

ATTACHMENT A

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)

FINANCIAL STATEMENTS
June 30, 2025 and 2024

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Visit Newport Beach Inc.
Newport Beach, California

Opinion

We have audited the accompanying financial statements of Visit Newport Beach Inc., which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Visit Newport Beach Inc. as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Visit Newport Beach Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Organization has significant transactions with related non-profit organizations. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Visit Newport Beach Inc.'s 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Visit Newport Beach Inc.'s 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.

Crowe LLP

Crowe LLP

Costa Mesa, California
September 23, 2025

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,028,643	\$ 1,217,431
Short-term investments	-	2,222,415
Accounts receivable	2,409	1,185
Related-party receivables, net	54,280	22,645
Prepaid expenses and other current assets	<u>183,712</u>	<u>387,669</u>
Total current assets	5,269,044	3,851,345
Operating sublease of right-of-use assets, net	1,655,822	-
Deferred sublease income	73,724	-
Property and equipment, net	72,122	2,626
Website development costs, net	58,976	68,254
Deposits and other assets	<u>9,619</u>	<u>9,619</u>
Total assets	<u>\$ 7,139,307</u>	<u>\$ 3,931,844</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 257,825	\$ 40,793
Related party payables, net	-	102,263
Accrued expenses	29,623	94,796
Accrued payroll and related expenses	168,627	-
Current portion of sublease obligations	<u>363,900</u>	<u>-</u>
Total current liabilities	819,975	237,852
Sublease obligations, net of current portion	<u>1,419,033</u>	<u>-</u>
Total liabilities	2,239,008	237,852
Commitments and contingencies		
Net assets without donor restrictions	<u>4,900,299</u>	<u>3,693,992</u>
Total liabilities and net assets	<u>\$ 7,139,307</u>	<u>\$ 3,931,844</u>

See accompanying notes to financial statements.

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
STATEMENTS OF ACTIVITIES
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Support and revenues		
Service fee revenues	\$ 7,691,119	\$ 10,382,835
Advertising and other income	-	28,400
Interest income	<u>93,909</u>	<u>223,839</u>
Total support and revenues	<u>7,785,028</u>	<u>10,635,074</u>
Expenses		
Marketing (including \$2,117,563 and \$1,828,755 to Newport Beach & Company during 2025 and 2024, respectively - see Note 8)	6,578,721	9,552,691
Salaries and benefits	-	1,173,885
Other	-	391,398
Depreciation and amortization	<u>-</u>	<u>24,185</u>
Total expenses	<u>6,578,721</u>	<u>11,142,159</u>
Change in net assets without donor restrictions before expenses related to TBID dissolution	1,206,307	(507,085)
Expenses related to TBID dissolution		
Cash paid to hotels not continuing services under MAP	-	667,676
Cash paid to MAP for transferring hotels	<u>-</u>	<u>3,299,020</u>
Total expenses related to TBID dissolution	<u>-</u>	<u>3,966,696</u>
Change in net assets without donor restrictions	1,206,307	(4,473,781)
Net assets without donor restrictions, beginning of year	<u>3,693,992</u>	<u>8,167,773</u>
Net assets without donor restrictions, end of year	<u>\$ 4,900,299</u>	<u>\$ 3,693,992</u>

See accompanying notes to financial statements.

