



Narcotics Anonymous World Services
Consolidated Statement of Financial Position
 Balance Sheet – For the Twelve Months Ending 30 June 2012

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	
Checking Accounts and Money Market	\$1,052,503
Reserve Accounts	836,668
Total Accessable Cash for Operations	\$1,889,171
Cash in Iran	234,124
Reserve for WCNA	0
Cash Total	\$2,123,295
Accounts Receivable	
Accounts Receivable	\$970,880
Convention & Conference Clearing Accounts	7,126
Less Allowance for Doubtful Accounts	(116,848)
Receivable Total	861,158
Inventory	1,190,730
Prepaid Expenses and Sales Deposits	164,153
WCNA Deposits and Prepaid Expenses	12,500
Total Current Assets	\$4,351,837
EQUIPMENT, FURNITURE AND IMPROVEMENTS	
Equipment and Furniture	\$1,244,327
Leasehold Improvements	911,641
Intellectual and Software Property	1,678,649
Less Accumulated Depreciation and Amortization	(3,290,580)
Total Equipment, Furniture and Improvements	544,037
TOTAL ASSETS	\$4,895,873
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$232,545
Accrued Payroll Expense	181,832
Total Current Liabilities	\$414,377
LONG TERM LIABILITIES	
Notes Payable	\$0
Leases Payable	\$0
Total Long Term Liabilities	0
DEFERRED INCOME	
Conventions	\$0
Total Deferred Income	0
NET ASSETS	
Previous Unrestricted Net Assets	\$4,480,024
Current Gain / (Loss) Unrestricted Net Assets	1,473
Total Net Assets	4,481,496
TOTAL LIABILITIES AND NET ASSETS	\$4,895,873



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2012

	<u>YTD ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
INCOME			
RECOVERY LITERATURE INCOME			
BASIC TEXT: Hardcover English	\$1,989,628	\$3,059,138	(\$1,069,510)
BASIC TEXT: Translated	255,289	175,881	79,408
BASIC TEXT: Softcover	869,049	766,947	102,102
JUST FOR TODAY	850,145	909,993	(59,848)
IT WORKS: HOW & WHY	606,864	688,735	(81,871)
SPONSORSHIP BOOK	29,478	48,686	(19,208)
STEP WORKING GUIDES	675,523	741,529	(66,006)
LITERATURE INCOME (IRAN)	579,508	1,066,058	(486,550)
OTHER RECOVERY LITERATURE	1,308,575	1,573,531	(264,956)
Subtotal	\$7,164,059	\$9,030,498	(\$1,866,439)
OTHER INVENTORY INCOME			
MEDALLIONS	\$757,046	\$755,940	\$1,106
KEY TAGS & CHIPS	1,116,902	1,150,741	(33,839)
NON-FIPT INFORMATION BOOKLETS	63,614	89,367	(25,753)
HANDBOOKS	52,466	60,821	(8,355)
SPECIALTY ITEMS	86,878	44,656	42,222
AUDIO MATERIALS	264	2,036	(1,772)
GROUP/AREA MATERIALS	227,889	130,488	97,401
MIRACLES HAPPEN	37,498	41,275	(3,777)
Subtotal	\$2,342,557	\$2,275,324	\$67,233
SHIPPING	\$489,049	\$492,645	(\$3,596)
DISCOUNTS	(1,244,441)	(1,492,840)	248,399
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(171,838)	(209,468)	37,630
Subtotal	(\$927,230)	(\$1,209,663)	\$282,433
Gross Literature Income (less discounts)	\$8,579,386	\$10,096,160	(\$1,516,774)
Gross Literature Income (without IRAN)	7,999,878	9,030,101	(1,030,223)
RECOVERY LITERATURE COST OF GOODS			
BASIC TEXT: Hardcover English	\$388,902	\$536,346	(\$147,444)
BASIC TEXT: Translated	38,441	30,799	7,642
BASIC TEXT: Softcover	116,091	111,541	4,550
JUST FOR TODAY	93,382	95,953	(2,571)
IT WORKS: HOW & WHY	101,710	107,069	(5,359)
SPONSORSHIP BOOK	6,043	11,432	(5,389)
STEP WORKING GUIDES	83,391	101,211	(17,820)
LITERATURE PRODUCTION (IRAN)	385,688	714,787	(329,099)
OTHER RECOVERY LITERATURE	204,148	311,743	(107,595)
Subtotal	\$1,417,796	\$2,020,881	(\$603,085)



