

Form **990**

OMB No 1545-0047

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)

2002

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

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

A For the 2002 calendar year, or tax year beginning _____, and ending _____

B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending

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

C Name of organization: **NARCONON SOUTHERN CALIFORNIA**

Number and street (or P O box if mail is not delivered to street address) Room/suite: **1810 W. Ocean Front**

City or town state or country and ZIP + 4: **Newport Beach CA 92663-4520**

D Employer ID number: **33-0911677**

E Telephone number: **949-675-8988**

F Accounting method: Cash, Accrual, Other (specify) _____

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

H and I are not applicable to section 527 organizations

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

H(b) If "Yes" enter no. of affiliates: _____

H(c) Are all affiliates included? **N/A** Yes No (If "No" att. a list. See instr.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Enter 4-digit GEN: **2595**

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

G Web site: **www.usnodrugs.com**

J Organization type (check only one): 501(c)(3), 4947(a)(1), 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12: **3,728,985**

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See page 17 of the instructions)

1	Contributions, gifts, grants, and similar amounts received				
a	Direct public support	1a	15,514		
b	Indirect public support	1b			
c	Government contributions (grants)	1c			
d	Total (add lines 1a through 1c) (cash \$ 15,514 noncash \$ _____)	1d	15,514		
2	Program service revenue including government fees and contracts (from Part VII, line 93)	2	3,615,941		
3	Membership dues and assessments	3			
4	Interest on savings and temporary cash investments	4	210		
5	Dividends and interest from securities	5			
6a	Gross rents	6a			
b	Less rental expenses	6b			
c	Net rental income or (loss) (subtract line 6b from line 6a)	6c			
7	Other investment income (describe _____)	7			
8a	Gross amount from sales of assets other than inventory	(A) Securities	(B) Other		
b	Less cost or other basis and sales expenses	8a			
c	Gain or (loss) (attach schedule)	8b			
d	Net gain or (loss) (combine line 8c, columns (A) and (B))	8c			
8d		8d			
9	Special events and activities (attach schedule)				
a	Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a			
b	Less direct expenses other than fundraising expenses	9b			
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	92,630		
b	Less cost of goods sold	10b	65,793		
c	Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c	26,837		
11	Other revenue (from Part VII, line 103)	11	4,690		
12	Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12	3,663,192		
13	Program services (from line 44, column (B))	13	2,293,401		
14	Management and general (from line 44, column (C))	14	1,056,838		
15	Fundraising (from line 44, column (D))	15	22,450		
16	Payments to affiliates (attach schedule)	16	331,357		
17	Total expenses (add lines 16 and 44, column (A))	17	3,704,046		
18	Excess or (deficit) for the year (subtract line 17 from line 12)	18	-40,854		
19	Net assets or fund balances at beginning of year (from line 73 column (A))	19	600,837		
20	Other changes in net assets or fund balances (attach explanation)	20			
21	Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21	559,983		

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Net Assets

Part IV Balance Sheets (See page 24 of the instructions)

