

Financial Report: 31 December 2017

Author: Jordan Carter Chief Executive

Purpose of Paper: To provide a monthly update on the financial performance of InternetNZ.

Commentary to the accounts

For the period ending December 2017, the accounts report a surplus result of \$579,694, against a budgeted surplus of \$151,264. This outcome reflects a variance underspend of \$428,430 and no significant variance on the income side.

As previously reported the budgets in this report relate to the Budget as adjusted by Council at its meeting in August 2017.

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 2018.

Income and Expenditure variances

Income:

Income is over compared to budget by \$11,850. Within that interest is over by \$18,213, as are Group Staff Activities and membership by \$1,672, while NetHui revenue is under by \$8,035.

Expenditure:

Areas of difference are:

- **Remuneration** in total was under budget by \$139,742. The recruitment budget was \$13k over due to the CE's recruitment process, but all other areas were under budget by \$153k. As previously reported recruitment delays and a reduction in staffing levels account for the majority the underspend.

- **Internet Issues** is reporting an underspend of \$135,704. Within this remuneration is under by \$21,473, focus areas (Access, Creative Use, Trust) are also under by \$93,687, in part due to budget phasing, and general expenses by \$20,544. Outstanding invoices for work relating to the Multi-Factor Authentication project and facilitator costs for the recently agreed *Optimistic Futures* event (co-hosted with VUW and DIA's Service Innovation Lab) are yet to be accounted for.
- **Community Funding** is reporting an underspend of \$24,778. Remuneration is \$18,341 under due to a reduction in staffing levels, the balance of \$6,437 is due to funding budget phasing.
- **Community Engagement** is reporting an underspend of \$144,245. As previously reported the recruitment delay and a recent reduction in staffing levels contribute towards \$62,890 of the underspend; another \$31,056 is attributable to conferences, consultants, legal fees, meeting cost, subscriptions, telecommunications, and national travel. Member meetings, sponsorship and stakeholder event make up \$21,414 of the balance, the remaining balance NetHui (less initiatives) of \$28,885. This underspend will be reallocated to deliver the additional NetHui event on Copyright in March, and on temporary staffing and recruitment to deliver the Activity Plan.
- **International Engagement** is reporting an underspend of \$9,779
- **Communications/Outreach** is reporting an underspend of \$88,515 compared to budget. This is attributable to a combination of remuneration being under by \$29,744 with a reduction in staffing numbers, and the balance \$58,771 down to projects and other promotional work being delayed. This underspend will be used for interim communications support while recruiting new staff, and as previously reported reallocation of funds on delayed projects may be used to build our brand and marketing strategy. This underspend may also be used to meet demand for communications support with contract and outsource relationships to meet internal requirements and demand.
- **Operational services** are underspent by \$75,716. Within that:
 - remuneration is under by \$41,854 due to training and salary phasing
 - operating expenses that are under; accountancy fees, conferences, consultants, depreciation, group staff activities, general office expenses, legal, meeting, R & M software, telecommunications, and website updates & hosting by \$37,007
 - operating expenses that exceed budget are repairs and maintenance, printing and stationery, subscriptions and national travel \$9,919.
 - overheads under \$6,774, of which cleaning is \$5,427.
- **Governance and Members** expenditure is over budget by \$62,156, primarily driven by organisational review expenses. Within this: audit fees, consultants, general expenditure, governance training, meeting costs and national travel were under by \$50,571; resourcing issues in the Community area are still

resulting in the membership activities being delayed and under budget by \$18,512; recruitment (CE role) legal and organisational review costs are over budget by \$131,239.

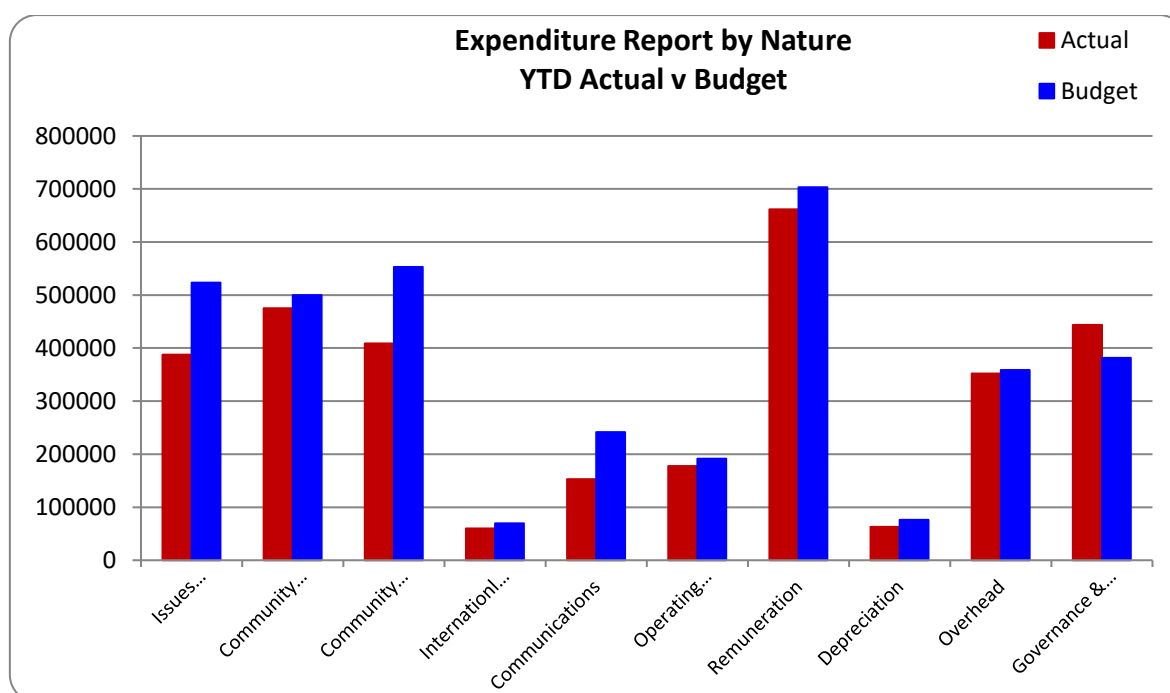
Other Expected Major Budget Variances

Other than those already noted, and the costs that will be associated with the decision of amalgamating NZRS with InternetNZ, there are no other major budget variances to report.

Condensed Income and Expenditure Report

Actual v Budget by Nature As at 31 December 2017

	YTD Actual \$	YTD Budget \$	Variance \$
Income - total	3,762,467	3,750,618	11,850
Expenditure			
Issues Programme	387,675	523,379	-135,704
Community Funding	474,956	499,734	-24,778
Community Engagement	408,723	552,968	-144,245
International Engagement	60,009	69,788	-9,779
Communications	153,106	241,622	-88,515
Operating Expenses	177,769	191,585	-13,816
Remuneration	661,543	703,397	-41,854
Depreciation	63,116	76,388	-13,272
Overhead	352,113	358,887	-6,774
Council & Members	443,762	381,607	62,156
Expenditure - total	3,182,773	3,599,354	-416,581
Net Income	579,694	151,264	428,431



