



Narcotics Anonymous World Services
Consolidated Statement of Financial Position
 Balance Sheet – For the Twelve Months Ending 30 June 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents		
Checking Accounts and Money Market	\$646,175	
Reserve Accounts	665,634	
	<u> </u>	
Total Accessable Cash for Operations	\$1,311,809	
Cash in Iran	514,142	
Reserve for WCNA	1,200,624	
	<u> </u>	
Cash Total		\$3,026,575
Accounts Receivable		
Accounts Receivable	\$1,185,441	
Convention & Conference Clearing Accounts	7,452	
Less Allowance for Doubtful Accounts	(106,239)	
	<u> </u>	
Receivable Total		1,086,654
Inventory		1,378,442
Prepaid Expenses and Sales Deposits		185,493
WCNA Deposits and Prepaid Expenses		458,782
		<u> </u>
Total Current Assets		\$6,135,947

EQUIPMENT, FURNITURE AND IMPROVEMENTS

Equipment and Furniture	\$1,199,627	
Leasehold Improvements	891,029	
Intellectual and Software Property	1,578,336	
Less Accumulated Depreciation and Amortization	(3,163,543)	
	<u> </u>	
Total Equipment, Furniture and Improvements		505,449
		<u> </u>
TOTAL ASSETS		\$6,641,396
		<u> </u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$739,050	
Accrued Payroll Expense	221,686	
	<u> </u>	
Total Current Liabilities		\$960,735
Total Long Term Liabilities		0

DEFERRED INCOME

Conventions	\$1,200,624	
	<u> </u>	
Total Deferred Income		1,200,624

NET ASSETS

Previous Unrestricted Net Assets	\$3,946,116	
Current Gain / (Loss) Unrestricted Net Assets	533,920	
	<u> </u>	
Total Net Assets		4,480,037
		<u> </u>
TOTAL LIABILITIES AND NET ASSETS		\$6,641,396
		<u> </u>



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2011

	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
INCOME			
RECOVERY LITERATURE INCOME			
BASIC TEXT: Hardcover English	\$2,179,644	\$2,977,260	(\$797,616)
BASIC TEXT: Translated	\$210,611	\$171,180	\$39,431
BASIC TEXT: Softcover	\$840,454	\$746,424	\$94,030
JUST FOR TODAY	\$864,669	\$885,636	(\$20,967)
IT WORKS: HOW & WHY	\$764,189	\$670,296	\$93,893
SPONSORSHIP BOOK	\$86,771	\$47,388	\$39,383
STEP WORKING GUIDES	\$692,031	\$721,680	(\$29,649)
LITERATURE INCOME (IRAN)	\$1,153,147	\$1,037,532	\$115,615
OTHER RECOVERY LITERATURE	\$1,432,970	\$1,531,416	(\$98,446)
Subtotal	\$8,224,486	\$8,788,812	(\$564,326)
OTHER INVENTORY INCOME			
MEDALLIONS	\$728,014	\$735,708	(\$7,694)
KEY TAGS & CHIPS	\$1,168,205	\$1,119,948	\$48,257
NON-FIPT INFORMATION BOOKLETS	\$77,607	\$86,976	(\$9,369)
HANDBOOKS	\$58,442	\$59,196	(\$754)
SPECIALTY ITEMS	\$73,519	\$43,464	\$30,055
AUDIO MATERIALS	\$1,161	\$1,980	(\$819)
GROUP/AREA MATERIALS	\$136,981	\$126,996	\$9,985
MIRACLES HAPPEN	\$27,447	\$40,176	(\$12,729)
Subtotal	\$2,271,376	\$2,214,432	\$56,944
SHIPPING	\$498,222	\$479,460	\$18,762
DISCOUNTS	(\$1,363,303)	(\$1,452,888)	\$89,585
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(\$220,632)	(\$203,868)	(\$16,764)
Subtotal	(\$1,085,713)	(\$1,177,284)	\$91,571
Gross Literature Income (less discounts)	\$9,410,149	\$9,825,948	(\$415,799)
Gross Literature Income (without IRAN)	\$8,257,002	\$8,788,416	(\$531,414)
RECOVERY LITERATURE COST OF GOODS			
BASIC TEXT: Hardcover English	\$427,752	\$525,828	(\$98,076)
BASIC TEXT: Translated	\$43,068	\$30,192	\$12,876
BASIC TEXT: Softcover	\$105,126	\$109,356	(\$4,230)
JUST FOR TODAY	\$90,625	\$94,068	(\$3,443)
IT WORKS: HOW & WHY	\$140,391	\$104,976	\$35,415
SPONSORSHIP BOOK	\$28,330	\$11,208	\$17,122
STEP WORKING GUIDES	\$91,224	\$99,228	(\$8,004)
LITERATURE PRODUCTION (IRAN)	\$1,184,530	\$700,776	\$483,754
OTHER RECOVERY LITERATURE	\$232,756	\$305,628	(\$72,872)
Subtotal	\$2,343,802	\$1,981,260	\$362,542



