

Attachment B

Newport Beach and Company Audited Financial Statements
for the Year Ended June 30, 2024

**NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

June 30, 2024 and 2023

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS
June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Newport Beach & Company
Newport Beach, CA

Opinion

We have audited the accompanying financial statements of Newport Beach & Company (a non-profit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2024 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

Other Matter

The financial statements of Newport Beach & Company as of and for the year ended June 30, 2023 were audited by other auditors whose report dated September 25, 2023 expressed an unmodified opinion on those statements with an emphasis of matter related to the significant transactions with related non-profit organizations.

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.

(Continued)

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 the Organization'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 the Organization'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 27, 2024

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash	\$ 238,034	\$ 47,669
Accounts receivable	11,796	11,259
Related-party receivables, net	152,919	199,937
Prepaid expenses and other current assets	<u>99,785</u>	<u>80,238</u>
Total current assets	502,534	339,103
Operating lease right-of-use assets, net	1,999,694	2,327,598
Deferred sublease income	58,578	46,352
Property and equipment, net	97,753	131,873
Other	<u>25,000</u>	<u>50,000</u>
	<u>\$ 2,683,559</u>	<u>\$ 2,894,926</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 14,188	\$ 13,535
Accrued expenses	258,176	180,692
Accrued payroll and related expenses	157,671	129,576
Current portion of operating lease liabilities	340,867	303,454
Current portion of deferred compensation	<u>25,000</u>	<u>25,000</u>
Total current liabilities	795,902	652,257
Operating lease liabilities, net of current portion	1,775,982	2,116,848
Deferred compensation, net of current portion	<u>25,000</u>	<u>50,000</u>
Total liabilities	2,596,884	2,819,105
Net assets without donor restrictions	<u>86,675</u>	<u>75,821</u>
	<u>\$ 2,683,559</u>	<u>\$ 2,894,926</u>

See accompanying notes to financial statements.

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Support and revenues:		
Service fees from related parties	\$ 1,873,755	\$ 2,149,913
Sublease income	220,242	195,922
Community marketing income	<u>114,222</u>	<u>164,067</u>
Total support and revenues	2,208,219	2,509,902
Expenses:		
Marketing	117,237	141,021
Salaries and benefits	1,326,496	1,585,763
Other	718,451	727,592
Depreciation	<u>35,181</u>	<u>20,849</u>
Total expenses	<u>2,197,365</u>	<u>2,475,225</u>
Increase in net assets without donor restrictions	10,854	34,677
Net assets without donor restrictions, beginning of year	<u>75,821</u>	<u>41,144</u>
Net assets without donor restrictions, end of year	<u><u>\$ 86,675</u></u>	<u><u>\$ 75,821</u></u>

See accompanying notes to financial statements.

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Increase in net assets without donor restrictions	\$ 10,854	\$ 34,677
Adjustments to reconcile increase in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	35,181	20,849
Noncash lease expense	327,904	358,879
Loss on disposals of property and equipment	-	417
Changes in operating assets and liabilities:		
Accounts receivable	(537)	5,122
Related-party receivables/payables, net	47,018	(197,496)
Prepaid expenses and other	5,453	52,337
Deferred sublease income	(12,226)	(46,352)
Accounts payable	653	1,063
Accrued expenses	77,484	139,328
Accrued payroll and related expenses	28,095	(9,433)
Deferred compensation	(25,000)	(25,000)
Operating lease liabilities	(303,453)	(283,475)
Net cash provided by operating activities	191,426	50,916
Cash flows used in investing activities:		
Purchases of property and equipment	(1,061)	(143,954)
Net change in cash	190,365	(93,038)
Cash at beginning of year	47,669	140,707
Cash at end of year	\$ 238,034	\$ 47,669
Supplemental disclosure of non-cash transactions:		
Operating lease right-of-use assets and operating lease liabilities recorded upon adoption of ASC 842	-	\$ 140,073
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	-	\$ 2,563,704

See accompanying notes to financial statements.

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – ORGANIZATION

Nature of Operations: Newport Beach & Company (the “Organization”) is a non-profit organization formed under the laws of the State of California in 2013. The Organization specializes in marketing and promotion services related to enhancing the economic development for the City of Newport Beach (the “City”). The Organization currently has an agreement with the City to manage its public access television channel. Such services include production, administrative, and sponsorship services. This agreement, as amended, expires on December 31, 2024. By embracing a variety of neighborhoods, businesses and individual unique voices into a complementary story, the Organization seeks to strengthen all of its partners, drive new revenue to the City and enhance the City’s overall economic vibrancy.

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.

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.

As of and for the years ended June 30, 2024 and 2023, the Organization had no net assets with donor restrictions.

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, the collectability of receivables, recoverability of long-lived assets, the allocation of expenses to program activities and general and administrative, and lease assumptions, including discount rates and lease terms. Actual results may differ from those estimates.

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

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 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, 2024, the Organization had no uninsured 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.

