

Narcotics Anonymous World Services
Consolidated Statement of Financial Position

2010
Assets

Narcotics Anonymous World Services
Consolidated Statement of Financial Position

2010
Assets

CURRENT ASSETS
Cash and Cash Equivalents
Checking Accounts
Petty Cash

Accounts Receivable
Accounts Payable
Conversion & Sales Deposits Clearing
Less Allowance for Doubtful Accounts

Inventory
Prepaid Expenses
Total Current Assets

EQUIPMENT, FURNITURE AND IMPROVEMENTS
Equipment and Furniture
Equipment Improvements
Leasehold Improvements
Intellectual and Software Property
Less Accumulated Depreciation and Amortization
Total Equipment, Furniture and Improvements

TOTAL ASSETS

CURRENT LIABILITIES
Accounts Payable
Accounts Payroll Expense

TOTAL CURRENT LIABILITIES

LONG TERM LIABILITIES
Notes Payable
Leases Payable

TOTAL LONG TERM LIABILITIES

DEFERRED INCOME
Conventions

TOTAL DEFERRED INCOME

INTERBRANCH ACCOUNTS
Interbranch Accounts

TOTAL INTERBRANCH ACCOUNTS

NET ASSETS
Previous Unrestricted Net Assets
Current Gain / (Loss) Unrestricted Net Assets

TOTAL NET ASSETS

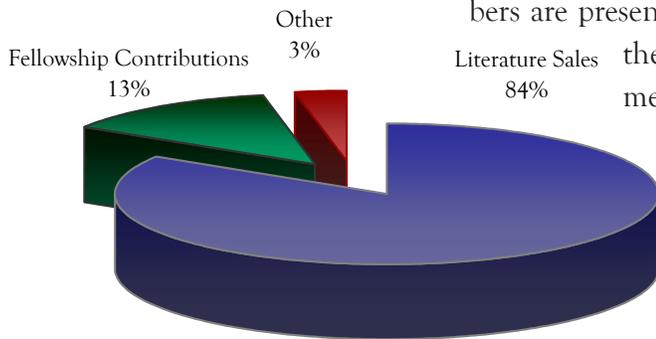
TOTAL LIABILITIES AND NET ASSETS

Region	Number
ABCD Region	
991411 Midwest Area	16
991412 Midwest/Canada Area (NY)	12
991413 ABCD Region	1
Arkansas - Northwest Florida	
901401 Union Terrace RSC	1
901402 Florida Group of NA (AL)	2
901413 One Day Terrace Group (FL)	2
901414 One Day Terrace Group (AL)	1
901415 The Green Group (AL)	4
901416 Individual Members	1
901417 Alabama/NW Florida RSC	0
Arizona Region	
901401 Phoenix RSC	1
901402 One Day Terrace Group (AZ)	7
901403 The Phoenix Group (AZ)	1
901404 Phoenix Chapter Group	1
901405 New Way of Life Group (AZ)	0
Atlanta Region	
171401 Atlanta Regional Commission	0
171402 The Phoenix Group (GA)	2
171403 World of Change Group (GA)	1
171404 Club of Life Group (GA)	0
171405 New Hope Group (GA)	0
171406 Atlanta RSC	1
Autonomous - New Zealand Region	
971401 Individual Members	1
971402 Australia/New Zealand RSC	1
Argentina Region	
901401 Argentina RSC	1
Arizona Region	
901401 Care NA Area	16
901402 East Valley Area	0
901403 Steps "N" 'L' Group	0
901404 Phoenix Junction NA	1
901405 Phoenix & Beyond Group	1
901406 Phoenix Phoenix Lo Division	0
901407 Spiritually Fit Women	1
901408 Individual Members	1
901409 Arizona RSC	1
Arkansas Region	
104141 Central Arkansas Area	22
104142 Tennessee Area	1
104143 Fayetteville NA Group	1
104144 New Providence Group (TX)	1
104145 Recovery in the Delta	1
104146 Cross Without Drugs Group (AR)	1
104147 Clean & Sober Group (AR)	0
104148 Arkansas High Line Group (AR)	1
104149 Arkansas Road Group (AR)	1
104150 We Do Recover Group (AR)	4
104151 Individual Members	1
104152 Arkansas RSC	1

Financial Reports

This section of the annual report is broken into four parts: unit distribution trends, consolidated statement of financial position and consolidated statement of activities, independent auditors' report, and fellowship contributions report.

Source of Income



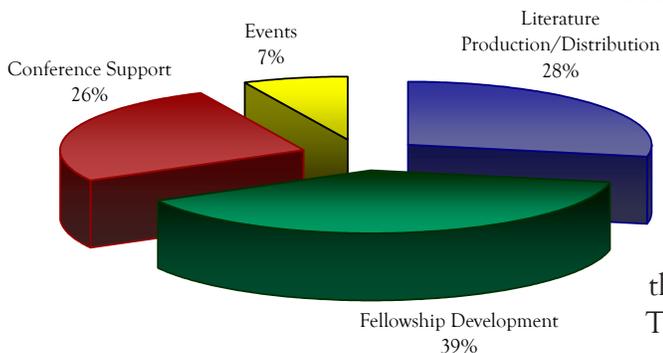
The unit distribution trends document is a report of the numbers of inventory items distributed throughout the year. These numbers are presented in the form of charts and graphs that illustrate the number of books, booklets, IPs, keytags, chips, and medallions distributed by NA World Services during the fiscal year.

The consolidated statement of financial position (SoFP) and consolidated statement of activities (SoA), also known as the “balance sheet” and “income statement,” provide a report on the financial activity of NA World Services during the fiscal year. The SoFP, or balance sheet, provides a simple breakdown of the current assets and liabilities of NA World Services in financial terms. The SoA, or income statement, provides a breakdown of the income and expenses for the following categories:

Literature Production and Distribution	35%
World Service Conference Support	26%
Fellowship Development	31%
Events	8%

Under each set of expenses, we include costs for accounting, personnel, overhead, and technology. These are expenses that cannot be

Source of Expenditure



attributed directly to any of the specific areas of activity. They are budgeted and allocated (distributed) according to a calculated fixed percentage. This percentage is based on three factors: the number of personnel devoted to the activity, the approximate number of labor hours, and the amount of physical office space required by the activity. The percentages listed above indicate the budgeted amounts for this fiscal year (and for the two-year budget cycle).

There are a few items that merit note in our financial reports for this fiscal year. Most importantly, we explained our intent at the 2006 conference to step up the level of fellowship development and support this year. As a result, we have accomplished



an unprecedented level of direct support to the fellowship, including professional events, worldwide workshops, developmental literature, and fellowship development travel. Those sorts of interface with the fellowship have led to a rising demand for further and continued interaction. The lines for some of these items in the financial reports demonstrate how these increases in activity have gone beyond the numbers set forth in our 2006 budget. The budget that will be decided upon at the 2008 conference will better reflect our intentions to provide these levels of support, and time will tell whether or not we can sustain such a high level of activity.

The total figure for subsidized or free literature for this last fiscal year was over \$500,000 and fellowship support in workshops and professional events totaled over \$645,000. This means well over \$1,000,000 per year in fellowship support.

