THE NATIONAL CENTER ON ADDICTION AND SUBSTANCE ABUSE AT COLUMBIA UNIVERSITY

Financial Statements

December 31, 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
The National Center on Addiction and Substance Abuse at
Columbia University:

We have audited the accompanying financial statements of The National Center on Addiction and Substance Abuse at Columbia University (CASA), which comprise the balance sheet as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The National Center on Addiction and Substance Abuse at Columbia University as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited CASA's 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

April 29, 2013

THE NATIONAL CENTER ON ADDICTION
AND SUBSTANCE ABUSE AT
COLUMBIA UNIVERSITY

Balance Sheet

December 31, 2012
(with comparative financial information as of
December 31, 2011)

Assets		**2012**	**2011**
Cash and cash equivalents	$	605,010	533,358
Grants and contributions receivable, net (note 7)		5,105,325	6,997,560
Prepaid expenses and other assets		277,459	300,056
Investments (note 3)		51,925,271	49,668,834
Property and equipment, net (notes 4 and 8)		9,989,547	10,216,043
Total assets	$	67,902,612	67,715,851
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	1,567,489	1,500,468
Deferred revenue		240,763	281,610
Bonds payable (note 8)		14,000,000	14,000,000
Total liabilities		15,808,252	15,782,078
Net assets:			
Unrestricted:			
Available for operations		6,150,438	5,899,141
Amounts designated for (note 11):			
The Joseph A. Califano, Jr. Institute for Applied Policy		5,328,218	3,982,401
Program Concentration Fund		34,341,645	33,627,383
Total unrestricted		45,820,301	43,508,925
Temporarily restricted (note 9)		6,274,059	8,424,848
Total net assets		52,094,360	51,933,773
Total liabilities and net assets	$	67,902,612	67,715,851

See accompanying notes to financial statements.

THE NATIONAL CENTER ON ADDICTION AND SUBSTANCE ABUSE AT COLUMBIA UNIVERSITY

Statement of Activities

Year ended December 31, 2012
(with summarized financial information for the year ended December 31, 2011)

	2012			2011
	Unrestricted	**Temporarily restricted**	**Total**	**Total**
Revenues:				
Grants	$ 508,141	1,523,215	2,031,356	2,517,986
Contributions	122,995	272,181	395,176	3,781,049
Net investment return (note 3)	4,814,212	—	4,814,212	(789,882)
Donated services	144,181	—	144,181	183,261
Special events (note 10)	1,637,895	—	1,637,895	1,809,846
Less direct benefits to donors (note 10)	(118,564)	—	(118,564)	(136,049)
Net special events revenues	1,519,331	—	1,519,331	1,673,797
Rental income (note 5)	392,869	—	392,869	392,869
Miscellaneous revenue	6,328	—	6,328	10,186
Net assets released from restrictions:				
Satisfaction of purpose restrictions	2,969,518	(2,969,518)	—	—
Expiration of time restrictions	976,667	(976,667)	—	—
Total revenues	11,454,242	(2,150,789)	9,303,453	7,769,266
Expenses and losses:				
Program operations:				
Youth programs	—	—	—	429,490
CASA Columbia fellows and scholars	64,307	—	64,307	—
Public policy	1,197,113	—	1,197,113	1,156,681
Health and treatment research	2,535,252	—	2,535,252	2,740,986
Research and program development	1,977,537	—	1,977,537	1,647,853
Communications	562,169	—	562,169	578,165
Special projects	744,068	—	744,068	854,554
Marketing	106,446	—	106,446	30,527
Total program operations	7,186,892	—	7,186,892	7,438,256
Supporting services:				
Administration	1,494,765	—	1,494,765	1,786,674
Fund-raising (note 10)	461,209	—	461,209	530,850
Total supporting services	1,955,974	—	1,955,974	2,317,524
Total expenses	9,142,866	—	9,142,866	9,755,780
Losses on uncollectible grants receivable	—	—	—	81,379
Total expenses and losses	9,142,866	—	9,142,866	9,837,159
Increase (decrease) in net assets	2,311,376	(2,150,789)	160,587	(2,067,893)
Net assets at beginning of year	43,508,925	8,424,848	51,933,773	54,001,666
Net assets at end of year	$ 45,820,301	6,274,059	52,094,360	51,933,773

See accompanying notes to financial statements.

