gain or (loss). Combine line 8c, columns (A) and (B)										8d	
9 Special events and activities (attach schedule). If any amount is from gaming, check here <input type="checkbox"/>											
a Gross revenue (not including \$ of contributions reported on line 1b)		9a		9b							
b Less: direct expenses other than fundraising expenses											
c Net income or (loss) from special events. Subtract line 9b from line 9a										9c	
10a Gross sales of inventory, less returns and allowances		10a		86,506							
b Less: cost of goods sold		10b		43,104							
c Gross profit or (loss) from sales of inventory (attach schedule). Subtract line 10b from line 10a				STMT 1						10c	
11 Other revenue (from Part VII, line 103)										7,692	
12 Total revenue. Add lines 1e, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11										5,544,781	
13 Program services (from line 44, column (B))										2,979,825	
14 Management and general (from line 44, column (C))										374,848	
15 Fundraising (from line 44, column (D))										67,474	
16 Payments to affiliates (attach schedule) SEE STATEMENT 2										1,703,126	
17 Total expenses. Add lines 16 and 44, column (A)										5,125,273	
18 Excess or (deficit) for the year. Subtract line 17 from line 12										419,508	
19 Net assets or fund balances at beginning of year (from line 73, column (A))										929,835	
20 Other changes in net assets or fund balances (attach explanation)											
21 Net assets or fund balances at end of year. Combine lines 18, 19, and 20										1,349,343	

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
22a	Grants paid from donor advised funds (attach schedule) (cash \$ _____ non-cash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>				
22b	Other grants and allocations (attach schedule) STMT 3 (cash \$ 127,788 non-cash \$ _____) If this amount includes foreign grants, check here <input checked="" type="checkbox"/>	127,788	127,788		
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25a	Compensation of current officers, directors, key employees, etc. listed in Part V-A (attach schedule) SEE STATEMENT 4	323,384	243,403	66,442	13,539
25b	Compensation of former officers, directors, key employees, etc. listed in Part V-B (attach schedule)				
25c	Compensation and other distributions, not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (attach schedule)				
26	Salaries and wages of employees not included on lines 25a, b, and c	813,396	665,114	121,451	26,831
27	Pension plan contributions not included on lines 25a, b, and c				
28	Employee benefits not included on lines 25a - 27				
29	Payroll taxes	97,242	77,716	16,074	3,452
30	Professional fundraising fees				
31	Accounting fees	35,916		35,916	
32	Legal fees	97,636	62,087	32,764	2,785
33	Supplies	47,662	35,328	10,856	1,478
34	Telephone				
35	Postage and shipping	29,473	27,238	1,856	379
36	Occupancy	255,145	203,913	42,175	9,057
37	Equipment rental and maintenance	3,175	2,537	525	113
38	Printing and publications	42,836	39,811	2,303	722
39	Travel	82,377	79,812	2,119	446
40	Conferences, conventions, and meetings	33,900	33,900		
41	Interest				
42	Depreciation, depletion, etc. (attach schedule)	44,318	35,419	7,326	1,573
43a	Other expenses not covered above (itemize): SEE STATEMENT 5	1,387,899	1,345,759	35,041	7,099
43b					
43c					
43d					
43e					
43f					
43g					
44	Total functional expenses. Add lines 22a through 43g. (Organizations completing columns (B)-(D), carry these totals to lines 13-15)	3,422,147	2,979,825	374,848	67,474

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 No

If "Yes," enter (i) the aggregate amount of these joint costs \$ _____ ; (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?

Program Service Expenses
(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)

▶
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.)

a SEE STATEMENT 6

(Grants and allocations \$ **81,489**) If this amount includes foreign grants, check here ▶

2,009,215

b SEE STATEMENT 7

(Grants and allocations \$ **46,299**) If this amount includes foreign grants, check here ▶

970,610

c
(Grants and allocations \$) If this amount includes foreign grants, check here ▶

d
(Grants and allocations \$) If this amount includes foreign grants, check here ▶

e Other program services (attach schedule)
(Grants and allocations \$) If this amount includes foreign grants, check here ▶

f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶ **2,979,825**

Part IV Balance Sheets (See the instructions.)

				(A)		(B)	
				Beginning of year		End of year	
Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.							
Assets	45	Cash-non-interest-bearing		118,367	45	185,133	
	46	Savings and temporary cash investments		204,556	46	269,318	
	47a	Accounts receivable	47a	1,031,709			
	b	Less: allowance for doubtful accounts	47b	494,485	398,847	47c	537,224
	48a	Pledges receivable	48a				
	b	Less: allowance for doubtful accounts	48b			48c	
	49	Grants receivable				49	
	50a	Receivables from current and former officers, directors, trustees, and key employees (attach schedule)				50a	
	b	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) (att. schedule)				50b	
	51a	Other notes and loans receivable (attach schedule) SEE WORKSHEET	51a	35,323			
	b	Less: allowance for doubtful accounts	51b		12,000	51c	35,323
	52	Inventories for sale or use			32,752	52	42,774
	53	Prepaid expenses and deferred charges			947	53	925
	54a	Investments—publicly-traded securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV				54a	
	b	Investments—other securities (attach schedule) <input type="checkbox"/> Cost <input type="checkbox"/> FMV				54b	
	55a	Investments-land, buildings, and equipment: basis	55a				
	b	Less: accumulated depreciation (attach schedule)	55b			55c	
	56	Investments-other (attach schedule)				56	
	57a	Land, buildings, and equipment: basis	57a	960,244			
	b	Less: accumulated depreciation (attach schedule) SEE STATEMENT 8	57b	337,726	651,098	57c	622,518
58	Other assets, including program-related investments (describe <input type="checkbox"/>)				58		
59	Total assets (must equal line 74). Add lines 45 through 58			1,418,567	59	1,693,215	
Liabilities	60	Accounts payable and accrued expenses		158,954	60	164,600	
	61	Grants payable		108,255	61	19,731	
	62	Deferred revenue			62		
	63	Loans from officers, directors, trustees, and key employees (attach schedule)			63		
	64a	Tax-exempt bond liabilities (attach schedule)			64a		
	b	Mortgages and other notes payable (attach schedule)			64b		
	65	Other liabilities (describe <input type="checkbox"/> SEE STATEMENT 9)			221,523	65	159,541
66	Total liabilities. Add lines 60 through 65			488,732	66	343,872	
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		911,999	67	1,344,912	
	68	Temporarily restricted		17,836	68	4,431	
	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 and column (B) must equal line 21)			929,835	73	1,349,343
	74	Total liabilities and net assets/fund balances. Add lines 66 and 73			1,418,567	74	1,693,215

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	5,587,885
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):	b4		
	SEE STATEMENT 10			
	Add lines b1 through b4		b	43,104
c	Subtract line b from line a		c	5,544,781
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		
	Add lines d1 and d2		d	
e	Total revenue (Part I, line 12). Add lines c and d		e	5,544,781

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

a	Total expenses and losses per audited financial statements		a	5,168,377
b	Amounts included on line a but not 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):	b4		
	SEE STATEMENT 11			
	Add lines b1 through b4		b	43,104
c	Subtract line b from line a		c	5,125,273
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		
	Add lines d1 and d2		d	
e	Total expenses (Part I, line 17). Add lines c and d		e	5,125,273

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
CLARK CARR 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	PRES/DIR 45	77,635	0	0
PHIL HART 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	ED/TRUSTEE 45	72,307	0	0
PETER VAN AUKEN 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	TREASURER 45	44,169	0	0
CLAUDIA ARCAVASIO 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	SEC'Y/LEGAL 45	48,530	0	0
ANGELA GARCIA 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	SR DIR PROD 45	80,743	0	0
LAURIE ZURN 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	TRUSTEE 0	0	0	0
KAREN SEAGAL 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	DIRECTOR 0	0	0	0
PATRICIA SCHWARTZ 4652 HOLLYWOOD BLVD. LOS ANGELES CA 90027-5408	DIRECTOR 0	0	0	0