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2012

	<i>YTD ACTUAL</i>	<i>BUDGET</i>	<i>VARIANCE</i>
OTHER INVENTORY COST OF GOODS			
MEDALLIONS	\$166,461	\$167,955	(\$1,494)
KEY TAGS & CHIPS	237,759	248,337	(10,578)
NON-FIPT INFORMATION BOOKLETS	18,141	12,723	5,418
HANDBOOKS	18,387	18,747	(360)
SPECIALTY ITEMS	31,763	12,812	18,951
AUDIO MATERIALS	295	542	(247)
GROUP/AREA MATERIALS	58,448	36,917	21,531
MIRACLES HAPPEN	5,283	4,245	1,038
INVENTORY ADJUSTMENT	0	0	0
Subtotal	\$536,537	\$502,279	\$34,258
Total Cost of Goods	\$1,954,333	\$2,523,159	(\$568,826)
Total Cost of Goods without IRAN	1,568,645	1,808,372	(239,727)
Net Literature Income	\$6,625,053	\$7,573,000	(\$947,947)
Net Literature Income without IRAN	6,431,233	7,221,730	(790,497)
FELLOWSHIP DONATIONS			
BREAKDOWN BY DONOR TYPE			
Members	\$44,365	\$11,487	\$32,878
Groups	76,307	70,111	6,196
Areas	119,983	137,872	(17,889)
Regions	334,701	515,627	(180,926)
Events/Conventions	20,179	33,196	(13,017)
Unity Day	20,872	19,498	1,374
Zonal & Other Forums	50,453	3,373	47,080
Total Donations	\$666,860	\$791,164	(\$124,304)
MISCELLANEOUS INCOME			
LICENSED VENDOR PAYMENTS	\$20,150	\$25,245	(\$5,095)
INTEREST	6,740	14,280	(7,540)
MISCELLANEOUS	(2,919)	0	(2,919)
INTERBRANCH	0	0	0
Total Miscellaneous Income	\$23,971	\$39,525	(\$15,554)
OPERATING INCOME (Not including event specific)	\$7,315,884	\$8,403,689	(\$1,087,805)
OPERATING INCOME (Not including IRAN)	7,122,064	8,052,419	(930,355)



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2012

	<i>YTD ACTUAL</i>	<i>BUDGET</i>	<i>VARIANCE</i>
EXPENSE			
LITERATURE PRODUCTION & DISTRIBUTION			
FIXED OPERATIONAL EXPENSES			
MARKETING	\$2,096	\$71,371	(\$69,275)
IN HOUSE PRODUCTION (not included in Cost of Goods)	71,747	59,307	12,440
TRANSLATIONS (not included in Cost of Goods)	30,530	70,071	(39,541)
LITERATURE DISTRIBUTION (IRAN)	124,417	37,385	87,032
SHIPPING	573,422	521,220	52,202
BUSINESS PLAN WORK GROUP	\$5,239	\$19,057	(\$13,818)
LEGAL	3,314	19,204	(15,890)
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	4,127	10,000	(5,873)
ACCOUNTING	14,075	12,674	1,401
PERSONNEL (Includes amount budgeted to variable projects)	1,159,736	1,162,329	(2,593)
OVERHEAD	493,009	574,319	(81,310)
TECHNOLOGY	109,529	44,584	64,945
Total Literature Production & Distribution	\$2,591,241	\$2,601,521	(\$10,280)
Total Literature Production & Distribution without IRAN	2,466,824	2,564,136	(97,312)
WORLD SERVICE CONFERENCE SUPPORT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$22,156	\$47,362	(\$25,206)
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	461,705	433,000	28,705
WORLD BOARD	242,961	248,171	(5,210)
HUMAN RESOURCE PANEL	16,639	14,239	2,400
WSC CO-FACILITATOR	2,251	4,040	(1,789)
ACCOUNTING	9,107	8,201	906
PERSONNEL (Includes amount budgeted to variable projects)	750,417	752,095	(1,678)
OVERHEAD	319,759	371,618	(51,859)
TECHNOLOGY	73,950	28,849	45,101
Subtotal	\$1,898,945	\$1,907,575	(\$1,907,575)
VARIABLE OPERATIONAL EXPENSES			
LEADERSHIP ORIENTATION MATERIAL	0	10,000	(10,000)
FELLOWSHIP ISSUE DISCUSSIONS	0	12,500	(12,500)
SERVICE SYSTEM	5,773	75,000	(69,227)
BOOK LENGTH PIECE - TRADITIONS	0	0	0
MEMBER EXPERIENCE PROJECT	0	2,000	(2,000)
FINISHED WSC PROJECTS	0	5,000	(5,000)
Subtotal	\$5,773	\$104,500	(\$98,727)
Total World Service Conference Support	\$1,904,718	\$2,012,075	(\$107,357)



