
Financial Report: 30 September 2016

Author:	Jordan Carter, Chief Executive
Purpose of Paper:	To provide the standard monthly update on the financial performance of InternetNZ.

Commentary to the Accounts

For the quarter ending September 2016, the accounts report a surplus of \$364,000 against a budgeted deficit of \$491,531, reflecting a variance (surplus) against budget of \$855,531.

Detailed commentary on the variances follows.

There follow a number of attachments with further information for Council:

- A - The profit and loss statement
- B - A chart showing net income, actual against budget
- C - The balance sheet
- D - Information about the spread of assets across institutions
- E - Managed Invested Funds, balance per month and chart
- F - A chart showing cash in bank, actual against forecast
- G - The cash flow forecast to March 2017.

Income and Expenditure variances

Income:

As reported in August income was over budget by \$669,379, due to a combination of an increased dividend payment, interest, and a change in reporting of “Group Staff Activities”.

September sees another increase compared to budget, as a result of the successful application by the Issues team for a \$30,000 data future partners project grant on mapping digital inequality.

Overall income variance has increased by \$12,347 since August, interest and membership are under budget by \$17,384, resulting in the total YTD budget being over by \$681,727.

Expenditure:

Areas of difference are:

- **Remuneration** in total is under budget by \$74k, \$32k of this is due to staggered start of the new recruitments. Savings of \$14k have been made on recruitment costs. The balance of \$28k is attributable to miscellaneous staff costs, training, and casual & temp costs being under, due to a combination of budget phasing, and the training for the staggered new recruits.

All the following areas are under budget:

- **Community funding** operating expense are under budget by \$8k, consultants are under by the majority of this amount, as the customisation of reporting from Smarty Grants has not been commissioned to start.
- **Community Engagement** operating expenses are under by \$13k, \$7k relates to NetHui prepayments being lower than expected, and the balance is the sponsorship budget phasing.
- **Communication & Outreach** operating expenses are under by \$32k, expenditure has been slower than budgeted, as the team's focus has been the website, supporting the Issues focus areas, NetHui, Speakers Series, the Stakeholder event and increasing awareness of our presence, which have all been resourced internally.
- **International Engagement** is under budget by the \$15k budgeted for the Oceania School of Internet Governance which will, if it goes ahead in the current financial year, be in February 2017.

The following areas continue to be under budget due to budget phasing:

- **Operational costs** operating expenses are under budget by \$18k.
- **Governance and Members** operating expenses are under by \$18k.
- **International Events** operating expenses are under by \$9k

The three areas that are in-line, or over budget are the Issues Programme, International Events and overheads.

- **Overhead** expenditure in total is in-line with budget. However, within the expenses cleaning is over, due to an unbudgeted increase in price.
- **Internet Issues Programme** is over budget by \$14k, the majority of the overspend is due to unplanned resources being required for the Vodafone-Sky merger, and the Telco Act review. A more detailed report will be provided with the financial status paper being presented at the November Council meeting .
- **International Engagement** is in-line with budget.

