

ATTACHMENT B

NEWPORT BEACH & COMPANY (A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS

June 30, 2025 and 2024

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)

FINANCIAL STATEMENTS
June 30, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newport Beach & Company
Newport Beach, California

Opinion

We have audited the accompanying financial statements of Newport Beach & Company, which comprise the statements of activities 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 Newport Beach & Company as of June 30, 2025 and 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Newport Beach & Company 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 1 to the financial statements, Newport Beach & Company ceased operations as of June 30, 2025, and transferred all of its net assets and operations to a related party. Our opinion is not modified with respect to this matter.

Other Matter

As discussed in Note 8 to the financial statements, Newport Beach & Company 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.

(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 Newport Beach & Company's ability to continue as a going concern for one year after the date that the financial statements are available to be 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 Newport Beach & Company'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 Newport Beach & Company'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

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash	\$ -	\$ 238,034
Accounts receivable	-	11,796
Related-party receivables, net	-	152,919
Prepaid expenses and other current assets	<u>-</u>	<u>99,785</u>
Total current assets	-	502,534
Operating lease right-of-use assets, net	-	1,999,694
Deferred sublease income	-	58,578
Property and equipment, net	-	97,753
Other	<u>-</u>	<u>25,000</u>
	<u>\$ -</u>	<u>\$ 2,683,559</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ -	\$ 14,188
Accrued expenses	-	258,176
Accrued payroll and related expenses	-	157,671
Current portion of operating lease liabilities	-	340,867
Current portion of deferred compensation	<u>-</u>	<u>25,000</u>
Total current liabilities	-	795,902
Operating lease liabilities, net of current portion	-	1,775,982
Deferred compensation, net of current portion	<u>-</u>	<u>25,000</u>
Total liabilities	-	2,596,884
Net assets without donor restrictions	<u>-</u>	<u>86,675</u>
	<u>\$ -</u>	<u>\$ 2,683,559</u>

See accompanying notes to financial statements.

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Support and revenues:		
Service fees from related parties	\$ 2,225,563	\$ 1,873,755
Sublease income	185,003	220,242
Community marketing income	<u>36,030</u>	<u>114,222</u>
Total support and revenues	2,446,596	2,208,219
Expenses:		
Marketing	-	117,237
Salaries and benefits	1,727,461	1,326,496
Other	760,817	718,451
Depreciation and amortization	<u>44,993</u>	<u>35,181</u>
Total expenses	<u>2,533,271</u>	<u>2,197,365</u>
(Decrease) increase in net assets without donor restrictions	(86,675)	10,854
Net assets without donor restrictions, beginning of year	<u>86,675</u>	<u>75,821</u>
Net assets without donor restrictions, end of year	<u>\$ -</u>	<u>\$ 86,675</u>

See accompanying notes to financial statements.

NEWPORT BEACH & COMPANY
(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	\$ (86,675)	\$ 10,854
Adjustments to reconcile change in net assets without donor restrictions to net cash (used in) provided by operating activities:		
Depreciation and amortization	44,993	35,181
Noncash lease expense	343,872	327,904
Changes in operating assets and liabilities, net of assets transferred to VNB:		
Accounts receivable	11,796	(537)
Related-party receivables/payables, net	74,581	47,018
Prepaid expenses and other	99,785	5,453
Deferred sublease income	(15,146)	(12,226)
Accounts payable	(14,188)	653
Accrued expenses	(258,176)	77,484
Accrued payroll and related expenses	(31,448)	28,095
Deferred compensation	(50,000)	(25,000)
Operating lease liabilities	<u>(333,916)</u>	<u>(303,453)</u>
Net cash (used in) provided by operating activities	<u>(214,522)</u>	<u>191,426</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(1,061)
Cash paid to VNB upon dissolution	<u>(23,512)</u>	<u>-</u>
Net cash used in investing activities	<u>(23,512)</u>	<u>(1,061)</u>
Net change in cash	(238,034)	190,365
Cash at beginning of year	<u>238,034</u>	<u>47,669</u>
Cash at end of year	<u>\$ -</u>	<u>\$ 238,034</u>

See Note 1 for the effect of the transfer of net assets at June 30, 2025 to VNB.

See accompanying notes to financial statements.

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 1 – ORGANIZATION

Nature of Operations: Newport Beach & Company (the “Organization”) was a non-profit organization formed under the laws of the State of California in 2013. The Organization specialized in marketing and promotion services related to enhancing the economic development for the City of Newport Beach (the “City”). Pursuant to an Agreement for services (“Agreement”) dated April 1, 2013, Visit Newport Beach Inc. (“VNB”), a related party entity, appointed the Organization as an exclusive provider of services that VNB needed to carry out its mission and obligations to the City. The Agreement expired on June 30, 2025.