Part VI Other Information (continued)		Yes	No
82a	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		
83a	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	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?		
	N/A		
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? 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		
88a	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
b	At any time during the year, did the organization, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Part XI		X
89a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 0 ; section 4912 0 ; section 4955 0		
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	0	
e	All organizations. At any time during the tax year, was the organization a party to a prohibited tax shelter transaction?		X
f	All organizations. Did the organization acquire a direct or indirect interest in any applicable insurance contract?		X
g	For supporting organizations and sponsoring organizations maintaining donor advised funds. Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?		
	N/A		
90a	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, 2006 (See instructions.)	90b 36	
91a	The books are in care of PETER VAN AUKEN 4652 HOLLYWOOD BLVD. Located at LOS ANGELES, CA	Telephone no. 323-962-2404 ZIP + 4 90027-5408	
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)? If "Yes," enter the name of the foreign country		X
	See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		

Part VI Other Information (continued)

c At any time during the calendar year, did the organization maintain an office outside of the United States? 91c Yes No
 If "Yes," enter the name of the foreign country ▶

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 LICENSE FEE INCOME					5,141,203
b REFERRAL COMMISSIONS					11,775
c LECTURES & SEMINARS					15,800
d TRAINING					2,150
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	2,423	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property			16	16,373	
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					43,402
103 Other revenue: a					
b COMMISSIONS					7,692
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0		18,796	5,222,022
105 Total (add line 104, columns (B), (D), and (E))					5,240,818

Note: Line 105 plus line 1e, 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).
9	SEE STATEMENT 13

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	%			
	%			
	%			
	%			

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).

Part XI Information Regarding Transfers To and From Controlled Entities. Complete only if the organization is a controlling organization as defined in section 512(b)(13).

106 Did the reporting organization **make** any transfers **to** a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity. **N/A**

	(A) Name, address, of each controlled entity	(B) Employer ID Number	(C) Description of transfer	(D) Amount of transfer
a			
b			
c			
Totals				

107 Did the reporting organization **receive** any transfers **from** a controlled entity as defined in section 512(b)(13) of the Code? If "Yes," complete the schedule below for each controlled entity. **N/A**

	(A) Name, address, of each controlled entity	(B) Employer ID Number	(C) Description of transfer	(D) Amount of transfer
a			
b			
c			
Totals				

108 Did the organization have a binding written contract in effect on August 17, 2006, covering the interest, rents, royalties, and annuities described in question 107 above? **N/A**

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.

Signature of officer _____ Date _____

Type or print name and title _____

Paid Preparer's Use Only

Preparer's signature Date **11/15/07** Check if self-employed Preparer's SSN or PTIN (See Gen. Instr. X) **P00640573**

Firm's name (or yours if self-employed), address, and ZIP + 4 **ROLAND W. FINK, CPA**
2441 HONOLULU AVE., SUITE 126
MONTROSE, CA 91020-1847 EIN _____ Phone no. **818-249-4577**

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

Yes No

<p>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 ► \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.)</p>	1		X
<p>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.</p>			
<p>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.)</p>			
<p>a Sale, exchange, or leasing of property?</p>	2a		X
<p>b Lending of money or other extension of credit?</p>	2b		X
<p>c Furnishing of goods, services, or facilities?</p>	2c		X
<p>d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE PART V-A, FORM 990</p>	2d	X	
<p>e Transfer of any part of its income or assets?</p>	2e		X
<p>3a Did the organization make grants for scholarships, fellowships, student loans, etc.? (If "Yes," attach an explanation of how the organization determines that recipients qualify to receive payments.)</p>	3a		X
<p>b Did the organization have a section 403(b) annuity plan for its employees?</p>	3b		X
<p>c Did the organization receive or hold an easement for conservation purposes, including easements to preserve open space, the environment, historic land areas or historic structures? If "Yes," attach a detailed statement</p>	3c		X
<p>d Did the organization provide credit counseling, debt management, credit repair, or debt negotiation services?</p>	3d		X
<p>4a Did the organization maintain any donor advised funds? If "Yes," complete lines 4b through 4g. If "No," complete lines 4f and 4g</p>	4a		X
<p>b Did the organization make any taxable distributions under section 4966?</p>	4b		
<p>c Did the organization make a distribution to a donor, donor advisor, or related person?</p>	4c		
<p>d Enter the total number of donor advised funds owned at the end of the tax year u _____</p>			
<p>e Enter the aggregate value of assets held in all donor advised funds owned at the end of the tax year u _____</p>			
<p>f Enter the total number of separate funds or accounts owned at the end of the tax year (excluding donor advised funds included on line 4d) where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts u _____</p>			0
<p>g Enter the aggregate value of assets held in all funds or accounts included on line 4f at the end of the tax year u _____</p>			0

Part IV Reason for Non-Private Foundation Status (See pages 4 through 7 of the instructions.)

I certify that 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** ►
- 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.)
- 11a 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.)
- 11b 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 otherwise meets the requirements of section 509(a)(3). Check the box that describes the type of supporting organization:
 Type I Type II Type III-Functionally Intergrated Type III-Other

Provide the following information about the supported organizations. (See page 7 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Employer identification number (EIN)	(c) Type of organization (described in lines 5 through 12 above or IRC section)	(d) Is the supported organization listed in the supporting organization's governing documents?		(e) Amount of support
			Yes	No	
Total					u

14 An organization organized and operated to test for public safety. Section 509(a)(4). (See page 7 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) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	248,244	386,591	134,944	320,022	1,089,801
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	4,830,067	2,565,455	2,201,388	1,607,721	11,204,631
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	2,066	9,984	12,656	10,389	35,095
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 STMT 14	9,100	6,649	3,524	8,636	27,909
23 Total of lines 15 through 22	5,089,477	2,968,679	2,352,512	1,946,768	12,357,436
24 Line 23 minus line 17	259,410	403,224	151,124	339,047	1,152,805
25 Enter 1% of line 23	50,895	29,687	23,525	19,468	
26 Organizations described on lines 10 or 11:					
a Enter 2% of amount in column (e), line 24					26a 23,056
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 2002 through 2005 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b 26,944
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c 1,152,805
d Add: Amounts from column (e) for lines: 18 <u>35,095</u> 19 _____					
22 <u>27,909</u> 26b <u>26,944</u>					26d 89,948
e Public support (line 26c minus line 26d total)					26e 1,062,857
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					26f 92.1975 %
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
(2005) _____ (2004) _____ (2003) _____ (2002) _____					
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
(2005) _____ (2004) _____ (2003) _____ (2002) _____					
c Add: Amounts from column (e) for lines: 15 _____ 16 _____					
17 _____ 20 _____ 21 _____					27c
d Add: Line 27a total _____ and line 27b total _____					27d
e Public support (line 27c total minus line 27d total)					27e
f Total support for section 509(a)(2) test: Enter amount from line 23, column (e)					27f
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27g %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					27h %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2002 through 2005, 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 9 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?	31		
If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)				
32	Does the organization maintain the following:	32a		
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.)				
34a	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?	34b		
If you answered "Yes" to either 34a or b, please explain using an attached statement.				
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 10 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		
39 Other exempt purpose expenditures	39		
40 Total exempt purpose expenditures (add lines 38 and 39)	40		
41 Lobbying nontaxable amount. Enter the amount from the following table-			
If the amount on line 40 is-			
Not over \$500,000	20% of the amount on line 40		
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000		
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000		
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000		
Over \$17,000,000	\$1,000,000		
42 Grassroots nontaxable amount (enter 25% of line 41)	42		
43 Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43		
44 Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44		

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 13 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2006	(b) 2005	(c) 2004	(d) 2003	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots nontaxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See page 13 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:

	Yes	No	Amount
a Volunteers		X	
b Paid staff or management (Include compensation in expenses reported on lines c through h .)		X	
c Media advertisements		X	
d Mailings to members, legislators, or the public		X	
e Publications, or published or broadcast statements		X	
f Grants to other organizations for lobbying purposes		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means		X	
i Total lobbying expenditures (Add lines c through h .)			0

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

Schedule B
(Form 990, 990-EZ,
or 990-PF)
Department of the Treasury
Internal Revenue Service

Schedule of Contributors
Supplementary Information for
line 1 of Form 990, 990-EZ, and 990-PF (see instructions)

OMB No. 1545-0047

2006

Name of organization

Employer identification number

NARCONON INTERNATIONAL

95-2769582

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

- 501(c)(**3**) (enter number) organization
- 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation
- 527 political organization

Form 990-PF

- 501(c)(3) exempt private foundation
- 4947(a)(1) nonexempt charitable trust treated as a private foundation
- 501(c)(3) taxable private foundation

Check if your organization is covered by the **General Rule** or a **Special Rule**. (**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule-see instructions.)