Note	Where required, attached schedules and amounts within the description column should be for end-of-year amounts only	(A) Beginning of year		(B) End of year
45	Cash - non-interest-bearing	118,831	45	53,980
46	Savings and temporary cash investments		46	
47a	Accounts receivable			
b	Less allowance for doubtful accounts		47c	
48a	Pledges receivable			
b	Less allowance for doubtful accounts		48c	
49	Grants receivable		49	
50	Receivables from officers, directors, trustees, and key employees (attach schedule)		50	
51a	Other notes and loans receivable (attach schedule)			
b	Less allowance for doubtful accounts		51c	
52	Inventories for sale or use	3,491	52	4,947
53	Prepaid expenses and deferred charges		53	1,272
54	Investments-securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54	
55a	Investments-land, buildings, and equipment, basis			
b	Less accumulated depreciation (attach schedule)		55c	
56	Investments-other (attach schedule)		56	
57a	Land, buildings, and equipment, basis	1,223,066		
b	Less accumulated depreciation (attach schedule)	70,819	57c	1,152,247
58	Other assets (describe <input type="checkbox"/> See Stmt 7)	25,271	58	7,786
59	Total assets (add lines 45 through 58) (must equal line 74)	1,108,527	59	1,220,232
60	Accounts payable and accrued expenses		60	
61	Grants payable		61	
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) <input type="checkbox"/> See Worksheet	428,350	64b	543,731
65	Other liabilities (describe <input type="checkbox"/> See Stmt 8)	79,340	65	116,518
66	Total liabilities (add lines 60 through 65)	507,690	66	660,249
Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74				
67	Unrestricted		67	
68	Temporarily restricted		68	
69	Permanently restricted		69	
Organizations that do not follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 70 through 74				
70	Capital stock, trust principal, or current funds	600,837	70	559,983
71	Paid-in or capital surplus, or land, building, and equipment fund		71	
72	Retained earnings, endowment, accumulated income, or other funds		72	
73	Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	600,837	73	559,983
74	Total liabilities and net assets / fund balances (add lines 66 and 73)	1,108,527	74	1,220,232

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.

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See page 26 of the instructions)

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

a Total revenue, gains, & other support per audited financial statements ▶	a
b Amounts included on line a but not on line 12, Form 990	
(1) Net unrealized gains on investments \$	
(2) Donated services and use of facilities \$	
(3) Recoveries of prior year grants \$	
(4) Other (specify)	
\$	
Add amounts on lines (1) through (4) ▶	b
c Line a minus line b ▶	c
d Amounts included on line 12, Form 990 but not on line a	
(1) Investment expenses not included on line 6b, Form 990 \$	
(2) Other (specify)	
\$	
Add amounts on lines (1) and (2) ▶	d
e Total revenue per line 12, Form 990 (line c plus line d) ▶	e

a Total expenses and losses per audited financial statements ▶	a
b Amounts included on line a but not on line 17, Form 990	
(1) Donated services and use of facilities \$	
(2) Prior year adjustments reported on line 20, Form 990 \$	
(3) Losses reported on line 20, Form 990 \$	
(4) Other (specify)	
\$	
Add amounts on lines (1) through (4) ▶	b
c Line a minus line b ▶	c
d Amounts included on line 17, Form 990 but not on line a	
(1) Investment expenses not included on line 6b, Form 990 \$	
(2) Other (specify)	
\$	
Add amounts on lines (1) and (2) ▶	d
e Total expenses per line 17, Form 990 (line c plus line d) ▶	e

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated, see page 26 of the instructions)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contrib to employee benefit plans & deferred compensation	(E) Expense account and other allowances
Lawrence Trahant Same as Page 1	Exec Director 40	54,953	0	0
Julie Bryant Same as Page 1	Secretary 40	61,320	0	0
David Worthington Same as Page 1	Treasurer 40	46,500	0	0
Patricia Schwartz Same as Page 1	Director 1	0	0	0
Jette McGregor Same as Page 1	Pres. & Dir. 1	0	0	0
Karen Seagal Same as Page 1	Trustee 1	0	0	0
Clark Carr Same as Page 1	Trustee 1	0	0	0
Michael St. Armand Same as Page 1	Trustee 1	0	0	0

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? Yes No
If "Yes," attach schedule-see page 26 of the instructions