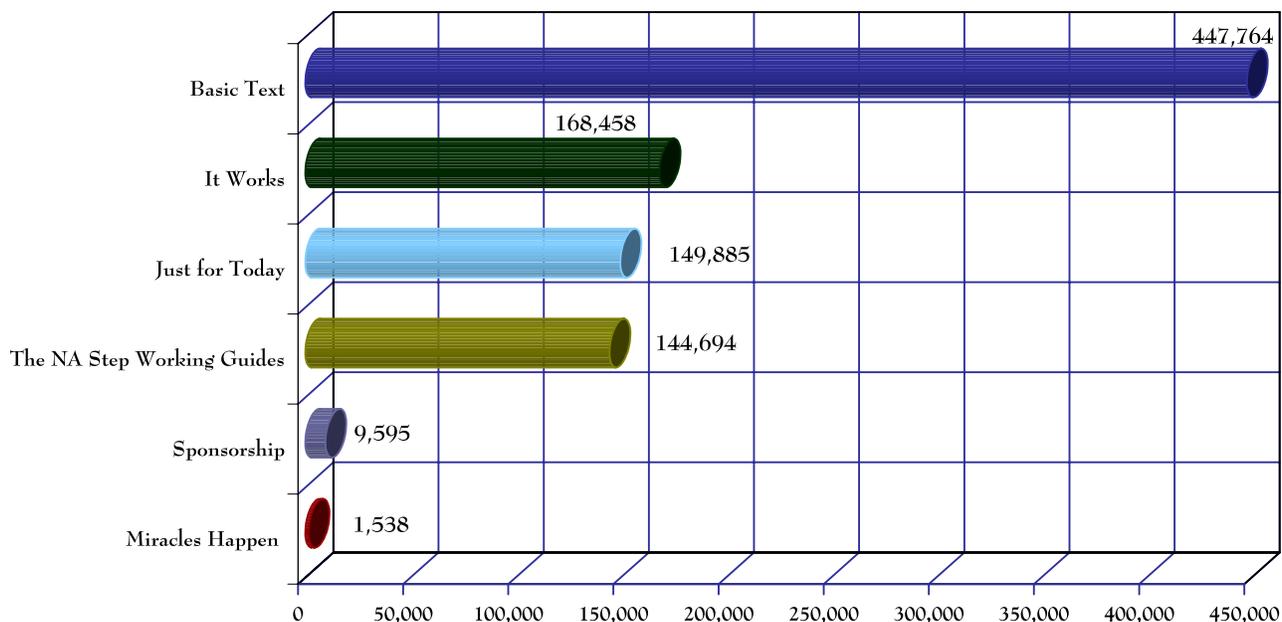
Another point of interest has to do with the income and expenses related to the branch office in Iran. Up to this point, these items have been included as line item income and expenses, unlike the other branch offices, whose numbers are all integrated in these reports. In the coming conference cycle, we will integrate Iran's figures into the accounting for the rest of NAWS.

Finally, the actual income from the Basic Text English hardcover this fiscal year fell slightly short of our projected figures. While it would seem that the progress of the Basic Text project might have had an impact on that number, it is interesting to note that the irregularity in distribution happened early in the fiscal year. We would have expected a decline in distribution closer to the end of the fiscal year if that decline was related to anticipation of a Sixth Edition Basic Text

The independent auditors' report is a report provided by an outside firm that conducts a professional audit of NA World Services' financial records.

Unit Distribution Trends

Book Distribution 2006-2007



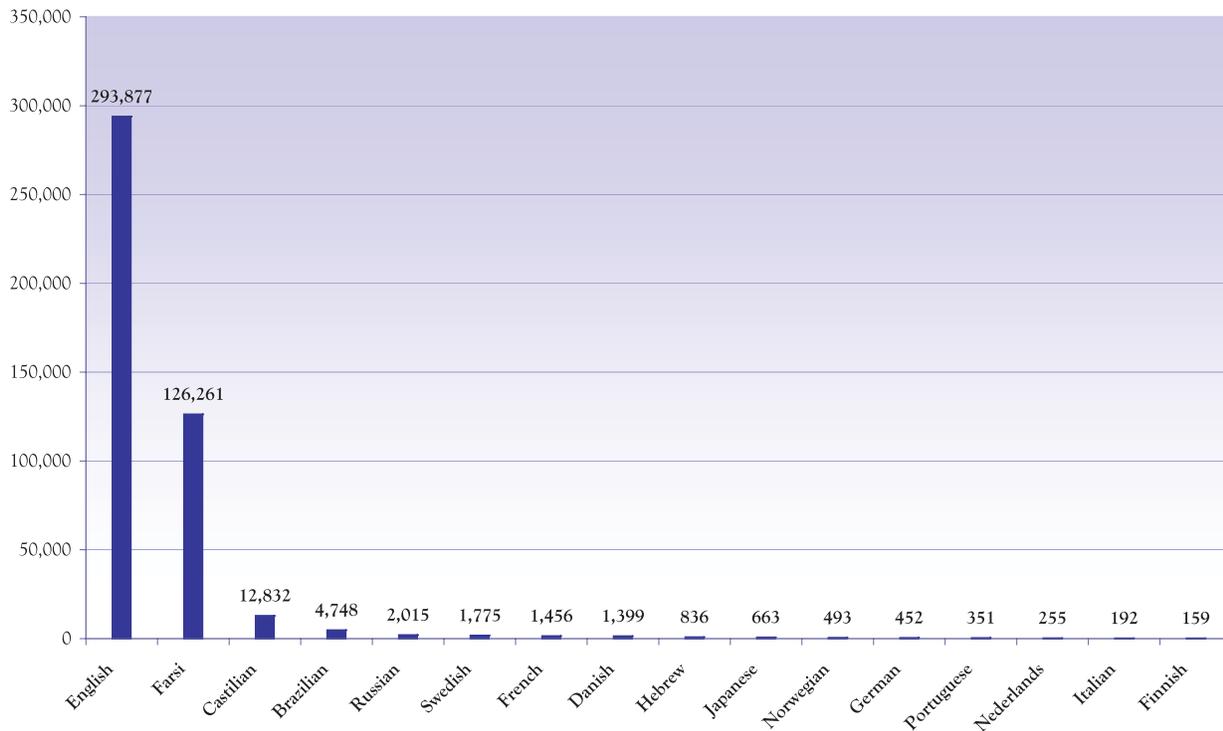


Our book distribution numbers for the 2006-2007 fiscal year illustrate the continuation of the interesting trend we have noted in the last few years: heavy activity in our Iran branch. The chart on the next page illustrates the breakdown of Basic Text distribution by language, and Farsi owes its solid second-place count to the fact that our Iran branch distributed nearly 30% of our total number of Basic Texts this year. As a matter of fact, more copies of the Farsi Basic Text were distributed this year than all other languages combined, excluding English.

In the above chart, Iran distribution of *It Works: How and Why* represents 40% of that title’s total worldwide distribution. The Iran office deals primarily with Farsi literature. These high distribution numbers demonstrate the ongoing strength of NA growth in Iran. NAWS-Europe and NAWS-Canada distribution counts for many items showed modest growth over last year.

Interestingly, our US branch showed our only decline in Basic Text distribution. Numbers were up enough in the other branches that our total count for the year is still up from last year. The slowing distribution in the US may be the first reactions to upcoming WSC decisions about the Sixth Edition Basic Text. Distribution will most likely continue to slow until the WSC votes on the approval form Basic Text in April 2008.

