



Narcotics Anonymous World Services Consolidated Statement of Financial Position

Balance Sheet – 30 June 2007

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents		
Checking Accounts	\$2,575,138	
Reserve Accounts	<u>1,980,458</u>	\$4,555,597
Accounts Receivable		
Accounts Receivable	\$774,349	
Convention & Sales Deposits Clearing	(26,188)	
Less Allowance for Doubtful Accounts	<u>(62,442)</u>	685,719
Inventory		904,920
Prepaid Expenses		<u>825,362</u>
Total Current Assets		\$6,971,597

EQUIPMENT, FURNITURE AND IMPROVEMENTS

Equipment and Furniture	\$2,270,691	
Leasehold Improvements	833,466	
Intellectual and Software Property	1,197,774	
Less Accumulated Depreciation and Amortization	<u>(2,867,818)</u>	
Total Equipment, Furniture and Improvements		1,434,112
TOTAL ASSETS		\$8,405,709

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$535,394	
Accrued Payroll Expense	<u>258,180</u>	
Total Current Liabilities		\$793,574

LONG TERM LIABILITIES

Notes Payable	\$0	
Leases Payable	<u>\$741,250</u>	
Total Long Term Liabilities		741,250

DEFERRED INCOME

Conventions	<u>\$1,041,561</u>	
Total Deferred Income		1,041,561

INTERBRANCH ACCOUNTS

Interbranch Accounts	<u>\$0</u>	
Total Interbranch Accounts		0

NET ASSETS

Previous Unrestricted Net Assets	\$5,550,500	
Current Gain / (Loss) Unrestricted Net Assets	<u>278,824</u>	
Total Net Assets		5,829,324
TOTAL LIABILITIES AND NET ASSETS		\$8,405,709



Narcotics Anonymous World Services

Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2007

INCOME

	YTD ACTUAL	YTD BUDGET	VARIANCE
RECOVERY LITERATURE INCOME			
BASIC TEXT: Hardcover English	\$2,029,587	\$2,232,459	(\$202,872)
BASIC TEXT: Translated	176,151	151,214	24,937
BASIC TEXT: Softcover	748,900	681,283	67,616
JUST FOR TODAY	950,754	850,636	100,117
IT WORKS: HOW & WHY	767,161	692,393	74,768
SPONSORSHIP BOOK	69,696	239,553	(169,857)
STEP WORKING GUIDES	758,131	693,343	64,787
LITERATURE INCOME (IRAN)	579,212	260,841	318,371
OTHER RECOVERY LITERATURE	1,642,886	1,480,180	162,706
Subtotal	\$7,722,477	\$7,281,903	\$440,574
OTHER INVENTORY INCOME			
MEDALLIONS	\$613,993	\$536,322	\$77,671
KEY TAGS & CHIPS	1,004,737	991,816	12,921
NON-FIPT INFORMATION BOOKLETS	46,640	64,673	(18,033)
HANDBOOKS	81,346	72,804	8,542
SPECIALTY ITEMS	56,078	50,986	5,092
AUDIO MATERIALS	2,760	3,166	(406)
GROUP/AREA MATERIALS	109,095	83,654	25,442
MIRACLES HAPPEN	40,034	30,452	9,582
Subtotal	\$1,954,683	\$1,833,874	\$120,809
SHIPPING	\$396,737	\$365,149	\$31,588
DISCOUNTS	(1,359,553)	(1,368,426)	8,873
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(289,743)	(235,728)	(54,015)
Subtotal	(\$1,252,559)	(\$1,239,005)	(\$13,554)
Gross Literature Income (less discounts)	\$8,424,601	\$7,876,772	\$547,829
RECOVERY LITERATURE COST OF GOODS			
BASIC TEXT: Hardcover English	\$314,653	\$367,825	(\$53,172)
BASIC TEXT: Translated	35,453	36,171	(717)
BASIC TEXT: Softcover	61,891	64,181	(2,290)
JUST FOR TODAY	100,379	96,175	4,205
IT WORKS: HOW & WHY	116,224	130,903	(14,679)
SPONSORSHIP BOOK	12,788	48,534	(35,746)
STEP WORKING GUIDES	127,287	123,042	4,245
LITERATURE PRODUCTION (IRAN)	436,698	289,938	146,760
OTHER RECOVERY LITERATURE	292,099	301,379	(9,280)
Subtotal	\$1,497,473	\$1,458,148	\$39,325
OTHER INVENTORY COST OF GOODS			
MEDALLIONS	\$145,198	\$110,148	\$35,050
KEY TAGS & CHIPS	269,744	269,034	709
NON-FIPT INFORMATION BOOKLETS	26,409	37,587	(11,178)
HANDBOOKS	27,039	21,184	5,856
SPECIALTY ITEMS	20,965	19,698	1,268
AUDIO MATERIALS	(345)	1,001	(1,345)
GROUP/AREA MATERIALS	49,677	43,656	6,021
MIRACLES HAPPEN	4,320	3,726	594
Subtotal	\$543,007	\$506,033	\$36,974
Total Cost of Goods	\$2,040,481	\$1,964,181	\$76,300
Net Literature Income	\$6,384,120	\$5,912,591	\$471,530



