



Narcotics Anonymous World Services
Consolidated Statement of Financial Position
 Balance Sheet – For the Twelve Months Ending 30 June 2013

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	
Checking Accounts and Money Market	\$1,152,859
Reserve Accounts	1,003,435
Total Accessable Cash for Operations	\$2,156,294
Cash in Iran	257,249
Reserve for WCNA	1,364,469
Cash Total	\$3,778,012
Accounts Receivable	
Accounts Receivable	\$870,185
Convention & Conference Clearing Accounts	561
Less Allowance for Doubtful Accounts	(202,939)
Receivable Total	667,806
Inventory	1,164,964
Prepaid Expenses and Sales Deposits	139,167
WCNA Deposits and Prepaid Expenses	641,574
Total Current Assets	\$6,391,523
EQUIPMENT, FURNITURE AND IMPROVEMENTS	
Equipment and Furniture	\$1,353,875
Leasehold Improvements	934,600
Intellectual and Software Property	1,769,759
Less Accumulated Depreciation and Amortization	(3,468,680)
Total Equipment, Furniture and Improvements	589,554
TOTAL ASSETS	\$6,981,077
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$361,137
Accrued Payroll Expense	185,056
Total Current Liabilities	\$546,193
LONG TERM LIABILITIES	
Notes Payable	\$0
Leases Payable	\$0
Total Long Term Liabilities	0
DEFERRED INCOME	
Conventions	\$1,364,469
Total Deferred Income	1,364,469
NET ASSETS	
Previous Unrestricted Net Assets	\$4,481,496
Current Gain / (Loss) Unrestricted Net Assets	588,919
Total Net Assets	5,070,415
TOTAL LIABILITIES AND NET ASSETS	\$6,981,077



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2013

	YTD Actual	YTD Budget	Variance
INCOME			
RECOVERY LITERATURE INCOME			
BASIC TEXT: Hardcover English	\$1,960,668	\$2,138,252	(\$177,584)
BASIC TEXT: Translated	\$158,569	230,012	(71,443)
BASIC TEXT: Softcover	\$787,766	818,551	(30,785)
JUST FOR TODAY	\$919,614	851,472	68,142
IT WORKS: HOW & WHY	\$599,525	712,103	(112,578)
SPONSORSHIP BOOK	\$29,162	73,205	(44,043)
STEP WORKING GUIDES	\$684,983	685,496	(513)
LIVING CLEAN	\$1,244,786	525,000	719,786
ePUB BOOKS	\$60,426	0	60,426
LITERATURE INCOME (IRAN)	\$592,368	1,137,770	(545,402)
OTHER RECOVERY LITERATURE	\$1,245,546	1,413,468	(167,922)
Subtotal	\$8,283,413	\$8,585,327	(\$301,914)
OTHER INVENTORY INCOME			
MEDALLIONS	\$734,317	\$728,422	\$5,895
KEYTAGS & CHIPS	\$1,116,012	1,144,809	(28,797)
NON-FIPT INFORMATION BOOKLETS	\$58,017	74,818	(16,801)
HANDBOOKS	\$48,063	57,903	(9,840)
SPECIALTY ITEMS	\$68,038	84,226	(16,188)
AUDIO MATERIALS	\$71	1,015	(944)
GROUP/AREA MATERIALS	\$108,738	155,357	(46,619)
MIRACLES HAPPEN	\$26,078	31,286	(5,208)
Subtotal	\$2,159,334	\$2,277,836	(\$118,502)
SHIPPING	\$592,814	\$511,081	\$81,733
DISCOUNTS	(\$1,296,764)	(1,395,191)	98,427
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(\$169,498)	(254,921)	85,423
Subtotal	(\$873,448)	(\$1,139,031)	\$265,583
Gross Literature Income (less discounts)	\$9,569,299	\$9,724,131	(\$154,832)
Gross Literature Income (without IRAN)	\$8,976,931	8,586,361	390,570
RECOVERY LITERATURE COST OF GOODS			
BASIC TEXT: Hardcover English	\$358,085	\$436,686	(\$78,601)
BASIC TEXT: Translated	\$31,852	50,000	(18,148)
BASIC TEXT: Softcover	\$95,335	107,733	(12,398)
JUST FOR TODAY	\$106,415	105,310	1,105
IT WORKS: HOW & WHY	\$101,322	131,079	(29,757)
SPONSORSHIP BOOK	\$5,899	23,033	(17,134)
STEP WORKING GUIDES	\$92,466	89,102	3,364
LIVING CLEAN	\$197,211	150,000	47,211
ePUB BOOKS	\$18,781	0	18,781
LITERATURE PRODUCTION (IRAN)	\$302,536	741,500	(438,964)
OTHER RECOVERY LITERATURE	\$199,775	226,782	(27,007)
Subtotal	\$1,509,677	\$2,061,225	(\$551,548)



