

WORLD CONVENTION CORPORATION

FINANCIAL STATEMENTS

December 31, 1997

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THOMAS  
HAVEY  
LLP

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**WORLD CONVENTION CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 1997 and 1996

**ASSETS**

	<u>1997</u>	<u>1996</u>
<b>Current assets:</b>		
Cash	\$ 32,794	\$ 118,013
Accounts receivable	489	2,256
Inventory (Note 2c)	20,864	24,095
Prepaid expenses	<u>1,000</u>	<u>1,000</u>
Total current assets	<u>55,147</u>	<u>145,364</u>
<b>Property and equipment (Note 2d):</b>		
Office furniture and equipment	30,367	30,367
Computer equipment	<u>7,015</u>	<u>4,850</u>
	37,382	35,217
Less accumulated depreciation	<u>32,738</u>	<u>29,672</u>
Total property and equipment - net	<u>4,644</u>	<u>5,545</u>
Total assets	<u>\$ 59,791</u>	<u>\$ 150,909</u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>		
Accounts payable	\$ 21,139	\$ 81,618
Deferred revenue	19,650	15,060
Due to affiliate (Note 4)	<u>50,000</u>	<u>2,631</u>
Total current liabilities	<u>90,789</u>	<u>99,309</u>
<b>Unrestricted net assets</b>	<u>(30,998)</u>	<u>51,600</u>
Total liabilities and net assets	<u>\$ 59,791</u>	<u>\$ 150,909</u>

The accompanying notes are an integral part of these financial statements.

## WORLD CONVENTION CORPORATION

## STATEMENT OF ACTIVITIES

Year Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
<b>Revenue:</b>		
Convention registrations	\$ 2,760	\$ 252,760
Sale of convention materials and merchandise	8,128	355,885
Rebates	5,564	59,453
Entertainment events	<u>3,229</u>	<u>119,799</u>
Total revenue	<u>19,681</u>	<u>787,897</u>
<b>Expenses:</b>		
Materials and merchandise cost	12,653	204,243
Entertainment event costs	-	106,303
Facilities	-	46,000
Travel	17,014	100,727
Operating expenses	23,273	62,577
Other convention costs	-	267,274
Administrative expenses charged by affiliate (Note 4)	<u>50,000</u>	<u>50,000</u>
Total expenses	<u>102,940</u>	<u>837,124</u>
<b>Excess of operating expenses over revenue</b>	<u>(83,259)</u>	<u>(49,227)</u>
<b>Nonoperating income:</b>		
Contributions	452	9,620
Interest income	<u>209</u>	<u>4,645</u>
Total nonoperating income	<u>661</u>	<u>14,265</u>
<b>Net decrease</b>	(82,598)	(34,962)
<b>Unrestricted net assets:</b>		
Beginning of year	<u>51,600</u>	<u>86,562</u>
End of year	<u>\$ (30,998)</u>	<u>\$ 51,600</u>

The accompanying notes are an integral part of these financial statements.

## WORLD CONVENTION CORPORATION

## STATEMENT OF CASH FLOWS

Year Ended December 31, 1997 and 1996

	<u>1997</u>	<u>1996</u>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ <u>(82,598)</u>	\$ <u>(34,962)</u>
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,066	5,309
(Increase) decrease in operating assets:		
Accounts receivable	1,767	(2,035)
Inventory	3,231	(23,782)
Due from affiliate	-	31,809
Prepaid expenses	-	7,784
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(60,479)	63,639
Deferred revenue	4,590	11,100
Due to affiliate	<u>47,369</u>	<u>2,631</u>
Net cash provided by operating activities	<u>(456)</u>	<u>96,455</u>
<b>Cash flows from operations</b>	<u>(83,054)</u>	<u>61,493</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(2,165)</u>	<u>(533)</u>
<b>Net increase (decrease) in cash</b>	<u>(85,219)</u>	<u>60,960</u>
<b>Cash:</b>		
Beginning of year	<u>118,013</u>	<u>57,053</u>
End of year	<u>\$ 32,794</u>	<u>\$ 118,013</u>

The accompanying notes are an integral part of these financial statements.

## WORLD CONVENTION CORPORATION

NOTES TO FINANCIAL STATEMENTS**NOTE 1 - Nature of the Organization:**

The World Convention Corporation's (WCC) function is the planning, financing, organizing and promotion of the annual conference for Narcotics Anonymous. There was no annual conference held during 1997. During 1996, the conference was held in St. Louis, Missouri.

**NOTE 2 - Summary of Significant Accounting Policies:**

- a. Basis of accounting - The WCC's financial statements are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.
- b. Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations which was adopted during the year ended December 31, 1995. Under SFAS No. 117, WCC is now required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of December 31, 1997 and 1996, WCC held no temporarily or permanently restricted net assets.

Additionally under SFAS No. 117, WCC is required to provide information about expenses reported by their functional classification, such as major classes of program services and supporting activities. Since the WCC does not use activity based costing, an accurate functional classification was unable to be determined.

- c. Inventory - Items for resale are included in inventory and are carried at the lower of cost or market, with cost determined by the first-in, first-out method.
- d. Property and equipment - Office equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which ranges from six to seven years. Major additions are capitalized while replacements, maintenance and repairs, which do not improve or extend the respective assets, are expended.