Accounts Receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year end. Management determines the allowance for doubtful accounts by identifying troubled accounts based on current and historical experience and reasonable and supportable forecasts. At June 30, 2024 and 2023, the Organization considers its accounts receivable to be fully collectible and accordingly did not record an allowance for doubtful accounts. As of June 30, 2024 and 2023, no customer accounted for more than 10% and one customer accounted for 86%, respectively, of the Organization’s total accounts receivable balance.

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.

Deferred Compensation: Deferred compensation represents a commitment to make annual \$25,000 annuity payments through 2026 to a member of the Organization’s management. As of June 30, 2024 and 2023, \$50,000 and \$75,000, respectively, was due. Payments due within one year have been classified under prepaid expenses and other current assets and current liabilities; all other amounts have been classified as non-current assets and non-current liabilities.

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 balance sheet. 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.

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2024 and 2023, 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 Revenues: The Organization's service fee revenues, sublease income, and community marketing income are considered revenue under ASC 606, *Revenue from Contracts with Customers*. Service fee revenues are recognized upon performance of services for related parties. Sublease income is recognized on a straight-line basis over the lease term. Revenue from community marketing is recognized when the related marketing service has been completed.

The Organization applies the following steps to recognize revenue related to 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

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.

During the years ended June 30, 2024 and 2023, the Organization did not have 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, 2024 and 2023, 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, 2024 and 2023, the Organization did not have any unrecognized tax benefits.

The Organization is no longer subject to income tax examinations by tax authorities for years before 2020.

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NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 27, 2024 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.

Reclassification: Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An adjustment has been made to the Statement of Activities for the year ended June 30, 2023 to reclassify sublease income.

NOTE 3 – LIQUIDITY AND AVAILABILITY

At June 30, 2024, the Organization has \$249,830 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$238,034 and accounts receivable of \$11,796. At June 30, 2023, the Organization has \$58,928 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$47,669 and accounts receivable of \$11,259. 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 policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Funding for the Organization is dependent on funding received from related parties (see Note 8) and revenue generated through marketing efforts. As a result, the Organization closely monitors the monthly projected and collected revenue to determine if any changes need to be made to budgeted annual expenditures.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
Leasehold improvements	\$ 37,289	\$ 36,230
Computer equipment	114,933	120,780
Office furniture and fixtures	103,346	103,346
	255,568	260,356
Less accumulated depreciation and amortization	(157,815)	(128,483)
	\$ 97,753	\$ 131,873

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 5 – SCHEDULE OF FUNCTIONAL EXPENSES

The schedules of functional expenses for the years ended June 30, 2024 and 2023 are as follows:

	2024		
	Program Activities	General and Administrative	Total
Salaries and benefits:			
Salaries	\$ 786,783	\$ 231,766	\$ 1,018,549
Payroll taxes and employee benefits	205,719	102,228	307,947
Total salaries and benefits	992,502	333,994	1,326,496
Other expenses:			
Marketing	117,095	142	117,237
Office lease	329,854	109,952	439,805
Repairs and maintenance	4,576	27,445	32,021
Insurance	-	3,982	3,982
Office supplies	2,816	10,417	13,233
Equipment and equipment rental	19,824	39,839	59,663
Postage and fees	25,678	11,170	36,848
Meeting and education	8,030	55,070	63,100
Professional fees and services	-	40,204	40,204
Depreciation	-	35,181	35,181
Loss on disposals of property and equipment	-	-	-
Travel and related expenses	28,914	681	29,595
Total functional expenses	\$ 1,529,289	\$ 668,077	\$ 2,197,365

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 5 – SCHEDULE OF FUNCTIONAL EXPENSES (Continued)

	2023		
	Program Activities	General and Administrative	Total
Salaries and benefits:			
Salaries	\$ 930,757	\$ 325,452	\$ 1,256,209
Payroll taxes and employee benefits	225,530	104,024	329,554
 Total salaries and benefits	 1,156,287	 429,476	 1,585,763
Other expenses:			
Marketing	140,565	456	141,021
Office lease	349,593	116,531	466,123
Repairs and maintenance	7,023	43,481	50,504
Insurance	-	3,564	3,564
Office supplies	4,853	12,025	16,878
Equipment and equipment rental	28,349	38,801	67,150
Postage and fees	18,958	1,862	20,820
Meeting and education	13,608	28,046	41,654
Professional fees and services	-	39,901	39,901
Depreciation	-	20,849	20,849
Loss on disposals of property and equipment	-	417	417
Travel and related expenses	19,794	787	20,581
 Total functional expenses	 \$ 1,739,030	 \$ 736,196	 \$ 2,475,225

NOTE 6 – COMMITMENTS AND CONTINGENCIES

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

In May 2022, the Organization entered into a lease for its facility. 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 the new space was not available to be used until the beginning of 2023 and the office equipment lease commenced in November 2022, these leases resulted in the Organization recording operating lease right-of-use assets and corresponding operating lease liabilities of \$2,563,704 during the year ended June 30, 2023.

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, 2024, the weighted-average discount rate and the weighted average remaining lease term for the operating leases held by the Organization was 5% and 5.2 years, respectively. At June 30, 2023, the weighted-average discount rate and the weighted average remaining lease term for the operating leases held by the Organization was 5% and 6.2 years, respectively.

