

DESTINY MEDIA TECHNOLOGIES INC  
Form 10-Q  
July 15, 2016

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **May 31, 2016**

**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 **0-28259**

**DESTINY MEDIA TECHNOLOGIES INC.**

(Exact name of registrant as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or organization)

**84-1516745**

(I.R.S. Employer Identification No.)

**1110 885 West Georgia Street,**  
**Vancouver, British Columbia, Canada**  
(Address of principal executive offices)

**V6C 3E8**  
(Zip Code)

**604-609-7736**

(Registrant's telephone number, including area code)

\_\_\_\_\_  
(Former name, former address and former fiscal year, if changes since last report)

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of

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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

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.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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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:

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

**The number of shares outstanding of the registrant's common stock, par value \$0.001, as of July 15, 2016 was 55,013,874.**

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Condensed Consolidated Financial Statements

**Destiny Media Technologies Inc.**

(Unaudited)

Nine months ended May 31, 2016

(Expressed in United States dollars)

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## Destiny Media Technologies Inc.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

Unaudited

As at

	May 31, 2016	August 31, 2015
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	756,402	387,316
Accounts receivable, net of allowance for doubtful accounts of \$9,304 [Aug 31, 2015 \$6,129] [note 10]	438,430	399,148
Other receivables	7,734	15,471
Current portion of long term receivable [note 3]	106,899	98,180
Prepaid expenses	32,395	36,042
<b>Total current assets</b>	<b>1,341,860</b>	<b>936,157</b>
Deposits	23,055	32,222
Long term receivable [note 3]	87,597	167,350
Property and equipment, net	399,153	401,461
<b>Total assets</b>	<b>1,851,665</b>	<b>1,537,190</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Current</b>		
Accounts payable	87,876	139,879
Accrued liabilities	199,360	189,672
Deferred leasehold inducement	37,777	63,217
Deferred revenue	24,887	24,712
Obligation under capital lease current portion [note 5]	5,151	5,205
<b>Total current liabilities</b>	<b>355,051</b>	<b>422,685</b>
Obligation under capital lease long term portion [note 5]	7,967	12,071
<b>Total liabilities</b>	<b>363,018</b>	<b>434,756</b>
Commitments and contingencies [notes 5 and 8]		
<b>Stockholders equity</b>		
Common stock, par value \$0.001 [note 4]		
Authorized: 100,000,000 shares		
Issued and outstanding: 55,013,874 shares		
[Aug 31, 2015 issued and outstanding 52,993,874 shares]	55,014	52,994
Additional paid-in capital	9,653,678	9,122,132
Accumulated deficit	(7,887,264)	(7,708,061)
Accumulated other comprehensive (loss)	(332,781)	(364,631)
<b>Total stockholders equity</b>	<b>1,488,647</b>	<b>1,102,434</b>
<b>Total liabilities and stockholders equity</b>	<b>1,851,665</b>	<b>1,537,190</b>

