

DESTINY MEDIA TECHNOLOGIES INC  
Form 10-Q  
April 16, 2012

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**(X) QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the six months ended February 29, 2012

**OR**

**( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-028259

**DESTINY MEDIA TECHNOLOGIES INC.**

(Exact name of registrant as specified in its charter)

**COLORADO**

(State or other jurisdiction of  
incorporation or organization)

**84-1516745**

(IRS Employer Identification No.)

**Suite 750, PO Box 11527, 650 West Georgia Street, Vancouver,  
British Columbia Canada V6B 4N7**

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(604) 609-7736**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No \_\_\_

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No \_\_\_

(Does not currently apply to the Registrant)

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller  
reporting company)

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

**51,888,907 Shares of \$0.001 par value common stock outstanding as of April 11, 2012.**

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**PART I - FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS.**

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Consolidated Financial Statements

**Destiny Media Technologies Inc.**

(Unaudited)

Six months ended February 29, 2012

(Expressed in United States dollars)

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**Destiny Media Technologies Inc.****CONSOLIDATED BALANCE SHEETS**(Expressed in United States Dollars, except for share data)  
Unaudited

As at

**February 29,**  
**2012**  
\$**ASSETS****Current**

Cash and cash equivalents	978,177
Accounts receivable, net of allowance for doubtful accounts of \$22,070 [Aug 31, 2011 \$23,513] [note 9]	522,575
Other receivables	114,570
Prepaid expenses	35,762
Deposits	
Deferred tax assets - current portion	286,000
<b>Total current assets</b>	<b>1,937,084</b>
Deposits	37,633
Property and equipment, net	173,609
Deferred tax assets - long term portion	869,000
<b>Total assets</b>	<b>3,017,326</b>

**LIABILITIES AND STOCKHOLDERS' EQUITY****Current**

Accounts payable	268,495
Accrued liabilities	251,211
Deferred leasehold inducement	5,810
Deferred revenue	57,213
Obligation under capital leases - current portion	
<b>Total current liabilities</b>	<b>582,729</b>
<b>Total liabilities</b>	<b>582,729</b>

Commitments and contingencies [notes 4 and 7]

**Stockholders' equity**

Common stock, par value \$0.001 [note 3]	
Authorized: 100,000,000 shares	
Issued and outstanding: 50,487,577 shares	
[August 31, 2011 - issued 50,612,507 and outstanding 50,487,577 shares]	50,488
Common stock to be issued [note 3(a)]	278,750
Additional paid-in capital	8,750,624
Shares held for cancellation	
Accumulated deficit	(6,849,728)
Accumulated other comprehensive income	204,463
<b>Total stockholders' equity</b>	<b>2,434,597</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,017,326</b>

See accompanying notes



## Destiny Media Technologies Inc.

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Expressed in United States dollars)

Unaudited

	<b>Three Months Ended February 29, 2012 \$</b>	<b>Three Months Ended February 28, 2011 \$</b>	<b>Six Months Ended February 29, 2012 \$</b>	<b>Six Months Ended February 28, 2011 \$</b>
<b>Revenue</b> <i>[note 9]</i>	<b>894,825</b>	841,072	<b>2,019,442</b>	1,897,710
<b>Operating expenses</b>				
General and administrative	<b>431,247</b>	295,376	<b>909,125</b>	659,545
Sales and marketing	<b>193,797</b>	199,032	<b>392,670</b>	414,531
Research and development	<b>546,280</b>	394,742	<b>964,394</b>	758,645
Amortization	<b>16,364</b>	14,087	<b>30,739</b>	30,780
	<b>1,187,688</b>	903,237	<b>2,296,928</b>	1,863,501
Income (loss) from operations	<b>(292,863)</b>	(62,165)	<b>(277,486)</b>	34,209
<b>Other income (expenses)</b>				
Other income		38		3,030
Interest income	<b>2,159</b>	2,308	<b>4,971</b>	5,082
Interest and other expense	<b>(546)</b>	(208)	<b>(1,180)</b>	(485)
<b>Income (loss) before income taxes</b>	<b>(291,250)</b>	(60,027)	<b>(273,695)</b>	41,836
Income tax recovery (expense) - deferred	<b>5,000</b>	17,000		(12,000)
<b>Net Income (loss)</b>	<b>(286,250)</b>	(43,027)	<b>(273,695)</b>	29,836
<b>Net income (loss) per common share, basic and diluted</b>	<b>(0.01)</b>	(0.00)	<b>(0.01)</b>	0.00
<b>Weighted average common shares outstanding:</b>				
<b>Basic</b>	<b>50,487,577</b>	50,492,625	<b>50,487,577</b>	50,684,212
<b>Diluted</b>	<b>50,487,577</b>	50,492,625	<b>50,487,577</b>	51,116,020

