

*Financial Statements*

**OLD PASADENA MANAGEMENT DISTRICT**

December 31, 2012



# HENSIEK & CARON

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying statements of financial position of the Old Pasadena Management District (a nonprofit Organization) as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 reviews, 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.

*Hensiek & Caron*

March 21, 2013

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2012 AND 2011**

**ASSETS**

	<b>2012</b>	<b>2011</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,050,301	\$ 1,019,261
Cash, restricted	7,730	183,193
<b>Total Cash and Cash Equivalents</b>	1,058,031	1,202,454
Accounts and contracts receivable, net of allowance for doubtful accounts of \$0 in 2011 and 2010	534,314	583,122
Other receivables	17,388	6,887
Property and equipment, at cost, net	45,315	52,530
Deposits	3,915	3,915
<b>Total Assets</b>	<b>\$ 1,658,963</b>	<b>\$ 1,848,908</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 142,304	\$ 263,844
Other liabilities	13,744	187,353
Deferred revenue - assessments	472,012	467,408
<b>Total Liabilities</b>	628,060	918,605
<b>Unrestricted Net Assets</b>		
Board designated		
Continuation reserves	442,147	426,880
Renewal reserves	49,975	45,973
Emergency reserves	61,887	52,377
Reserves for uncollectibles	18,167	18,167
Other reserves	22,309	22,309
Total Board Designated	594,485	565,706
Other	436,418	364,597
<b>Total Unrestricted Net Assets</b>	1,030,903	930,303
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,658,963</b>	<b>\$ 1,848,908</b>

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Support and Revenue</b>		
Assessments - Property owners	\$ 934,812	\$ 908,436
Contract revenue - City of Pasadena	545,000	545,000
Parking management fees	138,360	134,712
Interest income	1,339	2,269
	<u>1,619,511</u>	<u>1,590,417</u>
<b>Expenses</b>		
Program Services		
Maintenance	465,444	473,679
Security	499,339	493,029
Marketing and promotion	265,249	250,033
Parking management	118,060	131,793
<b>Total Program Services</b>	<u>1,348,092</u>	<u>1,348,534</u>
Supporting Services	<u>170,819</u>	<u>168,673</u>
	<u>1,518,911</u>	<u>1,517,207</u>
<b>Total Expenses</b>		
	<u>1,518,911</u>	<u>1,517,207</u>
<b>Change in Net Assets</b>	100,600	73,210
<b>Net Assets, Unrestricted, Beginning of Year</b>	<u>930,303</u>	<u>857,093</u>
<b>Net Assets, Unrestricted, End of Year</b>	<u><u>\$ 1,030,903</u></u>	<u><u>\$ 930,303</u></u>

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from service recipients	\$ 1,671,584	1,571,123
Cash paid to suppliers and employees	(1,623,279)	(1,339,250)
Interest received	1,339	2,269
	<u>49,644</u>	<u>234,142</u>
<b>Cash Flows from Investing Activities</b>		
Change in other receivables	(10,500)	18,876
Change in deposits	-	4,200
Purchase of property and equipment	(9,955)	(25,016)
	<u>(20,455)</u>	<u>(1,940)</u>
<b>Cash Flows from Financing Activities</b>		
Change in other payables	(173,612)	70,592
	<u>(144,423)</u>	<u>302,794</u>
<b>Net Increase (Decrease) in Cash</b>	<u>(144,423)</u>	<u>302,794</u>
<b>Cash and Cash Equivalents, Beginning</b>	<u>1,202,454</u>	<u>899,660</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,058,031</u>	<u>\$ 1,202,454</u>
<b>Reconciliation of the Change in Net Assets to Net Cash Provided by Operating Activities</b>		
Change in net assets	\$ 100,600	\$ 73,210
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	17,169	22,147
(Increase) Decrease in:		
Accounts receivable	48,808	(30,215)
Prepaid expenses	-	3,721
Increase (Decrease) in:		
Accounts payable and accrued expenses	(121,537)	152,089
Deferred revenue - assessments	4,604	13,190
	<u>49,644</u>	<u>234,142</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 49,644</u>	<u>\$ 234,142</u>