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

During the years ended June 30, 2024 and 2023, cash paid for amounts included for the operating lease liabilities totaled \$416,034 and \$381,131, respectively.

The components of lease cost for the years ended June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 440,484	\$ 456,534
Variable lease cost, including property taxes, insurance and maintenance	<u>2,109</u>	<u>11,406</u>
Total lease cost	<u>\$ 442,593</u>	<u>\$ 272,018</u>

Total lease cost was included in other expenses in the accompanying statements of activities.

Future minimum lease payments under non-cancelable operating leases at June 30, 2024 are approximately as follows:

<u>Years Ending</u> <u>June 30,</u>	
2025	\$ 431,000
2026	443,000
2027	455,000
2028	470,000
2029	487,000
Thereafter	<u>123,000</u>
Total future minimum lease payments	2,409,000
Less: imputed interest payments	<u>(292,151)</u>
Total operating lease liabilities	2,116,849
Less: current portion	<u>(340,867)</u>
	<u>\$ 1,775,982</u>

Sublease Agreements: In May 2022, the Organization entered into an operating sublease agreement with Visit Newport Beach Inc. (“VNB”), a related party, for half of its leased space. In February 2024, the Organization entered into a new sublease agreement with Meetings Assessment Partnership (“MAP”), a related party, to assign the sublease previously agreed to with VNB. The Organization also had a deemed sublease with VNB for office equipment which was also assigned to MAP. The Organization has recorded deferred sublease income of \$58,578 and \$46,352 as of June 30, 2024 and 2023, respectively, which is included in the accompanying statement of financial position. During the years ended June 30, 2024 and 2024, cash received from the related-party sublessee totaled \$208,017 and \$149,878, respectively, and the Organization recorded sublease income of \$220,242 and \$195,922, respectively, in the accompanying statements of financial position.

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum sublease payments to be collected under non-cancelable operating subleases at June 30, 2024 are approximately as follows:

Years Ending <u>June 30,</u>	
2025	\$ 215,000
2026	222,000
2027	228,000
2028	235,000
2029	244,000
Thereafter	<u>61,000</u>
Total future minimum sublease payments	<u>\$ 1,205,000</u>

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. In connection with its facility lease, the Organization has indemnified its lessor for certain claims arising from the use of the facilities. 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, 2024 and 2023 was approximately \$63,000 and \$70,000, respectively, which is recorded in salaries and benefits expenses in the accompanying statements of activities.

NOTE 8 – RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2024 and 2023, the Organization had transactions with related parties that are also non-profit organizations.

VNB and MAP are related through the sharing of management and administrative employees between entities and the service agreements discussed below. VNB is also related through common board members.

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 8 – RELATED-PARTY TRANSACTIONS (Continued)

VNB initiates, sponsors, promotes and carries out plans, policies and activities to attract conferences and visitors to the City. VNB was the driving force behind the formation of the Organization. Pursuant to an Agreement for Services (“Agreement”) dated April 1, 2013, the Organization was appointed by VNB as an exclusive provider of services that VNB requires to carry out its mission and obligations to the City. In consideration for these services, VNB agreed to pay fees totaling \$63,000 and \$108,000, respectively, for the years ended June 30, 2024 and 2023. VNB has also agreed to reimburse the Organization for all reasonable expenses incurred by it in carrying out its duties to VNB, including rent and related facility costs, payroll and related benefits, and other direct marketing costs. For the years ended June 30, 2024 and 2023, the Organization billed \$1,765,755 and \$2,041,913, respectively, to VNB for these fees and costs, which are recorded as service fees from related parties in the accompanying statements of activities. The Agreement, as amended, expires on December 31, 2024.

MAP works to improve business conditions and the business environment for tourism for member hotels in the City of Newport Beach through the provision of marketing, sales, and special events programs, along with various other initiatives directly to promoting tourism and its associated activities. Pursuant to an Agreement for Services (“Agreement”) dated June 17, 2024, the Organization was appointed by MAP, effective February 1, 2024, as a consultant MAP requires to carry out its mission and obligations to the City. The Agreement, as amended, expires on January 31, 2034. In consideration for these services, MAP agreed to pay fees totaling \$45,000 for the year ended June 30, 2024, which are recorded as service fees from related parties in the accompanying statement of activities.

In addition, payroll and related expenses from shared employees employed under the Organization are allocated to VNB and MAP. During the years ended June 30, 2024 and 2023, payroll and related expenses of \$279,885 and \$272,160, respectively, were allocated to VNB. During the years ended June 30, 2024 and 2023, payroll and related expenses of \$226,695 and \$0, respectively, were allocated to MAP.

As of June 30, 2024 and 2023, the Organization has related-party receivables from VNB of \$102,263 and \$199,937, respectively, in the accompanying statements of financial position. As of June 30, 2024 and 2023, the Organization has related-party receivables from MAP of \$50,656 and \$0, respectively, in the accompanying statements of financial position. These amounts do not bear interest, are not collateralized and have no stated repayment terms.