

**OLD PASADENA
MANAGEMENT DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2007
AND
DECEMBER 31, 2006**

**OLD PASADENA MANAGEMENT DISTRICT
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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 organization) as of December 31, 2007 and December 31, 2006, 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
August 5, 2008

OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 522,680	\$ 601,273
Cash, restricted	24,406	2,886
Accounts and contracts receivable, net	785,998	468,368
Other receivables	13,281	17,574
Property and equipment, net	64,012	61,443
Deposits	<u>4,340</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 1,414,717</u></u>	<u><u>\$ 1,151,545</u></u>
LIABILITIES		
Accounts payable	\$ 184,848	\$ 98,122
Other liabilities	38,722	10,447
Deferred revenue, assessments	<u>402,515</u>	<u>388,687</u>
TOTAL LIABILITIES	<u>626,085</u>	<u>497,256</u>
NET ASSETS		
Unrestricted	<u>788,632</u>	<u>654,289</u>
TOTAL NET ASSETS	<u>788,632</u>	<u>654,289</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,414,717</u></u>	<u><u>\$ 1,151,545</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
SUPPORT AND REVENUE		
Contract revenue, City	\$ 545,000	\$ 545,000
Assessment, property owners	788,812	720,016
Parking management fees	126,744	119,200
Events income	-	140,523
Other income	9,240	5,571
	<u>1,469,796</u>	<u>1,530,310</u>
TOTAL SUPPORT AND REVENUE	<u>1,469,796</u>	<u>1,530,310</u>
EXPENSES		
Program Services		
Maintenance	436,628	382,932
Security	437,818	467,953
Marketing and promotion	190,700	363,138
Parking	100,329	86,851
Total Program Services	<u>1,165,475</u>	<u>1,300,874</u>
Supporting Services	<u>169,978</u>	<u>166,398</u>
	<u>1,335,453</u>	<u>1,467,272</u>
TOTAL EXPENSES	<u>1,335,453</u>	<u>1,467,272</u>
INCREASE IN NET ASSETS	134,343	63,038
NET ASSETS AT BEGINNING OF YEAR	<u>654,289</u>	<u>591,251</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 788,632</u></u>	<u><u>\$ 654,289</u></u>

See accompanying notes and accountants' report.

**OLD PASADENA MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 134,343	\$ 63,038
Adjustments to reconcile net assets to net cash provided by operating activities:		
Depreciation and amortization	10,587	12,273
Loss on disposal of assets	2,662	-
Increase in accounts receivable, net	(317,630)	(54,557)
Decrease in prepaid assets and other receivables	4,293	58,523
(Increase) decrease in deposits	(4,340)	1,450
Increase in accounts payable	86,726	49,426
Increase (decrease) in other liabilities	28,275	(8,840)
Increase (decrease) in deferred revenue	13,828	(32,947)
	<u>(175,600)</u>	<u>25,328</u>
Total Adjustments		
	<u>(41,258)</u>	<u>88,366</u>
Net Cash Provided (Used) by Operating Activities		
	<u>(41,258)</u>	<u>88,366</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(15,816)</u>	<u>(7,331)</u>
Net Cash Used by Investing Activities	<u>(15,816)</u>	<u>(7,331)</u>
Net increase (decrease) in cash	(57,074)	81,035
Cash and cash equivalents at beginning of year	<u>604,160</u>	<u>523,125</u>
Cash and cash equivalents at end of year	<u><u>\$ 547,086</u></u>	<u><u>\$ 604,160</u></u>

See accompanying notes and accountants' report.

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

	PROGRAM SERVICES						
			Marketing and Promotion	Parking	General and Administrative	Grand Total	
	<u>Maintenance</u>	<u>Safety</u>					
Advertising	\$ 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	
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 and contract labor costs	389,666	384,266	63,689	67,842	131,867	1,037,330	
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
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	PROGRAM SERVICES					
	<u>Maintenance</u>	<u>Security</u>	Marketing and <u>Promotion</u>	<u>Parking</u>	General and <u>Administrative</u>	Grand <u>Total</u>
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	340,279	393,290	62,909	62,513	129,588	988,579
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	-	15,491	-	(98)	-	15,393
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
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, 2007 and 2006 was \$380,257 and \$630,547 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. Management has not recorded a reserve for delinquent taxes in 2007 and 2006. 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, 2007 and 2006, 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	2007	2006
Website	3 Years	0%	\$ 40,537	\$ 40,537
Furniture and fixtures	10 Years	10%	70,695	70,018
Leasehold Improvements	3 Years	0%	-	3,425
Machinery and equipment	5 Years	10%	24,458	14,481
			<hr/>	<hr/>
			135,680	128,461
Less: Accumulated depreciation			(71,678)	(67,018)
			<hr/>	<hr/>
Property and equipment, net			\$ 64,012	\$ 61,443
			<hr/>	<hr/>

Depreciation expense for the year ended December 31, 2007 and 2006 was \$10,587 and \$12,273.

NOTE 3 - LEASE COMMITMENTS

OPMD leases its office space under an operating lease expiring on December 31, 2010. During the year ended December 31, 2007 and 2006 rent expense was \$46,038 and \$42,660. In addition, the Organization has an operating lease for certain office equipment. The total future lease commitments are as follows:

Years Ending	
2008	\$ 54,588
2009	53,192
2010	50,400
	<hr/>
	\$ 158,180
	<hr/>

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 \$126,744 and \$119,200 were received for the services provided in 2007 and 2006. The contract was renewed on July 18, 2006 and shall end on December 31, 2010.

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 quarter the Organization transfers cash from the unrestricted funds to certificate of deposit accounts. The certificate of deposit accounts have varying maturity periods which are renewable funds and are included as unrestricted cash. The Board has reflected the corresponding net assets as unrestricted. At December 31, 2007 and 2006, \$474,465 and \$243,430 had been board designated.

NOTE 6 – SPECIAL EVENTS

The Organization had held a special “FoodBowl” event around the National Championship football game at the Rose Bowl. The purpose of this event had been to create traffic in the Old Pasadena District during the time between the Rose Parade and the National Championship game. In 2006 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.

	<u>2006</u>
Foodbowl revenue	\$ 122,595
Foodbowl expenses	<u>176,442</u>
Impact on net assets	<u>\$ (53,847)</u>

NOTE 7 – 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 \$3,476 and \$4,596 for the years ended December 31, 2007 and 2006.