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2013

	YTD Actual	YTD Budget	Variance
OTHER INVENTORY COST OF GOODS			
MEDALLIONS	\$164,146	\$168,857	(\$4,711)
KEYTAGS & CHIPS	\$246,643	254,843	(8,200)
NON-FIPT INFORMATION BOOKLETS	\$8,272	25,404	(17,132)
HANDBOOKS	\$14,443	18,496	(4,053)
SPECIALTY ITEMS	\$28,688	31,800	(3,112)
AUDIO MATERIALS	\$81	565	(484)
GROUP/AREA MATERIALS	\$32,352	47,447	(15,095)
MIRACLES HAPPEN	\$3,605	3,774	(169)
INVENTORY ADJUSTMENT	(\$6)	0	(6)
Subtotal	\$498,224	\$551,186	(\$52,962)
Total Cost of Goods	\$2,007,901	\$2,612,411	(\$604,510)
Total Cost of Goods without IRAN	\$1,705,365	1,870,911	(165,546)
Net Literature Income	\$7,561,398	\$7,111,720	\$449,678
Net Literature Income without IRAN	\$7,271,566	6,715,451	556,115
FELLOWSHIP DONATIONS			
BREAKDOWN BY DONOR TYPE			
Members	\$61,543	\$48,999	\$12,544
Groups	\$93,818	79,237	14,581
Areas	\$134,223	129,716	4,507
Regions	\$368,903	429,933	(61,030)
Events/Conventions	\$39,005	16,658	22,348
Unity Day	\$0	15,654	(15,654)
Zonal & Other Forums	\$49,864	23,804	26,061
Total Donations	\$747,356	\$744,000	\$3,356
MISCELLANEOUS INCOME			
LICENSED VENDOR PAYMENTS	\$27,350	\$23,483	\$3,868
INTEREST	\$5,258	6,127	(869)
MISCELLANEOUS	(\$1,049)	0	(1,049)
INTERBRANCH	\$0	0	0
	\$31,559	\$29,610	\$1,950
OPERATING INCOME (Not including event specific)	\$8,340,313	\$7,885,330	\$454,983
OPERATING INCOME (Not including IRAN)	\$8,050,481	7,489,060	561,421



