

NEWPORT BAY CONSERVANCY

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2025

NEWPORT BAY CONSERVANCY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newport Bay Conservancy

Opinion

We have audited the accompanying financial statements of Newport Bay Conservancy (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newport Bay Conservancy as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Newport Bay Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Newport Bay Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Newport Bay Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

UHY LLP

Albany, New York
September 29, 2026

NEWPORT BAY CONSERVANCY
STATEMENT OF FINANCIAL POSITION
December 31, 2025

	<u>2025</u>
ASSETS	
Cash and cash equivalents	\$ 196,430
Grants receivable	1,988,630
Prepaid expenses and other assets	<u>3,743</u>
Total current assets	<u><u>\$ 2,188,803</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 1,929,469</u>
Total current liabilities	<u>1,929,469</u>
NET ASSETS	
Without donor restrictions	<u>259,334</u>
Total net assets	<u><u>259,334</u></u>
Total liabilities and net assets	<u><u>\$ 2,188,803</u></u>

See notes to financial statements.

NEWPORT BAY CONSERVANCY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2025

	2025 Without Donor Restrictions
SUPPORT AND REVENUES	
Program revenue	\$ 2,192,386
Public support: contributions	576,380
Contributed nonfinancial assets	93,361
Interest and other income	876
	<u>876</u>
Total support and revenues	<u><u>\$ 2,863,003</u></u>
EXPENSES	
Program services	\$ 2,505,559
Management and general	136,319
Fundraising	48,035
	<u>48,035</u>
Total expenses	<u>2,689,913</u>
Change in net assets	<u>173,090</u>
Net assets, beginning of year	<u>86,244</u>
Net assets, end of year	<u><u>\$ 259,334</u></u>

See notes to financial statements.

NEWPORT BAY CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2025

	Program Services		Management and General	Fundraising	Total
	Education	Restoration			
Salaries, wages, and benefits	\$ 192,077	\$ 223,656	\$ 78,861	\$ 30,367	\$ 524,961
Legal and accounting fees	-	5,000	35,000	515	40,515
Merchant fees	-	-	5,921	335	6,256
Office expenses	422	1,171	845	36	2,474
Software and communication	-	11,699	3,726	1,111	16,536
Donated use of facilities	-	54,450	7,260	10,890	72,600
Insurance and other administrative	3,440	4,760	4,341	603	13,144
Contracted project expenses	32,977	1,974,475	-	1,795	2,009,247
Other expenses	-	1,432	365	2,383	4,180
Total expenses	<u>\$ 228,916</u>	<u>\$ 2,276,643</u>	<u>\$ 136,319</u>	<u>\$ 48,035</u>	<u>\$ 2,689,913</u>

See notes to financial statements.

NEWPORT BAY CONSERVANCY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2025

	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 173,090
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in grants receivable	(1,821,219)
Change in prepaid expenses and other assets	(3,288)
Change in accounts payable and accrued expenses	<u>1,757,606</u>
Net cash provided by operating activities	<u>106,189</u>
Net increase in cash and cash equivalents	106,189
Cash and cash equivalents, beginning of year	<u>90,241</u>
Cash and cash equivalents, end of year	<u><u>\$ 196,430</u></u>

See notes to financial statements.

NEWPORT BAY CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Newport Bay Naturalists and Friends, doing business as Newport Bay Conservancy (the Organization), is a California nonprofit corporation formed in 2002. The Organization protects, conserves, and restores the Upper Newport Bay Ecological Reserve and Nature Preserve and educates the public on the importance of its care and protection. Its programs include community-based native habitat restoration and stewardship; environmental education and nature tours for school, college, and public groups; science-based monitoring, research, conservation, and adaptive management of tidelands and uplands; and advocacy for integrated, sustainable management of the watershed and bay.

Tax-Exempt Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization under Section 509(a)(2). The Organization recognizes the effect of income-tax positions only when those positions are more likely than not to be sustained. These financial statements do not reflect any uncertain tax positions.

Basis of Accounting and 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 applicable to not-for-profit entities. The statements present one fiscal year and classify net assets, revenues, and expenses based on the existence or absence of donor-imposed restrictions.

Net assets and related activity are reported in the following class:

- Net assets without donor restrictions — net assets available for use in general operations and not subject to donor-imposed restrictions. The Board may designate portions of these net assets for specified purposes but had not done so as of December 31, 2025.

Use of Estimates

Preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

In July 2025, the FASB issued No. 2025-05, "Measurement of Credit Losses for Accounts Receivable and Contract Assets," which amends FASB Topic 326. This guidance provides a practical expedient and an accounting policy election related to the estimation of expected credit losses for current accounts receivable and current contract assets that arise from transactions accounted for under FASB Topic 606, "Revenue from Contracts with Customers." This guidance is effective for the Organization beginning January 1, 2026, with early adoption allowable. The Organization early adopted this guidance prospectively, and this guidance had no impact on the Organization's financial position or results of operations as of and for the year ended December 31, 2025. Under this guidance, the Organization considers current economic conditions and reasonable expectations as of the reporting date and does not incorporate forecasts of future economic conditions beyond those current conditions. The Organization considers subsequent cash collections in assessing whether an allowance for credit losses is required as of the reporting date. The Organization considered subsequent collection activity through the date the financial statements were available to be issued, in evaluating collectability of its receivables.

NEWPORT BAY CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Cash and Cash Equivalents

The Organization considers highly liquid investments including money market funds with original maturities of three months or less when purchased to be cash equivalents. Cash balances may at times exceed federally insured limits but did not as of December 31, 2025.