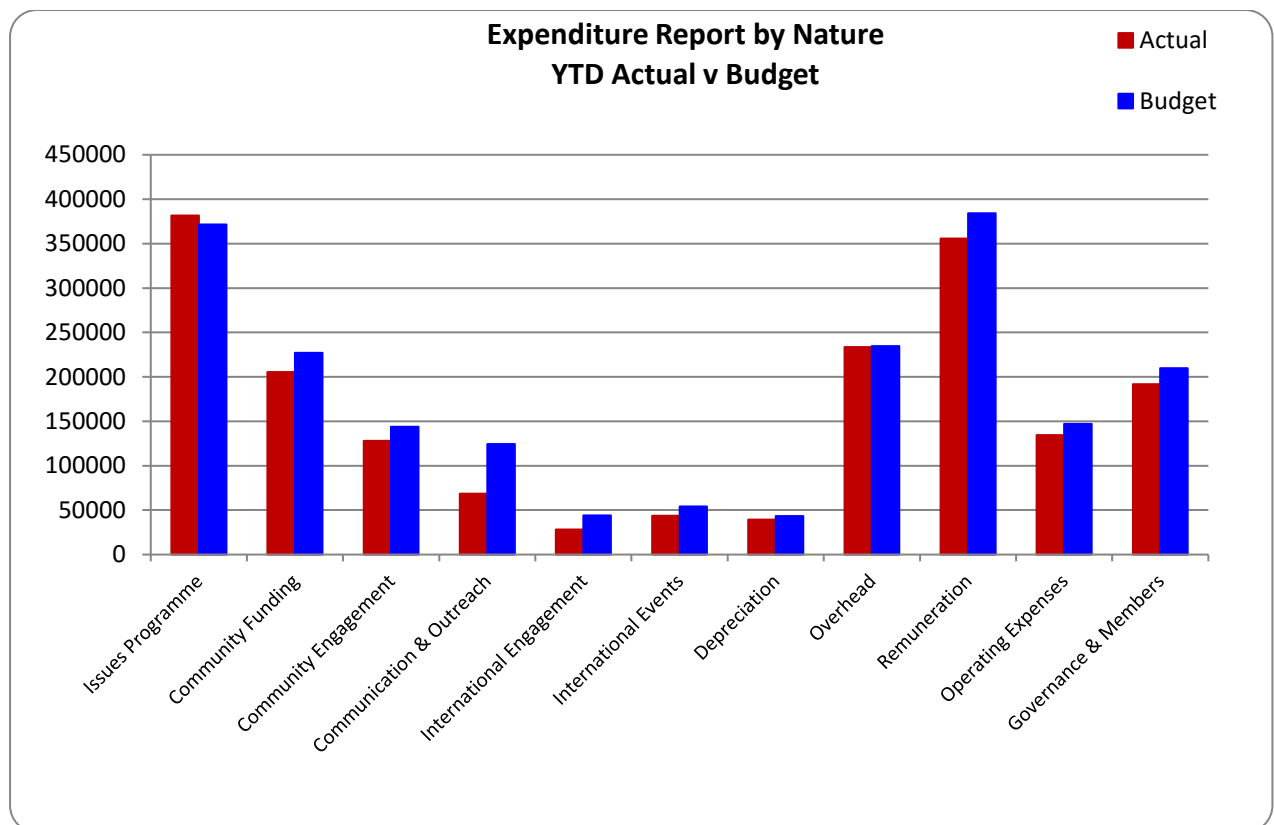
Other Expected Major Budget Variances

There are no other major variances to report.

Condensed Income and Expenditure Report

Actual v Budget by Nature
As at 30 September 2016

	YTD Actual \$	YTD Budget \$	Variance \$
Income - total	2,173,894	1,492,167	681,727
Expenditure			
Issues Programme	381,763	371,410	10,353
Community Funding	205,450	227,124	-21,674
Community Engagement	127,944	143,716	-15,772
Communication & Outreach	68,405	124,256	-55,851
International Engagement	28,030	44,000	-15,970
International Events	43,679	54,000	-10,321
Depreciation	39,299	43,500	-4,201
Overhead	233,482	234,772	-1,290
Remuneration (Operations)	355,833	384,049	-28,216
Operating Expenses	134,347	147,177	-12,830
Council & Members	191,664	209,695	-18,031
Expenditure - total	1,809,894	1,983,699	-173,804
Net Income	363,999	-491,531	855,531



As always, I welcome any questions or comments in response to this report.

