



Narcotics Anonymous World Services Consolidated Statement of Financial Position

(Balance Sheet)

30 June 2006

CURRENT ASSETS

Cash and Cash Equivalents		
Checking Accounts	\$1,506,044	
Reserve Accounts	1,969,982	
		\$3,476,025
Accounts Receivable		
Accounts Receivable	\$747,232	
Convention & Sales Deposits Clearing	0	
Less Allowance for Doubtful Accounts	(63,598)	
		683,634
Inventory		850,383
Prepaid Expenses		189,159
Total Current Assets		\$5,199,201

EQUIPMENT, FURNITURE AND IMPROVEMENTS

Equipment and Furniture	\$2,222,350	
Leasehold Improvements	832,989	
Intellectual and Software Property	1,093,207	
Less Accumulated Depreciation and Amortization	(2,669,058)	
		1,479,488
Total Equipment, Furniture and Improvements		1,479,488
TOTAL ASSETS		\$6,678,689

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$280,760	
Accrued Payroll Expense	150,759	
Total Current Liabilities		\$431,519

LONG TERM LIABILITIES

Notes Payable	\$0	
Leases Payable	\$696,671	
Total Long Term Liabilities		696,671

DEFERRED INCOME

Conventions	\$0	
Total Deferred Income		0

INTERBRANCH ACCOUNTS

Interbranch Accounts	\$0	
Total Interbranch Accounts		0

NET ASSETS

Previous Unrestricted Net Assets	\$5,612,617	
Current Gain / (Loss) Unrestricted Net Assets	(62,117)	
Total Net Assets		5,550,500
TOTAL LIABILITIES AND NET ASSETS		\$6,678,689



Narcotics Anonymous World Services
Consolidated Statement of Activities
(Income Statement)

