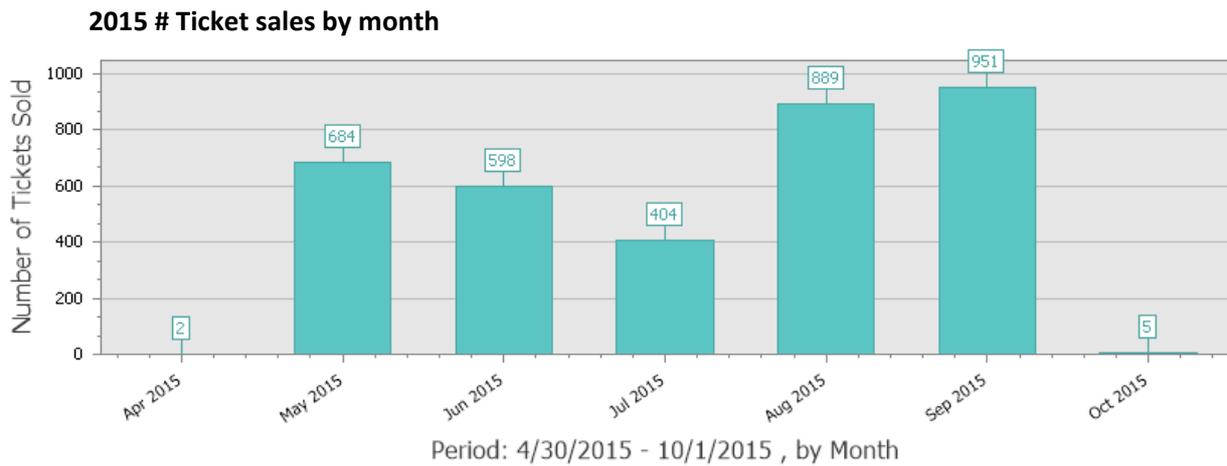


Burning Seed 2015 Afterburn Report – Finance

Income

Seed 2015’s population was 3342 adult tickets and 232 kids tickets, compared to 2014’s 2326 adults and 120 children. Our adult population grew by 1016 or 44% in 2015. This year tickets sold out before the start of the event, creating some distress amongst unprepared participants. The average purchase was 1.5 tickets, with 110 sales of 3-6 tickets, and a single large group purchase of 10 tickets. Tracking these figures in the future may give signals about potential scalping behavior.



Income from ticket sales was \$480,357 (tbc) including GST, which is an increase of \$16k to budget and \$145k and 43% from 2014. However, the new GST registration, means that the actual level of income retained by Seed is \$436k, which is actually \$28k below budget.

As participants buy their tickets earlier, our cash flow improves; however, this also means our average ticket price has fallen from in \$148 in 2013 to \$143 in 2015, but when looking net of GST, it has fallen to \$130 in 2015. This trend is not sustainable as our per-ticket costs increase, and will need to be addressed in 2016.

year	adult population	growth	Average Ticket price \$	Average cost per participant \$
2009	30-40	n/a		
2010	~400	+100-120%		
2011	448	+12%		
2012	547	+22%		
2013	1103	+102%	148	85

2014	2326	+111%	145	121
2015*	3342	+44%	130*	113*

*ticket price and cost per participant are net of GST due to GST registration

Ice Sales

Net income for ice was \$3,117 (\$6,896 cost and \$10,013 income, net of GST). Ice sales were greatly improved from 2014, with direct vendor management by the stellar Ice Queen Kira Went. Although the finance team regularly met with the Ice Queen to transfer cash, this level of onsite cash responsibility is both heavy and risky and Finance would like to consider options for moving away from (or differently managing) cash ice sales in coming years. This may include pre-paid tokens or a move towards EFTPOS payments. Finance will work with Kira and DPI to streamline the process further and capitalise on Kira's excellent work this year.

Expenditure

Overall, Burning Seed cost \$376,332 to produce (excluding GST and Income Tax), which was below its budget of \$387,752 net of GST (GST inclusive of \$426,527), which is 47% more than last year's net cost of \$255,019. This is a reasonable performance, given the 44% growth in population. There were also some unanticipated expenses, discussed separately below.

