



Narcotics Anonymous World Services
Consolidated Statement of Financial Position
 Balance Sheet – For the Twelve Months Ending 30 June 2009

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents		
Checking Accounts	\$1,192,774	
Reserve Accounts	1,211,163	
	<u> </u>	\$2,403,936
Accounts Receivable		
Accounts Receivable	\$922,799	
Convention & Sales Deposits Clearing	48,265	
Less Allowance for Doubtful Accounts	(78,820)	
	<u> </u>	892,244
Inventory		1,217,895
Prepaid Expenses		553,734
Total Current Assets		<u><u>\$5,067,809</u></u>
EQUIPMENT, FURNITURE AND IMPROVEMENTS		
Equipment and Furniture	\$2,503,759	
Leasehold Improvements	868,428	
Intellectual and Software Property	1,460,106	
Less Accumulated Depreciation and Amortization	(3,749,882)	
	<u> </u>	1,082,411
Total Equipment, Furniture and Improvements		<u>1,082,411</u>
TOTAL ASSETS		<u><u>\$6,150,220</u></u>
LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$416,738	
Accrued Payroll Expense	224,675	
	<u> </u>	
Total Current Liabilities		\$641,413
LONG TERM LIABILITIES		
Notes Payable	\$0	
Leases Payable	\$580,549	
	<u> </u>	
Total Long Term Liabilities		580,549
DEFERRED INCOME		
Conventions	\$517,787	
	<u> </u>	
Total Deferred Income		517,787
INTERBRANCH ACCOUNTS		
Interbranch Accounts	\$0	
	<u> </u>	
Total Interbranch Accounts		0
NET ASSETS		
Previous Unrestricted Net Assets	\$4,654,760	
Current Gain / (Loss) Unrestricted Net Assets	(244,289)	
	<u> </u>	
Total Net Assets		<u>4,410,471</u>
TOTAL LIABILITIES & NET ASSETS		<u><u>\$6,150,220</u></u>



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2009

	YTD ACTUAL	WSC ADOPTED	JAN 09 REVISION
INCOME			
RECOVERY LITERATURE INCOME			
BASIC TEXT: Hardcover English	\$2,466,142	\$2,115,932	\$2,166,277
BASIC TEXT: Commemorative	\$511,720	\$0	\$500,000
BASIC TEXT: Translated	\$155,062	\$182,344	\$228,439
BASIC TEXT: Softcover	\$736,711	\$784,969	\$799,462
JUST FOR TODAY	\$871,881	\$945,166	\$998,651
IT WORKS: HOW & WHY	\$664,109	\$761,825	\$715,411
SPONSORSHIP BOOK	\$46,835	\$67,812	\$58,795
STEP WORKING GUIDES	\$692,381	\$744,630	\$726,597
LITERATURE INCOME (IRAN)	\$1,019,244	\$618,010	\$802,167
OTHER RECOVERY LITERATURE	\$1,515,936	\$1,623,293	\$1,526,704
Subtotal	\$8,680,021	\$7,843,981	\$8,522,503
OTHER INVENTORY INCOME			
MEDALLIONS	\$710,583	\$617,042	\$614,345
KEYTAGS & CHIPS	1,085,173	\$1,004,059	\$1,000,612
NON-FIPT INFORMATION BOOKLETS	88,614	\$46,792	\$42,829
HANDBOOKS	59,435	\$79,844	\$69,234
SPECIALTY ITEMS	32,310	\$53,676	\$40,509
AUDIO MATERIALS	2,070	\$2,557	\$1,712
GROUP/AREA MATERIALS	124,850	\$146,803	\$234,669
MIRACLES HAPPEN	41,527	\$44,139	\$43,736
Subtotal	\$2,144,562	\$1,994,912	\$2,047,646
SHIPPING	\$459,385	\$404,119	\$429,489
DISCOUNTS	(1,439,244)	(\$1,369,160)	(\$1,330,677)
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(210,859)	(\$271,137)	(\$279,822)
Subtotal	(\$1,190,718)	(\$1,236,178)	(\$1,181,010)
Gross Literature Income (less discounts)	\$9,633,865	\$8,602,715	\$9,389,139
Gross Literature Income (without Iran)	\$8,614,621	\$7,984,705	\$8,586,972
RECOVERY LITERATURE COST OF GOODS			
BASIC TEXT: Hardcover English	\$447,140	\$333,832	\$314,855
BASIC TEXT: Commemorative	\$105,224	\$0	\$60,000
BASIC TEXT: Translated	\$29,079	\$39,110	\$42,659
BASIC TEXT: Softcover	\$118,197	\$66,389	\$70,171
JUST FOR TODAY	\$102,762	\$103,187	\$167,445
IT WORKS: HOW & WHY	\$109,991	\$121,171	\$121,446
SPONSORSHIP BOOK	\$11,988	\$12,910	\$12,497
STEP WORKING GUIDES	\$99,204	\$121,912	\$91,659
LITERATURE PRODUCTION (IRAN)	\$687,615	\$497,717	\$561,371
OTHER RECOVERY LITERATURE	\$319,290	\$300,570	\$263,813
Subtotal	\$2,030,490	\$1,596,798	\$1,705,916