Jordan Carter
Chief Executive

25 October 2016

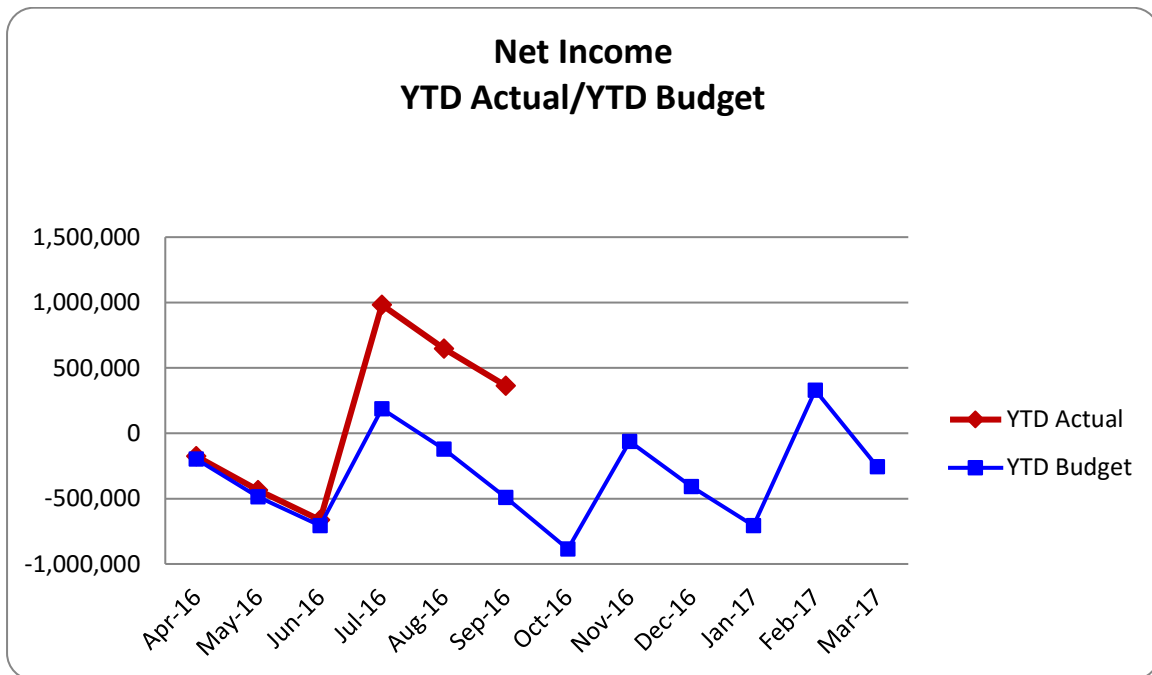
Attachment A: Profit and Loss Statement

InternetNZ
Profit and Loss Statement
As at 30 September 2016

	Apr - Sep 16	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
500 - Operating Income			
530 - Shared Group Services	193,554.00	193,500.00	54.00
535 - Group Staff Activity Recharge	3,113.49	0.00	3,113.49
542 - Membership - Corporate	1,600.00	2,383.34	(783.34)
546 - Membership - Individual	2,557.75	4,746.00	(2,188.25)
Total 500 - Operating Income	200,825.24	200,629.34	195.90
560 - Grants	30,000.00	0.00	30,000.00
570 - Sundry Income	345.00	0.00	345.00
580 - Investment Income			
583 - Dividends	1,934,136.00	1,268,538.00	665,598.00
586 - Interest	8,587.61	23,000.00	(14,412.39)
Total 580 - Investment Income	1,942,723.61	1,291,538.00	651,185.61
Total Income	2,173,893.85	1,492,167.34	681,726.51
Expense			
600 - Remuneration			
601 - ACC Levy	3,936.50	4,994.19	(1,057.69)
625 - Miscellaneous Staff Costs	6,096.66	14,619.24	(8,522.58)
630 - Recruitment	23,475.73	37,000.00	(13,524.27)
635 - Staff Training	52,329.70	62,106.23	(9,776.53)
651 - Wages & Salaries			
651-01 - Kiwi Saver - Employer Contribution	22,729.17	25,604.50	(2,875.33)
651 - Wages & Salaries - Other	600,303.47	629,941.17	(29,637.70)
Total 651 - Wages & Salaries	623,032.64	655,545.67	(32,513.03)
653 - Wages - Casual & Temporary	5,387.34	13,630.02	(8,242.68)
Total 600 - Remuneration	714,258.57	787,895.35	(73,636.78)
800 - Operating Expenses			
801 - Accountancy Fees	5,638.44	12,499.98	(6,861.54)
805 - Advertising & Marketing	1,813.55	5,500.02	(3,686.47)
808 - Audit Fees	0.00	1,775.00	(1,775.00)
809 - Bank Charges	1,583.73	3,399.98	(1,816.25)
811 - Conferences	2,296.08	9,499.94	(7,203.86)
813 - Consultants	108,191.12	130,500.02	(22,308.90)
816 - Depreciation	39,299.09	43,500.00	(4,200.91)
818 - Group Staff Activities	3,756.47	3,900.00	(143.53)
820 - General Office Expenses	15,106.05	15,381.35	(275.30)
822 - Governance Training	4,269.29	5,500.00	(1,230.71)
824 - Honoraria	67,138.86	67,250.00	(111.14)
826 - Legal Fees	36,756.80	32,195.02	4,561.78
829 - Meeting Costs	50,453.94	66,366.66	(15,912.72)
851 - Repairs and Maintenance	2,443.01	1,999.98	443.03