Basic Text Distribution 2006-2007

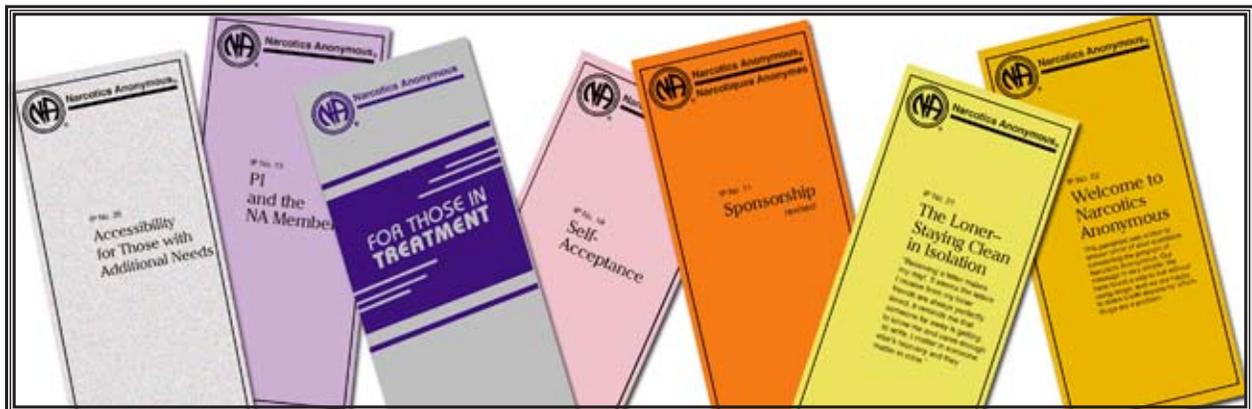
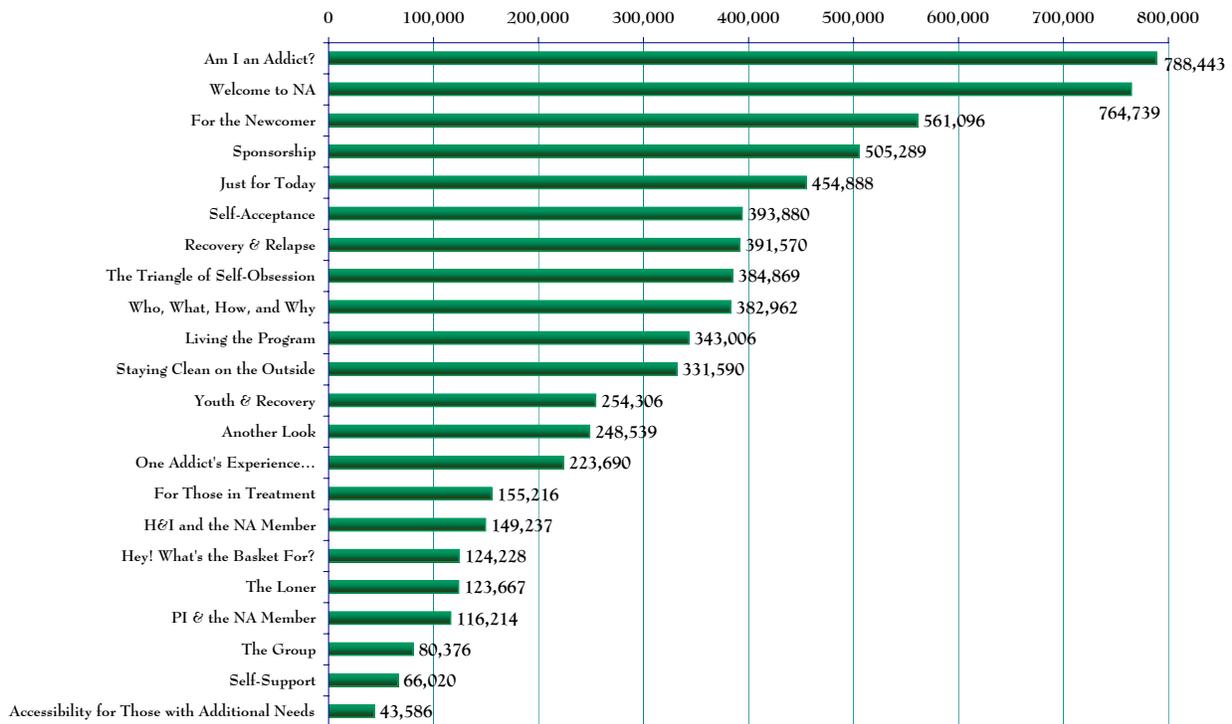




Unit Distribution Trends

Information Pamphlet Distribution 2006-2007

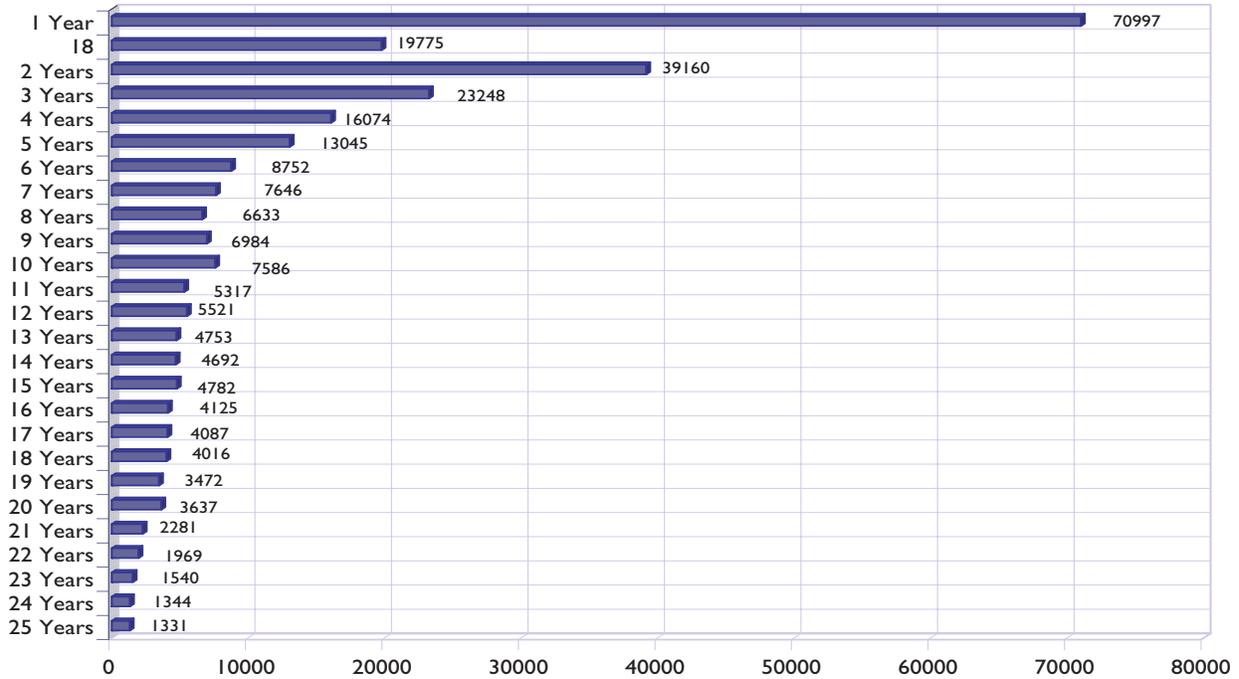
Total IP distribution for this fiscal year was up by roughly 7%, with only three IPs showing a decrease. NAWS-Iran distributed more than 30% of the total IP count for the year. *Am I an Addict?* overtook *Welcome to NA* as the top IP for the year, with a nearly 12% increase in distribution. Other IPs whose distribution jumped significantly included *Self-Acceptance*, *Recovery and Relapse*, *For Those in Treatment*, and *H&I and the NA Member*. The only significant decline in distribution was the *Self-Support* IP.



