



**Narcotics Anonymous World Services**  
**Consolidated Statement of Financial Position**  
 Balance Sheet - For the Twelve Months Ending 30 June 2014

**CURRENT ASSETS**

Cash and Cash Equivalents		
Checking Accounts and Money Market	\$1,445,599	
Reserve Accounts	1,652,371	
	-----	
<b>Total Accessible Cash for Operations</b>		<b>\$3,097,970</b>
Cash in Iran	364,618	
Reserve for WCNA	0	
	-----	
<b>Cash Total</b>		<b>\$3,462,588</b>
Accounts Receivable		
Accounts Receivable	\$650,394	
Convention & Conference Clearing Accounts	15,477	
Less Allowance for Doubtful Accounts	(95,788)	
	-----	
<b>Receivable Total</b>		<b>570,083</b>
Inventory		1,179,195
Prepaid Expenses and Sales Deposits		69,162
WCNA Deposits and Prepaid Expenses		82,173
		-----
<b>Total Current Assets</b>		<b>\$5,363,200</b>
<b>EQUIPMENT, FURNITURE AND IMPROVEMENTS</b>		
Equipment and Furniture	\$1,505,997	
Leasehold Improvements	969,769	
Intellectual and Software Property	2,072,738	
Less Accumulated Depreciation and Amortization	(3,693,681)	
	-----	
<b>Total Equipment, Furniture and Improvements</b>		<b>854,823</b>
		-----
<b>TOTAL ASSETS</b>		<b>\$6,218,024</b>

**LIABILITIES AND NET ASSETS****CURRENT LIABILITIES**

Accounts Payable	\$257,271	
Accrued Payroll Expense	218,450	
	-----	
<b>Total Current Liabilities</b>		<b>\$475,720</b>
<b>Total Long Term Liabilities</b>		<b>0</b>
<b>Total Deferred Income</b>		<b>0</b>

**NET ASSETS**

Previous Unrestricted Net Assets	\$5,070,414	
Current Gain / (Loss) Unrestricted Net Assets	671,889	
	-----	
<b>Total Net Assets</b>		<b>5,742,304</b>
		-----
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$6,218,024</b>



**Narcotics Anonymous World Services**  
**Consolidated Statement of Activities**  
Income Statement – For the Twelve Months Ending 30 June 2014

