

FilmLA

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

FilmLA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FilmLA

Report on the Financial Statements

We have audited the accompanying financial statements of FilmLA, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, 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 FilmLA, as of June 30, 2020, 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 FilmLA's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
FilmLA
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Emphasis of Matter

As discussed in Note 12 to the financial statements, the recent COVID-19 pandemic in the United States and world-wide has resulted in reduced economic activity and market declines. As the extent and duration of the future impact to FilmLA is uncertain, no adjustments were necessary to the financial statements, and our opinion is not modified with respect to this matter.

Green Hasson & Janks LLP

November 16, 2020
Los Angeles, California

FilmLA

STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30	
	2020	2019
Cash and Cash Equivalents	\$ 375,128	\$ 2,488,060
Cash in Bank - Contractual Reserves	1,991,203	1,927,188
Investments	8,811,209	11,972,811
Accounts Receivable	257,016	1,481,911
Prepaid Expenses and Other Assets	138,783	467,735
Property and Equipment (Net)	2,004,614	1,622,228
<i>TOTAL ASSETS</i>	\$ 13,577,953	\$ 19,959,933
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 1,397,158	\$ 1,159,682
Due to Contracted Permitting Authorities	210,459	3,000,262
Due to Permittees	283,647	1,074,388
Deferred Rent and Lease Incentives	901,110	1,087,479
<i>TOTAL LIABILITIES</i>	2,792,374	6,321,811
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	6,997,542	6,024,203
Board Designated:		
Capital Expenditures Reserves	2,918,446	5,113,919
Operating Reserves	869,591	2,500,000
<i>TOTAL NET ASSETS</i>	10,785,579	13,638,122
<i>TOTAL LIABILITIES AND NET ASSETS</i>	\$ 13,577,953	\$ 19,959,933

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF ACTIVITIES

	Years Ended June 30	
	2020	2019
REVENUES:		
Permit Operations	\$ 6,719,639	\$ 8,065,895
Field Services	3,120,915	4,187,557
School Licenses	438,256	475,954
Investment Income (Net)	412,567	658,567
Other Income	10,528	716
<i>TOTAL REVENUES</i>	10,701,905	13,388,689
EXPENSES:		
Program Services	11,805,339	11,778,108
Management and General	1,749,109	1,983,277
<i>TOTAL EXPENSES</i>	13,554,448	13,761,385
<i>CHANGE IN NET ASSETS</i>	(2,852,543)	(372,696)
Net Assets - Beginning of Year	13,638,122	14,010,818
<i>NET ASSETS - END OF YEAR</i>	\$ 10,785,579	\$ 13,638,122

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
With Summarized Totals for the Year Ended June 30, 2019

	2020							2019 Total
	Program Services				Support Services		Total	
	Film Permit Coordination	Field Services	Outreach Services	Total Program Services	Management and General			
Personnel Costs	\$ 4,274,241	\$ 2,447,044	\$ 1,225,111	\$ 7,946,396	\$ 824,485	\$ 8,770,881	\$ 9,162,840	
CARES Act: Employee Retention Credit	(112,990)	(114,766)	(24,161)	(251,917)	(62,179)	(314,096)	-	
Information Technology	1,291,555	311,684	123,043	1,726,282	579,007	2,305,289	2,000,482	
Occupancy	450,982	252,024	104,475	807,481	62,011	869,492	879,301	
Professional Fees	434,604	86,182	29,225	550,011	235,376	785,387	452,435	
Depreciation and Amortization	237,460	99,895	54,012	391,367	36,819	428,186	332,229	
Marketing, Memberships and Meetings	47,762	121,005	218,222	386,989	23,863	410,852	601,798	
Office Expenses	43,349	68,398	11,341	123,088	39,835	162,923	206,112	
Insurance	72,248	37,005	16,389	125,642	9,892	135,534	126,188	
<i>TOTAL FUNCTIONAL EXPENSES</i>	\$ 6,739,211	\$ 3,308,471	\$ 1,757,657	\$ 11,805,339	\$ 1,749,109	\$ 13,554,448	\$ 13,761,385	

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (2,852,543)	\$ (372,696)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	428,186	332,229
Bad Debt Expense	35,657	42,212
Net Realized and Unrealized Gains on Investments	(202,017)	(428,822)
Impairment Expense	382,842	760,100
(Increase) Decrease in:		
Accounts Receivable	1,189,238	60,115
Prepaid Expenses and Other Assets	328,952	(108,436)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	237,476	143,498
Due to Contracted Permitting Authorities	(2,789,803)	714,602
Due to Permittees	(790,741)	223,040
Deferred Rent and Lease Incentives	(186,369)	(163,665)
	NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,202,177
	(4,219,122)	1,202,177
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(1,193,414)	(795,742)
Sales of Investments	3,574,170	-
Purchases of Investments	(210,551)	(229,745)
	NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(1,025,487)
	2,170,205	(1,025,487)
	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	176,690
	(2,048,917)	176,690
Cash and Cash Equivalents - Beginning of Year	4,415,248	4,238,558
	CASH AND CASH EQUIVALENTS - END OF YEAR	4,415,248
	\$ 2,366,331	\$ 4,415,248
CASH AND CASH EQUIVALENTS INCLUDES:		
Cash and Cash Equivalents	\$ 375,128	\$ 2,488,060
Cash in Bank - Contractual Reserves	1,991,203	1,927,188
	TOTAL CASH AND CASH EQUIVALENTS	4,415,248
	\$ 2,366,331	\$ 4,415,248

