FILML.A., INC.

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2012 and 2011

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of FilmL.A., Inc. (the "Organization") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
November 8, 2012

FILML.A., INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	$ 5,508,283	$ 3,130,603
Accounts receivable	913,956	732,544
Prepaid expenses and other assets	117,484	154,264
Total current assets	6,539,723	4,017,411
Investments	2,266,412	2,163,186
Property and equipment (net)	763,447	1,024,425
Total assets	**$ 9,569,582**	**$ 7,205,022**

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Accounts payable and accrued expenses	$ 500,996	$ 472,203
Due to permittees	687,141	1,175,621
Total current liabilities	1,188,137	1,647,824
Due to contracted permitting authorities	1,208,194	1,029,386
Deferred rent	244,719	269,800
Total liabilities	2,641,050	2,947,010
Commitments and contingencies (Note 8)		
Net assets		
Unrestricted:		
Undesignated	3,487,712	3,286,012
Board designated:		
Strategic planning reserves	759,200	100,000
Capital expenditures reserves	757,100	418,000
Operating reserves	1,924,520	454,000
Total board designated	3,440,820	972,000
Total net assets	6,928,532	4,258,012
Total liabilities and net assets	**$ 9,569,582**	**$ 7,205,022**

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

FILML.A., INC.
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2012 and 2011

	Unrestricted	
	2012	2011
Revenues, support and gains		
Permit operations	$ 6,922,667	$ 5,505,194
Field services	2,834,448	2,685,023
Property management fees	334,315	327,984
Investment and other income, net of $11,364 in fees	52,557	37,874
Other income	68,697	77,745
Loss on disposal of property and equipment	(100)	(5,144)
Total revenues, support and gains	10,212,584	8,628,676
Expenses		
Program services	4,810,808	4,635,337
Management and general	2,731,256	2,810,610
Total expenses	7,542,064	7,445,947
Change in net assets	2,670,520	1,182,729
Net assets, beginning of year	4,258,012	3,075,283
Net assets, end of year	**$ 6,928,532**	**$ 4,258,012**

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

FILML.A., INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 2,670,520	$ 1,182,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	371,372	397,241
Bad debt expense	20,613	7,822
Loss on disposal of property and equipment	100	5,144
Net realized and unrealized losses on investments	37,124	23,365
Changes in operating assets and liabilities:		
Accounts receivable	(202,025)	(152,419)
Prepaid expenses and other assets	36,780	39,785
Accounts payable and accrued expenses	28,793	73,209
Due to permittees	(488,480)	884,472
Due to contracted permitting authorities	178,808	(498,270)
Deferred rent	(25,081)	(19,910)
Net cash provided by operating activities	2,628,524	1,943,168
Cash flows from investing activities		
Purchase of property and equipment	(110,494)	(149,981)
Purchase of investments	(495,736)	(3,154,061)
Proceeds from sale of investments	355,386	967,510
Net cash used in investing activities	(250,844)	(2,336,532)
Net increase (decrease) in cash and cash equivalents	2,377,680	(393,364)
Cash and cash equivalents, beginning of year	3,130,603	3,523,967
Cash and cash equivalents, end of year	**$ 5,508,283**	**$ 3,130,603**

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

Financial Statement Presentation
The accompanying financial statements are presented using the accrual basis of accounting.

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

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.

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 and interest income are reflected in the accompanying statement of activities.

Estimated Fair Value of Financial Instruments
According to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 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).

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Instruments (Continued)
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, 2012 and 2011, the Organization's financial instruments consisted primarily of cash and cash equivalents, accounts receivable, prepaid expenses and other assets, investments, liabilities to permittees and contracted permitting authorities, accounts payable, accrued expenses and other current liabilities, which are all stated at fair value due to the short maturity of these instruments.

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)

Accounts Receivable

Receivables are recorded when billed or accrued and represent amounts due from third parties that will be settled in cash. The carrying value of receivables, 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, 2012 and 2011.

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.

Estimated useful lives of property and equipment are as follows:

Office equipment	3 – 5 years
Furniture and fixtures	5 – 7 years
Computer equipment	3 years
Software and development costs	3 – 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 FASB ASC 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, 2012 and 2011.

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 $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. There was $972,000 designated at June 30, 2011 of which $100,000 was strategic planning reserves, $418,000 was capital expenditures reserves and $454,000 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.

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 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, 2012 and 2011, the Organization recognized $1,932,686 and $800,089, respectively, for unrequested refunds, which are included in permit operations in the accompanying statement of activities. Unrequested refunds represented 20,706 permit line item charges with an average unrequested refund amount of $93 for the year ended June 30, 2012 and 12,408 permit line item charges with an average unrequested refund amount of $60 for the year ended June 30, 2011.