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2009

	YTD ACTUAL	WSC ADOPTED	JAN 09 REVISION
OTHER INVENTORY COST OF GOODS			
MEDALLIONS	\$164,515	\$156,123	\$175,057
KEY TAGS & CHIPS	244,123	\$279,966	\$275,337
NON-FIPT INFORMATION BOOKLETS	11,308	\$26,609	\$48,659
HANDBOOKS	20,396	\$29,634	\$30,116
SPECIALTY ITEMS	9,190	\$19,256	\$13,004
AUDIO MATERIALS	552	(\$126)	\$492
GROUP/AREA MATERIALS	36,758	\$61,372	\$79,180
MIRACLES HAPPEN	4,452	\$5,010	\$4,901
INVENTORY ADJUSTMENT	14,210	\$0	\$0
Subtotal	\$505,504	\$577,844	\$626,746
Total Cost of Goods	\$2,535,994	\$2,174,642	\$2,332,662
Total Cost of Goods (without Iran)	\$1,848,379	\$1,676,925	\$1,771,291
Net Literature Income	\$7,097,871	\$6,428,073	\$7,056,477
Net Literature Income (without Iran)	\$6,766,242	\$6,307,780	\$6,815,681
FELLOWSHIP DONATIONS			
BREAKDOWN BY DONOR TYPE			
Members	\$12,909	\$18,305	\$12,069
Groups	70,047	\$58,532	\$62,310
Areas	136,717	\$150,328	\$143,031
Regions	552,016	\$706,299	\$710,603
Events/Conventions	31,995	\$55,950	\$31,966
Unity Day	0	\$14,192	\$18,923
Zonal & Other Forums	4,027	\$8,519	\$24,240
Total Donations	\$807,711	\$1,012,125	\$1,003,142
MISCELLANEOUS INCOME			
LICENSED VENDOR PAYMENTS	\$25,850	\$23,000	\$25,570
INTEREST	20,233	\$25,000	\$40,000
MISCELLANEOUS	176	\$0	\$0
Total Miscellaneous Income	\$46,259	\$48,000	\$65,570
OPERATING INCOME (Not including event specific)	\$7,951,841	\$7,488,198	\$8,125,189
OPERATING INCOME (Not including Iran)	\$7,620,212	\$7,367,905	\$7,884,393