	YTD ACTUAL	YTD BUDGET	VARIANCE
<b>INCOME</b>			
<b>RECOVERY LITERATURE INCOME</b>			
BASIC TEXT: Hardcover English	\$2,206,617	\$2,159,634	\$46,983
BASIC TEXT: Translated	163,069	232,312	(69,243)
BASIC TEXT: Softcover	1,108,221	826,736	281,485
JUST FOR TODAY	845,590	859,987	(14,397)
IT WORKS: HOW & WHY	630,236	719,224	(88,988)
SPONSORSHIP BOOK	30,525	73,937	(43,412)
STEP WORKING GUIDES	760,574	692,351	68,223
LIVING CLEAN	717,265	380,000	337,265
ePUB BOOKS	70,797	0	70,797
LITERATURE INCOME (IRAN)	736,205	1,149,147	(412,942)
OTHER RECOVERY LITERATURE	1,284,960	1,427,603	(142,643)
<b>Subtotal</b>	<b>\$8,554,059</b>	<b>\$8,520,931</b>	<b>\$33,128</b>
<b>OTHER INVENTORY INCOME</b>			
MEDALLIONS	\$794,700	\$735,706	\$58,994
KEY TAGS & CHIPS	1,262,599	1,156,257	106,342
NON-FIPT INFORMATION BOOKLETS	65,945	75,566	(9,621)
HANDBOOKS	59,055	58,482	573
SPECIALTY ITEMS	79,773	86,093	(6,320)
GROUP/AREA MATERIALS	147,555	156,911	(9,356)
MIRACLES HAPPEN	24,922	31,599	(6,677)
<b>Subtotal</b>	<b>\$2,434,549</b>	<b>\$2,300,614</b>	<b>\$133,935</b>
SHIPPING	\$579,830	\$509,370	\$70,460
DISCOUNTS	(1,410,291)	(1,390,520)	(19,771)
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(169,785)	(257,470)	87,685
<b>Subtotal</b>	<b>(\$1,000,246)</b>	<b>(\$1,138,620)</b>	<b>\$138,374</b>
<b>Gross Literature Income (less discounts)</b>	<b>\$9,988,362</b>	<b>\$9,682,925</b>	<b>\$305,437</b>
<b>Gross Literature Income ( without IRAN )</b>	<b>\$9,252,157</b>	<b>\$8,533,778</b>	<b>\$718,379</b>
<b>RECOVERY LITERATURE COST OF GOODS</b>			
BASIC TEXT: Hardcover English	\$435,458	\$441,053	(\$5,595)
BASIC TEXT: Translated	42,607	50,500	(7,893)
BASIC TEXT: Softcover	138,601	108,810	29,791
JUST FOR TODAY	75,577	109,554	(33,977)
IT WORKS: HOW & WHY	93,322	132,389	(39,067)
SPONSORSHIP BOOK	5,217	23,264	(18,047)
STEP WORKING GUIDES	78,240	89,993	(11,753)
LIVING CLEAN	92,994	90,000	2,994
ePUB BOOKS	22,176	0	22,176
LITERATURE PRODUCTION (IRAN)	498,362	748,915	(250,553)
OTHER RECOVERY LITERATURE	192,811	229,050	(36,239)
<b>Subtotal</b>	<b>\$1,675,365</b>	<b>\$2,023,528</b>	<b>(\$348,163)</b>

Narcotics Anonymous World Services  
Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2014

	YTD ACTUAL	YTD BUDGET	VARIANCE
<b>OTHER INVENTORY COST OF GOODS</b>			
MEDALLIONS	\$157,597	\$170,545	(\$12,948)
KEY TAGS & CHIPS	272,231	257,392	14,839
NON-FIPT INFORMATION BOOKLETS	10,023	25,658	(15,635)
HANDBOOKS	13,510	18,681	(5,171)
SPECIALTY ITEMS	23,090	32,689	(9,599)
GROUP / AREA MATERIALS	46,694	47,921	(1,227)
MIRACLES HAPPEN	4,153	3,812	341
INVENTORY ADJUSTMENT	0	0	0
<b>Subtotal</b>	<b>\$527,298</b>	<b>\$556,698</b>	<b>(\$29,400)</b>
<b>Total Cost of Goods</b>	<b>\$2,202,663</b>	<b>\$2,580,226</b>	<b>(\$377,563)</b>
<b>Total Cost of Goods without IRAN</b>	<b>\$1,704,301</b>	<b>\$1,831,311</b>	<b>(\$127,010)</b>
<b>Net Literature Income</b>	<b>\$7,785,699</b>	<b>\$7,102,699</b>	<b>\$683,000</b>
<b>Net Literature Income without IRAN</b>	<b>\$7,547,856</b>	<b>\$6,702,467</b>	<b>\$845,389</b>
<b>FELLOWSHIP DONATIONS</b>			
BREAKDOWN BY DONOR TYPE			
Members	\$76,026	\$48,998	\$27,028
Groups	80,052	79,237	815
Areas	126,126	129,716	(3,590)
Regions	378,679	429,933	(51,254)
Events/Conventions	37,438	16,658	20,780
Unity Day	21,549	15,654	5,895
Zonal & Other Forums	64,602	23,804	40,798
<b>Total Donations</b>	<b>\$784,472</b>	<b>\$744,000</b>	<b>\$40,472</b>
<b>MISCELLANEOUS INCOME</b>			
LICENSED VENDOR PAYMENTS	\$26,127	\$23,483	\$2,644
INTEREST	8,168	6,127	2,041
MISCELLANEOUS	2,347	0	2,347
INTERBRANCH	0	0	0
<b>Total Miscellaneous Income</b>	<b>\$36,642</b>	<b>\$29,610</b>	<b>\$7,032</b>
<b>OPERATING INCOME (Not including event specific)</b>	<b>\$8,606,813</b>	<b>\$7,876,309</b>	<b>\$730,504</b>
<b>OPERATING INCOME (Not including IRAN)</b>	<b>\$8,368,970</b>	<b>\$7,476,077</b>	<b>\$892,893</b>