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
STATEMENTS OF CASH FLOWS
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets without donor restrictions	\$ 1,206,307	\$ (4,473,781)
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by (used in) operating activities:		
Depreciation and amortization	-	24,185
Amortization of right-of-use operating sublease assets	-	94,707
Accrued interest income	-	14,099
Changes in operating assets and liabilities, net of balances transferred from NB & Co. and to MAP		
Accounts receivable	(1,224)	47,094
Related-party receivables/payables, net	(63,018)	(118,359)
Prepaid assets and other current assets	228,957	213,895
Accounts payable	217,032	(60,090)
Accrued expenses	(65,173)	68,796
Accrued payroll and related expenses	42,404	(9,869)
Group booking incentive reserve	-	(138,683)
Sublease obligations	-	(104,110)
Net cash provided by (used in) from operating activities	<u>1,565,285</u>	<u>(4,442,116)</u>
Cash flows from investing activities		
Purchases of property and equipment	-	(1,058)
Website development costs	-	(42,568)
Cash received from MAP for transferred net assets	-	24,289
Cash received from NB & Co. upon dissolution	23,512	-
Purchases of investments	(139,052)	(9,264,817)
Proceeds from sales/maturities of investments	2,361,467	12,341,746
Net cash provided by investing activities	<u>2,245,927</u>	<u>3,057,592</u>
Net change in cash and cash equivalents	3,811,212	(1,384,524)
Cash and cash equivalents, beginning of year	<u>1,217,431</u>	<u>2,601,955</u>
Cash and cash equivalents, end of year	<u>\$ 5,028,643</u>	<u>\$ 1,217,431</u>
Supplemental disclosures of non-cash transactions		
Net balances transferred to MAP	\$ -	\$ 24,289
Net balances transferred from NB & Co.	\$ 23,512	\$ -

See accompanying notes to financial statements.

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 1 – ORGANIZATION

Nature of Operations: Visit Newport Beach Inc. (the “Organization”) is a non-profit organization formed under the laws of the State of California.

Transient Occupancy Tax (“TOT”): The Organization has an agreement (“TOT Agreement”) with the City of Newport Beach (the “City”) through December 31, 2029 to promote tourism and serve the needs of visitors to the City. Under the terms of the TOT Agreement, the Organization is responsible to develop, plan, carry out and supervise a program to market and promote the Newport Beach brand and to promote tourism in, and serve the needs of, visitors to the City as well as increase the amount of Transient Occupancy Tax collected through its promotional activities. The TOT Agreement was renewed January 1, 2025.

The City collects a Transient Occupancy Tax as well as a Visitor’s Service Fee applied to the transient rental of lodging rooms (collectively, the “TOT”). The City pays the Organization 23% of the annual TOT, excluding TOT revenue on short-term rentals, in monthly installments.

The City shall have the right, in its sole discretion, to adjust the payment (increase or decrease the percentage of TOT paid to the Organization) as part of its once-annual budget adoption process for any reason after notice to the Organization and an opportunity for the Organization to formally comment on the adjustment. For the years ended June 30, 2025 and 2024, the Organization received approximately 100% and 66%, respectively, of its service fee revenues from the City through the TOT. The City has the right to terminate the TOT Agreement, without cause, by giving the Organization written notice of its intention to terminate. Should the City reduce or stop its funding to the Organization due to the Organization’s default or termination of the TOT Agreement, the Organization’s operations will be impacted.

Tourism Business Improvement District (“TBID”): The Newport Beach Tourism Business Improvement District (“NBTBID”) was established April 28, 2009, and expired on January 31, 2024, pursuant to the Management District Plan, as amended (the “Plan”). The NBTBID was funded by assessments levied on participating lodging businesses within a specified district. The assessments were restricted for use for sales promotion and marketing programs to market the City as a tourist, meeting and event destination as outlined in the Plan. For the year ended June 30, 2024, the Organization received approximately 34% of its service fee revenues from the City through TBID assessments.

Through its expiration, the NBTBID was represented by eight (8) hotels within the City which collected a 3.0% tax on short-term stays. The City was entitled to 0.25% of the receipts annually for the collection of the assessments and disbursements of the NBTBID.

