

**OLD PASADENA  
MANAGEMENT DISTRICT  
FINANCIAL STATEMENTS  
DECEMBER 31, 2005  
AND  
DECEMBER 31, 2004**



**OLD PASADENA MANAGEMENT DISTRICT  
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AN ACCOUNTANCY CORPORATION

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CERTIFIED PUBLIC ACCOUNTANTS

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 organization) as of December 31, 2005 and December 31, 2004, 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.

Pasadena, California  
March 11, 2006

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 512,765	\$ 542,106
Cash, restricted	10,360	12,858
Accounts and contracts receivable, net	396,769	264,582
Other receivables	34,616	18,703
Prepaid expenses	58,523	3,703
Property and equipment, net	66,385	74,186
Deposits	<u>1,450</u>	<u>3,700</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,080,868</u></u>	<u><u>\$ 919,838</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 48,696	\$ 85,067
Other liabilities	19,287	18,731
Deferred assessment revenue	<u>421,634</u>	<u>266,126</u>
<b>TOTAL LIABILITIES</b>	<u>489,617</u>	<u>369,924</u>
<b>NET ASSETS</b>		
Unrestricted	<u>591,251</u>	<u>549,914</u>
<b>TOTAL NET ASSETS</b>	<u>591,251</u>	<u>549,914</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,080,868</u></u>	<u><u>\$ 919,838</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>SUPPORT AND REVENUE</b>		
Contract revenue, City	\$ 545,000	\$ 545,000
Assessment, property owners	679,645	580,155
Management Fees	113,304	107,712
Events Income	40,860	10,964
Other income	<u>5,500</u>	<u>2,124</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>1,384,309</u>	<u>1,245,955</u>
<b>EXPENSES</b>		
Program Services		
Maintenance	359,355	378,101
Security	441,076	416,641
Marketing and promotion	200,689	227,219
Parking	<u>121,648</u>	<u>88,038</u>
Total Program Services	1,122,768	1,109,999
Supporting Services	<u>220,204</u>	<u>185,379</u>
<b>TOTAL EXPENSES</b>	<u>1,342,972</u>	<u>1,295,378</u>
<b>DECREASE IN NET ASSETS</b>	41,337	(49,423)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>549,914</u>	<u>599,337</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 591,251</u></u>	<u><u>\$ 549,914</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 41,337	\$ (49,423)
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	11,821	18,163
Loss on disposal of assets	-	4,480
(Increase) decrease in accounts receivable, net	(148,100)	2,790
Increase in prepaid assets and other receivables	(52,570)	(1,561)
Increase (decrease) in accrued expenses	(35,812)	79,998
Increase in deferred revenue	155,508	7,451
	<u>(69,153)</u>	<u>111,321</u>
Net Cash Provided (Used) by Operating Activities	<u>(27,816)</u>	<u>61,898</u>
Cash Flows From Investing Activities:		
Proceeds from the sale of assets	-	6,600
Purchase of property and equipment	<u>(4,023)</u>	<u>(69,350)</u>
Net Cash Used by Investing Activities	<u>(4,023)</u>	<u>(62,750)</u>
Net decrease in cash	(31,839)	(852)
Cash and cash equivalents at beginning of year	<u>554,964</u>	<u>555,816</u>
Cash and cash equivalents at end of year	<u><u>\$ 523,125</u></u>	<u><u>\$ 554,964</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	PROGRAM SERVICES					Grand Total
	<u>Maintenance</u>	<u>Security</u>	<u>Promotion and Marketing</u>	<u>Parking</u>	<u>General and Administrative</u>	
Advertising and public relations	\$ 3,781	\$ 3,902	\$ 16,336	\$ 3,322	\$ 3,371	\$ 30,712
Bank charges	24	24	24	28	183	283
Cinema in the Park	-	-	34,905	-	-	34,905
Computer expenses	3,027	3,018	3,022	3,453	3,014	15,534
Consultants	830	830	830	29,645	830	32,965
Continuation expense	-	-	-	-	25,115	25,115
Decorations	-	-	23,738	-	-	23,738
Depreciation and amortization	3,428	4,019	1,773	1,183	1,419	11,822
Dues and subscriptions	680	737	1,592	470	495	3,974
Events	-	-	2,000	-	-	2,000
Golf tournament	-	-	10,923	-	-	10,923
Insurance	2,054	1,783	523	595	990	5,945
Labor and contract labor costs	10,928	394,048	72,785	60,123	145,954	683,838
Meals and entertainment	60	1,660	1,078	958	1,276	5,032
Meetings	767	767	865	778	821	3,998
Other expenses	19	2,772	10	7	1,097	3,905
Parking	83	356	1,015	205	1,059	2,718
Postage	101	101	2,471	684	2,488	5,845
Printing and publications	1,929	429	7,188	250	508	10,304
Professional fees	1,921	7,336	5,471	12,247	16,574	43,549
Relocation expense	634	743	328	218	923	2,846
Rent	12,180	14,280	6,300	4,200	5,040	42,000
Repairs and maintenance	312,040	-	-	-	-	312,040
Supplies	1,845	1,364	3,831	1,267	4,911	13,218
Taxes and licenses	106	124	55	36	44	365
Telephone	1,204	793	2,297	788	2,723	7,805
Travel	916	916	916	916	930	4,594
Utilities	798	1,074	413	275	439	2,999
Total Expenses	\$ 359,355	\$ 441,076	\$ 200,689	\$ 121,648	\$ 220,204	\$ 1,342,972

See accompanying notes and accountants' report.