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2013

	YTD Actual	YTD Budget	Variance
EXPENSE			
LITERATURE PRODUCTION & DISTRIBUTION			
FIXED OPERATIONAL EXPENSES			
MARKETING	\$2,296	\$2,000	\$296
IN HOUSE PRODUCTION (not included in Cost of Goods)	\$85,207	64,047	21,160
TRANSLATIONS (not included in Cost of Goods)	\$28,130	27,089	1,041
LITERATURE DISTRIBUTION (IRAN)	\$90,088	80,961	9,127
SHIPPING	\$643,893	524,259	119,634
BUSINESS PLAN WORK GROUP	\$17,380	\$14,074	\$3,306
LEGAL	\$27,531	4,227	23,304
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	\$3,902	4,800	(898)
ACCOUNTING	\$21,830	17,514	4,316
PERSONNEL (Includes amount budgeted to variable projects)	\$1,158,835	1,188,193	(29,358)
OVERHEAD	\$610,749	552,387	58,362
TECHNOLOGY	\$109,438	101,048	8,390
Total Literature Production & Distribution	\$2,799,279	\$2,580,598	\$218,681
Total Literature Production & Distribution without IRAN	\$2,709,191	2,499,637	209,554
WORLD SERVICE CONFERENCE SUPPORT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$19,590	\$15,822	\$3,768
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	\$20,376	(3,462)	23,838
WORLD BOARD	\$271,836	240,000	31,836
HUMAN RESOURCE PANEL	\$8,211	13,135	(4,924)
WSC CO-FACILITATOR	\$275	0	275
ACCOUNTING	\$13,410	10,759	2,651
PERSONNEL (Includes amount budgeted to variable projects)	\$711,856	729,890	(18,034)
OVERHEAD	\$375,354	339,323	36,031
TECHNOLOGY	\$67,226	62,072	5,154
Subtotal	\$1,488,134	\$1,407,540	\$80,594
VARIABLE OPERATIONAL EXPENSES			
LEADERSHIP ORIENTATION MATERIAL	\$0	0	0
FELLOWSHIP ISSUE DISCUSSIONS	\$0	25,000	(25,000)
SERVICE SYSTEM	\$12,975	50,000	(37,025)
BOOK LENGTH PIECE - TRADITIONS	\$1,720	15,000	(13,280)
MEMBER EXPERIENCE PROJECT	\$0	2,000	(2,000)
FINISHED WSC PROJECTS	\$23,209	0	23,209
Subtotal	\$37,904	\$92,000	(\$54,096)
Total World Service Conference Support	\$1,526,038	\$1,499,540	\$26,498



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2013

	YTD Actual	YTD Budget	Variance
FELLOWSHIP DEVELOPMENT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$78,057	\$91,500	(\$13,443)
FELLOWSHIP SUPPORT	\$262,019	280,000	(17,981)
PUBLIC RELATIONS	\$59,904	64,685	(4,781)
DEVELOPMENTAL LITERATURE	\$414,691	375,212	39,479
ARCHIVES & INFORMATION MANAGEMENT	\$0	0	0
ACCOUNTING	\$21,206	17,014	4,192
PERSONNEL (Includes amount budgeted to variable projects)	\$1,125,725	1,154,245	(28,520)
OVERHEAD	\$751,060	536,604	214,456
TECHNOLOGY	\$106,311	98,161	8,150
Subtotal	\$2,818,973	\$2,617,420	\$201,553
VARIABLE OPERATIONAL EXPENSES			
PUBLIC RELATIONS DEVELOPMENT	\$26	\$21,000	(\$20,974)
SERVICE MATERIALS	\$0	0	0
Subtotal	\$26	\$21,000	(\$20,974)
Total Fellowship Development	\$2,818,999	\$2,638,420	\$180,579
EVENTS			
FIXED OPERATIONAL EXPENSES			
FUTURE (AND PRIOR) CONVENTIONS	\$18,055	\$24,032	(\$5,977)
LEGAL	\$0	0	0
ACCOUNTING	\$5,925	4,754	1,171
PERSONNEL (Includes amount budgeted to variable projects)	\$314,541	322,510	(7,969)
OVERHEAD	\$167,218	149,934	17,284
TECHNOLOGY	\$29,705	27,427	2,278
Total Events (Not including WCNA)	\$535,444	\$528,657	\$6,787
TOTAL EXPENSE (Not inc. WCNA)	\$7,679,760	\$7,247,215	\$432,545
TOTAL EXPENSE (Not inc. IRAN)	\$7,589,672	\$7,166,254	\$423,418
EXCESS REV/EXP (Not inc. WCNA)	\$660,553	\$638,115	\$22,438
EXCESS REV/EXP (Not inc. IRAN)	\$460,809	322,806	138,003



Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2013

	YTD Actual	YTD Budget	Variance
EVENT SPECIFIC			
EVENT SPECIFIC INCOME			
WCNA-35 INCOME			
REGISTRATION	\$0	\$0	\$0
SPECIAL EVENTS	\$0	0	0
NEWCOMER DONATIONS	\$0	0	0
MERCHANDISE	\$0	0	0
OTHER SALES	\$0	0	0
REBATES	(\$2,251)	0	(2,251)
Total Event Specific Income	(\$2,251)	\$0	(\$2,251)
EVENT SPECIFIC EXPENSE			
WCNA-35 EXPENSE			
REGISTRATION	\$4,991	\$0	\$4,991
SPECIAL EVENTS	\$1,315	0	1,315
PROGRAM	\$13,427	0	13,427
MERCHANDISE	\$0	0	0
FACILITIES	\$1,374	0	1,374
SUPPORT COMMITTEE	\$380	0	380
ADMINISTRATION	\$47,892	0	47,892
Total Event Specific Expense	\$69,379	\$0	\$69,379
Total Event Specific Excess Revenue/Expense	(\$71,630)	\$0	(\$71,630)
INCREASE (DECREASE) NET ASSETS	\$588,923	\$638,114	(\$49,191)
INCREASE (DECREASE) without IRAN	\$389,179	\$322,806	\$66,373



MKA

MILLER KAPLAN ARASE LLP
CERTIFIED PUBLIC ACCOUNTANTS SINCE 1941

INDEPENDENT AUDITORS' REPORT

To the World Board of
Narcotics Anonymous World Services, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Narcotics Anonymous World Services, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2013, 2012 and 2011, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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) which statements reflect total assets of \$556,654, \$580,651 and \$1,122,502 as of June 30, 2013, 2012 and 2011, respectively, and total revenues of \$289,764, \$193,820 and \$328,950, respectively, for the years then ended. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

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

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

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

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

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

 an independent member of
BAKER TILLY
INTERNATIONAL



To the World Board of
Narcotics Anonymous World Services, Inc.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

In our opinion, based on our audits and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the other auditors been able to satisfy themselves as to Payam Omega's inventory as of June 30, 2012 and 2011, 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, 2013, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Miller Kaplan Arase LLP
MILLER KAPLAN ARASE LLP

North Hollywood, California

January 23, 2014



Narcotics Anonymous World Services
Consolidated Statements of Financial Position
Exhibit A

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,393,976	\$ 1,745,407	\$ 2,647,954
Investments - at fair value	384,596	385,014	386,073
Accounts receivable (net of allowance for uncollectible accounts of \$202,939, \$116,848, and \$106,239 respectively)	666,946	854,032	1,073,696
Publication inventory	1,164,964	1,190,730	1,378,442
Prepaid expenses	161,229	175,106	220,245
Total current assets	<u>5,771,711</u>	<u>4,350,289</u>	<u>5,706,410</u>
Property and equipment:			
Furniture and equipment	1,353,875	1,244,327	1,200,797
Leasehold improvements	934,600	911,641	889,860
	2,288,475	2,155,968	2,090,657
Less: accumulated depreciation and amortization	(2,080,417)	(1,984,515)	(1,940,180)
Total property and equipment - net	<u>208,058</u>	<u>171,453</u>	<u>150,477</u>
Other assets:			
Deposits	619,812	1,547	429,536
Trademarks, software and copyrights (net of accumulated amortization of \$1,388,263, \$1,306,064, and \$1,223,363 respectively)	381,496	372,584	354,973
Total other assets	<u>1,001,308</u>	<u>374,131</u>	<u>784,509</u>
Total assets	<u><u>\$ 6,981,077</u></u>	<u><u>\$ 4,895,873</u></u>	<u><u>\$ 6,641,396</u></u>
Liabilities and net assets			
Liabilities:			
Accounts payable	\$ 361,137	\$ 232,545	\$ 739,196
Accrued salaries, vacation and tax withholdings payable	185,056	181,832	221,540
Deferred convention revenue	1,364,469	-	1,200,624
Total Liabilities	1,910,662	414,377	2,161,360
Unrestricted net assets	<u>5,070,415</u>	<u>4,481,496</u>	<u>4,480,036</u>
Total liabilities and net assets	<u><u>\$ 6,981,077</u></u>	<u><u>\$ 4,895,873</u></u>	<u><u>\$ 6,641,396</u></u>