THE NATIONAL CENTER ON ADDICTION
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Statement of Functional Expenses

Year ended December 31, 2012
(with summarized financial information for the
year ended December 31, 2011)

				Program operations	
	CASA Columbia fellows and scholars	**Public policy**	**Health and treatment research**	**Research and program development**	**Communications**
Salaries and wages	$ 39,791	732,193	1,083,628	1,147,305	320,406
Fringe benefits	11,937	219,658	325,089	344,191	96,122
Total salaries and wages and fringe benefits	51,728	951,851	1,408,717	1,491,496	416,528
Professional services	4,111	77,293	173,096	118,889	35,939
Communications/marketing/promotional	—	—	4,908	—	19,373
Pass-through grants and contracts	—	—	641,726	—	—
Office expenses and supplies	—	386	18,917	16,039	1,364
Postage and delivery	—	170	889	198	183
Telephone and facsimile	16	523	4,711	4,719	294
Occupancy and related costs	3,622	66,642	98,628	104,424	29,162
Equipment maintenance	—	—	8,782	—	15
Printing and duplicating	—	416	1,911	73	1,277
Travel, meetings, and conferences	—	3,687	35,723	17,454	686
Dues, subscriptions, and publications	—	2,723	5,720	8,309	17,785
Insurance	657	12,092	17,897	18,948	5,292
Interest/financing	1,386	25,496	37,734	39,951	11,157
Recruitment	—	4,554	—	76,684	674
Depreciation and amortization	2,787	51,280	75,893	80,353	22,440
Miscellaneous	—	—	—	—	—
Total expenses	$ 64,307	1,197,113	2,535,252	1,977,537	562,169
Direct benefit to donors					

See accompanying notes to financial statements.

Special projects	Marketing	Total program operations	Administration	Fund-raising	Total supporting services	Total expenses 2012	Total expenses 2011
			Supporting services				
374,526	60,723	3,758,572	531,143	114,024	645,167	4,403,739	4,572,760
112,358	18,217	1,127,572	152,894	34,166	187,060	1,314,632	1,325,244
486,884	78,940	4,886,144	684,037	148,190	832,227	5,718,371	5,898,004
148,246	7,024	564,598	228,042	268,846	496,888	1,061,486	1,113,435
18,555	30	42,866	—	10,176	10,176	53,042	36,440
—	—	641,726	—	—	—	641,726	975,770
4,554	6,018	47,278	47,568	422	47,990	95,268	170,911
1,838	35	3,313	4,103	4,105	8,208	11,521	26,392
207	—	10,470	13,775	10	13,785	24,255	29,741
34,088	5,527	342,093	132,504	10,375	142,879	484,972	478,474
654	—	9,451	71,150	—	71,150	80,601	106,792
349	—	4,026	3,199	21	3,220	7,246	6,860
3,135	1,486	62,171	23,408	924	24,332	86,503	135,220
27	17	34,581	12,791	—	12,791	47,372	55,721
6,186	1,002	62,074	20,840	1,883	22,723	84,797	80,029
13,042	2,114	130,880	65,953	3,969	69,922	200,802	200,429
—	—	81,912	1,150	—	1,150	83,062	2,564
26,230	4,253	263,236	121,787	7,984	129,771	393,007	377,498
73	—	73	64,458	4,304	68,762	68,835	61,500
744,068	106,446	7,186,892	1,494,765	461,209	1,955,974	9,142,866	9,755,780
						118,564	136,049
						$ 9,261,430	9,891,829

THE NATIONAL CENTER ON ADDICTION AND SUBSTANCE ABUSE AT COLUMBIA UNIVERSITY

Statement of Cash Flows

Year ended December 31, 2012
(with summarized financial information for the
year ended December 31, 2011)

