



**Narcotics Anonymous World Services**  
**Consolidated Statement of Financial Position**  
Balance Sheet – For the Twelve Months Ending 30 June 2010

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents		
Checking Accounts	\$770,319	
Reserve Accounts	782,903	
	-----	\$1,553,222
Accounts Receivable		
Accounts Receivable	\$858,757	
Convention & Conference Deposits	4,869	
Less Allowance for Doubtful Accounts	(84,512)	
	-----	779,114
Inventory		1,111,155
Prepaid Expenses		467,401
		-----
<b>Total Current Assets</b>		<b>\$3,910,892</b>

**EQUIPMENT, FURNITURE AND IMPROVEMENTS**

Equipment and Furniture	\$1,498,319	
Leasehold Improvements	884,660	
Intellectual and Software Property	1,521,409	
Less Accumulated Depreciation and Amortization	(3,437,854)	
	-----	466,534
<b>Total Equipment, Furniture and Improvements</b>		<b>466,534</b>

**TOTAL ASSETS**

**\$4,377,426**

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$170,327	
Accrued Payroll Expense	260,983	
	-----	
<b>Total Current Liabilities</b>		<b>\$431,310</b>

**LONG TERM LIABILITIES**

Notes Payable	\$0	
Leases Payable	\$0	
	-----	
<b>Total Long Term Liabilities</b>		<b>0</b>

**NET ASSETS**

Previous Unrestricted Net Assets	\$4,410,471	
Current Gain / (Loss) Unrestricted Net Assets	(464,354)	
	-----	
<b>Total Net Assets</b>		<b>3,946,116</b>

**TOTAL LIABILITIES AND NET ASSETS**

**\$4,377,426**



# Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2010

	YTD ACTUAL	YTD BUDGET	VARIANCE
<b>INCOME</b>			
<b>RECOVERY LITERATURE INCOME</b>			
BASIC TEXT: Hardcover English	\$2,230,873	\$2,559,600	(\$328,727)
BASIC TEXT: Translated	\$187,296	\$233,004	(\$45,708)
BASIC TEXT: Softcover	\$667,055	\$815,448	(\$148,393)
JUST FOR TODAY	\$892,261	\$1,018,620	(\$126,359)
IT WORKS: HOW & WHY	\$615,657	\$729,720	(\$114,063)
SPONSORSHIP BOOK	\$42,037	\$59,976	(\$17,939)
STEP WORKING GUIDES	\$724,752	\$741,132	(\$16,380)
<b>LITERATURE INCOME (IRAN)</b>	<b>\$1,030,657</b>	<b>\$818,208</b>	<b>\$212,449</b>
OTHER RECOVERY LITERATURE	\$1,390,797	\$1,557,240	(\$166,443)
Subtotal	\$7,781,385	\$8,532,960	(\$751,575)
<b>OTHER INVENTORY INCOME</b>			
MEDALLIONS	\$699,371	\$626,628	\$72,743
KEY TAGS & CHIPS	\$1,103,397	\$1,020,624	\$82,773
NON-FIPT INFORMATION BOOKLETS	\$65,490	\$43,692	\$21,798
HANDBOOKS	\$53,023	\$70,620	(\$17,597)
SPECIALTY ITEMS	\$100,722	\$41,316	\$59,406
AUDIO MATERIALS	\$2,112	\$1,752	\$360
GROUP/AREA MATERIALS	\$166,952	\$239,364	(\$72,412)
MIRACLES HAPPEN	\$33,540	\$44,616	(\$11,076)
Subtotal	\$2,224,607	\$2,088,600	\$136,007
SHIPPING	\$471,357	\$557,508	(\$86,151)
DISCOUNTS	(\$1,288,813)	(\$1,343,988)	\$55,175
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(\$194,448)	(\$282,624)	\$88,176
Subtotal	(\$1,011,904)	(\$1,069,092)	\$57,188
<b>Gross Literature Income (less discounts)</b>	<b>\$8,994,088</b>	<b>\$9,552,456</b>	<b>(\$558,368)</b>
<b>Gross Literature Income ( without IRAN )</b>	<b>\$7,963,431</b>	<b>\$8,734,248</b>	<b>(\$770,817)</b>
<b>RECOVERY LITERATURE COST OF GOODS</b>			
BASIC TEXT: Hardcover English	\$380,181	\$400,872	(\$20,691)
BASIC TEXT: Translated	\$30,720	\$44,148	(\$13,428)
BASIC TEXT: Softcover	\$79,992	\$72,624	\$7,368
JUST FOR TODAY	\$90,181	\$173,304	(\$83,123)
IT WORKS: HOW & WHY	\$97,857	\$125,700	(\$27,843)
SPONSORSHIP BOOK	\$9,280	\$12,936	(\$3,656)
STEP WORKING GUIDES	\$96,439	\$94,872	\$1,567
<b>LITERATURE PRODUCTION (IRAN)</b>	<b>\$704,859</b>	<b>\$581,016</b>	<b>\$123,843</b>
OTHER RECOVERY LITERATURE	\$253,124	\$273,048	(\$19,924)
Subtotal	\$1,742,633	\$1,778,520	(\$35,887)



# Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2009

## OTHER INVENTORY COST OF GOODS

MEDALLIONS	\$154,679	\$181,188	(\$26,509)
KEY TAGS & CHIPS	\$232,444	\$284,976	(\$52,532)
NON-FIPT INFORMATION BOOKLETS	\$18,048	\$50,364	(\$32,316)
HANDBOOKS	\$8,969	\$31,176	(\$22,207)
SPECIALTY ITEMS	\$35,046	\$13,464	\$21,582
AUDIO MATERIALS	\$680	\$504	\$176
GROUP/AREA MATERIALS	\$47,183	\$81,948	(\$34,765)
MIRACLES HAPPEN	\$3,584	\$5,076	(\$1,492)
INVENTORY ADJUSTMENT	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$500,633</b>	<b>\$648,684</b>	<b>(\$148,051)</b>
<b>Total Cost of Goods</b>	<b>\$2,243,266</b>	<b>\$2,427,204</b>	<b>(\$183,938)</b>
<b>Total Cost of Goods without IRAN</b>	<b>\$1,538,407</b>	<b>\$1,846,188</b>	<b>(\$307,781)</b>
<b>Net Literature Income</b>	<b>\$6,750,822</b>	<b>\$7,125,252</b>	<b>(\$374,430)</b>
<b>Net Literature Income without IRAN</b>	<b>\$6,425,024</b>	<b>\$6,888,060</b>	<b>(\$463,036)</b>

## FELLOWSHIP DONATIONS

BREAKDOWN BY DONOR TYPE			
Members	\$13,868	\$12,372	\$1,496
Groups	\$67,591	\$63,864	\$3,727
Areas	\$114,284	\$146,604	(\$32,320)
Regions	\$358,634	\$710,604	(\$351,970)
Events/Conventions	\$31,743	\$32,760	(\$1,017)
Unity Day	\$24,372	\$19,392	\$4,980
Zonal & Other Forums	\$33,253	\$24,852	\$8,401
<b>Total Donations</b>	<b>\$643,745</b>	<b>\$1,010,460</b>	<b>(\$366,715)</b>

## MISCELLANEOUS INCOME

LICENSED VENDOR PAYMENTS	\$23,050	\$25,572	(\$2,522)
INTEREST	\$11,307	\$39,996	(\$28,689)
MISCELLANEOUS	\$16	\$0	\$16
INTERBRANCH	\$0	\$0	\$0
<b>Total Miscellaneous Income</b>	<b>\$34,373</b>	<b>\$65,568</b>	<b>(\$31,195)</b>
<b>OPERATING INCOME (Not including event specific)</b>	<b>\$7,428,940</b>	<b>\$8,201,280</b>	<b>(\$772,340)</b>
<b>OPERATING INCOME (Not including IRAN)</b>	<b>\$7,103,142</b>	<b>\$7,964,088</b>	<b>(\$860,946)</b>



# Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2010

## EXPENSE

### LITERATURE PRODUCTION & DISTRIBUTION

#### FIXED OPERATIONAL EXPENSES

MARKETING	\$2,978	\$25,476	(\$22,498)
IN HOUSE PRODUCTION (not included in Cost of Goods)	\$51,260	\$65,832	(\$14,572)
TRANSLATIONS (not included in Cost of Goods)	\$63,437	\$59,520	\$3,917
LITERATURE DISTRIBUTION (IRAN)	\$16,448	\$104,472	(\$88,024)
SHIPPING	\$508,507	\$557,508	(\$49,001)
BUSINESS PLAN WORK GROUP	\$5,127	\$27,996	(\$22,869)
LEGAL	\$8,390	\$52,512	(\$44,122)
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	\$4,131	\$25,728	(\$21,597)
ACCOUNTING	\$11,975	\$15,948	(\$3,973)
PERSONNEL (Includes amount budgeted to variable projects)	\$1,197,908	\$1,164,540	\$33,368
OVERHEAD	\$454,366	\$576,912	(\$122,546)
TECHNOLOGY	\$69,126	\$102,660	(\$33,534)