See accompanying notes

## Destiny Media Technologies Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)**

(Expressed in United States dollars) Unaudited

	<b>Three Months Ended May 31, 2016 \$</b>	Three Months Ended May 31, 2015 \$	<b>Nine Months Ended May 31, 2016 \$</b>	Nine months Ended May 31, 2015 \$
<b>Revenue</b> <i>[note 10]</i>	<b>875,502</b>	803,409	<b>2,487,120</b>	2,501,672
<b>Operating expenses</b>				
General and administrative <i>[note 4]</i>	<b>202,016</b>	267,967	<b>595,605</b>	808,547
Sales and marketing <i>[note 4]</i>	<b>257,536</b>	360,925	<b>910,322</b>	1,114,431
Research and development <i>[note 4]</i>	<b>362,920</b>	348,680	<b>1,013,682</b>	1,123,931
Amortization	<b>60,746</b>	53,595	<b>163,771</b>	128,378
	<b>883,218</b>	1,031,167	<b>2,683,380</b>	3,175,287
<b>(Loss) from operations</b>	<b>(7,716)</b>	(227,758)	<b>(196,260)</b>	(673,615)
<b>Other income</b>				
Other income	-	289	-	289
Interest income	<b>4,903</b>	9,040	<b>17,057</b>	34,131
<b>Net (loss)</b>	<b>(2,813)</b>	(218,429)	<b>(179,203)</b>	(639,195)
<b>Other comprehensive income (loss)</b>				
Foreign currency translation adjustments	<b>68,915</b>	(1,824)	<b>31,850</b>	(267,611)
<b>Total comprehensive income (loss)</b>	<b>66,102</b>	(220,253)	<b>(147,353)</b>	(906,806)
<b>Net (loss) per common share, basic and diluted</b>	<b>(0.00)</b>	(0.00)	<b>(0.00)</b>	(0.01)
<b>Weighted average common shares outstanding:</b>				
<b>Basic</b>	<b>55,013,874</b>	52,993,874	<b>54,645,261</b>	52,993,874
<b>Diluted</b>	<b>55,013,874</b>	52,993,874	<b>54,645,261</b>	52,993,874
<i>See accompanying notes</i>				

## Destiny Media Technologies Inc.

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

(Expressed in United States dollars)

Unaudited

	Common stock Shares #	Amount \$	Additional paid-in capital \$	Accumulated Deficit \$	Accumulated other comprehensive Income (loss) \$	Total stockholders equity \$
<b>Balance, August 31, 2015</b>	<b>52,993,874</b>	<b>52,994</b>	<b>9,122,132</b>	<b>(7,708,061)</b>	<b>(364,631)</b>	<b>1,102,434</b>
Total comprehensive (loss)				(179,203)	31,850	(147,353)
Common stock issued pursuant to private placement	2,020,000	2,020	502,980			505,000
Less: share issuance costs			(8,640)			(8,640)
Stock based compensation Note 4			37,206			37,206
<b>Balance, May 31, 2016</b>	<b>55,013,874</b>	<b>55,014</b>	<b>9,653,678</b>	<b>(7,887,264)</b>	<b>(332,781)</b>	<b>1,488,647</b>
<i>See accompanying notes</i>						

## Destiny Media Technologies Inc.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in United States dollars)

Unaudited

Nine months ended May 31,

	<b>2016</b>	2015
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	<b>(179,203)</b>	(639,195)
Items not involving cash:		
Amortization	163,771	128,378
Stock-based compensation	37,206	19,147
Deferred leasehold inducement	(25,557)	80,167
Unrealized foreign exchange	(3,590)	25,987
Changes in non-cash working capital:		
Accounts receivable	(33,979)	(40,972)
Other receivables	7,733	60,989
Prepaid expenses and deposits	13,283	71,807
Accounts payable	(57,454)	49,160
Accrued liabilities	8,233	35,330
Deferred revenue	(101)	(16,128)
Long term receivable	75,932	74,753
<b>Net cash provided by (used in) operating activities</b>	<b>6,274</b>	(150,577)
<b>INVESTING ACTIVITY</b>		
Purchase of property and equipment	(157,083)	(282,461)
<b>Net cash used in investing activity</b>	<b>(157,083)</b>	(282,461)
<b>FINANCING ACTIVITY</b>		
Common stock issued in private placements, net	496,360	
<b>Net cash provided by financing activity</b>	<b>496,360</b>	
<b>Effect of foreign exchange rate changes on cash</b>	23,535	(137,578)
<b>Net increase (decrease) in cash during the period</b>	369,086	(570,616)
Cash, beginning of the period	<b>387,316</b>	990,007
<b>Cash, end of the period</b>	<b>756,402</b>	419,391
<b>Supplementary disclosure</b>		
Interest paid		<b>442</b>
Income taxes paid		
<i>See accompanying notes</i>		



**Destiny Media Technologies Inc.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2016 and 2015

**1. ORGANIZATION**

Destiny Media Technologies Inc. (the Company) was incorporated in August 1998 under the laws of the State of Colorado and the corporate jurisdiction was changed to Nevada effective October 8, 2014. 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 OTCQX U.S. 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 condensed 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 nine months ended May 31, 2016 are not necessarily indicative of the results that may be expected for the year ended August 31, 2016.

