

**PASADENA COMMUNITY ACCESS CORPORATION
(A COMPONENT UNIT OF THE CITY OF
PASADENA, CALIFORNIA)**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022



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**PASADENA COMMUNITY ACCESS CORPORATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Pasadena Community Access Corporation
Pasadena, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pasadena Community Access Corporation (the Corporation), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1D to the financial statements, effective July 1, 2021, the Corporation adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The guidance requires lessees to recognize a right-to-use assets and corresponding lease liability for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

As discussed in Note 13 to the financial statements, the Corporation restated the beginning net position to recognize previously recorded unearned PEG grant revenues. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
March 7, 2023

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**PASADENA COMMUNITY ACCESS CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Our discussion and analysis of the Pasadena Community Access Corporation's (a component unit of the City of Pasadena, California) (the Corporation) financial performance provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Corporation's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- The Corporation's net position for the fiscal year ended June 30, 2022, was \$878,677, an increase of \$121,883, or 16.11%, over the prior year.
- During the year, the Corporation had operating expenses that were \$20,791 more than the \$1,027,814 generated from the operating agreement, service contracts, and other operating revenues from the Corporation's programs from the fiscal year ended June 30, 2022.
- Total operating cost of all the Corporation's programs was \$1,048,605. The programmatic activities of the Corporation remained unchanged.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position (on pages 9 and 10) provide information about the activities of the Corporation as a whole and present a long-term view of the Corporation's finances. As the Corporation operates as a business-type activity, no additional fund statements are necessary. When the Corporation charges customers for the services it provides—whether to outside customers or to the City of Pasadena or other governments—these services are reported similarly to the way a business operates.

A Statement of Cash Flows is also presented using the direct method, which portrays inflows and outflows for specific classes of operations along with an indirect reconciliation of increases to net cash provided by operations.

Reporting the Corporation's Results as a Whole

Our analysis of the Corporation as a whole begins on page 4. One of the most important questions asked about the Corporation's finances is, "Is the Corporation as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Corporation as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**PASADENA COMMUNITY ACCESS CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

These two statements report the Corporation's net position and changes in them. You can think of the Corporation's net position—the difference between assets and liabilities—as one way to measure the Corporation's financial health, or financial position. Over time, increases or decreases in the Corporation's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Corporation's long-term contractual revenues and the condition of the Corporation's equipment and other assets, to assess the overall health of the Corporation.

THE CORPORATION AS A WHOLE

The Corporation's net position increased from a year ago, from \$756,794 to \$878,677. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Corporation's activities.

Table 1

	June 30, 2022	Restated June 30, 2021
Current and Other Assets	\$ 858,961	\$ 681,979
Capital Assets, Net	280,093	131,413
Total Assets	1,139,054	813,392
Current Liabilities	(231,974)	(56,598)
Noncurrent Liabilities	(28,403)	-
Total Liabilities	(260,377)	(56,598)
Net Position:		
Net Investment in Capital Assets	82,351	131,413
Restricted	474,874	331,654
Unrestricted	321,452	293,727
Total Net Position	\$ 878,677	\$ 756,794

For comparison purposes, the June 30, 2021, column data in Table 1 has been adjusted for the restatement described in Note 13 to the financial statements.

Unrestricted Net Position—The part of net position that can be used to finance day-to-day operations without constraints established by debts, contribution restrictions, or other legal requirements—changed from \$293,727 at June 30, 2021, to \$321,452 at end of the fiscal year. This nominal increase is a result of the Corporation's normal operation. The Corporation generally can use this unrestricted net position to finance continuing operations in the coming fiscal year.