Total Literature Production & Distribution	\$2,393,653	\$2,779,116	(\$385,463)
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Total Literature Production & Distribution without IRAN	\$2,377,205	\$2,674,632	(\$297,427)
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YTD ACTUAL	YTD BUDGET	VARIANCE
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### WORLD SERVICE CONFERENCE SUPPORT

#### FIXED OPERATIONAL EXPENSES

PUBLICATIONS	\$43,828	\$89,508	(\$45,680)
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	\$399,610	\$569,412	(\$169,802)
WORLD BOARD	\$270,427	\$261,000	\$9,427
HUMAN RESOURCE PANEL	\$18,000	\$21,984	(\$3,984)
WSC CO-FACILITATOR	\$3,021	\$5,004	(\$1,983)
WORKSHOPS (Delegate focused)	\$9,307	\$200,004	(\$190,697)
ACCOUNTING	\$7,749	\$10,320	(\$2,571)
PERSONNEL (Includes amount budgeted to variable projects)	\$775,117	\$753,528	\$21,589
OVERHEAD	\$295,635	\$373,296	(\$77,661)
TECHNOLOGY	\$47,186	\$66,432	(\$19,246)

Subtotal	\$1,869,880	\$2,350,464	(\$480,584)
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#### VARIABLE OPERATIONAL EXPENSES

CONSENSUS BASED DECISION MAKING	\$0	\$0	\$0
LEADERSHIP ORIENTATION MATERIAL	\$0	\$9,996	(\$9,996)
FELLOWSHIP ISSUE DISCUSSIONS	\$0	\$6,996	(\$6,996)
SERVICE SYSTEM	\$70,741	\$75,000	(\$4,259)
BOOK LENGTH PIECE LIVING CLEAN	\$93,766	\$90,000	\$3,766
MEMBER EXPERIENCE PROJECT	\$0	\$0	\$0
FINISHED WSC PROJECTS	\$0	\$0	\$0

Subtotal	\$164,507	\$182,004	(\$17,497)
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Total World Service Conference Support	\$2,034,387	\$2,532,468	(\$498,081)
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# Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2010

## FELLOWSHIP DEVELOPMENT

### FIXED OPERATIONAL EXPENSES

PUBLICATIONS	\$171,427	\$98,556	\$72,871
FELLOWSHIP SUPPORT	\$283,594	\$200,004	\$83,590
PROFESSIONAL EVENTS	\$72,648	\$113,472	(\$40,824)
DEVELOPMENTAL LITERATURE	\$438,712	\$343,236	\$95,476
ARCHIVES & INFORMATION MANAGEMENT	\$0	\$20,004	(\$20,004)
ACCOUNTING	\$11,975	\$15,948	(\$3,973)
PERSONNEL (Includes amount budgeted to variable projects)	\$1,197,908	\$1,164,540	\$33,368
OVERHEAD	\$490,137	\$576,912	(\$86,775)
TECHNOLOGY	\$69,126	\$102,660	(\$33,534)
<b>Subtotal</b>	<b>\$2,735,527</b>	<b>\$2,635,332</b>	<b>\$100,195</b>
PUBLIC RELATIONS DEVELOPMENT	\$2	\$24,996	(\$24,994)
SERVICE MATERIALS	\$6	\$32,496	(\$32,490)
SERVICE HANDBOOKS	\$0	\$0	\$0
SELF-SUPPORT PAMPHLETS	\$2,950	\$11,004	(\$8,054)
TARGETED LITERATURE	\$4,509	\$32,496	(\$27,987)
WORKSHOPS	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$7,467</b>	<b>\$101,004</b>	<b>(\$93,537)</b>
<b>Total Fellowship Development</b>	<b>\$2,742,994</b>	<b>\$2,736,324</b>	<b>\$6,670</b>