See accompanying notes to consolidated financial statements.



Narcotics Anonymous World Services
Consolidated Statements of Activities
Exhibit B

	Year Ended		
	June 30, 2013	June 30, 2012	June 30, 2011
Revenues, gains and other support:			
Sales of publications and program materials	\$ 9,571,594	\$ 8,581,430	\$ 9,411,732
Less discounts and cost of sales	<u>2,950,673</u>	<u>2,729,082</u>	<u>3,609,186</u>
Net sales of publications and program materials	6,620,921	5,852,348	5,802,546
Convention registration and other revenue	1,954	2,289,960	-
Fellowship contributions	747,355	666,859	742,144
Interest	5,258	6,740	6,200
Other	<u>26,027</u>	<u>21,611</u>	<u>29,049</u>
Total revenues, gains and other support	<u>7,401,515</u>	<u>8,837,518</u>	<u>6,579,939</u>
Expenses:			
Literature production and distribution	1,878,408	1,782,572	1,783,768
World Service Conference support	1,437,180	1,865,846	1,447,619
Fellowship development	2,686,682	2,410,368	2,279,236
Events	<u>622,025</u>	<u>2,622,409</u>	<u>471,733</u>
	6,624,295	8,681,195	5,982,356
Depreciation and amortization expense	188,301	150,334	63,665
Loss on disposal of fixed assets	<u>-</u>	<u>4,529</u>	<u>-</u>
	188,301	154,863	63,665
Total expenses	<u>6,812,596</u>	<u>8,836,058</u>	<u>6,046,021</u>
Change in net assets	588,919	1,460	533,918
Unrestricted net assets:			
Beginning of year	<u>4,481,496</u>	<u>4,480,036</u>	<u>3,946,118</u>
End of year	<u>\$ 5,070,415</u>	<u>\$ 4,481,496</u>	<u>\$ 4,480,036</u>

See accompanying notes to consolidated financial statements.



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

Year Ended June 30, 2013

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 934,187	\$ 573,858	\$ 907,496	\$ 295,860	\$ 2,711,401
Employee health benefits	149,544	91,863	145,271	40,591	427,269
Retirement contribution	24,846	15,262	24,136	6,744	70,988
Contract labor	16,989	10,436	16,504	4,611	48,540
Convention expense	-	-	-	91,638	91,638
Occupancy	230,517	141,603	223,931	62,569	658,620
Travel	469	563	455	289	1,776
Conferences	-	30,307	-	-	30,307
Worldwide workshops	-	-	145,085	-	145,085
Telephone	35,134	21,583	34,131	9,536	100,384
Postage	17,218	10,866	16,726	6,009	50,819
Office expense	27,609	16,960	26,820	7,494	78,883
Professional fees	110,608	25,985	41,092	11,482	189,167
Equipment leases	176,528	108,439	171,485	47,915	504,367
Computer expense	78,303	48,101	76,066	21,254	223,724
Insurance	24,112	14,810	23,422	6,545	68,889
Developmental literature	-	-	62,992	-	62,992
Free publications	-	19,590	78,057	-	97,647
Free literature	38	23	248,369	10	248,440
Currency conversion	-	-	157,949	-	157,949
Public relations	-	-	61,600	-	61,600
Workgroups	17,380	13,641	892	-	31,913
World Board	-	271,836	-	-	271,836
Fellowship assistance	-	-	135,844	-	135,844
Website expense	23,082	14,178	22,422	6,265	65,947
Other operating expenses	11,844	7,276	65,937	3,213	88,270
	1,878,408	1,437,180	2,686,682	622,025	6,624,295
Depreciation and amortization	65,905	40,485	64,022	17,889	188,301
Total expenses	<u>\$ 1,944,313</u>	<u>\$ 1,477,665</u>	<u>\$ 2,750,704</u>	<u>\$ 639,914</u>	<u>\$ 6,812,596</u>