**PASADENA COMMUNITY ACCESS CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Table 2

	Year Ended		Percentage Changes from 2021
	June 30, 2022	Restated June 30, 2021	
Revenues:			
Operating Revenues:			
Operating Agreement	\$ 967,000	\$ 967,000	0.0%
Service Contracts	18,000	10,145	77.4%
Production and Other Operating Revenue	42,814	37,443	14.3%
Total Operating Revenues	<u>1,027,814</u>	<u>1,014,588</u>	1.3%
Nonoperating Revenues:			
Public, Education and Gov't (PEG) Revenue	143,220	196,513	-27.1%
Interest Income	49	47	4.3%
Total Nonoperating Revenues	<u>143,269</u>	<u>196,560</u>	-27.1%
Total Revenues	<u>1,171,083</u>	<u>1,211,148</u>	-3.3%
Operating Expenses:			
Salaries and Benefits	699,379	678,454	3.1%
Production Expense	24,628	18,701	31.7%
Occupancy Expense	44,470	210,250	-78.8%
Contractual Services	26,700	29,100	-8.2%
General and Administrative	40,260	29,520	36.4%
Depreciation and Amortization	213,168	48,701	337.7%
Total Operating Expenses	<u>1,048,605</u>	<u>1,014,726</u>	3.3%
Nonoperating Expenses:			
PEG Grants Awarded to Other Agencies	-	41,066	-100.0%
Interest Expense	595	-	-
Total Nonoperating Expenses	<u>595</u>	<u>41,066</u>	-98.6%
Total Expenses	<u>1,049,200</u>	<u>1,055,792</u>	-0.6%
Changes in Net Position	121,883	155,356	
Net Position - Beginning of Year, as Restated	<u>756,794</u>	<u>601,438</u>	25.8%
Net Position - End of Year	<u>\$ 878,677</u>	<u>\$ 756,794</u>	16.1%

For comparison purposes, the June 30, 2021, column data in Table 2 has been adjusted for the restatement described in Note 13 to the financial statements.

Although the Corporation's total cost of programs and services had a net decrease of 0.6% (\$6,592), a closer look shows that operating expenses increased 3.3% (\$33,879), while PEG expenses decreased from \$41,066 to \$0. The Corporation's revenues had a net decrease of 3.3% (\$40,065), resulting from a combination of increased operating revenues and decreased PEG revenue received from the City of Pasadena in nonoperating revenue.

Budgetary Highlights

Over the course of the year, the board of directors reviewed the budget during meetings. There were no budget reforecasts submitted for approval.

The Corporation's adopted operating budget was \$1,077,700 for the fiscal year ended June 30, 2022. Actual operating revenues were \$49,886 less than budget, and operating expenses were \$29,095 less than budget.

**PASADENA COMMUNITY ACCESS CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

CAPITAL ASSETS

At the end of 2022, the Corporation had \$280,093 invested in capital assets, net of accumulated depreciation and amortization. (See Table 3 below.) This amount represents a net increase of \$148,680 or 113% higher than last year that resulted from the addition of a right-to-use leased building as part of the adoption of the new accounting standard discussed in Note 1D to the financial statements.

Table 3

	June 30, 2022	June 30, 2021
Production Equipment	\$ 437,420	\$ 437,420
Leasehold Improvements	93,897	93,897
Right-to-Use Leased Building	361,848	-
Less: Accumulated Depreciation and Amortization	(613,072)	(399,904)
Property and Equipment, Net	\$ 280,093	\$ 131,413

More detailed information about the Corporation's capital assets is presented in Note 3 to the financial statements.

LONG-TERM LIABILITIES

As a result of the current year implementation of the new accounting standard on leases discussed in Note 1D to the financial statements, the Corporation now reports a lease payable related to its leased office and production facilities. The outstanding balance of this lease payable was \$197,742 and \$361,848 as of June 30, 2022 and 2021, respectively.

More detailed information about the Corporation's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Corporation's board of directors considered many factors when setting the fiscal year 2023 budget. The most significant budget expense increase is in personnel cost-of-living adjustments. Other increases include occupancy costs with the rent escalator built into the lease, as well as growing services costs mainly in audit and accounting fees.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our stakeholders including donors, customers, and the City of Pasadena's officials with a general overview of the Corporation's finances and to show the Corporation's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Corporate Office at 150 S. Los Robles Avenue, Suite 101, Pasadena, California 91101. Our main office number is 626-794-8585 and our email is info@pasadenamedia.org.