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2009

	YTD ACTUAL	WSC ADOPTED	JAN 09 REVISION
EXPENSE			
LITERATURE PRODUCTION & DISTRIBUTION			
<i>FIXED OPERATIONAL EXPENSES</i>			
MARKETING	\$85,650	\$91,326	\$24,852
IN HOUSE PRODUCTION (not included in Cost of Goods)	\$60,500	\$24,195	\$64,222
TRANSLATIONS (not included in Cost of Goods)	\$71,282	\$41,941	\$58,070
LITERATURE DISTRIBUTION (IRAN)	\$29,568	\$61,453	\$101,927
SHIPPING	\$621,972	\$460,260	\$543,911
BUSINESS PLAN WORK GROUP	\$22,709	\$28,000	\$28,000
LEGAL	\$23,410	\$48,000	\$51,226
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	\$7,323	\$2,322	\$25,106
ACCOUNTING	\$14,033	\$14,925	\$15,190
PERSONNEL (Includes amount budgeted to variable projects)	\$1,215,393	\$1,026,874	\$1,141,705
OVERHEAD	\$601,013	\$451,312	\$560,111
TECHNOLOGY	\$46,487	\$75,537	\$97,775
Total Literature Production & Distribution	\$2,799,340	\$2,326,145	\$2,712,095
<i>Total Literature Production & Distribution (without Iran)</i>	<i>\$2,769,772</i>	<i>\$2,264,692</i>	<i>\$2,610,168</i>
WORLD SERVICE CONFERENCE SUPPORT			
<i>FIXED OPERATIONAL EXPENSES</i>			
PUBLICATIONS	\$51,265	\$47,018	\$85,242
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	\$26,409	\$26,699	\$0
WORLD BOARD	\$232,651	\$261,384	\$220,000
HUMAN RESOURCE PANEL	\$17,292	\$27,959	\$20,932
WSC CO-FACILITATOR	\$0	\$473	\$0
WORKSHOPS (Delegate Focused)	\$0	\$0	\$200,000
ACCOUNTING	\$8,620	\$9,168	\$9,829
PERSONNEL (Includes amount budgeted to variable projects)	\$746,598	\$630,794	\$738,750
OVERHEAD	\$369,959	\$277,234	\$362,425
TECHNOLOGY	\$32,669	\$46,401	\$63,266
Subtotal	\$1,485,463	\$1,327,130	\$1,700,444
<i>VARIABLE OPERATIONAL EXPENSES</i>			
CONSENSUS BASED DECISION MAKING	\$0	\$10,000	\$0
LEADERSHIP ORIENTATION MATERIAL	\$0	\$10,000	\$10,000
FELLOWSHIP ISSUE DISCUSSIONS	\$0	\$8,000	\$8,000
MEMBER EXPERIENCE PROJECT	\$2,365	\$0	\$0
FINISHED WSC PROJECTS	\$12,852	\$0	\$0
Subtotal	\$15,217	\$28,000	\$18,000
Total World Service Conference Support	\$1,500,680	\$1,355,130	\$1,718,444



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2009

	YTD ACTUAL	WSC ADOPTED	JAN 09 REVISION
FELLOWSHIP DEVELOPMENT			
<i>FIXED OPERATIONAL EXPENSES</i>			
PUBLICATIONS	\$164,723	\$110,027	\$98,552
FELLOWSHIP SUPPORT	\$280,239	\$246,678	\$200,000
PUBLIC RELATIONS	\$136,214	\$137,797	\$113,470
DEVELOPMENTAL LITERATURE	\$572,454	\$266,851	\$343,241
ARCHIVES & INFORMATION MANAGEMENT	\$0	\$21,000	\$21,000
ACCOUNTING	\$13,632	\$14,498	\$15,190
PERSONNEL (Includes amount budgeted to variable projects)	\$1,180,667	\$997,535	\$1,141,705
OVERHEAD	\$634,890	\$438,417	\$560,111
TECHNOLOGY	\$45,158	\$73,378	\$97,775
Subtotal	\$3,027,977	\$2,306,181	\$2,591,044
<i>VARIABLE OPERATIONAL EXPENSES</i>			
PUBLIC RELATIONS DEVELOPMENT	\$68	\$58,000	\$0
SERVICE MATERIALS	\$0	\$0	\$0
SERVICE HANDBOOKS	\$1,502	\$0	\$0
SELF-SUPPORT PAMPHLETS	\$21,426	\$27,000	\$27,000
SERVICE SYSTEM	\$74,260	\$75,000	\$75,000
BOOK LENGTH PIECE LIVING CLEAN	\$115,891	\$90,000	\$90,000
TARGETED LITERATURE	\$30,126	\$32,500	\$32,500
WORKSHOPS	\$1,543	\$256,000	\$0
Subtotal	\$244,816	\$538,500	\$224,500
Total Fellowship Development	\$3,272,793	\$2,844,681	\$2,815,544
EVENTS			
<i>FIXED OPERATIONAL EXPENSES</i>			
FUTURE (AND PRIOR) CONVENTIONS	\$60,225	\$19,500	\$59,500
LEGAL	\$0	\$9,000	\$9,000
ACCOUNTING	\$3,809	\$4,051	\$4,468
PERSONNEL (Includes amount budgeted to variable projects)	\$353,419	\$278,723	\$335,796
OVERHEAD	\$164,542	\$122,499	\$164,739
TECHNOLOGY	\$12,618	\$20,503	\$28,757
Total Events (without event specific)	\$594,613	\$454,276	\$602,260
NAWS EXPENSE (without event specific)	\$8,167,426	\$6,980,232	\$7,848,343
<i>NAWS EXPENSE (without Iran)</i>	<i>\$8,137,858</i>	<i>\$6,918,779</i>	<i>\$7,746,416</i>
EXCESS REVENUE/EXPENSE (without event specific)	(\$215,585)	\$507,966	\$276,846
<i>EXCESS REVENUE/EXPENSE (without Iran)</i>	<i>(\$517,646)</i>	<i>\$449,126</i>	<i>\$137,977</i>