Part VI Other Information (See page 27 of the instructions)		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes		X
78a	Did the organization have unrelated business gross inc of \$1,000 or more during the year covered by this return?		X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement		X
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?		X
b	If "Yes," enter the name of the organization <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81a	Enter direct or indirect political expenditures See line 81 instr 81a 0		
b	Did the organization file Form 1120-POL for this year?		X
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? N/A		
If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year			
c	Dues, assessments, and similar amounts from members N/A 85c		
d	Section 162(e) lobbying and political expenditures N/A 85d		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices N/A 85e		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) N/A 85f		
g	Does the organization elect to pay the section 6033(e) tax on the amount in 85f? N/A 85g		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount in 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A 85h		
86	501(c)(7) orgs Enter a Initiation fees and capital contributions included on line 12 N/A 86a		
b	Gross receipts, included on line 12, for public use of club facilities N/A 86b		
87	501(c)(12) orgs Enter a Gross income from members or shareholders N/A 87a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them) N/A 87b		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX		X
89a	501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 <input type="checkbox"/> 0, section 4912 <input type="checkbox"/> 0, section 4955 <input type="checkbox"/> 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		
90a	List the states with which a copy of this return is filed <input type="checkbox"/> CA		
b	Number of employees employed in the pay period that includes March 12, 2002 (See instructions) 90b 52		
91	The books are in care of <input type="checkbox"/> David Worthington Telephone no <input type="checkbox"/> 760-782-0471 Located at <input type="checkbox"/> 35025 Hwy 79, Warner Springs, CA ZIP + 4 <input type="checkbox"/> 92086		
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here <input type="checkbox"/> 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 page 31 of the instructions)

	Unrelated business income		Excluded by sec. 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
Note Enter gross amounts unless otherwise indicated					
93 Program service revenue					
a Program Service Revenue					3,615,941
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	210	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					26,837
103 Other revenue					
a					
b Referral commissions					4,690
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0		210	3,647,468
105 Total (add line 104, columns (B), (D), and (E))					3,647,678

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

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See page 32 of the instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93a	Receipts for delivery of drug rehab & prevention services
102	Income from sales of materials used in anti-drug programs
103b	Receipts for referral of students to other organizations

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See page 32 of 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 page 33 of the instructions)

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

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

Please Sign Here

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

Signature of officer: David Worthington Date: 11-17-03

Type or print name and title: DAVID WORTHINGTON - TREASURER

Paid Preparer's Use Only

Preparer's signature: Roland W Fink Date: 11/17/03 Check if self-employed:

Firm's name (or yours if self-employed): Roland W. Fink Preparer's SSN or PTIN (See Gen. Instr. W): 305-60-3582

address and ZIP + 4: 5733 Donna Avenue Tarzana, CA 91356 EIN: Phone no: 818-345-3250

SCHEDULE A
(Form 990 or 990-EZ)

Organization Exempt Under Section 501(c)(3)
(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust
Supplementary Information-(See separate instructions)

OMB No 1545-0047

2002

Department of the Treasury
Internal Revenue Service

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

Name of the organization

Employer identification number

NARCONON SOUTHERN CALIFORNIA

33-0911677

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See page 1 of the instructions List each one If there are none, enter "None ")

(a) Name and address of each employee paid more than \$50 000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee ben plans & deferred compensation	(e) Expense account and other allowances
Nicholas Kent Same as Form 990 Page 1	Sr Dir Progr 40	78,199	0	0
Glenn Farnsworth Same as Form 990 Page 1	Exec. Dir. 40	62,088	0	0
Jack Terrell Same as Form 990 Page 1	Registrar 40	54,261	0	0
Shannon Hicks Same as Form 990 Page 1	Deputy ED 40	50,425	0	0
Total number of other employees paid over \$50 000 ▶		0		

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See page 2 of the instr List each one (whether individuals or firms) If there are none, enter "None ")

(a) Name and address of each independent contractor paid more than \$ 50 000	(b) Type of service	(c) Compensation
Gene & Carolyn Ross 1810 W Ocean Front, Newport Beach, CA 92663	Facility Rent	239,136
Total number of others receiving over \$50,000 for professional services ▶		0

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

Schedule A (Form 990 or 990-EZ) 2002

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

		Yes	No
1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ (Must equal amount on line 38, Part VI-A, or line I of Part VI-B) 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		X
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions)		
a	Sale, exchange, or leasing of property?		X
b	Lending of money or other extension of credit?		X
c	Furnishing of goods, services, or facilities?		X
d	Payment of compensation (or payment or reimbursement of exp if more than \$1 000)?	X	
e	Transfer of any part of its income or assets?		X
3	Does the organization make grants for scholarships, fellowships, student loans, etc ? (See Note below)		X
4	Do you have a section 403(b) annuity plan for your employees?		X
Note Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments			

See Stmt 9

Part IV Reason for Non-Private Foundation Status (See pages 3 through 5 of the instructions.)