853 · R & M - Software	2,929.28	4,500.00	(1,570.72)
855 · Printing & Stationery	10,324.52	11,100.00	(775.48)
860 · Subscriptions	24,583.90	26,653.80	(2,069.90)
870 · Telecommunications	31,087.43	35,299.68	(4,212.25)
873 · Travel & Accom - National	38,210.33	39,899.98	(1,689.65)
875 · Web Site Updates & Hosting	1,164.00	2,500.00	(1,336.00)
876-60 · Internet Governance Portfolio			
Total 876-60 · Internet Governance Portfolio	28,030.30	44,000.00	(15,969.70)
Total 876 · Issues Programme	185,848.28	157,860.01	27,988.27
Total 878 · Community Funding	131,782.45	136,000.00	(4,217.55)
Total 880 · Community Engagement	42,915.30	61,950.00	(19,034.70)
Total 882 · Our Identity	1,007.27	7,000.00	(5,992.73)
Total 887 · International Event	25,523.82	35,000.00	(9,476.18)
Total 800 · Operating Expenses	862,153.31	961,031.42	(98,878.11)
900 · Overheads			
915 · Cleaning Costs	25,775.16	21,499.98	4,275.18
933 · Electricity	7,703.99	12,499.98	(4,795.99)
950 · Insurance	4,786.27	5,350.02	(563.75)
975 · Rent Paid	193,711.06	193,561.80	149.26
980 · Security	1,505.61	1,860.00	(354.39)
Total 900 · Overheads	233,482.09	234,771.78	(1,289.69)
Total Expense	1,809,893.97	1,983,698.55	(173,804.58)
Net Ordinary Income	363,999.88	(491,531.21)	855,531.09
Other Income/Expense			
Other Income			
1000 · Special Dividends			
1030 · Investment Income	82,463.78	0.00	82,463.78
Total 1000 · Special Dividends	82,463.78	0.00	82,463.78
Total Other Income	82,463.78	0.00	82,463.78
Other Expense			
1900 · Special Dividend Exp-Overhead			
1950 · Investment Funds Management Fee	4,459.70	0.00	4,459.70
Total 1900 · Special Dividend Exp-Overhead	4,459.70	0.00	4,459.70
Total Other Expense	4,459.70	0.00	4,459.70
Net Other Income	78,004.08	0.00	78,004.08
Net Income	442,003.96	(491,531.21)	933,535.17

Attachment B: Net Income actual against budget



Attachment C: Balance Sheet

InternetNZ
Balance Sheet
As at 30 September 2016

	<u>September 30, 16</u>
ASSETS	
Current Assets	
Cheque/Savings/Op Term Deposits	
Total Cheque/Savings/	800,043.64
Term Deposits	
Total - Term Deposits	2,190,981.88
Petty Cash	400.00
Total Cash	<u>2,991,425.52</u>
Investment Funds	
GMI Investment	1,203,310.91
Milford Asset	1,323,933.81
Total Investment	<u>2,527,244.72</u>
Other Current Assets	<u>98,359.47</u>
Total Other Current Assets	<u>98,359.47</u>
Total Current Assets	5,617,029.71
Fixed Assets	
Total Fixed Assets	266,016.82
Other Assets	
Ordinary Share Capital	30,000.00
Shares in DNCL	580,000.00
Total Other Assets	<u>610,000.00</u>
TOTAL ASSETS	<u><u>6,493,046.53</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Total Accounts Payable	165,359.66
Other Current Liabilities	
Accruals	143,723.69
Payroll Liabilities	48,625.04
Total Other Current Liabilities	<u>192,348.73</u>
Total Current Liabilities	<u>357,708.39</u>
Total Liabilities	357,708.39
Equity	
Retained Earnings	5,693,334.18
Net Income	442,003.96
Total Equity	<u>6,135,338.14</u>
TOTAL LIABILITIES & EQUITY	<u><u>6,493,046.53</u></u>