**Narcotics Anonymous World Services**  
**Consolidated Statement of Activities**  
 Income Statement – For the Twelve Months Ending 30 June 2014

	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
<b>EXPENSE</b>			
<b>LITERATURE PRODUCTION &amp; DISTRIBUTION</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
MARKETING	\$1,321	\$2,000	(\$679)
IN HOUSE PRODUCTION (not included in Cost of Goods)	135,749	64,047	71,702
TRANSLATIONS (not included in Cost of Goods)	25,119	27,089	(1,970)
LITERATURE DISTRIBUTION (IRAN)	58,452	80,961	(22,509)
SHIPPING	610,695	524,259	86,436
BUSINESS PLAN WORK GROUP	\$1,056	\$14,074	(\$13,018)
LEGAL	47,580	4,227	43,353
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	5,404	2,500	2,904
ACCOUNTING	17,354	17,514	(160)
PERSONNEL (Includes amount budgeted to variable projects)	1,225,910	1,188,193	37,717
OVERHEAD	628,014	557,911	70,103
TECHNOLOGY	117,737	101,048	16,689
<b>Total Literature Production &amp; Distribution</b>	<b>\$2,874,391</b>	<b>\$2,583,823</b>	<b>\$290,568</b>
<b>Total Literature Production &amp; Distribution without IRAN</b>	<b>\$2,815,939</b>	<b>\$2,502,862</b>	<b>\$313,077</b>
<b>WORLD SERVICE CONFERENCE SUPPORT</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
PUBLICATIONS	\$55,537	\$25,000	\$30,537
WORLD SERVICE CONFERENCE BIENNIAL MEETING	510,925	485,000	25,925
WORLD BOARD	267,329	240,000	27,329
HUMAN RESOURCE PANEL	27,602	13,135	14,467
WSC CO-FACILITATOR	4,127	5,000	(873)
ACCOUNTING	10,660	10,759	(99)
PERSONNEL (Includes amount budgeted to variable projects)	753,059	729,890	23,169
OVERHEAD	388,493	342,717	45,776
TECHNOLOGY	72,324	62,072	10,252
<b>Subtotal</b>	<b>\$2,090,056</b>	<b>\$1,913,573</b>	<b>\$176,483</b>
<b>VARIABLE OPERATIONAL EXPENSES</b>			
SERVICE SYSTEM	4,329	50,000	(45,671)
BOOK LENGTH PIECE - TRADITIONS	21,746	35,000	(13,254)
MEMBER EXPERIENCE PROJECT	0	2,000	(2,000)
FINISHED WSC PROJECTS	2,585	0	2,585
<b>Subtotal</b>	<b>\$28,660</b>	<b>\$87,000</b>	<b>(\$58,340)</b>
<b>Total World Service Conference Support</b>	<b>\$2,118,716</b>	<b>\$2,000,573</b>	<b>\$118,143</b>



**Narcotics Anonymous World Services**  
**Consolidated Statement of Activities**  
Income Statement – For the Twelve Months Ending 30 June 2014