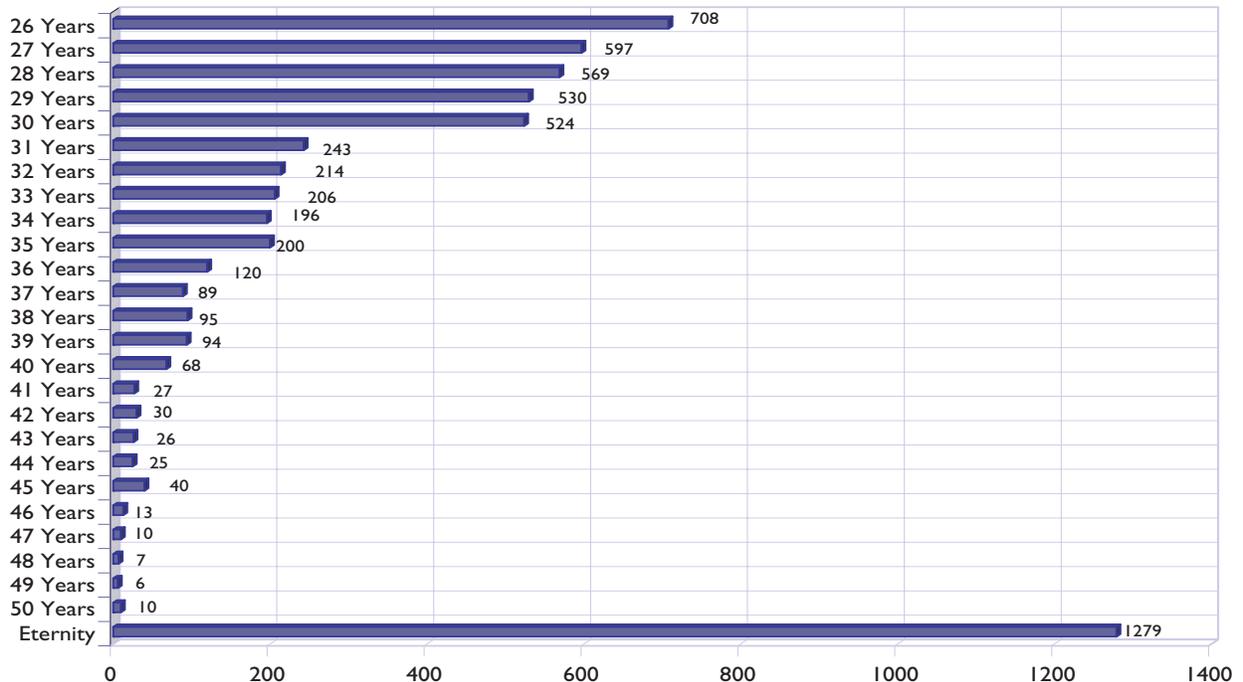


Unit Distribution Trends

Medallion Distribution 2006-2007 18 Months & 1-25 Years



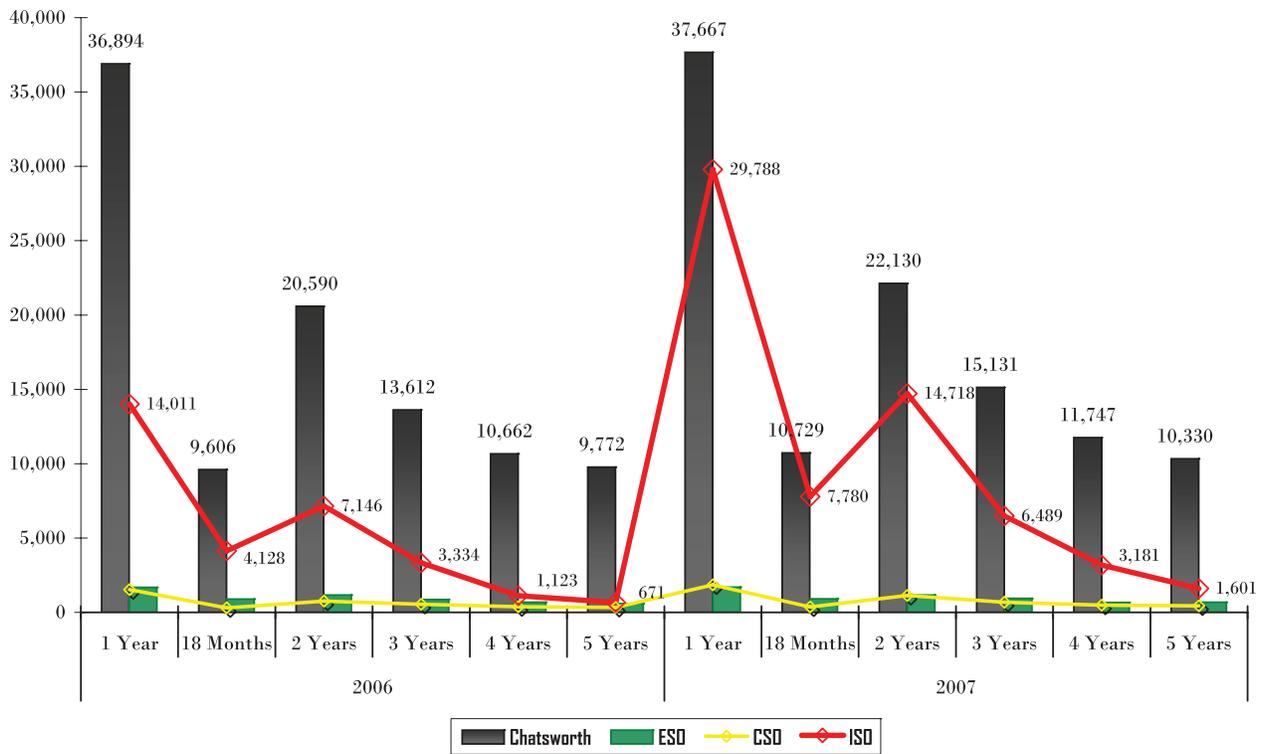
Medallion Distribution 2006-2007 26-50 Years & Eternity





Medallion Distribution 2006-2007 Two-Year Comparison

The below chart illustrates a two-year comparison of medallion distribution for one through five years and eighteen months, separated by each branch office. From 2006 to 2007, distribution in Iran showed incredible growth. In the other branch offices, distribution has remained relatively stable. The impressive increases in Iran distribution have resulted in a modest increase in total worldwide distribution.

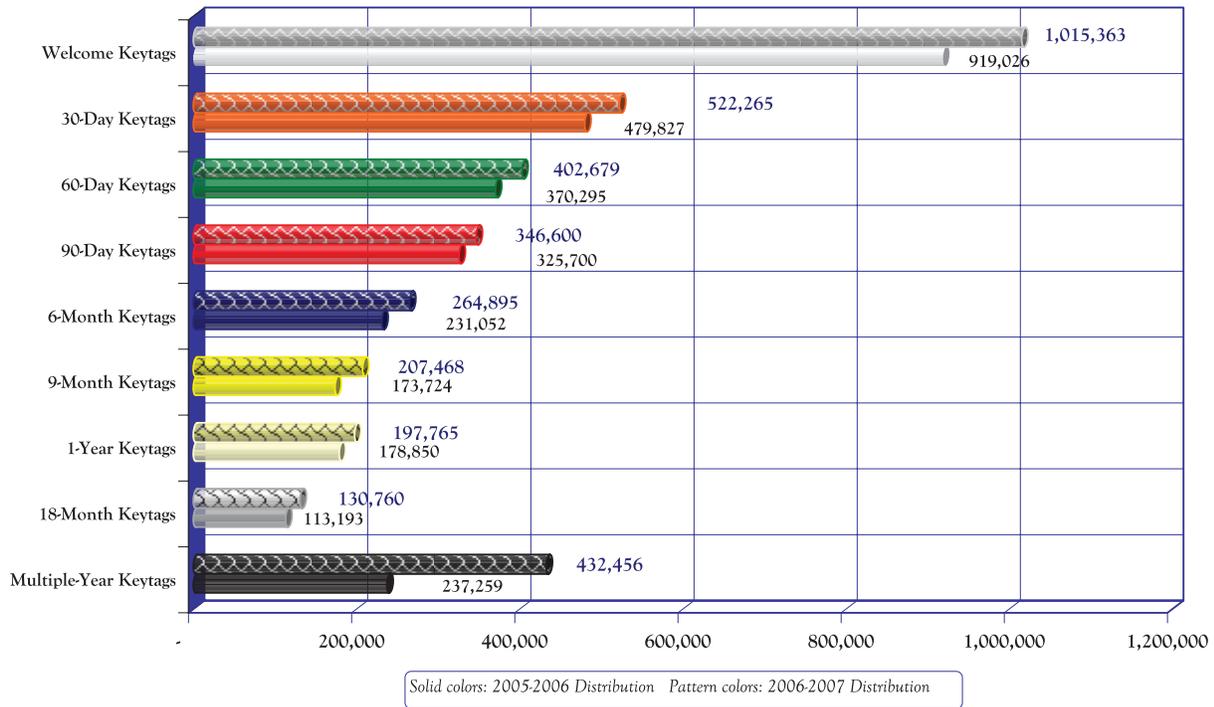




Unit Distribution Trends

Keytag Distribution 2006-2007

Perhaps the most exciting note regarding distribution trends this year is that, for the first time ever, Welcome keytag distribution exceeded one million. Overall keytag and chip distribution is up by 16% over last year. NAWS-Iran nearly doubled its welcome keytag distribution, and exactly half of our total multiple-year keytags worldwide were distributed in Iran. Every keytag showed an increase in sales in the last year, with the highest increase being shown in the multiple-year keytags, further illustrating that “the old lie is dead.”