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2008

	YTD ACTUAL	WSC ADOPTED	JAN 09 REVISION
EVENT SPECIFIC			
EVENT SPECIFIC INCOME			
WCNA 33 INCOME			
REGISTRATION	\$0	\$0	
SPECIAL EVENTS	\$0	\$0	
NEWCOMER DONATIONS	\$0	\$0	
MERCHANDISE	\$0	\$0	
OTHER SALES	\$50	\$0	
REBATES	\$0	\$0	
Total Event Specific Income	\$50	\$0	\$0
EVENT SPECIFIC EXPENSE			
WCNA 33 EXPENSE			
REGISTRATION	\$6,762	\$0	\$0
SPECIAL EVENTS	\$0	\$0	\$0
PROGRAM	\$162	\$0	\$0
MERCHANDISE	\$0	\$0	\$0
FACILITIES	\$0	\$0	\$0
SUPPORT COMMITTEE	\$28,240	\$0	\$0
ADMINISTRATION	(\$6,413)	\$0	\$0
Total Event Specific Expense	\$28,751	\$0	\$0
Total Event Specific Excess Revenue/Expense	(\$28,701)	\$0	\$0
INCREASE (DECREASE)	(\$244,286)	\$507,966	\$276,846
<i>INCREASE (DECREASE) without Iran</i>	<i>(\$546,347)</i>	<i>\$449,126</i>	<i>\$137,977</i>



MANNON KAPLAN, CPA
 GEORGE NADEL RIVIN, CPA
 EDWIN KANEMARU, CPA
 KENNETH R. HOLMER, CPA
 DOUGLAS S. WAITE, CPA
 CHARLES SCHNAID, CPA
 DONALD G. GARRETT, CPA
 CATHERINE C. GARDNER, CPA
 JEFFREY L. GOSS, CPA
 RICHARD DEFONZO, JD
 JOANNA BOLSKY, CPA
 RONALD D. CHANDLER, CPA
 MICHAEL G. KAPLAN, CPA
 MICHAEL J. QUACKENBUSH, CPA
 EDMOND AVANESS, CPA
 CRANE CURRAN, CPA
 BRIAN J. HARRIS, CPA
 GREGORY E. KLEIN, CPA
 FRED WOLINSKY, CPA
 LINDA BECKER, MBA
 STANLEY L. MILLER, CPA (1921-1995)
 PAUL ARASE, CPA (RETIRED)



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

SINCE 1941

4123 LANKERSHIM BOULEVARD
 NORTH HOLLYWOOD, CALIFORNIA 91602-2828
 (818) 769-2010
 FAX (818) 769-3100

MEMBERS
 THE AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS
 THE CALIFORNIA SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS
 BAKER TILLY INTERNATIONAL

OTHER OFFICES:
 SAN FRANCISCO
 SEATTLE
 LAS VEGAS

WWW.MILLERKAPLAN.COM

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, 2009, 2008 and 2007, 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, 2009, 2008 and 2007 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