PASADENA COMMUNITY ACCESS CORPORATION
STATEMENT OF NET POSITION
JUNE 30, 2022

	2022
ASSETS	
CURRENT ASSETS	
Cash	\$ 360,983
Accounts Receivable	100
Prepaid Assets	10,584
Deposits	12,420
Restricted Cash	474,874
Total Current Assets	858,961
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation and Amortization	280,093
Total Assets	1,139,054
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts Payable	8,021
Accrued Salaries and Benefits	24,320
Accrued Interest Payable	35
Compensated Absences	30,259
Current Portion of Lease Payable	169,339
Total Current Liabilities	231,974
NONCURRENT LIABILITIES	
Lease Payable	28,403
Total Liabilities	260,377
NET POSITION	
Net Investment in Capital Assets	82,351
Restricted for Public, Educational and Governmental Access	474,874
Unrestricted	321,452
Total Net Position	878,677
Total Liabilities and Net Position	\$ 1,371,028

See accompanying Notes to Basic Financial Statements.

PASADENA COMMUNITY ACCESS CORPORATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2022

	2022
OPERATING REVENUES	
Operating Agreement	\$ 967,000
Service Contracts	18,000
Production and Other Operating Revenue	42,814
Total Operating Revenues	1,027,814
OPERATING EXPENSES	
Salaries and Benefits	699,379
Production Expense	24,628
Occupancy Expense	44,470
Contractual Services	26,700
General and Administrative	40,260
Depreciation and Amortization Expense	213,168
Total Operating Expenses	1,048,605
OPERATING LOSS	(20,791)
NONOPERATING REVENUES (EXPENSES)	
Public, Education, and Government (PEG) Revenue	143,220
Interest Income	49
Interest Expense	(595)
Total Nonoperating Revenues	142,674
CHANGES IN NET POSITION	121,883
Net Position - Beginning of Year, as Previously Reported	425,140
Restatement - Note 13	331,654
Net Position - Beginning of Year, as Restated	756,794
NET POSITION - END OF YEAR	\$ 878,677

See accompanying Notes to Basic Financial Statements.

PASADENA COMMUNITY ACCESS CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022

	2022
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 42,814
Cash Received from Contracts	987,640
Cash Paid to Employees for Services	(697,753)
Cash Paid to Suppliers for Goods and Services	(138,679)
Net Cash Provided by Operating Activities	194,022
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
PEG Grant Funding Received from City of Pasadena	143,220
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Payments on Lease Liability	(164,106)
Interest Payments on Lease Liability	(560)
Net Cash Provided (Used) by Capital and Related Financing Activities	(164,666)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	49
NET INCREASE IN CASH AND CASH EQUIVALENTS	172,625
Cash - Beginning of Year	663,232
CASH - END OF YEAR	\$ 835,857
RECONCILIATION TO STATEMENT OF NET POSITION	
Cash	\$ 360,983
Restricted Cash	474,874
Total Reconciliation to Statement of Net Position	\$ 835,857
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (20,791)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation and Amortization	213,168
Decrease in Accounts Receivable	2,640
Increase in Prepaid Assets	(6,997)
Increase in Accounts Payable and Accrued Expenses	6,002
Total Adjustments	214,813
Net Cash Provided by Operating Activities	\$ 194,022

See accompanying Notes to Basic Financial Statements.

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Pasadena Community Access Corporation (the Corporation) was organized in 1983 as a nonprofit, telecommunications resource for the City of Pasadena, California (the City). The Corporation was organized to perform the community access function of the Pasadena telecommunications system pursuant to the Cable Communications Ordinance of the City. In 2011, the City Council determined that the Corporation should be reported as a discretely presented component unit of the City in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The board of directors consists of 11 members with representatives from each of the seven City Council Districts, the Mayor, the City Manager, Pasadena Community College (PCC), and Pasadena Unified School District (PUSD). Residency is required except for the City Manager, PCC, and PUSD representatives. These operations constitute part of the overall financial reporting entity of the City and are accounted for as a discretely presented component unit in the City's Annual Comprehensive Financial Report consistent with U.S. GAAP. Revenues and expenses of the Corporation include direct revenues and expenses and certain allocations from the City.

