

*Financial Statements*

**OLD PASADENA MANAGEMENT DISTRICT**

December 31, 2013



# 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, 2013 and 2012, 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.

A handwritten signature in cursive script that reads 'Hensiek &amp; Caron'.

August 28, 201

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<u><b>2013</b></u>	<u><b>2012</b></u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,086,912	\$ 1,050,301
Cash, restricted	<u>-</u>	<u>7,730</u>
<b>Total Cash and Cash Equivalents</b>	1,086,912	1,058,031
Accounts and contracts receivable, net of allowance for doubtful accounts of \$0 in 2013 and 2012	671,046	534,314
Other receivables	6,429	17,388
Property and equipment, at cost, net	46,944	45,315
Deposits	<u>3,915</u>	<u>3,915</u>
<b>Total Assets</b>	<u><u>\$ 1,815,246</u></u>	<u><u>\$ 1,658,963</u></u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 227,493	\$ 142,304
Other liabilities	-	13,744
Deferred revenue - assessments	<u>478,726</u>	<u>472,012</u>
<b>Total Liabilities</b>	<u>706,219</u>	<u>628,060</u>
<b>Unrestricted Net Assets</b>		
Board designated		
Continuation reserves	453,679	452,555
Renewal reserves	45,034	37,137
Emergency reserves	134,062	114,887
Reserves for uncollectibles	18,788	18,742
Unfunded projects	<u>3,012</u>	<u>3,005</u>
<b>Total Board Designated</b>	654,575	626,326
Other	<u>454,452</u>	<u>404,577</u>
<b>Total Unrestricted Net Assets</b>	<u>1,109,027</u>	<u>1,030,903</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,815,246</u></u>	<u><u>\$ 1,658,963</u></u>

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Support and Revenue</b>		
Assessments - Property owners	\$ 950,736	\$ 934,812
Contract revenue - City of Pasadena	545,000	545,000
Parking management fees	141,156	138,360
Interest income	<u>1,569</u>	<u>1,339</u>
<b>Total Support and Revenue</b>	<u>1,638,461</u>	<u>1,619,511</u>
<b>Expenses</b>		
Program Services		
Maintenance	472,961	465,444
Security	517,327	499,339
Marketing and promotion	261,759	265,249
Parking management	<u>130,420</u>	<u>118,060</u>
<b>Total Program Services</b>	<u>1,382,467</u>	<u>1,348,092</u>
Supporting Services	<u>177,870</u>	<u>170,819</u>
<b>Total Expenses</b>	<u>1,560,337</u>	<u>1,518,911</u>
<b>Change in Net Assets</b>	78,124	100,600
<b>Net Assets, Unrestricted, Beginning of Year</b>	<u>1,030,903</u>	<u>930,303</u>
<b>Net Assets, Unrestricted, End of Year</b>	<u><u>\$ 1,109,027</u></u>	<u><u>\$ 1,030,903</u></u>

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from service recipients	\$ 1,506,874	1,671,584
Cash paid to suppliers and employees	(1,459,326)	(1,623,279)
Interest received	1,569	1,339
<b>Net Cash Provided by Operating Activities</b>	<u>49,117</u>	<u>49,644</u>
<b>Cash Flows from Investing Activities</b>		
Change in other receivables	10,959	(10,500)
Purchase of property and equipment	(17,448)	(9,955)
<b>Net Cash Used for Investing Activities</b>	<u>(6,489)</u>	<u>(20,455)</u>
<b>Cash Flows from Financing Activities</b>		
Change in other payables	(13,747)	(173,612)
<b>Net Increase (Decrease) in Cash</b>	28,881	(144,423)
<b>Cash and Cash Equivalents, Beginning</b>	<u>1,058,031</u>	<u>1,202,454</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 1,086,912</u></u>	<u><u>\$ 1,058,031</u></u>
<b>Reconciliation of the Change in Net Assets to Net Cash Provided by Operating Activities</b>		
Change in net assets	\$ 78,124	\$ 73,210
Adjustments to reconcile the change in net assets to net cash provided by operating activities		
Depreciation	15,822	22,147
(Increase) Decrease in:		
Accounts receivable	(136,732)	(30,215)
Prepaid expenses	-	3,721
Increase (Decrease) in:		
Accounts payable and accrued expenses	85,189	152,089
Deferred revenue - assessments	6,714	13,190
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 49,117</u></u>	<u><u>\$ 234,142</u></u>