### FIXED OPERATIONAL EXPENSES

FUTURE (AND PRIOR) CONVENTIONS	\$2,451	\$20,004	(\$17,553)
LEGAL	\$1,580	\$1,500	\$80
ACCOUNTING	\$3,522	\$4,692	(\$1,170)
PERSONNEL (Includes amount budgeted to variable projects)	\$352,326	\$342,516	\$9,810
OVERHEAD	\$139,087	\$169,680	(\$30,593)
TECHNOLOGY	\$40,656	\$30,192	\$10,464
<b>Total Events (Not including event specific)</b>	<b>\$539,622</b>	<b>\$568,584</b>	<b>(\$28,962)</b>
<b>TOTAL EXPENSE ALL SOURCES (Not including event specific)</b>	<b>\$7,710,656</b>	<b>\$8,616,492</b>	<b>(\$905,836)</b>
<b>TOTAL EXPENSE ALL SOURCES (Not including IRAN )</b>	<b>\$7,694,208</b>	<b>\$8,512,008</b>	<b>(\$817,800)</b>
<b>EXCESS REVENUE/EXPENSE (Not including event specific)</b>	<b>(\$281,716)</b>	<b>(\$415,212)</b>	<b>\$133,496</b>
<b>EXCESS REVENUE/EXPENSE (Not including IRAN )</b>	<b>(\$591,066)</b>	<b>(\$547,920)</b>	<b>(\$43,146)</b>



# Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2009

## EVENT SPECIFIC

### EVENT SPECIFIC INCOME

WCNA-33 INCOME			
REGISTRATION	\$630,113	\$602,004	\$28,109
SPECIAL EVENTS	\$0	\$318,504	(\$318,504)
NEWCOMER DONATIONS	\$12,407	\$27,996	(\$15,589)
MERCHANDISE	\$307,763	\$535,500	(\$227,737)
OTHER SALES	\$2,948	\$0	\$2,948
REBATES	\$26,177	\$8,004	\$18,173
<b>Total Event Specific Income</b>	<b>\$979,408</b>	<b>\$1,491,996</b>	<b>(\$512,588)</b>

### EVENT SPECIFIC EXPENSE

WCNA-33 EXPENSE			
REGISTRATION	\$145,200	\$234,084	(\$88,884)
SPECIAL EVENTS	\$0	\$260,004	(\$260,004)
PROGRAM	\$295,614	\$155,004	\$140,610
MERCHANDISE	\$162,427	\$354,996	(\$192,569)
FACILITIES	\$480,864	\$474,996	\$5,868
SUPPORT COMMITTEE	\$38,270	\$46,500	(\$8,230)
ADMINISTRATION	\$39,672	\$105,000	(\$65,328)
<b>Total Event Specific Expense</b>	<b>\$1,162,047</b>	<b>\$1,630,584</b>	<b>(\$468,537)</b>

**Total Event Specific Excess Revenue/Expense** **(\$182,639)** **(\$138,588)** **(\$44,051)**

**INCREASE (DECREASE) NET UNRESTRICTED ASSETS** **(\$464,355)** **(\$553,800)** **\$89,445**

**INCREASE (DECREASE) without IRAN** **(\$773,705)** **(\$686,508)** **(\$87,197)**





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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, 2010, 2009 and 2008, 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, 2010, 2009 and 2008 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

December 8, 2010



**Narcotics Anonymous World Services**  
**Consolidated Statements of Financial Position**  
**Exhibit A**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,290,112	\$ 1,812,506	\$ 1,433,787
Investments - at fair value	579,596	796,370	1,089,303
Accounts receivable (net of allowance for uncollectible accounts of \$84,512, \$78,820, and \$78,820 respectively)	761,307	913,913	901,062
Publication inventory	1,111,155	1,217,895	878,024
Prepaid expenses	156,426	82,100	163,568
<b>Total current assets</b>	<u>3,898,596</u>	<u>4,822,784</u>	<u>4,465,744</u>
<b>Property and equipment:</b>			
Furniture and equipment	1,499,489	2,504,928	2,439,580
Leasehold improvements	883,491	867,259	853,944
	<u>2,382,980</u>	<u>3,372,187</u>	<u>3,293,524</u>
Less: accumulated depreciation and amortization	<u>(2,292,381)</u>	<u>(2,695,317)</u>	<u>(2,286,812)</u>
<b>Total property and equipment - net</b>	<u>90,599</u>	<u>676,870</u>	<u>1,006,712</u>
<b>Other assets:</b>			
Deposits	12,297	245,024	158,620
Trademarks, software and copyrights (net of accumulated amortization of \$1,172,804, \$1,054,565, and \$936,155 respectively)	375,936	405,541	373,272
<b>Total other assets</b>	<u>388,233</u>	<u>650,565</u>	<u>531,892</u>
<b>Total assets</b>	<u><u>\$ 4,377,428</u></u>	<u><u>\$ 6,150,219</u></u>	<u><u>\$ 6,004,348</u></u>
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 170,473	\$ 416,884	\$ 424,818
Accrued salaries, vacation and tax withholdings payable	260,837	224,528	259,758
Current portion of capital leases payable	-	108,600	84,462
Deferred convention revenue	-	517,787	-
<b>Total current liabilities</b>	431,310	1,267,799	769,038
Capital leases payable, less current portion	<u>-</u>	<u>471,949</u>	<u>580,549</u>
<b>Total liabilities</b>	431,310	1,739,748	1,349,587
<b>Unrestricted net assets</b>	<u>3,946,118</u>	<u>4,410,471</u>	<u>4,654,761</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 4,377,428</u></u>	<u><u>\$ 6,150,219</u></u>	<u><u>\$ 6,004,348</u></u>

