IT Professionals New Zealand

2019 Financial Report

Introduction to the Accounts

This page does not form part of the audited annual accounts for ITP. It has been prepared by ITP to provide members with some context to the financials on the following pages.

Audit opinion

ITP's auditor (Crowe Partnership) has issued an unqualified opinion (attached).

Financial results

The results show a surplus of $32,305 ($30,318 after tax) and EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of 47,836.

Prior Year Adjustment

There was a Prior Year Adjustment of $18,945 which effectively impacts the 2018 financial results (for matters identified following the close of the 2018 audit).

ITx Conferences in 2018 and 2019

A number of 2019 v 2018 comparative figures appear substantially different due to ITP running the full ITx conference in 2018 and the smaller ITx Rutherford conference in 2019. This primarily impacted Events Revenue, Other Revenue (Sponsorship), Consulting Fees and Events Expenses.

Other income

There is what appears to be a discrepancy in the numbers between Misc Income and Sponsorship between 2018 and 2019. This is primarily due to re-categorisation of some income in 2019.

Sales and Consultancy

Sales and Consultancy through ITP's subsidiary companies significantly increased in 2019, due primarily to the establishment of a second subsidiary company but also following strong results from Escrow NZ Ltd.

The financial report is contained on the following pages.

INSTITUTE OF IT PROFESSIONALS NZ INC

Consolidated Financial Report
Year ended 31 December 2019

Contents

Society Information

As at 31 December 2019

Nature of Business	Professional Membership Organisation for the ICT Profession
Registered Office	Level 24, Plimmer Tower 206 Glimmer Terrace Wellington
Society Number	216567
Auditors	Crowe New Zealand Audit Partnership
Bankers	ASB NCR House 342-352 Lambton Quay Wellington

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Note	2019 $	2018 $
Revenue			
Subscriptions		427,399	429,496
Events		147,063	409,354
Sales and Consultancy		680,991	264,907
Other Revenue	3	783,905	913,080
Total Revenue		2,039,358	2,016,837
Expenses			
Expenses	4	2,007,053	1,916,463
Net Surplus/(Deficit) for the year		32,305	100,374
Taxation Expense	5	1,987	-
Net Surplus/(Deficit) after tax		30,318	100,374

This statement is to be read in conjunction with the notes to the financial statements on pages 7-11.

Consolidated Statement of Movements in Members Funds

For the year ended 31 December 2019

	Note	Retained Earnings	Total Equity
Balance at 1 January 2018		**234,830**	**234,830**
Net Surplus/(deficit) after tax		100,374	100,374
Balance at 31 December 2018		**335,204**	**335,204**

	Note	Retained Earnings	Total Equity
Balance at 1 January 2019		**335,204**	**335,204**
Prior Year Adjustments		(18,945)	(18,945)
Net Surplus/(deficit) after tax		30,318	30,318
Balance at 31 December 2019		**346,577**	**346,577**

This statement is to be read in conjunction with the notes to the financial statements on pages 7-11.

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 $	2018 $
Members Funds	6	**346,577**	**234,830**
Represented by:			
Current Assets			
Cash and Bank Balance		99,087	170,411
Accounts Receivable		372,832	364,016
Bond - Premises (Plimmer Tower)		5,417	5,417
Inventory		11,342	8,664
Prepayments		-	8,316
		488,678	**556,824**
Non-Current Assets			
Property, Plant and Equipment	7	48,166	36,519
Intangible Assets	8	40,000	40,000
		88,166	**76,519**
Total Assets		**576,844**	**633,343**
Current Liabilities			
Accounts Payable and Accruals		228,280	298,139
Tax Liability		1,987	-
		230,267	315,064
Net Assets		**346,577**	**335,204**

This statement is to be read in conjunction with the notes to the financial statements on pages 7-11.

Notes to the Financial Statements

Note 1 – Reporting entity

Institute of IT Professionals NZ Inc ('the society') is a society registered in New Zealand under the Incorporated Society Act 1908.

Institute of IT Professionals NZ Inc is a professional body acting on behalf of its members who are involved in the computer industry as a whole.