B. Basis of Presentation

The Corporation's basic financial statements are presented in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34, which established standards for external financial reporting for all state and local governmental entities. The basic financial statements include the statement of net position, statement of revenues, expenses, and changes in net position, and statement of cash flows.

C. Basis of Accounting

The Corporation is accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of a specific governmental activity. The activities of enterprise funds closely resemble those of ongoing businesses in which the purpose is to conserve and add to basic resources while meeting operating expenses from current revenues. Enterprise funds account for operations that provide services on a continuous basis and are substantially financed by revenues derived from user charges. The Corporation utilizes the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized as they are incurred.

D. Adoption of New Accounting Standard

The Corporation adopted GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Corporation adopted the requirements of the guidance effective July 1, 2021, and has applied the provisions of this standard to the beginning of the period.

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Classification of Revenues and Expenses

The Corporation classifies its revenues and expenses into the following classifications: operating revenues, operating expenses, nonoperating revenues, and nonoperating expenses. Operating revenues consist of management and operating fees, production services fees, and program services fees, with relating costs to provide these services considered operating expenses. Nonoperating revenues consist of voluntary nonexchange grants revenue and investment earnings. Nonoperating expenses consist of capital grants made to PCC and PUSD for cable telecommunications equipment.

F. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash or so near their maturity that they present insignificant risk of changes in value because of changes in interest rates and have an original maturity date of three months or less.

G. Prepaid Assets

Certain payments to vendors, which reflect costs applicable to future accounting periods, are recorded as prepaid assets.

H. Capital Assets

The Corporation capitalizes assets having an estimated useful life in excess of one year and acquisition cost of at least \$5,000. Capital assets are recorded either at acquisition cost or initial lease liability amount (for right-to-use leased assets) and are depreciated or amortized (for right-to-use leased assets) over the estimated useful life of the asset using the straight-line method of depreciation/ amortization. Donated capital assets are recorded at acquisition value as of the date of the donation. All significant expenditures exceeding \$5,000 for repairs, renewals, and betterments that materially prolong the useful lives of the assets or remeasurements of lease liability (for right-to-use leased assets) are capitalized.

The estimated useful lives of the assets are as follows:

Leasehold Improvements	6 Years
Furniture and Fixtures	5 Years
Production Equipment	5 Years
Right-to-Use Leased Building	3 Years

I. Compensated Absences

Regular full-time and part-time employees accrue vacation. Vacation time is accrued two to four weeks per year, depending on how long an employee has been with the Corporation. Part-time employees who work 20 hours per week or more are eligible to accrue vacation on a pro rata basis. It is the Corporation's policy to permit employees to accumulate earned but unused vacation benefits from year-to-year up to a maximum of two times a full-time employee's annual vacation amount. All accumulated compensated absences are recorded as an expense and a liability at the time the benefit is earned.

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Lease

The Corporation is a lessee for a noncancellable lease of office and production facilities. The Corporation recognizes a lease liability and an intangible right-to-use asset (lease asset) in the statement of net position. At the commencement of a lease, the Corporation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

K. Net Position

Net position represents the difference between assets and liabilities on the statement of net position. Net positions were classified in the following categories: net investment in capital assets and unrestricted.

Net investment in capital assets consists of the cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets, as applicable.

Net position is reported as restricted when there are limitations imposed on the use either through the enabling legislation adopted by the Corporation's board of directors, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use unrestricted resources first, and then restricted resources as they are needed.

L. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS

Summary of Cash

As of June 30, 2022, cash were reported in the accompanying financial statements:

Cash on Hand	\$ 200
Deposits with Financial Institutions	360,783
Deposits with Financial Institutions - Restricted	<u>474,874</u>
Total Cash	<u>\$ 835,857</u>

Deposits

At June 30, 2022, the carrying amount of the Corporation's deposits was \$835,657 and the bank balance was \$836,259. The \$602 difference represents outstanding checks and other reconciling items. Balances in the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Included in the bank balance, the Corporation had a funds in a credit union totaling \$123,930. This amount is insured by the National Credit Union Administration (NCUA) up to \$250,000.