See accompanying notes to consolidated financial statements.





# Narcotics Anonymous World Services

## Consolidated Statements of Activities

### Exhibit B

	Year Ended		
	June 30, 2010	June 30, 2009	June 30, 2008
Revenues, gains and other support:			
Sales of publications and program materials	\$ 8,995,088	\$ 9,637,023	\$ 8,772,453
Less discounts and cost of sales	<u>2,977,222</u>	<u>3,506,479</u>	<u>2,972,371</u>
Net sales of publications and program materials	6,017,866	6,130,544	5,800,082
Convention registration and other revenue	979,551	103	2,160,006
Fellowship contributions*	643,745	807,761	980,673
Interest	11,306	20,232	61,619
Other	<u>22,963</u>	<u>25,711</u>	<u>84,534</u>
Total revenues, gains and other support	<u>7,675,431</u>	<u>6,984,351</u>	<u>9,086,914</u>
Expenses:			
Literature production and distribution	1,723,056	1,723,036	1,799,998
World Service Conference support	1,982,314	1,576,661	1,917,036
Fellowship development	2,616,805	2,809,963	2,421,720
Events	<u>1,669,827</u>	<u>592,066</u>	<u>3,767,574</u>
	7,992,002	6,701,726	9,906,328
Depreciation and amortization expense	273,548	526,915	355,149
Gain on disposal	<u>(125,766)</u>	<u>-</u>	<u>-</u>
	147,782	526,915	355,149
Total expenses	<u>8,139,784</u>	<u>7,228,641</u>	<u>10,261,477</u>
Change in net assets	(464,353)	(244,290)	(1,174,563)
Unrestricted net assets:			
Beginning of year	<u>4,410,471</u>	<u>4,654,761</u>	<u>5,829,324</u>
End of year	<u>\$ 3,946,118</u>	<u>\$ 4,410,471</u>	<u>\$ 4,654,761</u>

\* Previously referred to as Conference contributions.

See accompanying notes to consolidated financial statements.



**Narcotics Anonymous World Services**  
**Consolidated Statements of Functional Expenses**  
**Exhibit C-1**

Year Ended June 30, 2010

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,026,254	\$ 664,047	\$ 1,026,254	\$ 301,839	\$ 3,018,394
Employee health benefits	126,911	82,119	126,911	37,327	373,268
Retirement contribution	23,780	15,387	23,780	6,994	69,941
Contract labor	2,495	1,615	2,495	734	7,339
Convention expense	-	-	-	1,164,640	1,164,640
Occupancy	177,133	103,973	160,685	47,260	489,051
Travel	-	2,295	-	-	2,295
Conferences	-	425,662	-	-	425,662
Worldwide workshops	-	-	142,412	-	142,412
Telephone	30,809	19,936	30,809	11,812	93,366
Postage	6,786	5,158	6,786	5,602	24,332
Office expense	34,783	22,994	34,783	10,230	102,790
Professional fees	72,821	17,576	27,163	9,569	127,129
Equipment leases	94,052	60,857	94,052	27,662	276,623
Computer expense	47,766	33,364	47,766	34,373	163,269
Insurance	18,560	12,009	18,560	5,459	54,588
Interest expense	25,839	16,719	25,839	7,600	75,997
Developmental literature	-	-	106,762	-	106,762
Free publications	-	43,828	171,212	-	215,040
Free literature	-	458	250,968	-	251,426
Currency conversion	-	-	47,231	(11,336)	35,895
Public Relations	-	-	69,265	-	69,265
Workgroups	5,127	164,517	7,451	-	177,095
World Board	-	270,427	-	-	270,427
Fellowship assistance	-	-	137,486	-	137,486
Website expense	19,154	12,394	19,154	5,634	56,336
Other operating expenses	10,786	6,979	38,981	4,428	61,174
	<u>1,723,056</u>	<u>1,982,314</u>	<u>2,616,805</u>	<u>1,669,827</u>	<u>7,992,002</u>
Depreciation and amortization	93,006	60,180	93,006	27,356	273,548
Gain on disposal	(42,760)	(27,668)	(42,760)	(12,578)	(125,766)
Total expenses	<u>\$ 1,773,302</u>	<u>\$ 2,014,826</u>	<u>\$ 2,667,051</u>	<u>\$ 1,684,605</u>	<u>\$ 8,139,784</u>