**OLD PASADENA MANAGEMENT DISTRICT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Program Services</b>					<b>Supporting Services</b>	<b>Total</b>
	<b>Maintenance</b>	<b>Security</b>	<b>Marketing and Promotion</b>	<b>Parking</b>	<b>Total</b>		
Contract labor	\$ 386,200	\$ 406,772	\$ -	\$ -	\$ 792,972	\$ -	\$ 792,972
Salaries and benefits	40,122	50,406	89,719	81,731	261,978	144,384	406,362
Events and marketing	153	10,659	86,494	15,779	113,085	249	113,334
Holiday decorations	-	6,180	46,353	9,271	61,804	-	61,804
Rent	13,335	15,106	7,051	3,324	38,816	5,293	44,109
Depreciation and amortization	4,588	5,380	2,373	1,582	13,923	1,899	15,822
Printing and publications	1,788	1,788	18,925	6,177	28,678	8,122	36,800
Consultants	882	882	882	882	3,528	2,352	5,880
Office supplies and expenses	1,171	1,268	903	774	4,116	1,316	5,432
Supplies	13,515	-	-	1,080	14,595	-	14,595
Computer expenses	2,206	2,206	2,206	2,206	8,824	2,206	11,030
Parking and mileage	1,504	7,998	755	489	10,746	610	11,356
Professional fees	1,769	1,769	1,769	3,599	8,906	5,071	13,977
Meetings	2,384	2,795	1,233	822	7,234	986	8,220
Meals and entertainment	915	915	915	915	3,660	2,440	6,100
Insurance	1,833	2,011	989	300	5,133	700	5,833
Telephone	596	1,192	1,192	1,489	4,469	1,489	5,958
Taxes and licenses	-	-	-	-	-	753	753
	<u>\$ 472,961</u>	<u>\$ 517,327</u>	<u>\$ 261,759</u>	<u>\$ 130,420</u>	<u>\$ 1,382,467</u>	<u>\$ 177,870</u>	<u>\$ 1,560,337</u>

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

	Program Services					Supporting Services	Total
	Maintenance	Security	Marketing and Promotion	Parking	Total		
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  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**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**

In 2012, the Organization maintained separate bank accounts according to contracts with the City for parking services and for the maintenance of a trash compactor. Funds in these accounts were held in trust for the benefit of the City, and a corresponding liability is included in other liabilities. There were no funds held in trust at December 31, 2013

**OLD PASADENA MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

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

**Property and Equipment**

Acquisitions of property and equipment in excess of \$500 are capitalized and are carried at cost. 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.

**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 2011, or by the State of California for years ending before 2010.

**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 several financial institutions. Cash accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At December 31, 2013, the Organization's uninsured cash balances totaled \$473,989.

**OLD PASADENA MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**Note 3 – Property and Equipment**

Property and equipment consist of the following:

	<u><b>2013</b></u>	<u><b>2012</b></u>
Website	\$ 73,431	\$ 73,431
Furniture and fixtures	77,102	76,622
Machinery and equipment	<u>76,400</u>	<u>59,430</u>
	226,933	209,483
Less accumulated depreciation and amortization	<u>(179,989)</u>	<u>(164,168)</u>
	<u><u>\$ 46,944</u></u>	<u><u>\$ 45,315</u></u>

**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>	
2014	\$ 46,756
2015	47,691

Total rent expense (including storage facilities) for the years ended December 31, 2013 and 2012, was \$44,109 and \$43,830, 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, 2013, 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, 2013**

**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 \$7,823 and \$8,036 for the years ended December 31, 2013 and 2012, respectively.

**Note 8 – Contingencies**

During the year, the Organization was named in two lawsuits seeking damages in connection with alleged employment issues. The Organization believed that the complaints were without merit and has presented a vigorous defense in both cases. The cases were settled after the end of the year – one at no cost, and the other for \$10,000, net of liability insurance coverage. The accompanying financial statements do not include any adjustments for this contingency.

**Note 9 – Subsequent Events**

Management has evaluated subsequent events through August 28, 2014, 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.