Program Revenue and Grants Receivable

The Organization receives various grants from state, city, and county government agencies. In connection with these grants, the Organization has been contracted to provide certain restoration and education services and recognizes revenue upon billing for expenses incurred as these services are provided. These grant revenues are classified as program revenue in the statement of activities.

The Organization also has related agreements with the City of Newport Beach (the "City"). Under these agreements, the City provides interim funding for certain restoration services, partially owns the project-site property and improvements, along with the State of California, and is reimbursed by the Organization when the related grant funding is received.

Amounts due to the Organization from granting agencies are included as grants receivable in the accompanying statement of financial position. Amounts payable by the Organization to the City are included in accounts payable and accrued expenses in the accompanying statement of financial position.

Program revenue also includes revenue from tours and certain educational activities and is recognized when the related services are transferred to customers in an amount that reflects the consideration expected to be received. Amounts received before the related performance obligation is satisfied are reported as deferred revenue. There is no deferred revenue recorded at December 31, 2025.

Public Support: Contributions and Contributed Nonfinancial Assets

The Organization also receives gifts and contributions from individuals, corporations, and private foundations. The gifts and contributions are considered nonexchange transactions and are accounted for as public support: contributions in the accompanying statement of activities. Unconditional contributions are recognized when promised and are reported in the appropriate net asset class. Conditional contributions—that is, arrangements containing both a barrier and a right of return or release—are not recognized until the conditions are substantially met. Advance receipts under conditional or exchange arrangements are reported as refundable advances or deferred revenue, as applicable. Receivables are presented net of allowances, if applicable, based on management's assessment of collectability. Promises expected to be collected beyond one year are recorded at present value when material. There are no promises to give recorded at December 31, 2025.

Donated items auctioned for fundraising, event catering, and the use of certain facilities are recognized at fair value as contribution revenue in the period received and expensed when utilized. Contributed services are recognized when they create or enhance nonfinancial assets or require specialized skills, are provided by persons possessing those skills, and would typically need to be purchased if not donated. Contributed nonfinancial assets are presented separately by category, including information about donor restrictions and valuation techniques when applicable.

NEWPORT BAY CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Allocation of Expenses

Expenses are reported by both natural and functional classification. Costs that can be directly identified with a program or supporting service are charged to that function. Shared costs are allocated using reasonable and consistently applied bases, such as employee time and effort, direct usage, or other measures appropriate to the nature of the cost. The allocation methodology is reviewed and updated annually based on financial records and management's allocation policies.

NOTE 2 — GRANTS

In March of 2024 and May of 2025, the Organization was awarded multi-year grants from two State of California agencies of approximately \$4.2 million. Revenue recognized under these grants was approximately \$1,962,000 for the year ended December 31, 2025. The Organization has also been awarded grants in prior years, and the related revenue recognized under these grants was approximately \$79,000 for the year ended December 31, 2025. This grant revenue is included in program revenue in the accompanying statement of activities and changes in net assets.

The following table reflects the components of grants receivable as of December 31, 2025.

State of California: Big Canyon Coastal Wetland Restoration and Adaptation Project, Phase 3	\$ 1,921,548
Other government grants	<u>67,082</u>
Total grants receivable	<u><u>\$ 1,988,630</u></u>

Grants receivable do not include an allowance for uncollectible accounts as the amounts outstanding as of December 31, 2025 have been collected subsequent to year end, or collectability from the government granting agency is reasonably assured.

NOTE 3 — PUBLIC SUPPORT: CONTRIBUTIONS

The following table reflects the components of public support: contributions for the year ended December 31, 2025.

Public support: contributions:	
Individual contributions	\$ 350,438
Foundation contributions	144,734
Corporate contributions	25,385
Other fundraising, net of direct costs	<u>55,823</u>
Total public support: contributions	<u><u>\$ 576,380</u></u>

NEWPORT BAY CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 4 — CONTRIBUTED NONFINANCIAL ASSETS

The following table reflects contributed nonfinancial assets for the year ended December 31, 2025.

Donated items auctioned for fundraising	\$ 13,175
Donated event catering	7,586
Donated use of facilities	<u>72,600</u>
Total contributed nonfinancial assets	<u>\$ 93,361</u>

Donated items to be auctioned for fundraising and donated event catering were recorded at fair value, were utilized during the year, and included in other fundraising, net of direct costs in Note 3. Donated use of certain facilities is recognized at fair value as contribution revenue when received and is recognized in the statement of functional expenses.

NOTE 5 — LIQUIDITY AND AVAILABILITY

The following table reflects financial assets available for general expenditures within one year of December 31, 2025.

Cash and cash equivalents	\$ 196,430
Grants receivable	<u>1,988,630</u>
Total financial assets	<u>\$ 2,185,060</u>

The Organization monitors operating requirements and the timing of cash flows to ensure adequate liquidity to meet operating needs, and only places cash in commercial bank accounts and money market accounts. As described in Note 1, the significant balances due to the City will only be satisfied once the related grants receivable is fully received.

NOTE 6 — COMMITMENTS AND CONTINGENCIES

The Organization receives a significant portion of its support from government grants, which are subject to audit by the granting agencies. Costs charged to these grants, or reimbursement received under them, could be challenged or disallowed upon audit. Management believes that any potential disallowances would not materially affect the financial position of the Organization.

The Organization could be involved in legal proceedings arising in the ordinary course of business. Management is not aware of any pending or threatened litigation that would have a material adverse effect on the Organization's financial condition or results of operations.

NOTE 7 — SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through September 29, 2026, the date the financial statements were available for issuance.