Attachment B

Newport Beach and Company Audited Financial Statements for the Year Ended June 30, 2021, and Accompanying Management Letter dated September 30, 2021 (Exhibit 2)

NEWPORT BEACH & COMPANY
(A Non-Profit Organization)

FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

with

INDEPENDENT AUDITORS' REPORT THEREON

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Independent Auditors' Report

Board of Directors
Newport Beach & Company

We have audited the accompanying financial statements of Newport Beach & Company (a non-profit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newport Beach & Company as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Related Party Transactions

As discussed in Note 9 to the financial statements, Newport Beach & Company has significant transactions with a related non-profit organization and the Organization derives substantial support and revenue from that related non-profit organization. Our opinion is not modified with respect to this matter.

Other Matter

As discussed in Note 2 to the financial statements, the Organization changed its method for revenue recognition in 2021 as a result of the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update 2014-09, *Revenue from Contracts with Customers,* effective July 1, 2020. Our opinion is not modified with respect to this matter.

KMJ Corbin & Company LLP

KMJ Corbin & Company LLP

Irvine, California
September 30, 2021

STATEMENTS OF FINANCIAL POSITION

	June 30, 2021	June 30, 2020
ASSETS		
Current assets:		
Cash	$ 219,454	$ 72,690
Accounts receivable	12,891	43,753
Related-party receivables, net	17,611	-
Prepaid expenses and other current assets	76,649	32,672
Total current assets	326,605	149,115
Property and equipment, net	38,142	64,843
	$ 364,747	$ 213,958
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 6,049	$ 6,171
Related-party payables, net	-	32,739
Accrued expenses	131,671	72,522
Accrued payroll and related expenses	123,767	51,661
Current portion of deferred compensation	-	20,000
Loan payable, current portion	1,009	-
Total current liabilities	262,496	183,093
Deferred rent, net of current portion	14,229	100,891
Loan payable, net of current portion	108,441	-
Total liabilities	385,166	283,984
Commitments and contingencies		
Net assets without donor restrictions	(20,419)	(70,026)
	$ 364,747	$ 213,958

STATEMENTS OF ACTIVITIES

	For The Years Ended June 30,	
	2021	**2020**
Support and revenues:		
Service fees from related party	$ 1,248,512	$ 2,129,382
Community marketing income	227,621	309,391
Paycheck protection program grant	227,527	-
Total support and revenues	1,703,660	2,438,773
Expenses:		
Marketing	111,740	169,364
Salaries and benefits	982,803	1,588,115
Other	532,809	615,560
Depreciation	26,701	35,059
Total expenses	1,654,053	2,408,098
Increase in net assets without donor restrictions	49,607	30,675
Net assets without donor restrictions, beginning of year	(70,026)	(100,701)
Net assets without donor restrictions, end of year	$ (20,419)	$ (70,026)

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

	For The Years Ended June 30, 2021	2020
Cash flows from operating activities:		
Change in net assets without donor restrictions	$ 49,607	$ 30,675
Adjustments to reconcile change in net assets without without donor restrictions to net cash provided by operating activities:		
Depreciation	26,701	35,059
Loss on disposal of equipment	-	1,675
Changes in operating assets and liabilities:		
Accounts receivable	30,862	6,392
Related-party receivables/payables, net	(50,350)	140,085
Prepaid expenses and other current assets	(43,977)	7,173
Accounts payable	(122)	(80,354)
Accrued expenses	59,149	50,746
Accrued payroll and related expenses	72,106	(146,785)
Deferred compensation	(20,000)	(20,000)
Deferred rent	(86,662)	3,301
Net cash provided by operating activities	37,314	27,967
Cash flows used in investing activities:		
Purchases of property and equipment	-	(9,821)
Cash flows provided by financing activities:		
Proceeds from loan	109,450	-
Net increase in cash	146,764	18,146
Cash at beginning of year	72,690	54,544
Cash at end of year	$ 219,454	$ 72,690

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 agreements with the City to manage its public access television channel and to provide services to the Balboa Village Merchants Association. Through June 30, 2021, the Organization also had an agreement with the City to provide services to the Newport Beach Restaurant Association Business Improvement District. 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.

Newport Beach TV ("NBTV")

The agreement between the Organization and the City provides management and consulting services in support of NBTV. Such services include production, administrative, and sponsorship services. This agreement expires on April 30, 2023.