General Rule-

- For organizations filing Form 990, 990-EZ, or 990-PF that received, during the year, \$5,000 or more (in money or property) from any one contributor. (Complete Parts I and II.)

Special Rules-

- For a section 501(c)(3) organization filing Form 990, or Form 990-EZ, that met the 33 1/3% support test of the regulations under sections 509(a)(1)/170(b)(1)(A)(vi), and received from any one contributor, during the year, a contribution of the greater of \$5,000 or 2% of the amount on line 1 of these forms. (Complete Parts I and II.)
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, aggregate contributions or bequests of more than \$1,000 for use exclusively for religious, charitable, scientific, literary, or educational purposes, or the prevention of cruelty to children or animals. (Complete Parts I, II, and III.)
- For a section 501(c)(7), (8), or (10) organization filing Form 990, or Form 990-EZ, that received from any one contributor, during the year, some contributions for use exclusively for religious, charitable, etc., purposes, but these contributions did not aggregate to more than \$1,000. (If this box is checked, enter here the total contributions that were received during the year for an exclusively religious, charitable, etc., purpose. Do not complete any of the Parts unless the **General Rule** applies to this organization because it received nonexclusively religious, charitable, etc., contributions of \$5,000 or more during the year.) ▶ \$ _____

Caution: Organizations that are not covered by the General Rule and/or the Special Rules do not file Schedule B (Form 990, 990-EZ, or 990-PF), but they **must** check the box in the heading of their Form 990, Form 990-EZ, or on line 2 of their Form 990-PF, to certify that they do not meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

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

Schedule B (Form 990, 990-EZ, or 990-PF) (2006)

Name of organization

NARCONON INTERNATIONAL

Employer identification number

95-2769582

Part I Contributors (See Specific Instructions.)

(a) No.	(b) Name, address, and ZIP + 4	(c) Aggregate contributions	(d) Type of contribution
<u>1</u>	<u>NARCONON ARROWHEAD</u> <u>HC 67 BOX 5</u> <u>CANADIAN OK 74425</u>	\$ <u>168,157</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
<u>2</u>	<u>NARCONON MEDITERRANEO</u> <u>MILANO, ITALY</u>	\$ <u>29,119</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
<u>3</u>	<u>NARCONON NORTHERN CALIFORNIA</u> <u>262 GAFFEY ROAD</u> <u>WATSONVILLE CA 95076</u>	\$ <u>64,255</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
<u>4</u>	<u>NARCONON WESTERN UNITED STATES</u> <u>6161 SANTA MONICA BLVD SUITE 208</u> <u>LOS ANGELES CA 90038</u>	\$ <u>25,000</u>	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)
		\$ _____	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution.)

Forms 990 / 990-PF	Other Notes and Loans Receivable	2006
For calendar year 2006, or tax year beginning _____, and ending _____		

Name NARCONON INTERNATIONAL	Employer Identification Number 95-2769582
---------------------------------------	---

FORM 990, PART IV, LINE 51A - ADDITIONAL INFORMATION

Name of borrower	Relationship to disqualified person
(1) SOCIAL BETTERMENT DEVELOPMENT CORP	NONE
(2) CRIMINON INTERNATIONAL	NONE
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	

Original amount borrowed	Date of loan	Maturity date	Repayment terms	Interest rate
(1) 12,000	12/22/05	6/30/06	6 MONTHS	10.000
(2) 13,000	5/12/06	5/31/08	AS AVAILABLE	5.000
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

Security provided by borrower	Purpose of loan
(1) NONE	FUNDING FOR EXPANSION
(2) NONE	DRUG REHABILITATION & EDUCATION
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	

Consideration furnished by lender	Balance due at beginning of year	Balance due at end of year	Fair market value (990-PF only)
(1) NONE	12,000	12,000	
(2)		23,323	
(3)			
(4)			
(5)			
(6)			
(7)			
(8)			
(9)			
(10)			
Totals	12,000	35,323	

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

Name(s) shown on return NARCONON INTERNATIONAL	Identifying number 95-2769582
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Business or activity to which this form relates
INDIRECT DEPRECIATION

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	108,000
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	430,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
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	
6			
(a) Description of property		(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2005 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12	13	

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 qualified New York Liberty or Gulf Opportunity Zone property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	44,318

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 2006	17	0
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 2006 Tax Year Using the General Depreciation System

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

Section C-Assets Placed in Service During 2006 Tax Year Using the Alternative Depreciation System

20a	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	
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	44,318
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	

For Paperwork Reduction Act Notice, see separate instructions.

Federal Statements

Statement 1 - Form 990, Line 10c - Sales of Inventory

Description	Gross Sales	COGS	Gross Profit
NARCONON PROGRAM MATERIALS	\$ 86,506	\$ 43,104	\$ 43,402
TOTAL	\$ 86,506	\$ 43,104	\$ 43,402

Federal Statements

Statement 2 - Form 990, Part I, Line 16 - Payments to Affiliates

<u>Bus Name Address</u>	<u>Purpose</u>	<u>Amount</u>
ABLE INTERNATIONAL 7065 HOLLYWOOD BLVD. LOS ANGELES CA 90028	LICENSING FEES	\$ 1,703,126
TOTAL		<u>\$ 1,703,126</u>

Federal Statements

Statement 3 - Form 990, Part II, Line 22b - Other Grants and Allocations

Name Address	Date of Gift	Relationship to Org	Description of Property	Class of Activity			BV Explantr	FMV Explantr
				Cash Contrib	NonCash Contrib	Book Value		
NARCONON ARROWHEAD HC 67 BOX 5 CANADIAN OK 74425		LICENSEE		\$ 2,000	DRUG REHABILITATION \$			
NARCONON MEXICO PEDRO EXCOBEDO MX		LICENSEE		567	DRUG REHABILITATION			
NARCONON COLUMBIA CUNDINAMARCA-COLUMBIA CO		LICENSEE		3,957	DRUG REHABILITATION			
NARCONON ITALY MILANO IT		LICENSEE		15,000	DRUG REHABILITATION			
NARCONON MELBOURNE EAST WARBURTON AS		LICENSEE		699	DRUG REHABILITATION			
NARCONON TROIS RIVIERES TROIS-RIVIERES CA		LICENSEE		6,990	DRUG REHABILITATION			
NARCONON BRAZIL CAMANDUCAIA BR		LICENSEE		400	DRUG REHABILITATION			
FRIENDS OF NARCONON 622 EAST VILLA		LICENSEE		3,150	DRUG EDUCATION			

Federal Statements

Statement 3 - Form 990, Part II, Line 22b - Other Grants and Allocations (continued)