Infrastructure

Seed's single largest operating expense area is infrastructure. Seed infrastructure, including venue hire and site works, toilets, container transport, radio communications, gate/greeter construction, cost \$117,204 in 2015, or 32% of total net expenditure. This is 137% increase from last years' \$49,333 and \$50,000 over budget (see more on this within DPI & Vehicles below)

Toilets and site fees were the biggest drivers of this increase. Toilets have been a pain point for the event in the past, but we believe we've cracked them this year at the cost of \$61,329 for supplying and servicing toilets, or \$18.35 for each adult ticket.

We spent a total of \$48k with Kennards hire (including vehicle hire) which included \$11,700 charged for pickup/ delivery and freight for toilets, as noted by DPI in their report, which is a significant proportion of toilet expenses. We support the application for an account with Kennards, to reduce the urgency of payments processed by Finance.

The site fee paid to Forestry NSW also increased from \$5 to \$7.50 per adult, an increase of \$8355.

DPI and vehicles

DPI and vehicle expenditure are the third largest operational expense for Seed, comprising spend of \$45,499 or 12% of the total expenditure. This was under the budget (net of GST) of \$50,181 and only a 33% increase on the cost (net of GST) from 2014, which is excellent work.

As Seed has grown, some of the reporting of costs has shifted across Infrastructure, DPI, Capital Expenditure and Waste Services. Some of the costs that formerly fell within DPI have been reallocated

to Waste, Infrastructure and Capital Expenditure, therefore it is hard to compare to the budget or prior year independently.

Looking in total at all of these infrastructure/ DPI related costs, the total for 2015 was \$194,709 (net of GST) which is an increase of 15% compared to the net budget of \$168,363. Overall, given the significant flooding of the site, the growth of 44% in population and expanded team and responsibilities, this is an awesome result.

Services

A significant operational expense for Seed is Other Services. This includes accounting, medical, security and waste removal, and in 2015 these services cost \$38,424, or 10% of total expenditure excluding capital. Accounting fees have yet to be paid for the year and are currently estimated. These fees have increased from the previous year with the requirement to engage a BAS Agent to submit quarterly BAS returns.

Burning Seed engaged professional medical services for the second year to keep participants safe as the event grows. We are having difficulty working with the vendor to accurately predict costs, and in spite of a \$4,000 budget increase from last year, actual cost exceeded budget by \$1590, however the total cost was only 41% greater than 2014, which is consistent with the rise in numbers of participants. Finance will work with the team in charge of this area to better understand the challenges in this area.

Crew kitchen

The cost of running the Crew Kitchen was \$16,172, compared to a budget of \$12,700, and experienced growth of over 100% from 2014. By all accounts, the Kitchen Lead did an excellent job feeding so many hungry crew members after stepping up at the last minute following three drop outs in the role.

Gate Crew/ Passouts

Gate expenses have been tied up within the Gate crew and other Infrastructure costs. The Gate crew handled the cash from passouts like pros. We will try to implement a proper changing up/ banking process or look to reduce the level of cash handling with EFTPOS/ Token services.

Grants

This year, Burning Seed gave away a total of \$52k (current estimate based on final payments to be made) in grants to art and theme camps, which was below the budgeted \$57k. Art and Fire Art grants, including new local and indigenous art grants, totalled \$37k on a budget of \$40,000, which is only slightly more than was spent on last years' at \$33k. This was partly due to a couple of artists being no shows but mainly due to the excellent oversight and administration of the Artery team. The Artery team made sure that all artists submitted the appropriate paperwork and receipts and the grant records were excellent to enable Finance to process the payments. We would like to enable Artery to upload and enter grants into Xero for payment, which will also enable them to monitor their Grant expenses with the Xero reports.

Theme Camp grants distributed nearly \$16,000 of a budgeted \$17,000, up from \$8.5k in 2014. The Theme Camp team were awesome at entering all of the payment information into Xero, which really reduced the administrative burden on the Finance Team. The process worked really well and the live tracking sheet was updated by both Finance and Theme Camps and was easy to follow.

