



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Narcotics Anonymous World Services, Inc. (a nonprofit organization) (NAWS), which comprise the consolidated statement of financial position as of June 30, 2024, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NAWS as of June 30, 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We did not audit the financial statement balances and activity related to the Iranian service office, Payam Omega, as of and for the year ended June 30, 2024, whose statements reflect total assets of \$6,220,828 as of June 30, 2024, and net revenues of \$3,936,275 for the year then ended. Those financial statements were presented in accordance with accounting principles generally accepted in the Islamic Republic of Iran and audited by other auditors in accordance with auditing standards generally accepted in the Islamic Republic of Iran, whose report has been furnished to us. Consequently, we were unable to determine whether any adjustments to those amounts were necessary in order for the financial statement balances and activity to conform with accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NAWS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

Los Angeles / San Francisco / Seattle / Denver / Sun Valley, ID / Dallas

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NAWS' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NAWS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NAWS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Miller Kaplan Arase LLP

MILLER KAPLAN ARASE LLP

Burbank, California

May 9, 2025

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Independent Auditors' Report

NAWS contracts with an independent accounting firm to audit its financial statements each fiscal year. The audit team spends about a week in the Chatsworth office after the close of each fiscal year, during which they perform transaction tests, inspect internal controls, and scrutinize internal financial practices. This professional audit of NAWS' financial reports and practices conforms to best practices in the world of accounting and complies with the legal requirements for nonprofits. To audit the financial activities of WSO Iran, we have to hire an accounting firm in Iran that provides its audit to our US-based auditors. While this makes for an exceedingly slow process, it ensures management and the board have verified figures for all branch offices.

Narcotics Anonymous World Services Consolidated Statement of Financial Position

Exhibit A

Assets	
Current assets:	
Cash and cash equivalents	\$ 5,963,171
Investments - at fair value	3,485,574
Accounts receivable (net of allowance for uncollectible accounts of \$110,213)	735,725
Publication inventory	7,918,866
Prepaid expenses	<u>110,452</u>
Total current assets	<u>18,213,788</u>
Other assets:	
Property and equipment:	
Furniture and equipment	1,309,691
Leasehold improvements	<u>1,198,698</u>
	2,508,389
Less: accumulated depreciation and amortization	<u>(2,324,891)</u>
	183,498
Deposits	914,989
Trademarks, software, and copyrights (net of accumulated amortization of \$3,279,989)	636,639
Right-of-use operating lease assets	2,152,472
Less: accumulated amortization	<u>(1,321,826)</u>
	830,646
Total other assets	<u>2,565,772</u>
Total assets	<u><u>\$ 20,779,560</u></u>
Liabilities and net assets	
Current liabilities:	
Accounts payable	\$ 2,228,222
Accrued salaries, vacation, and tax withholdings payable	589,462
Deferred convention revenue	3,133,158
Operating lease obligations, current portion	<u>678,724</u>
Total current liabilities	6,629,566
Other liabilities:	
Operating lease obligations, less current portion	<u>168,069</u>
Total other liabilities	<u>168,069</u>
Total liabilities	6,797,635
Net assets without donor restrictions	<u>13,981,925</u>
Total liabilities and net assets	<u><u>\$ 20,779,560</u></u>

Narcotics Anonymous World Services Consolidated Statement of Financial Position

Exhibit B

Revenues, gains, and other support:	
Sales of publications and program materials	\$ 14,902,689
Less: discounts and cost of sales	<u>(5,270,323)</u>
Net sales of publications and program materials	9,632,366
Fellowship contributions	1,816,975
Interest	75,556
Other	<u>64,982</u>
Total revenues, gains, and other support	<u>11,589,879</u>
Program expenses:	
Literature production and distribution	3,524,748
World Service Conference support	1,541,359
Fellowship development	2,330,662
Events	<u>420,822</u>
	7,817,591
Management and general expenses	<u>868,621</u>
Total expenses	<u>8,686,212</u>
Change in net assets	2,903,667
Net assets without donor restrictions:	
Beginning of year	<u>11,078,258</u>
End of year	<u><u>\$ 13,981,925</u></u>

See accompanying notes to consolidated financial statements.