The organization is not a private foundation because it is (Please check only ONE applicable box)

- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)
- 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8 A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state **▶**
- 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 supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See page 5 of the instructions)

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

- 14 An organization organized and operated to test for public safety Section 509(a)(4) (See page 5 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) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants See line 28)	17,324	76,594			93,918
16 Membership fees received					
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	2,304,942	820,219			3,125,161
18 Gross inc. from int. dividends amounts received from pymt. on securities loans (section 512(a)(5)), rents royalties & unrelated busn. taxable inc. (less sec. 511 taxes) from businesses acquired by the organization after June 30, 1975	3,533	7			3,540
19 Net income from unrelated business activities not included in line 18					
20 Tax revn. levied for the organization's ben. & either paid to it or expended on its behalf					
21 The value of serv. or fac. furnished to the org. by a governmental unit without charge Do not incl. the value of serv. or fac. generally furnished to the public without charge					
22 Other income Attach a schedule Do not include gain or (loss) from sale of cap. assets					
23 Total of lines 15 through 22	2,325,799	896,820			3,222,619
24 Line 23 minus line 17	20,857	76,601			97,458
25 Enter 1% of line 23	23,258	8,968			

26 Organizations described on lines 10 or 11	a Enter 2% of amount in column (e), line 24	▶ 26a	1,949
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 1998 through 2001 exceeded the amount shown in line 26a Do not file this list with your return Enter the total of all these excess amounts		▶ 26b	2,003
c Total support for section 509(a)(1) test Enter line 24, column (e)		▶ 26c	97,458
d Add Amounts from column (e) for lines 18 <u>3,540</u> 19 <u>2,003</u> 22 <u>2,003</u> 26b <u>2,003</u>		▶ 26d	5,543
e Public support (line 26c minus line 26d total)		▶ 26e	91,915
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))		▶ 26f	94.3124%

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

(2001) (2000) (1999) (1998)

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 11, 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

(2001) (2000) (1999) (1998)			
c Add Amounts from column (e) for lines 15 <u> </u> 16 <u> </u> 17 <u> </u> 20 <u> </u> 21 <u> </u>		▶ 27c	
d Add Line 27a total <u> </u> and line 27b total <u> </u>		▶ 27d	
e Public support (line 27c total minus line 27d total)		▶ 27e	
f Total support for section 509(a)(2) test Enter amount on line 23, column (e) ▶ <u>27f</u>		▶ 27g	%
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))		▶ 27h	%
h Investment Income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))			

28 Unusual Grants For an organization described in line 10, 11, or 12 that received any unusual grants during 1998 through 2001, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant Do not file this list with your return Do not include these grants in line 15

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

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

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

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 9 of the instructions)

(To be completed **ONLY** by an eligible organization that filed Form 5768) **N/A**

Check a if the organization belongs to an affiliated group Check b if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures

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

	(a) Affiliated group totals	(b) To be completed for ALL electing organizations
36 Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37 Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38 Total lobbying expenditures (add lines 36 and 37)	38	
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		The lobbying nontaxable amount is-
Over \$500,000 but not over \$1,000,000		20% of the amount on line 40
Over \$1,000,000 but not over \$1,500,000		\$100,000 plus 15% of the excess over \$500,000
Over \$1,500,000 but not over \$17,000,000	41	\$175,000 plus 10% of the excess over \$1,000,000
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 11 of the instructions)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(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 11 of the instr)