		2012	2011
Cash flows from operating activities:			
Increase (decrease) in net assets	$	160,587	(2,067,893)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		393,007	377,498
Net unrealized depreciation in fair value of investments		666,534	2,550,140
Net realized gains on investments		(3,518,847)	(340,859)
Losses on uncollectible grants receivable		—	81,379
Decrease in grants and contributions receivable		1,892,235	262,439
Decrease in prepaid expenses and other assets		22,597	19,280
Increase (decrease) in accounts payable and accrued expenses		67,021	(270,525)
Decrease in deferred revenue		(40,847)	(562,655)
Net cash (used in) provided by operating activities		(357,713)	48,804
Cash flows from investing activities:			
Proceeds from sales of investments		27,329,214	12,833,963
Purchases of investments		(26,733,338)	(12,898,312)
Acquisitions of property and equipment		(166,511)	—
Net cash provided by (used in) investing activities		429,365	(64,349)
Net increase (decrease) in cash and cash equivalents		71,652	(15,545)
Cash and cash equivalents at beginning of year		533,358	548,903
Cash and cash equivalents at end of year	$	605,010	533,358
Supplemental disclosures of cash flow information:			
Interest paid	$	24,029	26,550
Donated services		144,181	183,261

See accompanying notes to financial statements.

(1) Organization and Tax-Exempt Status

Incorporated in April 1991, The National Center on Addiction and Substance Abuse at Columbia University (CASA) is a not-for-profit organization that has been organized to:

- Inform Americans of the economic and social costs of substance abuse and its impact on their lives;
- Assess what works in prevention, treatment, and law enforcement;
- Encourage every individual and institution to take responsibility to combat substance abuse and addiction;
- Provide those on the front lines with the tools they need to succeed; and
- Remove the stigma of substance abuse and replace shame and despair with hope.

CASA has been classified as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 509(a) and has been designated as a “publicly supported” organization under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CASA and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by either actions of CASA and/or the passage of time

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(c) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that CASA has the ability to access at the measurement date.
- Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities, as well as any alternative investments (measured at net asset value) that are redeemable at or near the balance sheet date.
- Level 3 inputs are unobservable inputs for the assets or liability as well as any alternative investments (measured at net asset value) that are not redeemable at or near the balance sheet date.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(d) Cash and Cash Equivalents

Cash and cash equivalents include all short-term liquid investments with original maturities of three months or less, except for those short-term investments held by CASA's investment managers as part of a long-term investment strategy.

(e) Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the accompanying balance sheet, as determined by quoted market prices.

Investments in funds that do not have readily determinable fair values (alternative investments) are measured at estimated fair value using net asset value per share or its equivalent as reported by the fund managers. The estimated fair values may differ significantly from values that would have been used had a ready market for these securities existed. These values are reviewed and evaluated by management.

Given that the net asset value reported by each fund is used as a practical expedient to estimate the fair value of CASA's interest therein, the classification in the fair value hierarchy as Level 2 or Level 3 is based on CASA's ability to redeem its interest at or near the balance sheet date. Interests that can be redeemed within 90 days of the balance sheet date are classified in Level 2.

Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and interest and dividends are recognized as revenue in the period earned.

(f) Property and Equipment

Property and equipment are recorded at cost. Furniture and equipment are depreciated on a straight-line basis over their estimated useful lives of 3 to 10 years. The condominium interest and improvements are depreciated on a straight-line basis over their estimated useful lives of 40 years.

(g) Donated Services

The value of donated services (principally legal and promotional services) is based on information obtained from the providers and is reported as both revenues and expenses in the accompanying statement of activities.

(h) Grants and Contributions

Grants and contributions, including unconditional promises to give, are reported as revenues in the period received except those grants that are deemed to be exchange transactions, which are reported as revenue as expenses are incurred. Grants and contributions receivable are reported at their discounted net present value (using a discount rate of 0.35% to 2.42%). An allowance for amounts estimated to be uncollectible is provided based upon management judgment, including such factors as prior collection history and type of grants and contributions.

(i) Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

(k) Fair Value Disclosures of Financial Instruments

Management estimates that the carrying value of CASA's bonds payable is not materially different from its fair value at December 31, 2012 and 2011 because the bonds bear variable interest rates that are not significantly different from current market rates for loans with similar maturity and credit quality. The fair value of investments is discussed in note 3. The carrying amount of CASA's other financial instruments approximates fair value due to their short-term maturity.