Name Address	Date of Gift	Relationship to Org	Description of Property	Class of Activity			BV Explantr	FMV Explntn
				Cash Contrib	NonCash Contrib	Book Value		
PASADENA CA 91101				\$	\$	\$		
BRIDGE PUBLICATIONS INC					PUBLIC AWARENESS			
4751 FOUNTAIN AVE				41,600				
LOS ANGELES CA 90029								
HOLLYWOOD CHAMBER OF COMMERCE					PUBLIC RELATIONS			
7018 HOLLYWOOD BLVD					45			
LOS ANGELES CA 90028								
MADD					PUBLIC RELATIONS			
PO BOX 451217					200			
LOS ANGELES CA 90045								
NARCONON MIRACLES					PUBLIC AWARENESS			
4652 HOLLYWOOD BLVD					1,048			
LOS ANGELES CA 90027								
NARCONON WESTERN UNITED STATES		CONTINENTAL ORG			PUBLIC AWARENESS			
6161 SANTA MONICA BLVD., SUITE 208					256			
LOS ANGELES CA 90038								
NARCONON EUROPE		CONTINENTAL ORG			DRUG REHABILITATION			
					1,476			

Federal Statements

Statement 3 - Form 990, Part II, Line 22b - Other Grants and Allocations (continued)

Name Address	Relationship to Org	Class of Activity	Cash Contrib	NonCash Contrib	Book Value	BV Explantr	FMV Explantr
Date of Gift	Description of Property						
KOBENHAVN DA			\$	\$	\$		
ABLE INTERNATIONAL	LICENSOR	SOCIAL BETTERMENT	50,400				
7065 HOLLYWOOD BLVD							
LOS ANGELES CA 90028							
TOTAL			\$ 127,788	\$ 0	\$ 0		

Federal Statements

Statement 4 - Form 990, Part II, Line 25a - Compensation of Current Officers

<u>Name</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>
EXPENSES	\$	\$	\$
ANGELA GARCIA COMPENSATION	72,669	8,074	
CLARKE CARR COMPENSATION	69,871	3,882	3,882
CLAUDIA ARABASCIO COMPENSATION	41,251	4,853	2,426
PETER VAN AUKEN COMPENSATION	1,767	42,402	
PHIL HART COMPENSATION	57,845	7,231	7,231
TOTAL	<u>\$ 243,403</u>	<u>\$ 66,442</u>	<u>\$ 13,539</u>

Federal Statements

Statement 5 - Form 990, Part II, Line 43 - Other Functional Expenses

Description	Total Expenses	Program Service	Mgt & General	Fund- Raising
	\$	\$	\$	\$
EXPENSES				
INSURANCE	26,647	21,296	4,405	946
REPAIRS & MAINTENANCE	4,205	3,319	739	147
ROYALTIES	3,924	3,924		
STAFF TRAINING	158,042	129,915	23,488	4,639
TAXES, DUES & FEES	1,577	1,380	170	27
CLIENT DELIVERY COSTS	3,810	3,810		
PROMOTION	50,612	50,065	450	97
TELEPHONE	35,089	28,057	5,789	1,243
DRUG REHAB CTR SUPV & ASSISTN	1,103,993	1,103,993		
TOTAL	<u>\$ 1,387,899</u>	<u>\$ 1,345,759</u>	<u>\$ 35,041</u>	<u>\$ 7,099</u>

Statement 6 - Form 990, Part III, Line a - Statement of Program Service AccomplishmentsDescription

NARCONON INTERNATIONAL NOW HEADS THE LARGEST NETWORK OF NON-PROFIT PUBLIC SUBSTANCE ABUSE REHABILITATION AND EDUCATION CENTERS IN THE WORLD, HELPING MILLIONS OF PEOPLE WORLDWIDE TO LEARN ABOUT THE DANGERS OF ALCOHOL AND DRUG ABUSE AND HOW TO HELP THEMSELVES OR KICK AN ADDICTION AND BECOMING CONTRIBUTING MEMBERS OF SOCIETY AGAIN. OVER 4,000 INDIVIDUALS TOOK PART IN NARCONON'S REHABILITATION PROGRAMS WORLDWIDE.

OVER THE YEAR NARCONON INTERNATIONAL DIRECTLY ASSISTED LOCAL NARCONON REHABILITATION CENTERS TO IMPROVE THEIR PROGRAMS EITHER BY PROVIDING DIRECT FINANCIAL ASSISTANCE (IT PROVIDED MORE THAN \$100,000 IN GRANTS TO NARCONON CENTERS IN ITALY, MEXICO, BRAZIL, COLUMBIA, AUSTRALIA, CANADA AND THE U.S.) OR BY PROVIDING ON-SITE PERSONNEL SUPPORT. DURING THE YEAR NARCONON STAFF TRAVELED TO NARCONON CENTERS THROUGHOUT THE WORLD TO ASSIST THEM IN IMPROVING THEIR PUBLIC EDUCATION AND REHABIITATION PROGRAMS.

IN 2006 NARCONON INTERNATIONAL ASSISTED LOCAL VOLUNTEERS IN OPENING 31 NEW DRUG REHABILITATION CENTERS OR DRUG EDUCATION GROUPS OR ACTIVITIES IN AFRICA, CANADA, THE UNITED STATES, RUSSIA, BULGARIA, MACEDONIA, KAZAKHSTAN, UKRAINE, ITALY, MEXICO, HONDURAS, ENGLAND AND LEBANON.

Statement 7 - Form 990, Part III, Line b - Statement of Program Service AccomplishmentsDescription

NARCONON INTERNATIONAL CONDUCTS AN EXTENSIVE WORLDWIDE EDUCATIONAL PROGRAM TO RAISE PUBLIC AWARENESS ABOUT ALCOHOL AND DRUG ABUSE. IN 2006 NARCONON AND ITS VOLUNTEERS DELIVERED MORE THAN 700,000 LECTURES AND INFORMAL TALKS ABOUT DRUG AND ALCOHOL ABUSE AND HOW TO END SUCH ADDICTIVE BEHAVIOR AT SCHOOLS, COMMUNITY MEETINGS, GOVERNMENTAL AGENCIES AND OTHER PUBLIC EVENTS. THEY ALSO DISTRIBUTED HUNDREDS OF THOUSANDS OF INFORMATIONAL BROCHURES AND OTHER EDUCATIONAL MATERIAL TO THE PUBLIC, BUT PARTICULARLY TO YOUNG PEOPLE THAT ARE AT GREATER RISK OF BECOMING INVOLVED WITH DRUGS. DURING THE YEAR, NARCONON ALSO CONDUCTED A NUMBER OF LIFE SKILLS COURSES TO HELP INDIVIDUALS AVOID BECOMING OR STOP BEING INVOLVED WITH DRUGS, INCLUDING AN ONGOING COURSE ON DRUG EDUCATION AND COMMUNICATION FOR OVER 200 AT-RISK YOUTH RESIDING IN A DETENTION HOME IN HONOLULU AND A SIMILAR PROGRAM FOR 60 AT-RISK KIDS IN KUALA, AS WELL AS A DRUG EDUCATION COURSE FOR 300 ROTC PARTICIPANTS IN HONOLULU. AN IMPORTANT PART OF THIS PROGRAM IS THE TRAINING OF VOLUNTEERS TO SERVE AS LECTURERS AND WORKSHOP LEADERS WHO IN TURN WILL HELP SPREAD NARCONON'S MESSAGE MORE BROADLY.