*See accompanying notes*



## Destiny Media Technologies Inc.

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(Expressed in United States dollars)

Unaudited

	Common stock		Additional	Shares	Shares
	Shares	Amount	paid-in	held	To be
	#	\$	capital	for cancellation	Issued
			\$	or cancelled	\$
<b>Balance, August 31, 2010</b>	<b>51,143,847</b>	<b>51,145</b>	<b>9,049,308</b>		
Net income for the year					
Foreign currency translation gain					
Comprehensive income					
Common stock issued on options exercised	450,625	451	99,549		
Common stock repurchased and cancelled	(981,965)	(983)	(399,796)		
Common stock repurchased and held for cancellation	(124,930)			(50,076)	
Stock compensation			8,983		
<b>Balance, August 31, 2011</b>	<b>50,487,577</b>	<b>50,613</b>	<b>8,758,044</b>	<b>(50,076)</b>	
Net loss for the period					
Foreign currency translation loss					
Comprehensive loss					
Common stock to be issued on warrants exercised Note 3					278,750
Common stock cancelled Note 3		(125)	(49,951)	50,076	
Stock compensation Note 3			42,531		
<b>Balance, February 29, 2012</b>	<b>50,487,577</b>	<b>50,488</b>	<b>8,750,624</b>		<b>278,750</b>
<i>See accompanying notes</i>					

## Destiny Media Technologies Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in United States dollars)

Unaudited

	<b>Six months Ended February 29, 2012 \$</b>	<b>Six months Ended February 28, 2011 \$</b>
<b>OPERATING ACTIVITIES</b>		
Net income (loss)	(273,695)	29,836
Items not involving cash:		
Depreciation and amortization	30,739	30,780
Stock-based compensation	42,531	2,974
Deferred leasehold inducement	953	1,914
Deferred income taxes		12,000
Changes in non-cash working capital:		
Accounts receivable	(141,751)	149,796
Other receivables	(52,082)	(54,306)
Prepaid expenses and deposits	(2,544)	(10,917)
Accounts payable	(19,342)	55,406
Accrued liabilities	(53,925)	1,041
Deferred revenue	19,635	27,579
<b>Net cash provided (used) by operating activities</b>	<b>(449,481)</b>	<b>246,103</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(62,114)	(47,397)
<b>Net cash used in investing activities</b>	<b>(62,114)</b>	<b>(47,397)</b>
<b>FINANCING ACTIVITIES</b>		
Repayments on capital lease obligations	(3,894)	(5,468)
Proceeds from options/warrants exercised	278,750	
Repurchase of stock and options		(300,683)
<b>Net cash provided (used) in financing activities</b>	<b>274,856</b>	<b>(306,151)</b>
<b>Effect of foreign exchange rate changes on cash</b>	<b>(23,257)</b>	<b>39,008</b>
<b>Net decrease in cash during the period</b>	<b>(259,996)</b>	<b>(68,437)</b>
Cash, beginning of period	1,238,173	491,012
<b>Cash, end of period</b>	<b>978,177</b>	<b>422,575</b>
<b>Supplementary disclosure</b>		
Interest paid	1,180	485
Income taxes paid		
<i>See accompanying notes</i>		