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

Jordan Carter
Chief Executive

Mary Tovey
Finance Manager

4 February 2018

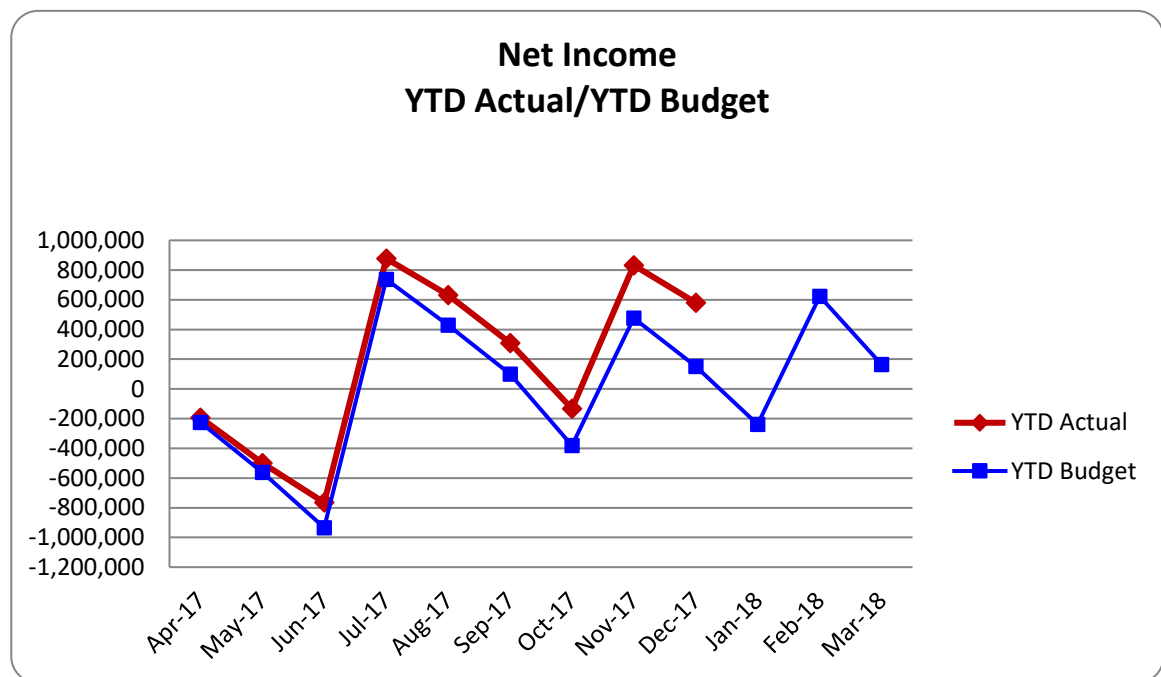
Attachment A: Profit and Loss Statement

InternetNZ
Profit and Loss Statement
As at 31 December 2017

	Apr - Dec 17	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
500 · Operating Income			
530 · Shared Group Services	290,140.75	290,215.26	-74.51
535 · Group Staff Activity Recharge	10,919.60	9,336.25	1,583.35
542 · Membership - Corporate	1,800.00	2,000.00	-200.00
546 · Membership - Individual	2,762.58	2,400.00	362.58
Total 500 · Operating Income	305,622.93	303,951.51	1,671.42
570 · Sundry Income			
570-01 · NetHui Registration Fees	14,314.01	20,000.00	-5,685.99
570-02 · NetHui Sponsorship	57,479.42	60,000.00	-2,520.58
570-2 · Event Other Income	171.57	0.00	171.57
570 · Sundry Income - Other	350.00	350.00	0.00
Total 570 · Sundry Income	72,315.00	80,350.00	-8,035.00
580 · Investment Income			
583 · Dividends	3,353,236.00	3,353,236.00	0.00
586 · Interest	31,293.16	13,080.00	18,213.16
Total 580 · Investment Income	3,384,529.16	3,366,316.00	18,213.16
Total Income	3,762,467.09	3,750,617.51	11,849.58
Expense			
600 · Remuneration			
601 · ACC Levy	4,405.88	4,445.03	-39.15
625 · Miscellaneous Staff Costs	16,851.33	23,916.20	-7,064.87
630 · Recruitment	57,211.63	44,500.00	12,711.63
635 · Staff Training	24,993.36	39,777.56	-14,784.20
637 · Staff Training Internal	2,437.39	17,304.00	-14,866.61
651 · Wages & Salaries			
651-01 · Kiwi Saver - Employer Cont.	36,231.78	43,419.05	-7,187.27
651 · Wages & Salaries - Other	995,668.47	1,070,459.53	-74,791.06
Total 651 · Wages & Salaries	1,031,900.25	1,113,878.58	-81,978.33
653 · Wages - Casual & Temporary	851.04	6,000.00	-5,148.96
654 · Wages - Contractors	77,219.95	105,791.63	-28,571.68
Total 600 · Remuneration	1,215,870.83	1,355,613.00	-139,742.17
800 · Operating Expenses			
801 · Accountancy Fees	1,320.00	3,000.00	-1,680.00
805 · Advertising & Marketing	5,269.76	13,340.00	-8,070.24
808 · Audit Fees	364.00	1,800.00	-1,436.00
811 · Conferences	6,003.16	10,490.00	-4,486.84
813 · Consultants	56,849.79	125,360.00	-68,510.21
816 · Depreciation	63,115.72	76,388.00	-13,272.28
818 · Group Staff Activities	13,073.51	13,725.00	-651.49
820 · General Office Expenses	26,408.40	34,173.00	-7,764.60
822 · Governance Training	5,931.31	10,400.00	-4,468.69
824 · Honoraria	118,162.80	118,162.80	0.00

