

**OLD PASADENA
MANAGEMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2008
AND
DECEMBER 31, 2007**

**OLD PASADENA MANAGEMENT DISTRICT
TABLE OF CONTENTS**

	<u>Page No.</u>
Accountants' Review Report.....	Report
Statement of Financial Position.....	1
Statement of Activities.....	2
Statement of Cash Flows.....	3
Statement of Functional Expenses.....	4
Notes to Financial Statements.....	6

RICHARD B. KROST, CPA
ROGER N. BAUMGARTEN, CPA
GREGORY A. KNISS, CPA
LUIS A. GUERRERO, CPA, MBT
JASON C. MELILLO, CPA



Independent Member of
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To the Board of Directors
Old Pasadena Management District
Pasadena, California

We have reviewed the accompanying statement of financial position of Old Pasadena Management District (a nonprofit corporation) as of December 31, 2008 and December 31, 2007, the related statements of activities and net assets, cash flows and schedule of functional expenses for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Old Pasadena Management District.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

A handwritten signature in cursive script that reads "Kroft Baumgarten Kniss & Guerrero".

Pasadena, California
May 13, 2009

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 825,344	\$ 522,680
Cash, restricted	49,956	24,406
Accounts and contracts receivable, net	506,473	785,998
Other receivables	7,779	13,281
Property and equipment, net	78,623	64,012
Deposits	<u>4,263</u>	<u>4,340</u>
TOTAL ASSETS	<u><u>\$ 1,472,438</u></u>	<u><u>\$ 1,414,717</u></u>
LIABILITIES		
Accounts payable	\$ 106,896	\$ 184,848
Other liabilities	76,985	38,722
Deferred revenue, assessments	<u>426,737</u>	<u>402,515</u>
TOTAL LIABILITIES	<u>610,618</u>	<u>626,085</u>
NET ASSETS		
Board designated funds		
Continuation reserves	396,781	390,089
Renewal reserves	27,483	16,411
Emergency reserves	80,746	45,606
Reserves for uncollectibles	16,502	15,738
Other reserves	<u>16,830</u>	<u>6,621</u>
	538,342	474,465
Unappropriated net assets	<u>323,478</u>	<u>314,167</u>
TOTAL NET ASSETS	<u>861,820</u>	<u>788,632</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,472,438</u></u>	<u><u>\$ 1,414,717</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUE		
Contract revenue, City	\$ 545,000	\$ 545,000
Assessment, property owners	834,204	788,812
Management fees	132,072	126,744
Other income	<u>8,035</u>	<u>9,240</u>
TOTAL SUPPORT AND REVENUE	<u>1,519,311</u>	<u>1,469,796</u>
EXPENSES		
Program Services		
Maintenance	458,654	436,628
Security	460,644	437,818
Marketing and promotion	238,939	190,700
Parking	<u>107,118</u>	<u>100,329</u>
Total Program Services	1,265,355	1,165,475
Supporting Services	<u>180,768</u>	<u>169,978</u>
TOTAL EXPENSES	<u>1,446,123</u>	<u>1,335,453</u>
INCREASE IN NET ASSETS	73,188	134,343
NET ASSETS AT BEGINNING OF YEAR	<u>788,632</u>	<u>654,289</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 861,820</u></u>	<u><u>\$ 788,632</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 73,188	\$ 134,343
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	12,361	10,586
Loss on disposal of assets	-	2,662
(Increase) decrease in accounts receivable, net	279,525	(317,630)
Decrease in prepaid assets and other receivables	5,505	4,293
(Increase) decrease in deposits	76	(4,340)
Increase (decrease) in accounts payable	(77,953)	86,726
Increase in other liabilities	38,262	28,275
Increase in deferred revenue	24,223	13,828
Total Adjustments	<u>281,999</u>	<u>(175,600)</u>
Net Cash Provided (Used) by Operating Activities	<u>355,187</u>	<u>(41,257)</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(26,973)</u>	<u>(15,817)</u>
Net Cash Used by Investing Activities	<u>(26,973)</u>	<u>(15,817)</u>
Net increase (decrease) in cash	328,214	(57,074)
Cash and cash equivalents at beginning of year	<u>547,086</u>	<u>604,160</u>
Cash and cash equivalents at end of year	<u><u>\$ 875,300</u></u>	<u><u>\$ 547,086</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	PROGRAM SERVICES					Grand Total
	<u>Maintenance</u>	<u>Security</u>	<u>Promotion and</u>	<u>Parking</u>	<u>General and Administrative</u>	
Advertising	\$ 3,741	\$ 4,072	\$ 7,821	\$ 2,324	\$ 3,391	\$ 21,349
Computer expenses	2,838	2,838	2,838	2,838	2,838	14,190
Contract labor costs	384,549	389,688	-	4,945	129	779,311
Consultants	3,720	3,720	3,720	9,095	4,545	24,800
Decorations	978	-	42,014	4,329	-	47,321
Depreciation and amortization	3,585	4,202	1,854	1,483	1,237	12,361
Dues and subscriptions	319	374	265	110	132	1,200
Events	-	-	56,292	-	-	56,292
Insurance	972	1,139	503	335	402	3,351
Labor costs	25,153	22,628	80,843	71,349	144,830	344,803
Meals and entertainment	-	1,280	1,536	768	1,831	5,415
Meetings	(100)	(100)	1,898	400	2,398	4,496
Other expenses	196	196	224	202	204	1,022
Parking	-	7,549	971	449	1,295	10,264
Printing and publications	359	359	24,941	-	2,853	28,512
Professional fees	1,997	2,091	2,054	1,314	4,087	11,543
Rent	15,824	18,553	8,185	5,457	6,548	54,567
Supplies	13,095	585	878	293	1,757	16,608
Taxes and licenses	163	191	84	56	68	562
Telephone	497	497	1,291	659	1,505	4,449
Travel	683	683	683	683	683	3,415
Utilities	85	99	44	29	35	292
Total Expenses	\$ 458,654	\$ 460,644	\$ 238,939	\$ 107,118	\$ 180,768	\$ 1,446,123