Upon expiration of NBTBID on January 31, 2024, a related entity, Meetings Assessment Partnership (“MAP”) was founded, effective February 1, 2024, in order to operate in the place of NBTBID. MAP works to improve business conditions and the business environment for tourism for member hotels in the City through the provision of marketing, sales, and special events programs, along with various other initiatives. Pursuant to California Streets and Highways Code Section 36671(a), upon the NBTBID’s expiration and after all outstanding debts are paid the remaining NBTBID funds shall be refunded to the assessed businesses. As a result, effective February 1, 2024, the Organization refunded the following: (1) to MAP the accumulated net asset amounts attributable to those six (6) hotels transferring services over to MAP totaling \$3,299,020 (in accordance with agreements between the Organization and each of the respective hotels); and (2) to the respective hotels the accumulated net asset amounts attributable to those two (2) hotels not transferring services over to MAP totaling \$667,676. These payments were reflected in the accompanying statement of activities as other expenses during the year ended June 30, 2024.

(Continued)

VISIT NEWPORT BEACH INC.
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NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 1 – ORGANIZATION (Continued)

In addition, certain assets and liabilities attributable to TBID were transferred to MAP for net consideration of \$24,289. This balance was paid by MAP during the year ended June 30, 2024. The transferred assets and liabilities included the following:

Property and equipment, net	\$ 117,505
Website development costs, net	29,979
Operating sublease of right-of-use assets, net	1,069,092
Sublease obligations	(1,106,041)
Accrued payroll and related expenses	<u>(86,246)</u>
	<u>\$ 24,289</u>

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. These assets are available to support the Organization's general activities and operations at the discretion of the Board of Directors.

With donor restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

As of and for the years ended June 30, 2025 and 2024, the Organization had no net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Use of Estimates: The preparation of financial statements requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Organization's management include, but are not limited to, fair value of investments, recoverability of long-lived assets, and the allocation of expenses to program activities and general and administrative. Actual results may differ from those estimates.

(Continued)

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalent balances at various financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At June 30, 2025, the Organization had approximately \$4,533,000 of uninsured cash and cash equivalent balances. The Organization periodically reviews the quality of the financial institutions it has deposits with to minimize risk of loss. To date, no losses have been incurred.

Investments and Fair Value Measurement: Investments and cash equivalents consist of certificates of deposit which are carried at cost plus accrued interest (which approximates fair value) and U.S. Treasury Bills which are carried at market value.

Accounting guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or in the absence of a principal market, the most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs in priority that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, credit risks, and default rates) or other inputs that are principally derived from or corroborated by observable market data by correlation or by other means; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of the Organization's U.S. Treasury Bills and certificates of deposit are based partially upon quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the assets. These instruments have been classified within Level 2 of the valuation hierarchy.

(Continued)

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2025, the Organization held no investments. As of June 30, 2024, the Organization's investments measured at fair value on a recurring basis were as follows:

	Quoted prices in			
	Active Markets	Significant Other	Significant Other	
	for Identical	Observable	Unobservable	
	<u>Assets (Level 1)</u>	<u>Inputs (Level 2)</u>	<u>Inputs (Level 3)</u>	
Short-term investments:				
U.S. Treasury Bills	\$ -	\$ 1,813,911	\$ -	
Certificates of deposit	-	408,504	-	

Accounts Receivable: Accounts receivable are carried at original invoice amount less an estimate for credit losses based on a review of all outstanding amounts at year end. Management determines the allowance for credit losses by identifying troubled accounts based on current and historical experience and reasonable and supportable forecasts. At June 30, 2025 and 2024, the Organization considers its accounts receivable to be fully collectible and accordingly did not record an allowance for credit losses.

Property and Equipment: Property and equipment are stated at cost. Donated assets are recorded at their fair market value when received. The cost of purchased assets or fair market value of donated assets is depreciated using the straight-line method over the estimated useful lives of the related assets which range from three to seven years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the related lease term. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized.

It is the Organization's policy to capitalize property and equipment over \$1,500. At the time of retirement or other disposition of property and equipment, the cost and accumulated depreciation or amortization are removed from the accounts and any resulting gain or loss is reflected in the statements of activities.

Website Development Costs: The Organization accounts for the costs of developing its websites by capitalizing the costs during the application development stage when it is probable that the project will be completed and the property will be used to perform the function intended. Website development costs are amortized on a straight-line basis over their estimated useful lives when completed, which are typically the earlier of approximately three years or term based on estimated disposal date. The recoverability of website development costs is evaluated periodically, taking into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists.

