

# Narcotics Anonymous World Services

## Consolidated Statement of Financial Position

Balance Sheet – For the Twelve Months Ending 30 June 2015

### CURRENT ASSETS

Cash and Cash Equivalents		
Checking Accounts and Money Market	\$2,137,334	
Reserve Accounts	963,205	
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<b>Total Accessible Cash for Operations</b>	<b>\$3,100,539</b>	
Cash in Iran	368,238	
Reserve for WCNA	0	
	-----	
<b>Cash Total</b>		<b>\$3,468,777</b>
Accounts Receivable		
Accounts Receivable	\$635,126	
Convention & Conference Clearing Accounts	5,581	
Less Allowance for Doubtful Accounts	(84,529)	
	-----	
<b>Receivable Total</b>		<b>556,178</b>
Inventory		1,339,605
Prepaid Expenses and Sales Deposits		71,721
WCNA Deposits and Prepaid Expenses		0
		-----
<b>Total Current Assets</b>		<b>\$5,436,281</b>
<b>EQUIPMENT, FURNITURE AND IMPROVEMENTS</b>		
Equipment and Furniture	\$1,348,807	
Leasehold Improvements	977,567	
Intellectual and Software Property	2,290,387	
Less Accumulated Depreciation and Amortization	(3,713,855)	
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<b>Total Equipment, Furniture and Improvements</b>		<b>902,907</b>
		-----
<b>TOTAL ASSETS</b>		<b>\$6,339,188</b>

### CURRENT LIABILITIES

Accounts Payable	\$311,043	
Accrued Payroll Expense	234,030	
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<b>Total Current Liabilities</b>		<b>\$545,073</b>
<b>Total Long-Term Liabilities</b>		<b>0</b>
<b>Total Deferred Income</b>		<b>0</b>
<b>NET ASSETS</b>		
Previous Unrestricted Net Assets	\$5,742,304	
Current Gain / (Loss) Unrestricted Net Assets	51,811	
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<b>Total Net Assets</b>		<b>5,794,115</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b>\$6,339,188</b>

## Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2015

	YTD ACTUAL	YTD BUDGET	VARIANCE
<b>INCOME</b>			
<b>RECOVERY LITERATURE INCOME</b>			
BASIC TEXT: Hardcover English	\$2,081,468	\$1,960,668	\$120,800
BASIC TEXT: Translated	\$179,964	161,784	18,180
BASIC TEXT: Softcover	\$701,382	876,336	(174,954)
JUST FOR TODAY	\$790,541	891,984	(101,443)
IT WORKS: HOW & WHY	\$589,558	600,360	(10,802)
SPONSORSHIP BOOK	\$35,033	29,412	5,621
STEP WORKING GUIDES	\$743,316	704,640	38,676
LIVING CLEAN	\$533,971	979,896	(445,925)
ePUB BOOKS	\$67,847	58,092	9,755
LITERATURE INCOME (IRAN)	\$866,814	607,944	258,870
OTHER RECOVERY LITERATURE	\$1,298,626	1,283,676	14,950
Subtotal	\$7,888,520	\$8,154,768	(\$266,248)
<b>OTHER INVENTORY INCOME</b>			
MEDALLIONS	\$745,221	\$747,192	(\$1,971)
KEYTAGS & CHIPS	\$1,241,716	1,193,292	48,424
NON-FIPT INFORMATION BOOKLETS	\$48,828	65,652	(16,824)
HANDBOOKS	\$44,380	56,616	(12,236)
SPECIALTY ITEMS	\$47,583	77,676	(30,093)
GROUP/AREA MATERIALS	\$102,885	114,312	(11,427)
MIRACLES HAPPEN	\$22,792	26,856	(4,064)
Subtotal	\$2,253,405	\$2,281,596	(\$28,191)
SHIPPING	\$574,895	\$580,152	(\$5,257)
DISCOUNTS	(\$1,201,483)	(1,352,136)	150,653
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(\$164,139)	(203,844)	39,705
Subtotal	(\$790,727)	(\$975,816)	\$185,089
Gross Literature Income (less discounts)	\$9,351,198	\$9,460,548	(\$109,350)
Gross Literature Income ( without IRAN )	\$8,484,384	8,852,604	(368,220)
<b>RECOVERY LITERATURE COST OF GOODS</b>			
BASIC TEXT: Hardcover English	\$359,091	\$365,856	(\$6,765)
BASIC TEXT: Translated	\$54,542	30,552	23,990
BASIC TEXT: Softcover	\$85,477	107,736	(22,259)
JUST FOR TODAY	\$76,890	100,332	(23,442)
IT WORKS: HOW & WHY	\$88,021	98,868	(10,847)
SPONSORSHIP BOOK	\$13,110	6,084	7,026
STEP WORKING GUIDES	\$79,829	90,840	(11,011)
LIVING CLEAN	\$68,165	152,124	(83,959)
ePUB BOOKS	\$20,995	18,648	2,347
LITERATURE PRODUCTION (IRAN)	\$627,814	368,808	259,006
OTHER RECOVERY LITERATURE	\$235,579	208,020	27,559
Subtotal	\$1,709,513	\$1,547,856	\$161,657

## Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2015

	YTD ACTUAL	YTD BUDGET	VARIANCE
<b>OTHER INVENTORY COST OF GOODS</b>			
MEDALLIONS	\$171,738	\$164,412	\$7,326
KEYTAGS & CHIPS	\$255,633	267,636	(12,003)
NON-FIPT INFORMATION BOOKLETS	\$6,505	9,756	(3,251)
HANDBOOKS	\$12,228	16,080	(3,852)
SPECIALTY ITEMS	\$18,333	29,712	(11,379)
GROUP/AREA MATERIALS	\$29,116	35,700	(6,584)
MIRACLES HAPPEN	\$4,094	3,840	254
INVENTORY ADJUSTMENT	(\$164)	0	(164)
<b>Subtotal</b>	<b>\$497,483</b>	<b>\$527,124</b>	<b>(\$29,641)</b>
<b>Total Cost of Goods</b>	<b>\$2,206,996</b>	<b>\$2,074,992</b>	<b>\$132,004</b>
<b>Total Cost of Goods without IRAN</b>	<b>\$1,579,182</b>	<b>1,706,184</b>	<b>(127,002)</b>
<b>Net Literature Income</b>	<b>\$7,144,202</b>	<b>\$7,385,556</b>	<b>(\$241,354)</b>
<b>Net Literature Income without IRAN</b>	<b>\$6,905,202</b>	<b>7,146,432</b>	<b>(241,230)</b>
<b>FELLOWSHIP DONATIONS</b>			
BREAKDOWN BY DONOR TYPE			
Members	\$65,147	\$59,616	\$5,531
Groups	\$75,435	90,252	(14,817)
Areas	\$132,286	133,692	(1,406)
Regions	\$611,648	371,700	239,948
Events/Conventions	\$89,182	28,320	60,862
Unity Day	\$7,590	15,216	(7,626)
Zonal & Other Forums	\$57,339	64,236	(6,897)
<b>Total Donations</b>	<b>\$1,038,627</b>	<b>\$763,020</b>	<b>\$275,607</b>
<b>MISCELLANEOUS INCOME</b>			
LICENSED VENDOR PAYMENTS	\$27,824	\$26,772	\$1,052
INTEREST	\$4,268	7,560	(3,292)
MISCELLANEOUS	(\$1,031)	0	(1,031)
INTERBRANCH	\$0	0	0
<b>Total Miscellaneous Income</b>	<b>\$31,061</b>	<b>\$34,332</b>	<b>(\$3,271)</b>
<b>OPERATING INCOME (Not including event specific)</b>	<b>\$8,213,890</b>	<b>\$8,182,908</b>	<b>\$30,982</b>
<b>OPERATING INCOME (Not including IRAN)</b>	<b>\$7,974,890</b>	<b>7,943,772</b>	<b>31,118</b>

## Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2015

	YTD ACTUAL	YTD BUDGET	VARIANCE
<b>EXPENSE</b>			
<b>LITERATURE PRODUCTION &amp; DISTRIBUTION</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
MARKETING	\$1,002	\$2,520	(\$1,518)
IN-HOUSE PRODUCTION (not included in Cost of Goods)	\$73,642	95,100	(21,458)
TRANSLATIONS (not included in Cost of Goods)	\$37,029	25,740	11,289
LITERATURE DISTRIBUTION (IRAN)	\$90,276	96,948	(6,672)
SHIPPING	\$563,992	646,476	(82,484)
BUSINESS PLAN WORK GROUP	\$0	\$17,376	(\$17,376)
LEGAL	\$35,536	29,004	6,532
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	\$19,312	11,004	8,308
ACCOUNTING	\$18,374	20,916	(2,542)
PERSONNEL (Includes amount budgeted to variable projects)	\$1,211,480	1,202,508	8,972
OVERHEAD	\$646,150	659,472	(13,322)
TECHNOLOGY	\$97,837	108,036	(10,199)
<b>Total Literature Production &amp; Distribution</b>	<b>\$2,794,630</b>	<b>\$2,915,088</b>	<b>(\$120,458)</b>
<b>Total Literature Production &amp; Distribution without IRAN</b>	<b>\$2,704,354</b>	<b>2,818,152</b>	<b>(113,798)</b>
<b>WORLD SERVICE CONFERENCE SUPPORT</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
PUBLICATIONS	\$26,986	\$26,688	\$298
WORLD SERVICE CONFERENCE BIENNIAL MEETING	\$17,305	21,444	(4,139)
WORLD BOARD	\$230,419	313,920	(83,501)
HUMAN RESOURCE PANEL	\$18,273	11,340	6,933
WSC CO-FACILITATOR	\$0	204	(204)
ACCOUNTING	\$11,287	12,852	(1,565)
PERSONNEL (Includes amount budgeted to variable projects)	\$744,195	738,684	5,511
OVERHEAD	\$398,071	405,108	(7,037)
TECHNOLOGY	\$60,100	66,360	(6,260)
<b>Subtotal</b>	<b>\$1,506,636</b>	<b>\$1,596,588</b>	<b>(\$89,952)</b>
<b>VARIABLE OPERATIONAL EXPENSES</b>			
SERVICE SYSTEM	\$5	9,996	(9,991)
BOOK-LENGTH PIECE - TRADITIONS	\$130,942	159,996	(29,054)
WSC DECISION MAKING WORKGROUP	\$0		0
FINISHED WSC PROJECTS	\$1	0	1
<b>Subtotal</b>	<b>\$130,948</b>	<b>\$170,004</b>	<b>(\$39,056)</b>
<b>Total World Service Conference Support</b>	<b>\$1,637,584</b>	<b>\$1,766,592</b>	<b>(\$129,008)</b>

## Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2015

	YTD ACTUAL	YTD BUDGET	VARIANCE
<b>FELLOWSHIP DEVELOPMENT</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
PUBLICATIONS	\$74,997	\$72,900	\$2,097
FELLOWSHIP SUPPORT	\$285,626	268,176	17,450
PUBLIC RELATIONS	\$53,819	74,784	(20,965)
DEVELOPMENTAL LITERATURE	\$375,780	380,436	(4,656)
ARCHIVES & INFORMATION MANAGEMENT	\$0	0	0
ACCOUNTING	\$17,849	19,116	(1,267)
PERSONNEL (Includes amount budgeted to variable projects)	\$1,176,866	1,099,440	77,426
OVERHEAD	\$794,017	602,952	191,065
TECHNOLOGY	\$95,042	98,772	(3,730)
<b>Subtotal</b>	<b>\$2,873,996</b>	<b>\$2,616,576</b>	<b>\$257,420</b>
<b>VARIABLE OPERATIONAL EXPENSES</b>			
PUBLIC RELATIONS ROUNDTABLE	\$0	\$20,004	(\$20,004)
<b>Subtotal</b>	<b>\$0</b>	<b>\$20,004</b>	<b>(\$20,004)</b>
<b>Total Fellowship Development</b>	<b>\$2,873,996</b>	<b>\$2,636,580</b>	<b>\$237,416</b>
<b>EVENTS</b>			
<b>FIXED OPERATIONAL EXPENSES</b>			
FUTURE (AND PRIOR) CONVENTIONS	(\$57,840)	\$23,916	(\$81,756)
LEGAL	\$0	0	0
ACCOUNTING	\$4,987	6,876	(1,889)
PERSONNEL (Includes amount budgeted to variable projects)	\$328,830	395,112	(66,282)
OVERHEAD	\$176,167	216,684	(40,517)
TECHNOLOGY	\$26,556	35,496	(8,940)
<b>Total Events (Not including WCNA)</b>	<b>\$478,700</b>	<b>\$678,084</b>	<b>(\$199,384)</b>
<b>TOTAL EXPENSE (Not inc. WCNA)</b>	<b>\$7,784,910</b>	<b>\$7,996,344</b>	<b>(\$211,434)</b>
<b>TOTAL EXPENSE (Not inc. IRAN )</b>	<b>\$7,694,634</b>	<b>\$7,899,396</b>	<b>(\$204,762)</b>
<b>EXCESS REV/EXP (Not inc. WCNA)</b>	<b>\$428,980</b>	<b>\$186,564</b>	<b>\$242,416</b>
<b>EXCESS REV/EXP (Not inc. IRAN )</b>	<b>\$280,256</b>	<b>44,376</b>	<b>235,880</b>

## Narcotics Anonymous World Services Consolidated Statement of Activities

Income Statement – For the Twelve Months Ending 30 June 2015

	<u>YTD ACTUAL</u>	<u>YTD BUDGET</u>	<u>VARIANCE</u>
<b>EVENT-SPECIFIC</b>			
<b>EVENT-SPECIFIC INCOME</b>			
WCNA 36 INCOME			
REGISTRATION	\$303,731	\$350,004	(\$46,273)
SPECIAL EVENTS	\$0	0	0
NEWCOMER DONATIONS	\$2,456	27,996	(25,540)
MERCHANDISE	\$128,009	440,004	(311,995)
OTHER SALES	\$1,250	0	1,250
REBATES	\$0	21,048	(21,048)
<b>Total Event-Specific Income</b>	<b>\$435,446</b>	<b>\$839,052</b>	<b>(\$403,606)</b>
<b>EVENT-SPECIFIC EXPENSE</b>			
WCNA 36 EXPENSE			
REGISTRATION	\$47,805	\$96,000	(\$48,195)
SPECIAL EVENTS	\$0	0	0
PROGRAM	\$157,585	183,216	(25,631)
MERCHANDISE	\$99,090	177,996	(78,906)
FACILITIES	\$349,394	188,004	161,390
SUPPORT COMMITTEE	\$51,178	44,004	7,174
ADMINISTRATION	\$107,560	149,424	(41,864)
CONVENTION LABOR REQUIREMENTS	\$0	0	0
<b>Total Event-Specific Expense</b>	<b>\$812,612</b>	<b>\$838,644</b>	<b>(\$26,032)</b>
<b>Total Event-Specific Excess Revenue/Expense</b>	<b>(\$377,166)</b>	<b>\$408</b>	<b>(\$377,574)</b>
<b>INCREASE (DECREASE) NET ASSETS</b>	<b>\$51,814</b>	<b>\$186,972</b>	<b>(\$135,158)</b>
<b>INCREASE (DECREASE) without IRAN</b>	<b>(\$96,910)</b>	<b>\$44,784</b>	<b>(\$141,694)</b>