For the Twelve Months Ending 30 June 2006

	PTD ACTUAL	PTD BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE	ADOPTED
INCOME							
RECOVERY LITERATURE INCOME							
BASIC TEXT: Hardcover English	\$209,423	\$151,546	\$57,876	\$2,302,516	\$1,818,557	\$483,959	\$1,818,557
BASIC TEXT: Translated	\$12,305	\$9,674	\$2,631	\$128,156	\$116,084	\$12,072	\$116,084
BASIC TEXT: Softcover	\$107,408	\$55,213	\$52,195	\$654,715	\$662,561	(\$7,846)	\$662,561
JUST FOR TODAY	\$89,779	\$57,938	\$31,841	\$853,847	\$695,259	\$158,588	\$695,259
IT WORKS: HOW & WHY	\$65,041	\$53,392	\$11,649	\$668,620	\$640,698	\$27,922	\$640,698
SPONSORSHIP BOOK	\$8,061	\$0	\$8,061	\$115,996	\$0	\$115,996	\$0
STEP WORKING GUIDES	\$70,197	\$49,148	\$21,049	\$694,631	\$589,773	\$104,858	\$589,773
LITERATURE INCOME (IRAN)	\$31,034	\$0	\$31,034	\$356,832	\$0	\$356,832	\$0
OTHER RECOVERY LITERATURE	\$123,147	\$113,833	\$9,314	\$1,523,110	\$1,365,993	\$157,117	\$1,365,993
Subtotal	\$716,394	\$490,744	\$225,650	\$7,298,423	\$5,888,925	\$1,409,498	\$5,888,925
OTHER INVENTORY INCOME							
MEDALLIONS	\$34,710	\$41,265	(\$6,555)	\$580,038	\$495,176	\$84,862	\$495,176
KEY TAGS & CHIPS	\$68,819	\$72,727	(\$3,908)	\$976,366	\$872,722	\$103,644	\$872,722
NON-FIPT INFORMATION BOOKLETS	\$3,848	\$4,057	(\$210)	\$58,807	\$48,685	\$10,122	\$48,685
HANDBOOKS	\$3,906	\$4,949	(\$1,043)	\$63,018	\$59,389	\$3,629	\$59,389
SPECIALTY ITEMS	\$3,204	\$2,844	\$360	\$54,835	\$34,128	\$20,707	\$34,128
AUDIO MATERIALS	\$75	\$3,179	(\$3,104)	\$1,353	\$38,153	(\$36,800)	\$38,153
GROUP/AREA MATERIALS	\$5,376	\$5,939	(\$563)	\$108,442	\$71,266	\$37,176	\$71,266
MIRACLES HAPPEN	\$2,803	\$2,716	\$87	\$40,139	\$32,596	\$7,543	\$32,596
Subtotal	\$122,741	\$137,676	(\$14,936)	\$1,882,998	\$1,652,115	\$230,883	\$1,652,115
SHIPPING	\$33,142	\$26,422	\$6,721	\$364,450	\$317,059	\$47,391	\$317,059
DISCOUNTS	(\$124,462)	(\$98,627)	(\$25,835)	(\$1,325,906)	(\$1,183,518)	(\$142,388)	(\$1,183,518)
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(\$39,175)	(\$8,855)	(\$30,321)	(\$274,866)	(\$106,256)	(\$168,610)	(\$106,256)
Subtotal	(\$130,495)	(\$81,060)	(\$49,435)	(\$1,236,322)	(\$972,715)	(\$263,607)	(\$972,715)
Gross Literature Income (less discounts)	\$708,640	\$547,360	\$161,279	\$7,945,099	\$6,568,325	\$1,376,774	\$6,568,325
RECOVERY LITERATURE COST OF GOODS							
BASIC TEXT: Hardcover English	\$34,743	\$27,517	\$7,227	\$361,365	\$330,198	\$31,167	\$330,198
BASIC TEXT: Translated	\$2,821	\$2,724	\$97	\$36,666	\$32,689	\$3,977	\$32,689
BASIC TEXT: Softcover	\$9,300	\$6,046	\$3,255	\$60,354	\$72,550	(\$12,196)	\$72,550
JUST FOR TODAY	\$13,621	\$6,842	\$6,779	\$99,170	\$82,104	\$17,066	\$82,104
IT WORKS: HOW & WHY	\$12,718	\$12,692	\$26	\$115,191	\$152,298	(\$37,107)	\$152,298
SPONSORSHIP BOOK	\$1,563	\$0	\$1,563	\$27,523	\$0	\$27,523	\$0
STEP WORKING GUIDES	\$11,143	\$9,776	\$1,367	\$129,654	\$117,317	\$12,337	\$117,317
LITERATURE PRODUCTION (IRAN)	\$27,291	\$0	\$27,291	\$314,140	\$0	\$314,140	\$0
OTHER RECOVERY LITERATURE	\$26,799	\$21,673	\$5,126	\$289,526	\$260,079	\$29,447	\$260,079
Subtotal	\$139,999	\$87,270	\$52,730	\$1,433,589	\$1,047,235	\$386,354	\$1,047,235
OTHER INVENTORY COST OF GOODS							
MEDALLIONS	\$7,897	\$6,910	\$987	\$124,773	\$82,919	\$41,854	\$82,919
KEY TAGS & CHIPS	\$18,363	\$17,937	\$426	\$262,600	\$215,242	\$47,358	\$215,242
NON-FIPT INFORMATION BOOKLETS	\$2,328	\$2,419	(\$92)	\$35,511	\$29,030	\$6,481	\$29,030
HANDBOOKS	\$1,289	\$1,656	(\$368)	\$20,695	\$19,875	\$820	\$19,875
SPECIALTY ITEMS	\$1,153	\$919	\$234	\$19,615	\$11,026	\$8,589	\$11,026
AUDIO MATERIALS	\$16	\$1,007	(\$991)	\$291	\$12,083	(\$11,792)	\$12,083
GROUP/AREA MATERIALS	\$2,226	\$2,651	(\$425)	\$48,514	\$31,816	\$16,698	\$31,816
MIRACLES HAPPEN	\$301	\$796	(\$495)	\$4,373	\$9,551	(\$5,178)	\$9,551
Subtotal	\$33,571	\$34,295	(\$724)	\$516,372	\$411,542	\$104,830	\$411,542
Total Cost of Goods	\$173,571	\$121,565	\$52,006	\$1,949,961	\$1,458,777	\$491,184	\$1,458,777
Net Literature Income	\$535,069	\$425,796	\$109,273	\$5,995,138	\$5,109,548	\$885,590	\$5,109,548



Narcotics Anonymous World Services
Consolidated Statement of Activities
(Income Statement)