**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	PROGRAM SERVICES					Grand Total
	<u>Maintenance</u>	<u>Security</u>	<u>Marketing and Promotion</u>	<u>Parking</u>	<u>General and Administrative</u>	
Advertising	\$ 1,078	\$ 1,078	\$ 30,848	\$ 1,078	\$ 1,194	\$ 35,276
Bank charges	-	-	-	-	257	257
Community outreach	135	2,547	12,052	46	6,861	21,641
Continuation					6,258	6,258
Depreciation and amortization	5,267	6,175	2,724	1,816	2,180	18,162
Dues and subscriptions	330	330	330	330	330	1,650
Events	-	-	23,003	-	-	23,003
Golf tournament	-	-	7,897	-	-	7,897
Insurance	1,450	1,700	750	500	600	5,000
Labor and contract labor costs	24,442	344,957	78,243	66,524	130,928	645,094
Loss on disposal of assets	-	4,480	-	-	-	4,480
Meals and entertainment	42	1,252	1,057	403	1,256	4,010
Meetings	-	-	6,765	-	-	6,765
Other expenses	-	-	15,293	-	-	15,293
Parking	29	4,110	459	340	1,573	6,511
Postage	123	134	1,379	817	1,185	3,638
Printing and publications	1,583	2,050	25,790	2,355	3,415	35,193
Professional fees	5,162	14,907	4,986	3,119	13,046	41,220
Relocation expense	7,968	9,342	4,122	2,748	3,297	27,477
Rent	9,832	11,528	5,086	3,391	4,069	33,906
Repairs and maintenance	310,990	-	-	-	-	310,990
Supplies	5,581	4,285	3,919	2,458	5,048	21,291
Taxes and licenses	160	188	83	55	66	552
Telephone	2,141	3,231	1,207	931	1,078	8,588
Travel	119	2,391	363	552	2,098	5,523
Utilities	1,669	1,956	863	575	640	5,703
Total Expenses	\$ 378,101	\$ 416,641	\$ 227,219	\$ 88,038	\$ 185,379	\$ 1,295,378

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 a separate bank account according to its parking contract. Funds in this account 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, 2005 and 2004 was \$532,636 and \$658,722, respectively. Substantially all of the Organization's accounts receivable are 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. The Organization records sponsorships receivable at the time a sponsorship contract is signed and records the corresponding revenue over the contract period. Management has recorded a reserve for delinquent taxes in the amount of \$0 and \$3,764 in 2005 and 2004. Management had previously used a reserve of 1.4% of the uncollected taxes in prior years. Management believes all other 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 and Unconditional Promises to Give**

The Organization records unearned sponsorship receivables to deferred revenue. Unconditional promises to give are recognized as contribution revenue in the period the promise is received and as assets, decrease of liabilities, or expenses depending on the form of benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

**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, 2005 and 2004, the value of such services 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 receives sponsorship revenue for various events. Revenue 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 is 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.

**NOTE 2 - PROPERTY AND EQUIPMENT**

Property and equipment is stated at cost or donated value. For financial reporting purposes, depreciation and amortization is provided using the straight-line method over the following estimated useful lives. The Organization's capitalization policy requires individual assets to be capitalized if the original cost or fair value at date of donation exceeds \$500. Assets acquired at a cost under this amount are capitalized at the discretion of management.

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

**NOTE 2 - PROPERTY AND EQUIPMENT (continued)**

	Useful lives	Salvage value	2005	2004
Website	3 Years	0%	\$ 40,537	\$ 40,537
Furniture and fixtures	10 Years	10%	65,619	65,619
Leasehold Improvements	3 Years	0%	3,425	-
Machinery and equipment	5 Years	10%	11,549	10,954
			121,130	117,110
Less: Accumulated depreciation			(54,745)	(42,924)
Property and equipment, net			\$ 66,385	\$ 74,186

Depreciation expense for the year ended December 31, 2005 and 2004 was \$11,821 and \$18,162.

**NOTE 3 - LEASE COMMITMENTS**

OPMD leases its office space under an operating lease expiring on November 30, 2007. During the year ended December 31, 2005 and 2004 rent expense was \$42,000 and \$33,906. The total future lease commitments are as follows:

Years Ending	
2006	\$ 43,300
2007	40,700
	<u>\$ 84,000</u>

**NOTE 4 - CITY CONTRACT**

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, 2000 through December 31, 2005. During the year the organization and the city renewed this contract for an additional five years. The new contract expires December 31, 2010.

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

**NOTE 5 - BOARD DESIGNATED FUNDS**

The Board of Directors has designated certain funds to be used to fund future cash needs related to the renewal of the Business Improvement District. Each month the organization transfers cash from the unrestricted funds to a certificate of deposit account. The certificates of deposit accounts are 90-day renewable funds and are unrestricted cash. The Board has reflected the corresponding net assets as unrestricted. At December 31, 2005 and 2004, \$117,367 and \$280,664 had been board designated.

**NOTE 6 - PARKING CONTRACT**

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 \$113,304 and \$107,712 were received for the services provided in 2005 and 2004. The contract will end on June 30, 2006 and may be extended at the end of the initial term. This contract is not related to the contract referred to in Note 4, and thus none of activity under the parking contract has been included under the contract in note 4.

**NOTE 7 - SUBSEQUENT EVENT**

Subsequent to the year end the organization held an event, The Food Bowl. The event generated revenue of approximately \$170,451 and expenses of \$223,911. The net expense of the event was approximately \$53,460. This event impacts the statement of activities for 2006. Deferred revenues for this event at December 31, 2005 were \$87,095 and prepaid expenses were \$58,523. The board had previously designated funds from prior activities in the amount of \$20,215, which were to be utilized to offset a portion of the net cost of this event.