

Attachment A

Visit Newport Beach Audited Financial Statements for the Year Ended June 30, 2021,
and Accompanying Management Letter dated September 30, 2021 (Exhibit 1)

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

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For The Years Ended June 30, 2021 and 2020

with

INDEPENDENT AUDITORS' REPORT THEREON



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

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Independent Auditors' Report

Board of Directors
Visit Newport Beach Inc.

We have audited the accompanying financial statements of Visit Newport Beach Inc. (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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visit Newport Beach Inc. 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, Visit Newport Beach Inc. has significant transactions with a 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.

Other Matter - Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information contained in Schedules I and II on pages 20-21 is presented for purposes of additional analysis and is not a required part of the 2021 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2021 financial statements as a whole.

KMJ Corbin & Company LLP

KMJ Corbin & Company LLP

Irvine, California
September 30, 2021

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

STATEMENTS OF FINANCIAL POSITION

| | June 30, | |
|-------------------------------------------|---------------------|---------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,918,574 | \$ 1,698,312 |
| Short-term investments | - | 2,606,273 |
| Accounts receivable | - | 145,623 |
| Related-party receivables, net | - | 32,739 |
| Prepaid expenses and other current assets | <u>182,475</u> | <u>197,685</u> |
| Total current assets | 6,101,049 | 4,680,632 |
| Property and equipment, net | 19,541 | 31,767 |
| Website development costs, net | - | 96,628 |
| Deposits and other assets | <u>9,619</u> | <u>9,619</u> |
| | <u>\$ 6,130,209</u> | <u>\$ 4,818,646</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 100,796 | \$ 91,351 |
| Related party payables, net | 17,611 | - |
| Accrued expenses | 41,041 | 33,340 |
| Accrued payroll and related expenses | 74,727 | 27,510 |
| Group booking incentive reserve | 6,500 | 31,300 |
| Loan payable, current portion | <u>3,256</u> | <u>-</u> |
| Total current liabilities | 243,931 | 183,501 |
| Deferred rent, net of current portion | 3,071 | 22,123 |
| Loan payable, net of current portion | <u>146,024</u> | <u>150,000</u> |
| Total liabilities | 393,026 | 355,624 |
| Commitments and contingencies | | |
| Net assets without donor restrictions | <u>5,737,183</u> | <u>4,463,022</u> |
| | <u>\$ 6,130,209</u> | <u>\$ 4,818,646</u> |

See accompanying notes to financial statements

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

STATEMENTS OF ACTIVITIES

| | For The Years Ended June 30, | |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------|
| | 2021 | 2020 |
| Support and revenues: | | |
| Service fee revenues | \$ 4,757,188 | \$ 9,412,997 |
| Interest income | 3,677 | 25,118 |
| Other income | <u>22,800</u> | <u>10,000</u> |
| Total support and revenues | <u>4,783,665</u> | <u>9,448,115</u> |
| Expenses: | | |
| Marketing (including \$1,248,512 and \$2,129,382 to Newport Beach & Company during 2021 and 2020, respectively – see Note 9) | 2,310,049 | 5,836,561 |
| Salaries and benefits | 799,805 | 1,392,718 |
| Other | 290,796 | 470,634 |
| Depreciation and amortization | <u>108,854</u> | <u>107,788</u> |
| Total expenses | <u>3,509,504</u> | <u>7,807,701</u> |
| Change in net assets without donor restrictions | 1,274,161 | 1,640,414 |
| Net assets without donor restrictions, beginning of year | <u>4,463,022</u> | <u>2,822,608</u> |
| Net assets without donor restrictions, end of year | <u>\$ 5,737,183</u> | <u>\$ 4,463,022</u> |