For the Twelve Months Ending 30 June 2006

	PTD ACTUAL	PTD BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE	ADOPTED
FELLOWSHIP DONATIONS							
BREAKDOWN BY DONOR TYPE							
Members	\$814	\$887	(\$74)	\$18,477	\$10,649	\$7,828	\$10,649
Groups	\$5,055	\$3,452	\$1,603	\$45,219	\$41,420	\$3,799	\$41,420
Areas	\$12,258	\$6,899	\$5,359	\$116,392	\$82,791	\$33,601	\$82,791
Regions	\$60,620	\$36,667	\$23,953	\$524,510	\$440,000	\$84,510	\$440,000
Events/Conventions	\$3,726	\$1,913	\$1,813	\$41,681	\$22,952	\$18,729	\$22,952
Unity Day	\$0	\$1,711	(\$1,711)	\$13,053	\$20,534	(\$7,481)	\$20,534
Zonal & Other Forums	\$0	\$569	(\$569)	\$5,062	\$6,822	(\$1,760)	\$6,822
Total Donations	\$82,472	\$52,097	\$30,374	\$764,393	\$625,168	\$139,225	\$625,168
EVENT INCOME							
UNITY DAY	\$0	\$0	\$0	\$0	\$0	\$0	\$0
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	\$693	\$0	\$693	\$5,907	\$0	\$5,907	\$0
Total Event Income (Not including event specific)	\$693	\$0	\$693	\$5,907	\$0	\$5,907	\$0
MISCELLANEOUS INCOME							
LICENSED VENDOR PAYMENTS	\$0	\$1,504	(\$1,504)	\$20,996	\$18,050	\$2,946	\$18,050
INTEREST	\$3,535	\$2,219	\$1,316	\$42,358	\$26,627	\$15,731	\$26,627
MISCELLANEOUS	(\$476)	\$0	(\$476)	\$1,980	\$0	\$1,980	\$0
Total Miscellaneous Income	\$3,059	\$3,723	(\$665)	\$65,333	\$44,677	\$20,656	\$44,677
INCOME ALL SOURCES (Not including event specific)	\$621,292	\$481,616	\$139,676	\$6,830,772	\$5,779,393	\$1,051,379	\$5,779,393



Narcotics Anonymous World Services
Consolidated Statement of Activities
(Income Statement)

For the Twelve Months Ending 30 June 2006

	PTD ACTUAL	PTD BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE	ADOPTED
EXPENSE							
LITERATURE PRODUCTION & DISTRIBUTION							
FIXED OPERATIONAL EXPENSES							
MARKETING	\$41,195	\$6,835	\$34,360	\$119,612	\$82,024	\$37,588	\$82,024
IN HOUSE PRODUCTION (not included in Cost of Goods)	\$12,669	\$4,171	\$8,497	\$65,501	\$50,055	\$15,446	\$50,055
TRANSLATIONS (not included in Cost of Goods)	\$4,704	\$1,898	\$2,807	\$29,486	\$22,771	\$6,715	\$22,771
LITERATURE DISTRIBUTION (IRAN)	\$5,437	\$0	\$5,437	\$44,334	\$0	\$44,334	\$0
SHIPPING	\$39,639	\$28,067	\$11,572	\$410,064	\$336,802	\$73,262	\$336,802
LEGAL	\$17,919	\$996	\$16,923	\$123,303	\$11,950	\$111,353	\$11,950
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	\$1,915	\$299	\$1,616	\$3,943	\$3,593	\$350	\$3,593
INVENTORY ADJUSTMENT	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ACCOUNTING	\$0	\$981	(\$981)	\$10,150	\$11,767	(\$1,617)	\$11,767
PERSONNEL (Includes amount budgeted to variable projects)	\$150,968	\$75,699	\$75,270	\$1,132,652	\$908,386	\$224,266	\$908,386
OVERHEAD	\$71,483	\$36,430	\$35,053	\$485,243	\$437,165	\$48,078	\$437,165
TECHNOLOGY	\$8,256	\$3,886	\$4,370	\$53,526	\$46,637	\$6,889	\$46,637
Subtotal	\$354,185	\$159,263	\$194,923	\$2,477,814	\$1,911,150	\$566,664	\$1,911,150
VARIABLE OPERATIONAL EXPENSES							
BUSINESS PLAN WORK GROUP	\$2,512	\$2,233	\$278	\$14,320	\$26,800	(\$12,480)	\$26,800
LITERATURE & CONVENTION WORKSHOP	\$0	\$2,367	(\$2,367)	\$0	\$28,400	(\$28,400)	\$28,400
Subtotal	\$2,512	\$4,600	(\$2,088)	\$14,320	\$55,200	(\$40,880)	\$55,200
Total Literature Production & Distribution	\$356,697	\$163,863	\$192,835	\$2,492,134	\$1,966,350	\$525,784	\$1,966,350
WORLD SERVICE CONFERENCE SUPPORT							
FIXED OPERATIONAL EXPENSES							
PUBLICATIONS	\$767	\$1,939	(\$1,172)	\$25,956	\$23,269	\$2,687	\$23,269
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	\$29,958	\$24,167	\$5,791	\$380,219	\$290,000	\$90,219	\$290,000
WORLD BOARD	\$16,560	\$14,751	\$1,809	\$149,218	\$177,013	(\$27,795)	\$177,013
HUMAN RESOURCE PANEL	\$1,144	\$1,261	(\$118)	\$30,143	\$15,136	\$15,007	\$15,136
WSC CO-FACILITATOR	\$965	\$288	\$678	\$4,299	\$3,450	\$849	\$3,450
CONFERENCE RELATED TRAVEL	\$0	\$3,583	(\$3,583)	\$1,502	\$43,000	(\$41,498)	\$43,000
LEGAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ACCOUNTING	\$0	\$728	(\$728)	\$7,540	\$8,741	(\$1,201)	\$8,741
PERSONNEL (Includes amount budgeted to variable projects)	\$112,148	\$56,134	\$56,014	\$844,529	\$673,613	\$170,916	\$673,613
OVERHEAD	\$53,657	\$27,712	\$25,945	\$363,583	\$332,544	\$31,039	\$332,544
TECHNOLOGY	\$6,133	\$2,887	\$3,246	\$39,762	\$34,645	\$5,117	\$34,645
Subtotal	\$221,332	\$133,451	\$87,881	\$1,846,750	\$1,601,411	\$245,339	\$1,601,411
VARIABLE OPERATIONAL EXPENSES							
NAWS COMMUNICATIONS AND PUBLICATIONS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
LEADERSHIP IDENTIFICATION & DEVELOPMENT	\$0	\$1,853	(\$1,853)	\$3,481	\$22,240	(\$18,759)	\$22,240
LEADERSHIP QUALITIES IN NA	\$0	\$927	(\$927)	\$0	\$11,120	(\$11,120)	\$11,120
CONSENSUS-BASED DECISION MAKING AT THE WSC	\$0	\$927	(\$927)	\$0	\$11,120	(\$11,120)	\$11,120
CAPTURING LONG TIME MEMBERS EXPERIENCE	\$0	\$1,667	(\$1,667)	\$0	\$20,000	(\$20,000)	\$20,000
WORLD WIDE WORKSHOPS	\$2,316	\$6,333	(\$4,017)	\$123,233	\$76,000	\$47,233	\$76,000
OTHER FINISHED WSC PROJECTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$2,316	\$11,707	(\$9,391)	\$126,714	\$140,480	(\$13,766)	\$140,480
Total World Service Conference Support	\$223,647	\$145,158	\$78,490	\$1,973,464	\$1,741,891	\$231,573	\$1,741,891



Narcotics Anonymous World Services
Consolidated Statement of Activities
(Income Statement)

For the Twelve Months Ending 30 June 2006

	PTD ACTUAL	PTD BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE	ADOPTED
FELLOWSHIP DEVELOPMENT							
FIXED OPERATIONAL EXPENSES							
PUBLICATIONS	\$21,106	\$14,438	\$6,669	\$146,558	\$173,250	(\$26,692)	\$173,250
FELLOWSHIP SUPPORT	\$39,932	\$2,903	\$37,029	\$148,860	\$34,840	\$114,020	\$34,840
PROFESSIONAL EVENTS	\$8,127	\$2,821	\$5,306	\$73,092	\$33,856	\$39,236	\$33,856
DEVELOPMENTAL LITERATURE	\$24,629	\$11,971	\$12,658	\$241,086	\$143,657	\$97,429	\$143,657
ARCHIVES & INFORMATION MANAGEMENT	\$0	\$4,250	(\$4,250)	\$0	\$51,000	(\$51,000)	\$51,000
LEGAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ACCOUNTING	\$0	\$869	(\$869)	\$8,990	\$10,422	(\$1,432)	\$10,422
PERSONNEL (Includes amount budgeted to variable projects)	\$133,715	\$66,782	\$66,933	\$1,003,206	\$801,387	\$201,819	\$801,387
OVERHEAD	\$72,245	\$32,267	\$39,978	\$345,107	\$387,203	(\$42,096)	\$387,203
TECHNOLOGY	\$7,312	\$3,442	\$3,870	\$47,409	\$41,307	\$6,102	\$41,307
Subtotal	\$307,068	\$139,744	\$167,324	\$2,014,308	\$1,676,922	\$337,386	\$1,676,922
VARIABLE OPERATIONAL EXPENSES							
BASIC TEXT PROJECT	\$15,620	\$4,967	\$10,653	\$66,645	\$59,600	\$7,045	\$59,600
PUBLIC RELATIONS STRATEGY	\$0	\$1,853	(\$1,853)	\$1,495	\$22,240	(\$20,745)	\$22,240
SERVICE MATERIALS	\$0	\$1,117	(\$1,117)	\$0	\$13,400	(\$13,400)	\$13,400
SERVICE HANDBOOKS	\$2,034	\$1,853	\$180	\$53,943	\$22,240	\$31,703	\$22,240
SELF-SUPPORT PAMPHLET	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SERVICE STRUCTURE RELATIONSHIP & DEFINITION	\$0	\$927	(\$927)	\$0	\$11,120	(\$11,120)	\$11,120
TARGETED LITERATURE	\$0	\$2,233	(\$2,233)	\$0	\$26,800	(\$26,800)	\$26,800
FELLOWSHIP ISSUE DISCUSSIONS	\$0	\$1,010	(\$1,010)	\$0	\$12,120	(\$12,120)	\$12,120
Subtotal	\$17,654	\$13,960	\$3,694	\$122,084	\$167,520	(\$45,436)	\$167,520
Total Fellowship Development	\$324,721	\$153,704	\$171,018	\$2,136,391	\$1,844,442	\$291,949	\$1,844,442
EVENTS							
FIXED OPERATIONAL EXPENSES							
UNITY DAY	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FUTURE (AND PRIOR) CONVENTIONS	\$9,018	\$1,137	\$7,881	\$55,957	\$13,645	\$42,312	\$13,645
LEGAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ACCOUNTING	\$0	\$224	(\$224)	\$5,518	\$2,690	\$2,828	\$2,690
PERSONNEL (Includes amount budgeted to variable projects)	\$35,438	\$17,964	\$17,474	\$263,217	\$215,567	\$47,650	\$215,567
OVERHEAD	\$17,092	\$8,726	\$8,366	\$123,413	\$104,713	\$18,700	\$104,713
TECHNOLOGY	\$1,887	\$888	\$999	\$12,260	\$10,660	\$1,600	\$10,660
Total Events (Not including event specific)	\$63,435	\$28,940	\$34,495	\$460,364	\$347,275	\$113,089	\$347,275
TOTAL EXPENSE ALL SOURCES (Not including event specific)	\$968,501	\$491,663	\$476,837	\$7,062,354	\$5,899,958	\$1,162,396	\$5,899,958
EXCESS REVENUE/EXPENSE (Not including event specific)	(\$347,209)	(\$10,047)	(\$337,162)	(\$231,583)	(\$120,565)	(\$111,018)	(\$120,565)