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - NATURE OF ORGANIZATION

FilmL.A., Inc. dba FilmLA (the Organization or FilmLA) 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) NET ASSETS

Net assets, revenues, gains, and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, all net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board-designated capital expenditures reserves (see Note 10).
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. None of the Organization's assets were subject to donor-imposed restrictions at June 30, 2020.

FilmLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020 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, 2020 were \$1,991,203.

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 net assets without donor restrictions unless their use is 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, 2020, accounts receivable are deemed fully collectible by the management of the Organization.

(f) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Instruments include primarily cash and cash equivalents, cash in bank - contractual reserves, accounts receivable, prepaid expenses and other assets, accounts payable, due to contracted permitting authorities, and due to permittees. Due to the short-term nature of these items, the carrying amounts approximate their fair value.

(g) 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 (purchased individually, or as a group of similar assets) and the useful life is greater than one year.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) 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	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 accounting standards on internal-use software recognition.

(h) 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. During the year ended June 30, 2020, the Organization recognized \$382,842 of impairment expense.

(i) 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. If the excess estimated service fee is less than \$100, revenue is recognized in the period permitting authorities bill the Organization for the actual charges. FilmLA utilizes unrequested refunds to support its 501(c)(4) public benefit purpose, including, but not limited to, areas such as enhancing the film permitting process, marketing and promoting filming in the Greater Los Angeles region, student film projects, research and education about filming and any other uses that promote film production.

During the year ended June 30, 2020, the Organization recognized \$1,185,503, for unrequested refunds, which is included in permit operations in the accompanying statements of activities. Unrequested refunds represented 2,723 permits with an average unclaimed refund amount of \$435.37 for the year ended June 30, 2020.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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, 2020 is \$901,110.

(l) 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.

(m) ADVERTISING COSTS

The Organization expenses the costs of advertising and promotion as incurred. Total advertising and promotion expense for the year ended June 30, 2020 was \$66,996.

(n) 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.

FilmLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) 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.

(q) 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, 2019, from which the summarized information was derived.

(r) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of combined financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASU's between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on principal versus agent considerations, licensing implementation guidance, scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For the Organization, the ASU and subsequent amendments will be effective for the year ending June 30, 2021.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) NEW ACCOUNTING PRONOUNCEMENTS (continued)

In February 2016, the FASB issued 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, 2023.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance. The Organization implemented this ASU for the year ended June 30, 2020.

(s) SUBSEQUENT EVENTS

The Organization evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 16, 2020, the date these financial statements were available to be issued. No such material event or transactions were noted to have occurred, except as disclosed in Notes 7 and 12.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2020

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.

The following table presents information about the Organization's assets that are measured at fair value on a recurring basis at June 30, 2020 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 497,463	\$ 497,463	\$ -	\$ -
Bonds	3,222,444	3,222,444	-	-
Equity Funds	5,091,302	5,091,302	-	-
TOTAL INVESTMENTS	\$ 8,811,209	\$ 8,811,209	\$ -	\$ -

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 and are classified as level 1.
- **Corporate Bonds:** Valued at the closing price reported on the active market on which the funds and bonds are traded and are classified as level 1.
- **Equity Funds:** Valued at the closing price reported on the active market on which the funds and bonds are traded and are classified as level 1.

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, 2020.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 consist of the following:

Software and Development Costs	\$ 2,759,494
Computer Equipment	188,920
Office Equipment	215,266
Furniture and Fixtures	549,881
Leasehold Improvements	2,226,804
TOTAL	5,940,365
Less: Accumulated Depreciation and Amortization	3,935,751
PROPERTY AND EQUIPMENT (NET)	\$ 2,004,614

Depreciation and amortization expense for the year ended June 30, 2020 was \$428,186.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2020 consist of the following:

Accrued Salaries and Payroll Taxes	\$ 845,794
Other	551,364
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ 1,397,158

NOTE 6 - DUE TO CONTRACTED PERMITTING AUTHORITIES

Amounts due to contracted permitting authorities at June 30, 2020 consist of the following:

City of Los Angeles	\$ 199,425
City of Santa Monica	727
County of Los Angeles	8,834
Others	1,473
TOTAL DUE TO CONTRACTED PERMITTING AUTHORITIES	\$ 210,459

NOTE 7 - LINE OF CREDIT

The Organization has a line of credit providing maximum borrowings of \$1,000,000 with a bank, and matured on June 10, 2020. Principal and any accrued and unpaid interest are due at maturity, with interest-only payments due monthly at the bank's variable prime rate plus 0.25%. The prime rate at June 30, 2020 was 3.25%. The line of credit is secured by all property and assets of the Organization. There was no balance outstanding on the line of credit as of June 30, 2020.