NARCONON PUBLISHES AND DISTRIBUTES A VARIETY OF EDUCATIONAL MATERIALS TO COMPLEMENT ITS PUBLIC LECTURE PROGRAM, INCLUDING THE BOOKLET "TEN THINGS YOUR FRIENDS MAY NOT KNOW ABOUT DRUGS" (4,500 COPIES DISTRIBUTED FREE

Statement 7 - Form 990, Part III, Line b - Statement of Program Service Accomplishments
(continued)

Description

OF CHARGE IN 2006). ADDITIONALLY 270 "OVERVIEW OF RESULTS", 150 "TALKING TO KIDS ABOUT DRUGS", AND 88 "FIRST STEP" BOOKLETS AND 60 ANTI-DRUG DVDS WERE DISTRIBUTED. DURING THE YEAR NARCONON ALSO CONTRIBUTED TO THE DISTRIBUTION OF DVDS TO LIBRARIES WITH THE GOAL OF INTERESTING READERS IN THE EDUCATIONAL AND REHABILITATION TECHNIQUES IT USES. IN JANUARY AND FEBRUARY, NARCONON INTERNATIONAL COMPLETED THE SECOND PHASE OF A FORMAL OUTCOME STUDY OF DRUG EDUCATION RESULTS, COLLECTING SURVEYS OF POST-DELIVERY 6 MONTHS REDUCTION IN DRUG USE AND PERCEPTION OF THE RISK OF DRUG USE BY HIGH SCHOOL STUDENTS IN HAWAII AND OKLAHOMA. UPON COMPLETION OF THE STUDY A PAPER WILL BE WRITTEN AND SUBMITTED FOR PUBLICATION.

Federal Statements

Statement 8 - Form 990, Part IV, Line 57 - Land, Buildings, and Equipment

<u>Description</u>	<u>Beginning of Year</u>	<u>Accum Deprec</u>	<u>End of Year</u>	<u>Accum Deprec</u>
BUILDINGS	\$ 800,055	\$ 240,015	\$ 800,055	\$ 272,017
BUILDING IMPROVEMENTS	99,982	25,994	99,982	29,993
COMPUTER & OFFICE EQUIPMENT	27,787	16,743	40,311	21,874
FURNITURE & EQUIPMENT	10,014	6,211	12,544	8,224
LEASEHOLD IMPROVEMENTS	617	308	617	431
MOTOR VEHICLES	885	443	885	620
SOFTWARE	5,166	3,694	5,850	4,567
TOTAL	<u>\$ 944,506</u>	<u>\$ 293,408</u>	<u>\$ 960,244</u>	<u>\$ 337,726</u>

Statement 9 - Form 990, Part IV, Line 65 - Other Liabilities

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
DEPOSITS	\$ 1,035	\$ 1,035
SALES TAX PAYABLE	405	455
PAYROLL TAXES PAYABLE	903	1,364
SALARY PAYABLE	6,456	8,873
LICENSING FEES PAYABLE	107,816	147,814
REFUND PAYABLE	104,908	
TOTAL	<u>\$ 221,523</u>	<u>\$ 159,541</u>

Federal Statements

Statement 10 - Form 990, Part IV-A - Other Revenue Included on Financial Statements

Description	Amount
COST OF NARCONON MATERIALS SOLD	\$ 43,104
TOTAL	\$ <u>43,104</u>

Statement 11 - Form 990, Part IV-B - Other Expenses included on Financial Statements

Description	Amount
COST OF NARCONON MATERIALS SOLD	\$ 43,104
TOTAL	\$ <u>43,104</u>

Federal Statements

Statement 12 - Form 990, Part V-A, Line 75c - Compensation from Related Organizations

Payee Name	Related Organization Name1		Related Organization Name2		Compensation Description
	Organization EIN	Relationship	Compensation	Benefits Expenses	
CLARK CARR	95-4188814	ABLE INTERNATIONAL LICENSOR			N/A
CLARK CARR	33-0911677	NARCONON SOUTHERN CALIFORNIA LICENSEE			N/A
PHIL HART	91-2049396	CRIMINON INTERNATIONAL COMMON LICENSOR			N/A

Federal Statements**Statement 13 - Form 990, Part VIII - Relationship of Activities**

<u>Line No.</u>	<u>Description</u>
93A	LICENSE FEES FOR USE OF DRUG REHABILITATION PROGRAM.
93B	REFERRAL FEES FROM DRUG REHABILITATION CENTERS.
93C	RECEIPTS FROM DRUG REHAB & EDUCATION TRAINING SEMINARS.
93D	TRAINING ON DRUG REHABILITATION & DETOX PROGRAM DELIVERY.
102	SALE OF BOOKS & MATERIALS RE DRUG ABUSE & REHABILITATION.
103B	FUNDRAISING COMMISSIONS FROM OTHER EXEMPT ORGANIZATIONS.

Federal Statements

Statement 14 - Schedule A, Part IV-A, Line 22 - Other Income

Description	2005	2004	2003	2002
COMMISSIONS	\$ 9,100	\$ 6,649	\$ 3,524	\$ 8,636
TOTAL	<u>\$ 9,100</u>	<u>\$ 6,649</u>	<u>\$ 3,524</u>	<u>\$ 8,636</u>

Fixed Assets and Depreciation - Form 990

Asset	Date In Service	Property Description	*	Tax Cost	Tax-Meth Conv	Tax Period	Tax Prior Depreciation	Tax Current Depreciation	Tax End Depr	Tax Net Book Value
Group: Building Improvements										
3	7/01/99	Building Imp - Meditteraneo		99,982	S/L-MO	25.0	25,994	3,999	29,993	69,989
		Building Improvements		<u>99,982</u>			<u>25,994</u>	<u>3,999</u>	<u>29,993</u>	<u>69,989</u>
Group: Buildings										
2	7/01/98	Building - Meditteraneo		800,055	S/L-MO	25.0	240,015	32,002	272,017	528,038
		Buildings		<u>800,055</u>			<u>240,015</u>	<u>32,002</u>	<u>272,017</u>	<u>528,038</u>
Group: Computer & Office Equip										
1	7/01/96	Computer Equipment		3,864	S/L-MO	5.0	3,864	0	3,864	0
13	7/01/00	Computer		3,164	S/L-MO	5.0	3,164	0	3,164	0
14	7/01/01	Computer		2,722	S/L-MO	5.0	2,451	271	2,722	0
15	7/01/02	Computer		6,590	S/L-MO	5.0	4,613	1,318	5,931	659
9	7/01/03	Computer		2,178	S/L-MO	5.0	1,090	436	1,526	652
19	7/01/04	Computer		3,171	S/L-MO	5.0	951	634	1,585	1,586
21	7/01/05	Computer		6,098	S/L-MO	5.0	610	1,220	1,830	4,268
24	7/01/06	Computer & Office Equip		12,524	S/L-MO	5.0	0	1,252	1,252	11,272
		Computer & Office Equip		<u>40,311</u>			<u>16,743</u>	<u>5,131</u>	<u>21,874</u>	<u>18,437</u>
Group: Furniture & Equipment										
16	7/01/94	Furniture & equipment		394	S/L-MO	5.0	394	0	394	0
17	7/01/00	Furniture & equipment		693	S/L-MO	5.0	693	0	693	0
4	7/01/01	Furniture & Equipment		270	S/L-MO	5.0	243	27	270	0
6	7/01/02	Furniture & Equipment		5,378	S/L-MO	5.0	3,766	1,076	4,842	536
10	7/01/03	Furniture & Equipment		1,548	S/L-MO	5.0	775	310	1,085	463
20	7/01/04	Furniture & Equipment		833	S/L-MO	5.0	250	167	417	416
22	7/01/05	Furniture & Equipment		898	S/L-MO	5.0	90	180	270	628
25	7/01/06	Furniture & Equip		2,530	S/L-MO	5.0	0	253	253	2,277
		Furniture & Equipment		<u>12,544</u>			<u>6,211</u>	<u>2,013</u>	<u>8,224</u>	<u>4,320</u>
Group: Leasehold Improvements										
8	7/01/03	Leasehold Improvements		617	S/L-MO	5.0	308	123	431	186
		Leasehold Improvements		<u>617</u>			<u>308</u>	<u>123</u>	<u>431</u>	<u>186</u>
Group: Motor Vehicles										
11	7/01/03	Motor Vehicles		885	S/L-MO	5.0	443	177	620	265
		Motor Vehicles		<u>885</u>			<u>443</u>	<u>177</u>	<u>620</u>	<u>265</u>