(l) Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class or function in the accompanying statement of activities and the statement of functional expenses, respectively. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with CASA's financial statements as of and for the year ended December 31, 2011, from which the summarized information was derived.

(m) Subsequent Events

In connection with the preparation of the financial statements, CASA evaluated subsequent events after the balance sheet date of December 31, 2012 through April 29, 2013, which was the date the financial statements were issued and determined that there were no additional matters that are required to be disclosed.

(3) Investments

CASA invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

The following tables present the fair value hierarchy for investments, the only financial instruments measured at fair value as of December 31, 2012 and 2011:

			2012		
	Cost	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 728,463	728,463	728,463	—	—
Fixed-income mutual funds	11,222,123	11,694,896	11,694,896	—	—
Equity mutual funds:					
Domestic	13,800,310	17,188,446	17,188,446	—	—
International	10,554,693	10,770,529	10,770,529	—	—
Balanced mutual funds	3,649,258	3,798,211	3,798,211	—	—
Alternative investments:					
Absolute return hedge fund	3,905,488	3,905,488	—	—	3,905,488
Event-driven hedge fund	3,839,238	3,839,238	—	3,839,238	—
Total investments	$ 47,699,573	51,925,271	44,180,545	3,839,238	3,905,488

			2011		
	Cost	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 11,413,858	11,413,858	11,413,858	—	—
Fixed-income mutual funds	15,983,927	16,235,165	16,235,165	—	—
Equity mutual funds:					
Domestic	10,495,400	15,630,048	15,630,048	—	—
International	6,883,417	6,389,763	6,389,763	—	—
Total investments	$ 44,776,602	49,668,834	49,668,834	—	—

In addition to mutual funds, CASA holds shares or units in alternative investment hedge funds. These hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion. The investment strategies in these alternative investments are as follows:

Absolute return hedge fund – This investment follows an absolute return approach that combines relative value and arbitrage strategies with opportunistic investments. The investment seeks capital preservation through superior risk-adjusted returns with relatively low volatility and relatively low correlation to most major market indices. The fund generally strives to hedge most systematic risks, including equity, currency, and commodity risk and to selectively take exposure to interest rate, curve, credit spread, credit default, volatility, and various idiosyncratic risks.

Event-driven hedge fund – The strategy seeks to achieve capital appreciation and engages primarily in event-driven investments to exploit situations in which announced or anticipated events create inefficiencies in the pricing of securities. The investment process is bottom up, with each position judged on its relative risk/reward versus short-term interest rates. In periods of less opportunity, the fund prefers to hold cash rather than increase the risk profile of the portfolio. The fund invests primarily in the securities of issuers experiencing financial distress, that are attempting to complete an out-of-court restructuring, are involved in a bankruptcy or similar proceeding, and/or are involved in substantial litigation or that are the subject of proposed changes in corporate structure or control, such as tender or exchange offers, mergers, unsolicited merger proposals, spin-offs, split-offs, liquidations, and recapitalizations.

The following table presents a reconciliation for all Level 3 investments for the year ended December 31, 2012:

	Absolute return hedge fund
Balance at beginning of year	$ —
Purchases	3,905,488
Balance at end of year	$ 3,905,488

Net investment return for the years ended December 31, 2012 and 2011 consists of the following:

	2012	2011
Interest and dividends	$ 1,961,899	1,419,399
Net unrealized depreciation in fair value of investments	(666,534)	(2,550,140)
Net realized gains on investments	3,518,847	340,859
	$ 4,814,212	(789,882)

(4) Property and Equipment

Property and equipment at December 31, 2012 and 2011 consist of the following:

		2012	2011
Condominium interest and improvements	$	14,336,095	14,269,155
Furniture and equipment		1,653,274	1,553,703
		15,989,369	15,822,858
Accumulated depreciation and amortization		(5,999,822)	(5,606,815)
Property and equipment, net	$	9,989,547	10,216,043

(5) Leases

CASA leases a portion of its condominium under an operating lease that expires in September 2015. Total lease income in 2012 and 2011 was $392,869. Future minimum lease payments are as follows:

Year ending December 31:		
2013	$	392,869
2014		392,869
2015		294,652
	$	1,080,390

(6) Pension Plan

CASA has a noncontributory defined-contribution pension plan covering substantially all employees. Contributions are based on the following formula: 8.0% of the first $110,100 of annual salary and 13.7% of annual salary in excess of $110,100 to a maximum of $250,000. Total pension expense for the years ended December 31, 2012 and 2011 was $325,530 and $354,702, respectively.

