

**OLD PASADENA
MANAGEMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2010
AND
DECEMBER 31, 2009**

**OLD PASADENA MANAGEMENT DISTRICT
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Independent Member of
POLARIS
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INDEPENDENT ACCOUNTS'S REVIEW REPORT

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, 2010 and December 31, 2009, the related statements of activities and net assets, cash flows and schedule of functional expenses for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 accounting principles generally accepted in the United States of America.

Krost Baumgarten Kniss & Guerrero

Pasadena, California
July 20, 2011

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 788,254	\$ 939,057
Cash, restricted	111,406	190,194
Accounts and contracts receivable, net	552,907	514,700
Other receivables	25,763	6,445
Prepaid expenses	3,721	-
Property and equipment, net	49,661	69,150
Deposits	<u>8,115</u>	<u>4,263</u>
TOTAL ASSETS	<u><u>\$ 1,539,827</u></u>	<u><u>\$ 1,723,809</u></u>
LIABILITIES		
Accounts payable	\$ 104,277	\$ 161,855
Other liabilities	124,239	234,762
Deferred revenue, assessments	<u>454,218</u>	<u>426,737</u>
TOTAL LIABILITIES	<u>682,734</u>	<u>823,354</u>
NET ASSETS		
Board designated funds		
Continuation reserves	390,089	414,001
Renewal reserves	21,384	28,490
Emergency reserves	77,496	81,341
Reserves for uncollectibles	17,391	17,455
Other reserves	<u>2,672</u>	<u>13,497</u>
	509,032	554,784
Unappropriated net assets	<u>348,061</u>	<u>345,671</u>
TOTAL NET ASSETS - UNRESTRICTED	<u>857,093</u>	<u>900,455</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,539,827</u></u>	<u><u>\$ 1,723,809</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
SUPPORT AND REVENUE		
Contract revenue, City	\$ 545,000	\$ 545,000
Assessment, property owners	874,470	853,474
Parking management fees	134,712	134,712
Other income	4,247	6,104
	<u>1,558,429</u>	<u>1,539,290</u>
EXPENSES		
Program Services		
Maintenance	489,717	468,589
Security	495,069	446,936
Marketing and promotion	305,225	274,605
Parking management	131,919	113,372
Total Program Services	<u>1,421,930</u>	<u>1,303,502</u>
Supporting Services	<u>179,861</u>	<u>197,153</u>
	<u>1,601,791</u>	<u>1,500,655</u>
INCREASE (DECREASE) IN NET ASSETS	(43,362)	38,635
NET ASSETS AT BEGINNING OF YEAR - UNRESTRICTED	<u>900,455</u>	<u>861,820</u>
NET ASSETS AT END OF YEAR - UNRESTRICTED	<u><u>\$ 857,093</u></u>	<u><u>\$ 900,455</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (43,362)	\$ 38,635
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	21,285	19,523
Increase in accounts receivable, net	(38,206)	(8,227)
(Increase) decrease in prepaid assets and other receivables	(23,035)	1,337
Increase in deposits	(3,852)	-
Increase (decrease) in accounts payable	(57,579)	54,958
Increase (decrease) in other liabilities	(110,524)	157,776
Increase in deferred revenue	27,481	-
	<u>(184,430)</u>	<u>225,367</u>
Net Cash (Used) Provided by Operating Activities	<u>(227,792)</u>	<u>264,002</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(1,799)</u>	<u>(10,051)</u>
Cash Used by Investing Activities	<u>(1,799)</u>	<u>(10,051)</u>
Net (decrease) increase in cash	(229,591)	253,951
Cash and cash equivalents at beginning of year	<u>1,129,251</u>	<u>875,300</u>
Cash and cash equivalents at end of year	<u><u>\$ 899,660</u></u>	<u><u>\$ 1,129,251</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	PROGRAM SERVICES					Grand Total
	<u>Maintenance</u>	<u>Security</u>	<u>Promotion</u> Marketing and	<u>Parking</u>	<u>General and Administrative</u>	
Advertising	\$ -	\$ 5,470	\$ 30,381	\$ 6,643	\$ 656	\$ 43,150
Computer expenses	2,908	2,908	2,908	2,907	2,908	14,539
Contract labor costs	390,382	368,890	-	(582)	-	758,690
Consultants	479	479	479	479	1,277	3,193
Decorations	74	5,813	61,047	8,796	148	75,878
Depreciation and amortization	6,173	7,237	3,192	2,128	2,555	21,285
Dues and subscriptions	222	222	222	222	222	1,110
Events	-	10,207	74,327	13,534	(575)	97,493
Insurance	1,286	1,508	665	444	532	4,435
Labor costs	44,973	54,248	98,263	77,657	147,057	422,198
Meals and entertainment	884	882	882	882	2,362	5,892
Other expenses	124	124	124	326	124	822
Parking	1,075	7,585	595	395	494	10,144
Printing and publications	1,399	1,399	17,367	4,435	5,518	30,118
Professional fees	2,528	2,611	2,294	4,421	5,979	17,833
Rent	19,704	23,102	10,192	6,795	8,153	67,946
Supplies	16,307	819	819	819	823	19,587
Taxes and licenses	158	173	76	51	61	519
Telephone	350	701	701	876	876	3,504
Travel	691	691	691	691	691	3,455
Utilities						-
Total Expenses	\$ 489,717	\$ 495,069	\$ 305,225	\$ 131,919	\$ 179,861	\$ 1,601,791