Capitalized costs are primarily related to third-party contractor fees incurred during the application development stage. For the years ended June 30, 2025 and 2024, the Organization capitalized website development costs of \$0 and \$42,568, respectively.

(Continued)

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At June 30, 2025, website development costs were transferred to the Organization as a result of the transfer from Newport Beach & Company ("NB & Co."), a related party (see Note 8). Accordingly, the Organization will record amortization expense on website development costs over an estimated useful life of three years beginning in fiscal 2026, and no impairment indicators were identified as of June 30, 2025. Estimated amortization costs will be \$27,168 for the fiscal year ended 2026, \$27,168 for the fiscal year ended 2027, and \$4,640 for the fiscal year ended 2028.

Leases: At the inception of a contract, the Organization determines if the arrangement is, or contains, a lease. Operating lease right-of-use ("ROU") assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term calculated using the risk-free rate commensurate with the term of the ROU asset.

ROU assets also include any lease payments made at or before lease commencement and exclude any lease incentives received. The lease terms may include options to extend the lease when it is reasonably certain that the Organization will exercise that option. Leases with a term of 12 months or less are not recognized in the statement of financial position. Rent expense is recognized on a straight-line basis over the lease term.

The Organization accounts for lease and non-lease components as separate lease components for all its leases. At June 30, 2025, the Organization recorded an operating ROU asset and related liability as a result of the transfer from NB & Co. (see Note 8).

Impairment of Long-Lived Assets: The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. At June 30, 2025 and 2024, the Organization's management believes there is no impairment of its long-lived assets. There can be no assurance, however, that market conditions will not change or demand for the Organization's services will continue, which could result in impairment of long-lived assets in the future.

Support and Revenue: The Organization's service fee revenues are recognized as revenue when received as the Organization is not entitled to its share of the TOT or assessments collected under TBID until paid by the City. Advertising and other income are recognized when the advertisement service is completed and billed to the customers. Interest income is recognized as income in the period it is earned. All revenue is subject to Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*.

The Organization applies the following steps to recognize revenue under ASC 606:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Determine the satisfaction of performance obligations

(Continued)

VISIT NEWPORT BEACH INC.
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NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Materials and Services: Donated materials and other noncash contributions (if any) are reflected in the accompanying financial statements at their estimated fair market values at date of receipt. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis of deriving their value.

One of the services provided by the Organization in its efforts to promote the City is to organize site inspections and other promotional events with a variety of potential visiting groups. These groups are introduced by the Organization's staff to the various hotels, restaurants, and other local businesses involved in the tourism industry in Newport Beach. All businesses visited are also sponsors of the Organization. Many of the Organization's sponsors contribute materials, such as meals and rooms, in connection with this program. During the years ended June 30, 2025 and 2024, the Organization determined there were no significant contributed materials and services.

Income Tax Status: The Organization qualifies as a tax-exempt organization for Federal income taxes under Section 501(c)(6) of the United States Internal Revenue Code and for California state income taxes under Section 23701(d) of the California Revenue and Taxation Code; therefore, the Organization has no provision for federal or state income taxes. During the years ended June 30, 2025 and 2024, the Organization had no unrelated business income.

The Organization annually evaluates tax positions as part of the preparation of its exempt tax return. This process includes an analysis of whether tax positions the Organization takes with regard to a particular item of income or deduction would meet the definition of an uncertain tax position under current accounting guidance. The Organization believes its tax positions are appropriate based on current facts and circumstances. The Organization's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. At June 30, 2025 and 2024, the Organization did not have any unrecognized tax benefits.

The Organization is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years before 2021.

Allocated Expenses: The costs of providing program activities and supporting services have been summarized on a functional basis in Note 5. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, occupancy or estimates of time and effort incurred by personnel

Subsequent Events: The Organization has evaluated subsequent events through September 23, 2025, the date which the financial statements were available to be issued. Based upon its evaluation, management has determined that no subsequent events have occurred that would require recognition in the accompanying financial statements or disclosure in the notes thereto except as disclosed herein.