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2011

	YTD ACTUAL	YTD BUDGET	VARIANCE
OTHER INVENTORY COST OF GOODS			
MEDALLIONS	\$167,108	\$164,664	\$2,444
KEY TAGS & CHIPS	\$259,924	\$243,468	\$16,456
NON-FIPT INFORMATION BOOKLETS	\$25,269	\$12,480	\$12,789
HANDBOOKS	\$17,765	\$18,384	(\$619)
SPECIALTY ITEMS	\$27,042	\$12,564	\$14,478
AUDIO MATERIALS	\$594	\$528	\$66
GROUP/AREA MATERIALS	\$41,188	\$36,192	\$4,996
MIRACLES HAPPEN	\$2,932	\$4,164	(\$1,232)
INVENTORY ADJUSTMENT	\$0	\$0	\$0
Subtotal	\$541,822	\$492,432	\$49,390
Total Cost of Goods	\$2,885,624	\$2,473,692	\$411,932
Total Cost of Goods without IRAN	\$1,701,094	\$1,772,916	(\$71,822)
Net Literature Income	\$6,524,525	\$7,352,256	(\$827,731)
Net Literature Income without IRAN	\$6,555,908	\$7,015,500	(\$459,592)
FELLOWSHIP DONATIONS			
BREAKDOWN BY DONOR TYPE			
Members	\$48,568	\$11,484	\$37,084
Groups	\$79,084	\$70,116	\$8,968
Areas	\$129,583	\$137,868	(\$8,285)
Regions	\$437,823	\$515,628	(\$77,805)
Events/Conventions	\$20,653	\$33,192	(\$12,539)
Unity Day	\$0	\$19,500	(\$19,500)
Zonal & Other Forums	\$26,283	\$3,372	\$22,911
Total Donations	\$741,994	\$791,160	(\$49,166)
MISCELLANEOUS INCOME			
LICENSED VENDOR PAYMENTS	\$25,860	\$24,756	\$1,104
INTEREST	\$6,203	\$14,004	(\$7,801)
MISCELLANEOUS	\$3,309	\$0	\$3,309
INTERBRANCH	\$0	\$0	\$0
Total Miscellaneous Income	\$35,372	\$38,748	(\$3,376)
OPERATING INCOME (Not including event specific)	\$7,301,891	\$8,182,176	(\$880,285)
OPERATING INCOME (Not including IRAN)	\$7,333,274	\$7,845,420	(\$512,146)