Narcotics Anonymous World Services
Consolidated Statement of Activities
(Income Statement)

For the Twelve Months Ending 30 June 2006

	PTD ACTUAL	PTD BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE	ADOPTED
EVENT SPECIFIC							
EVENT SPECIFIC INCOME							
WCNA-31 INCOME							
REGISTRATION	\$0	\$23,542	(\$23,542)	\$580,120	\$282,500	\$297,620	\$282,500
SPECIAL EVENTS	\$0	\$20,667	(\$20,667)	\$550,515	\$248,000	\$302,515	\$248,000
NEWCOMER DONATIONS	\$0	\$500	(\$500)	\$18,177	\$6,000	\$12,177	\$6,000
MERCHANDISE	\$0	\$24,375	(\$24,375)	\$453,343	\$292,500	\$160,843	\$292,500
OTHER SALES	\$0	\$1,417	(\$1,417)	\$39,136	\$17,000	\$22,136	\$17,000
REBATES	\$0	\$6,250	(\$6,250)	\$172,520	\$75,000	\$97,520	\$75,000
Total Event Specific Income	\$0	\$76,750	(\$76,750)	\$1,813,811	\$921,000	\$892,811	\$921,000
EVENT SPECIFIC EXPENSE							
WCNA-31 EXPENSE							
REGISTRATION	\$0	\$8,725	(\$8,725)	\$260,441	\$104,700	\$155,741	\$104,700
SPECIAL EVENTS	\$0	\$15,842	(\$15,842)	\$504,177	\$190,100	\$314,077	\$190,100
PROGRAM	\$0	\$7,875	(\$7,875)	\$203,630	\$94,500	\$109,130	\$94,500
MERCHANDISE	\$0	\$16,167	(\$16,167)	\$315,004	\$194,000	\$121,004	\$194,000
FACILITIES	\$0	\$13,083	(\$13,083)	\$202,230	\$157,000	\$45,230	\$157,000
SUPPORT COMMITTEE	\$0	\$2,908	(\$2,908)	\$17,822	\$34,900	(\$17,078)	\$34,900
ADMINISTRATION	\$2,223	\$8,288	(\$6,064)	\$141,043	\$99,450	\$41,593	\$99,450
Total Event Specific Expense	\$2,223	\$72,888	(\$70,664)	\$1,644,346	\$874,650	\$769,696	\$874,650
Total Event Specific Excess Revenue/Expense	(\$2,223)	\$3,863	(\$6,086)	\$169,466	\$46,350	\$123,116	\$46,350
INCREASE (DECREASE) NET UNRESTRICTED ASSETS	(\$349,432)	(\$6,185)	(\$343,247)	(\$62,117)	(\$74,215)	\$12,098	(\$74,215)



MANNON KAPLAN, C.P.A.
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 *RETIRED



Miller, Kaplan, Arase & Co., LLP
 CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the World Board of
 Narcotics Anonymous World Services, Inc.