(Continued)

VISIT NEWPORT BEACH INC.
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NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 3 – LIQUIDITY AND AVAILABILITY

At June 30, 2025, the Organization has \$5,031,052 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$5,028,643 and accounts receivable of \$2,409. At June 30, 2024, the Organization had \$3,441,031 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$1,217,431, short-term investments of \$2,222,415, and accounts receivable of \$1,185. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. The Organization has a goal to maintain financial assets (which consist of cash, cash equivalents and short-term investments) to meet 180 days of operating expenses, which calculates to a minimum goal of approximately \$3,300,000 and \$3,600,000 as of June 30, 2025 and 2024, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in various short-term treasury instruments and certificates of deposit.

Funding for the Organization is dependent on the hotel room nights booked in certain City hotels each year and the subsequent portion of the TOT that is allocated through the City to the Organization. Annual revenue fluctuates depending on annual visitors to Newport Beach. As a result, the Organization closely monitors the monthly projected and received revenue to determine if any change needs to be made to budgeted annual expenditures.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Computer equipment	\$ 8,691	\$ 13,405
Office furniture and fixtures	41,419	22,109
Leasehold improvements	<u>22,012</u>	<u>-</u>
	72,122	35,514
Less: accumulated depreciation and amortization	<u>-</u>	<u>(32,888)</u>
	<u>\$ 72,122</u>	<u>\$ 2,626</u>

Depreciation expense totaled \$0 and \$24,185 for the years ended June 30, 2025 and 2024, respectively. The Organization did not record depreciation expense during the year ended June 30, 2025, because property and equipment was transferred from NB & Co. on June 30, 2025 (see Note 8).

(Continued)

VISIT NEWPORT BEACH INC.
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NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 5 – SCHEDULES OF FUNCTIONAL EXPENSES

The schedules of functional expenses for the years ended June 30, 2025 and 2024 are as follows:

	2025		
	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and benefits:			
Salaries	\$ -	\$ -	\$ -
Payroll taxes and employee benefits	-	-	-
Total salaries and benefits	-	-	-
Other expense			
Marketing	<u>5,848,305</u>	<u>730,416</u>	<u>6,578,721</u>
	<u>\$ 5,848,305</u>	<u>\$ 730,416</u>	<u>\$ 6,578,721</u>
	2024		
	<u>Program Activities</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries and benefits:			
Salaries	\$ 709,244	\$ 199,086	\$ 908,330
Payroll taxes and employee benefits	<u>197,545</u>	<u>68,010</u>	<u>265,555</u>
Total salaries and benefits	906,789	267,096	1,173,885
Other expense			
Marketing	8,942,056	610,635	9,552,691
Office lease	96,071	32,024	128,095
Repairs and maintenance	944	1,251	2,195
Insurance	-	2,518	2,518
Office supplies	3,512	3,121	6,633
Equipment and equipment rental	30,312	23,482	53,794
Postage and other dues and fees	82,804	2,204	85,008
Meeting and education	4,742	7,414	12,156
Professional fees and services	-	82,477	82,477
Depreciation and amortization	-	24,185	24,185
Travel and related	<u>18,522</u>	<u>-</u>	<u>18,522</u>
	<u>\$ 10,085,752</u>	<u>\$ 1,056,407</u>	<u>\$ 11,142,159</u>

(Continued)

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease Agreements: The Organization has operating leases for office space and office equipment rentals.

In May 2022, NB & Co. entered into a lease for its facility. Upon the dissolution of NB&Co. on June 30, 2025, the lease was formally transferred to the Organization. Under the lease, rent is payable at approximately \$33,000 to \$41,000 per month and expires in September 2029. The lease contains a five-year extension option at the end of the lease term. In addition, the Organization has a lease for office equipment with monthly payments of approximately \$500 through January 2026. As a result of the transfer of the lease at June 30, 2025, the Organization recorded operating right-of-use assets of \$1,655,822 and corresponding operating lease liabilities of \$1,782,933 (see Note 8).