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2011

	YTD ACTUAL	YTD BUDGET	VARIANCE
EXPENSE			
LITERATURE PRODUCTION & DISTRIBUTION			
FIXED OPERATIONAL EXPENSES			
MARKETING	\$1,933	\$69,972	(\$68,039)
IN HOUSE PRODUCTION (not included in Cost of Goods)	\$62,307	\$58,140	\$4,167
TRANSLATIONS (not included in Cost of Goods)	\$25,836	\$68,700	(\$42,864)
LITERATURE DISTRIBUTION (IRAN)	\$33,846	\$36,648	(\$2,802)
SHIPPING	\$519,863	\$510,996	\$8,867
BUSINESS PLAN WORK GROUP	\$18,397	\$18,684	(\$287)
LEGAL	\$4,204	\$18,828	(\$14,624)
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	\$1,241	\$7,908	(\$6,667)
ACCOUNTING	\$13,321	\$12,672	\$649
PERSONNEL (Includes amount budgeted to variable projects)	\$1,191,912	\$1,162,332	\$29,580
OVERHEAD	\$460,621	\$574,320	(\$113,699)
TECHNOLOGY	\$89,079	\$44,580	\$44,499
Total Literature Production & Distribution	\$2,422,560	\$2,583,792	(\$161,232)
Total Literature Production & Distribution without IRAN	\$2,388,714	\$2,547,132	(\$158,418)
WORLD SERVICE CONFERENCE SUPPORT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$15,013	\$46,440	(\$31,427)
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	(\$5,991)	\$33,000	(\$38,991)
WORLD BOARD	\$170,834	\$243,300	(\$72,466)
HUMAN RESOURCE PANEL	\$13,816	\$13,956	(\$140)
WSC CO-FACILITATOR	\$275	\$996	(\$721)
ACCOUNTING	\$8,183	\$8,196	(\$13)
PERSONNEL (Includes amount budgeted to variable projects)	\$732,174	\$752,100	(\$19,926)
OVERHEAD	\$283,590	\$371,616	(\$88,026)
TECHNOLOGY	\$56,835	\$28,848	\$27,987
Subtotal	\$1,274,729	\$1,498,464	(\$223,735)
VARIABLE OPERATIONAL EXPENSES			
LEADERSHIP ORIENTATION MATERIAL	\$0	\$9,996	(\$9,996)
FELLOWSHIP ISSUE DISCUSSIONS	\$2	\$12,504	(\$12,502)
SERVICE SYSTEM	\$149,474	\$75,000	\$74,474
BOOK LENGTH PIECE LIVING CLEAN	\$67,740	\$120,000	(\$52,260)
MEMBER EXPERIENCE PROJECT	\$0	\$2,004	(\$2,004)
FINISHED WSC PROJECTS	\$587	\$9,432	(\$8,845)
Subtotal	\$217,803	\$228,936	(\$11,133)
Total World Service Conference Support	\$1,492,532	\$1,727,388	(\$234,856)



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2011

	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
FELLOWSHIP DEVELOPMENT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$91,368	\$166,932	(\$75,564)
FELLOWSHIP SUPPORT	\$87,095	\$288,804	(\$201,709)
PUBLIC RELATIONS	\$71,016	\$124,536	(\$53,520)
DEVELOPMENTAL LITERATURE	\$410,078	\$417,900	(\$7,822)
ARCHIVES & INFORMATION MANAGEMENT	\$0	\$9,000	(\$9,000)
ACCOUNTING	\$12,941	\$12,672	\$269
PERSONNEL (Includes amount budgeted to variable projects)	\$1,157,857	\$1,162,332	(\$4,475)
OVERHEAD	\$444,790	\$574,320	(\$129,530)
TECHNOLOGY	\$86,534	\$44,580	\$41,954
Subtotal	\$2,361,679	\$2,801,064	(\$439,385)
VARIABLE OPERATIONAL EXPENSES			
PUBLIC RELATIONS DEVELOPMENT	\$21	\$39,996	(\$39,975)
SERVICE MATERIALS	\$0	\$16,248	(\$16,248)
Subtotal	\$21	\$56,256	(\$56,235)
Total Fellowship Development	\$2,361,700	\$2,857,320	(\$495,620)
EVENTS			
FIXED OPERATIONAL EXPENSES			
FUTURE (AND PRIOR) CONVENTIONS	\$1,827	\$48,372	(\$46,545)
LEGAL	\$0	\$0	\$0
ACCOUNTING	\$3,616	\$3,732	(\$116)
PERSONNEL (Includes amount budgeted to variable projects)	\$323,519	\$341,868	(\$18,349)
OVERHEAD	\$126,489	\$168,912	(\$42,423)
TECHNOLOGY	\$24,179	\$13,116	\$11,063
Total Events (Not including event specific)	\$479,630	\$575,988	(\$96,358)
TOTAL EXPENSE (Not including event specific)	\$6,756,422	\$7,744,488	(\$988,066)
TOTAL EXPENSE (Not including IRAN)	\$6,722,576	\$7,707,828	(\$985,252)
EXCESS REV/EXP (Not including event specific)	\$545,469	\$437,688	\$107,781
EXCESS REVENUE/EXPENSE (Not including IRAN)	\$610,698	\$137,592	\$473,106