Fixed Assets and Depreciation - Form 990

<u>Asset</u>	<u>Date In Service</u>	<u>Property Description</u>	<u>*</u>	<u>Tax Cost</u>	<u>Tax-Meth Conv</u>	<u>Tax Period</u>	<u>Tax Prior Depreciation</u>	<u>Tax Current Depreciation</u>	<u>Tax End Depr</u>	<u>Tax Net Book Value</u>
Group: Software										
5	7/01/01	Software		216	S/L-MO	3.0	216	0	216	0
7	7/01/02	Software		2,144	S/L-MO	3.0	2,144	0	2,144	0
12	7/01/03	Software		1,056	S/L-MO	3.0	880	176	1,056	0
18	7/01/04	Software		486	S/L-MO	3.0	243	162	405	81
23	7/01/05	Software		1,264	S/L-MO	3.0	211	421	632	632
26	7/01/06	Software		684	S/L-MO	3.0	0	114	114	570
		Software		<u>5,850</u>			<u>3,694</u>	<u>873</u>	<u>4,567</u>	<u>1,283</u>
		Grand Total		<u>960,244</u>			<u>293,408</u>	<u>44,318</u>	<u>337,726</u>	<u>622,518</u>

MAIL TO:

Registry of Charitable Trusts
P.O. Box 903447
Sacramento, CA 94203-4470
Telephone: (916) 445-2021

WEB SITE ADDRESS:

<http://ag.ca.gov/charities/>

ANNUAL REGISTRATION RENEWAL FEE REPORT TO ATTORNEY GENERAL OF CALIFORNIA

Sections 12586 and 12587, California Government Code
11 Cal. Code Regs. sections 301-307, 311 and 312

Failure to submit this report annually no later than four months and fifteen days after the end of the organization's accounting period may result in the loss of tax exemption and the assessment of a minimum tax of \$800, plus interest, and/or fines or filing penalties as defined in Government Code section 12586.1. IRS extensions will be honored.

State Charity Registration Number <u>13666</u> NARCONON INTERNATIONAL Name of Organization <u>4652 HOLLYWOOD BLVD</u> Address (Number and Street) <u>LOS ANGELES CA 90027-5408</u> City or Town, State and ZIP Code	Check if: <input checked="" type="checkbox"/> Change of address <input type="checkbox"/> Amended report Corporate or Organization No. <u>0598820</u> Federal Employer I.D. No. <u>95-2769582</u>
--	--

ANNUAL REGISTRATION RENEWAL FEE SCHEDULE (11 Cal. Code Regs. sections 301-307, 311 and 312)

Make Check Payable to Attorney General's Registry of Charitable Trusts

Gross Annual Revenue	Fee	Gross Annual Revenue	Fee	Gross Annual Revenue	Fee
Less than \$25,000	0	Between \$100,001 and \$250,000	\$50	Between \$1,000,001 and \$10 million	\$150
Between \$25,000 and \$100,000	\$25	Between \$250,001 and \$1 million	\$75	Between \$10,000,001 and \$50 million	\$225
				Greater than \$50 million	\$300

PART A - ACTIVITIES

For your most recent full accounting period (beginning 1/01/06 ending 12/31/06) list:
 Gross annual revenue \$ 5,587,885 Total assets \$ 1,693,215

PART B - STATEMENTS REGARDING ORGANIZATION DURING THE PERIOD OF THIS REPORT

Note: If you answer "yes" to any of the questions below, you must attach a separate sheet providing an explanation and details for each "yes" response. Please review RRF-1 instructions for information required.

	Yes	No
1. During this reporting period, were there any contracts, loans, leases or other financial transactions between the organization and any officer, director or trustee thereof either directly or with an entity in which any such officer, director or trustee had any financial interest?		X
2. During this reporting period, was there any theft, embezzlement, diversion or misuse of the organization's charitable prop. or funds?		X
3. During this reporting period, did non-program expenditures exceed 50% of gross revenues?		X
4. During this reporting period, were any organization funds used to pay any penalty, fine or judgment? If you filed a Form 4720 with the Internal Revenue Service, attach a copy.		X
5. During this reporting period, were the services of a commercial fundraiser or fundraising counsel for charitable purposes used? If "yes," provide an attachment listing the name, address, and telephone number of the service provider.		X
6. During this reporting period, did the organization receive any governmental funding? If so, provide an attachment listing the name of the agency, mailing address, contact person, and telephone number.		X
7. During this reporting period, did the organization hold a raffle for charitable purposes? If "yes," provide an attachment indicating the number of raffles and the date(s) they occurred.		X
8. Does the organization conduct a vehicle donation program? If "yes," provide an attachment indicating whether the program is operated by the charity or whether the organization contracts with a commercial fundraiser for charitable purposes.		X
9. Did your organization have prepared an audited financial statement in accordance with generally accepted accounting principles for this reporting period?	X	

Organization's area code and telephone number 323-962-2404

Organization's e-mail address INFO@NARCONON.ORG

I declare under penalty of perjury that I have examined this report, including accompanying documents, and to the best of my knowledge and belief, it is true, correct and complete.

11/15/07

Signature of authorized officer _____ Printed Name _____ Title _____ Date _____

YEAR
2006

**California Exempt Organization
Annual Information Return**

FORM
199

month day year month day year
For calendar or fiscal year beginning _____, and ending _____

IMPORTANT: Your number is required.

California corporation number 0598820	Federal employer identification number (FEIN) 95-2769582
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Corporation/Organization name
NARCONON INTERNATIONAL

Address including Suite, Room, or PMB no.
4652 HOLLYWOOD BLVD

City State ZIP Code
LOS ANGELES CA 90027-5408

A Final return? Check applicable box. Yes No
 Dissolved Withdrawn Merged/Reorganized (attach explanation)
 If a box is checked, enter date

B Check forms filed this year:
 State: 109 100 100S 100W
 Federal: 990 990EZ 990T 990PF 1041
 1120H 1120

C If organization is exempt under R&TC Section 23701d and is a school, public charity, religious organization, or is controlled by a religious operation, check box. See General Instruction F.
No filing fee is required.

D Is this a group filing? See General Instruction N. Yes No

E Accounting method used **ACCRUAL**

F Type of organization Exempt under Section 23701 **D** (insert letter)
 IRC Section 4947(a)(1) trust

Part I Complete Part I unless not required to file this form. See General Instructions B and C.

Receipts and Revenues (Enclose, but do not staple, any payment.)	1	Gross sales or receipts from other sources. From Side 2, Part II, line 8	1	5,283,922
	2	Gross dues and assessments from members and affiliates	2	
	3	Gross contributions, gifts, grants, and similar amounts received. See instructions	3	303,963
	4	Total gross receipts for filing requirement test. Add line 1 through line 3. This line must be completed. If the result is less than \$25,000, see General Instruction C	4	5,587,885
	5	Cost of goods sold	5	43,104
	6	Cost or other basis, and sales expenses of assets sold	6	
	7	Total costs. Add line 5 and line 6	7	43,104
	8	Total gross income. Subtract line 7 from line 4	8	5,544,781
Expenses	9	Total expenses and disbursements. From Side 2, Part II, line 18	9	5,125,273
	10	Excess of receipts over expenses and disbursements. Subtract line 9 from line 8	10	419,508
Filing Fee	11	Filing fee \$10 or \$25. See General Instruction F	11	
	12	Penalty for failure to file on time. See General Instruction L	12	
	13	Use tax. See "General Instruction M"	13	00
	14	Balance due. Add line 11, line 12, and line 13	14	