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>Program Services</b>				<b>Total</b>	<b>Supporting Services</b>	<b>Total</b>
	<b>Maintenance</b>	<b>Security</b>	<b>Marketing and Promotion</b>	<b>Parking</b>			
Contract labor	\$ 385,362	\$ 394,860	\$ -	\$ -	\$ 780,222	\$ -	\$ 780,222
Salaries and benefits	38,694	48,521	94,703	79,093	261,011	139,621	400,632
Events and marketing	90	11,274	94,743	13,043	119,150	3,612	122,762
Holiday decorations	-	5,810	43,573	8,715	58,098	-	58,098
Rent	13,429	15,046	7,149	2,946	38,570	5,260	43,830
Depreciation and amortization	4,979	5,838	2,575	1,717	15,109	2,060	17,169
Printing and publications	1,361	1,361	14,267	4,549	21,538	6,792	28,330
Consultants	1,389	1,389	1,389	1,389	5,556	3,705	9,261
Office supplies and expenses	1,177	1,274	901	1,469	4,821	859	5,680
Supplies	12,039	-	-	-	12,039	-	12,039
Computer expenses	1,328	1,328	1,328	1,328	5,312	1,328	6,640
Parking and mileage	1,277	7,710	701	386	10,074	492	10,566
Professional fees	1,089	1,089	1,089	1,356	4,623	2,803	7,426
Meetings	305	357	158	105	925	126	1,051
Meals and entertainment	698	698	698	698	2,792	1,861	4,653
Insurance	1,721	1,771	962	-	4,454	608	5,062
Telephone	506	1,013	1,013	1,266	3,798	1,266	5,064
Taxes and licenses	-	-	-	-	-	426	426
	<u>\$ 465,444</u>	<u>\$ 499,339</u>	<u>\$ 265,249</u>	<u>\$ 118,060</u>	<u>\$ 1,348,092</u>	<u>\$ 170,819</u>	<u>\$ 1,518,911</u>

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Program Services</b>				<b>Total</b>	<b>Supporting Services</b>	<b>Total</b>
	<b>Maintenance</b>	<b>Security</b>	<b>Marketing and Promotion</b>	<b>Parking</b>			
Contract labor	\$ 387,332	\$ 380,007	\$ -	\$ -	\$ 767,339	\$ -	\$ 767,339
Salaries and benefits	39,959	49,186	94,219	78,464	261,828	136,618	398,446
Events and marketing	281	12,008	88,878	17,865	119,032	100	119,132
Holiday decorations	-	5,845	43,839	8,768	58,452	-	58,452
Rent	12,657	14,712	6,604	4,286	38,259	5,183	43,442
Depreciation and amortization	6,423	7,530	3,322	2,657	19,932	2,215	22,147
Printing and publications	2,128	2,128	641	8,348	13,245	5,026	18,271
Consultants	2,702	2,702	2,702	2,702	10,808	7,205	18,013
Office supplies and expenses	4,332	4,505	3,022	2,136	13,995	2,205	16,200
Supplies	10,628	-	-	-	10,628	-	10,628
Computer expenses	1,979	2,004	2,235	2,055	8,273	2,004	10,277
Parking and mileage	1,136	7,560	660	352	9,708	478	10,186
Professional fees	1,129	1,129	1,129	1,414	4,801	2,876	7,677
Meals and entertainment	895	895	895	865	3,550	2,415	5,965
Insurance	1,414	1,658	731	488	4,291	585	4,876
Telephone	475	950	950	1,188	3,563	1,168	4,731
Dues and subscriptions	203	203	203	203	812	203	1,015
Taxes and licenses	6	7	3	2	18	392	410
	<u>\$ 473,679</u>	<u>\$ 493,029</u>	<u>\$ 250,033</u>	<u>\$ 131,793</u>	<u>\$ 1,348,534</u>	<u>\$ 168,673</u>	<u>\$ 1,517,207</u>

**OLD PASADENA MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**Note 1 – Summary of Significant Accounting Policies**

**Nature of the Organization**

Old Pasadena Management District (“OPMD”) is a California nonprofit corporation organized in 1995. OPMD’s purpose is to protect and serve the collective interests of the property owners, tenants, and residents of Old Pasadena (in the City of Pasadena, California). The Organization is governed by an elected volunteer board of directors, and manages the Old Pasadena Business Improvement District (BID) under a contract with the City. The Organization’s major projects are to provide services to the Old Pasadena district by means of enhanced maintenance, security, retail promotion, business development and retention, and utilizing public streets, parks and walkways for events held in the district.