## 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, 2015, 2014 and 2013, 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 \$750,845, \$679,842 and \$556,654 as of June 30, 2015, 2014 and 2013, respectively, and total revenues of \$239,000, \$237,842 and \$289,764, 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**

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Narcotics Anonymous World Services, Inc. as of June 30, 2015, 2014 and 2013 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

North Hollywood, California

January 19, 2016



# Narcotics Anonymous World Services

## Consolidated Statement of Financial Position

### Exhibit A

	30-Jun-15	30-Jun-14	30-Jun-13
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,096,902	\$ 3,093,528	\$ 3,393,976
Investments - at fair value	377,456	384,538	384,596
Accounts receivable (net of allowance for uncollectible accounts of \$84,529, \$95,788 and \$202,939, respectively)	550,597	554,604	666,946
Publication inventory	1,339,605	1,179,195	1,164,964
Prepaid expenses	130,389	111,449	161,229
<b>Total current assets</b>	<b>5,494,949</b>	<b>5,323,314</b>	<b>5,771,711</b>
Property and equipment:			
Furniture and equipment	1,348,807	1,505,997	1,353,875
Leasehold improvements	977,567	969,769	934,600
	2,326,374	2,475,766	2,288,475
Less: accumulated depreciation and amortization	(2,078,220)	(2,197,152)	(2,080,417)
<b>Total property and equipment - net</b>	<b>248,154</b>	<b>278,614</b>	<b>208,058</b>
Other assets:			
Deposits	(58,668)	39,886	619,812
Trademarks, software and copyrights (net of accumulated amortization of \$1,635,634, \$1,496,529 and \$1,388,263, respectively)	654,753	576,210	381,496
<b>Total other assets</b>	<b>596,085</b>	<b>616,096</b>	<b>1,001,308</b>
<b>Total assets</b>	<b>\$ 6,339,188</b>	<b>\$ 6,218,024</b>	<b>\$ 6,981,077</b>
<b>Liabilities and net assets</b>			
Liabilities:			
Accounts payable	\$ 311,043	\$ 257,270	\$ 361,137
Accrued salaries, vacation and tax withholdings payable	234,030	218,450	185,056
Deferred convention revenue	-	-	1,364,469
<b>Total Liabilities</b>	<b>545,073</b>	<b>475,720</b>	<b>1,910,662</b>
Unrestricted net assets	5,794,115	5,742,304	5,070,415
<b>Total liabilities and net assets</b>	<b>\$ 6,339,188</b>	<b>\$ 6,218,024</b>	<b>\$ 6,981,077</b>

See accompanying notes to consolidated financial statements.

## Narcotics Anonymous World Services Consolidated Statement of Financial Position Exhibit B

	Year Ended		
	30-Jun-15	30-Jun-14	30-Jun-13
Revenues, gains and other support:			
Sales of publications and program materials	\$ 9,353,106	\$ 9,980,462	\$ 9,571,594
Less discounts and cost of sales	2,979,369	3,073,538	2,950,660
Net sales of publications and program materials	6,373,737	6,906,924	6,620,934
Convention registration and other revenue	501,814	3,107,869	1,955
Fellowship contributions	1,038,626	784,472	747,356
Interest	4,268	8,168	5,258
Other	26,561	28,086	26,107
Total revenues, gains and other support	7,945,006	10,835,519	7,401,610
Expenses:			
Literature production and distribution	1,950,838	1,958,372	1,878,441
World Service Conference support	1,584,933	2,053,341	1,437,199
Fellowship development	2,650,119	2,448,236	2,686,714
Events	1,442,643	3,480,679	622,036
	7,628,533	9,940,628	6,624,390
Depreciation and amortization	264,662	223,002	188,301
Total expenses	7,893,195	10,163,630	6,812,691
Change in net assets	51,811	671,889	588,919
Unrestricted net assets:			
Beginning of year	5,742,304	5,070,415	4,481,496
End of year	\$ 5,794,115	\$ 5,742,304	\$ 5,070,415

See accompanying notes to consolidated financial statements.