	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
<b>FELLOWSHIP DEVELOPMENT</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
PUBLICATIONS	\$77,353	\$94,245	(\$16,892)
FELLOWSHIP SUPPORT	192,413	80,000	112,413
PUBLIC RELATIONS	95,614	64,685	30,929
DEVELOPMENTAL LITERATURE	291,279	375,212	(83,933)
ARCHIVES & INFORMATION MANAGEMENT	0	0	0
ACCOUNTING	15,866	17,014	(1,148)
PERSONNEL (Includes amount budgeted to variable projects)	1,120,832	1,154,245	(33,413)
OVERHEAD	579,271	541,970	37,301
TECHNOLOGY	107,645	98,161	9,484
<b>Subtotal</b>	<b>\$2,480,273</b>	<b>\$2,425,532</b>	<b>\$54,741</b>
<b>VARIABLE OPERATIONAL EXPENSES</b>			
PUBLIC RELATIONS ROUNDTABLE	\$19	\$16,000	(\$15,981)
<b>Subtotal</b>	<b>\$19</b>	<b>\$16,000</b>	<b>(\$15,981)</b>
<b>Total Fellowship Development</b>	<b>\$2,480,292</b>	<b>\$2,441,532</b>	<b>\$38,760</b>
<b>EVENTS</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
FUTURE (AND PRIOR) CONVENTIONS	\$29,274	\$24,032	\$5,242
LEGAL	0	0	0
ACCOUNTING	5,702	4,754	948
PERSONNEL (Includes amount budgeted to variable projects)	402,799	322,510	80,289
OVERHEAD	218,398	151,433	66,965
TECHNOLOGY	38,685	27,427	11,258
<b>Total Events (Not including WCNA)</b>	<b>\$694,858</b>	<b>\$530,156</b>	<b>\$164,702</b>
<b>TOTAL EXPENSE (Not inc. WCNA)</b>	<b>\$8,168,257</b>	<b>\$7,556,084</b>	<b>\$612,173</b>
<b>TOTAL EXPENSE (Not inc. IRAN )</b>	<b>\$8,109,805</b>	<b>\$7,475,123</b>	<b>\$634,682</b>
<b>EXCESS REV/EXP (Not inc. WCNA)</b>	<b>\$438,556</b>	<b>\$320,225</b>	<b>\$118,331</b>
<b>EXCESS REV/EXP (Not inc. IRAN )</b>	<b>\$259,165</b>	<b>\$954</b>	<b>\$258,211</b>



**Narcotics Anonymous World Services**  
**Consolidated Statement of Activities**  
Income Statement – For the Twelve Months Ending 30 June 2014

	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
<b>EVENT SPECIFIC</b>			
<b>EVENT SPECIFIC INCOME</b>			
WCNA-35 INCOME			
REGISTRATION	\$1,565,032	\$1,135,156	\$429,876
SPECIAL EVENTS	620,025	483,270	136,755
NEWCOMER DONATIONS	25,132	0	25,132
MERCHANDISE	741,133	617,584	123,549
OTHER SALES	40,414	28,000	12,414
REBATES	91,033	43,680	47,353
<b>Total Event Specific Income</b>	<b>\$3,082,769</b>	<b>\$2,307,690</b>	<b>\$775,079</b>
<b>EVENT SPECIFIC EXPENSE</b>			
WCNA-35 EXPENSE			
REGISTRATION	\$372,635	\$372,022	\$613
SPECIAL EVENTS	618,965	420,732	198,233
PROGRAM	200,820	285,490	(84,670)
MERCHANDISE	794,104	551,010	243,094
FACILITIES	326,835	174,732	152,103
SUPPORT COMMITTEE	23,609	11,225	12,384
ADMINISTRATION	153,644	209,902	(56,258)
CONVENTION LABOR REQUIREMENTS	358,823	0	358,823
<b>Total Event Specific Expense</b>	<b>\$2,849,435</b>	<b>\$2,025,113</b>	<b>\$824,322</b>
<b>Total Event Specific Excess Revenue/Expense</b>	<b>\$233,334</b>	<b>\$282,577</b>	<b>(\$49,243)</b>
<b>INCREASE (DECREASE) NET ASSETS</b>	<b>\$671,890</b>	<b>\$602,802</b>	<b>\$69,088</b>
<b>INCREASE (DECREASE) without IRAN</b>	<b>\$492,499</b>	<b>\$283,531</b>	<b>\$208,968</b>



# 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, 2014, 2013 and 2012, 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 \$679,842, \$556,654 and \$580,651 as of June 30, 2014, 2013 and 2012, respectively, and total revenues of \$237,842, \$289,764 and \$193,820, 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 express no 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.

