

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. NAWS operates literature distribution facilities in India and Toronto, Canada and maintains 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 net assets in two classes: net assets with donor restrictions and net assets without donor restrictions. As of June 30, 2024, NAWS had no net assets with donor restrictions.

C. Cash and Cash Equivalents

NAWS considers short-term investments with initial maturities of 90 days or less held in bank and brokerage accounts to be cash equivalents.

D. Investments

NAWS investments are reported at fair value. Investments include certificates of deposit. See Note 5.

E. Inventory

Publications and other items held for resale are included in inventory and are carried at the lower of cost or net realizable value. Cost for each item is determined using the weighted average method.

F. Property and Equipment

Leasehold improvements and furniture and equipment are recorded 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 related to property and equipment for the year ended June 30, 2024 amounted to \$75,498.

G. Trademarks and Copyrights

The cost of acquiring and defending copyrights and trademarks is capitalized and amortized over the approximate economic life of the copyright or trademark, which is estimated to be 10 years. The cost of computer software is also capitalized and amortized over a period of seven years. Amortization expense related to trademarks and copyrights for the year ended June 30, 2024, amounted to \$177,865.

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 functional expenses as currency conversion.

J. Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the consolidated financial statements. Actual results could differ from those estimates.

K. Sales of Publications and Program Materials

NAWS generates revenue from sales of publications and program materials. This revenue is recognized at the point in time when goods are shipped to customers.