Newport Beach Restaurant Association Business Improvement District ("NBRA BID")

The agreement between the Organization and the City, which expired on June 30, 2021, provided marketing planning and programming, public and media relations, research and measurement, membership and community events services to the City related to the NBRA BID.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2021 and 2020, the Organization had no net assets with donor restrictions.

Liquidity

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The extent of COVID-19’s effect on the Organization’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considered the rapidly evolving landscape. The Organization is currently analyzing the potential impacts to all of its business segments. At this time, it is not possible to determine the magnitude of the overall impact of COVID-19 on the Organization. However, it could have a material adverse effect on the Organization’s financial condition, liquidity, results of operations, and cash flows. In the short term, one of the impacts of the pandemic is that the Organization’s revenues have declined, but the Organization cannot predict whether this decline is temporary or not. During the year ended June 30, 2021, the Organization took certain cost cutting measures including reducing discretionary marketing and other expenses, and reducing payroll through pay cuts, furloughs, and reduction in its workforce. The Organization believes these measures, along with its existing cash, will be sufficient to cover its cash flow requirements for at least the next twelve months from the date of issuance of these financial statements (see Note 3). However, there can be no assurance that the Organization will not use its existing capital resources sooner than currently expected.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 sufficiency of its cash resources to fund operations for the next twelve months, the collectability of receivables, the recoverability of long-lived assets and the allocation of expenses to program activities and general and administrative. Actual results may differ from those estimates.

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, 2021, 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. At June 30, 2021 and 2020, the Organization considers its accounts receivable to be fully collectible and accordingly did not record an allowance for doubtful accounts. As of June 30, 2021 and 2020, one and two customers, respectively, accounted for approximately 99% and 95% 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 $20,000 annuity payments through 2021 to a member of the Organization's management. There were no amounts due as of June 30, 2021.

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, 2021 and 2020, 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.

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, 2021 and 2020, the Organization did not have significant contributed materials and services.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2021 and 2020, 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, 2021 and 2020, 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 2017.

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.

Recent Accounting Pronouncements

On July 1, 2020, the Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, as codified in Accounting Standards Codification ("ASC") 606, by applying the modified retrospective method for all contracts. The Organization evaluated its revenue streams to identify whether each stream would be subject to the provisions of ASC 606 and any differences in the timing, measurement, or presentation of revenue recognition compared to ASC 605, *Revenue Recognition* ("ASC 605"). Based on the assessment of the Organization's revenue streams, the pattern and timing of recognition of the Company's revenues under ASC 606 are similar to the manner in which the Company previously recognized revenue under ASC 605, so there was no effect as a result of the Organization's adoption of ASC 606.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the statement of financial position. ASU 2016-02, as amended, is effective for reporting periods beginning after December 15, 2021, with early adoption permitted. While still evaluating this update, the Organization expects the adoption of this update to have a material effect on its financial condition due to the recognition of the lease rights and obligations as assets and liabilities. The Organization does not expect this update to have a material effect on its results of operations and cash flows.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, which requires the Organization to change its financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. ASU No. 2020-07 defines gifts-in-kind as contributed nonfinancial assets donations made for goods or services the Organization would purchase in the normal course of business. Gifts-in-kind of tangible property include items like operating facilities, utilities, office furniture, and supplies provided to the Organization; items donated to the Organization to be auctioned through charitable events; and items used in program activities, such as medical supplies, building supplies, appliances, and fixtures. Intangible gifts-in-kind include items like copyrights, patents, and royalties; specialized volunteer services, such as those from nurses for medical organizations or project managers and builders for construction projects; and expertise, such as accounting, legal, and consulting services. ASU No. 2020-07 is effective for the Organization for fiscal year 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU No. 2020-07 will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through September 30, 2021, 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

The Organization has $232,345 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 $219,454 and accounts receivable of $12,891. 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.

NOTE 3 – LIQUIDITY AND AVAILABILITY, continued

Funding for the Organization is dependent on funding received from a related party (see Note 9) and revenue generated through marketing efforts. As a result, the Organization closely monitors the monthly projected and received revenue to determine if any changes need to be made to budgeted annual expenditures.