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2007

INCOME	YTD ACTUAL	YTD BUDGET	VARIANCE
FELLOWSHIP DONATIONS			
BREAKDOWN BY DONOR TYPE			
Members	\$20,650	\$7,920	\$12,730
Groups	56,761	44,244	12,518
Areas	144,550	98,838	45,711
Regions	587,126	602,551	(15,425)
Events/Conventions	60,316	45,670	14,647
Unity Day	0	9,670	(9,670)
Zonal & Other Forums	10,409	7,038	3,371
Total Donations	\$879,813	\$815,931	\$63,881
MISCELLANEOUS INCOME			
LICENSED VENDOR PAYMENTS	\$24,200	\$23,000	\$1,200
INTEREST	77,191	25,000	52,191
MISCELLANEOUS	3,163	0	3,163
Total Miscellaneous Income	\$104,554	\$48,000	\$56,554
INCOME ALL SOURCES (Not including event specific)	\$7,368,487	\$6,776,522	\$591,965



**Narcotics Anonymous World Services
Consolidated Statement of Activities**

Income Statement – For the Twelve Months Ending 30 June 2007

EXPENSE	YTD ACTUAL	YTD BUDGET	VARIANCE
LITERATURE PRODUCTION & DISTRIBUTION			
FIXED OPERATIONAL EXPENSES			
MARKETING	\$106,216	\$103,929	\$2,287
IN HOUSE PRODUCTION (not included in Cost of Goods)	27,490	78,761	(51,271)
TRANSLATIONS (not included in Cost of Goods)	33,420	27,694	5,726
LITERATURE DISTRIBUTION (IRAN)	57,181	66,025	(8,845)
SHIPPING	436,741	400,670	36,071
BUSINESS PLAN WORK GROUP	\$20,048	\$34,200	(\$14,152)
LITERATURE & CONVENTION WORKSHOP	0	15,000	(15,000)
LEGAL	33,301	92,284	(58,984)
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	1,539	25,000	(23,461)
INVENTORY ADJUSTMENT	0	0	0
ACCOUNTING	10,822	14,925	(4,102)
PERSONNEL (Includes amount budgeted to variable projects)	1,131,985	1,016,904	115,081
OVERHEAD	506,887	451,476	55,412
TECHNOLOGY	51,775	74,217	(22,442)
Total Literature Production & Distribution	\$2,417,405	\$2,401,085	\$16,320
WORLD SERVICE CONFERENCE SUPPORT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$32,191	\$32,362	(\$171)
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	11,590	17,911	(6,321)
WORLD BOARD	258,090	191,625	66,465
HUMAN RESOURCE PANEL	25,408	27,214	(1,806)
WSC CO-FACILITATOR	600	636	(36)
CONFERENCE RELATED TRAVEL	0	0	0
LEGAL	0	0	0
ACCOUNTING	8,039	11,087	(3,047)
PERSONNEL (Includes amount budgeted to variable projects)	840,903	757,668	83,235
OVERHEAD	377,688	337,364	40,323
TECHNOLOGY	38,461	55,196	(16,735)
Subtotal	\$1,592,971	\$1,431,064	\$161,907
VARIABLE OPERATIONAL EXPENSES			
NAWS COMMUNICATIONS AND PUBLICATIONS	\$0	\$25,000	(\$25,000)
WORLD WIDE WORKSHOPS	108,595	127,500	(18,905)
FINISHED WSC PROJECTS (IMPLEMENT PR HANDBOOK)	12,233	55,000	(42,767)
Subtotal	\$120,828	\$207,500	(\$86,672)
Total World Service Conference Support	\$1,713,799	\$1,638,564	\$75,235



