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TREASURER'S REPORT

Financial statements for the year ended

31 March 2023 for the Annual General Meeting on 21 October 2023

We're presenting today the Guild's financial statements for the year ended 31 March 2023.

Net Result

Starting with the Statement of Financial Performance on pages 5-6, the 'bottom line' result on page 6 is the Guild had a net deficit before tax for the year of approx. \$23,681, compared to a small surplus for the 2022 financial year. It was 'sign-posted' at the last AGM in October last year that, due to the ongoing impact of COVID on the delivery of the Guild's professional development program, while still incurring contractor fees in the creation of the program, plus also increased contractor fees required to deal with the Guild's workload, we were forecasting then a deficit of perhaps up to \$20,000 for the 2023 financial year...so the \$23k deficit result we're reporting today is essentially as expected.

Income

Back to page 5, you will see that the Gross Profit increased by over \$10,000 from \$153,000 in 2022 to \$163,000 in 2023. This net increase is essentially made up of an increase in interest income (the 'plus side' of rising interest rates), increased income for the Guild issuing Letters of Non-Objections for visiting crew (as the country opened up more post-COVID), plus an AU\$5,000 grant from Screenrights as a contribution towards the costs of the Emerging Women Filmmakers Incubator program.

As a key industry organisation, the Guild also receives Core Support Funding from the NZ Film Commission of \$85,000 (same as in the 2022 and prior years) which contributes towards the Guild's overheads i.e. our core team 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 ongoing Emerging Women Filmmakers Incubator program.

However, financially, these professional development activities don't directly impact on the Guild's result for the year. Everything we spend in relation to these activities 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 Statement of Financial Position (or Balance Sheet) under the heading 'Deferred Income'. In this way, we only recognise this funding as income as and when it is actually spent on events. The Guild currently has \$289,000 in Deferred Income which will be recognised as income and matched against expenditure in the Statement of Financial Performance in the relevant year the future events are held.

As with the 2022 year, the Other Income of \$10,223 includes \$5,000 sponsorship income from our firm, VCFO Group Ltd (which is offset by the Accountancy Fees expense of the same amount), plus the grant income from Screenrights.

Expenses

You will see on page 6 that the total expenses increased from \$152,000 in 2022 to \$187,000 in 2023 – an increase of \$35,000. Most of the expenses and overheads are of a similar level to last year. The main change here is an increase in Contractor Fees of \$32,000, which again reflects the fact that some of the fees here have not been able to recouped via the professional development program, more of the team’s time has had to be spent in handling the increased workload in other areas of the Guild’s activities (e.g. preparing for the implementation of the Screen Industry Workers Act, the Screen Sector Investment Review etc), plus some necessary ‘hand-over’ overlap in personnel changes within the team.

Summary and Tax

While the Guild had a largish accounting deficit before tax of \$23,681 for the 2023 year, it has taxable income of about \$9,500 for the year, with a resulting income tax expense for the year of approx. \$2,600 (as per page 6), which is then reduced by resident withholding tax of \$1,025 already paid on the interest income, so a final tax bill payable for the year of \$1,642.

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 subscriptions income the Guild derives from its members is not taxable, and the expenses the Guild incurs in relation to the various activities with its members are not deductible. This means, in essence, the Guild is only taxed on its net income from outside its circle of members, being 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

This report on page 8 represents a ‘snapshot’ of what the Guild owns (its assets) and what it owes (its liabilities) as at 31 March 2023. You’ll see at the bottom of the page that the Guild has net assets or equity of \$54,000, being a reduction from \$80,000 in the previous year (which is due to the expected after-tax deficit for the year). This represents the Guild’s ‘after tax reserves’ - in other words, if the Guild had to close down at 31 March 2023, after realising its assets and paying all its debts (including repaying the Deferred Income of \$289,000) it would have had \$54,000 of after-tax funds remaining.

Going forward from 1 April 2023, the NZFC Core Support funding of \$85,000 is in place again for the 2024 financial year and through to 30 June 2024, and the Guild has again applied for and just been granted Strategic Training/professional development funding of \$130,000 from the NZFC for the same period (noting this has been dropping each year due to increasing constraints on the NZFC’s funding for these initiatives for all industry organisations).

We’re currently expecting an improved financial result for the current 2024 financial year with a small deficit or ‘break-even’ result currently forecast, which is the type of result we would typically expect each year. This result would mean the Guild’s reserves should hold steady around the \$50,000 mark, which is still a healthy position for the Guild to be in.

Phil Gore
Treasurer
Directors and Editors Guild of Aotearoa New Zealand