



directors & editors guild of nz
ngā kaiwherawhera kiriata

PO Box 47-294, Ponsonby
66 Surrey Crescent
Grey Lynn
Auckland
New Zealand

+64 (0) 9 360 2102

degnz.co.nz

TREASURERS REPORT - FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 FOR THE ANNUAL GENERAL MEETING ON 5 OCTOBER 2019

We're presenting today the Guild's financial statements for the year ended 31 March 2019.

Net result

Starting with the Profit and Loss Statement on pages 5-6, the bottom line on page 6 is the Guild made a net loss for the year before tax of \$27,492. This compares with a net loss for the previous 2018 year of \$15,302 i.e. an increase in loss of \$12,000. We flagged at last year's AGM that we expected we would have another loss in the 2019 year - so this result is as expected and planned. The main reasons for this year's loss are in relation to certain expenses incurred by the Guild and we'll look at the expenses in more detail a little later.

Income

Back to the top of page 5, looking at the individual lines of income, the income from issuing letters of non-objection to productions for overseas crew members, membership fees, interest received and other revenue (being the annual sponsorship from Pieter Holl & Associates and a fee of \$2,885 from the NZ International Film Festival in relation to assistance with the festival) are at similar levels to the previous year.

The Guild also receives Industry Development Funding from the NZ Film Commission - this is a grant of \$85,000 (same as in 2018 and prior years) which goes towards covering the Guild's core costs i.e. our team being our Executive Director, Tui Ruwhiu, Events and Marketing Manager Tema Pua for running the Guild on a day-to-day basis and our accounts person, Caroline Harrow, plus office rent and other overheads.

The Guild then currently has 2 streams of funding for its professional development programs – from the NZ Film Commission and from both the NZFC and the Vista Foundation for the Emerging Women Filmmakers Incubator program. However, financially, these activities don't directly impact on the Guild's result for the year. Basically, everything we spend in relation to these professional development events is covered by the funding received. Therefore, you'll see there are corresponding amounts of expenditure in the Cost of Sales section i.e. the income and expenditure match and offset each other.

In a similar approach, the Guild also ran a Directors Toolkit training event on behalf of the Top Of The South Film Society. The funding for this event, which effectively came from the NZFC, is matched by a corresponding amount of expenditure in the Cost of Sales section.

If we haven't spent all the professional development funding we've received during the year from these sources, we treat this unspent amount as income received in advance and we 'park' this amount in the balance sheet under the heading "Deferred Income" i.e. we only recognise this funding as taxable income when the funding is actually spent on events. The Guild currently has nearly \$91,000 in Deferred Income which will be recognised as income and matched against expenditure in the Profit and Loss Statement in the relevant year the future events are held.

The net result of all the income sources and the professional development expenditure is a gross profit of \$139,416 – which is approx. \$3,000 down from the previous year.

Expenses

Most of the expenses and overheads are of a similar level to last year. However, there are a few key exceptions where the board consciously decided to invest additional funds during the 2019 year as follows:

Consulting Fees – these fees were all paid to a PR firm, Blackland Public Relations (as were the fees in the 2018 year). The Guild engaged this firm to assist in advocating for copyright for directors in the audio-visual content they create. This has been an important ongoing issue for the Guild and the board decided it needed specialised advice and expertise in how best to promote the Guild’s views in order to bring about change to the current copyright law, including the Guild’s submission to the select committee reviewing the Copyright Act and continued lobbying up until that time.

Legal Fees - these fees were largely incurred in relation to the changes to the “Hobbit Law” –the Guild engaged an employment law firm, Cullen Law, to provide us with expert advice and assist in formulating the Guild’s view on this issue.

Sponsorship - this includes the purchase of a directors’ collection of approx. 2,000 DVDs for \$5,000 from the Videon DVD store when it was closing down. Rather than the collection being broken down, the board decided the collection was of sufficient importance that it should remain intact and be available to Guild members. Upon the Guild’s offer for the collection being accepted, the Guild immediately donated it to the specialist DVD library of Toi Whakaari, the NZ Drama School in Wellington, where the collection is available to all Guild members and the public.

Summary and tax

To summarise, you could say, roughly, that the 2019 loss of \$27K is made up of the Consulting Fees of \$12K, plus the Legal Fees of \$10,000 plus the DVD library donation of \$5,000.

Although the Guild has an accounting loss for the year, it actually has taxable income of \$14,571 for the year, with a resulting income tax expense for the year of approx. \$4K (as per page 6), which has already been paid by way of provisional tax payments.

Basically, incorporated societies and clubs are not assessable on member transactions. Therefore, the Guild’s income from its members is not taxable income and, conversely, it can’t claim the expenditure it incurs in earning this income – and as discussed earlier, the infrastructure and professional development funding received from the NZFC and other sources is matched by a corresponding amount of expenditure. Therefore, in essence, the Guild is taxable on its income from other sources - from issuing letters of non-objection, interest received, the fee from NZIFF and some non-deductible entertainment expenditure less a special deduction for non-profit organisations of \$1,000. In other words, the sum of these amounts is the taxable income amount of \$14,571.

Balance Sheet

Moving on to the Balance Sheet on page 7, this report represents what the Guild owns (its assets) and what it owes (its liabilities) as at 31 March 2019. You’ll see towards the bottom of the page that the Guild has net assets or equity of \$87,426, compared to \$118,977 at 31 March 2018. The decrease of \$30,000 represents the net loss after tax for the 2019 year. So this means the Guild had \$87,000 in its reserves at 31 March 2019. This is an “after tax” amount. In other words, if the Guild had to close down at 31 March 2019, after paying all its debts (including repaying the Deferred Income of nearly \$91,000 discussed earlier) it would have \$87,000 in funds left over.

Going forward, firstly, the NZFC infrastructure funding from the NZFC of \$85,000 is in place again for the 2020 financial year as is the professional development funding from the NZFC.

Secondly, while the work on the copyright issue has continued this year and will continue to up until the select committee hearing, likely in the last quarter of this year, the majority of the expenditure has been incurred and some of this year’s expenditure will be offset by a donation from the **Australian Screen**

Directors Authorship Collecting Society (ASDACS), which is supporting both the Australian Directors Guild and our Guild in the fight for greater rights for directors. We also don't currently expect the legal fees to be at the same level as 2019 and the DVD library purchase earlier this year was a one-off cost. Therefore, we're not currently expecting any loss that may be incurred in the 2020 financial year to be of the level of the 2019 year (and there may possibly even be a break-even situation at this stage) and the Guild should, therefore, still have a healthy balance in its reserves and be in good financial shape at the end of the 2020 financial year.

Phil Gore

Treasurer - DEGNZ