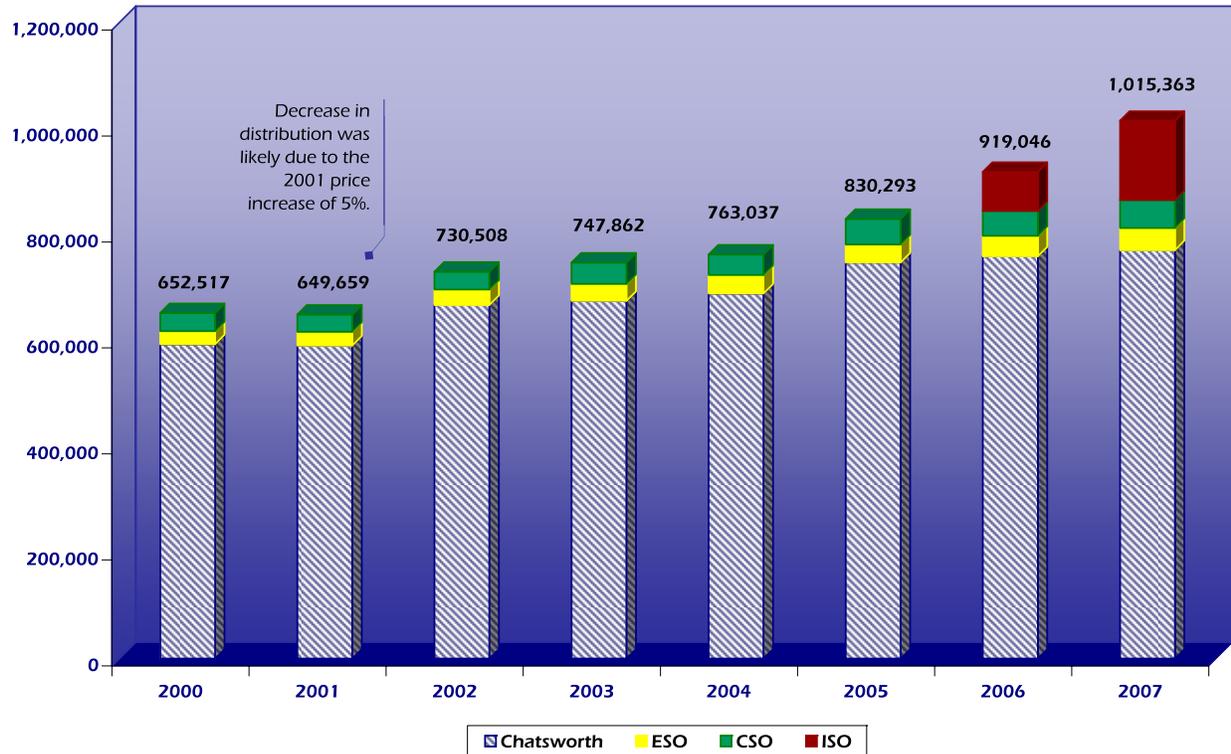




Unit Distribution Trends

Welcome Keytag Distribution 2000-2007

Another chart demonstrates the welcome keytag distribution trends over the course of the past eight years. Distribution for three of our branches—Chatsworth, WSO-Europe, and WSO-Canada—have shown steady and gradual increases. In the past two years, distribution in Iran has made our distribution growth much more dramatic.





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

Balance Sheet – 30 June 2007

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents		
Checking Accounts	\$2,575,138	
Reserve Accounts	1,980,458	
	\$4,555,597	
Accounts Receivable		
Accounts Receivable	\$774,349	
Convention & Sales Deposits Clearing	(26,188)	
Less Allowance for Doubtful Accounts	(62,442)	
	685,719	
Inventory		904,920
Prepaid Expenses		825,362
Total Current Assets		\$6,971,597
EQUIPMENT, FURNITURE AND IMPROVEMENTS		
Equipment and Furniture	\$2,270,691	
Leasehold Improvements	833,466	
Intellectual and Software Property	1,197,774	
Less Accumulated Depreciation and Amortization	(2,867,818)	
Total Equipment, Furniture and Improvements		1,434,112
TOTAL ASSETS		\$8,405,709
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$535,394	
Accrued Payroll Expense	258,180	
Total Current Liabilities		\$793,574
LONG TERM LIABILITIES		
Notes Payable	\$0	
Leases Payable	\$741,250	
Total Long Term Liabilities		741,250
DEFERRED INCOME		
Conventions	\$1,041,561	
Total Deferred Income		1,041,561
INTERBRANCH ACCOUNTS		
Interbranch Accounts	\$0	
Total Interbranch Accounts		0
NET ASSETS		
Previous Unrestricted Net Assets	\$5,550,500	
Current Gain / (Loss) Unrestricted Net Assets	278,824	
Total Net Assets		5,829,324
TOTAL LIABILITIES AND NET ASSETS		\$8,405,709



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

Income Statement - For the Twelve Months Ending 30 June 2007

INCOME	YTD ACTUAL	YTD BUDGET	VARIANCE
RECOVERY LITERATURE INCOME			
BASIC TEXT: Hardcover English	\$2,029,587	\$2,232,459	(\$202,872)
BASIC TEXT: Translated	176,151	151,214	24,937
BASIC TEXT: Softcover	748,900	681,283	67,616
JUST FOR TODAY	950,754	850,636	100,117
IT WORKS: HOW & WHY	767,161	692,393	74,768
SPONSORSHIP BOOK	69,696	239,553	(169,857)
STEP WORKING GUIDES	758,131	693,343	64,787
LITERATURE INCOME (IRAN)	579,212	260,841	318,371
OTHER RECOVERY LITERATURE	1,642,886	1,480,180	162,706
Subtotal	\$7,722,477	\$7,281,903	\$440,574
OTHER INVENTORY INCOME			
MEDALLIONS	\$613,993	\$536,322	\$77,671
KEY TAGS & CHIPS	1,004,737	991,816	12,921
NON-FIPT INFORMATION BOOKLETS	46,640	64,673	(18,033)
HANDBOOKS	81,346	72,804	8,542
SPECIALTY ITEMS	56,078	50,986	5,092
AUDIO MATERIALS	2,760	3,166	(406)
GROUP/AREA MATERIALS	109,095	83,654	25,442
MIRACLES HAPPEN	40,034	30,452	9,582
Subtotal	\$1,954,683	\$1,833,874	\$120,809
SHIPPING	\$396,737	\$365,149	\$31,588
DISCOUNTS	(1,359,553)	(1,368,426)	8,873
DEVELOPMENTAL SUBSIDIES & ALLOWANCES	(289,743)	(235,728)	(54,015)
Subtotal	(\$1,252,559)	(\$1,239,005)	(\$13,554)
Gross Literature Income (less discounts)	\$8,424,601	\$7,876,772	\$547,829
RECOVERY LITERATURE COST OF GOODS			
BASIC TEXT: Hardcover English	\$314,653	\$367,825	(\$53,172)
BASIC TEXT: Translated	35,453	36,171	(717)
BASIC TEXT: Softcover	61,891	64,181	(2,290)
JUST FOR TODAY	100,379	96,175	4,205
IT WORKS: HOW & WHY	116,224	130,903	(14,679)
SPONSORSHIP BOOK	12,788	48,534	(35,746)
STEP WORKING GUIDES	127,287	123,042	4,245
LITERATURE PRODUCTION (IRAN)	436,698	289,938	146,760
OTHER RECOVERY LITERATURE	292,099	301,379	(9,280)
Subtotal	\$1,497,473	\$1,458,148	\$39,325
OTHER INVENTORY COST OF GOODS			
MEDALLIONS	\$145,198	\$110,148	\$35,050
KEY TAGS & CHIPS	269,744	269,034	709
NON-FIPT INFORMATION BOOKLETS	26,409	37,587	(11,178)
HANDBOOKS	27,039	21,184	5,856
SPECIALTY ITEMS	20,965	19,698	1,268
AUDIO MATERIALS	(345)	1,001	(1,345)
GROUP/AREA MATERIALS	49,677	43,656	6,021
MIRACLES HAPPEN	4,320	3,726	594
Subtotal	\$543,007	\$506,033	\$36,974
Total Cost of Goods	\$2,040,481	\$1,964,181	\$76,300
Net Literature Income	\$6,384,120	\$5,912,591	\$471,530