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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 financial statements of Payam Omega was qualified because they were not able to obtain information to support inventory in the amount of \$317,021, as of June 30, 2012.

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, 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, 2014, 2013 and 2012 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.

A handwritten signature in black ink, appearing to read "Miller Kaplan Arase LLP".

MILLER KAPLAN ARASE LLP

North Hollywood, California

January 13, 2015





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

	<u>30-Jun-14</u>	<u>30-Jun-13</u>	<u>30-Jun-12</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 3,093,528	\$ 3,393,976	\$ 1,745,407
Investments - at fair value	384,538	384,596	385,014
Accounts receivable (net of allowance for uncollectible accounts of \$95,788, \$202,939, and \$116,848 respectively)	554,604	666,946	854,032
Publication inventory	1,179,195	1,164,964	1,190,730
Prepaid expenses	<u>111,449</u>	<u>161,229</u>	<u>175,106</u>
<b>Total current assets</b>	<u><b>5,323,314</b></u>	<u><b>5,771,711</b></u>	<u><b>4,350,289</b></u>
<b>Property and equipment:</b>			
Furniture and equipment	1,505,997	1,353,875	1,244,327
Leasehold improvements	<u>969,769</u>	<u>934,600</u>	<u>911,641</u>
	2,475,766	2,288,475	2,155,968
Less: accumulated depreciation and amortization	<u>(2,197,152)</u>	<u>(2,080,417)</u>	<u>(1,984,515)</u>
<b>Total property and equipment - net</b>	<u><b>2,475,766</b></u>	<u><b>208,058</b></u>	<u><b>2,155,968</b></u>
<b>Other assets:</b>			
Deposits	39,886	619,812	1,547
Trademarks, software and copyrights (net of accumulated amortization of \$1,496,529, \$1,388,263, and \$1,306,064, respectively)	<u>576,210</u>	<u>381,496</u>	<u>372,584</u>
<b>Total other assets</b>	<u><b>616,096</b></u>	<u><b>1,001,308</b></u>	<u><b>374,131</b></u>
<b>Total assets</b>	<u><u><b>\$ 8,415,176</b></u></u>	<u><u><b>\$ 6,981,077</b></u></u>	<u><u><b>\$ 6,880,388</b></u></u>
<b>Liabilities and net assets</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 257,270	\$ 361,137	\$ 232,545
Accrued salaries, vacation and tax withholdings payable	218,450	185,056	181,832
Deferred convention revenue	<u>-</u>	<u>1,364,469</u>	<u>-</u>
<b>Total Liabilities</b>	475,720	1,910,662	414,377
<b>Unrestricted net assets</b>	<u><b>5,742,304</b></u>	<u><b>5,070,415</b></u>	<u><b>4,481,496</b></u>
<b>Total liabilities and net assets</b>	<u><u><b>\$ 6,218,024</b></u></u>	<u><u><b>\$ 6,981,077</b></u></u>	<u><u><b>\$ 4,895,873</b></u></u>

See accompanying notes to consolidated financial statements.