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2011

	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
EVENT SPECIFIC			
EVENT SPECIFIC INCOME			
WCNA-34 INCOME			
REGISTRATION	\$0	\$0	\$0
SPECIAL EVENTS	\$0	\$0	\$0
NEWCOMER DONATIONS	\$0	\$0	\$0
MERCHANDISE	\$0	\$0	\$0
OTHER SALES	\$150	\$0	\$150
REBATES	\$0	\$0	\$0
	-----	-----	-----
Total Event Specific Income	\$150	\$0	\$150
EVENT SPECIFIC EXPENSE			
WCNA-34 EXPENSE			
REGISTRATION	\$3,084	\$0	\$3,084
SPECIAL EVENTS	\$0	\$0	\$0
PROGRAM	\$755	\$0	\$755
MERCHANDISE	\$1,172	\$0	\$1,172
FACILITIES	\$0	\$0	\$0
SUPPORT COMMITTEE	\$0	\$0	\$0
ADMINISTRATION	\$6,686	\$0	\$6,686
	-----	-----	-----
Total Event Specific Expense	\$11,697	\$0	\$11,697
	-----	-----	-----
Total Event Specific Excess Revenue/Expense	(\$11,547)	\$0	(\$11,547)
	=====	=====	=====
INCREASE (DECREASE) NET ASSETS	\$533,922	\$437,688	\$96,234
	=====	=====	=====
INCREASE (DECREASE) without IRAN	\$599,151	\$137,592	\$461,559



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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, 2011, 2010 and 2009, 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, 2011 and for the year then ended, which statements reflect total assets of \$1,122,502 as of June 30, 2011 and total revenues of \$328,950 for the year 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, 2011 financial statements of Payam Omega was qualified because they were not able to obtain information to support inventory in the amount of \$492,185 and beginning net assets of \$171,708.

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, 2011 and its beginning net assets, 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, 2011, 2010 and 2009 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

February 28, 2012



Narcotics Anonymous World Services
Consolidated Statements of Financial Position
Exhibit A

Assets	June 30, 2011	June 30, 2010	June 30, 2009
Current assets:			
Cash and cash equivalents	\$ 2,437,826	\$ 1,290,112	\$ 1,812,506
Investments - at fair value	596,201	579,596	796,370
Accounts receivable (net of allowance for uncollectible accounts of \$106,239, \$84,512, and \$78,820 respectively)	1,073,696	761,307	913,913
Publication inventory	1,378,442	1,111,155	1,217,895
Prepaid expenses	220,245	156,426	82,100
Total current assets	5,706,410	3,898,596	4,822,784
Property and equipment:			
Furniture and equipment	1,200,797	1,499,489	2,504,928
Leasehold improvements	869,860	883,491	867,259
	2,090,657	2,382,980	3,372,187
Less: accumulated depreciation and amortization	(1,940,180)	(2,292,381)	(2,695,317)
Total property and equipment - net	150,477	90,599	676,870
Other assets:			
Deposits	429,536	12,297	245,024
Trademarks, software and copyrights (net of accumulated amortization of \$1,223,363, \$1,172,804, and \$1,054,565 respectively)	354,973	375,936	405,541
Total other assets	784,509	388,233	650,565
Total assets	\$ 6,641,396	\$ 4,377,428	\$ 6,150,219
Liabilities and net assets			
Current liabilities:			
Accounts payable	\$ 739,196	\$ 170,473	\$ 416,884
Accrued salaries, vacation and tax withholdings payable	221,540	260,837	224,528
Current portion of capital leases payable	-	-	108,600
Deferred convention revenue	1,200,624	-	517,787
Total current liabilities	2,161,360	431,310	1,267,799
Capital leases payable, less current portion	-	-	471,949
Total liabilities	2,161,360	431,310	1,739,748
Unrestricted net assets	4,480,036	3,946,118	4,410,471
Total liabilities and net assets	\$ 6,641,396	\$ 4,377,428	\$ 6,150,219

See accompanying notes to consolidated financial statements.