Restricted Deposits

Restricted deposits, as further described in Notes 6C and 7, are to be utilized for eligible PEG capital expenditures. The total amount of restricted deposits at June 30, 2022 was \$474,874.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Corporation's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2022, the Corporation had uncollateralized deposits in excess of FDIC coverage of \$462,329.

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code

The table below identifies the investment types that are authorized for the Corporation by the California Government Code. Other than what is in the Government Code, the Corporation has no other investment policy.

Investment Types Authorized by the California Government Code	Authorized by Investment Policy	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 Years	None	None
U.S. Treasury Obligations	Yes	5 Years	None	None
U.S. Agency Securities	Yes	5 Years	None	None
Bankers' Acceptances	Yes	180 Days	40%	30%
Commercial Paper	Yes	270 Days	25%	10%
Negotiable Certificates of Deposit	Yes	5 Years	30%	None
Repurchase Agreements	Yes	1 Year	None	None
Reverse Repurchase Agreements	Yes	92 Days	20%	None
Medium-Term Notes	Yes	5 Years	30%	None
Mutual Funds	Yes	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	Yes	5 Years	20%	None
County Pooled Investment Funds	Yes	N/A	None	None
Local Agency Investment Fund	Yes	N/A	None	None
Joint Power Agency Pools (Other Investment Pools)	Yes	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Corporation manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Corporation held no investments as of the year ended June 30, 2022.

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Corporation held no investments as of the year ended June 30, 2022.

Concentration of Credit Risk

In accordance with GASB Statement No. 40 requirements, the Corporation is considered to be exposed to concentration of credit risk whenever they have invested more than 5% of their total investments in any one issuer. Investments guaranteed by the U.S. Government and investments in mutual funds and external investment pools are excluded from this requirement. The Corporation held no investments as of the year ended June 30, 2022.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 is as follows:

	Balance at July 1, 2021, Restated (1)	Additions	Dispositions	Balance at June 30, 2022
Capital Assets Being Depreciated and Amortized:				
Production Equipment	\$ 437,420	\$ -	\$ -	\$ 437,420
Leasehold Improvements	93,897	-	-	93,897
Right-to-Use Leased Building	361,848	-	-	361,848
Total Capital Assets Being Depreciated and Amortized	893,165	-	-	893,165
Less Accumulated Depreciation and Amortization for:				
Production Equipment	(345,129)	(30,511)	-	(375,640)
Leasehold Improvements	(54,775)	(15,650)	-	(70,425)
Right-to-Use Leased Building	-	(167,007)	-	(167,007)
Total Accumulated Depreciation and Amortization	(399,904)	(213,168)	-	(613,072)
Total Capital Assets	<u>\$ 493,261</u>	<u>\$ (213,168)</u>	<u>\$ -</u>	<u>\$ 280,093</u>

(1) Beginning balance was restated to add right-to-use lease assets as a result of the implementation of GASB Statement No. 87, *Leases*.

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 DEFINED CONTRIBUTION RETIREMENT PLAN

Effective April 4, 2017, the Corporation adopted a Savings Incentive Match Plan for Employees Individual Retirement Account plan (the Plan) for which all employees who have completed 90 days of service are eligible to participate. The employees of the Corporation may elect to contribute to the Plan (subject to overall limits) in any one plan year. Each year the Corporation will make a matching contribution to the Plan on a dollar-for-dollar basis up to 3% of the employee's compensation, for the employees who are contributing to the Plan.

The Corporation contributed \$13,356 to the Plan for the year ended June 30, 2022.

NOTE 5 LEASE PAYABLE

Changes in the lease payable as of June 30, 2022, were as follows:

Balance July 1, 2021, as Restated (1)	Additions	Reductions	Balance June 30, 2022	Amount Due Within One Year	Amount Due in More than One Year
\$ 361,848	\$ -	\$ (164,106)	\$ 197,742	\$ 169,339	\$ 28,403

(1) Beginning balance was restated as a result of the implementation of GASB Statement No. 87, *Leases*.

The Corporation leases office and production facilities in Pasadena, California, under a noncancellable lease agreement. The lease term expires August 31, 2023. The lease payable was determined utilizing an estimated discount rate of 0.218%. Effective September 1, 2021, the current monthly payment is \$13,789. The monthly payment is scheduled to increase to \$14,203 effective September 1, 2022.

The minimum annual lease payments due during the term of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 169,339
2024	28,403
Total	<u>\$ 197,742</u>

NOTE 6 OTHER PROVISIONS OF REVENUE AND CONTRACTS

A. Franchise Fees

On December 2, 1983, a 15-year cable franchise agreement (the Agreement) was entered into by and between the City and a cable communications operator (Cable Operator). According to the terms of the Agreement, the Corporation is entitled to receive 2% of the Cable Operator's gross revenues (as defined in the Agreement) in return for providing the public access and public service programming function of the Cable Operator's communications system. This agreement expired during the year ended June 30, 1999. The City committed to continue to fund the agreement, after expiration, until a new agreement could be reached.

Effective October 1, 2000, the City and the Cable Operator entered into a new nonexclusive franchise agreement to operate a cable television system in the City. The agreement expired on October 17, 2005, and was extended on a month-to-month basis under mutual agreement with the Cable Operator while negotiating a franchise renewal. This agreement ended prior to statewide franchising that took effect in 2008.

**PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 OTHER PROVISIONS OF REVENUE AND CONTRACTS (CONTINUED)

A. Franchise Fees (Continued)

The City now receives 5% of the state franchise holders' gross revenues derived from the provision of video service pursuant to California Public Utilities Code Section 5840. The franchise fee is considered General Fund revenue for the City and, although the City continues to fund the Corporation at approximately 75% of the franchise fee revenue, the funding amount is at the discretion of the Pasadena City Council.

B. Management and Operating Agreement

On February 10, 2015, the Corporation entered into an agreement with the City to provide operation and day-to-day management of the local PEG access system, for a period of 25 years, commencing as of the date of the Agreement, and ending July 1, 2040.

C. 1% Public, Education, and Government (PEG) Allocation

Pursuant to Pasadena Municipal Code 18.04.060, it was established that a fee would be paid to the City for the support of public, educational, and governmental access facilities and activities within the City. The Pasadena Municipal Code states that this fee shall be 1% of a cable provider's gross revenues, as defined in California Public Utilities Code Section 5860.

The Corporation serves as a receiving, holding, and disbursing entity for monies intended to promote noncommercial uses of the cable telecommunication medium. These funds are allocated as grant revenue solely for PEG related purposes. See Note 7 for further details related to these funds.

D. Other Contracts

The Corporation earns additional service contract revenue by providing various production services to Los Angeles County for Altadena Town Council Meetings.

NOTE 7 PEG FUNDING FROM CITY OF PASADENA

As described in Note 6, the Corporation received \$143,220 of PEG funding from the City of Pasadena during the year ended June 30, 2022. Unspent PEG funding is classified as restricted cash and net position has been restricted to the extent that no related expenses have been incurred on the statement of net position.

The changes in restricted cash (unspent PEG funding) for the year ended June 30, 2022 were as follows:

Beginning Restricted Cash	\$ 331,654
PEG Revenue Received	143,220
PEG Disbursements for Capital Grants/ Equipment	-
PEG Subtotal	<u>143,220</u>
Ending Restricted Cash	<u>\$ 474,874</u>

PASADENA COMMUNITY ACCESS CORPORATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 CONCENTRATIONS OF REVENUE

For the year ended June 30, 2022, revenues derived from the City of Pasadena from the management and operating agreement described in Note 6B and the 1% PEG Allocation described in Note 6C accounted for 94% of the Corporation's total revenue.