826 · Legal Fees	62,112.50	40,185.00	21,927.50
829 · Meeting Costs	40,975.73	59,261.00	-18,285.27
851 · Repairs and Maintenance	8,851.08	3,270.00	5,581.08
853 · R & M - Software	3,578.40	4,500.00	-921.60
855 · Printing & Stationery	11,789.67	11,113.00	676.67
860 · Subscriptions	34,061.58	42,685.00	-8,623.42
870 · Telecommunications	45,283.92	53,975.00	-8,691.08
873 · Travel & Accom - National	53,715.48	71,561.00	-17,845.52
875 · Web Site Updates & Hosting	1,428.00	2,250.00	-822.00
876-60 · Internet Governance Portfolio			
Total 876-60 · Internet Governance Portfolio	52,233.97	62,000.00	-9,766.03
Total 876 · Issues Programme	137,527.57	231,215.00	-93,687.43
Total 878 · Community Funding	355,839.63	361,000.00	-5,160.37
Total 880 · Community Engagement	314,189.21	383,000.00	-68,810.79
Total 882 · Communications/Outreach	15,445.66	37,000.00	-21,554.34
Total 885 · Organisational Review	181,257.67	115,000.00	66,257.67
Total 800 · Operating Expenses	1,614,788.52	1,884,853.80	-270,065.28
900 · Overheads			
915 · Cleaning Costs	33,797.58	39,225.00	-5,427.42
933 · Electricity	12,511.45	13,226.00	-714.55
950 · Insurance	8,077.44	8,248.00	-170.56
975 · Rent Paid	295,820.81	295,938.00	-117.19
980 · Security	1,906.09	2,250.00	-343.91
Total 900 · Overheads	352,113.37	358,887.00	-6,773.63
Total Expense	3,182,772.72	3,599,353.80	-416,581.08
Net Ordinary Income	579,694.37	151,263.71	428,430.66
Other Income/Expense			
Other Income			
1000 · Special Dividends			
1030 · Investment Income	253,534.42	0.00	253,534.42
Total 1000 · Special Dividends	253,534.42	0.00	253,534.42
Total Other Income	253,534.42	0.00	253,534.42
Other Expense			
1900 · Special Dividend Exp-Overhead			
1950 · Investment Funds Management Fee	7,360.39	0.00	7,360.39
Total 1900 · Special Dividend Exp-Overhead	7,360.39	0.00	7,360.39
Total Other Expense	7,360.39	0.00	7,360.39
Net Other Income	246,174.03	0.00	246,174.03
Net Income	825,868.40	151,263.71	674,604.69

Attachment B: Net Income actual against budget



Attachment C: Balance Sheet

InternetNZ
Balance Sheet
As at 31 December 2017

ASSETS	<u>December 31, 17</u>
Current Assets	
Cheque/Savings	
Total Cheque/Savings/	1,100,001.49
Total 121 - Term Deposits	2,207,464.25
130 - USD Bank Account	332,670.00
150 - Petty Cash	<u>400.00</u>
122 - Investment Funds	
122-01 - Kiwi Wealth	1,404,014.95
122-20 - Milford Asset	<u>1,496,800.52</u>
Total 122 - Investment Funds	2,900,815.47
Total Other Current Assets	<u>151,608.78</u>
Total Current Assets	6,692,959.99
Fixed Assets	
Total Fixed Assets	295,219.02
Other Assets	
270 - Ordinary Share Capital	30,000.00
271 - Shares in DNCL	<u>580,000.00</u>
Total Other Assets	<u>610,000.00</u>
TOTAL ASSETS	<u><u>7,598,179.01</u></u>
 LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
300 - Accounts Payable	<u>170,224.45</u>
Total Accounts Payable	170,224.45
Other Current Liabilities	
305 - Accruals	<u>185,566.90</u>
Total 327 - Payroll Liabilities	<u>30,412.28</u>
Total Other Current Liabilities	<u>215,979.18</u>
Total Current Liabilities	<u>386,203.63</u>
Total Liabilities	386,203.63
Equity	
412 - Retained Earnings	6,386,106.98
Net Income	<u>825,868.40</u>
Total Equity	<u>7,211,975.38</u>
TOTAL LIABILITIES & EQUITY	<u><u>7,598,179.01</u></u>