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

Income Statement - For the Twelve Months Ending 30 June 2007

INCOME	YTD ACTUAL	YTD BUDGET	VARIANCE
FELLOWSHIP DONATIONS			
BREAKDOWN BY DONOR TYPE			
Members	\$20,650	\$7,920	\$12,730
Groups	56,761	44,244	12,518
Areas	144,550	98,838	45,711
Regions	587,126	602,551	(15,425)
Events/Conventions	60,316	45,670	14,647
Unity Day	0	9,670	(9,670)
Zonal & Other Forums	10,409	7,038	3,371
Total Donations	\$879,813	\$815,931	\$63,881
MISCELLANEOUS INCOME			
LICENSED VENDOR PAYMENTS	\$24,200	\$23,000	\$1,200
INTEREST	77,191	25,000	52,191
MISCELLANEOUS	3,163	0	3,163
Total Miscellaneous Income	\$104,554	\$48,000	\$56,554
INCOME ALL SOURCES <i>(Not including event specific)</i>	\$7,368,487	\$6,776,522	\$591,965



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

Income Statement - For the Twelve Months Ending 30 June 2007

EXPENSE	YTD ACTUAL	YTD BUDGET	VARIANCE
LITERATURE PRODUCTION & DISTRIBUTION			
FIXED OPERATIONAL EXPENSES			
MARKETING	\$106,216	\$103,929	\$2,287
IN HOUSE PRODUCTION (not included in Cost of Goods)	27,490	78,761	(51,271)
TRANSLATIONS (not included in Cost of Goods)	33,420	27,694	5,726
LITERATURE DISTRIBUTION (IRAN)	57,181	66,025	(8,845)
SHIPPING	436,741	400,670	36,071
BUSINESS PLAN WORK GROUP	\$20,048	\$34,200	(\$14,152)
LITERATURE & CONVENTION WORKSHOP	0	15,000	(15,000)
LEGAL	33,301	92,284	(58,984)
LITERATURE PRODUCTION & DISTRIBUTION TRAVEL	1,539	25,000	(23,461)
INVENTORY ADJUSTMENT	0	0	0
ACCOUNTING	10,822	14,925	(4,102)
PERSONNEL (Includes amount budgeted to variable projects)	1,131,985	1,016,904	115,081
OVERHEAD	506,887	451,476	55,412
TECHNOLOGY	51,775	74,217	(22,442)
Total Literature Production & Distribution	\$2,417,405	\$2,401,085	\$16,320
WORLD SERVICE CONFERENCE SUPPORT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$32,191	\$32,362	(\$171)
WORLD SERVICE CONFERENCE BI-ANNUAL MEETING	11,590	17,911	(6,321)
WORLD BOARD	258,090	191,625	66,465
HUMAN RESOURCE PANEL	25,408	27,214	(1,806)
WSC CO-FACILITATOR	600	636	(36)
CONFERENCE RELATED TRAVEL	0	0	0
LEGAL	0	0	0
ACCOUNTING	8,039	11,087	(3,047)
PERSONNEL (Includes amount budgeted to variable projects)	840,903	757,668	83,235
OVERHEAD	377,688	337,364	40,323
TECHNOLOGY	38,461	55,196	(16,735)
Subtotal	\$1,592,971	\$1,431,064	\$161,907
VARIABLE OPERATIONAL EXPENSES			
NAWS COMMUNICATIONS AND PUBLICATIONS	\$0	\$25,000	(\$25,000)
WORLD WIDE WORKSHOPS	108,595	127,500	(18,905)
FINISHED WSC PROJECTS (IMPLEMENT PR HANDBOOK)	12,233	55,000	(42,767)
Subtotal	\$120,828	\$207,500	(\$86,672)
Total World Service Conference Support	\$1,713,799	\$1,638,564	\$75,235



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

Income Statement - For the Twelve Months Ending 30 June 2007

EXPENSE	YTD ACTUAL	YTD BUDGET	VARIANCE
FELLOWSHIP DEVELOPMENT			
FIXED OPERATIONAL EXPENSES			
PUBLICATIONS	\$113,895	\$134,694	(\$20,799)
FELLOWSHIP SUPPORT	412,764	142,656	270,108
PROFESSIONAL EVENTS	124,145	60,559	63,586
DEVELOPMENTAL LITERATURE	262,191	235,612	26,579
ARCHIVES & INFORMATION MANAGEMENT	0	35	(35)
LEGAL	0	939	(939)
ACCOUNTING	9,585	13,219	(3,634)
PERSONNEL (Includes amount budgeted to variable projects)	1,002,616	900,687	101,929
OVERHEAD	370,655	324,643	46,012
TECHNOLOGY	45,858	65,735	(19,877)
Subtotal	\$2,341,708	\$1,878,778	\$462,930
VARIABLE OPERATIONAL EXPENSES			
BASIC TEXT PROJECT	\$95,856	\$62,300	\$33,556
PUBLIC RELATIONS DEVELOPMENT	26,754	20,000	6,754
SERVICE MATERIALS	2,824	37,375	(34,551)
SERVICE HANDBOOKS	2,243	20,000	(17,757)
SELF-SUPPORT PAMPHLET	1	0	1
SERVICE STRUCTURE RELATIONSHIP & DEFINITION	0	0	0
TARGETED LITERATURE	19,098	37,875	(18,777)
FELLOWSHIP ISSUE DISCUSSIONS	1,713	22,500	(20,787)
Subtotal	\$148,490	\$200,050	(\$51,560)
Total Fellowship Development	\$2,490,198	\$2,078,828	\$411,370
EVENTS			
FIXED OPERATIONAL EXPENSES			
UNITY DAY	\$0	\$0	\$0
FUTURE (AND PRIOR) CONVENTIONS	\$9,843	\$13,377	(\$3,534)
LEGAL	0	0	0
ACCOUNTING	2,474	5,714	(3,240)
PERSONNEL (Includes amount budgeted to variable projects)	263,138	234,315	28,823
OVERHEAD	125,937	116,843	9,094
TECHNOLOGY	11,834	17,019	(5,185)
Total Events (Not including event specific)	\$413,226	\$387,269	\$25,958
TOTAL EXPENSE ALL SOURCES (Not including event specific)	\$7,034,628	\$6,505,746	\$528,882
EXCESS REVENUE/EXPENSE (Not including event specific)	\$333,858	\$270,776	\$63,082



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

Income Statement - For the Twelve Months Ending 30 June 2007

EXPENSE	YTD ACTUAL	YTD BUDGET	VARIANCE
EVENT SPECIFIC			
EVENT SPECIFIC INCOME			
WCNA-32 INCOME			
REGISTRATION	\$0	\$0	\$0
SPECIAL EVENTS	0	0	0
NEWCOMER DONATIONS	0	0	0
MERCHANDISE	0	0	0
OTHER SALES	50	0	50
REBATES	0	0	0
Total Event Specific Income	\$50	\$0	\$50
EVENT SPECIFIC EXPENSE			
WCNA-32 EXPENSE			
REGISTRATION	\$72	\$0	\$72
SPECIAL EVENTS	0	0	0
PROGRAM	1	0	1
MERCHANDISE	(1)	0	(1)
FACILITIES	1,810	0	1,810
SUPPORT COMMITTEE	14,301	0	14,301
ADMINISTRATION	38,902	0	38,902
Total Event Specific Expense	\$55,084	\$0	\$55,084
Total Event Specific Excess Revenue/Expense	(\$55,034)	\$0	(\$55,034)
INCREASE (DECREASE) NET UNRESTRICTED ASSETS	\$278,824	\$270,776	\$8,048

NAWS financial statements may have small variance from the Audited Financial Statements due to some adjustments made by the independent auditors.