On June 30, 2025, the Company formally dissolved in accordance with the applicable state laws. As a result, all business operations ceased on that date. Upon dissolution, all assets and liabilities were transferred to VNB. VNB will continue the operational activity of the Organization, including assuming the lease and hiring all of the employees, among other items. The transferred assets and liabilities included the following:

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	(126,223)
	<u>\$ -</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.

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.

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NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of and for the years ended June 30, 2025 and 2024, 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 included, but were 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.

Cash and Cash Equivalents: The Organization considered all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The Organization maintained its cash balances at various financial institutions. The total cash balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization periodically reviewed the quality of the financial institutions it had deposits with to minimize risk of loss. To date, no losses were incurred.

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

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

It was 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 were removed from the accounts and any resulting gain or loss was reflected in the statements of activities.

Deferred Compensation: Deferred compensation represented a commitment to make annual \$25,000 annuity payments through 2026 to a member of the Organization's management. As of June 30, 2025, the balance was \$0 since it was transferred to VNB upon dissolution of the Organization. As of June 30, 2024, \$50,000 was due. Payments due within one year were classified under prepaid expenses and other current assets and current liabilities; all other amounts were classified as non-current assets and non-current liabilities.

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases: At the inception of a contract, the Organization determined if the arrangement was, or contained, a lease. Operating lease right-of-use (ROU) assets represented the Organization's right to use an underlying asset for the lease term, and lease liabilities represented its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities were 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 were not recognized in the balance sheet. Rent expense was recognized on a straight-line basis over the lease term.

The Organization accounted for lease and non-lease components as separate lease components for all its leases.

Impairment of Long-Lived Assets: The Organization evaluated long-lived assets for impairment whenever events or changes in circumstances indicated 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 were 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, the Organization's management believes there was no impairment of its long-lived assets.

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

The Organization applied 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) were reflected in the accompanying financial statements at their estimated fair market values at date of receipt. Contributions of services were recognized if the services received created or enhanced nonfinancial assets or required specialized skills, were provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that did not meet these criteria were not recognized in the financial statements as there was no objective basis of deriving their value.

During the years ended June 30, 2025 and 2024, the Organization did not have significant contributed materials and services.

(Continued)

NEWPORT BEACH & COMPANY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status: The Organization qualified 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 had 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 evaluated tax positions as part of the preparation of its exempt tax return. This process included 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 were appropriate based on current facts and circumstances. The Organization's policy was 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 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 incurred expenses that directly related to, and could be assigned to, a specific program or supporting activity. The Organization also conducted a number of activities which benefited both its program objectives as well as supporting services. These costs, which were not specifically attributable to a specific program or supporting activity, were 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.

NOTE 3 – LIQUIDITY AND AVAILABILITY

At June 30, 2025, the Organization has \$0 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures. At June 30, 2024, the Organization had \$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. None of the financial assets were 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 had a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations came due.

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

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 4 – PROPERTY AND EQUIPMENT

All the Organization's property and equipment were transferred to VNB as of June 30, 2025 (see Note 1). Property and equipment consist of the following at June 30, 2024:

Leasehold improvements	\$ 37,289
Computer equipment	114,933
Office furniture and fixtures	<u>103,346</u>
	255,568
Less accumulated depreciation and amortization	<u>(157,815)</u>
	<u><u>\$ 97,753</u></u>

NOTE 5 – SCHEDULE OF FUNCTIONAL EXPENSES

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

	2025		
	Program <u>Activities</u>	General and <u>Administrative</u>	<u>Total</u>
Salaries and benefits:			
Salaries	\$ 1,006,423	\$ 339,845	\$ 1,346,268
Payroll taxes and employee benefits	<u>264,147</u>	<u>117,044</u>	<u>381,191</u>
Total salaries and benefits	1,270,570	456,889	1,727,459
Other expenses:			
Office lease	289,431	96,477	385,908
Repairs and maintenance	3,806	27,422	31,228
Insurance	-	14,806	14,806
Office supplies	2,906	10,722	13,628
Equipment and equipment rental	24,833	46,165	70,998
Postage and fees	81,282	19,967	101,249
Meeting and education	3,460	21,025	24,485
Professional fees and services	-	99,423	99,423
Depreciation and amortization	-	44,993	44,993
Travel and related expenses	<u>18,110</u>	<u>984</u>	<u>19,094</u>
Total functional expenses	<u><u>\$ 1,694,398</u></u>	<u><u>\$ 838,873</u></u>	<u><u>\$ 2,533,271</u></u>