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

	Year Ended		
	30-Jun-14	30-Jun-13	30-Jun-12
<b>Revenues, gains and other support:</b>			
Sales of publications and program materials	\$ 9,980,462	\$ 9,571,594	\$ 8,581,430
Less discounts and cost of sales	<u>3,073,538</u>	<u>2,950,660</u>	<u>2,728,994</u>
<b>Net sales of publications &amp; program materials</b>	<b>6,906,924</b>	<b>6,620,934</b>	<b>5,852,436</b>
Convention registration and other revenue	3,107,869	1,955	2,289,962
Fellowship contributions	784,472	747,356	666,859
Interest	8,168	5,258	6,740
Other	<u>28,086</u>	<u>26,107</u>	<u>21,626</u>
<b>Total revenues, gains and other support</b>	<b><u>10,835,519</u></b>	<b><u>7,401,610</u></b>	<b><u>8,837,623</u></b>
<b>Expenses:</b>			
Literature production and distribution	1,958,372	1,878,441	1,782,607
World Service Conference support	2,053,341	1,437,199	1,865,871
Fellowship development	2,448,236	2,686,714	2,410,404
Events	<u>3,480,679</u>	<u>622,036</u>	<u>2,622,418</u>
	9,940,628	6,624,390	8,681,300
Depreciation and amortization	223,002	188,301	150,334
Loss on disposal of fixed assets	<u>-</u>	<u>-</u>	<u>4,529</u>
	223,002	188,301	154,863
<b>Total expenses</b>	<b><u>10,163,630</u></b>	<b><u>6,812,691</u></b>	<b><u>8,836,163</u></b>
Change in net assets	671,889	588,919	1,460
<b>Unrestricted net assets:</b>			
Beginning of year	<u>5,070,415</u>	<u>4,481,496</u>	<u>4,480,036</u>
End of year	<b><u>\$ 5,742,304</u></b>	<b><u>\$ 5,070,415</u></b>	<b><u>\$ 4,481,496</u></b>

See accompanying notes to consolidated financial statements.



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

Year Ended 30 June 2014

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
<b>Expenses:</b>					
Salaries, wages and payroll taxes	\$986,722	\$606,129	\$958,530	\$321,184	\$2,872,565
Employee health benefits	158,685	97,477	154,150	43,071	453,383
Retirement contribution	26,714	16,410	25,951	7,251	76,326
Contract labor	24,969	15,338	24,256	6,777	71,340
Convention expense	-	-	-	2,903,544	2,903,544
Occupancy	244,933	150,459	237,935	66,482	699,809
Travel	1,266	4,904	1,776	1,125	9,071
Conferences	-	560,281	-	-	560,281
Worldwide workshops	-	-	132,149	-	132,149
Telephone	30,589	18,790	29,715	8,303	87,397
Postage	8,291	6,130	8,055	13,912	36,388
Office expense	30,872	19,853	29,990	8,380	89,095
Professional fees	118,502	27,022	42,732	11,940	200,196
Equipment leases	180,350	110,787	175,198	48,952	515,287
Computer expense	97,957	60,174	95,159	26,588	279,878
Insurance	23,220	14,264	22,556	6,302	66,342
Developmental literature	-	-	38,895	-	38,895
Free publications	-	55,538	77,353	-	132,891
Free literature	-	-	208,465	-	208,465
Currency conversion	-	-	4,896	-	4,896
Public relations	-	-	95,614	-	95,614
Workgroups	370	7,141	378	100	7,989
World Board	-	267,329	-	-	267,329
Fellowship assistance	-	-	60,265	-	60,265
Website expense	19,168	11,775	18,620	5,203	54,766
Other operating expenses	5,764	3,540	5,598	1,565	16,467
	<u>1,958,372</u>	<u>2,053,341</u>	<u>2,448,236</u>	<u>3,480,679</u>	<u>9,940,628</u>
Depreciation and amortization	78,051	47,945	75,821	21,185	223,002
Total expenses	<u><u>\$2,036,423</u></u>	<u><u>\$2,101,286</u></u>	<u><u>\$2,524,057</u></u>	<u><u>\$3,501,864</u></u>	<u><u>\$10,163,630</u></u>

See accompanying notes to consolidated financial statements.