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Independent Auditors' Report

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

We have audited the accompanying consolidated statements of financial position of Narcotics Anonymous World Services, Inc. (the "Organization") as of June 30, 2007, 2006 and 2005, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Narcotics Anonymous World Services, Inc. as of June 30, 2007, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Miller, Kaplan, Arase & Co., LLP

MILLER, KAPLAN, ARASE & CO., LLP



Consolidated Statements of Financial Position

30 June 2007 and 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,674,754	\$ 2,496,575	\$ 3,480,282
Investments - at fair value	1,042,822	988,966	963,546
Accounts receivable (net of allowance for uncollectible accounts of \$60,142, \$63,597 and \$71,000, respectively)	711,906	681,869	622,048
Publication inventory	904,920	850,381	660,158
Prepaid expenses	479,586	130,763	359,280
Total current assets	<u>6,813,988</u>	<u>5,148,554</u>	<u>6,085,314</u>
Property and equipment:			
Furniture and equipment	2,271,860	2,223,519	1,962,320
Leasehold improvements	832,297	831,821	805,814
	<u>3,104,157</u>	<u>3,055,340</u>	<u>2,768,134</u>
Less: accumulated depreciation and amortization	(2,010,319)	(1,922,416)	(1,625,305)
Total property and equipment - net	<u>1,093,838</u>	<u>1,132,924</u>	<u>1,142,829</u>
Other assets:			
Deposits	157,608	50,517	24,260
Trademarks, software and copyrights (net of accumulated amortization of \$857,500, \$746,643 and \$625,991, respectively)	340,275	346,564	404,868
Total other assets	<u>497,883</u>	<u>397,081</u>	<u>429,128</u>
Total assets	<u>\$ 8,405,709</u>	<u>\$ 6,678,559</u>	<u>\$ 7,657,271</u>
Liabilities and net assets			
Current liabilities:			
Accounts payable	\$ 535,540	\$ 280,906	\$ 248,430
Accrued salaries, vacation and tax withholdings payable	258,034	150,613	151,442
Current portion of capital lease obligations	76,239	80,836	120,135
Deferred convention revenue	1,041,561	-	1,043,580
Total current liabilities	1,911,374	512,355	1,563,587
Capital leases payable, less current portion	<u>665,011</u>	<u>615,834</u>	<u>481,070</u>
Total liabilities	2,576,385	1,128,189	2,044,657
Unrestricted net assets	<u>5,829,324</u>	<u>5,550,370</u>	<u>5,612,614</u>
Total liabilities and net assets	<u>\$ 8,405,709</u>	<u>\$ 6,678,559</u>	<u>\$ 7,657,271</u>



Consolidated Statements of Financial Position

30 June 2007 and 2006

	<u>July 1, 2006</u> to <u>June 30, 2007</u>	<u>July 1, 2005</u> to <u>June 30, 2006</u>	<u>July 1, 2004</u> to <u>June 30, 2005</u>
Revenues, gains and other support:			
Sales of publications and program materials	\$ 8,433,771	\$ 7,973,244	\$ 7,632,223
Less discounts and cost of sales	<u>2,713,402</u>	<u>2,637,693</u>	<u>2,196,381</u>
Net sales of publications and program materials	5,720,369	5,335,551	5,435,842
Convention registration and other revenue	-	1,819,718	-
Conference contributions	879,863	764,393	802,400
Interest	77,190	42,358	23,082
Other	<u>121,200</u>	<u>114,299</u>	<u>120,449</u>
Total revenues, gains and other support	<u>6,798,622</u>	<u>8,076,319</u>	<u>6,381,773</u>
Expenses:			
Literature production and distribution	1,794,731	1,790,448	1,577,472
World Service Conference support	1,725,176	2,007,681	1,490,462
Fellowship development	2,528,737	2,225,739	2,210,227
Events	<u>471,024</u>	<u>2,114,695</u>	<u>444,187</u>
Total expenses	<u>6,519,668</u>	<u>8,138,563</u>	<u>5,722,348</u>
Change in net assets	278,954	(62,244)	659,425
Unrestricted net assets:			
Beginning of year	<u>5,550,370</u>	<u>5,612,614</u>	<u>4,953,189</u>
End of year	<u>\$ 5,829,324</u>	<u>\$ 5,550,370</u>	<u>\$ 5,612,614</u>



Consolidated Statements of Functional Expenses

Year Ended 30 June 2007

	<u>Year Ended June 30, 2007</u>				
	<u>Literature Production and Distribution</u>	<u>World Service Conference Support</u>	<u>Fellowship Development</u>	<u>Events</u>	<u>Total</u>
Expenses:					
Salaries, wages and payroll taxes	\$ 1,016,468	\$ 712,612	\$ 849,653	\$ 219,265	\$ 2,797,998
Employee health benefits	113,888	84,603	100,872	26,031	325,394
Retirement contribution	23,658	17,574	20,954	5,407	67,593
Contract labor	4,962	3,686	4,395	1,134	14,177
Convention expense	-	-	-	63,291	63,291
Occupancy	149,599	111,131	132,502	34,194	427,426
Travel	20,476	258,408	530,648	398	809,930
Conferences	-	37,598	-	-	37,598
Worldwide workshops	-	108,595	-	-	108,595
Telephone	25,043	19,215	22,181	11,531	77,970
Postage	10,503	8,575	18,548	5,411	43,037
Office expense	50,563	37,561	44,785	11,557	144,466
Depreciation and amortization	143,394	106,520	127,005	32,776	409,695
Professional fees	35,652	23,158	27,611	7,125	93,546
Equipment leases	16,389	12,175	14,516	3,746	46,826
Computer expense	33,288	24,729	29,485	7,609	95,111
Insurance	16,498	12,255	14,612	3,771	47,136
Interest expense	65,526	48,676	58,037	14,977	187,216
Developmental literature	-	-	140,889	-	140,889
Free publications	-	30,788	104,339	-	135,127
Other operating expenses	<u>68,824</u>	<u>67,317</u>	<u>287,705</u>	<u>22,801</u>	<u>446,647</u>
Total expenses	<u>\$ 1,794,731</u>	<u>\$1,725,176</u>	<u>\$ 2,528,737</u>	<u>\$ 471,024</u>	<u>\$ 6,519,668</u>



Consolidated Statements of Functional Expenses

Year Ended 30 June 2006

	Year Ended June 30, 2006				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 1,001,574	\$ 711,093	\$ 847,842	\$ 218,797	\$ 2,779,306
Employee health benefits	109,212	81,130	96,732	24,963	312,037
Retirement contribution	20,802	15,453	18,425	4,755	59,435
Contract labor	3,288	5,573	2,913	752	12,526
Convention expense	-	-	-	1,693,008	1,693,008
Occupancy	139,168	103,382	123,264	31,810	397,624
Travel	15,301	149,947	201,037	1,786	368,071
Conferences	-	417,216	-	-	417,216
Worldwide workshops	-	123,233	-	-	123,233
Telephone	22,139	17,179	19,608	9,649	68,575
Postage	11,554	9,152	14,938	6,668	42,312
Office expense	46,677	35,044	41,342	10,669	133,732
Depreciation and amortization	161,320	119,838	142,884	36,873	460,915
Professional fees	56,822	37,262	44,428	14,663	153,175
Equipment leases	6,722	4,994	5,954	3,498	21,168
Computer expense	42,518	31,585	37,659	9,743	121,505
Insurance	23,920	17,769	21,186	5,467	68,342
Interest expense	55,000	40,857	48,714	12,572	157,143
Developmental literature	-	-	144,252	-	144,252
Free publications	-	25,957	146,556	-	172,513
Other operating expenses	<u>74,431</u>	<u>61,017</u>	<u>268,005</u>	<u>29,022</u>	<u>432,475</u>
Total expenses	<u>\$ 1,790,448</u>	<u>\$2,007,681</u>	<u>\$ 2,225,739</u>	<u>\$2,114,695</u>	<u>\$ 8,138,563</u>