See accompanying notes to consolidated financial statements.



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

Year Ended June 30, 2012

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

See accompanying notes to consolidated financial statements.



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

	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	13,688	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 Cash Flows

Exhibit D

	Year Ended		
	June 30, 2013	June 30, 2012	June 30, 2011
Cash flows from operating activities:			
Change in net assets	\$ 588,919	\$ 1,460	\$ 533,918
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	188,301	150,334	63,665
Loss on disposition of fixed assets	-	4,529	-
(Increase) decrease in assets:			
Accounts receivable	187,086	219,664	(312,389)
Publication inventory	25,766	187,712	(267,287)
Prepaid expenses	13,877	45,139	(63,819)
Deposits	(618,265)	427,989	(417,239)
Increase (decrease) in liabilities:			
Accounts payable	128,592	(506,651)	568,723
Accrued salaries, vacation and tax withholdings payable	3,224	(39,708)	(39,297)
Deferred convention revenue	1,364,469	(1,200,624)	1,200,624
Net cash provided (used) by operating activities	1,881,969	(710,156)	1,266,899
Cash flows from investing activities:			
Purchases of investments	(443,190)	(441,095)	(22,019)
Proceeds from the sale of investments	443,608	442,154	106,528
Purchases of property and equipment	(120,089)	(71,007)	(47,513)
Purchases of leasehold improvements	(22,618)	(22,130)	(6,370)
Payments to secure copyrights and trademarks and purchase software	(91,111)	(100,313)	(48,697)
Net cash provided (used) by investing activities	(233,400)	(192,391)	(18,071)
Net increase (decrease) in cash and cash equivalents	1,648,569	(902,547)	1,248,828
Cash and cash equivalents:			
Beginning of year	1,745,407	2,647,954	1,399,126
End of year	\$ 3,393,976	\$ 1,745,407	\$ 2,647,954

Supplemental disclosures of cash flow information:

Interest paid during the years ended June 30, 2013, 2012 and 2011 amounted to \$0, \$3,211, and \$0, respectively.

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statement

Independent Auditors' Report Years Ended June 2013, 2012, and 2011

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 literature distribution facilities in India, Toronto, Canada and offices in Brussels, Belgium, and Iran. NAWS' Iranian service office is known as Payam Omega. NAWS is a not-for-profit organization that provides communications and information for the Fellowship of Narcotics Anonymous (NA). NAWS achieves its purpose by maintaining correspondence with NA groups and service committees, by printing and distributing World Services Conference (WSC) approved literature, and by maintaining the archives and files of NA.

In 1993, NA established the Fellowship Intellectual Property Trust (the Trust). The Trust was established for the purpose of holding and administering all recovery material and other intellectual properties of NA. The Trust is included in the consolidated financial statements of NAWS as a result of common control.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Consolidation Policy and Basis of Accounting

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

B. Financial Statement Presentation

Under U.S. generally accepted accounting principles (GAAP) not-for-profit organizations are required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2013, 2012 and 2011, NAWS held no temporarily or permanently restricted net assets.