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	PROGRAM SERVICES					Grand Total
	Maintenance	Security	Marketing and Promotion	Parking	General and Administrative	
Advertising	\$ 3,033	\$ 3,227	\$ 13,423	\$ 2,296	\$ 1,035	\$ 23,014
Computer expenses	2,540	2,540	2,540	2,540	2,540	12,700
Contract labor costs	390,879	374,906	-	-	-	765,785
Consultants	488	1,612	488	1,300	(636)	3,252
Decorations	2,650	-	49,052	17,153	-	68,855
Depreciation and amortization	5,662	6,637	2,929	1,953	2,342	19,523
Dues and subscriptions	319	374	165	110	132	1,100
Events	-	-	57,467	420	-	57,887
Insurance	1,288	1,511	667	444	533	4,443
Labor costs	27,238	23,151	90,708	76,956	169,010	387,063
Meals and entertainment	-	1,326	1,592	796	1,592	5,306
Other expenses	22	22	179	106	(43)	286
Parking	-	6,473	915	452	1,219	9,059
Printing and publications	736	736	40,975	-	4,413	46,860
Professional fees	2,148	2,080	2,006	1,301	4,260	11,795
Rent	17,492	20,508	9,048	6,032	7,238	60,318
Supplies	12,926	628	650	303	1,560	16,067
Taxes and licenses	156	183	81	54	64	538
Telephone	366	366	1,100	546	1,280	3,658
Travel	591	591	591	591	591	2,955
Utilities	55	65	29	19	23	191
Total Expenses	\$ 468,589	\$ 446,936	\$ 274,605	\$ 113,372	\$ 197,153	\$ 1,500,655

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.

Advertising expenses

The Company expenses advertising costs as they are incurred.

**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, 2010 and 2009 was \$147,194 and \$525,781 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.

Recent Accounting Pronouncements

The Company has adopted all recently issued accounting pronouncements that were effective as of the date of these financial statements. The adoption of any accounting pronouncements not yet effective is not anticipated to have a material effect on the financial position or results of operations of the Company.

Accounts Receivable

The Organization records receivables for revenue when the county assesses property taxes. Management has not recorded a reserve for delinquent taxes in 2010 and 2009. 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, 2010 and 2009, 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.

Accounting principles generally accepted in the United States of America require that management evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service and the California Franchise Tax Board. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2010 and 2009, there were no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. Had there been any positions meeting the criterion the Organization would have expensed any related interest and penalties as tax expense. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. Management believes the Organization is no longer subject to tax examinations for the years prior to December 31, 2008.

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

NOTE 2 - PROPERTY AND EQUIPMENT

The details of property and equipment are as follows:

	<u>Useful lives</u>	<u>Salvage value</u>	<u>2010</u>	<u>2009</u>
Website	3 Years	0%	\$ 73,431	\$ 73,431
Furniture and fixtures	10 Years	10%	76,622	74,823
Machinery and equipment	5 Years	10%	24,458	24,458
			<u>174,511</u>	<u>172,712</u>
Less: Accumulated depreciation			<u>(124,850)</u>	<u>(103,562)</u>
Property and equipment, net			<u>\$ 49,661</u>	<u>\$ 69,150</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$21,285 and \$19,523, respectively.

NOTE 3 - LEASE COMMITMENTS

OPMD leases its office space under an operating lease expiring on December 31, 2015. During the year ended December 31, 2010 and 2009, rent expense was \$67,946 and \$60,319, respectively. In addition, the Organization has an operating lease for certain office equipment. The total future lease commitments are as follows:

Years Ending	
2011	\$ 26,041
2012	45,163
2013	46,066
2014	46,988
2015	<u>47,928</u>
	<u>\$ 212,186</u>

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

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 was August 1, 2006 through December 3, 2010. The contract was renewed on January 2, 2011 and shall end on December 31, 2015.

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 \$134,712 and \$134,712 were received for the services provided in 2010 and 2009, respectively. The term of the contract was July 18, 2006 through December 31, 2010. The contract was renewed on January 2, 2011 and shall end on December 31, 2015.

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 \$8,165 and \$5,975 for the years ended December 31, 2010 and 2009.

NOTE 7 - SUBSEQUENT EVENTS

Management evaluated subsequent events through July 20, 2011, the date of these financial statements and determined that all significant subsequent events have been accounted for and adequately disclosed in these financial statements.