15 If exempt under R&TC Section 23701d, has the organization during the year: (1) participated in any political campaign or (2) attempted to influence legislation or any ballot measure, or (3) made an election under R&TC Section 23704.5 (relating to lobbying by public charities)? If "Yes," complete and attach form FTB 3509, Political or Legislative Activities by Section 23701d Organizations Yes No

16 Did the organization have any changes in its activities, governing instrument, articles of incorporation, or bylaws that have not been reported to the Franchise Tax Board? If "Yes," complete an explanation and attach copies of revised documents Yes No

17 Is the organization exempt under R&TC Section 23701g? Yes No
 If "Yes," enter amount of gross receipts from nonmember sources \$ _____

18 Did the organization file Form 100, Form 100S, Form 100W, or Form 109 to report taxable income? Yes No
 If "Yes," enter amount of total income reported \$ _____

19 The financial records are in care of **PETER VAN AUKEN** Daytime telephone **323-962-2404**
 located at **4652 HOLLYWOOD BLVD. LOS ANGELES, CA** **90027-5408**

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 taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer	Date	Title	Daytime telephone

Paid Preparer's Use Only

Paid Preparer's signature	Date	Check if self-employed <input checked="" type="checkbox"/>	Paid preparer's SSN or PTIN
 	11/15/07		P00640573
Firm's name (or yours, if self-employed) and address	Daytime telephone		FEIN
ROLAND W. FINK, CPA 2441 HONOLULU AVE., SUITE 126 MONTROSE, CA 91020-1847	818-249-4577		

Part II Organizations with gross receipts of more than \$25,000 and private foundations regardless of amount of gross receipts - complete Part II or furnish substitute information. See Specific Line Instructions.

Receipts from Other Sources	1	Gross sales or receipts from all business activities. See instructions	1	5,257,434
	2	Interest	2	2,423
	3	Dividends	3	
	4	Gross rents	4	16,373
	5	Gross royalties	5	
	6	Gross amount received from sale of assets	6	
	7	Other income. Attach schedule SEE STATEMENT 1	7	7,692
	8	Total gross sales or receipts from other sources. Add line 1 through line 7. Enter here and on Side 1, Part I, line 1	8	5,283,922
Expenses and Disbursements	9	Contributions, gifts, grants, and similar amounts paid. Attach schedule SEE STATEMENT 2	9	127,788
	10	Disbursements to or for members	10	
	11	Compensation of officers, directors, and trustees. Attach schedule SEE STATEMENT 3	11	323,384
	12	Other salaries and wages	12	813,396
	13	Interest	13	
	14	Taxes	14	
	15	Rents	15	255,145
	16	Depreciation and depletion	16	44,318
	17	Other. Attach schedule SEE STATEMENT 4	17	3,561,242
	18	Total expenses and disbursements. Add line 9 through line 17. Enter here and on Side 1, Part I, line 9	18	5,125,273

Schedule L Balance Sheets		Beginning of taxable year		End of taxable year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		322,923		454,451
2	Net accounts receivable		398,847		537,224
3	Net notes receivable. Attach schedule STMT 5		12,000		35,323
4	Inventories		32,752		42,774
5	Federal and state government obligations				
6	Investments in other bonds. Attach schedule				
7	Investments in stock. Attach schedule				
8	Mortgage loans (number of loans _____)				
9	Other investments. Attach schedule				
10	a Depreciable assets	944,506		960,244	
	b Less accumulated depreciation	(293,408)	651,098	(337,726)	622,518
11	Land				
12	Other assets. Attach Schedule STMT 6		947		925
13	Total assets		1,418,567		1,693,215
Liabilities and net worth					
14	Accounts payable		158,954		164,600
15	Contributions, gifts, or grants payable		108,255		19,731
16	Bonds and notes payable. Attach schedule				
17	Mortgages payable				
18	Other liabilities. Attach Schedule STMT 7		221,523		159,541
19	Capital stock or principle fund				
20	Paid-in or capital surplus. Attach reconciliation				
21	Retained earnings or income fund		929,835		1,349,343
22	Total liabilities and net worth		1,418,567		1,693,215

Schedule M-1 Reconciliation of income per books with income per return				
Do not complete this schedule if the amount on Schedule L, line 13, column (d), is less than \$25,000				
1	Net income per books	419,508	7	Income recorded on books this year not included in this return. Attach schedule
2	Federal income tax		8	Deductions in this return not charged against book income this year. Attach schedule
3	Excess of capital losses over capital gains		9	Total. Add line 7 and line 8
4	Income not recorded on books this year. Attach schedule		10	Net income per return.
5	Expenses recorded on books this year not deducted in this return. Attach schedule			Subtract line 9 from line 6
6	Total. Add line 1 through line 5	419,508		419,508

2006 Corporation Depreciation and Amortization

3885

Attach to Form 100 or Form 100W. **FORM 199**

Corporation name NARCONON INTERNATIONAL	California corporation number 0598820
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Part I Election To Expense Certain Property Under IRC Section 179

1 Maximum deduction under Section 179 for California	1	
2 Total cost of Section 179 property placed in service	2	
3 Threshold cost of Section 179 property before reduction in limitation	3	
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-	5	
6		
(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7 Listed property (elected Section 179 cost)	7	
8 Total elected cost of Section 179 property. Add amounts in column (c), lines 6 and 7	8	
9 Tentative deduction. Enter the smaller of line 5 or line 8	9	
10 Carryover of disallowed deduction from prior years	10	
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5	11	
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13 Carryover of disallowed deduction to 2007. Add lines 9 and 10, less line 12	13	

Part II Depreciation and Election of Additional First Year Expense Deduction Under R&TC Section 24356

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Depreciation allowed or allowable in earlier years	(e) Depreciation method	(f) Life or rate	(g) Depreciation for this year	(h) Additional first year depreciation
14	SEE STATEMENT 8					44,318	
15	Add the amounts in column (g) and column (h). The combined total of column (h) may not exceed \$2,000. See instructions for line 14, column (h)					15	44,318

Part III Summary

16 Total: If the corporation is electing: IRC Section 179 expense, add the amount on line 12 and line 15, column (g) or Additional first year depreciation under R&TC Section 24356, add the amounts on line 15, columns (g) and (h) or Depreciation (if no election is made), enter the amount from line 15, column (g)	16	
17 Total depreciation claimed for federal purposes from federal Form 4562, line 22	17	
18 Depreciation adjustment. If line 17 is greater than line 16, enter the difference here and on Form 100 or Form 100W, Side 1, line 6. If line 17 is less than line 16, enter the difference here and on Form 100 or Form 100W, Side 1, line 12. (If California depreciation amounts are used to determine net income before state adjustments on Form 100 or Form 100W, no adjustment is necessary.)	18	

Part IV Amortization

(a) Description of property	(b) Date acquired	(c) Cost or other basis	(d) Amortization allowed or allowable in earlier years	(e) R&TC Section	(f) Period or percentage	(g) Amortization for this year	
19							
20	Total. Add the amounts in column (g)					20	
21	Total amortization claimed for federal purposes from federal Form 4562, line 44					21	
22	Amortization adjustment. If line 21 is greater than line 20, enter the difference here and on Form 100 or Form 100W, Side 1, line 6. If line 21 is less than line 20, enter the difference here and on Form 100 or Form 100W, Side 1, line 12					22	

California Statements

Statement 1 - Form 199, Part II, Line 7 - Other Income

Description	Amount
COMMISSIONS	\$ 7,692
TOTAL	\$ <u>7,692</u>

California Statements

Statement 2 - Form 199, Part II, Line 9 - Contributions, Gifts, Grants, and Similar Amounts

