FILML.A., INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FilmL.A., Inc.

Report on the Financial Statements
We have audited the accompanying financial statements of FilmL.A., Inc., which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year 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 from 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited FilmL.A., Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 17, 2017
Los Angeles, California

FILML.A., INC.

STATEMENTS OF FINANCIAL POSITION

	June 30	
ASSETS	2017	2016
Cash and Cash Equivalents	$ 3,439,212	$ 4,190,208
Cash in Bank - Contractual Reserves	1,818,879	1,739,941
Investments	10,693,126	9,427,446
Accounts Receivable	1,230,088	1,254,187
Prepaid Expenses and Other Assets	316,768	150,827
Property and Equipment (Net)	1,756,421	2,015,717
TOTAL ASSETS	$ 19,254,494	$ 18,778,326
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	$ 929,052	$ 956,042
Due to Contracted Permitting Authorities	2,099,439	2,283,080
Due to Permittees	701,991	660,251
Deferred Rent and Lease Incentives	1,392,774	1,513,012
TOTAL LIABILITIES	5,123,256	5,412,385
NET ASSETS:		
Unrestricted:		
Undesignated	6,396,899	6,396,899
Board Designated:		
Capital Expenditures Reserves	5,234,339	4,469,042
Operating Reserves	2,500,000	2,500,000
Total Board Designated	7,734,339	6,969,042
TOTAL NET ASSETS	14,131,238	13,365,941
TOTAL LIABILITIES AND NET ASSETS	$ 19,254,494	$ 18,778,326

The Accompanying Notes are an Integral Part of These Financial Statements

FILML.A., INC.

STATEMENTS OF ACTIVITIES

	Years Ended June 30	
	2017	2016
REVENUES:		
Permit Operations	$ 8,106,153	$ 8,317,368
Field Services	3,732,956	3,588,592
School Licenses	435,536	384,931
Investment Income (Net)	766,047	343,747
Other Income	2,064	-
TOTAL REVENUES	13,042,756	12,634,638
EXPENSES:		
Program Services:		
Permit Operations	4,960,668	4,554,048
Field Services	3,646,627	3,120,904
School Licenses	400,904	307,564
Other Program Services	2,116,597	2,054,880
TOTAL PROGRAM SERVICES	11,124,796	10,037,396
Management and General	1,152,663	1,128,200
TOTAL EXPENSES	12,277,459	11,165,596
CHANGE IN NET ASSETS	765,297	1,469,042
Net Assets - Beginning of Year	13,365,941	11,896,899
NET ASSETS - END OF YEAR	$ 14,131,238	$ 13,365,941

The Accompanying Notes are an Integral Part of These Financial Statements

FILML.A., INC.

STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 765,297	$ 1,469,042
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	360,826	379,803
Bad Debt Expense	21,143	15,369
Net Realized and Unrealized Gains on Investments	(531,717)	(136,812)
(Increase) Decrease in:		
Accounts Receivable	2,956	6,794
Prepaid Expenses and Other Assets	(165,941)	29,760
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(26,990)	94,331
Due to Contracted Permitting Authorities	(183,641)	695,150
Due to Permittees	41,740	(63,433)
Deferred Rent and Lease Incentives	(120,238)	(99,469)
NET CASH PROVIDED BY OPERATING ACTIVITIES	163,435	2,390,535
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(101,530)	(123,116)
Purchases of Investments	$ (3,123,905)	(205,620)
Proceeds from Sale of Investments	2,389,942	-
NET CASH USED IN INVESTING ACTIVITIES	(835,493)	(328,736)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(672,058)	2,061,799
Cash and Cash Equivalents - Beginning of Year	5,930,149	3,868,350
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,258,091	$ 5,930,149
CASH AND CASH EQUIVALENTS INCLUDES:		
Cash and Cash Equivalents	$ 3,439,212	$ 4,190,208
Cash in Bank - Contractual Reserves	1,818,879	1,739,941
TOTAL CASH AND CASH EQUIVALENTS	$ 5,258,091	$ 5,930,149

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 and local governments 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 multiple governmental entities ("permitting authorities") including the City of Los Angeles and the County of Los Angeles. The Organization contracts with each permitting authority with varying terms and expiration dates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) ACCOUNTING

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 contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Unrestricted Board-Designated Net Assets.** These are comprised of resources which the Board of Directors has designated to be used for future capital expenditures and establishing operating reserves. At June 30, 2017, there are Board-designated reserves of $7,734,339, which include $5,234,339 of capital expenditures reserves and $2,500,000 of operating reserves.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS

The Organization considers all highly liquid investments with an original maturity of three months or less at purchase to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2017 approximates its fair value. The Organization has contracts with various permitting authorities that require cash reserves as determined by the contracts. Required cash reserves at June 30, 2017 were $1,818,879.

The Organization maintains its cash and cash equivalents in bank deposit and money market accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Interest and dividend income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or by law.

(e) ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, 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 collectability 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. As of June 30, 2017, accounts receivable are deemed fully collectible by the management of the Organization.

(f) 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) PROPERTY AND EQUIPMENT (continued)

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

Software and Development Costs	3 Years
Computer Equipment	3 Years
Office Equipment	3 - 5 Years
Furniture and Fixtures	5 - 7 Years
Leasehold Improvements	Shorter of the Lease Term or Estimated Life of the Improvement

Software and development costs related to the permitting system have been capitalized or expensed in accordance with accounting standards on internal-use software recognition.

(g) 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 asset, in which case a write-down is recorded to reduce the related asset to its estimated value. No such impairment losses were recognized during the year ended June 30, 2017.