Narcotics Anonymous World Services Consolidated Statements of Activities Exhibit B

	Year Ended		
	June 30, 2011	June 30, 2010	June 30, 2009
Revenues, gains and other support:			
Sales of publications and program materials	\$ 9,411,732	\$ 8,995,088	\$ 9,637,023
Less discounts and cost of sales	<u>3,609,186</u>	<u>2,977,222</u>	<u>3,506,479</u>
Net sales of publications and program materials	5,802,548	6,017,866	6,130,544
Convention registration and other revenue	-	979,551	103
Fellowship contributions*	742,144	643,745	807,761
Interest	6,200	11,306	20,232
Other	<u>29,049</u>	<u>22,963</u>	<u>25,711</u>
Total revenues, gains and other support	<u>6,579,939</u>	<u>7,675,431</u>	<u>6,984,351</u>
Expenses:			
Literature production and distribution	1,783,768	1,723,056	1,723,036
World Service Conference support	1,447,619	1,982,314	1,576,661
Fellowship development	2,279,236	2,616,805	2,809,963
Events	<u>471,733</u>	<u>1,669,827</u>	<u>592,066</u>
	5,982,356	7,992,002	6,701,726
Depreciation and amortization expense	63,665	273,548	526,915
Gain on disposal of fixed assets	-	(125,766)	-
	<u>63,665</u>	<u>147,782</u>	<u>526,915</u>
Total expenses	<u>6,046,021</u>	<u>8,139,784</u>	<u>7,228,641</u>
Change in net assets	533,918	(464,353)	(244,290)
Unrestricted net assets:			
Beginning of year	<u>3,946,118</u>	<u>4,410,471</u>	<u>4,654,761</u>
End of year	<u>\$ 4,480,036</u>	<u>\$ 3,946,118</u>	<u>\$ 4,410,471</u>

* Previously referred to as Conference contributions.

See accompanying notes to consolidated financial statements.



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

	Year Ended June 30, 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
	<u>1,783,768</u>	<u>1,447,619</u>	<u>2,279,236</u>	<u>471,733</u>	<u>5,982,356</u>
Depreciation and amortization	22,283	13,668	21,646	6,048	63,665
Total expenses	<u>\$ 1,806,051</u>	<u>\$ 1,461,307</u>	<u>\$ 2,300,882</u>	<u>\$ 477,781</u>	<u>\$ 6,046,021</u>

See accompanying notes to consolidated financial statements.



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

	Year Ended June 30, 2010				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,026,254	\$ 664,047	\$ 1,026,254	\$ 301,839	\$ 3,018,394
Employee health benefits	126,911	82,119	126,911	37,327	373,268
Retirement contribution	23,780	15,387	23,780	6,994	69,941
Contract labor	2,495	1,615	2,495	734	7,339
Convention expense	-	-	-	1,164,640	1,164,640
Occupancy	177,133	103,973	160,685	47,260	489,051
Travel	-	2,295	-	-	2,295
Conferences	-	425,662	-	-	425,662
Worldwide workshops	-	-	142,412	-	142,412
Telephone	30,809	19,936	30,809	11,812	93,366
Postage	6,786	5,158	6,786	5,602	24,332
Office expense	34,783	22,994	34,783	10,230	102,790
Professional fees	72,821	17,576	27,163	9,569	127,129
Equipment leases	94,052	60,857	94,052	27,662	276,623
Computer expense	47,766	33,364	47,766	34,373	163,269
Insurance	18,560	12,009	18,560	5,459	54,588
Interest expense	25,839	16,719	25,839	7,600	75,997
Developmental literature	-	-	106,762	-	106,762
Free publications	-	43,828	171,212	-	215,040
Free literature	-	458	250,968	-	251,426
Currency conversion	-	-	47,231	(11,336)	35,895
Public relations	-	-	69,265	-	69,265
Workgroups	5,127	164,517	7,451	-	177,095
World Board	-	270,427	-	-	270,427
Fellowship assistance	-	-	137,486	-	137,486
Website expense	19,154	12,394	19,154	5,634	56,336
Other operating expenses	10,786	6,979	38,981	4,428	61,174
	<u>1,723,056</u>	<u>1,982,314</u>	<u>2,616,805</u>	<u>1,669,827</u>	<u>7,992,002</u>
Depreciation and amortization	93,006	60,180	93,006	27,356	273,548
Gain on disposal	(42,760)	(27,668)	(42,760)	(12,578)	(125,766)
Total expenses	<u>\$ 1,773,302</u>	<u>\$ 2,014,826</u>	<u>\$ 2,667,051</u>	<u>\$ 1,684,605</u>	<u>\$ 8,139,784</u>