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
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. Deferred rent totaled $244,719 and $269,800 as of June 30, 2012 and 2011, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 requirement, or as soon as is reasonably practicable, based upon historical data and experience.

Advertising Costs
The Organization expenses the costs of advertising and promotion as incurred. Total advertising and promotion expenses for the years ended June 30, 2012 and 2011 were $49,425 and $68,882, respectively.

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 ASC 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, 2012 and 2011, the Organization did not recognize any amount in potential interest and penalties associated with uncertain tax positions. As of June 30, 2012, the open federal and state tax returns subject to examination were for the years 2008 to 2011 and 2007 to 2011, 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)

Recently Adopted Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06, "Improving Disclosures about Fair Value Measurements," which was codified in Topic 820, "Fair Value Measurements and Disclosures." This guidance amends the disclosure requirements related to recurring and nonrecurring fair value measurements and requires new disclosures on significant transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a rollforward of activities on purchases, sales, issuance and settlements of the assets and liabilities measured using Level 3 measurements. The guidance is effective for the reporting period beginning July 1, 2010, except for the disclosure on the rollforward activities for Level 3 fair value measurements, which will become effective for the reporting period beginning July 1, 2011. The Foundation had no significant transfers of assets or liabilities between Level 1 and Level 2. The adoption of this ASU did not have a material effect on the Organization's financial statements.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued FASB No. 2011-04, "Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" ("ASU 2011-04"). ASU 2011-04 affects all entities that are required or permitted to measure or disclose the fair value of an asset, a liability or an instrument classified in a reporting entity's equity in the financial statements. ASU 2011-04 changed the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. Amendments under ASU 2011-04 will be effective for annual periods beginning after December 15, 2011. The Organization's management does not believe the adoption of this guidance will have a material impact on the 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:

	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**

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,130,603	$ -	$ -	$ 3,130,603
Fixed income investments:				
Government bonds and notes	1,195,770	-	-	1,195,770
Municipal bonds	143,674	-	-	143,674
Corporate bonds	823,742	-	-	823,742
Total cash and cash equivalents and investments	**$ 5,293,789**	**$ -**	**$ -**	**$ 5,293,789**

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, 2012 includes the following amounts:

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

Investment income for the year ended June 30, 2011 includes the following amounts:

Interest and dividend income	$ 61,239
Net realized and unrealized losses	(23,365)
Total	**$ 37,874**

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012 and June 30, 2011 consisted of the following:

	2012	2011
Software and development costs	$ 1,457,301	$ 1,433,555
Leasehold improvements	382,542	375,926
Computer equipment	282,917	283,253
Furniture and fixtures	240,809	230,619
Office equipment	127,014	166,953
	2,490,583	2,490,306
Less accumulated depreciation and amortization	(1,727,136)	(1,465,881)
Total property and equipment (net)	**$ 763,447**	**$ 1,024,425**

Depreciation expense for the years ended June 30, 2012 and June 30, 2011 were $371,372 and $397,241 respectively.

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Accrued salaries and payroll taxes	$ 462,620	$ 367,651
Accounts payable	-	22,907
Other accrued expenses	38,376	81,645
Total accounts payable and accrued expenses	**$ 500,996**	**$ 472,203**

NOTE 6 – DUE TO CONTRACTED PERMITTING AUTHORITIES

Amounts due to contracted permitting authorities at June 30, 2012 and June 30, 2011 consist of the following:

	2012	2011
City of Los Angeles	$ 771,691	$ 737,268
City of Los Angeles - contingency	-	56,651
Los Angeles Unified School District	268,927	108,860
County of Los Angeles	116,763	103,091
Others	50,813	23,516
Total due to contracted permitting authorities	**$ 1,208,194**	**$ 1,029,386**

NOTE 7 – LINE OF CREDIT

The Organization held a $1M revolving line of credit which expired on June 28, 2012. Subsequent to year end on August 15, 2012, the revolving line of credit was renewed through June 28, 2013. Interest is payable monthly at the bank's Prime rate (3.25% at June 30, 2012). 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, 2012.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating Lease

During the year ended June 30, 2007, the Organization entered into a sublease with an assignment of rent to Los Angeles Center Studios for an additional usable 2,779 square feet of office space. The sublease term was from March 2007 through May 2011, at which time it began to run concurrently with the master lease. The master lease is still in effect with escalating payments over the next seven years, expiring in August 2016. The deferred rent liability for the master lease was $244,719 and $269,800, respectively, as of June 30, 2012 and 2011.

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
2013	$ 459,955
2014	474,394
2015	487,616
2016	501,997
2017	84,482
Total	**$ 2,008,444**

Rent expense under all leases for the years ended June 30, 2012 and 2011 were $420,798 and $418,577, 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, 2012 and June 30, 2011 were $193,638 and $180,769, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management evaluated all activity of the Organization through November 8, 2012 (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.