**Accounts Receivable**

Assessments receivable are stated at the amount management expects to collect from outstanding balances. Generally, management considers all property tax assessments as collectible, as they are secured by real property.

**Support and Revenue**

Contract revenue from the City of Pasadena (“the City”) and Parking Management revenue is recorded as earned.

Assessments from property owners are recorded when the assessment is made. Assessment revenue is recorded as earned over the period of benefit; unearned assessments are recorded as deferred revenue.

The Organization does not normally receive donations and, if received, they would not be deductible by the donor under Internal Revenue Regulations. Sponsorship revenue for events is recorded as of the day or days that the event takes place.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments which have a maturity of three months or less to be cash equivalents.

**Restricted Cash**

The Organization maintains separate bank accounts according to contracts with the City for parking services and for the maintenance of a trash compactor. Funds in these accounts are held in trust for the benefit of the City. A corresponding liability is included in other liabilities.

**Property and Equipment**

Acquisitions of property and equipment in excess of \$500 are capitalized and are carried at cost, or if donated, at the value at date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Costs of additions, renewals, and betterments are capitalized; maintenance and repairs are charged to expense when incurred.



**OLD PASADENA MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**Note 1 – Summary of Significant Accounting Policies** (continued)

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Advertising Expenses**

The Organization expenses advertising costs as they are incurred.

**Income Taxes**

The Organization is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes provides guidance on how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. Examples of tax positions include the tax-exempt status of the Organization and various positions related to potential sources of unrelated business taxable income (UBIT). The Organization believes that it has no uncertain tax positions that impact its financial statements.

The Organization files form 990 with the Internal Revenue Service, and files related exempt organization returns in the State of California. The Organization's returns are generally no longer subject to examination by the Internal Revenue Service for years ending before 2009, or by the State of California for years ending before 2008.

**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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2 – Concentration of Credit Risk**

The Organization maintains its cash balances at a several financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2012, the Organization's uninsured cash balances totaled \$445,377.

**OLD PASADENA MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**Note 3 – Property and Equipment**

Property and equipment consist of the following:

	<b>2012</b>	<b>2011</b>
Website	\$ 73,431	\$ 73,431
Furniture and fixtures	76,622	76,622
Machinery and equipment	59,430	49,475
	209,483	199,528
Less accumulated depreciation and amortization	(164,168)	(146,998)
	\$ 45,315	\$ 52,530

**Note 4 – Lease Commitments**

The Organization leases its office space under an operating lease expiring on December 31, 2015.

The minimum payments under this operating lease are as follows:

<u><b>Year Ending December 31,</b></u>		
2013		\$ 45,839
2014		46,756
2015		47,691

Total rent expense for the years ended December 31, 2012 and 2011, was \$43,830 and \$43,442, respectively.

**Note 5 – City Contracts**

The Organization has a contract with the City to provide maintenance, security and marketing services in the Old Pasadena district. The Organization is required to meet or exceed certain spending requirements specific to these services under the contract. As of December 31, 2012, the Organization was in compliance with the contract requirements. The contract also provides for the Organization to receive property tax assessments from property owners in the district. The contract expires December, 31, 2015.

The Organization also has a contract with the City to provide management and operation of certain City-owned parking structures. The contract expires on December 31, 2015.

**Note 6 – Board Designated Funds**

In connection with the management of the Old Pasadena Business Improvement District, the Organization’s Board of Directors sets aside certain funds into reserve accounts, which are generally held in money market accounts, to fund future cash needs related to the renewal of the BID and other purposes.

**OLD PASADENA MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**Note 7 – Retirement Plan**

The Organization maintains a 3% matching simple retirement plan that permits qualified participants to make pre-tax employee contributions up to the statutory amount designated by the IRS. Matching contributions under the plan were \$8,036 and \$7,880 for the years ended December 31, 2012 and 2011, respectively.

**Note 8 – Subsequent Events**

Management has evaluated subsequent events through March 21, 2013, which is the date the statements were available to be issued. There were no subsequent events that would require adjustments or disclosures in these financial statements.