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement - For the Twelve Months Ending 30 June 2007

EXPENSE	YTD ACTUAL	YTD BUDGET	VARIANCE
FELLOWSHIP DEVELOPMENT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$113,895	\$134,694	(\$20,799)
FELLOWSHIP SUPPORT	412,764	142,656	270,108
PROFESSIONAL EVENTS	124,145	60,559	63,586
DEVELOPMENTAL LITERATURE	262,191	235,612	26,579
ARCHIVES & INFORMATION MANAGEMENT	0	35	(35)
LEGAL	0	939	(939)
ACCOUNTING	9,585	13,219	(3,634)
PERSONNEL (Includes amount budgeted to variable projects)	1,002,616	900,687	101,929
OVERHEAD	370,655	324,643	46,012
TECHNOLOGY	45,858	65,735	(19,877)
Subtotal	\$2,341,708	\$1,878,778	\$462,930
VARIABLE OPERATIONAL EXPENSES			
BASIC TEXT PROJECT	\$95,856	\$62,300	\$33,556
PUBLIC RELATIONS DEVELOPMENT	26,754	20,000	6,754
SERVICE MATERIALS	2,824	37,375	(34,551)
SERVICE HANDBOOKS	2,243	20,000	(17,757)
SELF-SUPPORT PAMPHLET	1	0	1
SERVICE STRUCTURE RELATIONSHIP & DEFINITION	0	0	0
TARGETED LITERATURE	19,098	37,875	(18,777)
FELLOWSHIP ISSUE DISCUSSIONS	1,713	22,500	(20,787)
Subtotal	\$148,490	\$200,050	(\$51,560)
Total Fellowship Development	\$2,490,198	\$2,078,828	\$411,370
EVENTS			
FIXED OPERATIONAL EXPENSES			
UNITY DAY	\$0	\$0	\$0
FUTURE (AND PRIOR) CONVENTIONS	\$9,843	\$13,377	(\$3,534)
LEGAL	0	0	0
ACCOUNTING	2,474	5,714	(3,240)
PERSONNEL (Includes amount budgeted to variable projects)	263,138	234,315	28,823
OVERHEAD	125,937	116,843	9,094
TECHNOLOGY	11,834	17,019	(5,185)
Total Events (Not including event specific)	\$413,226	\$387,269	\$25,958
TOTAL EXPENSE ALL SOURCES (Not including event specific)	\$7,034,628	\$6,505,746	\$528,882
EXCESS REVENUE/EXPENSE (Not including event specific)	\$333,858	\$270,776	\$63,082