Attachment D: Spread of assets across institutions

Investment Information

Term Deposits

Date	Bank	Term	Amount
02/12/2016	Kiwibank	12 months	298,570
28/2/2016	BNZ	12 months	92,412
29/8/2016	BNZ	45 days	300,000
29/8/2016	BNZ	90 days	400,000
29/8/2016	BNZ	5 months	200,000
29/08/2016	ASB	6 months	450,000
29/08/2016	ASB	10 months	450,000
Total \$			2,190,982

Managed Investment Funds Information

Date	Managers	Amount
20/06/2013	GMI	1,203,311
20/06/2013	Milford	1,323,934
Total \$		2,527,245

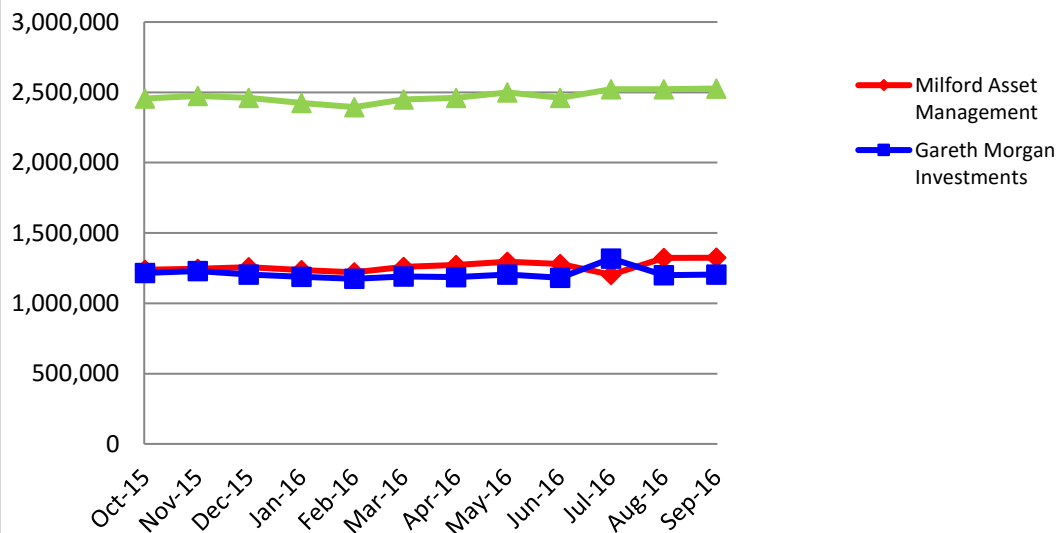
Managed Investment funds recorded at market value on 30 September 2016.

Investment information is recorded separately from the InternetNZ operating reserves as a distinct balance sheet line item, as per the InternetNZ Funds Investment Management Policy Principle 1.

