



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 2020 for the Annual General Meeting on 14 November 2020

We're presenting today the Guild's financial statements for the year ended 31 March 2020.

Net result

Starting with the Profit and Loss Statement on pages 5-6, the 'bottom line' result on page 6 is the Guild made a net loss for the year before tax of \$2,251. This compares with a net loss for the previous 2019 year of \$27,492 i.e. a reduction in loss of \$25K. As we discussed at last year's AGM, there were some larger than usual 'one-off' costs in the 2019 year that contributed to that year's loss – including legal fees of \$10K in relation to advice around changes to the 'Hobbit Law' and the \$5K purchase of a DVD library from the store, Videon, on its closure and the subsequent donation of the library to Toi Whakaari. We also flagged then we expected the 2020 result to be more on an 'even keel' – and that has proven to be the case.

Income

Back to page 5, you will see that the Gross Profit increased from \$139K in 2019 to \$151K in 2020 i.e. an increase of \$12K. This increase is essentially made up of an increase in income of memberships of \$5K, a decrease in income from letters of non-objection to productions for overseas crew members of \$3K and an increase in Other Revenue of \$10K – the total for the year of \$18K being made up of the annual sponsorship from chartered accountancy firm, VCFO Group Ltd, of \$5K; \$10K from ASDACS to support the CISAC visit to NZ and \$3K from the NZ International Film Festival in relation to assistance with their 2020 festival.

The Guild also receives Industry Development Funding from the NZ Film Commission - this is a grant of \$85K (same as in 2019 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 – from the NZFC's Strategic Training Fund for the various workshops and training events that the Guild creates and presents and for the Guild's 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.

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 \$163K 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.

Expenses

Most of the expenses and overheads are of a similar level to last year. You will see on page 6 that the total expenses reduced from \$167K in 2019 to \$153K in 2020 – a reduction of \$14K. This is essentially made up cost reductions in 2 areas, namely a reduction of \$10K in legal fees (none in 2020) and sponsorship of \$5K, being the DVD library, as mentioned earlier.

I also want to highlight the **Consulting Fees** of \$15K – these fees were all paid to the PR firm, Blackland Public Relations (as were the fees in the 2019 and 2018 years). 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.

Summary and tax

Although the Guild has a small accounting loss for the year, it actually has taxable income of \$18K 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 industry development (or infrastructure) funding 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, totalling \$18K.

Balance Sheet

Moving on to the Balance Sheet on page 8, this report represents what the Guild owns (its assets) and what it owes (its liabilities) as at 31 March 2020. You'll see at the bottom of the page that the Guild has net assets or equity of \$80K, compared to \$87K at 31 March 2019. The decrease of \$7K represents the net loss after tax for the 2020 year. So this means the Guild had \$80K in its reserves at 31 March 2020. This is an 'after tax' amount. In other words, if the Guild had to close down at 31 March 2020, after paying all its debts (including repaying the Deferred Funding Income of \$163K) it would have \$80K in funds remaining.

COVID19 essentially had no effect on the Guild's 2020 result. Going forward from 1 April 2020, the NZFC Industry Development funding from the NZFC of \$85,000 is in place again for the 2021 financial year, and the Guild hopes to again receive Strategic Training/professional development funding from the NZFC (albeit it may be at a reduced level due to constraints on the NZFC). On the other side, the Government has put additional funds into the screen sector in response to the COVID pandemic to offset economic impact. These funds are becoming available via the screen funding bodies and associated ministries. DEGNZ is seeking some of this funding to assist with members' business training and professional development.

You'll also be aware that the Guild has offered a membership holiday to its existing and new members who would like to take advantage of it. Our membership has grown because of this, and we haven't seen as dramatic a drop in membership revenue as we first expected. The income from letters of non-objection was originally expected to be reduced due to the disruption caused by the pandemic on live-action productions during the year. However, with the increased number of international productions coming to New Zealand to shoot, we have seen a flurry of applications for letters of non-objection in the last quarter of 2020.

It is difficult to estimate the actual loss of income with the fluctuating nature of screen activity, but we do expect a reduction in some costs such as Consulting Fees, International Travel, a small rent reduction etc. We should also note that our team kindly offered to reduce their chargeable hours to the Guild over the period of the first lockdown to help out the Guild's finances – so many thanks to them for that.

Therefore, overall, we're currently expecting the 2021 financial year for the Guild to be quite similar to the 2020 year i.e. a 'break even' position, more or less, with a similar healthy balance in its reserves at the end of the 31 March 2021 financial year.

Phil Gore
Treasurer - DEGNZ