**Narcotics Anonymous World Services
Consolidated Statement of Activities**

Income Statement – For the Twelve Months Ending 30 June 2007

EXPENSE	YTD ACTUAL	YTD BUDGET	VARIANCE
EVENT SPECIFIC			
EVENT SPECIFIC INCOME			
WCNA-32 INCOME			
REGISTRATION	\$0	\$0	\$0
SPECIAL EVENTS	0	0	0
NEWCOMER DONATIONS	0	0	0
MERCHANDISE	0	0	0
OTHER SALES	50	0	50
REBATES	0	0	0
Total Event Specific Income	\$50	\$0	\$50
EVENT SPECIFIC EXPENSE			
WCNA-32 EXPENSE			
REGISTRATION	\$72	\$0	\$72
SPECIAL EVENTS	0	0	0
PROGRAM	1	0	1
MERCHANDISE	(1)	0	(1)
FACILITIES	1,810	0	1,810
SUPPORT COMMITTEE	14,301	0	14,301
ADMINISTRATION	38,902	0	38,902
Total Event Specific Expense	\$55,084	\$0	\$55,084
Total Event Specific Excess Revenue/Expense	(\$55,034)	\$0	(\$55,034)
INCREASE (DECREASE) NET UNRESTRICTED ASSETS	\$278,824	\$270,776	\$8,048

NAWS financial statements may have small variance from the Audited Financial Statements due to some adjustments made by the independent auditors.



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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, 2007, 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, 2007, 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



Consolidated Statements of Financial Position

30 June 2007 and 2006

Assets	June 30, 2007	June 30, 2006	June 30, 2005
Current assets:			
Cash and cash equivalents	\$ 3,674,754	\$ 2,496,575	\$ 3,480,282
Investments - at fair value	1,042,822	988,966	963,546
Accounts receivable (net of allowance for uncollectible accounts of \$60,142, \$63,597 and \$71,000, respectively)	711,906	681,869	622,048
Publication inventory	904,920	850,381	660,158
Prepaid expenses	479,586	130,763	359,280
Total current assets	6,813,988	5,148,554	6,085,314
Property and equipment:			
Furniture and equipment	2,271,860	2,223,519	1,962,320
Leasehold improvements	832,297	831,821	805,814
	3,104,157	3,055,340	2,768,134
Less: accumulated depreciation and amortization	(2,010,319)	(1,922,416)	(1,625,305)
Total property and equipment - net	1,093,838	1,132,924	1,142,829
Other assets:			
Deposits	157,608	50,517	24,260
Trademarks, software and copyrights (net of accumulated amortization of \$857,500, \$746,643 and \$625,991, respectively)	340,275	346,564	404,868
Total other assets	497,883	397,081	429,128
Total assets	<u>\$ 8,405,709</u>	<u>\$ 6,678,559</u>	<u>\$ 7,657,271</u>
Liabilities and net assets			
Current liabilities:			
Accounts payable	\$ 535,540	\$ 280,906	\$ 248,430
Accrued salaries, vacation and tax withholdings payable	258,034	150,613	151,442
Current portion of capital lease obligations	76,239	80,836	120,135
Deferred convention revenue	1,041,561	-	1,043,580
Total current liabilities	1,911,374	512,355	1,563,587
Capital leases payable, less current portion	665,011	615,834	481,070
Total liabilities	2,576,385	1,128,189	2,044,657
Unrestricted net assets	5,829,324	5,550,370	5,612,614
Total liabilities and net assets	<u>\$ 8,405,709</u>	<u>\$ 6,678,559</u>	<u>\$ 7,657,271</u>



Consolidated Statements of Financial Position

30 June 2007 and 2006

	July 1, 2006 to June 30, 2007	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	\$ 8,433,771	\$ 7,973,244	\$ 7,632,223
Less discounts and cost of sales	<u>2,713,402</u>	<u>2,637,693</u>	<u>2,196,381</u>
Net sales of publications and program materials	5,720,369	5,335,551	5,435,842
Convention registration and other revenue	-	1,819,718	-
Conference contributions	879,863	764,393	802,400
Interest	77,190	42,358	23,082
Other	<u>121,200</u>	<u>114,299</u>	<u>120,449</u>
Total revenues, gains and other support	<u>6,798,622</u>	<u>8,076,319</u>	<u>6,381,773</u>
Expenses:			
Literature production and distribution	1,794,731	1,790,448	1,577,472
World Service Conference support	1,725,176	2,007,681	1,490,462
Fellowship development	2,528,737	2,225,739	2,210,227
Events	<u>471,024</u>	<u>2,114,695</u>	<u>444,187</u>
Total expenses	<u>6,519,668</u>	<u>8,138,563</u>	<u>5,722,348</u>
Change in net assets	278,954	(62,244)	659,425
Unrestricted net assets:			
Beginning of year	<u>5,550,370</u>	<u>5,612,614</u>	<u>4,953,189</u>
End of year	<u>\$ 5,829,324</u>	<u>\$ 5,550,370</u>	<u>\$ 5,612,614</u>