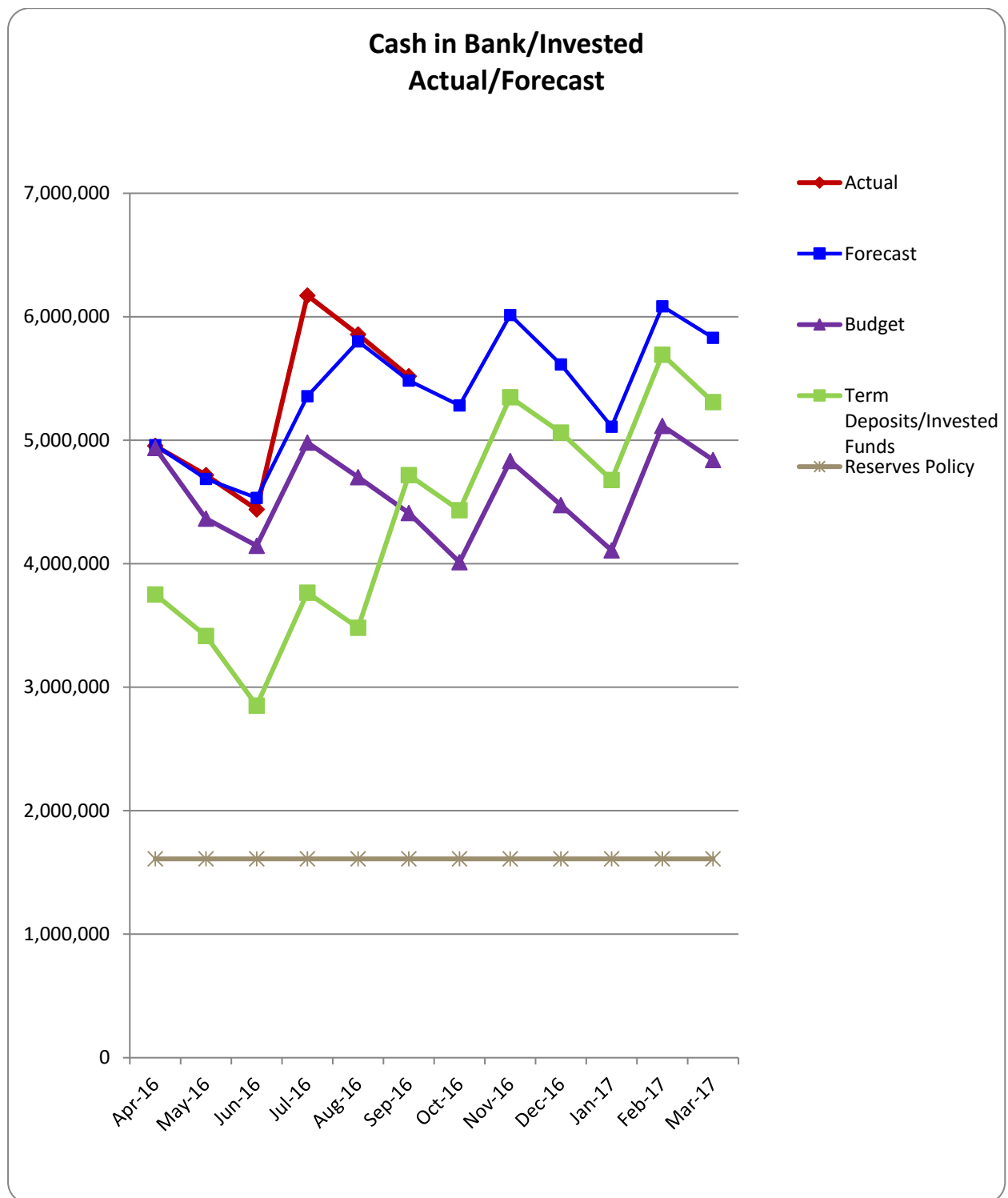
Attachment E: Managed Invested Funds

	Milford Asset Management	Gareth Morgan Investments	Total
Oct-15	1,238,926	1,216,311	2,455,236
Nov-15	1,245,125	1,229,584	2,474,709
Dec-15	1,256,455	1,205,251	2,461,705
Jan-16	1,235,790	1,188,090	2,423,880
Feb-16	1,221,112	1,174,083	2,395,195
Mar-16	1,259,590	1,189,929	2,449,519
Apr-16	1,272,701	1,187,262	2,459,963
May-16	1,296,358	1,203,608	2,499,966
Jun-16	1,280,111	1,180,690	2,460,801
Jul-16	1,203,161	1,318,803	2,521,965
Aug-16	1,322,224	1,200,142	2,522,366
Sep-16	1,323,934	1,203,311	2,527,245