**Destiny Media Technologies Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in United States dollars)

Unaudited

Six months ended February 29, 2012

**1. ORGANIZATION**

Destiny Media Technologies Inc. (the Company) was incorporated in August 1998 under the laws of the State of Colorado. The Company develops technologies that allow for the distribution over the Internet of digital media files in either a streaming or digital download format. The technologies are proprietary. The Company operates out of Vancouver, BC, Canada and serves customers predominantly located in the United States, Europe and Australia.

The Company's stock is listed for trading under the symbol DSNY on the OTC Bulletin Board in the United States, under the symbol DSY on the TSX Venture Exchange and under the symbol DME on the Berlin, Frankfurt, Xetra and Stuttgart exchanges in Germany.

**2. BASIS OF PRESENTATION**

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States for interim financial information pursuant to the rules and regulations of the United States Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended February 29, 2012 are not necessarily indicative of the results that may be expected for the year ended August 31, 2012.

The balance sheet at August 31, 2011 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for annual financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended August 31, 2011.

**Destiny Media Technologies Inc.**

**NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in United States dollars)

Unaudited

Six months ended February 29, 2012

**3. SHARE CAPITAL**

**[a] Common stock authorized and to be issued**

The Company is authorized to issue up to 100,000,000 shares of common stock, par value \$0.001 per share.

During the six months ended February 29, 2012, common stock to be issued includes 557,500 common shares to be issued for a cash exercise of 557,500 warrants exercisable at \$0.50 for proceeds of \$278,750. Also 5,249,750 warrants exercisable at \$0.50, 352,118 warrants exercisable at \$0.40 and 150,000 warrants exercisable at \$0.22 were cashless exercised resulting in 843,830 shares issuable at February 29, 2012. All of these shares were issued on March 1, 2012.

**[b] Common stock cancelled**

During the six months ended February 29, 2012, the Company cancelled 124,930 shares which were repurchased during the last quarter of fiscal year of 2011.

**[c] Stock option plans**

The Company has two existing stock option plans (the Plans), namely the Amended 1999 Stock Option Plan and the 2006 Stock Option Plan, under which up to 3,750,000 and 5,100,000 shares of the common stock, respectively, have been reserved for issuance. A total of 1,616,334 common shares remain eligible for issuance under the plans. The options generally vest over a range of periods from the date of grant, some are immediate, and others are 12 or 24 months. Any options that do not vest as the result of a grantee leaving the Company are forfeited and the common shares underlying them are returned to the reserve. The options generally have a contractual term of five years.

*Stock-Based Payment Award Activity*

A summary of option activity under the Plans as of February 29, 2012, and changes during the six months period ended are presented below:

**Destiny Media Technologies Inc.****NOTES TO INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

(Expressed in United States dollars)

Unaudited

Six months ended February 29, 2012

**3. SHARE CAPITAL (cont d.)**

<b>Options</b>	<b>Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term</b>	<b>Aggregate Intrinsic Value \$</b>
<b>Outstanding at August 31, 2011</b>	<b>2,290,000</b>	<b>0.50</b>	<b>0.99</b>	<b>25,500</b>
Granted	900,000	0.50		
Exercised				
Expired	1,050,000	0.50		
<b>Outstanding at February 29, 2012</b>	<b>2,140,000</b>	<b>0.50</b>	<b>1.78</b>	<b>367,100</b>
Vested and exercisable at February 29, 2012	<b>2,137,917</b>	<b>0.50</b>	<b>1.78</b>	<b>366,800</b>

Subsequent to February 29, 2012, 80,000 options exercisable at \$0.95 expired unexercised, while 150,000 options exercisable at \$0.50 were repurchased at their fair market value.

The following table summarizes information regarding the non-vested stock purchase options outstanding as of February 29, 2012: