

FilmLA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

FilmLA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

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WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FilmLA

Opinion

We have audited the financial statements of FilmL.A., Inc. dba FilmLA (the Organization or FilmLA), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FilmLA as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FilmLA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FilmLA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited FilmLA's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

November 21, 2022
Los Angeles, California

FilmLA

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 65,053	\$ 4,085,981
Cash in Bank - Contractual Reserves	646,987	1,981,671
Investments	15,511,881	10,910,848
Accounts Receivable	1,899,875	1,379,572
Prepaid Expenses and Other Assets	398,965	391,569
Property and Equipment (Net)	1,718,432	2,289,048
TOTAL ASSETS	\$ 20,241,193	\$ 21,038,689
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 1,565,130	\$ 1,508,618
Due to Contracted Permitting Authorities	4,505,374	4,747,655
Due to Permittees	1,520,534	997,936
Deferred Rent and Lease Incentives	457,564	691,375
TOTAL LIABILITIES	8,048,602	7,945,584
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	6,099,215	6,999,729
Board Designated:		
Capital Expenditures Reserves	2,918,446	2,918,446
Operating Reserves	3,174,930	3,174,930
TOTAL NET ASSETS	12,192,591	13,093,105
TOTAL LIABILITIES AND NET ASSETS	\$ 20,241,193	\$ 21,038,689

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF ACTIVITIES

	Years Ended June 30	
	2022	2021
REVENUES:		
Permit Operations	\$ 9,121,652	\$ 6,391,069
Field Services	4,244,327	3,231,368
School Licenses	396,804	633,381
Other Income	2,000	-
	13,764,783	10,255,818
TOTAL REVENUES		
EXPENSES:		
Program Services	11,426,714	8,646,923
Management and General	1,303,015	1,401,008
	12,729,729	10,047,931
TOTAL EXPENSES		
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (NET)	1,035,054	207,887
Investment Return (Net)	(1,935,568)	2,099,639
CHANGE IN NET ASSETS AFTER INVESTMENT RETURN (NET)	(900,514)	2,307,526
Net Assets - Beginning of Year	13,093,105	10,785,579
NET ASSETS - END OF YEAR	\$ 12,192,591	\$ 13,093,105

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022
With Summarized Totals for the Year Ended June 30, 2021

	2022							2021 Total
	Program Services				Support Services		Total	
	Film Permit Coordination	Field Services	Outreach Services	Total Program Services	Management and General	Total		
Personnel	\$ 4,446,687	\$ 2,874,125	\$ 1,132,092	\$ 8,452,904	\$ 913,439	\$ 9,366,343	\$ 7,652,372	
CARES Act: Employee Retention Credit	-	-	-	-	-	-	(1,366,243)	
Depreciation and Amortization	554,452	271,933	94,561	920,946	79,138	1,000,084	631,229	
Occupancy	408,079	200,687	65,748	674,514	64,479	738,993	747,252	
Information Technology	388,698	225,027	42,302	656,027	77,290	733,317	1,571,555	
Professional Fees	197,307	83,037	23,217	303,561	123,026	426,587	338,089	
Marketing, Memberships and Meetings	27,105	113,990	58,508	199,603	17,578	217,181	203,451	
Insurance	86,378	42,363	14,731	143,472	12,329	155,801	146,715	
Office Expenses	20,249	52,526	2,912	75,687	15,736	91,423	123,511	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 6,128,955	\$ 3,863,688	\$ 1,434,071	\$ 11,426,714	\$ 1,303,015	\$ 12,729,729		
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 4,525,665	\$ 2,757,151	\$ 1,364,107	\$ 8,646,923	\$ 1,401,008		\$ 10,047,931	

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF CASH FLOWS

	Years Ended June 30	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (900,514)	\$ 2,307,526
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,000,084	631,229
Bad Debt Expense	34,029	13,751
Net Realized and Unrealized (Gain) Loss on Investments	2,234,020	(1,940,315)
Increase in:		
Accounts Receivable	(554,332)	(1,136,307)
Prepaid Expenses and Other Assets	(7,396)	(252,786)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	56,512	111,460
Due to Contracted Permitting Authorities	(242,281)	4,537,196
Due to Permittees	522,598	714,289
Deferred Rent and Lease Incentives	(233,811)	(209,735)
	1,908,909	4,776,308
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(429,468)	(915,663)
Purchases of Investments	(6,835,053)	(159,324)
	(7,264,521)	(1,074,987)
NET CASH USED IN INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,355,612)	3,701,321
Cash and Cash Equivalents - Beginning of Year	6,067,652	2,366,331
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 712,040	\$ 6,067,652
CASH AND CASH EQUIVALENTS INCLUDES:		
Cash and Cash Equivalents	\$ 65,053	\$ 4,085,981
Cash in Bank - Contractual Reserves	646,987	1,981,671
TOTAL CASH AND CASH EQUIVALENTS	\$ 712,040	\$ 6,067,652

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, FilmLA was formed in 1995 in an effort to enhance film and media production and to attract and retain jobs.

FilmLA 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.

FilmLA has contracts with multiple governmental entities ("permitting authorities") including the City of Los Angeles and the County of Los Angeles. FilmLA 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 FilmLA's assets were subject to donor-imposed restrictions at June 30, 2022.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS

FilmLA 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, 2022 approximates its fair value. FilmLA has contracts with various permitting authorities that require cash reserves as determined by the contracts. Required cash reserves at June 30, 2022 were \$646,987.

FilmLA maintains its cash and cash equivalents in bank deposit and money market accounts, which, at times, may exceed federally insured limits. FilmLA 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. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statements of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

(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, 2022, accounts receivable are deemed fully collectible by the management of FilmLA.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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, 2022, FilmLA did not recognize any impairment expense.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) DUE TO PERMITTEES

Due to permittees represents amounts that FilmLA expects to refund to its customers, in accordance with the terms and conditions of the film permits, when the actual amount that FilmLA 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 FilmLA for the actual service fees related to each permit. The amount FilmLA 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 FilmLA charges its customers more than what it finally pays the permitting authorities, FilmLA 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 120 days after the end of filming, or later if final charges are received late. If the excess estimated service fee is less than \$100, revenue is recognized in the period permitting authorities bill FilmLA 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, 2022, FilmLA recognized \$935,376, for unrequested refunds, which is included in permit operations in the accompanying statements of activities. Unrequested refunds represented 4,009 permits with an average unclaimed refund amount of \$233.32 for the year ended June 30, 2022.

(j) DUE TO CONTRACTED PERMITTING AUTHORITIES

Due to contracted permitting authorities represent amounts that FilmLA estimates it will become obligated to pay permitting authorities for fees incurred in connection with filming activities conducted by FilmLA's customers. Prior to releasing a permit, FilmLA 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 FilmLA for the actual fees and services incurred, which are based on the actual filming activity for that permit.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) DUE TO CONTRACTED PERMITTING AUTHORITIES (continued)

Permitting authorities historically invoice FilmLA within one to six months from the date of permit issuance. FilmLA is required to remit payment for service fees to the permitting authorities within thirty to sixty days of invoice receipt from the permitting authorities. FilmLA estimates the liability to contracted permitting authorities based on the invoiced permits.

(k) DEFERRED RENT

FilmLA 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, 2022 is \$457,564.

(l) REVENUE RECOGNITION

Revenue from contracts with customers include permit application fees and field service fees. Each are comprised of an exchange element that is satisfied as benefits are transferred to the customer. Performance obligations for permit application fees consist of providing a filming permit to the customer. As a result, revenues for the performance obligation are recognized at a point in time, when the permit is distributed to the customer, which is instantaneously. The service does not create an asset with an alternative use for FilmLA. Revenues derived from field service fees consist of distributing filming notifications prior to filming and film monitoring services during the course of a filming session. As these sessions range between a few hours to a few days, revenues from these contracts are recognized over-time, as the session occurs and the service is consumed. Excess estimated service fees are recognized as revenue in the period following lapse of the refund request period. There are no contract assets or liabilities for revenues with contracts from customers at June 30, 2022 or 2021. Accounts receivable from contracts with customers amounted to \$1,899,875 and \$1,379,572 as of June 30, 2022 and 2021, respectively.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing FilmLA'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. FilmLA uses facility square footage and employee full-time equivalents and salary dollars to allocate indirect costs.

(n) INCOME TAXES

FilmLA is a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code (the Code) and corresponding California provisions, as FilmLA 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. FilmLA currently has no unrelated business income. Accordingly, no provision for federal or state income taxes has been recorded.

In accordance with the Financial Accounting Standards Board (FASB)'s Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, FilmLA recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2022, FilmLA performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(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 FilmLA's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS

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 provide additional information about the amounts recorded in the financial statements. For FilmLA, the ASU will be effective for the year ending June 30, 2023.

(r) SUBSEQUENT EVENTS

FilmLA evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2022 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 21, 2022, the date these financial statements were available to be issued. No such material event or transactions were noted to have occurred, except as described in Note 7.

NOTE 3 - INVESTMENTS

FilmLA 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.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 3 - INVESTMENTS (continued)

The following table presents information about FilmLA's assets that are measured at fair value on a recurring basis at June 30, 2022 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Measurements Using			
	Year Ended June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 419,059	\$ 419,059	\$ -	\$ -
Bond Funds	6,413,930	6,413,930	-	-
Equity Funds	8,678,892	8,678,892	-	-
TOTAL INVESTMENTS	\$ 15,511,881	\$ 15,511,881	\$ -	\$ -

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.
- **Bond 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.
- **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.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 consist of the following:

Software and Development Costs	\$ 4,104,624
Computer Equipment	146,402
Office Equipment	214,184
Furniture and Fixtures	549,881
Leasehold Improvements	2,226,804
TOTAL	7,241,895
Less: Accumulated Depreciation and Amortization	<u>5,523,463</u>
TOTAL PROPERTY AND EQUIPMENT (NET)	<u>\$ 1,718,432</u>

Depreciation and amortization expense for the year ended June 30, 2022 was \$1,000,084.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2022 consist of the following:

Accrued Salaries and Payroll Taxes	\$ 1,258,280
Other	<u>306,850</u>
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$ <u>1,565,130</u>

NOTE 6 - DUE TO CONTRACTED PERMITTING AUTHORITIES

Amounts due to contracted permitting authorities at June 30, 2022 consist of the following:

City of Los Angeles	\$ 3,575,421
City of Santa Monica	261,068
County of Los Angeles	115,727
Others	<u>553,158</u>
TOTAL DUE TO CONTRACTED PERMITTING AUTHORITIES	\$ <u>4,505,374</u>

NOTE 7 - LINE OF CREDIT

FilmLA has a line of credit providing maximum borrowings of \$3,000,000 with a bank, maturing September 10, 2022. 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, 2022 was 4.75%. The line of credit is secured by all property and assets of FilmLA. There was no balance outstanding on the line of credit as of June 30, 2022.

In September 2022, the FilmLA amended the line of credit arrangement providing for maximum borrowings of \$3,000,000 and extending maturity to October 10, 2022. On October 14, 2022, this maturity date was further extended to December 9, 2022.

NOTE 8 - RETIREMENT PLAN

FilmLA sponsors a 401(k) plan for the benefit of substantially all employees. Employees are eligible for the plan after one year of employment. FilmLA matches 100% of the first 3% and 50% of the next 2% of employee contributions, and may elect at Plan Year end to match up to a total of 6% of eligible compensation. Employer contributions for the year ended June 30, 2022 were \$377,770.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 9 - COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

FilmLA 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

2023	\$ 864,554
2024	<u>589,755</u>
TOTAL	<u>\$ 1,454,309</u>

Rent expense for the year ended June 30, 2022 was \$592,840 and is included in occupancy in the statements of functional expenses.

(b) LITIGATION

In the ordinary course of conducting its business, FilmLA may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against FilmLA, which, from time to time, may have an impact on changes in net assets or its financial position. FilmLA 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, 2022:

Undesignated	\$ 6,099,215
Board Designated Capital Expenditures Reserves	2,918,446
Board Designated Operating Reserves	<u>3,174,930</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 12,192,591</u>

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2022

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by FilmLA at June 30, 2022 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statements of financial position are summarized in the following table:

Financial Assets at June 30, 2022:	
Cash and Cash Equivalents	\$ 65,053
Investments	15,511,881
Accounts Receivable	<u>1,899,875</u>
TOTAL FINANCIAL ASSETS AT JUNE 30, 2022	17,476,809
Less Amounts Not Available to Be Used Within One Year, Due to:	
Board Designations:	
Capital Expenditures Reserves	(2,918,446)
Operating Reserves	<u>(3,174,930)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 11,383,433</u>

FilmLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. FilmLA is substantially supported by services fees for permits and other services. As part of FilmLA'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.

FilmLA 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, FilmLA considers accounts receivable balances expected to be collected in the next fiscal year as available for general expenditures. Additionally, FilmLA had \$3,000,000 of availability on its line of credit at June 30, 2022, (see Note 7). The line of credit, which matures on December 9, 2022, can be utilized to fund operations and is not included in financial assets available to meet general expenditures within one year.

FilmLA'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, FilmLA's Board Designated reserves totaling \$6,093,376 could be made available for use at the Board's discretion.