The operating leases in place do not contain information to determine the rate implicit in the leases. As such, the Organization utilized the risk-free discount rate based on the assumed remaining lease term for the leases to calculate the present value of the remaining lease payments. At June 30, 2025, the weighted-average discount rate and the weighted average remaining lease term for the operating leases held by the Organization was 5% and 4.2 years, respectively.

There were no lease-related expenses recognized by the Organization in fiscal year 2025, as its obligations were transferred only at year-end and no rent payments were made by the Organization during the period.

Future minimum lease payments under non-cancelable operating leases at June 30, 2025 are approximately as follows:

<u>Years Ending June 30,</u>	
2026	\$ 443,000
2027	455,000
2028	471,000
2029	487,000
2030	<u>123,000</u>
Total future minimum sublease payments	1,979,000
Less: imputed interest payments	<u>(196,067)</u>
Total operating lease liabilities	1,782,933
Less: current portion	<u>(363,900)</u>
	<u>\$ 1,419,033</u>

(Continued)

VISIT NEWPORT BEACH INC.
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NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Sublessor Agreements: As a result of NB & Co.'s dissolution at June 30, 2025, the lease was transferred to the Organization, with MAP maintaining the sublease for 58% of the leased space. The Organization recorded deferred sublease income of \$73,724 at June 30, 2025, which is included in the accompanying statement of financial position. As the lease was transferred to the Organization at June 30, 2025, no sublease income was recorded and no cash was received by the Organization during 2025 since the Organization did not hold the rights and obligations of said lease until June 30, 2025.

Future minimum sublease payments to be collected under non-cancelable operating subleases at June 30, 2025 are approximately as follows:

<u>Years Ending June 30,</u>	
2026	\$ 255,000
2027	264,000
2028	273,000
2029	283,000
2030	<u>71,000</u>
Total future minimum sublease payments	<u>\$ 1,146,000</u>

Sublease income will be recognized on a straight-line basis over the remaining term of the sublease.

Sublessee Agreements: In May 2022, the Organization entered into an operating sublease agreement with NB & Co. for half of its leased space. In February 2024, NB & Co. entered into a new sublease agreement with Meetings Assessment Partnership ("MAP"), a related party, to assign the sublease previously agreed to with the Organization. NB & Co. also had a deemed sublease with the Organization for office equipment which was also assigned to MAP. During the year ended June 30, 2024, cash paid to NB & Co. under the sublease obligation totaled \$120,625. For the year ended June 30, 2024, operating sublease costs totaled \$129,747 which was recorded in other expenses in the accompanying statement of activities.

Commitments: The Organization also has several commitments for databases and services regarding marketing, promotion and other contracts ranging from approximately \$1,300 to \$17,000 per month over various terms with 12 or 24 months or less remaining at June 30, 2025. From these commitments, the Organization incurred approximately \$349,000 and \$544,000 of expenses for the years ended June 30, 2025 and 2024, respectively, which are recorded in marketing expenses in the accompanying statements of activities.

Under the TOT Agreement, the Organization had a commitment to contribute \$150,000 annually to the City to be spent on programs or activities that benefit the public. The Organization recorded marketing expense of \$75,000 and \$150,000, respectively, for the years ended June 30, 2025 and 2024 under this commitment. Due to the rights of termination per the TOT Agreement, these commitments were considered due each June and December. This public benefit funding requirement was not carried forward into the new TOT agreement effective January 1, 2025, and no equivalent obligation exists under the updated terms.