Attachment D: Spread of assets across institutions

Investment Information

Term Deposits

Date	Bank	Term	Amount
28/2/2017	BNZ	1 year	95,655
6/7/2017	ASB	6 months	504,474
7/07/2017	ASB	6 months	307,696
24/11/2017	BNZ	180 days	600,000
07/12/2017	ANZ	120 Days	300,000
27/12/2017	ANZ	30 Days	80,267
1/12/2017	Kiwibank	12 months	319,372
Total \$			2,207,464

Managed Investment Funds Information

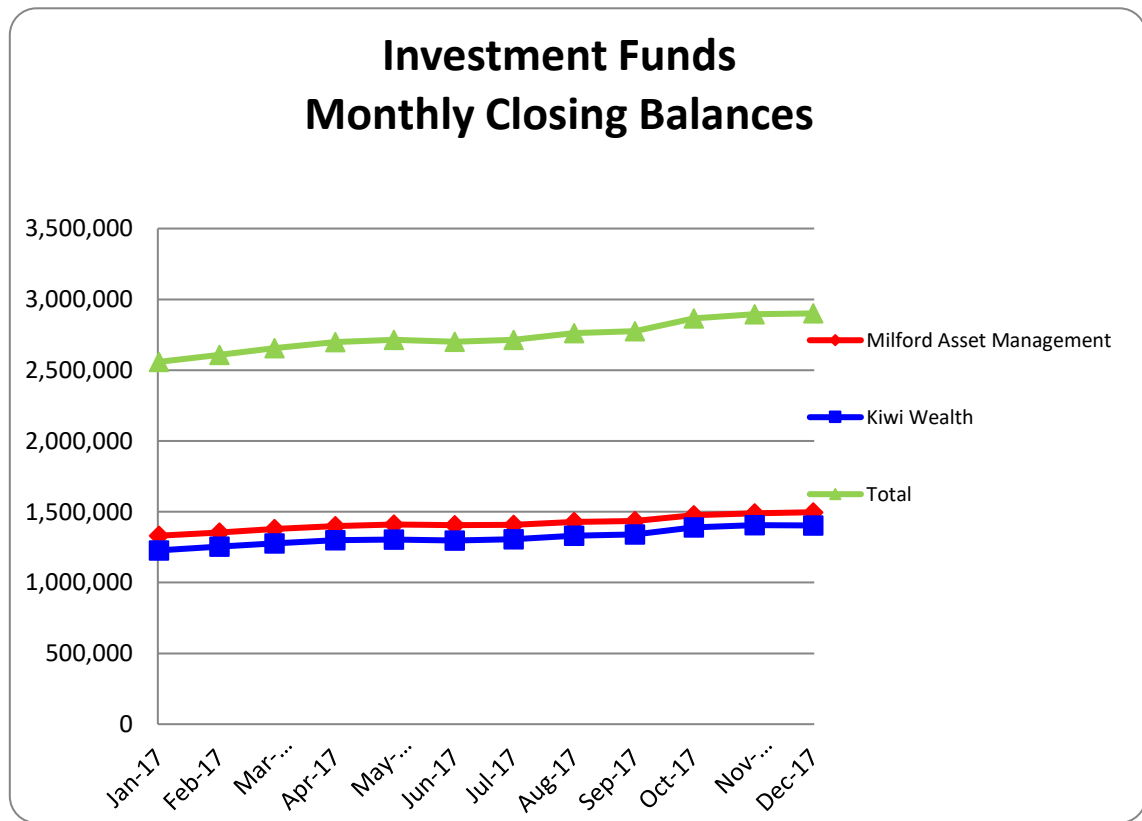
Date	Managers	Amount
20/06/2013	Kiwi Wealth	1,404,015
20/06/2013	Milford	1,496,800
Total \$		2,900,815

Managed Investment funds recorded at market value on 31 December 2017.