(Continued)

(7) Grants and Contributions Receivable

Grants and contributions receivable are scheduled to be collected as follows at December 31, 2012 and 2011:

		2012	2011
Less than one year	$	3,242,453	4,347,553
One to five years		1,860,000	2,625,325
Greater than five years		100,000	150,000
		5,202,453	7,122,878
Discount to present value of future cash flows		(82,485)	(110,675)
Allowance for doubtful accounts		(14,643)	(14,643)
Grants and contributions receivable, net	$	5,105,325	6,997,560

During 2012 and 2011, approximately 82% and 59%, respectively, of grants and contributions revenues were from six funding sources. At December 31, 2012 and 2011, 56% and 55%, respectively, of grants and contributions receivable, net, were from three funding sources.

(8) Bonds Payable

In 2000, the New York City Industrial Development Agency (the Agency) issued $14 million in Adjustable Rate Demand Civic Facility Revenue Bonds, Series 2000 (2000 CASA Project) to refinance a note that was used to finance the purchase of condominium units (the Facility). The bonds consist of term bonds with a maturity of March 1, 2020, at an initial interest rate of 3.85%. During 2012, the interest rates ranged from 0.07% to 0.25% per annum. During 2011, the interest rates ranged from 0.08% to 0.33% per annum. The bonds are supported by an irrevocable direct-pay letter of credit from JPMorgan Chase Bank in the amount of $14,230,137. The letter of credit was initially renewed on March 9, 2003 through March 2010 and has subsequently been renewed until March 2014. Under the terms of the letter of credit reimbursement agreement, CASA is required to comply with certain financial covenants. CASA complied with those covenants as of and for the year ended December 31, 2012.

The trustee of the bonds holds a mortgage note on the Facility secured by the property on which the Facility was built, as well as the condominium and improvements, furniture, and fixtures thereon.

In conjunction with the financing, the parties thereto agreed that the Agency would take title to all assets constructed from the proceeds of the financing. Concurrently, CASA entered into a lease agreement with the Agency to lease those assets. Title to these assets transfers to CASA when the bonds are extinguished. Accordingly, the proceeds of the bonds and the property, which are the subject of the lease agreement, and the outstanding bonds are included in the accompanying balance sheet.

(9) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at December 31, 2012 and 2011:

		2012	2011
Communications	$	236,723	459,589
Public policy		3,601,100	2,612,684
Health and treatment research		1,056,966	2,372,234
Special projects		184,336	28,951
Future periods		1,194,934	2,951,390
	$	6,274,059	8,424,848

(10) Special Events

During 2012 and 2011, CASA held its annual Anniversary Celebration and Awards Benefit Dinner. Revenues totaled $1,637,895 and $1,809,846 in 2012 and 2011, respectively. Total costs for these events, totaling $409,960 and $501,264 in 2012 and 2011, respectively, are included in direct benefits to donors and fund-raising expense in the accompanying statement of activities.

(11) Designated Net Assets

The net assets of the Program Concentration Fund (the PCF) are designated by CASA to be used for the research and understanding of substance abuse, often before projects are ready for specific program funding. The PCF underwrites the research and program development capacity to accomplish this. The asset allocation target objectives for the investment portfolio are achieved by using a combination of diversified low-cost mutual funds and multi-strategy hedge funds.

In 2010, the CASA Board of Directors authorized a fund-raising campaign and agreed that the funds raised would be used to establish The Joseph A. Califano, Jr. Institute for Applied Policy. This fund supports research to enhance awareness, among the general public and policymakers, of the facts and costs of substance abuse and addiction, and catalyze the design and implementation of policies and programs for prevention and treatment of substance abuse and addiction as a medical condition. Its efforts aim to embed a fuller understanding into policy systems and practical programs at the national, state, and local levels.