Narcotics Anonymous World Services Consolidated Statement of Financial Position

Exhibit C

	Program Services					
	Literature Production and Distribution	World Service Conference Support	Fellowship Development	Events	Management and General	Total
Expenses:						
Salaries, wages, and payroll taxes	\$ 1,747,453	\$ 817,957	\$ 966,676	\$ 185,899	\$ 413,109	\$ 4,131,094
Employee health benefits	165,072	77,267	91,316	17,561	39,024	390,240
Retirement contribution	48,309	22,613	26,724	5,139	11,420	114,205
Contract labor	69,300	32,438	38,336	7,373	16,383	163,830
Convention expenses	-	-	-	99,919	11,102	111,021
Occupancy	729,370	162,236	191,734	36,872	124,468	1,244,680
Travel	23,613	-	-	-	2,624	26,237
Conferences	-	9,163	-	-	1,018	10,181
Worldwide workshops	-	-	130,735	-	14,526	145,261
Telephone	41,829	19,579	23,139	4,450	9,889	98,886
Postage	16,613	7,776	9,190	1,767	3,928	39,274
Office expenses	141,343	66,161	78,190	15,037	33,414	334,145
Professional fees	49,533	23,185	27,401	5,269	11,710	117,098
Equipment leases	5,468	2,559	3,025	582	1,293	12,927
Computer expenses	207,113	96,946	114,573	22,033	48,963	489,628
Insurance	31,034	14,527	17,168	3,301	7,337	73,367
Developmental literature	-	-	112,345	-	12,483	124,828
Free publications	-	2,980	12,173	-	1,684	16,837
Free literature	-	-	350,841	-	38,982	389,823
Currency conversion	101,866	-	-	-	11,318	113,184
Public relations	-	-	49,888	-	5,543	55,431
World Board	-	117,243	-	-	13,027	130,270
Fellowship assistance	-	-	5,981	-	664	6,645
Depreciation and amortization	107,173	50,166	59,287	11,401	25,336	253,363
Other operating expenses	39,659	18,563	21,940	4,219	9,376	93,757
Total expenses	<u>\$ 3,524,748</u>	<u>\$ 1,541,359</u>	<u>\$ 2,330,662</u>	<u>\$ 420,822</u>	<u>\$ 868,621</u>	<u>\$ 8,686,212</u>

Narcotics Anonymous World Services Consolidated Statement of Financial Position

Exhibit D

Cash flows from operating activities:	
Change in net assets	\$ 2,903,667
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	253,363
Noncash operating lease expense	1,438
(Increase) decrease in assets:	
Accounts receivable, net	(38,696)
Publication inventory	(2,903,132)
Prepaid expenses	123,186
Deposits	(827,891)
Increase in liabilities:	
Accounts payable	444,113
Accrued salaries, vacation, and tax withholdings	255,170
Deferred convention revenue	3,133,158
Net cash provided by operating activities	<u>3,344,376</u>
Cash flows from investing activities:	
Purchases of investments	(1,264,186)
Proceeds from the sale of investments	43,656
Purchases of property and equipment	(126,818)
Payments to secure copyrights and trademarks and purchase software	(62,103)
Net cash used in investing activities	<u>(1,409,451)</u>
Cash flows from financing activities:	
Repayment of note payable	(102,621)
Net cash used in financing activities	<u>(102,621)</u>
Net increase in cash and cash equivalents	1,832,304
Cash and cash equivalents:	
Beginning of year	<u>4,130,867</u>
End of year	<u>\$ 5,963,171</u>

See accompanying notes to consolidated financial statements.

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.

L. Fellowship Contributions

Unconditional contributions and pledges are recorded when received. Pledges outstanding are subject to an allowance for uncollectible accounts and are discounted to present value when long term in nature. There were no outstanding pledges receivable as of June 30, 2024.

M. Functional Allocation of Expenses

The costs of providing NAWS’ programs and other activities are reported by both their natural and functional classifications in the statement of functional expenses. Expenditures that can be identified with a specific program or supporting service are allocated directly according to their purpose. Costs that are common to more than one function are allocated among the applicable programs and supporting services based on estimates of employee time, using percentages that represent hours spent or wages, or upon estimates of other resources spent.

N. Tax Status

GAAP requires management to evaluate tax positions taken by NAWS and recognize a tax liability if NAWS has taken a tax position that more likely than not would not be sustained upon examination by a tax authority. NAWS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

O. Adoption of New Accounting Policies

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. CECL requires an estimate of expected credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. The financial assets held by NAWS that are subject to the guidance in FASB ASC 326 are other receivables.