Some camps submitted paperwork late, which meant that they were not able to be paid before the event so we may want to look at setting deadlines for payments.

Major installations

This year's Effigy cost \$15,719, which is significantly less than its budget of \$20,700. At \$14,728 this year's Temple was right on budget. The use of credit cards by each team and the uploading of receipts and allocation of expenses within Xero straight from the credit cards by the Teams themselves was a big assistance to Finance.

At \$4,571, Centre Camp was also under budget and continued to grow into an artistic and interactive space with the addition of fire art, a decorative info centre, and the adjacent Artedia.

Insurance

After a massive 258% jump in cost to \$17,476 in 2014, insurance has been brought back to below 2013 levels at \$3546. This demonstrates the value of a detailed event plan and the importance of finding the right insurance broker.

After taking out Cancellation and Abandonment (C&A) cover for the first time in 2014, this year it was deemed cost prohibitive at \$35k.

Summit

At the moment Summit costs have not yet been finalised, but it is expected to come within the budgeted cost of \$8,000 for travel and expenses.

Other Costs

Repairs and Maintenance cost reflects the repair/ replacement cost for two incidents, one being a damaged Ute and the other relating to Theme Camp equipment that was damaged by the Effigy. The expense is classified here as a separate expense and is treated as utilisation of some of the unplanned contingency budget, rather than allocated to a team.

Budgeting

We will look to overhaul the budgeting process and provide detailed templates for teams to populate, that tie up with the reporting in Xero and ensure consistency of the budgeting process across the board. The overall budget will be uploaded in Xero and this will enable teams to easily allocate and subsequently track their expenditure against budget, within Xero.

There was some confusion over who was responsible for the purchase of shwag and this was omitted from several team budgets, leading to a significant overspend compared to budget. The above process will iron out issues such as this.

This is the first year of being registered for GST, therefore it is difficult to compare actuals to budget, where there is a GST effect. Finance will look to educate teams during the budgeting process to look at their expenses net of GST, so that all expenditure is comparable to budget and Xero.

Cash Management

Due to the ongoing GST requirements and quarterly Income Tax payments, and expenses being capitalised on the balance sheet, the Profit and Loss account starts to move away from the actual cash position of the organisation. Finance will need to create a monthly cash flow report and review and monitor on a monthly basis to take account of the cash requirements of the business.

Late expenditure

Several significant invoices were received after the event and were over budget. Whilst conversations were held within teams around the time of the expense, it would be beneficial to implement a formal reporting process to Finance and the Town Council to capture these issues at the time and ensure Town Council are across them. As the event and expenses continue to grow, so will these significant invoices and it is difficult to query or budget for them after the event. Look to potentially implement formal approval process for quotes/ invoices over a set amount, {eg, \$20k} and regular reporting to Finance / monitoring of the significant expenses.

Capital Expenditure

Over time, Burning Seed is investing in capital needed to run the festival independently and sustainably. Expenditure priorities have been focused on (1) replacing hired durable items (e.g. marquees, generators) with purchased gear, and (2) replacing loaned essential gear (e.g. tools, fire trailer) with purchased gear to mitigate risk of not having it when needed. These purchases are prioritised by need, and purchase price less expenditure avoided. Candidate expenditures were then subject an extended process of discussion and whittling down by Burning Seed team leads and REC directors.

This year, Seed spent \$31k on capital goods (including capital Kitchen Equipment), against the budget of \$37k (net of GST). DPI have reported that they have maintained a detailed register of Capital Items. For financial purposes, in order to claim a tax deduction for depreciation Seed must maintain an Asset register and keep copies of receipts, Finance will work with DPI to formalise this report and enter into Xero. Finance will also formalise an Asset policy detailing the useful lives of Capital items and protocol for purchase and security/ maintenance of asset items.

Expenditure Outstanding

Some year-end expenses, such as taxes (budgeted at \$15,850), accounting fees (budgeted at \$1200), Summit costs and final payments for Grants have yet to be paid. These have been estimated in the Financial report given below and we expect some movement in overall expenses, as these continue to trickle in.