Consolidated Statements of Functional Expenses

Year Ended 30 June 2007

	Year Ended June 30, 2007				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,016,468	\$ 712,612	\$ 849,653	\$ 219,265	\$ 2,797,998
Employee health benefits	113,888	84,603	100,872	26,031	325,394
Retirement contribution	23,658	17,574	20,954	5,407	67,593
Contract labor	4,962	3,686	4,395	1,134	14,177
Convention expense	-	-	-	63,291	63,291
Occupancy	149,599	111,131	132,502	34,194	427,426
Travel	20,476	258,408	530,648	398	809,930
Conferences	-	37,598	-	-	37,598
Worldwide workshops	-	108,595	-	-	108,595
Telephone	25,043	19,215	22,181	11,531	77,970
Postage	10,503	8,575	18,548	5,411	43,037
Office expense	50,563	37,561	44,785	11,557	144,466
Depreciation and amortization	143,394	106,520	127,005	32,776	409,695
Professional fees	35,652	23,158	27,611	7,125	93,546
Equipment leases	16,389	12,175	14,516	3,746	46,826
Computer expense	33,288	24,729	29,485	7,609	95,111
Insurance	16,498	12,255	14,612	3,771	47,136
Interest expense	65,526	48,676	58,037	14,977	187,216
Developmental literature	-	-	140,889	-	140,889
Free publications	-	30,788	104,339	-	135,127
Other operating expenses	<u>68,824</u>	<u>67,317</u>	<u>287,705</u>	<u>22,801</u>	<u>446,647</u>
Total expenses	<u>\$ 1,794,731</u>	<u>\$1,725,176</u>	<u>\$ 2,528,737</u>	<u>\$ 471,024</u>	<u>\$ 6,519,668</u>



Consolidated Statements of Functional Expenses

Year Ended 30 June 2006

	<u>Year Ended June 30, 2006</u>				
	<u>Literature Production and Distribution</u>	<u>World Service Conference Support</u>	<u>Fellowship Development</u>	<u>Events</u>	<u>Total</u>
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	<u>74,431</u>	<u>61,017</u>	<u>268,005</u>	<u>29,022</u>	<u>432,475</u>
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

	<u>Year Ended June 30, 2005</u>				
	<u>Literature Production and Distribution</u>	<u>World Service Conference Support</u>	<u>Fellowship Development</u>	<u>Events</u>	<u>Total</u>
Expenses:					
Salaries, wages and payroll taxes	\$ 863,078	\$ 630,004	\$ 751,159	\$ 193,847	\$ 2,438,088
Employee health benefits	96,100	71,388	85,116	21,966	274,570
Retirement contribution	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 literature	-	-	239,619	-	239,619
Free publications	-	36,144	126,884	-	163,028
Other operating expenses	69,323	61,596	348,991	19,514	499,424
Total expenses	<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 2007 and 2006