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

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

Yes	No	Amount
	X	
	X	
	X	0
	X	0
	X	0
	X	0
	X	0
	X	0
	X	0
		0

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

0

Form 990/990-PF	Mortgages and Other Notes Payable	2002
For calendar year 2002, or tax year beginning _____, and ending _____		

Name NARCONON SOUTHERN CALIFORNIA	Employer Identification Number 33-0911677
---	---

Form 990, Part IV, Line 64b - Additional Information

Name of lender	Relationship to disqualified person
(1) J Michael Foley	None
(2) Guaranty Residential Lending	None
(3) Wells Fargo Bank	None
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	

Original amount borrowed	Date of loan	Maturity date	Repayment terms	Interest rate
(1) 430,000	9/10/01	1/10/22	\$4885.40 monthly	12.500
(2) 130,500	3/01/02	2/01/32	\$679.93 monthly	6.875
(3) 35,000	6/01/02	5/01/03	\$2916.66 + interest mnthly	11.250
(4)				
(5)				
(6)				
(7)				
(8)				
(9)				
(10)				

Security provided by borrower	Purpose of loan
(1) Real estate	Acquire facility
(2) Real estate	Finance facility
(3) Unsecured	Acquire automotive equipment
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	

Consideration furnished by lender	Balance due at beginning of year	Balance due at end of year
(1) Cash - \$430,000	428,350	423,441
(2) Cash - \$130,500	0	102,790
(3) Cash - \$35,000	0	17,500
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Totals	428,350	543,731

Form **4562**

Depreciation and Amortization

OMB No 1545-0172

(Including Information on Listed Property)

2002

Department of the Treasury
Internal Revenue Service

▶ See separate instructions

▶ Attach to your tax return

Attachment Sequence No **67**

Name(s) shown on return **NARCONON SOUTHERN CALIFORNIA**

Identifying number
33-0911677

Business or activity to which this form relates

Indirect Depreciation

Part I Election To Expense Certain Tangible Property Under Section 179

Note. If you have any listed property, complete Part V before you complete Part I

1	Maximum amount See page 2 of the instructions for a higher limit for certain businesses	1	24,000
2	Total cost of section 179 property placed in service (see page 2 of the instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation	3	200,000
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 pg 2 of the instr	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 2001 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 2003 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)

14	Special depreciation allowance for qualified prop (other than listed prop) placed in service during the tax year (see pg 3 of the instr)	14	
15	Property subject to section 168(f)(1) election (see page 4 of the instructions)	15	
16	Other depreciation (including ACRS) (see page 4 of the instructions)	16	Schedule Attached 46,602

Part III MACRS Depreciation (Do not include listed property) (See page 4 of the instructions)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2002	17	
18	If you are electing under section 168(i)(4) 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 2002 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	
i Nonresidential real property			39 yrs	MM	S/L	

Section C-Assets Placed in Service During 2002 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 page 6 of the 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	46,602
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

Form **4562** (2002)

Part V Listed Property (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A-Depreciation and Other Information (Caution See page 8 of the instructions for limits for passenger automobiles)

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

Section B-Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person

If you provided vehicles to your employees first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles

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

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

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see page 8 of the instructions)

37 Do you maintain a written policy statement that prohibits all personal use of vehicles including commuting by your employees?	Yes	No
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See page 8 of the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See page 9 of the instructions)		

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

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2002 tax year (see page 9 of the instructions)					
Loan Costs	3/01/02	8,008	461	30.0	222
43 Amortization of costs that began before your 2002 tax year					43
44 Total Add amounts in column (f). See page 9 of the instructions for where to report					44
					222

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

<u>Description</u>	<u>Gross Sales</u>	<u>COGS</u>	<u>Gross Profit</u>
Bookstore Sales	\$ 92,630	\$ 65,793	\$ 26,837
Total	<u>\$ 92,630</u>	<u>\$ 65,793</u>	<u>\$ 26,837</u>

Federal Statements

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

Name	Address	Amount	Purpose
Narconon International	7060 Hollywood Blvd., Ste. 220	\$ 331,357	Trademark license fees
Total	Los Angeles, CA 90028	<u>\$ 331,357</u>	