Investment Funds Monthly Closing Balances



Attachment F – Cash in Bank/Invested actual compared with forecast



Attachment G: Cash flow forecast to September 2016

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Total
RECEIPTS	Actual	Actual	Actual	Actual	Actual	Actual	Proj	Proj	Proj	Proj	Proj	Proj	Actual
Invoiced Sales	255,380	60,828	80,558	47,772	60,389	79,117	15,108	37,323	42,947	37,323	37,323	37,322	791,390
Special Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment Income	12,643	45,844	-43,171	69,712	1,352	6,392	0	0	0	0	0	0	92,772
Special Dividends Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	1,934,136	0	0	0	1,268,538	0	0	1,268,538	0	4,471,212
Interest	0	0	0	0	0	0	0	61	0	0	3,476	0	3,537
Interest Received	322	1,776	3,866	483	1,032	1,093	60	619	1,003	101	580	1,360	12,295
Special Dividend Term Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0
Sundry Receivables	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Receivable	53	339	373	0	0	0	0	0	0	0	0	0	765
RWT Received	0	0	0	0	0	0	0	0	0	0	0	0	0
GST	0	29,275	2,306	35,583	3,848	32,023	52,478	0	77,863	0	67,049	0	300,425
	268,398	138,062	43,932	2,087,686	66,621	118,625	67,646	1,306,541	121,813	37,424	1,376,966	38,682	5,672,396
PAYMENTS													
Invoiced Costs	319,636	248,779	220,006	264,644	277,457	308,681	165,751	419,056	405,248	429,996	293,738	150,481	3,503,473
ACC Levies	0	0	0	4,429	0	0	0	0	0	0	0	0	4,429
Salary & Wages	33,220	83,867	63,809	62,545	64,121	106,540	83,654	109,136	73,427	73,427	73,427	100,667	927,840
Investment Funds	0	0	0	0	0	0	0	0	0	0	0	0	0
Sundry Payables	0	0	0	0	0	0	0	0	0	0	0	0	0
Prepayments	0	0	0	0	0	0	0	0	0	0	0	0	0
RWT	0	0	0	0	0	0	0	0	0	0	0	0	0
PAYE	21,356	42,119	38,430	23,348	40,638	41,735	55,050	45,125	44,960	36,166	36,166	42,874	467,967
GST	0	0	0	0	0	0	0	0	0	0	0	0	0
	374,212	374,765	322,245	354,966	382,216	456,956	304,455	573,317	523,635	539,589	403,331	294,022	4,903,709
NET CASH FLOW	-105,814	-236,703	-278,313	1,732,720	-315,595	-338,331	-236,809	733,224	-401,822	-502,165	973,635	-255,340	768,687
OPENING BANK	5,060,705	4,954,891	4,718,188	4,439,875	6,172,595	5,857,000	5,518,669	5,281,860	6,015,084	5,613,262	5,111,097	6,084,732	5,060,705
CLOSING BANK	4,954,891	4,718,188	4,439,875	6,172,595	5,857,000	5,518,669	5,281,860	6,015,084	5,613,262	5,111,097	6,084,732	5,829,392	5,829,392

Bank Account Balances as per BS	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
ANZ Savings	356,623	506,918	557,287	507,728	508,197	348,484						
ANZ Current	105,402	128,400	286,433	607,547	290,661	106,358						
ASB Term Deposit	0	0	0	0	900,000	900,000						
ASB Working	400,292	400,292	401,035	901,035	1,035	1,840						
BNZ Working	3,048	3,050	3,052	903,053	3,475	3,476						
BNZ Term Deposit	992,412	542,412	92,412	92,412	992,412	992,412						
Kiwibank Term Deposit	298,570	298,570	298,570	298,570	298,569	298,569						
USD Bank Account	338,180	338,180	339,885	339,885	339,885	339,885						
Petty Cash	400	400	400	400	400	400						
Investment Funds	2,459,963	2,499,966	2,460,801	2,521,965	2,522,366	2,527,245						
	4,954,891	4,718,188	4,439,875	6,172,595	5,857,000	5,518,669	0	0	0	0	0	0