See accompanying notes to financial statements

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

STATEMENTS OF CASH FLOWS

| | For The Years Ended June 30, | |
|------------------------------------------------------------------------------------------------------------------------|-------------------------------------|---------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Change in net assets without donor restrictions | \$ 1,274,161 | \$ 1,640,414 |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities: | | |
| Depreciation and amortization | 108,854 | 107,788 |
| Accrued interest income | 887 | 22,639 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 145,623 | (145,623) |
| Related-party receivables/payables, net | 50,350 | (140,085) |
| Prepaid expenses and other current assets | 15,210 | 119,811 |
| Accounts payable | 9,445 | (10,723) |
| Accrued expenses | 7,701 | 11,380 |
| Accrued payroll and related expenses | 47,217 | (197,459) |
| Group booking incentive reserve | (24,800) | (66,906) |
| Deferred rent | (19,052) | 3,773 |
| Net cash provided by operating activities | <u>1,615,596</u> | <u>1,345,009</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (6,466,614) | (4,756,191) |
| Proceeds from sales/maturities of investments | 9,072,000 | 3,423,000 |
| Website development costs | - | (39,735) |
| Purchases of property and equipment | <u>-</u> | <u>(11,805)</u> |
| Net cash provided by (used in) investing activities | <u>2,605,386</u> | <u>(1,384,731)</u> |
| Cash flows from financing activities: | | |
| Proceeds from loan | - | 150,000 |
| Payments on loan payable | <u>(720)</u> | <u>-</u> |
| Net cash (used in) provided by financing activities | <u>(720)</u> | <u>150,000</u> |
| Net increase in cash and cash equivalents | 4,220,262 | 110,278 |
| Cash and cash equivalents at beginning of year | <u>1,698,312</u> | <u>1,588,034</u> |
| Cash and cash equivalents at end of year | <u>\$ 5,918,574</u> | <u>\$ 1,698,312</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 4,046</u> | <u>\$ -</u> |

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 1 – ORGANIZATION

Nature of Operations

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

Transient Occupancy Tax (“TOT”)

The Organization currently has an agreement (“TOT Agreement”) with the City of Newport Beach (the “City”) through December 31, 2024 to promote tourism and serve the needs of visitors to the City. Under the terms of the TOT Agreement, the Organization is responsible to develop, plan, carry out and supervise a program to market and promote the Newport Beach brand and to promote tourism in, and serve the needs of, visitors to the City as well as increase the amount of Transient Occupancy Tax collected through its promotional activities.

The City collects a Transient Occupancy Tax as well as a Visitor’s Service Fee applied to the transient rental of lodging rooms (collectively, the “TOT”). The City pays the Organization 18% of the annual TOT in monthly installments. As the Organization is not entitled to its share of the TOT until paid by the City, amounts are recognized as revenue when received. Adjustments to monthly revenues paid during the year ended June 30, 2020 have been recorded as accounts receivable as of June 30, 2020, comprising 38% of the accounts receivable. There were no adjustments noted as of June 30, 2021.

The City shall have the right, in its sole discretion, to adjust the payment (increase or decrease the percentage of TOT paid to the Organization) as part of its once-annual budget adoption process for any reason after notice to the Organization and an opportunity for the Organization to formally comment on the adjustment. For the years ended June 30, 2021 and 2020, the Organization received approximately 65% and 55%, respectively, of its service fee revenues from the City through the TOT. The City has the right to terminate the TOT Agreement, without cause, by giving the Organization 365 days’ written notice of its intention to terminate. Should the City reduce or stop its funding to the Organization due to the Organization’s default or termination of the TOT Agreement, the Organization’s operations will be impacted.

Tourism Business Improvement District (“TBID”)

The Newport Beach Tourism Business Improvement District (“NBTBID”) was established April 28, 2009, and expires on January 31, 2024, pursuant to the Management District Plan, as amended (the “Plan”). The NBTBID is funded by assessments levied on participating lodging businesses within a specified district. The assessments are restricted for use for sales promotion and marketing programs to market the City as a tourist, meeting and event destination as outlined in

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 1 – ORGANIZATION, continued

the Plan. Either party may terminate this agreement by providing the other party ninety calendar days' written notice prior to the effective date of termination. As the Organization is not entitled to its share of the assessments collected until paid by the City, amounts are recognized as revenue when received. For the years ended June 30, 2021 and 2020, the Organization received approximately 35% and 45%, respectively, of its service fee revenues from the City through TBID assessments. Adjustments to monthly revenues paid during the year ended June 30, 2020 have been recorded as accounts receivable as of June 30, 2020, comprising 62% of the accounts receivable. There were no adjustments noted as of June 30, 2021.