As discussed in Note 2, in response to COVID-19, the Organization has performed an analysis to determine whether it will have sufficient cash to fund operations for the next twelve months. Based on budgeting for necessary expenses and obligations due along with minimal service fee revenues as a result of the impact of COVID-19 on hotel stays, the Organization has concluded that it will have sufficient cash to fund operations for at least twelve months from the date of issuance of these financial statements.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2021	2020
Leasehold improvements	$ 79,990	$ 79,990
Computer equipment	126,456	126,456
Office furniture and fixtures	81,409	81,409
	287,855	287,855
Less accumulated depreciation and amortization	(249,713)	(223,012)
	$ 38,142	$ 64,843

NOTE 5 – STATEMENT OF FUNCTIONAL EXPENSES

The statements of functional expenses for the years ended June 30, 2021 and 2020 are as follows:

	2021			
	Program Activities	General and Administrative	Total	2020 Total (Summarized)
Salaries and benefits:				
Salaries	$ 611,597	$ 169,780	$ 781,377	$ 1,210,112
Payroll taxes and employee benefits	147,842	53,584	201,426	378,003
Total salaries and benefits	759,439	223,364	982,803	1,588,115
Other expense:				
Marketing	111,478	262	111,740	169,364
Office lease	305,478	101,826	407,304	409,271
Repairs and maintenance	-	21,083	21,083	30,322
Insurance	-	6,086	6,086	6,944
Office supplies	-	3,580	3,580	16,628
Equipment and equipment rental	15,269	28,049	43,318	49,525
Postage and fees	1,859	16,455	18,314	5,319
Meeting and education	1,093	4,451	5,544	44,133
Professional fees and services	-	23,117	23,117	22,639
Depreciation	-	26,701	26,701	35,059
Bad debt	-	-	-	4,888
Travel and related	2,641	1,822	4,463	25,891
Total functional expenses	$ 1,197,257	$ 456,796	$ 1,654,053	$ 2,408,098

The Organization incurred expenses related to program activities totaling approximately $1,733,000 for the year ended June 30, 2020.

NOTE 6 – PAYCHECK PROTECTION PROGRAM GRANT/LOAN

In January 2021, the Organization entered into an unsecured promissory note for a loan (the "Loan") in the principal amount of $336,997 and received cash proceeds of the same amount, pursuant to the Paycheck Protection Program (the "PPP"), which is administered by the U.S. Small Business Administration (the "SBA"). Under the terms of the Loan, interest accrues on the outstanding principal at the rate of 1.0% per annum. The term of the Loan is five years, unless sooner required in connection with an event of default under the Loan. To the extent the Loan amount is not fully forgiven by the SBA, the Organization is obligated to make equal monthly payments of principal and interest beginning on the earlier of: (1) the date the SBA sends the loan forgiveness amount to the lender or (2) ten months after the covered 24-week period, until the maturity date.

NOTE 6 – PAYCHECK PROTECTION PROGRAM GRANT/LOAN, continued

The PPP provides a mechanism for forgiveness of up to the full amount borrowed. Under the PPP, the Organization may apply for and be granted forgiveness for all or part of the PPP Loan. The amount of loan proceeds eligible for forgiveness is based on a formula that takes into account a number of factors, including the amount of loan proceeds used by the Organization during the 24-week period after the loan origination for certain purposes including payroll costs, interest on certain mortgage obligations, rent payments on certain leases, and certain qualified utility payments (it being anticipated that at least 60% of the loan amount will be required to be used for eligible payroll costs); the employer maintaining or rehiring employees and maintaining salaries at certain levels; and other factors. Subject to the other requirements and limitations on loan forgiveness, only loan proceeds spent on payroll and other eligible expenses during the covered 24-week period will qualify for forgiveness.

The Organization has used $227,527 of the proceeds for purposes consistent with the PPP and believes that its use of this portion of the loan proceeds will meet the conditions for forgiveness. While management believes that it is probable that $227,527 will be forgiven, no definite assurance can be provided that forgiveness for any portion of the PPP Loan will be obtained. Since the Company used $227,527 of the proceeds from the PPP Loan for such qualifying expenses before June 30, 2021, the Company recorded this amount of the PPP Loan proceeds as a conditional cost-reimbursed government grant in the accompanying consolidated statements of activities for the year ended June 30, 2021 pursuant to relevant technical accounting guidance.