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 5 – SCHEDULE OF FUNCTIONAL EXPENSES (Continued)

	2024		
	Program <u>Activities</u>	General and <u>Administrative</u>	<u>Total</u>
Salaries and benefits:			
Salaries	\$ 786,783	\$ 231,766	\$ 1,018,549
Payroll taxes and employee benefits	<u>205,719</u>	<u>102,228</u>	<u>307,947</u>
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 and amortization	-	35,181	35,181
Travel and related expenses	<u>28,914</u>	<u>681</u>	<u>29,595</u>
Total functional expenses	<u>\$ 1,529,289</u>	<u>\$ 668,077</u>	<u>\$ 2,197,365</u>

NOTE 6 – COMMITMENTS AND CONTINGENCIES

In connection with the Organization's dissolution as of June 30, 2025, all rights and obligations related to office and equipment leases, as well as sublease agreements, were transferred to VNB. As a result, the Organization had no remaining lease or sublease commitments as of the liquidation date.

Lease Agreements: In May 2022, the Organization entered into a lease for its facility. Under the lease, rent was payable at approximately \$33,000 to \$41,000 per month and expires in September 2029. The lease contained a five-year extension option at the end of the lease term. In addition, the Organization had a lease for office equipment with monthly payments of approximately \$500 through January 2026.

The operating leases in place did 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 were 5% and 5.2 years, respectively.

During the years ended June 30, 2025 and 2024, cash paid for amounts included for the operating lease liabilities totaled \$430,527 and \$416,034, respectively.

(Continued)

NEWPORT BEACH & COMPANY
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2025 and 2024

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

The components of lease cost for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 440,484	\$ 440,484
Variable lease cost, including property taxes, insurance and maintenance	<u>2,131</u>	<u>2,109</u>
Total lease cost	<u>\$ 442,615</u>	<u>\$ 442,593</u>

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

Sublease Agreements: In May 2022, the Organization entered into an operating sublease agreement with VNB, 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 \$0 and \$58,578 as of June 30, 2025 and 2024, respectively, which is included in the accompanying statement of financial position. During the years ended June 30, 2025 and 2024, cash received from the related-party sublessee totaled \$249,706 and \$208,017, respectively, and the Organization recorded sublease income of \$185,003 and \$220,242, respectively, in the accompanying statements of financial position.

Indemnities: The Organization had entered into various indemnification agreements in the normal course of operations, including indemnities provided to its directors, officers, employees, agents, and landlords. These indemnities, permitted under California law, survive the dissolution of the Organization. Although these indemnities do not provide for a limitation on the maximum potential future payments, management is not aware of any existing claims or circumstances that would require the Organization to make such payments. Accordingly, no liabilities related to these indemnities have been recorded in the accompanying statements of financial position.

NOTE 7 – RETIREMENT PLAN

Prior to dissolution, the Organization sponsored a defined contribution 401(k) retirement plan covering eligible employees. The plan allowed for discretionary employer contributions, which totaled approximately \$86,000 and \$63,000 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024

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. Pursuant to the Agreement, VNB agreed to pay fees to the Organization totaling \$0 and \$63,000, respectively, for the years ended June 30, 2025 and 2024. VNB 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, 2025 and 2024, the Organization billed \$2,117,563 and \$1,765,755, respectively, to VNB for these fees and costs, which are recorded as service fees from related parties in the accompanying statements of activities.

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 directly to promoting tourism and its associated activities. Pursuant to an Agreement for Services ("MAP 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 MAP Agreement, as amended, expired on June 30, 2025. In consideration for these services, MAP agreed to pay quarterly fees of \$27,000 during the term of the Agreement. MAP paid fees totaling \$108,000 and \$45,000 for the years ended June 30, 2025 and 2024, respectively, 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 by the Organization were allocated to VNB and MAP. During the years ended June 30, 2025 and 2024, payroll and related expenses of \$0 and \$279,885, respectively, were allocated to VNB. During the years ended June 30, 2025 and 2024, payroll and related expenses of \$539,367 and \$226,695, respectively, were allocated to MAP.

As of June 30, 2025 and 2024, the Organization had related-party receivables from VNB of \$0 and \$102,263, respectively, in the accompanying statements of financial position. As of June 30, 2025 and 2024, the Organization had related-party receivables from MAP of \$0 and \$50,656, respectively, in the accompanying statements of financial position. These amounts do not bear interest, are not collateralized and have no stated repayment terms.