See accompanying notes to consolidated financial statements.



**Narcotics Anonymous World Services**  
**Consolidated Statements of Functional Expenses**  
**Exhibit C-2**

Year Ended June 30, 2009

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,004,975	\$ 650,278	\$ 1,004,974	\$ 295,580	\$ 2,955,807
Employee health benefits	128,147	82,919	128,147	37,690	376,903
Retirement contribution	24,991	16,171	24,991	7,350	73,503
Contract labor	1,938	1,254	1,938	24,097	29,227
Convention expense	-	-	-	89,079	89,079
Occupancy	186,848	101,771	157,281	46,260	492,160
Travel	1,457	942	1,457	429	4,285
Conferences	-	43,700	-	-	43,700
Worldwide workshops	-	-	151,907	-	151,907
Telephone	22,008	14,240	22,008	6,929	65,185
Postage	4,068	3,337	4,068	2,197	13,670
Office expense	53,351	34,521	53,350	15,690	156,912
Professional fees	76,967	20,302	31,375	9,228	137,872
Equipment leases	44,232	28,621	44,231	13,009	130,093
Computer expense	32,046	24,848	32,046	9,426	98,366
Insurance	32,832	21,244	32,832	9,655	96,563
Interest expense	55,102	35,654	55,102	16,207	162,065
Developmental literature	-	-	154,296	-	154,296
Free publications	-	51,265	154,678	-	205,943
Free literature	746	616	318,928	219	320,509
Currency Conversion	-	-	42,856	-	42,856
Public Relations	-	-	145,538	-	145,538
Workgroups	22,709	192,515	65,907	-	281,131
World Board	-	232,651	-	-	232,651
Fellowship assistance	-	-	138,182	-	138,182
Website expense	12,569	8,133	12,569	3,712	36,983
Other operating expenses	18,050	11,679	31,302	5,309	66,340
	1,723,036	1,576,661	2,809,963	592,066	6,701,726
Depreciation and amortization	179,151	115,921	179,151	52,692	526,915
Total expenses	<u>\$ 1,902,187</u>	<u>\$ 1,692,582</u>	<u>\$ 2,989,114</u>	<u>\$ 644,758</u>	<u>\$ 7,228,641</u>

See accompanying notes to consolidated financial statements.



**Narcotics Anonymous World Services**  
**Consolidated Statements of Functional Expenses**  
**Exhibit C-3**

Year Ended June 30, 2008

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,027,547	\$ 616,528	\$ 910,112	\$ 381,660	\$ 2,935,847
Employee health benefits	109,538	65,723	97,019	40,685	312,965
Retirement contribution	22,075	13,246	19,552	8,199	63,072
Contract labor	10,331	5,306	7,832	3,284	26,753
Convention expense	-	-	-	3,059,308	3,059,308
Occupancy	175,399	105,239	155,353	65,148	501,139
Travel	8,435	5,302	13,991	3,133	30,861
Conferences	-	538,939	-	-	538,939
Worldwide workshops	10,070	74,499	209,482	-	294,051
Telephone	23,257	14,146	20,599	24,312	82,314
Postage	25,529	15,875	22,611	38,765	102,780
Office expense	53,100	33,615	47,032	19,723	153,470
Professional fees	78,755	17,753	26,207	27,490	150,205
Equipment leases	43,467	26,080	38,499	16,145	124,191
Computer expense	63,820	38,292	56,527	23,705	182,344
Insurance	16,498	9,898	14,612	6,128	47,136
Interest expense	63,381	38,028	56,137	23,541	181,087
Developmental literature	-	-	141,347	-	141,347
Free publications	124	83,571	98,428	-	182,123
Free literature	227	136	141,659	84	142,106
Public relations	-	-	112,729	-	112,729
Workgroups	5,513	10,404	6,870	-	22,787
World Board	-	166,697	-	-	166,697
Fellowship assistance	-	-	159,375	-	159,375
Website expense	30,275	18,165	26,815	11,248	86,503
Other operating expenses	32,657	19,594	38,932	15,016	106,199
	<u>1,799,998</u>	<u>1,917,036</u>	<u>2,421,720</u>	<u>3,767,574</u>	<u>9,906,328</u>
Depreciation and amortization	<u>124,303</u>	<u>74,581</u>	<u>110,096</u>	<u>46,169</u>	<u>355,149</u>
Total expenses	<u>\$ 1,924,301</u>	<u>\$ 1,991,617</u>	<u>\$ 2,531,816</u>	<u>\$ 3,813,743</u>	<u>\$ 10,261,477</u>