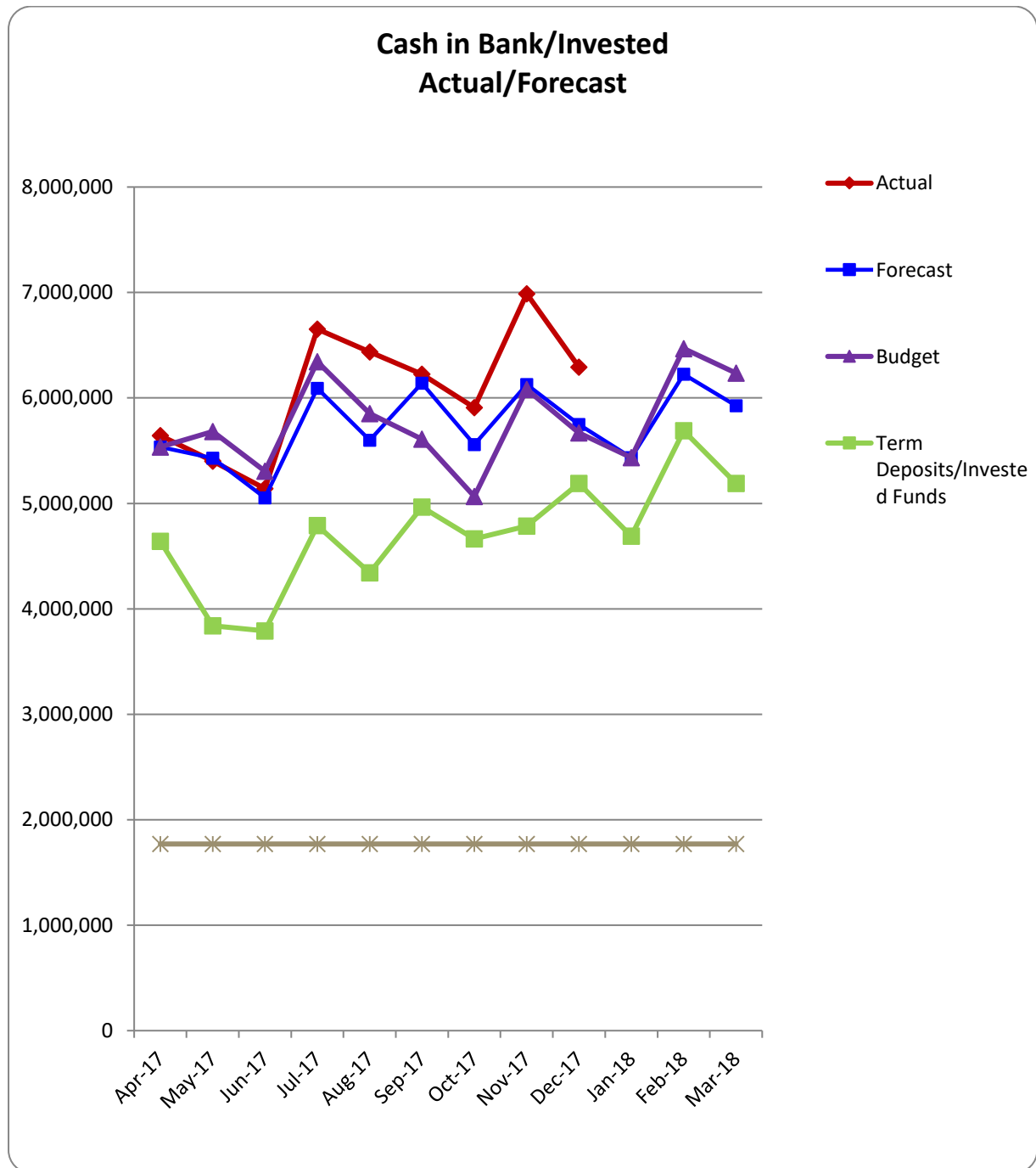
Investment information is recorded separately from the InternetNZ operating reserves as a distinct balance sheet line item, as per the InternetNZ Funds Investment Management Policy Principle 1.

