

Directors and Editors Guild of NZ
Treasurers Report - Financial statements for the year ended 31 March 2021 for the Annual General Meeting on 25 September 2021

We're presenting today the Guild's financial statements for the year ended 31 March 2021.

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 small net profit for the year before tax of \$1,148. This compares with a net loss for the previous 2020 year of \$2,251. This essentially break-even result for 2021 is as we flagged as being the expected result at the 2020 AGM in October last year.

Income

Back to page 5, you will see that the Gross Profit decreased by \$5k from \$151k in 2020 to \$146k in 2021. This net decrease is essentially made up a small decrease in income from letters of non-objection to productions for overseas crew of \$3K and a decrease in Other Revenue of \$12k – the total for the 2021 year of \$5k being annual sponsorship from the accounting firm VCFO Group Ltd, with the additional income in 2020 mainly comprising of \$10k assistance from the Australian Screen Directors Authorship Collecting Society (ASDACS) to support the Guild's director copyright initiatives. These decreases are offset by an increase in income of memberships of \$10k (partly due to the subscription 'holiday' for COVID that was offered during part of the 2020 year expiring, and the increase in new members who are now paying members as a result of that initiative).

The Guild also receives Industry Development or Infrastructure Funding from the NZ Film Commission of \$85K (same as in 2020 and prior years) which contributes towards the Guild's core costs i.e. our team being Tui and Tema and Caroline for running the Guild on a day-to-day basis, plus office rent and other overheads.

The Guild also received funding from the NZFC's Strategic Training Fund for the Guild's professional development programs including the various workshops and training events that the Guild creates and presents, plus separate funding for the Guild's Emerging Women Filmmakers Incubator program. You'll see there is also a small amount of revenue from Ministry of Business, Innovation and Employment (MBIE) in the 2021 year for the 'Know Your Rights' workshops (most of which took place in this financial year).

However, financially, these activities don't directly impact on the Guild's result for the year. Everything we spend in relation to these professional development programme 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 exactly.

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'. In this way, we only recognise this funding as taxable income when it is actually spent on events. The Guild currently has \$277k 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 \$153k in 2020 to \$144k in 2020 – a reduction of \$9k.

The main 'movers' here were a reduction in Consulting Fees with \$15k spent in the 2020 year to the Guild's PR advisors to assist the Guild in lobbying for copyright for directors. This initiative was 'on hold' during the 2021 year as the Government had other issues to deal with COVID.

The accounts show an increase in Contractor Fees, being our team who are all contractors rather than employees of the Guild. This doesn't actually mean the Guild has incurred increased costs here...rather, less of the costs have been allocated to the Workshops programme expenses in the Cost of Sales section i.e. more of their time has been spent in other areas of the Guild's activities.

Finally, there was no international travel costs in 2021 compared to 2020, due to COVID.

Summary and tax

While the Guild has a small accounting profit of \$1k for the 2021 year, it actually has taxable income of about \$6k for the year, with a resulting income tax expense for the year of approx. \$1.5k (as per page 6).

As explained in the Notes to the Accounts, the Guild is deemed to be a 'mutual association' and therefore its income and expenses attributable to transactions with its members are not subject to tax e.g. the membership income is not taxable, and the expenses the Guild incurs in deriving that income are not taxable. This means, in essence, the Guild is only taxed on its net income from issuing letters of non-objection and interest received, after deducting the allocable expenses incurred in earning that income, plus some non-deductible entertainment expenditure.

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 2021. You'll see at the bottom of the page that the Guild has net assets or equity of \$80k, virtually the same amount as the previous year. This represents the Guild's 'reserves' and is an 'after tax' amount. In other words, if the Guild had to close down at 31 March 2021, after paying all its debts (including repaying the Deferred Income of \$277k) it would have \$80k of funds remaining.

Going forward from 1 April 2021, the NZFC infrastructure funding of \$85k is in place again for the 2022 financial year, and the Guild has again received Strategic Training/professional development funding from the NZFC (albeit it at a reduced level due to constraints on the NZFC). On the other side, the DEGNZ sought and has received funding from other Government agencies to assist with members' business training and professional development i.e. funding from MBIE for the 'Know Your Rights' workshops.

We're currently expecting most income and expense lines in the current 2022 financial year for the Guild to be quite similar to the 2021 year with some small increases in expenses here and there, and in legal costs of about \$5k, in particular, set aside for work on standard contracts, so overall looking at a deficit perhaps in the \$5k-\$10k range for the 2022 year. However, as you can see from the Balance Sheet, the Guild has healthy accumulated reserves in balance still to sustain any such losses.

Phil Gore
Treasurer - DEGNZ