See accompanying notes to consolidated financial statements.



## Narcotics Anonymous World Services Consolidated Statements of Cash Flows Exhibit D

	Year Ended		
	June 30, 2010	June 30, 2009	June 30, 2008
Cash flows from operating activities:			
Change in net assets	\$ (464,353)	\$ (244,290)	\$ (1,174,563)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	273,548	526,915	355,149
Gain on disposition of capitalized leases	32,665	-	-
(Increase) decrease in assets:			
Accounts receivable	152,606	(12,851)	(189,156)
Publication inventory	106,740	(339,871)	26,896
Prepaid expenses	(74,326)	81,468	(23,603)
Deposits	232,727	(86,404)	338,609
Increase (decrease) in liabilities:			
Accounts payable	(246,411)	(7,934)	(110,722)
Accrued salaries and withholdings payable	36,309	(35,230)	1,724
Deferred convention revenue	(517,787)	517,787	(1,041,561)
Net cash provided (used) by operating activities	<u>(468,282)</u>	<u>399,590</u>	<u>(1,817,227)</u>
Cash flows from investing activities:			
Purchases of investments	(11,307)	(20,232)	(46,481)
Proceeds from the sale of investments	228,081	313,165	-
Purchases of property and equipment	(36,471)	(65,348)	(167,719)
Purchases of leasehold improvements	(17,769)	(13,315)	(21,648)
Payments to secure copyrights and trademarks and purchase software	<u>(61,378)</u>	<u>(150,679)</u>	<u>(111,653)</u>
Net cash provided (used) by investing activities	<u>101,156</u>	<u>63,591</u>	<u>(347,501)</u>
Cash flows from financing activities:			
Repayment of capital lease obligations	<u>(55,717)</u>	<u>(84,462)</u>	<u>(76,239)</u>
Net increase (decrease) in cash and cash equivalents	(422,843)	378,719	(2,240,967)
Cash and cash equivalents:			
Beginning of year	<u>1,812,506</u>	<u>1,433,787</u>	<u>3,674,754</u>
End of year	<u>\$ 1,389,663</u>	<u>\$ 1,812,506</u>	<u>\$ 1,433,787</u>

Supplemental disclosures of cash flow information:

Interest paid during the years ended June 30, 2010, 2009 and 2008 amounted to \$75,997, 162,065, and \$181,087, respectively.

In the year ended June 30, 2010, leased equipment with a net book value of \$399,066 was replaced and the related lease obligations, totaling \$544,084, were terminated.

See accompanying notes to consolidated financial statements.



# Notes to Consolidated Financial Statement

## Independent Auditors' Report Years Ended June 2010, 2009, and 2008

### **NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

Narcotics Anonymous World Services, Inc. (NAWS) was incorporated on January 25, 1977 and is headquartered in Chatsworth, California. In addition, NAWS operates a literature distribution facility in Toronto, Canada and offices in Brussels, Belgium, and Iran. NAWS is a not-for-profit organization that 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 NAWS and the Trust are not private foundations 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 U.S. generally accepted accounting principles (GAAP) not-for-profit organizations are required to report information regarding 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 June 30, 2010, 2009 and 2008, NAWS held no temporarily or permanently restricted net assets.

#### **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 reported at fair value. Investments include certificates of deposit, money market funds and government securities. See Note 5.

#### **E. Publication Inventory**

Publications and other items held 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.

#### **F. Property and Equipment**

Leasehold improvements and furniture and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs that 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 June 30, 2010, 2009, and 2008 amounted to \$72,391, \$408,680 and \$276,493, 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 June 30, 2010, 2009 and 2008 amounted to \$101,606, \$118,235 and \$78,656, 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, Europe and the Middle East 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.