	Year Ended		
	June 30, 2007	June 30, 2006	June 30, 2005
Cash flows from operating activities:			
Change in net assets	\$ 278,954	\$ (62,244)	\$ 659,425
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	409,695	460,915	326,838
(Increase) decrease in assets:			
Accounts receivable	(30,037)	(59,821)	(6,439)
Publication inventory	(54,539)	(190,223)	7,072
Prepaid expenses	(348,823)	228,517	(308,479)
Deposits	(107,091)	(26,257)	(24,260)
Increase (decrease) in liabilities:			
Accounts payable	254,634	32,476	(196,764)
Accrued salaries and withholdings payable	107,421	(829)	2,534
Deferred revenue	1,041,561	(1,043,580)	1,043,580
Net cash provided (used) by operating activities	1,551,775	(661,046)	1,503,507
Cash flows from investing activities:			
Purchases of investments	(53,856)	(25,420)	(154,180)
Purchases of property and equipment	(107,454)	(93,917)	(117,039)
Purchases of leasehold improvements	(476)	(23,006)	(89,867)
Payments to secure copyrights and trademarks and purchase software	(104,567)	(62,347)	(69,934)
Net cash (used) by investing activities	(266,353)	(204,690)	(431,020)
Cash flows from financing activities:			
Repayment of capital lease obligations	(107,243)	(117,971)	(95,341)
Net cash (used) by financing activities	(107,243)	(117,971)	(95,341)
Net increase (decrease) in cash and cash equivalents	1,178,179	(983,707)	977,146
Cash and cash equivalents:			
Beginning of year	2,496,575	3,480,282	2,503,136
End of year	<u>\$ 3,674,754</u>	<u>\$ 2,496,575</u>	<u>\$ 3,480,282</u>

Supplemental disclosures of cash flow information: Interest paid during the years ended June 30, 2007, 2006 and 2005 amounted to \$187,216, \$157,143 and \$166,151, respectively.

Non-cash investing and financing activities: During the years ended June 30, 2007, 2006 and 2005, NAWS entered into lease obligations for the purchase of equipment in the amounts of \$463,780, \$312,780 and \$655,090, respectively. NAWS also retired, without payment, lease obligations in the amount of \$311,955 and \$98,144 during the years ended June 30, 2007 and 2006.



Notes to Consolidated Financial Statements

Independent Auditors' Report Years Ended June 2007, 2006 and 2005

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 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 June 30, 2007, 2006 and 2005, 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 carried at fair value, which generally represents quoted market price as of the last business day of the year. Certificates of deposit are valued at cost, which approximates fair value. Investments include certificates of deposit, money market funds and government securities.

E. Publication Inventory

Publications and other items held 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 that do not improve or extend the useful life of the asset are expensed. Depreciation is computed using the mid-year accounting 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, 2007, 2006, and 2005 amounted to \$298,839, 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 June 30, 2007, 2006 and 2005 amounted to \$110,856, \$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, 2007, 2006 and 2005 was \$67,593, \$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 as of June 30, 2007, 2006 and 2005 was \$855,486, \$901,304 and \$734,024, respectively. NAWS also leases equipment and facilities under various operating leases.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

Year ending June 30

	2008	\$ 247,036
	2009	247,036
	2010	247,036
	2011	247,036
	2012	221,553
	Thereafter	<u>217,656</u>
Total minimum lease payments		1,427,353
Less: amount representing interest expense		<u>(686,103)</u>
Net minimum lease payments		<u>\$ 741,250</u>

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, 2007:

Year ending June 30,

	2008	\$ 317,189
	2009	328,376
	2010	315,873
	2011	88,277
	2012	<u>23,582</u>
Total minimum payment required		<u>\$ 1,073,297</u>

Total payments made under the leases during the years ended June 30, 2007, 2006 and 2005 were \$639,502, \$586,545 and \$578,963, respectively.



Note 5 – Investments

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

	2007	2006	2005
Investments at fair value as determined by quoted market price: U.S. Government and GovernmentAgency obligations	\$ 21,288	\$ 26,337	\$ 35,128
Investments at fair value as determined by cost:			
Money market accounts	340,260	317,259	296,125
Certificates of deposit	681,274	645,370	632,293
	<u> </u>	<u> </u>	<u> </u>
Totals	\$ 1,042,822	\$ 988,966	\$ 963,546
	<u> </u>	<u> </u>	<u> </u>

Note 6 – Concentration of Credit Risk

NAWS places its cash and cash equivalents with high quality financial institutions. Cash and cash equivalents balances exceed the Federal Deposit Insurance Corporation insurance limits.

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 December 31, 2009. Should the agreement be terminated by NAWS, certain amounts would be payable to the Executive Director as defined in the agreement.