As of June 30, 2021 and 2020, the NBTBID is represented by nine (9) hotels within the City of Newport Beach which collect a 3.0% tax on short-term stays. The City is entitled to 0.25% of the receipts annually for the collection of the assessments and disbursements of the NBTBID.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

As of and for the years ended June 30, 2021 and 2020, the Organization had no net assets with donor restrictions.

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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 and cash equivalents, 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.

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalent balances at various financial institutions. The total cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At June 30, 2021, the Organization had approximately \$5,258,000 of uninsured cash and cash equivalent balances. The Organization periodically reviews the quality of the financial institutions it has deposits with to minimize risk of loss. To date, no losses have been incurred.

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. There were no accounts receivable as of the year ended June 30, 2021. At June 30, 2020, the Organization considered its accounts receivable to be fully collectible and accordingly did not record an allowance for doubtful accounts.

As of June 30, 2020, one customer accounted for 100% of the Organization's total accounts receivable balance.

Investments and Fair Value Measurements

Investments and cash equivalents consist of U.S. Treasury Bills which are carried at amortized cost, which approximates fair value.

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

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

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

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

As of June 30, 2020, the Organization's investments measured at fair value on a recurring basis were as follows:

| | June 30, 2020 | | |
|-------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Short-term investments: | | | |
| U.S. Treasury Bills | \$ <u> -</u> | \$ <u>2,606,273</u> | \$ <u> -</u> |

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.

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

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.

Website Development Costs

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

For the years ended June 30, 2021 and 2020, the Organization capitalized website development costs of \$0 and \$39,735, respectively.

For the years ended June 30, 2021 and 2020, the Organization recorded amortization expense on website development costs totaling \$96,628 and \$90,046, respectively.

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.

Group Booking Incentive

The Organization has established an incentive program for businesses by paying for certain costs of conferences and group meetings held in Newport Beach hotels in order to attract businesses and groups to the City. Costs are considered incurred upon the reservation of the hotel for future meetings. As of June 30, 2021 and 2020, group booking accruals were \$6,500 and \$31,300, respectively.

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Contributed Materials and Services

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

One of the services provided by the Organization in its efforts to promote the City is to organize site inspections and other promotional events with a variety of potential visiting groups. These groups are introduced by the Organization's staff to the various hotels, restaurants, and other local businesses involved in the tourism industry in Newport Beach. All businesses visited are also sponsors of the Organization. Many of the Organization's sponsors contribute materials, such as meals and rooms, in connection with this program. During the years ended June 30, 2021 and 2020, the Organization determined there were no significant contributed materials and services. Additionally, a substantial number of unpaid volunteers have made significant contributions of time to the Organization. No amounts have been reflected in the financial statements for these contributions as they do not meet the required criteria.

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 U.S. federal, state or local income tax examinations by tax authorities for years before 2017.

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

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.

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 of the Organization’s adoption of ASC 606.

In February 2016, the 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.

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

In September 2020, the Financial Accounting Standards Board (“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

At June 30, 2021, the Organization has \$5,918,574 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$5,918,574. 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. Prior to COVID-19, the Organization had a goal to maintain financial assets, which consist of cash, cash equivalents and short-term investments, on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$395,000 per month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in various short-term treasury instruments.

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 3 – LIQUIDITY AND AVAILABILITY, continued

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

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 12 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 12 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:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------|------------------|------------------|
| Leasehold improvements | \$ 38,468 | \$ 38,468 |
| Computer equipment | 40,516 | 40,516 |
| Office furniture and fixtures | <u>136,812</u> | <u>136,812</u> |
| | 215,796 | 215,796 |
| Less accumulated depreciation and amortization | <u>(196,255)</u> | <u>(184,029)</u> |
| | <u>\$ 19,541</u> | <u>\$ 31,767</u> |

For the years ended June 30, 2021 and 2020, the Organization recorded depreciation expense on property and equipment totaling \$12,226 and \$17,742, respectively.