#### **K. Functional Allocation of Expenses**

Based on estimates developed by management, 2010, 2009, and 2008 program service costs totaled \$7,325,806, \$6,505,777 and \$9,235,329, management and general costs totaled \$813,978, \$722,864, and \$1,026,148, respectively.

### **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 deferrals of up to 5% of compensation based on the employee's number of years of service. NAWS contributions totaled \$69,941, \$73,503 and, \$63,072 for the years ended June 30, 2010, 2009 and 2008, respectively.

### **NOTE 4 – OPERATING AND CAPITAL LEASES**

NAWS has entered into capital lease agreements for the use of office equipment. These agreements were terminated and the equipment retired during 2010. The total value of the equipment under capital leases as of June 30, 2009 and 2008 was \$776,560 and \$776,560, respectively. Replacement equipment was obtained under a new agreement, which is treated as an operating lease in the accounting records. NAWS leases additional equipment and facilities under various operating leases.





The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2010:

**Year ending 30 June**

2011	\$ 617,181
2012	618,550
2013	601,997
2014	592,137
2015	601,415
Thereafter	<u>514,1803</u>
Total minimum payment required	<u>\$3,546,083</u>

Total payments made under the leases during the years ended June 30, 2010, 2009 and 2008 were \$746,935, \$700,956 and \$737,135 respectively.

## NOTE 5 – INVESTMENTS

GAAP establishes a fair value hierarchy that prioritizes valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market:

**Level 1** – Inputs are quoted prices in an active market.

**Level 2** – Inputs are based on quoted prices for similar instruments and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.

**Level 3** – Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

The following tables summarize investments based on the inputs used to value them, as required by GAAP for periods ending after November 15, 2008:

	<u>June 30, 2010</u>			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 109,014	\$ –	\$ –	\$ 109,014
Certificates of Deposit	–	–	455,791	455,791
US Government and Government Agency obligations	–	13,222	–	13,222
Equities	1,569	–	–	1,569
	<u>\$ 110,583</u>	<u>\$ 13,222</u>	<u>\$ 455,791</u>	<u>\$ 579,596</u>

	<u>June 30, 2009</u>			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 364,105	\$ –	\$ –	\$ 364,105
Certificates of Deposit	–	–	415,336	415,336
US Government and Government Agency obligations	–	16,228	–	16,228
Equities	701	–	–	701
	<u>\$ 364,806</u>	<u>\$ 16,228</u>	<u>\$ 415,336</u>	<u>\$ 796,370</u>

The following table reconciles the beginning and ending fair value of the Plan's Level 3 investments:



	Year Ended	
	June 30, 2010	June 30, 2009
Balance, 1 July	\$ 415,336	712,775
Purchases/Accrued Interest	12,178	12,325
Sales/Maturities	28,277	(309,764)
Balance, 30 June	<u>\$ 455,791</u>	<u>415,336</u>

Level 1 investments comprise equities and money market funds traded daily on an active exchange. Level 2 investments consist of government obligations valued based on trade prices for similar securities. Level 3 investments are certificates of deposit reported at cost, which approximates fair value.

## NOTE 6 – CONCENTRATIONS OF CREDIT RISK

NAWS places its cash and cash equivalents with high quality financial institutions. Cash in U.S. banks was fully covered by the Federal Deposit Insurance Corporation (FDIC). Cash in Canadian accounts is insured up to \$100,000 (Canadian) per bank by CDIC. Cash in other foreign accounts is not insured by the FDIC and totaled approximately \$591,316 as of June 30, 2010.

At June 30, 2010, deposits at banks in Iran and Malaysia were approximately \$268,000 and \$50,000, respectively. The Malaysian account is in the name of a NAWS employee, who resides in Iran. At certain times during the year ended June 30, 2010, Iranian funds were transferred to this particular employee's personal account.

Assets reported in the statement of financial position include cash of approximately \$311,000 and publication inventory of approximately \$400,000 at the Iranian office. Due to current relations between Iran and the United States, it is unlikely that NAWS could transfer such assets out of Iran; accordingly their use is limited to Iranian operations.

## NOTE 7 – EMPLOYMENT CONTRACT

NAWS has entered into an employment agreement with its Executive Director. The agreement provides for compensation and benefits and expires on December 31, 2013. Should the agreement be terminated by NAWS, certain amounts would be payable to the Executive Director as defined in the agreement.

## NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2010, the date these financial statements were available to be issued. There were no other material subsequent events that require recognition or additional disclosure in these financial statements.