The consolidated financial statements are for the society and its wholly owned subsidiaries Software Escrow NZ Ltd and Partner NZ Ltd

The special purpose financial report was authorised for issue 29 May 2020.

Note 2 – Statement of accounting policies

Basis of preparation

These financial statements have been prepared in accordance with the *Special Purpose Framework for use by For-Profit Entities* (*SPFR for FPEs*) referred to as SPFR, published by Chartered Accountants of Australia and New Zealand previously referred to as (New Zealand Institute of Chartered Accountants).

The Society has complied with the SPFR in all material respects except for in respect to revenue, which has been accounted for in accordance with the accounting policy set out below.

Historical cost

These financial statements have been prepared on a historical cost basis. The financial statements are presented in New Zealand dollars (NZ$) and all values are rounded to the nearest NZ$, except when otherwise indicated.

Changes in accounting policy

All accounting policies have been applied consistently during the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, to the extent it is probable that the economic benefits will flow to the institute and revenue can be reliably measured.

Revenue is recognised when it is invoiced i.e. on an accruals basis. Income in advance is not recognised where income relates to future periods as income is not refundable once the cash has been received.

Interest received is recognised as interest accrues, gross of refundable tax credits received.

Accounts receivable

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

Property, plant and equipment and investment property

Property, plant and equipment are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset using depreciation rates published by Inland Revenue. Assets estimated useful life is reassessed annually. The following estimated depreciation rates/useful lives have been used:

Office Furniture & Equipment	13-48%	diminishing value
Computer Software	33-50%	diminishing value
Computer Hardware	33-48%	diminishing value

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

Intangible assets are amortised on a systematic basis over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset is reviewed at each financial year-end. Changes in the expected useful life are accounted for by changing the amortisation period for the current and future reporting years. Where no reliable estimate can be determined, the intangible asset will be amortised over 10 years.

The following estimated amortisation rates/useful lives have been used:

Trademarks	10 years	straight line

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is an intangible asset representing the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill is measured at cost less any accumulated impairment losses. Cost is the excess of consideration paid over the acquirer’s interest in the net fair value of identifiable assets of the acquired business at the date of acquisition. Goodwill is assessed for impairment at least annually.

Impairment of non-financial assets

At each balance date, non-financial assets are classified into four categories: assets measured at fair value; assets currently available that the society intends to use to the end of its useful life; assets intended to be sold prior to the end of their useful life; and assets damaged or idle at balance date.

Assets measured at fair value or assets the society intends to use to the end of its useful life, are not reviewed for impairment at balance date.

Assets intended to be sold prior to the end of their useful life or assets damaged or idle at balance date are reviewed to determine if any indicators of impairment exist. If indicators exist the asset is tested for impairment to ensure that the carrying amount of the asset is recoverable.

If the recoverable amount of an asset is determined to exceed its carrying amount then the resulting difference is recognised as an impairment loss in profit or loss for that period.

Financial instruments – financial assets

At initial recognition the society determines the classification of financial assets as either held at fair value, cost or amortised cost. Financial assets are measured initially at fair value, estimated at the transaction price less any associated transaction costs.

Amortised cost

Includes assets where the society intends to earn contractual cash flows in the nature of principal and interest payments. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

Financial liabilities

Financial liabilities, including borrowings and bank overdrafts, are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in profit or loss on an effective yield basis.

Leases

Operating lease

Operating lease payments, where the lessors effectively retain substantially all the risk and benefits of ownership of the leased items, are recognised as an expense in profit or loss on a straight line basis over the lease term.

Inventory

Promotional items are recognised as inventory at cost when purchased and subsequently expensed as used.

Income tax

Income tax is accounted for using the taxes payable method. The income tax expense in profit or loss represents the estimated current obligation payable to Inland Revenue.

Goods and services tax

All amounts are stated exclusive of goods and services tax (GST) except for accounts payable and accounts receivable which are stated inclusive of GST.