See accompanying notes to consolidated financial statements.



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

	Year Ended June 30, 2009				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,004,975	\$ 650,278	\$ 1,004,974	\$ 295,580	\$ 2,955,807
Employee health benefits	128,147	82,919	128,147	37,690	376,903
Retirement contribution	24,991	16,171	24,991	7,350	73,503
Contract labor	1,938	1,254	1,938	24,097	29,227
Convention expense	-	-	-	89,079	89,079
Occupancy	186,848	101,771	157,281	46,260	492,160
Travel	1,457	942	1,457	429	4,285
Conferences	-	43,700	-	-	43,700
Worldwide workshops	-	-	151,907	-	151,907
Telephone	22,008	14,240	22,008	6,929	65,185
Postage	4,068	3,337	4,068	2,197	13,670
Office expense	53,351	34,521	53,350	15,690	156,912
Professional fees	76,967	20,302	31,375	9,228	137,872
Equipment leases	44,232	28,621	44,231	13,009	130,093
Computer expense	32,046	24,848	32,046	9,426	98,366
Insurance	32,832	21,244	32,832	9,655	96,563
Interest expense	55,102	35,654	55,102	16,207	162,065
Developmental literature	-	-	154,296	-	154,296
Free publications	-	51,265	154,678	-	205,943
Free literature	746	616	318,928	219	320,509
Currency conversion	-	-	42,856	-	42,856
Public relations	-	-	145,538	-	145,538
Workgroups	22,709	192,515	65,907	-	281,131
World Board	-	232,651	-	-	232,651
Fellowship assistance	-	-	138,182	-	138,182
Website expense	12,569	8,133	12,569	3,712	36,983
Other operating expenses	18,050	11,679	31,302	5,309	66,340
	1,723,036	1,576,661	2,809,963	592,066	6,701,726
Depreciation and amortization	179,151	115,921	179,151	52,692	526,915
Total expenses	\$ 1,902,187	\$ 1,692,582	\$ 2,989,114	\$ 644,758	\$ 7,228,641

See accompanying notes to consolidated financial statements.



Narcotics Anonymous World Services

Consolidated Statements of Cash Flows

Exhibit D

	Year Ended		
	June 30, 2011	June 30, 2010	June 30, 2009
Cash flows from operating activities:			
Change in net assets	\$ 533,918	\$ (464,353)	\$ (244,290)
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	63,665	273,548	526,915
Gain on disposition of fixed assets	-	(125,766)	-
(Increase) decrease in assets:			
Accounts receivable	(312,389)	152,608	(12,851)
Publication inventory	(267,287)	106,740	(339,871)
Prepaid expenses	(63,819)	(74,326)	81,468
Deposits	(417,239)	232,727	(86,404)
Increase (decrease) in liabilities:			
Accounts payable	568,723	(246,411)	(7,934)
Accrued salaries and withholdings payable	(39,297)	36,309	(35,230)
Deferred convention revenue	1,200,624	(517,787)	517,787
Net cash provided (used) by operating activities	1,266,899	(626,713)	399,590
Cash flows from investing activities:			
Purchases of investments	(22,019)	(11,307)	(20,232)
Proceeds from the sale of investments	5,414	286,961	313,165
Purchases of property and equipment	(47,513)	(36,471)	(65,348)
Purchases of leasehold improvements	(6,370)	(17,769)	(13,315)
Payments to secure copyrights and trademarks and purchase software	(48,697)	(61,378)	(150,679)
Net cash provided (used) by investing activities	(119,185)	160,036	63,591
Cash flows from financing activities:			
Repayment of capital lease obligations	-	(55,717)	(84,462)
Net increase (decrease) in cash and cash equivalents	1,147,714	(522,394)	378,719
Cash and cash equivalents:			
Beginning of year	1,290,112	1,812,506	1,433,787
End of year	\$ 2,437,826	\$ 1,290,112	\$ 1,812,506