Consolidated Statements of Functional Expenses

Year Ended 30 June 2005

	Year Ended June 30, 2005				
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Total
Expenses:					
Salaries, wages and payroll taxes	\$ 863,078	\$ 630,004	\$ 751,159	\$ 193,847	\$ 2,438,088
Employee health benefits	96,100	71,388	85,116	21,966	274,570
Retirement contribution	16,290	12,100	14,428	3,723	46,541
Contract labor	731	542	647	167	2,087
Convention expense	-	-	-	75,602	75,602
Occupancy	134,832	100,160	119,423	30,818	385,233
Travel	11,856	194,874	182,602	4,314	393,646
Conferences	-	35,471	-	-	35,471
Worldwide workshops	-	61,164	-	-	61,164
Telephone	21,708	16,926	19,226	9,538	67,398
Postage	6,923	6,038	6,132	3,425	22,518
Office expense	42,267	31,398	37,436	9,661	120,762
Depreciation and amortization	114,392	84,977	101,322	26,147	326,838
Professional fees	55,574	40,326	49,347	12,408	157,655
Equipment leases	21,998	16,342	19,484	5,028	62,852
Computer expense	44,900	33,440	39,768	10,313	128,421
Insurance	19,348	14,373	17,137	4,422	55,280
Interest expense	58,152	43,199	51,506	13,294	166,151
Developmental literature	-	-	239,619	-	239,619
Free publications	-	36,144	126,884	-	163,028
Other operating expenses	69,323	61,596	348,991	19,514	499,424
Total expenses	<u>\$ 1,577,472</u>	<u>\$1,490,462</u>	<u>\$ 2,210,227</u>	<u>\$ 444,187</u>	<u>\$ 5,722,348</u>



Consolidated Statements of Cash Flows

Years Ended 30 June 2007 and 2006

	Year Ended		
	June 30, 2007	June 30, 2006	June 30, 2005
Cash flows from operating activities:			
Change in net assets	\$ 278,954	\$ (62,244)	\$ 659,425
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation and amortization	409,695	460,915	326,838
(Increase) decrease in assets:			
Accounts receivable	(30,037)	(59,821)	(6,439)
Publication inventory	(54,539)	(190,223)	7,072
Prepaid expenses	(348,823)	228,517	(308,479)
Deposits	(107,091)	(26,257)	(24,260)
Increase (decrease) in liabilities:			
Accounts payable	254,634	32,476	(196,764)
Accrued salaries and withholdings payable	107,421	(829)	2,534
Deferred revenue	1,041,561	(1,043,580)	1,043,580
Net cash provided (used) by operating activities	<u>1,551,775</u>	<u>(661,046)</u>	<u>1,503,507</u>
Cash flows from investing activities:			
Purchases of investments	(53,856)	(25,420)	(154,180)
Purchases of property and equipment	(107,454)	(93,917)	(117,039)
Purchases of leasehold improvements	(476)	(23,006)	(89,867)
Payments to secure copyrights and trademarks and purchase software	<u>(104,567)</u>	<u>(62,347)</u>	<u>(69,934)</u>
Net cash (used) by investing activities	<u>(266,353)</u>	<u>(204,690)</u>	<u>(431,020)</u>
Cash flows from financing activities:			
Repayment of capital lease obligations	<u>(107,243)</u>	<u>(117,971)</u>	<u>(95,341)</u>
Net cash (used) by financing activities	<u>(107,243)</u>	<u>(117,971)</u>	<u>(95,341)</u>
Net increase (decrease) in cash and cash equivalents	1,178,179	(983,707)	977,146
Cash and cash equivalents:			
Beginning of year	<u>2,496,575</u>	<u>3,480,282</u>	<u>2,503,136</u>
End of year	<u>\$ 3,674,754</u>	<u>\$ 2,496,575</u>	<u>\$ 3,480,282</u>

Supplemental disclosures of cash flow information: Interest paid during the years ended June 30, 2007, 2006 and 2005 amounted to \$187,216, \$157,143 and \$166,151, respectively.

Non-cash investing and financing activities: During the years ended June 30, 2007, 2006 and 2005, NAWS entered into lease obligations for the purchase of equipment in the amounts of \$463,780, \$312,780 and \$655,090, respectively. NAWS also retired, without payment, lease obligations in the amount of \$311,955 and \$98,144 during the years ended June 30, 2007 and 2006.



Notes to Consolidated Financial Statements

Independent Auditors' Report Years Ended June 2007, 2006 and 2005

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

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

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

Note 2 – Summary of Significant Accounting Policies

A. Consolidation Policy and Basis of Accounting

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

B. Financial Statement Presentation

Under Statement of Financial Accounting Standards No. 117, NAWS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2007, 2006 and 2005, NAWS held no temporarily or permanently restricted net assets.



C. Cash and Cash Equivalents

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

D. Investments

NAWS investments are carried at fair value, which generally represents quoted market price as of the last business day of the year. Certificates of deposit are valued at cost, which approximates fair value. Investments include certificates of deposit, money market funds and government securities.

E. Publication Inventory

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

F. Property and Equipment

Leasehold improvements and furniture and equipment are stated at cost. Major additions are capitalized while replacements, maintenance and repairs that do not improve or extend the useful life of the asset are expensed. Depreciation is computed using the mid-year accounting method over the estimated useful lives of the related assets, which are as follows:

Leasehold improvements	5 years
Furniture and equipment	5-10 years

Depreciation expense for the years ended June 30, 2007, 2006, and 2005 amounted to \$298,839, 340,264 and \$212,902, respectively.

G. Trademarks and Copyrights

The cost of acquiring and defending copyrights and trademarks is capitalized and is being amortized over the approximate economic life of the copyright or trademark, which is estimated to be ten years. The cost of computer software is also capitalized and amortized over a period of seven years. Amortization expense for the years ended June 30, 2007, 2006 and 2005 amounted to \$110,856, \$120,651, and \$113,936, 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 and Europe 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.



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 up to 5% of the deferred earnings based on the employee's number of years of service. The matching contribution to the plan for the years ended June 30, 2007, 2006 and 2005 was \$67,593, \$59,435 and \$46,541, respectively.

Note 4 – Operating and Capital Leases

NAWS has entered into capital lease agreements for the use of telephone and office equipment. The total value of the equipment under capital leases as of June 30, 2007, 2006 and 2005 was \$855,486, \$901,304 and \$734,024, respectively. NAWS also leases equipment and facilities under various operating leases.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2007:

Year ending June 30

	2008	\$ 247,036
	2009	247,036
	2010	247,036
	2011	247,036
	2012	221,553
	Thereafter	<u>217,656</u>
Total minimum lease payments		1,427,353
Less: amount representing interest expense		<u>(686,103)</u>
Net minimum lease payments		<u>\$ 741,250</u>

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, 2007:

Year ending June 30,

	2008	\$ 317,189
	2009	328,376
	2010	315,873
	2011	88,277
	2012	<u>23,582</u>
Total minimum payment required		<u>\$ 1,073,297</u>

Total payments made under the leases during the years ended June 30, 2007, 2006 and 2005 were \$639,502, \$586,545 and \$578,963, respectively.



Note 5 – Investments

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

	2007	2006	2005
Investments at fair value as determined by quoted market price: U.S. Government and Government Agency obligations	\$ 21,288	\$ 26,337	\$ 35,128
Investments at fair value as determined by cost:			
Money market accounts	340,260	317,259	296,125
Certificates of deposit	681,274	645,370	632,293
	<u> </u>	<u> </u>	<u> </u>
Totals	\$ 1,042,822	\$ 988,966	\$ 963,546
	<u> </u>	<u> </u>	<u> </u>

Note 6 – Concentration of Credit Risk

NAWS places its cash and cash equivalents with high quality financial institutions. Cash and cash equivalents balances exceed the Federal Deposit Insurance Corporation insurance limits.

Note 7 – Employment Contract

NAWS has entered into an employment agreement with its Executive Director for employment services. The agreement provides for compensation and benefits and expires on December 31, 2009. Should the agreement be terminated by NAWS, certain amounts would be payable to the Executive Director as defined in the agreement.