FILML.A., INC.

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012

FILML.A., INC.
(A NONPROFIT ORGANIZATION)
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June 30, 2013 and 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FilmL.A., Inc.
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of FilmL.A., Inc. (the "Organization") which comprise the statements of financial position as of June 30, 2013 and 2012, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FilmL.A., Inc. as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
October 31, 2013

FILML.A., INC.
(A NONPROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS

	2013	2012
Assets		
Cash and cash equivalents	$ 5,393,683	$ 5,508,283
Accounts receivable	837,329	913,956
Other receivables	276,857	-
Prepaid expenses and other assets	146,387	117,484
Investments	4,259,229	2,266,412
Property and equipment, net	824,884	763,447
Total assets	**$ 11,738,369**	**$ 9,569,582**

LIABILITIES AND NET ASSETS

	2013	2012
Liabilities		
Accounts payable and accrued expenses	$ 974,583	$ 500,996
Due to permittees	742,978	687,141
Due to contracted permitting authorities	1,159,214	1,208,194
Deferred rent and lease incentive	294,892	244,719
Total liabilities	3,171,667	2,641,050
Commitments and contingencies (Note 8)		
Net assets		
Unrestricted		
Undesignated	3,487,712	3,487,712
Board designated		
Strategic planning reserves	261,557	759,200
Capital expenditures reserves	776,005	757,100
Operating reserves	4,041,428	1,924,520
Total board designated	5,078,990	3,440,820
Total net assets	8,566,702	6,928,532
Total liabilities and net assets	**$ 11,738,369**	**$ 9,569,582**

The accompanying notes are an integral part of these financial statements.

FILML.A., INC.

(A NONPROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	Unrestricted	
	2013	2012
Revenues, support and gains		
Permit operations	$ 6,493,207	$ 6,922,667
Field services	2,895,642	2,834,448
Property management fees	333,732	334,315
Investment income (loss), net	(685)	52,557
Other income (loss)	(1,631)	68,697
Loss on disposal of property and equipment	-	(100)
Total revenues, support and gains	9,720,265	10,212,584
Expenses		
Program services	5,160,873	5,347,223
Management and general	2,921,222	2,194,841
Total expenses	8,082,095	7,542,064
Change in net assets	1,638,170	2,670,520
Net assets, beginning of year	6,928,532	4,258,012
Net assets, end of year	**$ 8,566,702**	**$ 6,928,532**

The accompanying notes are an integral part of these financial statements.

FILML.A., INC.
(A NONPROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 1,638,170	$ 2,670,520
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	369,655	371,372
Bad debt expense	8,078	20,613
Loss on disposal of property and equipment	-	100
Net realized and unrealized losses on investments	101,176	37,124
Changes in operating assets and liabilities		
Accounts receivable	68,549	(202,025)
Other receivables	(276,857)	-
Prepaid expenses and other assets	(28,903)	36,780
Accounts payable and accrued expenses	473,587	28,793
Due to permittees	55,837	(488,480)
Due to contracted permitting authorities	(48,980)	178,808
Deferred rent and lease incentive	50,173	(25,081)
Net cash provided by operating activities	2,410,485	2,628,524
Cash flows from investing activities		
Purchase of property and equipment	(431,092)	(110,494)
Purchase of investments	(3,613,886)	(495,736)
Proceeds from sale of investments	1,519,893	355,386
Net cash used in investing activities	(2,525,085)	(250,844)
Net (decrease) increase in cash and cash equivalents	(114,600)	2,377,680
Cash and cash equivalents, beginning of year	5,508,283	3,130,603
Cash and cash equivalents, end of year	**$ 5,393,683**	**$ 5,508,283**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF ORGANIZATION

FilmL.A., Inc. (the "Organization") is a nonprofit 501(c)4 public benefit corporation, organized for public purposes under the California Nonprofit Public Benefit Corporation Law.

In recognition of the importance of film and media production to the Southern California regional economy, the Organization was formed in 1995 in an effort to enhance film and media production and to attract and retain jobs.

The Organization supports efforts to retain film and media production in the region by:

- Providing efficient film permit coordination services.
- Serving as a resource for, and a liaison and mediator between, diverse communities and the production industry on film and media issues to mitigate the impact filming may have on the local residents and merchants.
- Creating opportunities and programs for enhancing, improving and addressing needs relating to the film and media production industry.

The Organization has contracts with several permitting authorities including the City of Los Angeles and the County of Los Angeles, several school districts and forest service divisions and other cities. The Organization contracts with each permitting authority with varying terms and expiration dates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Financial Statement Presentation</u>
The accompanying financial statements were prepared on the accrual basis of accounting, in conformity with the U.S. generally accepted accounting principles.