Act No.	Class	PC	City	Zip	Individual Name	Relationship	Status	Address	Property Information	Amount
	DRUG REHABILITATION			NARCONON	ARROWHEAD		HC 67 BOX 5			
	CANADIAN	OK		74425	LICENSEE					2,000
	DRUG REHABILITATION			NARCONON	MEXICO					
	PEDRO EXCOBEDO				LICENSEE					567
	DRUG REHABILITATION			NARCONON	COLUMBIA					
	CUNDINAMARCA-COLUMBIA				LICENSEE					3,957
	DRUG REHABILITATION			NARCONON	ITALY					
	MILANO				LICENSEE					15,000
	DRUG REHABILITATION			NARCONON	MELBOURNE					
	EAST WARBURTON				LICENSEE					699
	DRUG REHABILITATION			NARCONON	TROIS RIVIERES					
	TROIS-RIVIERES				LICENSEE					6,990
	DRUG REHABILITATION			NARCONON	BRAZIL					
	CAMANDUCAIA				LICENSEE					400
	DRUG EDUCATION			FRIENDS OF NARCONON			622 EAST VILLA			
	PASADENA	CA		91101	LICENSEE					3,150
	PUBLIC AWARENESS			BRIDGE PUBLICATIONS INC			4751 FOUNTAIN AVE			
	LOS ANGELES	CA		90029						41,600
	PUBLIC RELATIONS			HOLLYWOOD CHAMBER OF COMMERCE			7018 HOLLYWOOD BLVD			
	LOS ANGELES	CA		90028						45
	PUBLIC RELATIONS			MADD			PO BOX 451217			
	LOS ANGELES	CA		90045						200
	PUBLIC AWARENESS			NARCONON MIRACLES			4652 HOLLYWOOD BLVD			
	LOS ANGELES	CA		90027						1,048
	PUBLIC AWARENESS			NARCONON WESTERN UNITED STATES			6161 SANTA MONICA BLVD., SUITE 208			
	LOS ANGELES	CA		90038	CONTINENTAL ORG					256
	DRUG REHABILITATION			NARCONON EUROPE						
	KOBENHAVN				CONTINENTAL ORG					1,476
	SOCIAL BETTERMENT			ABLE INTERNATIONAL			7065 HOLLYWOOD BLVD			
	LOS ANGELES	CA		90028	LICENSOR					50,400
	SUBTOTAL									\$ 127,788

California Statements

Statement 2 - Form 199, Part II, Line 9 - Contributions, Gifts, Grants, and Similar Amounts (continued)

Act No.	Class	PC	Zip	Individual Name	Address	Property Information	Amount
	City			Relationship			
TOTAL							\$ <u><u>127,788</u></u>

California Statements

Statement 3 - Form 199, Part II, Line 11 - Officer Compensation

Name	Address			Title	Avg Hrs	Compensation Amt
	City	PC	Zip			
CLARK CARR	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	PRES/DIR	45	77,635
PHIL HART	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	ED/TRUSTEE	45	72,307
PETER VAN AUKEN	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	TREASURER	45	44,169
CLAUDIA ARCADASCIO	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	SEC'Y/LEGAL	45	48,530
ANGELA GARCIA	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	SR DIR PROD	45	80,743
LAURIE ZURN	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	TRUSTEE		
KAREN SEAGAL	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	DIRECTOR		
PATRICIA SCHWARTZ	LOS ANGELES	4652 HOLLYWOOD BLVD. CA	90027-5408	DIRECTOR		
TOTAL						<u>323,384</u>

California Statements

Statement 4 - Form 199, Part II, Line 17 - Other Expenses

<u>Description</u>	<u>Amount</u>
PAYROLL TAXES	\$ 97,242
ACCOUNTING FEES	35,916
LEGAL FEES	97,636
SUPPLIES	47,662
POSTAGE/SHIPPING	29,473
EQUIPMENT RENTAL/MAINTENANCE	3,175
PRINTING/PUBLICATIONS	42,836
TRAVEL	82,377
CONFERENCES, MEETINGS	33,900
INSURANCE	26,647
REPAIRS & MAINTENANCE	4,205
ROYALTIES	3,924
STAFF TRAINING	158,042
TAXES, DUES & FEES	1,577
CLIENT DELIVERY COSTS	3,810
PROMOTION	50,612
TELEPHONE	35,089
LICENSE FEES	1,703,126
DRUG REHAB CTR SUPV & ASSISTN	1,103,993
TOTAL	<u>\$ 3,561,242</u>

Statement 5 - Form 199, Schedule L, Line 3 - Net Notes Receivable

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
SOCIAL BETTERMENT DEVELOPMENT CORP	\$ 12,000	\$ 12,000
CRIMINON INTERNATIONAL		23,323
TOTAL	<u>\$ 12,000</u>	<u>\$ 35,323</u>

Statement 6 - Form 199, Schedule L, Line 12 - Other Assets

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
PREPAID EXPENSES	\$ 947	\$ 925
TOTAL	<u>\$ 947</u>	<u>\$ 925</u>

California Statements

Statement 7 - Form 199, Schedule L, Line 18 - Other Liabilities

Description	Beginning of Year	End of Year
DEPOSITS	\$ 1,035	\$ 1,035
SALES TAX PAYABLE	405	455
PAYROLL TAXES PAYABLE	903	1,364
SALARY PAYABLE	6,456	8,873
LICENSING FEES PAYABLE	107,816	147,814
REFUND PAYABLE	104,908	
TOTAL	<u>\$ 221,523</u>	<u>\$ 159,541</u>

California Statements

Indirect Depreciation

Statement 8 - Form 3885, Part II - Depreciation Detail Information

Description	Date Acquired	Cost/ Basis	Accum Deprec	Method	Life/ Rate	Current Deprec	Add'l 1st Year
COMPUTER & OFFICE EQUIP	7/01/06	\$ 12,524	\$	S/L	5.00	\$ 1,252	\$
FURNITURE & EQUIP	7/01/06	2,530		S/L	5.00	253	
SOFTWARE	7/01/06	684		S/L	3.00	114	
BUILDING - MEDITTERANEO	7/01/98	800,055	240,015	S/L	25.00	32,002	
BUILDING IMP - MEDITTERANEO	7/01/99	99,982	25,994	S/L	25.00	3,999	
FURNITURE & EQUIPMENT	7/01/01	270	243	S/L	5.00	27	
FURNITURE & EQUIPMENT	7/01/02	5,378	3,766	S/L	5.00	1,076	
LEASEHOLD IMPROVEMENTS	7/01/03	617	308	S/L	5.00	123	
COMPUTER	7/01/03	2,178	1,090	S/L	5.00	436	
FURNITURE & EQUIPMENT	7/01/03	1,548	775	S/L	5.00	310	
MOTOR VEHICLES	7/01/03	885	443	S/L	5.00	177	
SOFTWARE	7/01/03	1,056	880	S/L	3.00	176	
COMPUTER	7/01/01	2,722	2,451	S/L	5.00	271	
COMPUTER	7/01/02	6,590	4,613	S/L	5.00	1,318	
SOFTWARE	7/01/04	486	243	S/L	3.00	162	
COMPUTER	7/01/04	3,171	951	S/L	5.00	634	
FURNITURE & EQUIPMENT	7/01/04	833		S/L	5.00	167	

California Statements

Indirect Depreciation

Statement 8 - Form 3885, Part II - Depreciation Detail Information (continued)

Description	Date Acquired	Cost/ Basis	Accum Deprec	Method	Life/ Rate	Current Deprec	Add'l 1st Year
COMPUTER	7/01/05	\$ 6,098	\$ 610	S/L	5.00	\$ 1,220	\$
FURNITURE & EQUIPMENT	7/01/05	898	90	S/L	5.00	180	
SOFTWARE	7/01/05	1,264	211	S/L	3.00	421	
TOTAL		<u>\$ 949,769</u>	<u>\$ 282,683</u>			<u>\$ 44,318</u>	<u>\$ 0</u>