Attachment E: Managed Invested Funds

Investment Funds			
	Milford Asset Management	Kiwi Wealth	Total
Jan-17	1,331,059	1,227,368	2,558,427
Feb-17	1,353,861	1,254,333	2,608,195
Mar-17	1,377,946	1,277,255	2,655,201
Apr-17	1,398,610	1,299,227	2,697,837
May-17	1,409,655	1,304,298	2,713,952
Jun-17	1,404,880	1,296,163	2,701,044
Jul-17	1,407,232	1,307,028	2,714,260
Aug-17	1,429,107	1,331,913	2,761,020
Sep-17	1,436,019	1,339,309	2,775,328
Oct-17	1,475,709	1,390,892	2,866,601
Nov-17	1,489,034	1,405,671	2,894,705
Dec-17	1,496,801	1,404,015	2,900,815



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



Attachment G: Cash flow actual to 31 December 2017

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Total
RECEIPTS	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Actual
Invoiced Sales	61,395	36,722	63,779	60,214	67,008	49,620	60,192	47,655	84,344	38,578	38,306	38,307	646,120
Special Dividends													0
Investment Income	50,016	19,520	-13,862	16,188	53,776	18,470	106,007	33,372	8,078				291,565
Special Dividends Interest													0
Dividends				1,978,236				1,375,000			1,375,000		4,728,236
Interest													0
Interest Received													0
Special Dividend Term Deposits													0
Sundry Receivables													0
Prepayments													0
Interest Receivable													0
RWT Received													0
GST		60,335	47,033			54,085	44,482		6,306		152,399		364,640
	111,411	116,577	96,950	2,054,638	120,784	122,175	210,681	1,456,027	98,728	38,578	1,565,705	38,307	6,030,561
PAYMENTS													
Invoiced Costs	380,228	198,967	184,553	392,264	206,541	228,359	407,191	268,397	451,599	248,345	414,008	345,915	3,726,367
ACC Levies				4,406									4,406
Salary & Wages	59,220	161,411	127,358	84,275	66,492	71,041	88,875	54,627	57,719	74,880	79,393	82,097	1,007,388
Investment Funds													0
Sundry Payables													0
Prepayments													0
RWT													0
PAYE	42,859		44,544	59,833	58,449	34,714	31,659	53,296	35,906	40,233	37,993	39,770	479,256
GST	7,075				6,231								13,306
	489,382	360,378	356,455	540,778	337,713	334,114	527,725	376,320	545,224	363,458	531,394	467,782	5,230,723
NET CASH FLOW	-377,971	-243,801	-259,505	1,513,860	-216,929	-211,939	-317,044	1,079,707	-446,496	-324,880	1,034,311	-429,475	799,838
OPENING BANK	6,021,469	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,908,140	6,987,847	6,541,351	6,216,471	7,250,782	6,021,469
CLOSING BANK	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,908,140	6,987,847	6,541,351	6,216,471	7,250,782	6,821,307	6,821,307

Bank Account Balances as per BS	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
ANZ Savings	624,229	724,435	424,600	524,670	624,811	424,969	425,099	25,191	425,238			
ANZ Current	41,091	80,942	586,081	886,655	122,706	496,314	687,833	1,839,305	219,102			
ANZ Term Deposit	80,000	80,034	80,067	80,067	480,134	380,167	80,200	80,234	380,267			
ASB Term Deposit	1,057,021	1,057,021	605,127	1,105,127	1,105,127	805,035	805,035	805,035	812,170			
ASB Working	1,848	1,848	1,808	1,808	1,808	1,809	1,809	1,809	151,819			
BNZ Working	3,718	3,719	3,720	603,720	603,771	3,817	3,818	3,825	303,842			
BNZ Term Deposit	495,655	95,655	95,655	95,655	95,655	695,655	395,655	695,655	695,655			
Kiwibank Term Deposit	309,029	309,020	309,020	309,020	309,020	309,020	309,020	309,020	319,372			
USD Bank Account	332,670	332,670	332,670	332,670	332,670	332,670	332,670	332,670	332,670			
Petty Cash	400	400	400	400	400	400	400	400	400			
Investment Funds	2,697,837	2,713,952	2,701,044	2,714,260	2,761,021	2,775,328	2,866,601	2,894,705	2,900,815			
	5,643,498	5,399,697	5,140,192	6,654,052	6,437,123	6,225,184	5,908,140	6,987,847	6,541,351	0	0	0