Note 3 – Other income

	2019 $	**2018 $**
Interest Income	145	272
Miscellaneous	675,061	304,036
Sponsorship Income	108,699	608,772
	783,905	**913,080**

Note 4 – Expenses

	2019 $	2018 $
Advertising	59,962	37,583
Audit Fees	10,015	10,000
Consulting Fees	188,791	706,435
Directors Fees	24,867	17,267
Events and Training	315,352	309,504
Other Operating Expenses	674,663	371,584
Staff & Managements Costs	717,872	451,343
Depreciation		
- Office furniture	1,774	2,182
- Office equipment	1,150	1,095
- Computer equipment	4,648	1,335
- Computer software	7,959	8,135
Total Depreciation	15,531	12,747
	2,007,053	1,916,463

Note 5 – Income tax expense

	2019 $	2018 $
Net profit before tax	32,305	100,374
- Prior Year Adjustment to NPBT	(17.946)	-
- Non-assessable income	(492,399)	(476,495)
- Non-deductible expenses	417,461	447,784
- Previous losses claimed	60,579	(92,788)
Taxable Income:	0	(21,126)
Total income tax expense (28%)	-	-
Prior Year Adjustment	1,987	-
Total Tax Payable	**1,987**	**-**

Note 6 – Members Funds

	2019 $	2018 $
Retained earnings		
Opening balance at 1 January	335,204	234,830
Less: Prior year adjustments	(18,945)	
Net surplus/(deficit) after tax	30,318	100,374
Closing balance at 31 December	346,577	335,204
Total members funds	**346,577**	**335,204**

Note 7 – Property, Plant and Equipment

2019	**Cost** $	**Accumulated depreciation and impairment** $	**Net book value** $
Office Furniture	34,271	26,339	7,932
Office Equipment	17,136	13,470	3,666
Computer Equipment	39,949	32,595	7,354
Computer Software	142,975	113,761	29,214
	234,331	**186,165**	**48,166**

2018	Cost $	Accumulated depreciation and impairment $	Net book value $
Office Furniture	34,271	24,564	9,707
Office Equipment	15,826	12,322	3,504
Computer Equipment	33,099	27,947	5,152
Computer Software	123,958	105,802	18,156
	207,154	**170,635**	**36,519**

Note 8 – Intangibles

2019	Cost $	Accumulated amortisation and impairment $	Net book value $
Goodwill	40,000	-	40,000

2018	Cost	Accumulated amortisation and impairment	Net book value
	$	$	$
Patents/ Trademarks	3,000	(3,000)	-
Goodwill	40,000	-	40,000

Note 9 – Financial Instruments

All financial instruments are carried at amortised cost. This classification is consistent with the prior year.

No assets have been pledged as security.

Note 10 – Lease disclosures

	2019 $	2018 $
Operating lease – future minimum lease payments under non-cancellable leases		
Current	17,025	37,098
Non-current	26,266	-
	43,291	**37,098**

Note 11 – Subsequent events

No subsequent events occurred after balance date requiring disclosure within the financial statements (2018: nil). An assessment of the impact from Covid-19 was undertaken subsequent to year end and no impact was found on the 2019 financials or Going Concern assumption.

Note 12 – Related parties

There were no related party transactions during the year (2018: nil).

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INDEPENDENT AUDITOR'S REPORT

To the Members of Institute of IT Professionals NZ Inc

Opinion

We have audited the special purpose consolidated financial statements of Institute of IT Professionals NZ Inc and its controlled entities (the "Group") on pages 4 to 11, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit or loss and the consolidated statement of movement in members' funds for the year then ended, and notes to the special purpose consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements of the Group for the year ended 31 December 2019 are prepared, in all material respects, in accordance with the basis of preparation as described in Note 2 of the special purpose financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Institute of IT Professionals NZ Inc or any of its controlled entities.

Emphasis of Matter for COVID-19

We draw attention to Note 11 of the financial statements, which describes the effects of the World Health Organisation's declaration of a global health emergency on 31 January 2020 relating to the spread of COVID-19. Our opinion is not modified in respect to this matter.

Responsibilities of the Committee Members for the Special Purpose Consolidated Financial Statements

The Committee Members are responsible on behalf of the entity for the preparation of the special purpose consolidated financial statements in accordance with the basis of preparation and for such internal control as the Committee Members determine is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, the Committee Members are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee Members either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these special purpose consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Committee Members and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Committee Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Crowe

Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

25 June 2020