Certain amounts in the prior year have been reclassified to conform to the current year's presentation.

<u>Use of Estimates</u>
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

<u>Revenue Recognition</u>
Permit application, processing and other service fees are recorded as revenues in the period in which permits are issued or services are rendered. Excess estimated service fees are recognized as revenue in the period following lapse of the refund request requirement, or as soon as is reasonably practicable, based upon historical data and experience.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash and highly liquid investments with an initial maturity of three months or less. These securities are primarily held at one financial institution and are insured by the Federal Deposit Insurance Corporation ("FDIC") coverage up to $250,000, as they are interest-bearing accounts. The FDIC provides unlimited insurance on non-interest-bearing accounts. At times during the year, cash in these accounts exceeds the federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Accounts Receivable

Accounts receivable are recorded when billed or accrued and represent amounts due from third parties that will be settled in cash. The carrying value of accounts receivable, net of the allowance for doubtful accounts, if any, represents the estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectibility of those balances, and the allowance is adjusted accordingly. Past-due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Accounts receivable are deemed fully collectible by management, and therefore, no allowance for doubtful accounts was recorded as of June 30, 2013 and 2012.

As of June 30, 2013, four customers accounted for 35%, 21%, 19% and 12%, respectively, of accounts receivable. As of June 30, 2012, three customers accounted for 37%, 23% and 21%, respectively, of accounts receivable.

Investments

Investments consist of debt securities with readily determinable market values, which are recorded at fair market value based on quoted market prices. Unrealized gains (losses) on investment and interest income are reflected in the accompanying statements of activities.

Estimated Fair Value of Financial Instruments

According to Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic No. 820, *Fair Value Measurements and Disclosures* ("ASC 820"), fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments (Continued)
ASC 820 requires enhanced disclosures about financial instruments that are measured and reported at fair value. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.

Level 2 – Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date but are other than quoted prices in active markets as in Level 1. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the Organization.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument.

At June 30, 2013 and 2012, the Organization's financial instruments consisted primarily of cash and cash equivalents, accounts receivable, and other assets, investments, accounts payable, accrued expenses, liabilities to permittees and contracted permitting authorities, which approximate their carrying value due to the short maturity of these instruments.

The Organization's cash and cash equivalents and investments are financial assets and are primarily classified within Level 1, because these accounts were valued primarily using quoted market prices utilizing market-observable inputs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to $2,500 and the useful life is greater than one year.

The estimated useful lives of property and equipment are as follows:

Software and development costs	3 to 7 years
Leasehold improvements	Shorter of the lease term or estimated life of the improvement
Computer equipment	3 years
Furniture and fixtures	5 to 7 years
Office equipment	3 to 5 years

Software and development costs related to the permitting system have been capitalized or expensed in accordance with FASB Accounting Standards Codification Topic No. 350-40, *Internal-Use Software Recognition*.

Long-lived Assets

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No such impairment losses have been recognized during the years ended June 30, 2013 and 2012.

Due to Permittees

Amounts due to permittees represents amounts that the Organization expects to pay to its customers to reimburse them, in accordance with film permit terms and conditions, when the actual amount that the Organization is billed by the permitting authorities in service fees related to an individual permit is less than the amount the Organization and the contracted permitting authorities calculated. The Organization includes in the amount it charges to its customers for a film permit the amount that it estimates it will be obligated to pay the permitting authorities in service fees related to the permit. Following completion of the permit activity, the permitting authorities bill the Organization for the service fees related to each permit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due to Permittees (Continued)
Sometimes, the amount that the Organization actually pays the permitting authorities in connection with an individual permit may be less or more than what the Organization estimated it would be obligated to pay. When the Organization charges its customers more than what it actually ends up paying the permitting authorities, the Organization pays the difference to the permittee in accordance with the terms and conditions of the film permit. Estimated service fees are recognized as permit operations revenue in the period following lapse of the refund request requirement, which is 90 days after the end of filming. During the years ended June 30, 2013 and 2012, the Organization recognized $1,193,703 and $1,932,686, respectively, for unrequested refunds, which are included in permit operations in the accompanying statements of activities. Unrequested refunds represented 14,092 permit line item charges with an average unrequested refund amount of $85 for the year ended June 30, 2013 and 20,706 permit line item charges with an average unrequested refund amount of $93 for the year ended June 30, 2012.