We have audited the accompanying consolidated statements of financial position of Narcotics Anonymous World Services, Inc. (the "Organization") as of June 30, 2006 and 2005, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Narcotics Anonymous World Services, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Miller, Kaplan, Arase & Co., LLP

MILLER, KAPLAN, ARASE & CO., LLP

August 18, 2006

OVER 65 YEARS OF PROFESSIONAL SERVICE TO THE PUBLIC



Consolidated Statements of Financial Position

30 June 2006 and 2005

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current assets:		
Cash and cash equivalents	\$ 2,496,575	\$ 3,480,282
Investments - at fair value	988,966	963,546
Accounts receivable (net of allowance for uncollectible accounts of \$63,597 and \$71,000, respectively)	681,869	622,048
Publication inventory	850,381	660,158
Prepaid expenses	130,763	359,280
Total current assets	<u>5,148,554</u>	<u>6,085,314</u>
Property and equipment:		
Furniture and equipment	2,223,519	1,962,320
Leasehold improvements	831,821	805,814
	3,055,340	2,768,134
Less: accumulated depreciation and amortization	<u>(1,922,416)</u>	<u>(1,625,305)</u>
Total property and equipment - net	<u>1,132,924</u>	<u>1,142,829</u>
Other assets:		
Deposits	50,517	24,260
Trademarks, software and copyrights (net of accumulated amortization of \$746,643 and \$625,991, respectively)	346,564	404,868
Total other assets	<u>397,081</u>	<u>429,128</u>
Total assets	<u><u>\$ 6,678,559</u></u>	<u><u>\$ 7,657,271</u></u>
 Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 280,906	\$ 248,430
Accrued salaries, vacation and tax withholdings payable	150,613	151,442
Current portion of capital lease obligations	80,836	120,135
Deferred convention revenue	-	1,043,580
Total current liabilities	512,355	1,563,587
Capital leases payable, less current portion	<u>615,834</u>	<u>481,070</u>
Total liabilities	1,128,189	2,044,657
Unrestricted net assets	<u>5,550,370</u>	<u>5,612,614</u>
Total liabilities and net assets	<u><u>\$ 6,678,559</u></u>	<u><u>\$ 7,657,271</u></u>

See accompanying notes to consolidated financial statements.



	July 1, 2005 to June 30, 2006	July 1, 2004 to June 30, 2005
Revenues, gains and other support:		
Sales of publications and program materials	\$ 7,973,244	\$ 7,632,223
Less discounts and cost of sales	<u>2,637,693</u>	<u>2,196,381</u>
Net sales of publications and program materials	5,335,551	5,435,842
Convention registration and other revenue	1,819,718	-
Conference contributions	764,393	802,400
Interest	42,358	23,082
Other	<u>114,299</u>	<u>120,449</u>
Total revenues, gains and other support	<u>8,076,319</u>	<u>6,381,773</u>
Expenses:		
Literature production and distribution	1,790,448	1,577,472
World Service Conference support	2,007,681	1,490,462
Fellowship development	2,225,739	2,210,227
Events	<u>2,114,695</u>	<u>444,187</u>
Total expenses	<u>8,138,563</u>	<u>5,722,348</u>
Change in net assets	(62,244)	659,425
Unrestricted net assets:		
Beginning of year	<u>5,612,614</u>	<u>4,953,189</u>
End of year	<u>\$ 5,550,370</u>	<u>\$ 5,612,614</u>



Consolidated Statements of Functional Expenses

Year Ended 30 June 2006

	June 30, 2006				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$1,001,574	\$ 711,093	\$ 847,842	\$ 218,797	\$2,779,306
Employee health benefits	109,212	81,130	96,732	24,963	312,037
Retirement contribution	20,802	15,453	18,425	4,755	59,435
Contract labor	3,288	5,573	2,913	752	12,526
Convention expense	-	-	-	1,693,008	1,693,008
Occupancy	139,168	103,382	123,264	31,810	397,624
Travel	15,301	149,947	201,037	1,786	368,071
Conferences	-	417,216	-	-	417,216
Worldwide workshops	-	123,233	-	-	123,233
Telephone	22,139	17,179	19,608	9,649	68,575
Postage	11,554	9,152	14,938	6,668	42,312
Office expense	46,677	35,044	41,342	10,669	133,732
Depreciation and amortization	161,320	119,838	142,884	36,873	460,915
Professional fees	56,822	37,262	44,428	14,663	153,175
Equipment leases	6,722	4,994	5,954	3,498	21,168
Computer expense	42,518	31,585	37,659	9,743	121,505
Insurance	23,920	17,769	21,186	5,467	68,342
Interest expense	55,000	40,857	48,714	12,572	157,143
Developmental literature	-	-	144,252	-	144,252
Free Publications	-	25,957	146,556	-	172,513
Other operating expenses	74,431	61,017	268,005	29,022	432,475
Total expenses	<u>\$1,790,448</u>	<u>\$2,007,681</u>	<u>\$ 2,225,739</u>	<u>\$2,114,695</u>	<u>\$8,138,563</u>