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 5 – STATEMENT OF FUNCTIONAL EXPENSES

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

| | 2021 | | | 2020 |
|-------------------------------------|-------------------------------|---------------------------------------|---------------------|-------------------------------|
| | Program Activities | General and Administrative | Total | Total (Summarized) |
| Salaries and benefits: | | | | |
| Salaries | \$ 453,995 | \$ 131,603 | \$ 585,598 | \$ 1,074,593 |
| Payroll taxes and employee benefits | <u>165,486</u> | <u>48,721</u> | <u>214,207</u> | <u>318,125</u> |
| Total salaries and benefits | <u>619,481</u> | <u>180,324</u> | <u>799,805</u> | <u>1,392,718</u> |
| Other expense: | | | | |
| Marketing | 1,974,684 | 335,365 | 2,310,049 | 5,836,561 |
| Office lease | 88,607 | 29,536 | 118,143 | 116,808 |
| Repairs and maintenance | - | 18,683 | 18,683 | 24,614 |
| Insurance | - | 7,651 | 7,651 | 9,426 |
| Office supplies | - | 3,518 | 3,518 | 10,869 |
| Equipment and equipment rental | 9,699 | 21,130 | 30,829 | 34,518 |
| Postage and other dues and fees | 58,367 | 4,876 | 63,243 | 115,853 |
| Meeting and education | 5,181 | 11,166 | 16,347 | 46,321 |
| Professional fees and services | - | 26,304 | 26,304 | 59,460 |
| Bad debt | - | 557 | 557 | 31,500 |
| Interest | - | 4,046 | 4,046 | - |
| Depreciation and amortization | 96,628 | 12,226 | 108,854 | 107,788 |
| Travel and related | <u>1,475</u> | <u>-</u> | <u>1,475</u> | <u>21,265</u> |
| Total functional expenses | <u>\$ 2,854,122</u> | <u>\$ 655,382</u> | <u>\$ 3,509,504</u> | <u>\$ 7,807,701</u> |

The Organization incurred expenses related to program activities totaling approximately \$6,554,000 for the year ended June 30, 2020.

NOTE 6 – LOAN AGREEMENT

On June 3, 2020, the Company entered into an Economic Injury Disaster Loan (the “Loan”) administered by the U.S. Small Business Administration. The loan has an original principal balance of \$150,000, bears interest at 2.75% per annum and matures on June 3, 2050. The loan requires monthly payments beginning in June 2021. Payments are first applied to interest accrued and then principal. The amount borrowed under the Loan is guaranteed by substantially all of the Organization’s assets. The Organization will use all the proceeds of this Loan solely as working capital to alleviate economic injury caused by COVID-19. The Loan contains customary events of default, and the occurrence of an event of default may result in a claim for the immediate repayment of all amounts outstanding under the Loan.

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 6 – LOAN AGREEMENT, continued

Future minimum payments under the Organization's loan agreement are as follows:

| <u>Years Ending June 30,</u> | |
|----------------------------------|-------------------|
| 2022 | \$ 3,256 |
| 2023 | 3,731 |
| 2024 | 3,835 |
| 2025 | 3,942 |
| 2026 | 4,052 |
| Thereafter | <u>130,464</u> |
| | <u>\$ 149,280</u> |

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 \$8,359 and \$12,016 per month. As a result of the fourth amendment to this lease, the Organization assigned its rights to Newport Beach & Company ("NB & Co."), a related party. Under the terms of this lease, this assignment does not relieve the Organization of its lease obligations. As a result, the Organization continues to 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 operating leases was approximately \$118,000 and \$117,000 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 the related party pursuant to the Agreement disclosed in Note 9.