Future minimum payments under the Organization's loan agreement (net of estimated forgiveness) are as follows:

Years Ending June 30,		
2022	$	1,009
2023		29,873
2024		30,173
2025		30,476
2026		17,919
	$	109,450

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Organization is obligated under a lease for its facility, which is accounted for as an operating lease. The lease expires in September 2022 and rent, as amended, is payable between $6,922 and $32,905 per month. As a result of the fourth amendment to this lease, the Organization is a party to the lease originally entered into by Visit Newport Beach Inc. ("VNB"), a related party. Under the terms of this lease, each assignee shall be deemed to assume all lease obligations, and as a result, the Organization may be liable for future rent payments. The facility lease contains a five-year extension option at the end of the lease term.

Total rent expense incurred by the Organization under its operating lease was approximately $407,000 and $409,000 for the years ended June 30, 2021 and 2020, respectively, and is included in other expenses. Such amounts are net of the amounts paid by VNB pursuant to the Agreement discussed in Note 9.

Future minimum payments due on its allocated portion of the non-cancelable facility lease commitment in excess of one year are as follows:

Years Ending June 30,	
2022	$ 480,000
2023	113,000
	$ 593,000

Guarantees and Indemnities

The Organization has made certain indemnities and guarantees (including under its PPP Loan), under which it may be required to make payments to a guaranteed or 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 guarantees and indemnities varies, and is generally tied to the life of the agreement. These guarantees and 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 and guarantees in the accompanying statements of financial position.

NOTE 8 – RETIREMENT PLAN

The Organization has a 401(k) retirement plan covering all eligible employees. The plan provided matching contributions based upon employees' voluntary contributions and the Organization's contributions. Effective March 31, 2020, the Organization amended the 401(k) retirement plan to exclude employer matching contributions. Effective December 13, 2020, the 401(k) retirement plan was further amended to reinstate the employer matching contributions. The total expense recorded by the Organization during the years ended June 30, 2021 and 2020 was approximately $27,000 and $70,000, respectively, which is recorded in salaries and benefits expenses in the accompanying statements of activities.

NOTE 9 – RELATED-PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, the Organization had transactions with a related party that is also a non-profit organization. The related entity, 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 shall need to carry out its mission and obligations to the City. In consideration for these services, VNB agreed to pay monthly fees totaling $108,000 for the years ended June 30, 2021 and 2020. 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, 2021 and 2020, the Organization billed $1,140,512 and $2,021,382, respectively, to VNB for these fees and costs, which are recorded as service fees from related party in the accompanying statements of activities. The Agreement, as amended, expires on June 30, 2024.

As of June 30, 2021 and 2020, the Organization has net related-party receivables (payables) of $17,611 and ($32,739), respectively, in the accompanying statements of financial position. These amounts do not bear interest, are not collateralized and have no stated repayment terms.

Exhibit 2

Newport Beach and Company Audited Financial Statements for the Year Ended June 30, 2021, Accompanying Management Letter dated September 30, 2021

KMJ Corbin & Company
Business Advisors Tax and Audit

September 30, 2021

To the Board of Directors of
Newport Beach & Company
1600 Newport Center Drive
Newport Beach, California 92660

We have audited the financial statements of Newport Beach & Company (the "Organization") as of and for the year ended June 30, 2021, and have issued our report thereon dated September 30, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 20, 2021 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organization solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you in a letter dated September 7, 2021.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

As part of the audit, we assisted you in preparing a draft of your financial statements and related notes, a nonattest service. With respect to any nonattest service we performed, the Organization's management has been responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Organization is included in Note 2 to the financial statements. Other than the adoption of ASU 2014-09 – *Revenue from Contracts with Customers*, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Significant estimates made by the Organization's management include, but are not limited to, the sufficiency of its cash to fund operations for the next twelve months, the collectability of accounts receivable, the recoverability of long-lived assets, and the allocation of expenses to program activities and general and administrative.

- Management's estimate of the sufficiency of its cash and investment resources to fund operations for the next twelve months is based on the Organization's forecast of future income and obligations.

- Management's estimate of the collectability of accounts receivables is based on assessing the potential uncollectible receivables outstanding using the specific identification method.

- Management's estimate of the recoverability of long-lived assets is based on comparing forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value.

- Management's estimate of allocation of expenses to program activities and general and administrative is based on assessing the purpose of the expenditures incurred during the year.

We evaluated the key factors and assumptions used to develop the estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Organization's financial statements relate to related-party transactions.

Identified or Suspected Fraud

We have not identified or obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements during the year ended June 30, 2021.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material corrected misstatements that we identified as a result of our audit procedures that were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Organization's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated September 30, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the Organization, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the Organization, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Organization's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KMJ Corbin & Company LLP

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