C. Cash and Cash Equivalents

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

D. Investments

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

E. Publication Inventory

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



NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property and Equipment

Leasehold improvements and furniture and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the useful life of the asset are expensed. Depreciation and amortization 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 and amortization expense for the years ended June 30, 2013, 2012, and 2011 amounted to \$106,103, \$67,633 and \$13,106, respectively.

G. Trademarks and Copyrights

The cost of acquiring and defending copyrights and trademarks is capitalized and is amortized over the approximate economic life of the copyright or trademark, which is estimated to be ten years. The cost of computer software is also capitalized and amortized over a period of seven years. Amortization expense for the years ended June 30, 2013, 2012 and 2011 amounted to \$82,198, \$82,701 and \$50,559, 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, 2013, 2012, and 2011 program service costs totaled \$6,131,336, \$7,952,452 and \$5,441,419, management and general costs totaled \$681,260, \$883,606 and \$604,602, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)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. Timely filed information returns for years subsequent to the year ended June 30, 2009 (2008 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 \$70,988, \$66,984 and \$60,529 for the years ended June 30, 2013, 2012 and 2011, respectively.

NOTE 4 - OPERATING AND CAPITAL LEASES

NAWS has entered into capital lease agreements for the use of office equipment in 2011. NAWS leases additional equipment and facilities under various operating leases.

The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013:

Year ending June 30,

2014	\$ 901,936
2015	911,214
2016	598,450
2017	391,840
2018	216,912
Thereafter	<u>167,877</u>
Total minimum payments required	<u>\$ 3,188,229</u>

Total payments made under the leases during the years ended June 30, 2013, 2012 and 2011 were \$929,671, \$720,697 and \$655,245, 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.

NOTE 5 - INVESTMENTS (Continued)

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:

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 373,000	\$ 373,000
U.S. Government and Government Agency obligations	-	5,756	-	5,756
Equities	5,840	-	-	5,840
	<u>\$ 5,840</u>	<u>\$ 5,756</u>	<u>\$ 373,000</u>	<u>\$ 384,596</u>

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 372,390	\$ 372,390
U.S. Government and Government Agency obligations	-	7,863	-	7,863
Equities	4,761	-	-	4,761
	<u>\$ 4,761</u>	<u>\$ 7,863</u>	<u>\$ 372,390</u>	<u>\$ 385,014</u>

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 372,105	\$ 372,105
U.S. Government and Government Agency obligations	-	9,371	-	9,371
Equities	4,597	-	-	4,597
	<u>\$ 4,597</u>	<u>\$ 9,371</u>	<u>\$ 372,105</u>	<u>\$ 386,073</u>

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

	Year Ended		
	June 30, 2013	June 30, 2012	June 30, 2011
Balance, July 1	\$ 372,390	\$ 372,105	\$ 455,791
Purchases/accrued interest	442,824	440,479	12,315
Sales/maturities	(442,214)	(440,194)	(96,001)
Balance, June 30	<u>\$ 373,000</u>	<u>\$ 372,390</u>	<u>\$ 372,105</u>

NOTE 5 - INVESTMENTS (Continued)

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

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

NAWS places its cash and cash equivalents with high quality financial institutions. Cash in U.S. banks is covered by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Cash in Canadian accounts is insured up to \$100,000 (Canadian) per bank. Cash in other foreign accounts is not insured by the FDIC and totaled approximately \$240,000 as of June 30, 2013.

At June 30, 2013, deposits in U.S. institutions exceeded insurance limits by \$1,664,474 and deposits in Canadian banks exceeded insurance limits by \$204,891.

Assets reported in the statement of financial position as of June 30, 2013 include cash of approximately \$257,000 and publication inventory of approximately \$272,000 at Payam Omega. Due to current relations between Iran and the United States, it is unlikely that NAWS could transfer such assets out of Iran; accordingly their use is limited to Iranian operations.

NOTE 7 - EMPLOYMENT CONTRACT

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

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 23, 2014, the date these financial statements were available to be issued. There were no material subsequent events that require recognition or additional disclosure in these financial statements.