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

| <u>Years Ending June 30,</u> | |
|----------------------------------|-------------------|
| 2022 | \$ 133,000 |
| 2023 | <u>31,000</u> |
| | <u>\$ 164,000</u> |

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

NOTE 7 – COMMITMENTS AND CONTINGENCIES, continued

Commitments

The Organization also has several commitments for databases and services regarding marketing, promotion and other contracts ranging from approximately \$287 to \$5,000 per month over various terms with 20 months or less remaining at June 30, 2021 and 24 months or less remaining at June 30, 2020. From these commitments, the Organization incurred approximately \$253,000 and \$504,000 of expenses for the years ended June 30, 2021 and 2020, respectively, which are recorded in marketing expenses in the accompanying statements of activities.

The Organization has a commitment to contribute \$150,000 annually, commencing on June 1, 2014 through December 31, 2024, to the City to be spent on programs or activities that benefit the public, which is recorded in marketing expenses for the years ended June 30, 2021 and 2020. Due to the rights of termination per the agreement, these commitments are considered due each June and December.

Guarantees and Indemnities

The Organization has made certain indemnities and guarantees, 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. Pursuant to the TOT Agreement, the Organization also indemnifies the City and all of its related boards, councils, officers, employees, and volunteers from claims related to the conduct of the Organization or any of its officers, employees, or associated individuals. 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 Organization amended the 401(k) retirement plan to reinstate employer matching contributions. The total expense recorded by the Organization during the years ended June 30, 2021 and 2020 was approximately \$28,000 and \$73,000, respectively, and is included in salaries and benefit expenses in the accompanying statements of activities.

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2021 and 2020

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, NB & Co., specializes in marketing and promotion services that promote economic development with the City. Pursuant to an Agreement for Services (“Agreement”) dated April 1, 2013, the Organization appointed NB & Co. as an exclusive provider of services that the Organization shall need to carry out its mission and obligations to the City. In consideration for these services, the Organization agreed to pay NB & Co. annual fees totaling \$108,000 for the years ended June 30, 2021 and 2020. The Organization has also agreed to reimburse NB & Co. for all reasonable expenses incurred by it in carrying out its duties to the Organization, 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 incurred \$1,140,512 and \$2,021,382, respectively, from NB & Co. for these costs, which are recorded in marketing expenses in the accompanying statements of activities. NB & Co.’s costs for the years ended June 30, 2021 and 2020 were broken out as follows: \$33,305 and \$140,093, respectively, of direct marketing, \$770,095 and \$1,556,505, respectively, of salaries and benefits, and \$337,112 and \$324,784, respectively, of other (including rent and related facility costs). The Agreement, as amended, expires on June 30, 2024.

As of June 30, 2021 and 2020, the Organization has net related-party (payables) receivables 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.

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

SCHEDULE I - STATEMENT OF FINANCIAL POSITION BY FUNDING SOURCE

June 30, 2021

| | <u>TOT*</u> | <u>TBID</u> | <u>Eliminations</u> | <u>Total</u> |
|-------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,723,457 | \$ 2,195,117 | \$ - | \$ 5,918,574 |
| Prepaid expenses and other current assets | <u>44,663</u> | <u>137,812</u> | <u>-</u> | <u>182,475</u> |
| Total current assets | 3,768,120 | 2,332,929 | - | 6,101,049 |
| Property and equipment, net | 11,038 | 8,503 | - | 19,541 |
| Deposits and other assets | <u>9,619</u> | <u>-</u> | <u>-</u> | <u>9,619</u> |
| | <u>\$ 3,788,777</u> | <u>\$ 2,341,432</u> | <u>\$ -</u> | <u>\$ 6,130,209</u> |
| Current liabilities: | | | | |
| Accounts payable | \$ 79,271 | \$ 21,525 | \$ - | \$ 100,796 |
| Related-party payables, net | 17,461 | 150 | - | 17,611 |
| Accrued expenses | 5,000 | 36,041 | - | 41,041 |
| Accrued payroll and related expenses | - | 74,727 | - | 74,727 |
| Group booking incentive reserve | - | 6,500 | - | 6,500 |
| Loan payable, current portion | <u>3,256</u> | <u>-</u> | <u>-</u> | <u>3,256</u> |
| Total current liabilities | 104,988 | 138,943 | - | 243,931 |
| Deferred rent, net of current portion | - | 3,071 | - | 3,071 |
| Loan payable | <u>146,024</u> | <u>-</u> | <u>-</u> | <u>146,024</u> |
| Total liabilities | 251,012 | 142,014 | - | 393,026 |
| Net assets without donor restrictions | <u>3,537,765</u> | <u>2,199,418</u> | <u>-</u> | <u>5,737,183</u> |
| | <u>\$ 3,788,777</u> | <u>\$ 2,341,432</u> | <u>\$ -</u> | <u>\$ 6,130,209</u> |