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	PROGRAM SERVICES					Grand Total
	<u>Maintenance</u>	<u>Security</u>	<u>Marketing and Promotion</u>	<u>Parking</u>	<u>General and Administrative</u>	
Advertising and public relations	\$ 2,138	\$ 2,183	\$ 11,192	\$ 1,967	\$ 1,985	\$ 19,465
Bank charges	123	123	123	-	245	614
Computer expenses	3,367	3,367	3,367	3,369	3,367	16,837
Contract labor costs	368,049	362,606	-	3,950	1,769	736,374
Consultants	3,230	3,230	3,230	8,612	2,230	20,532
Decorations	6,207	6,389	23,329	6,322	2,255	44,502
Depreciation and amortization	3,070	3,599	1,588	1,059	1,270	10,586
Dues and subscriptions	305	357	699	105	126	1,592
Events	-	-	17,898	-	-	17,898
Insurance	1,319	1,546	683	455	546	4,549
Labor costs	21,617	21,660	63,689	63,892	130,098	300,956
Loss on disposal of assets	772	905	399	267	319	2,662
Meals and entertainment	-	1,301	1,377	638	1,377	4,693
Meetings	-	80	80	40	200	400
Moving expense	951	1,115	492	328	394	3,280
Other expenses	-	-	806	-	-	806
Parking	-	7,405	767	457	1,092	9,721
Postage	83	83	1,645	110	833	2,754
Printing and publications	817	819	45,964	7	4,911	52,518
Professional fees	2,297	2,567	2,284	1,653	5,036	13,837
Rent	13,351	15,653	6,906	4,604	5,525	46,039
Supplies	7,185	952	1,902	476	3,329	13,844
Taxes and licenses	110	129	57	38	56	390
Telephone	566	566	1,340	1,209	1,982	5,663
Travel	682	727	682	637	682	3,410
Utilities	389	456	201	134	351	1,531
Total Expenses	\$ 436,628	\$ 437,818	\$ 190,700	\$ 100,329	\$ 169,978	\$ 1,335,453

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Old Pasadena Management District “(OPMD)” is a California nonprofit Corporation organized in 1997 under section 501(c) 6 of the Internal Revenue Code. The OPMD is governed by a volunteer board of directors and was organized for the purpose of offering services to the entire Old Pasadena district by means of enhanced maintenance, enhanced security, retail promotion, business development and retention, and uses of public streets, parks, and walkways for events held in Old Pasadena.

Financial Statement Presentation

Generally accepted accounting standards require that the Organization report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Organization is required to present a statement of cash flows.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Cash, Restricted

The Organization maintains separate bank accounts according to its city contract, for parking and for the Mercantile Alley compactor. Funds in these accounts are held in trust for the benefit of the City of Pasadena. A corresponding liability is included in other liabilities.

**OLD PASADENA MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

The Organization maintains its cash in bank accounts that at times may exceed federally insured limits. To limit the amount of credit exposure, the Organization places its temporary cash investments with quality financial institutions. The amount of cash in bank accounts in excess of federally insured limits at December 31, 2008 and 2007 was \$208,648 and \$380,257 respectively. Substantially all of the Organization's accounts receivable is property tax assessments collected by the City of Pasadena and then paid to the Organization. Management considers any credit risk to be minimal.

Accounts Receivable

The Organization records receivables for revenue when the county assesses property taxes. Management has not recorded a reserve for delinquent taxes in 2008 and 2007. Management believes all receivables at year-end to be collectable.