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2012

	<i>YTD ACTUAL</i>	<i>BUDGET</i>	<i>VARIANCE</i>
FELLOWSHIP DEVELOPMENT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$70,003	\$170,269	(\$100,266)
FELLOWSHIP SUPPORT	226,434	346,882	(120,448)
PUBLIC RELATIONS	57,800	127,021	(69,221)
DEVELOPMENTAL LITERATURE	317,716	426,252	(108,536)
ARCHIVES & INFORMATION MANAGEMENT	0	9,180	(9,180)
ACCOUNTING	14,075	12,674	1,401
PERSONNEL (Includes amount budgeted to variable projects)	1,159,736	1,162,329	(2,593)
OVERHEAD	564,010	574,319	(10,309)
TECHNOLOGY	109,529	44,584	64,945
Subtotal	\$2,519,303	\$2,873,510	(\$354,207)
VARIABLE OPERATIONAL EXPENSES			
PUBLIC RELATIONS DEVELOPMENT	\$562	\$43,000	(\$42,438)
SERVICE MATERIALS	0	16,250	(16,250)
Subtotal	\$562	\$59,250	(\$58,688)
Total Fellowship Development	\$2,519,865	\$2,932,760	(\$412,895)
EVENTS			
FIXED OPERATIONAL EXPENSES			
FUTURE (AND PRIOR) CONVENTIONS	\$43,417	\$49,335	(\$5,918)
LEGAL	0	0	0
ACCOUNTING	4,140	3,728	412
PERSONNEL (Includes amount budgeted to variable projects)	341,099	341,862	(763)
OVERHEAD	149,258	168,917	(19,659)
TECHNOLOGY	32,214	13,113	19,101
Total Events (Not including event specific)	\$570,128	\$576,955	(\$6,827)
TOTAL EXPENSE (Not including event specific)	\$7,585,952	\$8,123,312	(\$537,360)
TOTAL EXPENSE (Not including IRAN)	\$7,461,535	\$8,085,927	(\$624,392)
EXCESS REV/EXP (Not including event specific)	(\$270,068)	\$280,377	(\$550,445)
EXCESS REVENUE/EXPENSE (Not including IRAN)	(339,471)	(33,508)	(305,963)



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2012

	<u>YTD ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
EVENT SPECIFIC			
EVENT SPECIFIC INCOME			
WCNA-34 INCOME			
REGISTRATION	\$1,106,874	\$1,213,000	(\$106,126)
SPECIAL EVENTS	483,270	754,500	(271,230)
NEWCOMER DONATIONS	28,282	0	28,282
MERCHANDISE	620,837	674,120	(53,283)
OTHER SALES	44,638	165,000	(120,362)
REBATES	6,020	0	6,020
Total Event Specific Income	\$2,289,921	\$2,806,620	(\$516,699)
EVENT SPECIFIC EXPENSE			
WCNA-34 EXPENSE			
REGISTRATION	\$368,938	\$514,900	(\$145,962)
SPECIAL EVENTS	420,732	558,600	(137,868)
PROGRAM	287,365	275,650	11,715
MERCHANDISE	548,060	474,812	73,248
FACILITIES	174,732	484,000	(309,268)
SUPPORT COMMITTEE	11,225	23,150	(11,925)
ADMINISTRATION	207,326	189,450	17,876
Total Event Specific Expense	\$2,018,378	\$2,520,562	(\$502,184)
Total Event Specific Excess Revenue/Expense	\$271,543	\$286,058	(\$14,515)
INCREASE (DECREASE) NET ASSETS	\$1,475	\$566,435	(\$564,960)
INCREASE (DECREASE) without IRAN	(\$67,928)	\$252,550	(\$320,478)