October 19, 2009



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

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,812,506	\$ 1,433,787	\$ 3,674,754
Investments - at fair value	796,370	1,089,303	1,042,822
Accounts receivable (net of allowance for uncollectible accounts of \$78,820, \$78,820, and \$62,442, respectively)	913,913	901,062	711,906
Publication inventory	1,217,895	878,024	904,920
Prepaid expenses	82,100	163,568	139,965
Total current assets	<u>4,822,784</u>	<u>4,465,744</u>	<u>6,474,367</u>
Property and equipment:			
Furniture and equipment	2,504,928	2,439,580	2,271,860
Leasehold improvements	867,259	853,944	832,297
	<u>3,372,187</u>	<u>3,293,524</u>	<u>3,104,157</u>
Less: accumulated depreciation and amortization	(2,695,317)	(2,286,812)	(2,010,319)
Total property and equipment - net	<u>676,870</u>	<u>1,006,712</u>	<u>1,093,838</u>
Other assets:			
Deposits	245,024	158,620	497,229
Trademarks, software and copyrights (net of accumulated amortization of \$1,054,565, \$936,155, and \$857,500, respectively)	405,541	373,272	340,275
Total other assets	<u>650,565</u>	<u>531,892</u>	<u>837,504</u>
Total assets	<u><u>\$ 6,150,219</u></u>	<u><u>\$ 6,004,348</u></u>	<u><u>\$ 8,405,709</u></u>
Liabilities and net assets			
Current liabilities:			
Accounts payable	\$ 416,884	\$ 424,818	\$ 535,540
Accrued salaries, vacation and tax withholdings payable	224,528	259,758	258,034
Current portion of capital leases payable	108,600	84,462	76,239
Deferred convention revenue	517,787	-	1,041,561
Total current liabilities	1,267,799	769,038	1,911,374
Capital leases payable, less current portion	471,949	580,549	665,011
Total liabilities	1,739,748	1,349,587	2,576,385
Unrestricted net assets	4,410,471	4,654,761	5,829,324
Total liabilities and net assets	<u><u>\$ 6,150,219</u></u>	<u><u>\$ 6,004,348</u></u>	<u><u>\$ 8,405,709</u></u>

See accompanying notes to consolidated financial statements.



Narcotics Anonymous World Services
Consolidated Statements of Activities
Exhibit B

	July 1, 2008 to June 30, 2009	July 1, 2007 to June 30, 2008	July 1, 2006 to June 30, 2007
Revenues, gains and other support:			
Sales of publications and program materials	\$ 9,637,023	\$ 8,772,453	\$ 8,433,771
Less discounts and cost of sales	<u>3,506,479</u>	<u>2,972,371</u>	<u>2,780,071</u>
Net sales of publications and program materials	6,130,544	5,800,082	5,653,700
Convention registration and other revenue	103	2,160,006	-
Conference contributions	807,761	980,673	879,863
Interest	20,232	61,619	77,190
Other	<u>25,711</u>	<u>84,534</u>	<u>121,200</u>
Total revenues, gains and other support	<u>6,984,351</u>	<u>9,086,914</u>	<u>6,731,953</u>
Expenses:			
Literature production and distribution	1,902,187	1,924,301	1,771,396
World Service Conference support	1,502,432	1,991,617	1,707,843
Fellowship development	3,179,264	2,531,816	2,508,063
Events	<u>644,758</u>	<u>3,813,743</u>	<u>465,697</u>
Total expenses	<u>7,228,641</u>	<u>10,261,477</u>	<u>6,452,999</u>
Change in net assets	(244,290)	(1,174,563)	278,954
Unrestricted net assets:			
Beginning of year	<u>4,654,761</u>	<u>5,829,324</u>	<u>5,550,370</u>
End of year	<u>\$ 4,410,471</u>	<u>\$ 4,654,761</u>	<u>\$ 5,829,324</u>

See accompanying notes to consolidated financial statements.