Property and Equipment

Property and equipment are reported at cost or donated value and are depreciated by the straight-line method over estimated useful lives, ranging from three to ten years. The Organization's general policy is to capitalize asset purchases over \$500. Major additions and improvements are capitalized. Normal expenditures for repairs and maintenance are charged to appropriate expense accounts when incurred.

Deferred Revenue

The Organization records unearned assessments and sponsorship receivables to deferred revenue. Assessments are deemed receivable on the date of assessment and are earned over the period of benefit. Any amounts assessed but not earned are considered deferred revenue.

Donated assets and services

Donated assets and services are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise; however, from time to time individuals may volunteer their time and perform a variety of tasks that assist the Organization with specific programs. As of December 31, 2008 and 2007, the value of such services in a strictly professional capacity is estimated to be immaterial.

**OLD PASADENA MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. The OPMD principally receives revenue from a contract with the City of Pasadena. The revenue consists of district property taxes and other contractual revenue paid during the City's fiscal year. The OPMD recognizes revenue over the same period in which the property tax is assessed or when fees are earned under the City contract.

The Organization also occasionally receives sponsorship revenue for various events. Revenue for sponsorships is recognized on the day the event takes place.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets depending on the nature of restriction. When restrictions are satisfied, either by the passage of time or by the accomplishment of purpose, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

When restrictions are satisfied in the same accounting period as the receipt of contributions, the Organization reports both the revenue and related expense in the unrestricted net asset class.

Contributions and donations made to the Organization are not tax deductible by the donor under Internal Revenue Regulations.

Income Taxes

The Organization is exempt from Federal and State taxes as an entity incorporated and operated exclusively for charitable purpose under the Internal Revenue Service Code Section 501(c)(6) and Section 23401 of the California Tax Code; however, income from certain activities not directly related to the Organization's tax-exempt purpose, if any, would be subject to taxation as unrelated business income. Annual income tax returns are filed with federal and state governments and the accounting methods used for such filings are the same as those used for financial reporting.

Advertising expenses

The Company expenses advertising costs as they are incurred.

**OLD PASADENA MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	Useful lives	Salvage value	2008	2007
Website	3 Years	0%	\$ 63,381	\$ 40,537
Furniture and fixtures	10 Years	10%	74,823	70,695
Leasehold Improvements	3 Years	0%	-	-
Machinery and equipment	5 Years	10%	24,458	24,458
			162,662	135,690
Less: Accumulated depreciation			(84,039)	(71,678)
Property and equipment, net			<u>\$ 78,623</u>	<u>\$ 64,012</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$12,361 and \$10,586, respectively.

NOTE 3 - LEASE COMMITMENTS

OPMD leases its office space under an operating lease expiring on December 31, 2010. During the year ended December 31, 2008 and 2007, rent expense was \$54,567 and \$46,038, respectively. In addition, the Organization has an operating lease for certain office equipment. The total future lease commitments are as follows:

Years Ending	
2009	\$ 62,777
2010	64,346
	<u>\$ 127,123</u>

NOTE 4 - CITY CONTRACTS

The Organization has a contract with the City of Pasadena to provide services to the entire Old Pasadena district by means of enhanced maintenance, enhanced security, retail promotion, business development and retention, enhanced management of all parking systems, public and private, and uses of public streets, parks, and walkways for events held in Old Pasadena. In exchange, the Organization receives \$545,000 annually from the City of Pasadena. The Organization is required to meet or exceed certain spending requirements specific to sidewalk and street maintenance, marketing and administration, and enhanced street maintenance and administration under the contract. The Organization is in compliance with the contract requirements. The contract also provides for the Organization to receive property tax assessments, which are assessed against property owners in the district. The term of the contract is August 1, 2006 through December 31, 2010.

**OLD PASADENA MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CITY CONTRACTS (continued)

The Organization has an additional contract with the City of Pasadena. Under this contract, the Organization is responsible for the operation and management of certain City parking structures. Management fees in the amount of \$132,072 and \$126,744 were received for the services provided in 2008 and 2007, respectively. The contract was renewed on July 18, 2006 and shall end on December 31, 2010.

NOTE 5 - BOARD DESIGNATED FUNDS

The Board of Directors is required to set aside certain amounts into reserve accounts, which are generally held as certificates of deposit, to fund future cash needs related to the renewal of the Business Improvement District and other purposes. The balances in the reserve accounts are reflected as board-designated net assets in the accompanying statement of financial position.

NOTE 6 – RETIREMENT PLAN

The Organization, during the year 2006, adopted a 3% matching simple retirement plan that permits pretax employee contributions. Qualified participants can contribute any amount of pretax compensation up to the statutory amount designated by the IRS under this plan. Matching contributions under the plan were \$4,984 and \$3,476 for the years ended December 31, 2008 and 2007.