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CERTIFIED PUBLIC ACCOUNTANTS SINCE 1941

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, 2012, 2011 and 2010, 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 did not audit the financial statements of Payam Omega, (the official business name of the Iran service office) as of June 30, 2012 and 2011 and for the years then ended, which statements reflect total assets of \$580,651 and \$1,122,502 as of June 30, 2012 and 2011, respectively, and total revenues of \$193,820 and \$328,950, respectively, for the years then ended. Except as explained in the third paragraph, those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Payam Omega, is based solely on the report of the other auditors.

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 audit 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 that our audits and the report of the other auditors provide a reasonable basis for our opinion.

The opinion of the other auditors on the June 30, 2012 and 2011 financial statements of Payam Omega was qualified because they were not able to obtain information to support inventory in the amount of \$317,021 as of June 30, 2012 and \$492,185 as of June 30, 2011, and net assets of \$171,708 as of June 30, 2010.

In our opinion, based on our audits and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the other auditors been able to satisfy themselves as to Payam Omega's inventory as of June 30, 2012 and 2011 and net assets as of June 30, 2010, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Narcotics Anonymous World Services, Inc. as of June 30, 2012, 2011 and 2010 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 LLP
MILLER KAPLAN ARASE LLP

February 25, 2013

Mannon Kaplan, CPA
George Nadel Rivlin, CPA
Edwin Kanemaru, CPA
Kenneth R. Holmner, CPA
Douglas S. Waite, CPA
Donald G. Barrett, CPA
Catherine C. Gardner, CPA
Jeffrey L. Goss, CPA
Richard DeFronzo, JD
Joanna Bolsky, CPA
Ronald D. Chandler, CPA
Michael G. Kaplan, CPA
Michael J. Quackenbush, CPA
Edmond Avness, CPA
Crane Curran, CPA
Brian J. Harris, CPA
Gregory E. Klein, CPA
Linda Becker, MBA
Andrew B. Koski, MBA
Grant K. Miller, CPA
Barbara Kogen, CPA
Kerri B. Cohen, CPA

Stanley L. Miller, CPA (1921-95)
Paul Arase, CPA (Retired)

Los Angeles
4123 Lankershim Boulevard
North Hollywood, CA 91602
Tel: 818.769.2010

San Francisco
44 Montgomery Street
Suite 3701
San Francisco, CA 94104
Tel: 415.956.3600

Seattle
1700 7th Avenue
Suite 2100
Seattle, WA 98101
Tel: 206.826.7180

Portland
1200 NW Marshall Street
Suite 812
Portland, OR 97209
Tel: 971.255.0546

Las Vegas
330 East Warm Springs Road
Las Vegas, NV 89119
Tel: 702.315.4213

 **BAKER TILLY**
INTERNATIONAL



Narcotics Anonymous World Services
Consolidated Statements of Financial Position
Exhibit A

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,745,407	\$ 2,647,954	\$ 1,399,126
Investments - at fair value	385,014	386,073	470,582
Accounts receivable (net of allowance for uncollectible accounts of \$116,848, \$106,239, and \$84,512, respectively)	854,032	1,073,696	761,307
Publication inventory	1,190,730	1,378,442	1,111,155
Prepaid expenses	<u>175,106</u>	<u>220,245</u>	<u>156,426</u>
Total current assets	<u>4,350,289</u>	<u>5,706,410</u>	<u>3,898,596</u>
Property and equipment:			
Furniture and equipment	1,244,327	1,200,797	1,499,489
Leasehold improvements	<u>911,641</u>	<u>889,860</u>	<u>883,491</u>
	2,155,968	2,090,657	2,382,980
Less: accumulated depreciation and amortization	<u>(1,984,515)</u>	<u>(1,940,180)</u>	<u>(2,292,381)</u>
Total property and equipment - net	<u>171,453</u>	<u>150,477</u>	<u>90,599</u>
Other assets:			
Deposits	1,547	429,536	12,297
Trademarks, software and copyrights (net of accumulated amortization of \$1,306,064, \$1,223,363, and \$1,172,804, respectively)	<u>372,584</u>	<u>354,973</u>	<u>375,936</u>
Total other assets	<u>374,131</u>	<u>784,509</u>	<u>388,233</u>
Total assets	<u><u>\$ 4,895,873</u></u>	<u><u>\$ 6,641,396</u></u>	<u><u>\$ 4,377,428</u></u>
Liabilities and net assets			
Current Liabilities:			
Accounts payable	\$ 232,545	\$ 739,196	\$ 170,473
Accrued salaries, vacation and tax withholdings payable	181,832	221,540	260,837
Deferred convention revenue	<u>-</u>	<u>1,200,624</u>	<u>-</u>
Total current liabilities	414,377	2,161,360	431,310
Unrestricted net assets	<u>4,481,496</u>	<u>4,480,036</u>	<u>3,946,118</u>
Total liabilities and net assets	<u><u>\$ 4,895,873</u></u>	<u><u>\$ 6,641,396</u></u>	<u><u>\$ 4,377,428</u></u>