Consolidated Statements of Functional Expenses

Year Ended 30 June 2005

	June 30, 2005				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 863,078	\$ 630,004	\$ 751,159	\$ 193,847	\$ 2,438,088
Employee health bene	96,100	71,388	85,116	21,966	274,570
Retirement contributi	16,290	12,100	14,428	3,723	46,541
Contract labor	731	542	647	167	2,087
Convention expense	-	-	-	75,602	75,602
Occupancy	134,832	100,160	119,423	30,818	385,233
Travel	11,856	194,874	182,602	4,314	393,646
Conferences	-	35,471	-	-	35,471
Worldwide workshops	-	61,164	-	-	61,164
Telephone	21,708	16,926	19,226	9,538	67,398
Postage	6,923	6,038	6,132	3,425	22,518
Office expense	42,267	31,398	37,436	9,661	120,762
Depreciation and amortization	114,392	84,977	101,322	26,147	326,838
Professional fees	55,574	40,326	49,347	12,408	157,655
Equipment leases	21,998	16,342	19,484	5,028	62,852
Computer expense	44,900	33,440	39,768	10,313	128,421
Insurance	19,348	14,373	17,137	4,422	55,280
Interest expense	58,152	43,199	51,506	13,294	166,151
Developmental literatu	-	-	239,619	-	239,619
Free Publications	-	36,144	126,884	-	163,028
Other operating expenses	<u>69,323</u>	<u>61,596</u>	<u>348,991</u>	<u>19,514</u>	<u>499,424</u>
Total expense	<u>\$ 1,577,472</u>	<u>\$1,490,462</u>	<u>\$ 2,210,227</u>	<u>\$ 444,187</u>	<u>\$ 5,722,348</u>



Consolidated Statements of Cash Flows

Years Ended 30 June 2006 and 2005

	June 30, 2006	June 30, 2005
Cash flows from operating activities:		
Change in net assets	\$ (62,244)	\$ 659,425
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	460,915	326,838
(Increase) decrease in assets:		
Accounts receivable	(59,821)	(6,439)
Publication inventory	(190,223)	7,072
Prepaid expenses	228,517	(308,479)
Deposits	(26,257)	(24,260)
Increase (decrease) in liabilities:		
Accounts payable	32,476	(196,764)
Accrued salaries and withholdings payable	(829)	2,534
Deferred revenue	(1,043,580)	1,043,580
Net cash provided (used) by operating activities	(661,046)	1,503,507
Cash flows from investing activities:		
Purchases of investments	(25,420)	(154,180)
Purchases of property and equipment	(93,917)	(117,039)
Purchases of leasehold improvements	(23,006)	(89,867)
Payments to secure copyrights and trademarks and purchase software	(62,347)	(69,934)
Net cash (used) by investing activities	(204,690)	(431,020)
Cash flows from financing activities:		
Repayment of capital lease obligations	(117,971)	(95,341)
Net cash (used) by financing activities	(117,971)	(95,341)
Net increase (decrease) in cash and cash equivalents	(983,707)	977,146
Cash and cash equivalents:		
Beginning of year	3,480,282	2,503,136
End of year	\$ 2,496,575	\$ 3,480,282

Supplemental disclosures of cash flow information: Interest paid during the years ended June 30, 2006 and 2005 amounted to \$157,142 and \$166,148, respectively.

Non-cash investing and financing activities: During the year ended June 30, 2006 and 2005, NAWS entered into lease obligations for the purchase of equipment in the amount of \$312,780 and \$655,090, respectively. NAWS also retired, without payment, lease obligations in the amount of \$98,144 during the year.



Notes to Consolidated Financial Statements

Independent Auditors' Report Years Ended June 2006 and 2005

Note 1 – Organization and Nature of Activities

Narcotics Anonymous World Services, Inc. (NAWS) was incorporated on 25 January 1977 and is headquartered in Chatsworth, California. In addition, NAWS operates a literature distribution facility in Toronto, Canada and an office in Brussels, Belgium*. NAWS is a not-for-profit organization which provides communications and information for the Fellowship of Narcotics Anonymous (NA). NAWS achieves its purpose by maintaining correspondence with NA groups and service committees, by printing and distributing World Services Conference (WSC) approved literature, and by maintaining the archives and files of NA.