Also, RER costs have just been submitted, therefore are not included at all but are expected to be within their budget of \$1500.

Major Lessons for 2015

This was a watershed year for Burning Seed, the first when operating from primarily from cash on hand. We are still scrambling to get good systems in place and learn from our experiences with growth, which makes running the event quite different year to year. Important lessons for finance this year are:

- Budgeting guidelines for all teams to ensure alignment of budgeting and reporting categories
- Significant expenses, like medical, security and insurance need to be organised earlier
- Clear schedule for budget revisions and monitoring against actuals
- Need capital asset management system that allows quick access to the following info:
 - ◆ purchase price and date
 - ◆ physical location

- ◆ last and next scheduled service, expected asset life
- ◆ depreciated value
- ◆ connection to other inventory (e.g. batteries, cables)

Working Capital

We've transitioned from a cash-poor organisation to one that has a bit of wealth to manage, and we need to adjust our thinking accordingly. Our money is earning far too little in interest, and this needs to be addressed to make our capital work for us. In the short term, a term deposit would be a solution for earning interest. The preparation of a detailed cash flow spreadsheet will enable us to manage this, along with GST and Income Tax payments.

Card Accounts

Having separate card accounts for DPI, Effigy, Kitchen and Temple continues to be a huge improvement for those teams and for finance. The kitchen card was lost pre-event, which undermined existing system for keeping budget categories discrete, but this was resolved through herculean efforts of Karl Matthews. However we cannot rely on such amazing efforts, of people of Karl's dedication, in the future.

The card expenditure is not reflected in actual expenditure in Xero until it is allocated. This means that it is difficult to track expenditure if there is a lag between the expense and the allocation. Also, not many, but a small amount of the receipts were also misplaced by the time that the expenses were allocated. The Xero app records the receipt and allocation of the expense, even if offline (syncs later on when reconnected). We will encourage teams to download the Xero app and take a photo and allocate the expense at the time of the expense, reducing administrative burden later on and enabling the reporting functionality of Xero to be timely.

It was noted that there was cash drawn from cards at ATMs occasionally, which is difficult to control. As Seed grows, cash becomes a bigger risk and we need to restrict/monitor cash expenses wherever we can. We should implement a policy/ procedures for the use of the Cards, proposing restrictions or better reporting requirements (ie: prior approval) for cash transactions and potential additional approval limits for large transactions.

However at \$3/month for each card account that is only used about 3 months out of the year, I believe that we're spending more than we need in bank fees, and should consider lower cost possibilities.

Cash Handling

Both Kira for Ice and the Gate Crews did a stellar job managing the high levels of cash. We are thankful for their diligence and integrity, although cash remains a significant risk for any business so we will look towards ways of reducing the cash levels on site, such as with eftpos. We will also invest in a portable safe (with chain lock) and (borrow) cash/ note counters to be able to count and store cash more effectively.

Unforeseen situations

There were a couple of incidents onsite this year, that required Seed to cover replacement costs. As the event grows, it is possible that we will have more of these incidents that cannot be planned for. We should summarise the insurance policy, details, excesses etc so that an informed decision can be made as to whether to deal with the situation privately or through the insurance company. The incident should be reported to Town Council as soon as reasonably possible to partake in the decision.

It was initially thought that Medical costs exceeded expectations due to insufficient volunteers needed to be replaced with paid full time staff, however the Crew report indicates that our supplier was unwilling to work with a high quality of volunteers. We should look at our supplier/ volunteers to manage this process and reduce the Medical costs.

Finance Team

At 500+ payment transactions, as well as budgeting and reporting and ensuring compliance with the financial regulations of a Pty Company, the role of finance is too large for any one person to undertake in a volunteer capacity, even with Xero. It is essential that 2 people are involved, and that as much labour as possible is done by the teams.

Total performance against budget is presented here:

<google docs link>

Note: 2015 results are net of GST, due to registration for GST in the current year. The budget and prior year results are on the basis of not being registered for GST. Going forward we will have better comparability and look at budget and costs net.