See accompanying notes to consolidated financial statements.



**Narcotics Anonymous World Services
Consolidated Statements of Activities
Exhibit B**

	Years Ended		
	June 30, 2012	June 30, 2011	June 30, 2010
Revenues, gains and other support:			
Sales of publications and program materials	\$ 8,581,430	\$ 9,411,732	\$ 8,995,088
Less: discounts and cost of sales	2,729,082	3,609,186	2,977,222
Net sales of publications and program materials	5,852,348	5,802,546	6,017,866
Convention registration and other revenue	2,289,960	-	979,551
Fellowship contributions	666,859	742,144	643,745
Interest	6,740	6,200	11,306
Other	21,611	29,049	22,963
Total revenues, gains and other support	8,837,518	6,579,939	7,675,431
Expenses:			
Literature production and distribution	1,782,572	1,783,768	1,723,056
World Service Conference support	1,865,846	1,447,619	1,982,314
Fellowship development	2,410,368	2,279,236	2,616,805
Events	2,622,409	471,733	1,669,827
	8,681,195	5,982,356	7,992,002
Depreciation and amortization expense	150,334	63,665	273,548
Gain (loss) on disposal of fixed assets	4,529	-	(125,766)
	154,863	63,665	147,782
Total expenses	8,836,058	6,046,021	8,139,784
Change in net assets	1,460	533,918	(464,353)
Unrestricted net assets:			
Beginning of year	4,480,036	3,946,118	4,410,471
End of year	\$ 4,481,496	\$ 4,480,036	\$ 3,946,118

See accompanying notes to consolidated financial statements.



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

	Year Ended June 30, 2012				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 970,220	\$ 627,790	\$ 970,220	\$ 336,888	\$ 2,905,118
Employee health benefits	131,903	85,349	131,903	38,794	387,949
Retirement contribution	22,775	14,736	22,775	6,698	66,984
Contract labor	2,047	1,326	2,047	602	6,022
Convention expense	-	-	-	2,061,836	2,061,836
Occupancy	221,474	143,306	221,474	65,139	651,393
Travel	1,091	2,958	1,207	321	5,577
Conferences	-	478,344	-	-	478,344
Worldwide workshops	-	-	85,920	-	85,920
Telephone	32,741	21,185	32,741	9,630	96,297
Postage	5,778	4,570	6,518	5,991	22,857
Office expense	31,661	20,486	31,661	9,312	93,120
Professional fees	85,075	15,463	23,898	7,029	131,465
Equipment leases	145,072	93,870	145,072	42,669	426,683
Computer expense	68,020	47,091	68,020	20,006	203,137
Insurance	20,650	13,361	20,650	6,074	60,735
Interest expense	1,092	706	1,092	321	3,211
Developmental literature	-	-	58,083	-	58,083
Free publications	-	22,155	70,003	-	92,158
Free literature	-	-	185,594	-	185,594
Currency conversion	-	-	70,266	-	70,266
Public relations	-	-	60,226	-	60,226
Workgroups	5,239	5,773	69	-	11,081
World board	-	242,961	-	-	242,961
Fellowship assistance	-	-	128,256	-	128,256
Website expense	26,886	17,397	26,886	7,908	79,077
Other operating expenses	10,848	7,019	45,787	3,191	66,845
	<u>1,782,572</u>	<u>1,865,846</u>	<u>2,410,368</u>	<u>2,622,409</u>	<u>8,681,195</u>
Depreciation and amortization	51,114	33,073	51,114	15,033	150,334
Loss on disposal	1,540	996	1,540	453	4,529
Total expenses	<u>\$ 1,835,226</u>	<u>\$ 1,899,915</u>	<u>\$ 2,463,022</u>	<u>\$ 2,637,895</u>	<u>\$ 8,836,058</u>

See accompanying notes to consolidated financial statements.



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

	Year Ended June 30, 2011				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,018,222	\$ 625,479	\$ 989,129	\$ 276,375	\$ 2,909,205
Employee health benefits	134,915	82,876	131,060	36,619	385,470
Retirement contribution	21,185	13,014	20,580	5,750	60,529
Contract labor	727	446	706	197	2,076
Convention expense	-	-	-	13,524	13,524
Occupancy	206,889	106,298	168,099	46,968	528,254
Travel	45	303	43	12	403
Conferences	-	7,826	-	-	7,826
Worldwide workshops	-	-	51,496	-	51,496
Telephone	30,051	18,460	29,193	8,156	85,860
Postage	7,516	5,335	7,300	3,540	23,691
Office expense	23,738	14,583	23,060	6,444	67,825
Professional fees	75,305	16,221	25,651	7,167	124,344
Equipment leases	149,129	91,608	144,869	40,478	426,084
Computer expense	46,770	30,846	45,434	12,694	135,744
Insurance	23,453	14,407	22,783	6,366	67,009
Developmental literature	-	-	77,812	-	77,812
Free publications	-	15,013	91,368	-	106,381
Free literature	-	-	240,140	-	240,140
Currency conversion	(14,729)	(9,048)	25,243	(3,998)	(2,532)
Public relations	-	-	72,862	-	72,862
Workgroups	18,397	217,221	601	-	236,219
World board	-	170,834	-	-	170,834
Fellowship assistance	-	-	28,988	-	28,988
Website expense	30,398	18,673	29,530	8,251	86,852
Other operating expenses	11,757	7,224	53,289	3,190	75,460
	1,783,768	1,447,619	2,279,236	471,733	5,982,356
Depreciation and amortization	22,283	13,688	21,646	6,048	63,665
Total expenses	\$ 1,806,051	\$ 1,461,307	\$ 2,300,882	\$ 477,781	\$ 6,046,021

See accompanying notes to consolidated financial statements.



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

	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 Cash Flows Exhibit D

	Years Ended		
	June 30, 2012	June 30, 2011	June 30, 2010
Cash flows from operating activities:			
Change in net assets	\$ 1,460	\$ 533,918	\$ (464,353)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	150,334	63,665	273,548
(Gain) loss on disposal of fixed assets	4,529	-	(125,766)
(Increase) decrease in assets:			
Accounts receivable	219,664	(312,389)	152,606
Publication inventory	187,712	(267,287)	106,740
Prepaid expenses	45,139	(63,819)	(74,326)
Deposits	427,989	(417,239)	232,727
Increase (decrease) in liabilities:			
Accounts payable	(506,651)	568,723	(246,411)
Accrued salaries and withholdings payable	(39,708)	(39,297)	36,309
Deferred convention revenue	(1,200,624)	1,200,624	(517,787)
Net cash provided (used) by operating activities	(710,156)	1,266,899	(626,713)
Cash flows from investing activities:			
Purchases of investments	(441,095)	(22,019)	(11,307)
Proceeds from the sale of investments	442,154	106,528	395,975
Purchases of property and equipment	(71,007)	(47,513)	(36,471)
Purchases of leasehold improvements	(22,130)	(6,370)	(17,769)
Payments to secure copyrights and trademarks and purchase software	(100,313)	(48,697)	(61,378)
Net cash provided (used) by investing activities	(192,391)	(18,071)	269,050
Cash flows from financing activities -			
Repayment of capital lease obligations	-	-	(55,717)
Net increase (decrease) in cash and cash equivalents	(902,547)	1,248,828	(413,380)
Cash and cash equivalents:			
Beginning of year	2,647,954	1,399,126	1,812,506
End of year	\$ 1,745,407	\$ 2,647,954	\$ 1,399,126

Supplemental disclosures of cash flow information:

Interest paid during the years ended June 30, 2012, 2011 and 2010 amounted to \$3,211, \$0, and \$75,997, 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.