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

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
Depreciation and amortization	179,151	115,921	179,151	52,692	526,915
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 losses	-	-	42,856	-	42,856
Public Relations	-	-	145,538	-	145,538
Workgroups	22,709	2,365	256,057	-	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
Total expenses	<u>\$ 1,902,187</u>	<u>\$ 1,502,432</u>	<u>\$ 3,179,264</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-2

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
Depreciation and amortization	124,303	74,581	110,096	46,169	355,149
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
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 Functional Expenses
Exhibit C-3

Year Ended June 30, 2007

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 959,287	\$ 712,612	\$ 849,653	\$ 219,265	\$ 2,740,817
Employee health benefits	113,888	84,603	100,872	26,031	325,394
Retirement contribution	23,658	17,574	20,954	5,408	67,594
Contract labor	4,962	3,686	4,394	1,134	14,176
Convention expense	-	-	-	64,928	64,928
Occupancy	206,780	111,131	132,502	34,194	484,607
Travel	428	918	1,686	397	3,429
Conferences	-	36,998	-	-	36,998
Worldwide workshops	-	108,595	239,073	-	347,668
Telephone	25,043	19,215	22,181	11,531	77,970
Postage	10,503	8,575	18,548	5,411	43,037
Office expense	51,592	38,326	45,696	11,793	147,407
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	14,515	3,746	46,825
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	104,335	-	135,123
Free literature	175	130	50,411	40	50,756
Public relations	-	-	156,134	-	156,134
Workgroups	20,048	11,658	118,692	-	150,398
World Board	-	258,090	-	-	258,090
Fellowship assistance	-	-	179,089	-	179,089
Website expense	18,201	13,521	16,121	4,165	52,008
Other operating expenses	26,084	23,910	35,568	11,396	96,958
Total expenses	<u>\$ 1,771,396</u>	<u>\$ 1,707,843</u>	<u>\$ 2,508,063</u>	<u>\$ 465,697</u>	<u>\$ 6,452,999</u>

See accompanying notes to consolidated financial statements.



Narcotics Anonymous World Services Consolidated Statements of Cash Flows Exhibit D

	Year Ended		
	June 30, 2009	June 30, 2008	June 30, 2007
Cash flows from operating activities:			
Change in net assets	\$ (244,290)	\$ (1,174,563)	\$ 278,954
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	526,915	355,149	409,695
(Increase) decrease in assets:			
Accounts receivable	(12,851)	(189,156)	(30,037)
Publication inventory	(339,871)	26,896	(54,539)
Prepaid expenses	81,468	(23,603)	(348,823)
Deposits	(86,404)	338,609	(107,091)
Increase (decrease) in liabilities:			
Accounts payable	(7,934)	(110,722)	254,634
Accrued salaries and withholdings payable	(35,230)	1,724	107,421
Deferred convention revenue	517,787	(1,041,561)	1,041,561
Net cash provided (used) by operating activities	399,590	(1,817,227)	1,551,775
Cash flows from investing activities:			
Purchases of investments	(20,232)	(46,481)	(53,856)
Proceeds from the Sale of investments	313,165	-	-
Purchases of property and equipment	(65,348)	(167,719)	(107,454)
Purchases of leasehold improvements	(13,315)	(21,648)	(476)
Payments to secure copyrights and trademarks and purchase software	(150,679)	(111,653)	(104,567)
Net cash provided (used) by investing activities	63,591	(347,501)	(266,353)
Cash flows from financing activities:			
Repayment of capital lease obligations	(84,462)	(76,239)	(107,243)
Net increase (decrease) in cash and cash equivalents	378,719	(2,240,967)	1,178,179
Cash and cash equivalents:			
Beginning of year	1,433,787	3,674,754	2,496,575
End of year	\$ 1,812,506	\$ 1,433,787	\$ 3,674,754

Supplemental disclosures of cash flow information: Interest paid during the years ended June 30, 2009, 2008, and 2007 amounted to \$162,065, 181,087, and \$187,216, respectively.

Non-cash investing and financing activities: During the year ended 30 June 2007, NAWS entered into lease obligations for the purchase of equipment in the amount of \$463,780. NAWS also retired, without payment, lease obligations in the amount of \$311,955 during the year ended 30 June 2007.