NAWS adopted the standard effective July 1, 2023. The adoption of this standard did not have a material impact on NAWS’ consolidated financial statements.

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 under the Internal Revenue Code. NAWS matches deferrals of up to 8% of compensation based on the employee’s number of years of service. NAWS’ contributions totaled \$114,205 for the year ended June 30, 2024.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

On July 1, 2022, NAWS adopted ASU 2016-02 Leases, requiring a lessee to record a right-of-use asset and a corresponding lease liability at the inception of the lease, initially measured at the present value of total lease payments. NAWS classified its five long-term leases as operating leases and determined that the fair value of its operating leases at the inception of the leases totaled \$2,152,472 using discount rates between 2.84% and 3.96%. The operating leases had a weighted average term of 39 months on the date of adoption. As of June 30, 2024, the lease liability was \$846,793, of which \$678,724 was current and \$168,069 was non-current. ASU 2016-02 requires recognition in the statement of activities of a single lease cost, calculated so that the cost of the leases are allocated over the lease term, generally on a straight-line basis. Rent expense for the year ended June 30, 2024 was \$659,005. During the year ended June 30, 2024, NAWS reflected amortization of right-of-use asset of \$685,816 related to the leases, resulting in a right-of-use asset, net balance of \$830,646 as of June 30, 2024.

The following is a schedule of future minimum rental payments required under leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2024:

Year Ending June 30,	
2025	\$ 678,724
2026	162,719
2027	16,357
2028	8,179
Total minimum payments required	865,979
Less: discount to present value	(19,186)
Operating lease obligation	\$ 846,793

Total lease payments made during the year ended June 30, 2024 were \$721,129.

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:

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 3,485,574	\$ -	\$ 3,485,574

The following tables reconcile the beginning and ending fair value of Level 2 investments for the year ended June 30, 2024:

Balance, July 1	\$ 2,265,044
Purchases/accrued interest	1,264,186
Sales/maturities	(43,656)
Balance, June 30	\$ 3,485,574

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 (CAD) per bank. At June 30, 2024, deposits in U.S. institutions exceeded insurance limits by \$5,921,819 and deposits in Canadian banks exceeded insurance limits by \$1,173,713 (CAD). Cash in European accounts is not covered and totaled approximately \$169,502 (USD) as of June 30, 2024.

NOTE 7 - EMPLOYMENT CONTRACT

NAWS has an employment agreement with its Executive Director expiring on December 31, 2024. The agreement provides for compensation and benefits. Should the agreement be terminated by NAWS, certain amounts would be payable to the Executive Director as defined in the agreement. \$146,500 has been accrued as of June 30, 2024.

NOTE 8 - AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2024, NAWS had \$9,153,961 of financial assets consisting of cash, cash equivalents, and liquid investments available to meet cash needs for general expenditures. None of these financial assets is subject to donor or contractual restrictions that make them unavailable for expenditure within one year of the balance sheet date. NAWS’ goal is to maintain cash and liquid investments on hand to meet at least one year’s worth of anticipated operating expenses and a policy to structure its financial assets to be available as its general expenditures and liabilities come due.

NOTE 9 - SBA LOAN

On July 7, 2020, NAWS entered into an agreement with The Small Business Administration (SBA) for a loan in the amount of \$150,000. The loan bears interest at a rate of 2.75% per annum and matures July 7, 2050, with monthly payments commencing January 1, 2023. On December 4, 2023, NAWS paid off its remaining balance due to the SBA.

NOTE 10 - FOREIGN CURRENCY EXCHANGE RISK

While individual account transactions and balances are converted to the U.S. dollar as the functional currency throughout the year and at year-end, economic and market volatility factor heavily in what would be the realizable value of the reported assets. Actual results may differ significantly from these values.

Assets reported in the statement of financial position as of June 30, 2024 include cash totaling \$376,217 and publication inventory of \$5,844,611 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 11 - SUBSEQUENT EVENTS

NAWS renewed its employment agreement with its Executive Director. Its new expiration date is December 31, 2025.

Management has evaluated subsequent events through May 9, 2025, the date these consolidated financial statements were available to be issued. Except as discussed above and in Note 10, there were no material subsequent events that require recognition or additional disclosure in these consolidated financial statements.