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

Year Ended 30 June 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	-	-	147,835	-	147,835
Telephone	35,134	21,583	34,131	9,536	100,384
Postage	17,218	10,866	16,726	6,009	50,819
Office expense	27,950	17,169	27,151	7,586	79,856
Professional fees	111,044	26,253	41,516	11,600	190,413
Equipment leases	176,528	108,439	171,485	47,915	504,367
Computer expense	78,661	48,320	76,414	21,351	224,746
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	301,730	10	301,801
Currency conversion	-	-	157,949	-	157,949
Public relations	-	-	59,920	-	59,920
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	10,742	6,599	10,435	2,917	30,693
	1,878,441	1,437,199	2,686,714	622,036	6,624,390
Depreciation and amortization	65,905	40,485	64,022	17,889	188,301
Total expenses	\$1,944,346	\$1,477,684	\$2,750,736	\$639,925	\$6,812,691

See accompanying notes to consolidated financial statements.



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

Year Ended 30 June 2012

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
<b>Expenses:</b>					
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	-	-	98,177	-	98,177
Telephone	32,741	21,185	32,741	9,630	96,297
Postage	5,778	4,570	6,518	5,991	22,857
Office expense	31,879	20,628	31,880	9,376	93,763
Professional fees	85,738	15,893	24,561	7,224	133,416
Equipment leases	145,072	93,871	145,072	42,669	426,684
Computer expense	68,583	47,455	68,583	20,171	204,792
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	70,004	-	92,159
Free literature	-	-	210,209	-	210,209
Currency conversion	-	-	70,266	-	70,266
Public relations	-	-	58,292	-	58,292
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	9,439	6,107	9,439	2,776	27,761
	<u>1,782,607</u>	<u>1,865,871</u>	<u>2,410,404</u>	<u>2,622,418</u>	<u>8,681,300</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><u>\$1,835,261</u></u>	<u><u>\$1,899,940</u></u>	<u><u>\$2,463,058</u></u>	<u><u>\$2,637,904</u></u>	<u><u>\$8,836,163</u></u>

See accompanying notes to consolidated financial statements.



**Narcotics Anonymous World Services  
Consolidated Statement of Cash Flows  
Exhibit D**

	Year Ended		
	30-Jun-14	30-Jun-13	30-Jun-12
<b>Cash flows from operating activities:</b>			
Change in net assets	\$671,889	\$588,919	\$1,460
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	223,002	188,301	150,334
Loss on disposal of fixed assets	-	-	4,529
(Increase) decrease in assets:			
Accounts receivable	112,342	187,086	219,664
Publication inventory	(14,231)	25,766	187,712
Prepaid expenses	49,780	13,877	45,139
Deposits	579,926	(618,265)	427,989
Increase (decrease) in liabilities:			
Accounts payable	(103,867)	128,592	(506,651)
Accrued salaries and withholdings payable	33,394	3,224	(39,708)
Deferred convention revenue	(1,364,469)	1,364,469	(1,200,624)
Net cash provided (used) by operating activities	<u>187,766</u>	<u>1,881,969</u>	<u>(710,156)</u>
<b>Cash flows from investing activities:</b>			
Purchases of investments	(445,158)	(443,190)	(441,095)
Proceeds from the sale of investments	445,216	443,608	442,154
Purchases of furniture and equipment	(150,536)	(120,089)	(71,007)
Purchases of leasehold improvements	(34,757)	(22,618)	(22,130)
Payments to secure copyrights and trademarks and purchase software	<u>(302,979)</u>	<u>(91,111)</u>	<u>(100,313)</u>
Net cash provided (used) by investing activities	<u>(488,214)</u>	<u>(233,400)</u>	<u>(192,391)</u>
Net increase (decrease) in cash and cash equivalents	(300,448)	1,648,569	(902,547)
<b>Cash and cash equivalents:</b>			
Beginning of year	<u>3,393,976</u>	<u>1,745,407</u>	<u>2,647,954</u>
End of year	<u><u>\$3,093,528</u></u>	<u><u>\$3,393,976</u></u>	<u><u>\$1,745,407</u></u>

**Supplemental disclosures of cash flow information:**

Interest paid during the years ended 30 June 2014, 2013, and 2012 amounted to \$0, \$0, and \$3,211, respectively.