Notes to Consolidated Financial Statement

Independent Auditors' Report Years Ended June 2009, 2008, and 2007

Note 1 - Organization and Nature of Activities

Narcotics Anonymous World Services, Inc. (NAWS) was incorporated on 25 January 1977 and is headquartered in Chatsworth, California. In addition, NAWS operates a literature distribution facility in Toronto, Canada and 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 the organization is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, no provision for Federal and state income taxes was made for either NAWS or the Trust.

Note 2 - Summary of Significant Accounting Policies

A. Consolidation Policy and Basis of Accounting

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

B. Financial Statement Presentation

Under Statement of Financial Accounting Standards No. 117, NAWS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of 30 June 2009, 2008, and 2007, 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 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 30 June 2009, 2008, and 2007 amounted to \$408,680, \$276,493 and 298,839 respectively.

G. Trademarks and Copyrights

The cost of acquiring and defending copyrights and trademarks is capitalized and is being amortized over the approximate economic life of the copyright or trademark, which is estimated to be ten years. The cost of computer software is also capitalized and amortized over a period of seven years. Amortization expense for the years ended 30 June 2009, 2008, and 2007 amounted to \$118,235, \$78,656 and \$110,856, 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. Reclassifications

Certain amounts in the 2008 and 2007 financial statements have been reclassified to conform to the 2009 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. The matching contribution to the plan for the years ended 30 June 2009, 2008, and 2007 was \$73,503, \$63,072 and \$67,594, 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 30 June 2009, 2008, and 2007 was \$776,560, \$776,560 and \$855,486, 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 30 June 2009:



Year ending 30 June	
2010	\$246,528
2011	\$246,528
2012	\$221,172
2013	\$145,104
2014	<u>\$72,552</u>
Total minimum lease payments	\$931,884
Less: amount representing interest expense	<u>(\$351,335)</u>
Net Minimum lease payments	\$580,549

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 30 June 2009:

Year ending 30 June	
2010	\$315,873
2011	\$88,277
2012	<u>\$23,582</u>
Total minimum payment required	<u>\$427,732</u>

Total payments made under the leases during the years ended 30 June 2009, 2008, and 2007 were \$700,956, \$737,135 and \$639,502 respectively.

Note 5 - Investments

NAWS adopted Financial Accounting Standards Board ("FASB") SFAS No. 157, "Fair Value Measurements" ("SFAS 157") on 1 July 2008 for financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value as required by other accounting pronouncements and expands fair value measurement disclosures. The provisions of SFAS 157 were applied prospectively upon adoption and did not have a material impact on NAWS financial statements.

FAS 157 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. The hierarchy is as follows:

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 table summarizes the investments at 30 June 2009 based on the inputs used to value them:

	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:

Balance, 1 July 2008	\$ 712,775
Purchases/Accrued Interest	12,325
Sales/Maturities	(309,764)
Balance, 30 June 2009	<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.

In February 2008, the FASB issued FASB Staff Position 157-2, which delays the effective date of SFAS 157 for non-financial assets and liabilities that are not measured at fair value on a recurring basis (at least annually) until fiscal years beginning after 15 November 2008. NAWS is currently, assessing the impact of adopting SFAS 157 for non-financial assets and liabilities on NAWS financial statements.

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

	30 June 2009	30 June 2008	30 June 2007
Investments at fair value as determined by quoted market price:			
US Government and Government Agency obligations	\$ 16,228	\$ 18,713	\$ 21,288
Equities	701	827	-
Money market funds	364,105	356,988	340,260
Investments at estimated fair value:			
Certificates of deposit	<u>415,336</u>	<u>712,775</u>	<u>681,274</u>
Totals	<u>\$ 796,370</u>	<u>\$ 1,089,303</u>	<u>\$ 1,042,822</u>

Note 6 - Concentration of Credit Risk

NAWS places its cash and cash equivalents with high quality financial institutions. Cash and cash equivalents balances exceeded the Federal Deposit Insurance Corporation insurance limits by approximately \$370,000 as of 30 June 2009.

At 30 June 2009, the deposit at a bank account in Iran was approximately \$200,000. The account was in the name of a NAWS employee, who resides in Iran. Subsequent to the year end, approximately \$50,000 was transferred out of that account to a new bank account in Malaysia. The account in Malaysia is also in the name of that particular NAWS employee.

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