Supplemental disclosures of cash flow information:

Interest paid during the years ended June 30, 2011, 2010 and 2009 amounted to \$0, \$75,997, and \$162,065, respectively.

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

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statement

Independent Auditors' Report Years Ended June 2011, 2010, and 2009

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

Note 2 – Summary of Significant Accounting Policies

A. Consolidation Policy and Basis of Accounting

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

B. Financial Statement Presentation

Under US 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 30 June 2011, 2010, and 2009, NAWS held no temporarily or permanently restricted net assets.

C. Cash and Cash Equivalents

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

D. Investments

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

E. Publication Inventory

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



E. 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 2011, 2010, and 2009 amounted to \$13,106, \$72,391, and \$408,680 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 2011, 2010, and 2009 amounted to \$50,559, \$101,606 and \$118,235, 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, 2011, 2010, and 2009 program service costs totaled \$5,441,419, \$7,325,806, and \$6,505,777, management and general costs totaled \$604,602, \$813,978, and \$722,864, 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 30 June 2007 (2006 for state returns) are subject to examination by authorities.



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 \$60,529, \$69,941, and \$73,503 for the years ended 30 June 2011, 2010, and 2009, 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 30 June 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 30 June 2011:

Year ending 30 June

2012	\$ 618,550
2013	601,997
2014	592,137
2015	601,415
Thereafter	<u>514,803</u>
Total minimum payment required	<u>\$2,928,902</u>

Total payments made under the leases during the years ended 30 June 2011, 2010, and 2009 were \$655,245, \$746,935, and \$700,956 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.

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



30 June 2011

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 133,211	\$ –	\$ –	\$ 133,211
Certificates of Deposit	–	–	449,022	449,022
US Government and Government Agency obligations	–	9,371	–	9,371
Equities	4,597	–	–	4,597
	<u>\$ 137,808</u>	<u>\$ 9,371</u>	<u>\$ 449,022</u>	<u>\$ 596,201</u>

30 June 2010

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 109,014	\$ –	\$ –	\$ 109,014
Certificates of Deposit	–	–	455,791	455,791
US Government and Government Agency obligations	–	13,222	–	13,222
Equities	1569	–	–	1569
	<u>\$ 110,583</u>	<u>\$ 13,222</u>	<u>\$ 455,791</u>	<u>\$ 579,596</u>

30 June 2009

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

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

	Year Ended		
	June 30, 2011	June 30, 2010	June 30, 2009
Balance, 1 July	\$ 455,791	\$ 415,336	712,775
Purchases/Accrued Interest	12,315	12,178	12,325
Sales/Maturities	(19,084)	28,277	(309,764)
Balance, 30 June	<u>\$ 449,022</u>	<u>\$ 455,791</u>	<u>415,336</u>

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

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

Level 1 – investments comprise equities and money market funds traded daily on an active exchange.

Level 2 – investments consist of government obligations valued based on trade prices for similar securities.

Level 3 – investments are certificates of deposit reported at cost, which approximates fair value.

**Note 6 – Concentrations of Credit Risk**

NAWS places its cash and cash equivalents with high quality financial institutions. Cash in US banks was fully covered by the Federal Deposit Insurance Corporation (FDIC). Cash in Canadian accounts is insured up to \$100,000 (Canadian) per bank by CDIC. Cash in other foreign accounts is not insured by the FDIC and totaled approximately \$290,000 as of 30 June 2011.

Assets reported in the statement of financial position as of 30 June 2011 include cash of approximately \$514,000 and publication inventory of approximately \$492,000 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 31 December 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 28 February 2012, the date these financial statements were available to be issued. There were no other material subsequent events that require recognition or additional disclosure in these financial statements.