The consolidated balance sheet at August 31, 2015 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles in the United States 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, 2015.

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

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2016 and 2015

**3. LONG TERM RECEIVABLE**

The Company agreed to settle litigation with an unrelated party. Pursuant to a Settlement Deed dated March 5, 2012, the Company became entitled to a settlement sum of \$825,000 Australian dollars ( AUD ) (US \$858,194), receivable in monthly installments over the course of 72 months, beginning on March 31, 2012 and ending on February 28, 2018. The balance is due to be paid in equal monthly installments of \$14,050AUD until the end of the obligation. The unpaid balance accrues interest of 10.25% per annum compounded monthly. The receivable is secured by a registered charge against real estate located in Australia. As of May 31, 2016, aggregate installments of \$788,450AUD including interest of \$232,445AUD have been received.

The following table summarizes the changes regarding the carrying value of the remaining receivable balance during the nine-month period ended May 31, 2016 and for the year ended August 31, 2015:

	May 31, 2016	August 31, 2015
	\$	\$
<b>Beginning balance</b>	<b>265,530</b>	461,294
Gross installments received	<b>(91,718)</b>	(135,403)
Interest included in above	<b>18,176</b>	36,089
Foreign exchange impact	<b>2,508</b>	(96,450)
<b>Ending balance</b>	<b>194,496</b>	265,530

The foreign exchange impact in above table is partially allocated into other comprehensive income (loss) and partially allocated into exchange gain (loss) on income statement.

Payments to be received over the next three fiscal years as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	\$	\$	\$
2016	25,711	4,766	30,477
2017	109,662	12,244	121,906
2018	59,123	1,779	60,902
	<b>194,496</b>	<b>18,789</b>	<b>213,285</b>

**Destiny Media Technologies Inc.**

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2016 and 2015

**4. STOCKHOLDERS EQUITY**

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

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

During the nine months ended May 31, 2016, the Company issued 2,020,000 Units at a price of \$0.25 per Unit for gross proceeds of \$505,000 pursuant to a private placement.

Each Unit was comprised of one common share of the Company and one-half of one common share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to purchase one additional common share at \$0.30 per share for a period of two years from the date of the issuance. The Company will have the right to accelerate the expiry date of the Warrants if, at any time, the average closing price of the Company's common shares is equal to or greater than \$1.25 for 20 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right.

**[b] Stock option plans**

The Company has two existing stock option plan (the Plan), namely the 2006 Stock Option Plan and the 2015 Stock Option Plan, under which up to 7,750,000 shares of the common stock, has been reserved for issuance. A total of 2,053,181 common shares remain eligible for issuance under the Plan. 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.

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

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2016 and 2015

**4. STOCKHOLDERS EQUITY (cont d.)***Stock-Based Payment Award Activity*

A summary of option activity under the Plans as of May 31, 2016, and changes during the period ended are presented below:

<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 September 1, 2015</b>	<b>1,220,000</b>	<b>0.53</b>	<b>2.38</b>	
Granted				
Forfeited	(270,000)	0.98		
Exercised				
<b>Outstanding at May 31, 2016</b>	<b>950,000</b>	<b>0.40</b>	<b>1.83</b>	
<b>Exercisable at May 31, 2016</b>	<b>575,000</b>	<b>0.40</b>	1.37	

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock for the options that were in-the-money at May 31, 2016.

The following table summarizes information regarding the non-vested stock purchase options outstanding as of May 31, 2016:

**Weighted  
Average**