In 1993, NA established the Fellowship Intellectual Property Trust (the Trust). The Trust was established for the purpose of holding and administering all recovery material and other intellectual properties of NA. The Trust is included in the consolidated financial statements of NAWS as a result of common control.

NAWS is exempt under Section 501(c)(3) of the Internal Revenue Code and comparable California Revenue and Taxation Code. The Trust is also exempt under the applicable Internal Revenue Code and comparable California Revenue and Taxation Code. In addition, the Internal Revenue Service has determined that the organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, no provision for Federal and state income taxes was made for either NAWS or the Trust.

Note 2 – Summary of Significant Accounting Policies

A. Consolidation Policy and Basis of Accounting

The accompanying consolidated financial statements include the accounts of NAWS and the Trust. Significant intercompany balances and transactions are eliminated in consolidation. The consolidated financial statements are prepared on the accrual basis of accounting.

B. Financial Statement Presentation

Under Statement of Financial Accounting Standards No. 117, NAWS is 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 30 June 2006 and 2005, NAWS held no temporarily or permanently restricted net assets.

* Although reported in NAWS consolidated financial statements, our branch office in Tehran, Iran was inadvertently omitted from the auditors' notes.

**C. Cash and Cash Equivalents**

NAWS considers all funds held in checking and savings accounts to be cash and cash equivalents.

D. Investments

NAWS investments are carried at fair value which generally represents quoted market price as of the last business day of the year. The certificates of deposit are valued at cost, which approximates fair value.

E. Publication Inventory

Publications and other items for resale are included in inventories and are carried at the lower of cost or market, with cost determined by the first-in, first-out method.

F. Property and Equipment

Leasehold improvements and furniture and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs, which do not improve or extend the useful life of the asset, are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are as follows:

Leasehold improvements	5 years
Furniture and equipment	5-10 years

Depreciation expense for the years ended 30 June 2006 and 2005 amounted to \$340,264 and \$212,902, respectively.

G. Trademarks and Copyrights

The cost of acquiring and defending copyrights and trademarks is capitalized and is being amortized over the approximate economic life of the copyright or trademark, which is estimated to be ten years. The cost of computer software is also capitalized and amortized over a period of seven years. Amortization expense for the years ended 30 June 2006 and 2005 amounted to \$120,651 and \$113,936, respectively.

H. Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based on management's estimate of the amount of receivables that will actually be collected. Management estimates uncollectible accounts based on the age of the receivable and other factors.

I. Translation of Foreign Financial Statements

Financial operations in Canada and Europe are translated throughout the year to United States dollars. Gains or losses resulting from translating foreign currency financial statements are recorded in the consolidated statements of activities.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.



Note 3 – Retirement Plan

NAWS maintains a qualified defined contribution retirement plan, which covers all employees. Under the terms of the plan, employees may elect to contribute pre-tax earnings up to the maximum allowable amount. NAWS matches up to 5% of the deferred earnings based on the employee's number of years of service. The matching contribution to the plan for the years ended June 30, 2006 and 2005 was \$59,435 and \$46,541, respectively.

Note 4 – Operating and Capital Leases

NAWS has entered into capital lease agreements for the use of telephone and office equipment. The total value of the equipment under capital leases is \$901,304. NAWS also leases equipment and facilities under various operating leases. Minimum future lease payments on noncancelable lease commitments, including interest on capital leases, subsequent to June 30, 2006 are as follows:

Year end June 30	Total	Operating Leases	Capital Leases
2007	584,807	322,533	262,274
2008	570,307	321,831	248,476
2009	573,696	333,018	240,678
2010	561,193	320,515	240,678
2111	333,597	92,919	240,678
Thereafter	201,667	21,168	180,509
Total	\$ 2,825,277	\$ 1,411,984	\$ 1,413,293

Total payments made under the leases during the years ended June 30, 2006 and 2005 were \$586,545 and \$578,963, respectively.

Note 5 – Investments

The following summary represents the fair value for each of the investment categories:

	2006	2005
Investments as fair value as determined by quoted market price: US Government and Government Agency obligations	\$ 26,337	\$ 35,128
Investment as fair value as determined cost:		
Money market accounts	317,259	296,125
Certificates of deposit	645,370	632,293
Total	\$ 988,966	\$ 963,546

**Note 6 – Concentration of Credit Risk**

NAWS places its cash and cash equivalents with high quality financial institutions. From time to time, the balance exceeds the Federal Deposit Insurance Corporation insurance limit.

Note 7 – Employment Contract

NAWS has entered into an employment agreement with its Executive Director for employment services. The agreement provides for compensation and benefits and expires on 31 December 2009. Should the agreement be terminated by NAWS certain amounts would be payable to the Executive Director as defined in the agreement.