# Narcotics Anonymous World Services

## Consolidated Statement of Financial Position

### Exhibit C-1

Year Ended 30 June 2015

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 993,771	\$ 610,459	\$ 908,590	\$ 326,525	\$ 2,839,345
Employee health benefits	158,004	97,060	144,461	51,916	451,441
Retirement contribution	26,216	16,104	23,969	8,614	74,903
Contract labor	29,488	18,114	26,961	9,689	84,252
Convention expense	-	-	-	818,520	818,520
Occupancy	262,805	161,437	240,278	86,350	750,870
Travel	6,759	4,152	6,180	4,841	21,932
Conferences	-	166,520	-	-	166,520
Worldwide workshops	-	-	109,601	-	109,601
Telephone	34,939	21,462	31,944	11,480	99,825
Postage	5,291	3,897	4,837	2,584	16,609
Office expense	30,036	18,451	27,462	9,869	85,818
Professional fees	94,072	19,773	29,430	10,576	153,851
Equipment leases	180,091	110,627	164,655	59,173	514,546
Computer expense	80,100	49,204	73,234	26,319	228,857
Insurance	22,409	13,765	20,488	7,363	64,025
Developmental literature	-	-	74,446	-	74,446
Free publications	-	26,986	74,997	-	101,983
Free literature	-	-	267,634	-	267,634
Currency conversion	-	-	166,553	-	166,553
Public relations	-	-	53,819	-	53,819
Workgroups	-	5	1	-	6
World Board	-	230,419	-	-	230,419
Fellowship assistance	-	-	176,025	-	176,025
Website expense	17,461	10,726	15,964	5,737	49,888
Other operating expenses	9,396	5,772	8,590	3,087	26,845
	<u>1,950,838</u>	<u>1,584,933</u>	<u>2,650,119</u>	<u>1,442,643</u>	<u>7,628,533</u>
Depreciation and amortization	<u>92,632</u>	<u>56,902</u>	<u>84,692</u>	<u>30,436</u>	<u>264,662</u>
Total expenses	<u>\$ 2,043,470</u>	<u>\$ 1,641,835</u>	<u>\$ 2,734,811</u>	<u>\$ 1,473,079</u>	<u>\$ 7,893,195</u>

See accompanying notes to consolidated financial statements.

## Narcotics Anonymous World Services Consolidated Statement of Financial Position Exhibit C-2

Year Ended 30 June 2014

	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
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	<u>78,051</u>	<u>47,945</u>	<u>75,821</u>	<u>21,185</u>	<u>223,002</u>
Total expenses	<u>\$ 2,036,423</u>	<u>\$ 2,101,286</u>	<u>\$ 2,524,057</u>	<u>\$ 3,501,864</u>	<u>\$ 10,163,630</u>

See accompanying notes to consolidated financial statements.

## Narcotics Anonymous World Services Consolidated Statement of Financial Position Exhibit C-3

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
	<u>1,878,441</u>	<u>1,437,199</u>	<u>2,686,714</u>	<u>622,036</u>	<u>6,624,390</u>
Depreciation and amortization	<u>65,905</u>	<u>40,485</u>	<u>64,022</u>	<u>17,889</u>	<u>188,301</u>
Total expenses	<u>\$ 1,944,346</u>	<u>\$ 1,477,684</u>	<u>\$ 2,750,736</u>	<u>\$ 639,925</u>	<u>\$ 6,812,691</u>

See accompanying notes to consolidated financial statements.

