OLD PASADENA MANAGEMENT DISTRICT

FINANCIAL STATEMENTS
DECEMBER 31, 2006

AND

DECEMBER 31, 2005

OLD PASADENA MANAGEMENT DISTRICT
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certified public accountants and consultants

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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 organization) as of December 31, 2006 and December 31, 2005, 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.

Krost, Baumgarten, Kniss + Guerrero

Pasadena, California
May 23, 2007

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OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005

	2006	2005
ASSETS		
Cash and cash equivalents	$ 604,160	$ 512,765
Cash, restricted	-	10,360
Accounts and contracts receivable, net	468,368	396,769
Other receivables	17,574	34,616
Prepaid expenses	-	58,523
Property and equipment, net	61,443	66,385
Deposits	-	1,450
TOTAL ASSETS	$ 1,151,545	$ 1,080,868
LIABILITIES		
Accounts payable	$ 98,122	$ 48,696
Other liabilities	10,447	19,287
Deferred revenue, other	-	88,095
Deferred revenue, assessments	388,687	333,539
TOTAL LIABILITIES	497,256	489,617
NET ASSETS		
Unrestricted	654,289	591,251
TOTAL NET ASSETS	654,289	591,251
TOTAL LIABILITIES AND NET ASSETS	$ 1,151,545	$ 1,080,868

See accompanying notes and accountants' report.

OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
SUPPORT AND REVENUE		
Contract revenue, City	$ 545,000	$ 545,000
Assessment, property owners	720,016	679,645
Management Fees	119,200	113,304
Events Income	140,523	40,860
Other income	5,571	5,500
TOTAL SUPPORT AND REVENUE	1,530,310	1,384,309
EXPENSES		
Program Services		
Maintenance	382,932	359,355
Security	467,953	441,076
Marketing and promotion	363,138	200,689
Parking	86,851	121,648
Total Program Services	1,300,874	1,122,768
Supporting Services	166,398	220,204
TOTAL EXPENSES	1,467,272	1,342,972
INCREASE IN NET ASSETS	63,038	41,337
NET ASSETS AT BEGINNING OF YEAR	591,251	549,914
NET ASSETS AT END OF YEAR	$ 654,289	$ 591,251

See accompanying notes and accountants' report.

OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Cash Flows From Operating Activities		
Increase in net assets	$ 63,038	$ 41,337
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	12,273	11,821
Increase in accounts receivable, net	(54,557)	(148,100)
(Increase) decrease in prepaid assets and other receivables	58,523	(54,820)
Decrease in deposits	1,450	2,250
Increase (decrease) in accounts payable	49,426	(36,371)
Increase (decrease) in other liabilities	(8,840)	559
Increase (decrease) in deferred revenue	(32,947)	155,508
Total Adjustments	25,328	(69,153)
Net Cash Provided (Used) by Operating Activities	88,366	(27,816)
Cash Flows From Investing Activities:		
Purchase of property and equipment	(7,331)	(4,023)
Net Cash Used by Investing Activities	(7,331)	(4,023)
Net increase (decrease) in cash	81,035	(31,839)
Cash and cash equivalents at beginning of year	523,125	554,964
Cash and cash equivalents at end of year	$ 604,160	$ 523,125

See accompanying notes and accountants' report.

OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	PROGRAM SERVICES					
	Maintenance	Security	Marketing and Promotion	Parking	General and Administrative	Grand Total
Advertising	$ 6,710	$ 7,558	$ 12,454	$ 3,489	$ 3,928	34,139
Bank charges	59	59	59	-	136	313
Cinema in the Park	-	-	22,498	-	-	22,498
Computer expenses	3,057	3,057	4,210	3,053	3,194	16,571
Consultants	694	3,867	694	1,827	694	7,776
Decorations	6,797	7,969	22,102	2,341	2,813	42,022
Depreciation and amortization	3,559	4,173	1,841	1,227	1,473	12,273
Dues and subscriptions	367	419	726	167	188	1,867
Events	9	10	5,244	3	4	5,270
Foodbowl	-	-	176,442	-	-	176,442
Insurance	1,235	1,449	639	427	511	4,261
Labor and contract labor costs	14,158	393,290	62,909	62,513	129,588	662,458
Meals and entertainment	80	1,375	1,527	495	1,060	4,537
Meetings	1,426	1,426	1,465	1,436	1,474	7,226
Other expenses	1,400	1,600	2,011	1,200	1,400	7,611
Parking	-	5,491	822	466	1,310	8,089
Postage	131	131	3,176	175	1,332	4,945
Printing and publications	489	489	31,033	-	672	32,683
Professional fees	2,333	2,784	2,171	2,111	5,241	14,640
Rent	12,371	14,504	6,399	4,266	5,119	42,659
Repairs and maintenance	326,121	15,491	-	(98)	-	341,514
Supplies	433	1,239	1,808	508	3,045	7,033
Taxes and licenses	104	122	54	36	103	419
Telephone	638	638	2,233	638	2,363	6,510
Travel	470	470	470	470	529	2,409
Utilities	291	342	151	101	221	1,106
Total Expenses	$ 382,932	$ 467,953	$ 363,138	$ 86,851	$ 166,398	$ 1,467,272

See accompanying notes and accountants' report.

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

	PROGRAM SERVICES					
	Maintenance	Security	Marketing and Promotion	Parking	General and Administrative	Grand Total
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
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.

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, 2006 and 2005 was $630,547 and $532,636 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 not recorded a reserve for delinquent taxes in 2006 and 2005. 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 and Unconditional Promises to Give

The Organization records unearned assessments and 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, 2006 and 2005, the value of such services is estimated to be immaterial.

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, 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	2006	2005
Website	3 Years	0%	$ 40,537	$ 40,537
Furniture and fixtures	10 Years	10%	70,018	65,619
Leasehold Improvements	3 Years	0%	3,425	3,425
Machinery and equipment	5 Years	10%	14,481	11,549
			128,461	121,130
Less: Accumulated depreciation			(67,018)	(54,745)
Property and equipment, net			$ 61,443	$ 66,385

Depreciation expense for the year ended December 31, 2006 and 2005 was $12,273 and $11,821.

NOTE 3 - LEASE COMMITMENTS

OPMD leases its office space under an operating lease expiring on November 30, 2007. During the year ended December 31, 2006 and 2005 rent expense was $42,659 and $42,000. In addition, the Organization has an operating lease for certain office equipment. The total future lease commitments are as follows:

Years Ending	
2007	$ 44,888
2008	4,188
2009	2,433
	$ 51,509

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, 2006 through 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 as well as for other purposes. 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, 2006 and 2005, $243,430 and $117,367 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 $119,200 and $113,304 were received for the services provided in 2006 and 2005. The contract was renewed on July 18, 2006 and shall end on December 31, 2010. 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 – SPECIAL EVENTS

Historically, once every four years the Organization has held a special event "FoodBowl" around the National Championship game at the Rose Bowl. The purpose of this event has been to create traffic in the Old Pasadena District during the time between the Rose Parade and the National Championship game. The board of directors anticipated and approved of expenses in excess of anticipated revenue on this event, results were within the board's budgeted expectations. The following table summarizes the outcome of the event.

	2006
Foodbowl revenue	$ 122,595
Foodbowl expenses	176,442
Impact on net assets	$ (53,847)

NOTE 8 – 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 $4,596 for the year ended December 31, 2006.