Notes to Consolidated Financial Statement

Independent Auditors' Report Years Ended June 2012, 2011, and 2010

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' Iranian service office is known as Payam Omega. 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 from income tax under Section 501(c)(3) of the Internal Revenue Code and the 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, 2012, 2011 and 2010, NAWS held no temporarily or permanently restricted net assets.

C. Cash and Cash Equivalents

NAWS considers all funds held in checking, savings and money market accounts to be cash and cash equivalents. Short term investments with initial maturities of 30 days or less are also considered cash equivalent.

D. Investments

NAWS investments are reported at fair value. Investments include certificates of deposit, equities 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.



NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012, 2011, and 2010 amounted to \$67,633, \$13,106 and \$171,942, respectively.

G. Trademarks and Copyrights

The cost of acquiring and defending copyrights and trademarks is capitalized and is 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, 2012, 2011 and 2010 amounted to \$82,701, \$50,559 and \$101,606, 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, 2012, 2011, and 2010 program service costs totaled \$7,952,452, \$5,441,419 and \$7,325,806, management and general costs totaled \$883,606, \$604,602 and \$813,978, respectively.

L. Tax Status

NAWS has adopted guidance on accounting for uncertainty in income taxes issued by the Financial Accounting Standards Board. Management believes that NAWS has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Information returns for years subsequent to June 30, 2008 (2007 for state returns) are subject to examination by authorities.



NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Reclassifications

Certain 2010 and 2011 amounts have been reclassified to conform to the 2012 presentation.

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 \$66,984, \$60,529 and \$69,941 for the years ended June 30, 2012, 2011 and 2010, respectively.

NOTE 4 - OPERATING AND CAPITAL LEASES

NAWS has entered into capital lease agreements for the use of office equipment. The total value of the equipment under capital leases as of June 30, 2009 was \$776,560. These agreements were terminated and the equipment retired during 2010. 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, 2012:

<u>Year ending June 30,</u>	
2013	\$ 825,641
2014	815,781
2015	825,059
2016	573,373
2017	384,316
Thereafter	<u>367,479</u>
Total minimum payments required	<u>\$ 3,791,649</u>

Total payments made under the leases during the years ended June 30, 2012, 2011 and 2010 were \$720,697, \$655,245 and \$746,935 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 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.

NOTE 5 - INVESTMENTS (Continued)

The following tables summarize investments based on the inputs used to value them:

June 30, 2012				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 372,390	\$ 372,390
U.S. Government and Government Agency obligations	-	7,863	-	7,863
Equities	4,761	-	-	4,761
	<u>\$ 4,761</u>	<u>\$ 7,863</u>	<u>\$ 372,390</u>	<u>\$ 385,014</u>
June 30, 2011				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 372,105	\$ 372,105
U.S. Government and Government Agency obligations	-	9,371	-	9,371
Equities	4,597	-	-	4,597
	<u>\$ 4,597</u>	<u>\$ 9,371</u>	<u>\$ 372,105</u>	<u>\$ 386,073</u>
June 30, 2010				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 455,791	\$ 455,791
U.S. Government and Government Agency obligations	-	13,222	-	13,222
Equities	1,569	-	-	1,569
	<u>\$ 1,569</u>	<u>\$ 13,222</u>	<u>\$ 455,791</u>	<u>\$ 470,582</u>

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

	Years Ended		
	June 30, 2012	June 30, 2011	June 30, 2010
Balance, July 1	\$ 372,105	\$ 455,791	\$ 415,338
Purchases/accrued interest	440,479	12,315	12,178
Sales/maturities	(440,194)	(96,001)	28,277
Balance, June 30	<u>\$ 372,390</u>	<u>\$ 372,105</u>	<u>\$ 455,791</u>

Level 1 investments comprise equities 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. Cash in other foreign accounts is not insured by the FDIC and totaled approximately \$350,000 as of June 30, 2012.

Assets reported in the statement of financial position as of June 30, 2012 include cash of approximately \$234,000 and publication inventory of approximately \$317,000 at Payam Omega. 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 February 25, 2013, the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure in these financial statements.