Due to Contracted Permitting Authorities
Amounts due to local governments and agencies (“permitting authorities”) represent amounts that the Organization estimates it will become obligated to pay permitting authorities for service and use charges (“service fees”) incurred in connection with filming activities conducted by the Organization’s customers. Prior to releasing a permit, the Organization collects from its customers the total amount it charges for the permit. That amount includes what the Organization anticipates it will be required to pay the permitting authority in service fees relating to the permit. Following completion of the associated permit activity, the respective permitting authorities submit invoices to the Organization representing the actual service fees incurred.

Permit authorities historically invoice the Organization within one to thirty-six months from the date of permit issuance. The Organization is required to remit payment for service fees to the permitting authorities within thirty to sixty days of invoice receipt from the permitting authorities. The Organization estimates the liability to permitting authorities based on historical data and the level of invoiced permits.

Deferred Rent and Lease Incentive
The Organization recognizes the benefits of rent abatement as well as escalating rent provisions on a straight-line basis over the term of the lease. The Organization accounts for its lease incentive as a deferred liability. The deferred liability is then amortized on a straight-line basis over the lease term as a reduction in rent expense. Deferred rent and lease incentive totaled $294,892 and $244,719 as of June 30, 2013 and 2012, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted Net Assets – These generally result from revenues generated by receiving unrestricted support, providing services and receiving income from investments less expenses incurred in providing program-related services and performing administrative functions.

Unrestricted Board-designated Net Assets – These are comprised of resources which the board of directors have designated to be used for future capital expenditures, establishing operating reserves and strategic planning. There was $5,078,990 designated at June 30, 2013 of which $261,557 was strategic planning reserves, $776,005 was capital expenditures reserves and $4,041,428 was operating reserves. There was $3,440,820 designated at June 30, 2012 of which $759,200 was strategic planning reserves, $757,100 was capital expenditures reserves and $1,924,520 was operating reserves.

Temporarily and Permanently Restricted Net Assets – In the event that the Organization receives cash or other assets with donor stipulations that limit the use of the assets, the Organization would report either temporarily restricted net assets or permanently restricted net assets depending on the type of donor restriction. However, the Organization has only received unrestricted support in the past; therefore, no temporarily restricted or permanently restricted net assets are reflected in the accompanying financial statements.

Advertising Costs

The Organization expenses the costs of advertising and promotion as incurred. Total advertising and promotion expenses for the years ended June 30, 2013 and 2012 were $24,652 and $49,425, respectively.

Functional Allocation of Expenses

Costs of providing the Organization’s programs and other activities have been presented in the statement of activities. During the year, such costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses facility square footage and employee full-time equivalents and salary dollars to allocate indirect costs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)4 of the Internal Revenue Code (the "Code") and corresponding California provisions, as the Organization qualifies as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal or state income tax. The Organization currently has no unrelated business income. Accordingly, no provision for federal or state income taxes has been recorded.

In accordance with Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes,* the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. During the years ended June 30, 2013 and 2012, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of June 30, 2013, the open federal and state tax returns subject to examination were for the years 2009 to 2012 and 2008 to 2012, respectively.

Recently Adopted Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*s, to converge the guidance in U.S. GAAP and International Financial Reporting Standards ("IFRSs"). The amended guidance changed several aspects of the fair value measurement guidance in ASC Topic 820. In addition, the amended guidance includes several new fair value disclosure requirements, including among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements' sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after January 1, 2012. The adoption of this pronouncement did not have an impact on the statements of activities, functional expenses and cash flows; however, it does have an effect on the required disclosures.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements
In October 2012, the FASB issued Accounting Standards Update No. 2012-05, *Not-for-Profit Entities ("NFP"): Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05"), which requires an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that, upon receipt, were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated securities should be classified as cash flows from investing activities by the NFP. ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. The Organization's management does not expect this guidance to have a material financial impact on the Organization's financial statements.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT

As defined in FASB Accounting Standards Codification Topic No. 820, *Fair Value Measurements* ("ASC 820"), fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price). In determining fair value, the Organization uses the market approach. Based on this approach, the Organization utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT (Continued)

The following table summarizes the fair value of the Organization's financial assets which are measured on a recurring basis by the fair value hierarchy levels in accordance with ASC 820 as of June 30:

	2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,393,683	$ -	$ -	$ 5,393,683
Fixed income investments				
Government bonds and notes	2,348,654	-	-	2,348,654
Municipal bonds	295,000	-	-	295,000
Corporate bonds	1,615,575	-	-	1,615,575
Total cash and cash equivalents and investments	**$ 9,652,912**	**$ -**	**$ -**	**$ 9,652,912**

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,508,283	$ -	$ -	$ 5,508,283
Fixed income investments				
Government bonds and notes	1,109,515	-	-	1,109,515
Municipal bonds	143,270	-	-	143,270
Corporate bonds	1,013,627	-	-	1,013,627
Total cash and cash equivalents and investments	**$ 7,774,695**	**$ -**	**$ -**	**$ 7,774,695**

The fair value of fixed income investments equals the market value based on market prices provided by recognized broker dealers. They are classified within Level 1 of the valuation hierarchy.

Investment income for the year ended June 30, 2013 includes the following amounts:

Interest and dividend income	$ 100,491
Net realized and unrealized losses	(101,176)
Total	**$ (685)**

Investment income for the year ended June 30, 2012 includes the following amounts:

Interest and dividend income	$ 89,681
Net realized and unrealized losses	(37,124)
Total	**$ 52,557**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Software and development costs	$ 1,502,359	$ 1,457,301
Leasehold improvements	382,542	382,542
Computer equipment	328,806	282,917
Furniture and fixtures	244,735	240,809
Office equipment	127,014	127,014
Construction in progress	329,186	-
	2,914,642	2,490,583
Less accumulated depreciation and amortization	(2,089,758)	(1,727,136)
Total property and equipment (net)	**$ 824,884**	**$ 763,447**

Depreciation expense for the years ended June 30, 2013 and 2012 were $369,655 and $371,372, respectively.

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Accrued salaries and payroll taxes	$ 500,018	$ 462,620
Other accrued expenses	474,565	38,376
Total accounts payable and accrued expenses	**$ 974,583**	**$ 500,996**

NOTE 6 – DUE TO CONTRACTED PERMITTING AUTHORITIES

Amounts due to contracted permitting authorities at June 30, 2013 and 2012 consist of the following:

	2013	2012
City of Los Angeles	$ 900,355	$ 771,691
Los Angeles Unified School District	161,227	268,927
County of Los Angeles	92,471	116,763
Others	5,161	50,813
Total due to contracted permitting authorities	**$ 1,159,214**	**$ 1,208,194**

NOTE 7 – LINE OF CREDIT

The Organization held a $1 million revolving line of credit which expired on June 28, 2013. Subsequent to year end on October 8, 2013, the revolving line of credit was renewed through November 1, 2014. Interest is payable monthly at the greater of 3.5% per year or bank's Prime rate (3.25% at June 30, 2013) plus one percent per year. Amounts due under the line of credit are secured by all securities held within the Organization's Managed Investment Account. The Credit Agreement contains restrictive covenants based on the value of the pledged assets. These covenants restrict the maximum funds that can be drawn on the line of credit as well as could accelerate the payment back of funds drawn. There are no outstanding borrowings against this line of credit at June 30, 2013.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating Leases

During the year ended June 30, 2013, the Organization entered into a new lease with KR6255 Sunset, LLC for 16,194 square feet of office space. The lease term is from June 2013 to February 2024. The lease provides that the landlord will reimburse the Organization for up to $1,067,100 of improvements to be made to the premises. The deferred rent liability and deferred lease incentive liability for the lease was $8,280 and $274,716 as of June 30, 2013.

The Organization entered into a series of leases with the Los Angeles Center Studios from July 2005 to April 2007 for a total of 16,528 square feet through August 2016. On November 2012, the Organization filed a termination notice to Los Angeles Center Studios. The termination notice provided that FilmL.A would vacate the facility on August 30, 2013. The master lease provided that an early termination penalty of $245,961 would apply. The deferred rent liability for the lease was $11,896 and $244,719, respectively, as of June 30, 2013 and 2012.

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Operating Lease (Continued)
Future minimum lease payments, by year and in aggregate, with initial or remaining terms of one year or more consist of:

Years Ending June 30,	Amount
2014	$ 241,792
2015	672,135
2016	692,300
2017	713,068
2018	734,460
Thereafter	4,599,539
Total	**$ 7,653,294**

Rent expense under all leases for the years ended June 30, 2013 and 2012 were $287,454 and $420,798, respectively.

NOTE 9 – RETIREMENT PLAN

The Organization has a 401(k) plan for the benefit of substantially all employees. The Organization's contributions are at the discretion of the board of directors and subject to statutory limitations. Discretionary contributions for the years ended June 30, 2013 and 2012 were $203,516 and $193,638, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management evaluated all activity of the Organization through October 31, 2013 (the issue date of these financial statements) and concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.