* Includes balances for other marketing and administrative costs.

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

SCHEDULE II - STATEMENT OF ACTIVITIES BY FUNDING SOURCE

For The Year Ended June 30, 2021

| | <u>TOT*</u> | <u>TBID</u> | <u>Eliminations</u> | <u>Total</u> |
|-------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Support and revenues: | | | | |
| Service fee revenues | \$ 3,075,276 | \$ 1,681,912 | \$ - | \$ 4,757,188 |
| Interest income | 2,183 | 1,494 | - | 3,677 |
| Other income | <u>-</u> | <u>22,800</u> | <u>-</u> | <u>22,800</u> |
| Total support and revenues | <u>3,077,459</u> | <u>1,706,206</u> | <u>-</u> | <u>4,783,665</u> |
| Expenses: | | | | |
| Marketing | 1,936,510 | 373,539 | - | 2,310,049 |
| Salaries and benefits | - | 799,805 | - | 799,805 |
| Other | 53,886 | 236,910 | - | 290,796 |
| Depreciation and amortization | <u>77,120</u> | <u>31,734</u> | <u>-</u> | <u>108,854</u> |
| Total expenses | <u>2,067,516</u> | <u>1,441,988</u> | <u>-</u> | <u>3,509,504</u> |
| Change in net assets without donor restrictions | 1,009,943 | 264,218 | - | 1,274,161 |
| Net assets, beginning of year | <u>2,527,822</u> | <u>1,935,200</u> | <u>-</u> | <u>4,463,022</u> |
| Net assets, end of year | <u>\$ 3,537,765</u> | <u>\$ 2,199,418</u> | <u>\$ -</u> | <u>\$ 5,737,183</u> |

* Includes balances for other marketing and administrative costs.

Exhibit 1

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

September 30, 2021

To the Board of Directors of
Visit Newport Beach Inc.
1600 Newport Center Drive
Newport Beach, California 92660

We have audited the financial statements of Visit Newport Beach Inc. (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 accordance 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 audits, 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.

In conjunction with the annual audit, we also performed an examination of management’s assertion included in the Management Statement Regarding Compliance with Certain Provisions of the Agreement Between the City of Newport Beach and the Organization for Tourism Promotion, Branding, and Marketing Services (the “Agreement”), that the Organization complied with the provisions in Section 4 of the Agreement regarding the 2021 Expenditures Report, summarizing the expenditures of funds received pursuant to the Agreement during the year ended June 30, 2021.

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.

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 and investment resources to fund operations for the next twelve months, the collectability of accounts receivable, the recoverability of long-lived assets, fair value of investments 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 the fair value of investments is based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or in the absence of a principal market, the most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date.
- Management's estimate of allocation of expenses to program activities and general and administrative is based on assessing the purpose and nature 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 disclosure of COVID-19 impacts including liquidity and 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 a separate 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.

Supplemental Information

The supplementary information contained in Schedules I and II of the financial statements is presented for purposes of additional analysis and is not a required part of the 2021 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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,

A handwritten signature in brown ink that reads "KMJ Corbin & Company LLP". The signature is written in a cursive, flowing style.

KMJ Corbin & Company LLP