(h) DUE TO PERMITTEES

Due to permittees represents amounts that the Organization expects to refund to its customers, in accordance with the terms and conditions of the film permits, when the actual amount that the Organization is billed by the permitting authorities for fees related to an individual permit is less than the amount estimated by the permitting authorities at the time the permit is issued. Following the completion of the permit activity, the permitting authorities bill the Organization for the actual service fees related to each permit. The amount the Organization actually pays the permitting authorities in connection with an individual permit may be less or more than the estimated amount collected from the customer. When the Organization charges its customers more than what it finally pays the permitting authorities, the Organization will refund the difference to the permittee in accordance with the terms and conditions of the film permit. Excess 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 year ended June 30, 2017, the Organization recognized $1,035,745, for unrequested refunds, which is included in permit operations in the accompanying statements of activities. Unrequested refunds represented 4,888 permits with an average unclaimed refund amount of $211.90 for the year ended June 30, 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) DUE TO CONTRACTED PERMITTING AUTHORITIES

Due to contracted permitting authorities represent amounts that the Organization estimates it will become obligated to pay permitting authorities for 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. The total collected includes the permitting authorities' estimates of certain fees relating to the permit. Following completion of the associated permit activity, the permitting authorities submit invoices to the Organization for the actual fees and services incurred, which are based on the actual filming activity for that permit.

Permitting authorities historically invoice the Organization within one to 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 contracted permitting authorities based on the invoiced permits.

(j) DEFERRED RENT

The Organization recognizes the benefits of rent abatement and other lease incentives, as well as escalating rent provisions, on a straight-line basis over the term of the lease. The resulting difference between rent expense and rent paid is recorded as a deferred rent liability. The deferred rent liability is then amortized on a straight-line basis over the lease term as a reduction in rent expense. The deferred rent liability at June 30, 2017 is $1,392,774.

(k) REVENUE RECOGNITION

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 period.

(l) ADVERTISING COSTS

The Organization expenses the costs of advertising and promotion as incurred. Total advertising and promotion expense for the year ended June 30, 2017 was $31,007.

(m) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the Organization's programs and other activities have been presented in the statements 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)

(n) 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.

(o) USE OF ESTIMATES

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 the reported amounts of assets, liabilities, revenues and expenses at the date of and for the period presented. Actual results could differ from those estimates.

(p) COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(q) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For the Organization, the ASU will be effective for the year ending June 30, 2021.

In August 2016, FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For the Organization, the ASU will be effective for the year ending June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries following U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ending June 30, 2019. The Organization is currently evaluating the effect the provisions of ASU 2014-09 will have on its financial statements.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. This guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the statement of financial position to the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. As permitted by the ASU, the Organization has early adopted this guidance.

(s) SUBSEQUENT EVENTS

The Organization evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 17, 2017, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

The Organization has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

NOTE 3 - INVESTMENTS (continued)

The following table presents information about the Organization's assets that are measured at fair value on a recurring basis at June 30, 2017 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using		
	Year Ended June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	$ 311	$ 311	$ -	$ -
Bond Funds	4,267,097	4,267,097	-	-
Equity Funds	5,147,462	5,147,462	-	-
Exchange Traded Funds	1,278,256	1,278,256	-	-
TOTAL INVESTMENTS	$ 10,693,126	$ 10,693,126	$ -	$ -

The following is a description of the valuation methodologies used for assets measured at fair value:

- **Money Market Funds:** Valued at carrying amount which approximates its fair value at year end.
- **Bond Funds, Equity Funds and Exchange Traded Funds:** Valued at the closing price reported on the active market on which the funds are traded.

The Organization recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2017.

Net investment income for the year ended June 30, 2017 consists of the following:

Interest and Dividends	$ 284,769
Net Realized and Unrealized Gains	531,717
Management Fees	(50,439)
INVESTMENT INCOME (NET)	$ 766,047

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 consist of the following:

Software and Development Costs	$ 1,528,492
Computer Equipment	303,367
Office Equipment	233,260
Furniture and Fixtures	537,811
Leasehold Improvements	2,196,854
TOTAL	4,799,784
Less: Accumulated Depreciation	3,043,363
PROPERTY AND EQUIPMENT (NET)	$ 1,756,421

Depreciation expense for the year ended June 30, 2017 was $360,826.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2017 consist of the following:

Accrued Salaries and Payroll Taxes	$ 650,274
Other	278,778
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	$ 929,052

NOTE 6 - DUE TO CONTRACTED PERMITTING AUTHORITIES

Amounts due to contracted permitting authorities at June 30, 2017 consist of the following:

City of Los Angeles	$ 1,227,739
Los Angeles Unified School District	419,827
City of Santa Monica	190,966
County of Los Angeles	143,362
Others	117,545
TOTAL DUE TO CONTRACTED PERMITTING AUTHORITIES	$ 2,099,439

NOTE 7 - RETIREMENT PLAN

The Organization sponsors a 401(k) plan for the benefit of substantially all employees. Employees are eligible for the plan after one year of employment. The Organization matches employee contributions up to 6% of eligible compensation. Employer contributions for the year ended June 30, 2017 were $242,994.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Organization leases office space and certain office equipment under operating leases with terms through February 2024.

Minimum future rental payments under these operating leases are as follows:

Years Ending June 30		
2018	$	752,435
2019		762,486
2020		779,200
2021		802,564
2022		826,641
Thereafter		1,434,639
TOTAL	$	5,357,965

Rent expense for the year ended June 30, 2017 was $ 633,848.

(b) LITIGATION

In the ordinary course of conducting its business, the Organization becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the Organization, which, from time to time, may have an impact on changes in net assets or its financial position. The Organization does not believe that these proceedings individually, or in the aggregate, would have a material effect on the accompanying financial statements.