Statement 3 - Form 990, Part II, Line 43 - Other Functional Expenses

Description	Total Expenses	Program Service	Mgt & General	Fund- Raising
	\$	\$	\$	\$
Expenses				
Referral commissions	33,011	33,011		
Insurance	5,242	3,040	2,150	52
Taxes	1,609	933	660	16
Utilities	98,096	56,896	40,219	981
Repairs & maintenance	65,343	37,898	26,792	653
Dissemination	263,969	263,969		
Automobile expense	91,709	53,191	37,601	917
Bank & cr card merchant fees	52,288	47,059	5,229	
Staff training	74,613	43,276	30,591	746
Client costs - course mat'ls	5,895	5,895		
Client costs - food	251,321	251,321		
Client costs - medical	157,546	157,546		
Client costs - vitamins	26,607	26,607		
Client costs - other	17,892	17,892		
Amortization - loan costs	222	129	91	2
Total	<u>\$ 1,145,363</u>	<u>\$ 998,663</u>	<u>\$ 143,333</u>	<u>\$ 3,367</u>

Statement 4 - Form 990, Part III, Line a - Statement of Program Service Accomplishments

The organization operates two drug rehabilitation facilities delivering the Narconon drug rehabilitation program under a trademark license from Narconon International. This unique 3-to-5 month program includes the detoxification procedure and courses in life skills. During the year approximately 220 persons completed the program, enabling them to lead more ethical and drug-free lives.

Statement 5 - Form 990, Part III, Line b - Statement of Program Service Accomplishments

One of the organization's purposes is to service the community by improving public knowledge about drugs and their harmful effects. During the year the organization delivered Narconon drug lectures to approximately 12,465 school children.

Statement 6 - Form 990, Part III, Line c - Statement of Program Service Accomplishments

Another of the organization's purposes is to conduct broad public campaigns to raise public awareness of the extent and effects of substance abuse and the need for prevention and rehabilitation. During the year over 300,000 informational brochures and promotional fliers were sent to the general public.

Federal Statements

FYE. 12/31/2002

Statement 7 - Form 990, Part IV, Line 58 - Other Assets

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
Deposits on Fixed Assets	\$ 5,700	\$
Prepaid taxes	5,264	
Construction in progress	8,344	
Loan costs, net		7,786
Advances to employees	5,963	
Total	<u>\$ 25,271</u>	<u>\$ 7,786</u>

Statement 8 - Form 990, Part IV, Line 65 - Other Liabilities

<u>Description</u>	<u>Beginning of Year</u>	<u>End of Year</u>
Sales taxes payable	\$ 2,340	\$ 9,202
Payroll taxes payable	18,783	
Installment contracts payable	5,781	4,285
Credit cards payable	34,316	63,582
Funds held on behalf of students	18,120	39,449
Total	<u>\$ 79,340</u>	<u>\$ 116,518</u>

**Statement 9 - Schedule A, Part III, Line 2d - Payment of Compensation / Reimbursement of
Exp**

See Part V of Form 990 for a listing of compensation of officers,
directors and trustees.

Additionally, Jennifer Trahant, daughter of Executive Director Lawrence
Trahant, received compensation as an employee of \$ 8,710.

Federal Asset Report

Indirect Depreciation

Asset	Description	Date In Service	Cost	Bus %	Sec 179168(k)	Sec	Basis for Depr	PerConv Meth	Prior	Current
<u>Amortization.</u>										
2	Loan Costs	3/01/02	8,008				8,008	30 MOAmort	0	222
			<u>8,008</u>				<u>8,008</u>		<u>0</u>	<u>222</u>
	Grand Totals		8,008				8,008		0	222
	Less Dispositions		<u>0</u>				<u>0</u>		<u>0</u>	<u>0</u>
	Net Grand Totals		<u>8,008</u>				<u>8,008</u>		<u>0</u>	<u>222</u>