# Narcotics Anonymous World Services

## Consolidated Statement of Financial Position

### Exhibit D

	Year Ended		
	30-Jun-15	30-Jun-14	30-Jun-13
Cash flows from operating activities:			
Change in net assets	\$ 51,811	\$ 671,889	\$ 588,919
Adjustment to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization	264,662	223,002	188,301
(Increase) decrease in assets:			
Accounts receivable	4,007	112,342	187,086
Publication inventory	(160,410)	(14,231)	25,766
Prepaid expenses	(18,940)	49,780	13,877
Deposits	98,554	579,926	(618,265)
Increase (decrease) in liabilities:			
Accounts payable	53,773	(103,867)	128,592
Accrued salaries and withholdings payable	15,580	33,394	3,224
Deferred convention revenue	-	(1,364,469)	1,364,469
Net cash provided by operating activities	309,037	187,766	1,881,969
Cash flows from investing activities:			
Purchases of investments	(444,907)	(445,158)	(443,190)
Proceeds from the sale of investments	451,989	445,216	443,608
Purchases of furniture and equipment	(86,233)	(150,536)	(120,089)
Purchases of leasehold improvements	(8,864)	(34,757)	(22,618)
Payments to secure copyrights and trademarks and purchase software	(217,648)	(302,979)	(91,111)
Net cash (used) by investing activities	(305,663)	(488,214)	(233,400)
Net increase (decrease) in cash and cash equivalents	3,374	(300,448)	1,648,569
Cash and cash equivalents:			
Beginning of year	3,093,528	3,393,976	1,745,407
End of year	<u>\$ 3,096,902</u>	<u>\$ 3,093,528</u>	<u>\$ 3,393,976</u>

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statement

### Independent Auditors' Report Years Ended June 2015, 2014, and 2013

#### 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 literature distribution facilities in India and 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 30 June 2015, 2014 and 2013, 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 equivalents.

##### 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 2015, 2014, and 2013 amounted to \$125,557, \$114,736 and \$106,103, 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 2015, 2014 and 2013 amounted to \$139,105, \$108,266 and \$82,198, 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, 2015, 2014 and 2013 program service costs totaled \$7,103,875, \$9,147,266 and \$6,131,422, management and general costs totaled \$789,320, \$1,016,364 and \$681,269, 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 2011 (2010 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 \$74,903, \$76,326 and \$70,988 for the years ended 30 June 2015, 2014 and 2013, 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 noncancelable lease terms in excess of one year as of 30 June 2015:

Year ending 30 June,		
	2016	\$ 899,203
	2017	875,147
	2018	686,165
	2019	552,232
	2020	398,132
Thereafter		<u>82,725</u>
Total minimum payments required		<u>\$ 3,493,604</u>

Total payments made under the leases during the years ended 30 June 2015, 2014 and 2013 were \$1,008,338, \$998,575 and \$929,671, 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 2015				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 367,646	\$ 367,646
U.S. Government and Government Agency obligations	-	3,010	-	3,010
Equities	6,800	-	-	6,800
	<u>\$ 6,800</u>	<u>\$ 3,010</u>	<u>\$ 367,646</u>	<u>\$ 377,456</u>
30 June 2014				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ -	\$ 373,516	\$ 373,516
U.S. 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
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>

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

	Year Ended		
	30 June 2015	30 June 2014	30 June 2013
Balance, 1 July	\$ 373,516	\$ 373,000	\$ 372,390
Purchases/accrued interest	444,907	444,068	442,824
Sales/maturities	(450,777)	(443,552)	(442,214)
Balance, 30 June	<u>\$ 367,646</u>	<u>\$ 373,516</u>	<u>\$ 373,000</u>

## 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. At 30 June 2015, deposits in U.S. institutions exceeded insurance limits by \$1,235,124 and deposits in Canadian banks exceeded insurance limits by \$272,752 (Canadian). Cash in other foreign accounts is not insured by the FDIC and totaled approximately \$210,561 (excluding Iran) as of 30 June 2015.

Assets reported in the statement of financial position as of 30 June 2015 include cash of approximately \$368,000 and publication inventory of approximately \$364,000 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 19 January 2016, 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.