In August 2020, the Organization amended the line of credit arrangement to increase the maximum borrowings to \$3,000,000 and extend maturity to September 10, 2021.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2020

NOTE 8 - 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, 2020 were \$309,725.

NOTE 9 - 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	
2021	\$ 821,485
2022	845,981
2023	864,959
2024	<u>590,026</u>
TOTAL	\$ 3,122,451

Rent expense for the year ended June 30, 2020 was \$592,819.

(b) LITIGATION

In the ordinary course of conducting its business, the Organization may become 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.

NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2020:

Undesignated	\$ 6,997,542
Board Designated Capital Expenditures Reserves	2,918,446
Board Designated Operating Reserves	<u>869,591</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	\$ 10,785,579

FilmLA

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by the Organization at June 30, 2020 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2020	
Cash and Cash Equivalents	\$ 2,366,331
Investments	8,811,209
Accounts Receivable	<u>257,016</u>
TOTAL FINANCIAL ASSETS	
AT JUNE 30, 2020	11,434,556
Less Amounts Not Available to Be Used	
Within One Year, Due to:	
Restricted Cash	(1,991,203)
Board Designations:	
Capital Expenditures Reserves	(2,918,446)
Operating Reserves	<u>(869,591)</u>
FINANCIAL ASSETS AVAILABLE TO	
MEET GENERAL EXPENDITURES	
WITHIN ONE YEAR	\$ 5,655,316

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization is substantially supported by services fees for permits and other services. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers accounts receivable balances expected to be collected in the next fiscal year as available for general expenditures. Additionally, the Organization had \$1,000,000 of availability on its line of credit at June 30, 2020, which was subsequently amended and increased to \$3,000,000 (see Note 7). The line of credit, which matures in September 2021, can be utilized to fund operations and is not included in financial assets available to meet general expenditures within one year.

The Organization's investments are held for operations and reserves. The entire investment portfolio consists of highly liquid investments.

In the event of an unanticipated liquidity need, the Organization's Board Designated reserves totaling \$3,788,037 could be made available for use at the Board's discretion.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 12 - RISKS AND UNCERTAINTIES

The recent COVID-19 outbreak in the United States and worldwide has caused business disruption which may negatively impact the Organization's program services delivery and operations, as well as investments portfolio. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. It is therefore likely there will be an impact on the Organization's operating activities and results. However, the related financial impact and duration cannot be reasonably estimated at this time.

In response to COVID-19 the Organization enacted its Business Continuity Plan (the Plan) and the governing board of the Organization is monitoring the situation closely. Below is a summary of the steps taken by the Organization to mitigate financial losses and a forecast based on current business activity:

- The Organization began to build financial reserves to sustain the business during film industry activity downturns and for major technology investments in 2008. During this same time the Organization developed the Plan covering scenarios from labor strikes, to loss of the physical office, to earthquakes, and pandemics.
- On March 12, 2020 the Organization immediately implemented the Plan, shuttering its physical offices, moving employees to 100% remote work, furloughing 50% of its staff and reducing hours/salary by 30% for remaining staff. The Organization also immediately implemented drastic cost cutting measures including re-negotiation of fixed overhead costs, reduction or suspension of all variable expenses, suspension of non-essential services, and participating in the CARES Act's Employee Retention Credit and Social Security Tax Deferral programs.
- On June 15, 2020, the County of Los Angeles allowed filming to resume. Since that time, the Organization's business volume has picked up steadily to approximately 50% of normal levels. Local public health authorities, having authorized filmmakers to return to work under industry-specific safety guidelines, have repeatedly expressed appreciation for local film producers' adherence to COVID-19 health protocols. Producers of feature films and episodic series, representing critical sub segments of the Organization's customer base, proceeded with their anticipated return to business in October, 2020. Meanwhile local sound stage inventory, a resource highly sought after by content producers, currently has a low rate of vacancy which creates additional opportunities for location-based production in the months ahead. Barring any subsequent filming shutdowns, the Organization projects increasing levels of activity into 2021 as additional film industry customers seek its services.
- The cessation of film permit applications in March 2020 also allowed for an accelerated development schedule for planned investments in new major technology systems by dedicating active employees full-time to the project. This fast-tracking of systems development has enabled the Organization to complete these projects months ahead of original schedule. Capital expenditures will decline significantly in 2021 as these projects are implemented early.
- Should the County retract permission for filming again, the Organization is prepared to take more acute actions to continue to sustain the organization through an extended period of revenue loss. These actions would include additional furloughs, further reduction of hours, salary, and suspension of services not central to the business.