(Continued)

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Indemnities: The Organization has made certain indemnities, under which it may be required to make payments to an indemnified party, in relation to certain actions or transactions. The Organization indemnifies its directors, officers, employees and agents, as permitted under the laws of the State of California. Pursuant to both the TOT agreement in effect through December 31, 2024, and the new TOT agreement effective January 1, 2025, the Organization also indemnifies the City and all of its related boards, councils, officers, employees, and volunteers from claims related to the conduct of the Organization or any of its officers, employees, or associated individuals. The duration of the indemnities varies and is generally tied to the life of the agreement. These indemnities do not provide for any limitation of the maximum potential future payments the Organization could be obligated to make. Historically, the Organization has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities in the accompanying statements of financial position.

NOTE 7 – RETIREMENT PLAN

The Organization has a 401(k) retirement plan (the “Plan”) covering all eligible employees. The Plan provides for voluntary employer contributions. The total Plan expense during the years ended June 30, 2025 and 2024 was approximately \$0 and \$70,000, respectively, and is included in salaries and benefit expenses in the accompanying statements of activities.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the years ended June 30, 2025 and 2024, the Organization had transactions with related parties that are also non-profit organizations as summarized below.

NB & Co. was related through the sharing of management and administrative employees between entities, common board members, and the service agreement discussed below. MAP is related through the TBID business that was transferred from the Organization.

NB & Co. specialized in marketing and promotion services that promoted economic development with the City. Pursuant to an Agreement for Services (“Agreement”) dated April 1, 2013, the Organization appointed NB & Co. as an exclusive provider of services that the Organization needed to carry out its mission and obligations to the City. In consideration for these services, the Organization agreed to pay NB & Co. annual fees totaling \$0 and \$63,000, respectively, for the years ended June 30, 2025 and 2024. The Organization also agreed to reimburse NB & Co. for all reasonable expenses incurred by it in carrying out its duties to the Organization, including sublease rent and related facility costs, payroll and related benefits, and other direct marketing costs. For the years ended June 30, 2025 and 2024, the Organization incurred \$ 2,117,563 and \$1,765,755, respectively, from NB & Co. for these costs, which are recorded in marketing expenses in the accompanying statements of activities. NB & Co.’s costs for the years ended June 30, 2025 and 2024 were broken out as follows: \$0 and \$50,427, respectively, of direct marketing, \$1,614,833 and \$1,319,260, respectively, of salaries and benefits, and \$502,730 and \$396,068 respectively, of other (including rent and related facility costs). The Agreement expired on June 30, 2025.

In addition, payroll and related expenses from shared employees employed under NB & Co. are allocated to the Organization. During the year ended June 30, 2025, there were no shared employees. During the year ended June 30, 2024, payroll and related expenses of \$ 279,885 were allocated to the Organization.

(Continued)

VISIT NEWPORT BEACH INC.
(A Non-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
Years ended June 30, 2025 and 2024

NOTE 8 – RELATED PARTY TRANSACTIONS (Continued)

As of June 30, 2025 and 2024, the Organization has net related-party payables to NB & Co. of \$0 and \$102,263, respectively, in the accompanying statements of financial position. As of June 30, 2025 and 2024, the Organization has net related-party receivables from MAP of \$54,280 and \$22,645, respectively, in the accompanying statements of financial position. These amounts do not bear interest, are not collateralized, and have no stated repayment terms.

During fiscal year 2025, the Organization engaged a vendor, in which an Organization Board member holds an ownership interest, to provide event planning and coordination services. The total cost of these services was \$52,900, of which \$26,450 was allocated to the Organization in connection with the event and recorded in marketing expenses in the accompanying statement of activities. These transactions were conducted in the ordinary course of business and were reviewed in accordance with the Organization's related-party policies.

Upon the expiration of the Agreement at June 30, 2025, all assets and liabilities of NB & Co. were transferred to the Organization at their historical cost basis as the entities were related parties, as follows:

Cash and cash equivalents	\$ 23,512
Deposits and other assets	25,000
Property and equipment, net	72,122
Website development costs, net	58,976
Operating lease of right-of-use assets, net	1,655,822
Deferred sublease income	73,724
Operating lease obligations	(1,782,933)
Accrued payroll and related expenses	<u>(126,223)</u>
	<u>\$ -</u>