NOTE 9 COMPENSATED ABSENCES

Changes in compensated absences as of June 30, 2022 were as follows:

Balance July 1, 2021	Incurred	Satisfied	Balance June 30, 2022	Amount Due Within One Year	Amount Due in More than One Year
\$ 33,819	\$ 32,243	\$ (35,803)	\$ 30,259	\$ 30,259	\$ -

NOTE 10 RISK MANAGEMENT

The Corporation is covered under Special Liability, Property and Participant Accident policies through Nonprofits Insurance Alliance of California (NIAC). Liability and Participant Accident claims are insured for up to \$1,000,000 per occurrence for any amount over the Corporation's deductible amount of \$1,000. Property claims are insured for up to \$25,000,000 per occurrence for any amount over the Corporation's deductible amount of \$1,000. Workers' compensation claims are covered under a purchased policy through Hartford Accident and Indemnity Company for claims up to \$1,000,000 for each occurrence for any amount over the Corporation's deductible amount of \$1,000. Settled claims have not exceeded any of the Corporation's coverage amounts in any of the last three fiscal years.

NOTE 11 INCOME TAXES

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The Corporation files Form 990 in the U.S. federal jurisdiction and Form 199 in the state of California.

NOTE 12 RELATED PARTY TRANSACTIONS

As part of the management and operating agreement discussed in Note 6B, the City bills the Corporation for services rendered on the Corporation's behalf. Services provided to the Corporation for the year ended June 30, 2022 was \$20,000. The Corporation did not have an amount payable to the City as of June 30, 2022.

NOTE 13 RESTATEMENT OF NET POSITION

The Corporation restated beginning net position by \$331,654 for PEG funding (see Note 7) that was previously reported as unearned revenue but should have been recognized as revenue.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Pasadena Community Access Corporation
Pasadena, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Pasadena Community Access Corporation (the Corporation), a component unit of the City of Pasadena, California, as of and for the year ended June 30, 2022 and the related notes to the basic financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 7, 2023

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corporation's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Corporation's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Irvine, California
March 7, 2023

**PASADENA COMMUNITY ACCESS CORPORATION
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022**

2022-001 – PEG Grant Funding

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition: Upon receipt of PEG grant funding from the City of Pasadena, the Corporation had been recording the amounts as unearned revenue and would recognize the revenue as eligible capital-related costs were incurred.

Criteria or specific requirement: In accordance with accounting guidance for nonexchange transactions pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the receipt of this revenue source is considered to be a voluntary nonexchange transaction, and as such, should have been recognized as revenue since all eligibility requirements were met. The purpose restriction that the PEG grant funding be used for capital-related costs only affects the classification of net position; not the revenue recognition.

Effect: Beginning net position was restated for amounts received in prior years of \$331,654 that should have been reported as revenue. Additionally, the current year funding received of \$143,220 was adjusted to be properly reported as revenue.

Cause: The Corporation's revenue recognition of PEG grant funding was based on the form of the agreement with the City rather than the underlying substance of the transactions.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the Corporation update their controls over cash receipts to ensure that PEG grant funding is properly recorded as revenue upon receipt.

Views of responsible officials and planned corrective actions: We are in concurrence with the finding and will implement the auditors' recommendation.



Board of Directors
Pasadena Community Access Corporation
Pasadena, California

We have audited the financial statements of the Pasadena Community Access Corporation as of and for the year ended June 30, 2022, and have issued our report thereon dated March 7, 2023. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our statement of work dated October 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Pasadena Community Access Corporation are described in Note 1 to the financial statements.

As described in Note 1D, the Corporation changed accounting policies related to leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, effective July 1, 2021. Accordingly, the accounting change has been applied to the beginning of the period of adoption.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

The following material misstatement detected as a result of audit procedures was corrected by management:

The recognition of \$331,654 of unearned revenue related to PEG grant funding as revenue that should have been recognized in previous years and the recognition of current year PEG grant funding of \$143,220 as revenue.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Circumstances that affect the form and content of the auditors' report

As previously communicated to you, the report was modified to include an emphasis of a matter to direct readers to Note 1D to the financial statements regarding adoption of new account guidance, Statement of Governmental Accounting Standards Board (GASB Statement) No. 87, *Leases*.

Our report was also modified to include an emphasis of matter to direct readers to Note 13 to the financial statements regarding the restatement of the beginning net position for PEG funding that should have been recognized as revenue in previous years.

Management representations

We have requested certain representations from management that are included in the management representation letter dated March 7, 2023.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

* * *

This communication is intended solely for the information and use of the board of directors and management of Pasadena Community Access Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Irvine, California
March 7, 2023



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