See accompanying notes to consolidated financial statements.



# Notes to Consolidated Financial Statement

## Independent Auditors' Report Years Ended June 2014, 2013, and 2012

### NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Narcotics Anonymous World Services, Inc. (NAWS) was incorporated on 25 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 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 2014, 2013, and 2012, 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 90 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 are 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 30 June 2014, 2013, and 2012 amounted to \$114,736, \$106,103 and \$67,633, 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 30 June 2014, 2013, and 2012 amounted to \$108,266, \$82,198 and \$82,701, 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, 2014, 2013, and 2012 program service costs totaled \$9,147,266, \$6,131,422 and \$7,952,546, management and general costs totaled \$1,016,364, \$681,269 and \$883,617, 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. Timely filed information returns for years subsequent to the year ended 30 June 2010 (2009 for state returns) are subject to examination by authorities.

### M. Reclassifications

Certain amounts in the FYE 30 June 2012 and 2013 financial statements have been reclassified to conform to the 2014 presentation.





### NOTE 3 – RETIREMENT PLAN

NAWS maintains a qualified defined contribution retirement plan, which covers all employees. Under the terms of the plan, employees may elect to contribute pre-tax earnings up to the maximum allowable amount. NAWS matches deferrals of up to 5% of compensation based on the employee's number of years of service. NAWS contributions totaled \$76,326, \$70,988 and \$66,984 for the years ended 30 June 2014, 2013, and 2012, respectively.

### NOTE 4 – OPERATING AND CAPITAL LEASES

NAWS has entered into various capital lease agreements for the use of office equipment and facilities. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of 30 June 2014:

Year ending 30 June		
	2015	\$911,214
	2016	598,450
	2017	391,840
	2018	216,912
	2019	164,415
Thereafter		<u>3,462</u>
Total minimum payments required		<u>\$2,286,293</u>

Total payments made under the leases during the years ended 30 June 2014, 2013, and 2012 were \$998,575, \$929,671 and \$720,697, 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:



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

	30 June 2014			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ –	\$ –	\$373,516	\$373,516
US Government and Government Agency obligations	–	3,892	–	3,892
Equities	7,130	–	–	7,130
	<u>\$ 7,130</u>	<u>\$ 3,892</u>	<u>\$ 373,516</u>	<u>\$ 384,538</u>

  

	30 June 2013			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ –	\$ –	\$373,000	\$373,000
US Government and Government Agency obligations	–	5,756	–	5,756
Equities	5,840	–	–	5,850
	<u>\$ 5,850</u>	<u>\$ 5,756</u>	<u>\$ 373,000</u>	<u>\$ 384,596</u>

  

	30 June 2012			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ –	\$ –	\$372,390	\$372,390
US 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>

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.

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

	Year Ended		
	30 June 2014	30 June 2013	30 June 2012
Balance, 1 July	\$ 373,000	\$ 372,390	372,105
Purchases/Accrued Interest	444,068	442,824	440,479
Sales/Maturities	(443,552)	(442,214)	(440,194)
Balance, 30 June	<u>\$ 373,516</u>	<u>\$ 373,000</u>	<u>372,390</u>

## NOTE 6 - CONCENTRATIONS OF CREDIT RISK

NAWS places its cash and cash equivalents with high quality financial institutions. Cash in US 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. At 30 June 2014, deposits in US institutions exceeded insurance limits by \$825,661 and deposits in Canadian banks exceeded insurance limits by \$147,489. Cash in other foreign accounts is not insured by the FDIC and totaled approximately \$506,000 as of 30 June 2014.

Assets reported in the statement of financial position as of 30 June 2014 include cash of approximately \$365,000 and publication inventory of approximately \$310,000 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 2018. 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 13 January 2015, 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.