

DESTINY MEDIA TECHNOLOGIES INC
Form 10-Q
July 15, 2013

**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 nine months ended May 31, 2013

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 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

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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 []

Smaller reporting company [X]

(Do not check if a 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 [X]

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:

51,961,922 Shares of \$0.001 par value common stock outstanding as of July 12, 2013.

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

Condensed Consolidated Financial Statements

Destiny Media Technologies Inc.

(Unaudited)

Nine months ended May 31, 2013

(Expressed in United States dollars)

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

Unaudited

As at

	May 31, 2013	August 31, 2012
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	1,225,754	1,275,423
Accounts receivable, net of allowance for doubtful accounts of \$11,605 [August 31, 2012 \$6,053]	603,509	440,053
Other receivables	13,686	48,508
Current portion of long term receivable [note 3]	105,062	104,056
Prepaid expenses	32,990	27,059
Deferred tax assets - current portion	258,000	258,000
Total current assets	2,239,001	2,153,099
Deposits	36,279	37,847
Long term receivable [note 3]	504,841	625,098
Property and equipment, net	242,720	287,958
Deferred tax assets - long term portion	616,000	689,000
Total assets	3,638,841	3,793,002
LIABILITIES AND STOCKHOLDERS EQUITY		
Current		
Accounts payable	59,796	199,930
Accrued liabilities	225,374	250,623
Deferred leasehold inducement	7,364	5,843
Deferred revenue	59,775	55,671
Total liabilities	352,309	512,067
Commitments and contingencies [notes 5 and 8]		
Stockholders equity		
Common stock, par value \$0.001 [note 4]		
Authorized: 100,000,000 shares		
Issued and outstanding: 51,961,922 shares		
[August 31, 2012 issued and outstanding 52,091,004 shares]	51,962	52,091
Additional paid-in capital	8,911,269	9,008,957
Accumulated deficit	(5,813,187)	(6,013,030)
Accumulated other comprehensive income	136,488	232,917
Total stockholders equity	3,286,532	3,280,935
Total liabilities and stockholders equity	3,638,841	3,793,002

See accompanying notes

Destiny Media Technologies Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME**

(Expressed in United States dollars)

Unaudited

	Three Months Ended May 31, 2013 \$	Three Months Ended May 31, 2012 \$	Nine Months Ended May 31, 2013 \$	Nine Months Ended May 31, 2012 \$
Revenue <i>[note 10]</i>	873,866	1,022,921	2,818,055	3,042,363
Operating expenses				
General and administrative <i>[note 3]</i>	285,857	(469,548)	675,454	439,574
Sales and marketing	207,492	162,146	651,092	554,816
Research and development	336,083	492,041	1,193,515	1,456,435
Amortization	28,746	24,248	84,792	54,987
	858,178	208,887	2,604,853	2,505,812
Income from operations	15,688	814,034	213,202	536,551
Other income (expenses)				
Other income		4,462		4,462
Interest income	18,907	22,648	59,641	27,619
Interest and other expense		(6)		(1,186)
Income before income taxes	34,595	841,138	272,843	567,446
Income tax expense - deferred	8,000	190,000	73,000	190,000
Net Income	26,595	651,138	199,843	377,446
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(13,465)	(44,320)	(96,429)	(63,174)
Total comprehensive income	13,130	606,818	103,414	314,272
Net income per common share, basic and diluted	0.00	0.01	0.00	0.01
Weighted average common shares outstanding:				
Basic	51,961,922	51,881,309	52,021,101	50,955,546
Diluted	52,651,928	52,663,722	52,703,717	51,362,308

See accompanying notes

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Expressed in United States dollars)

Unaudited

	Common stock		Additional	Shares	Accumulated	Accumulated	Total
	Shares	Amount	paid-in	held	Deficit	other	stockholders
	#	\$	capital	for cancellation	\$	comprehensive	equity
			\$	\$		income	\$
Balance, August 31, 2011	50,487,577	50,613	8,758,044	(50,076)	(6,576,033)	223,317	2,405,865
Total comprehensive income					563,003	9,600	572,603
Common stock issued on options exercised	24,225	24	(24)				
Common stock issued on warrants exercised	1,579,202	1,579	277,171				278,750
Stock options repurchased and cancelled			(19,080)				(19,080)
Common stock cancelled		(125)	(49,951)	50,076			
Stock compensation			42,797				42,797
Balance, August 31, 2012	52,091,004	52,091	9,008,957		(6,013,030)	232,917	3,280,935
Total comprehensive income					199,843	(96,429)	103,414
Common stock issued on options exercised Note 4	27,568	28	(28)				
Common stock cancelled Note 4	(156,650)	(157)	(99,605)				(99,762)
Stock compensation Note 4			1,945				1,945
Balance, May 31, 2013	51,961,922	51,962	8,911,269		(5,813,187)	136,488	3,286,532

See accompanying notes

Destiny Media Technologies Inc.

**CONDENSED CONSOLIDATED STATEMENTS OF
CASH FLOWS**

(Expressed in United States dollars)

Unaudited

Nine months ended,	May 31, 2013	May 31, 2012
	\$	\$
OPERATING ACTIVITIES		
Net income	199,843	377,446
Items not involving cash:		
Amortization	84,792	54,987
Stock-based compensation	1,945	42,797
Deferred leasehold inducement	1,820	957
Deferred income taxes	73,000	190,000
Unrealized foreign exchange	17,396	34,027
Changes in non-cash working capital:		
Accounts receivable	(187,588)	(154,994)
Other receivables	33,878	38,865
Prepaid expenses and deposits	(7,281)	12,716
Accounts payable	(136,288)	37,833
Accrued liabilities	(15,528)	(39,756)
Deferred revenue	6,618	2,318
Long term receivable	74,539	(760,174)
Net cash provided by (used in) operating activities	147,146	(162,978)
INVESTING ACTIVITIES		
Purchase of property and equipment	(50,403)	(145,576)
Net cash used in investing activities	(50,403)	(145,576)
FINANCING ACTIVITIES		
Repayments on capital lease obligations		(3,913)
Proceeds from options/warrants exercised		278,750
Repurchase of common stock	(99,762)	(19,080)
Net cash provided by (used in) financing activities	(99,762)	255,757
Effect of foreign exchange rate changes on cash	(46,650)	(45,800)
Net decrease in cash during the period	(49,669)	(98,597)
Cash, beginning of the period	1,275,423	1,238,173
Cash, end of the period	1,225,754	1,139,576

Supplementary disclosure

Interest paid	1,186
Income taxes paid	

See accompanying notes

Destiny Media Technologies Inc.

**NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2013

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 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, 2013 are not necessarily indicative of the results that may be expected for the year ended August 31, 2013.

The balance sheet at August 31, 2012 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, 2012.

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

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2013

3. LONG TERM RECEIVABLE

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. 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 at May 31, 2013, installments of \$282,650AUD and interest of \$89,543AUD had been received.

The settlement amount receivable was recorded during the year ended August 31, 2012 as a recovery to general and administrative expenses.

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

	Principal (\$)	Interest (\$)	Total (\$)
2013	25,269	15,414	40,683
2014	107,777	54,955	162,732
2015	119,359	43,373	162,732
2016	132,185	30,547	162,732
2017	146,389	16,343	162,732
Thereafter	78,924	2,375	81,299
	609,903	163,007	772,910

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, 2013, 27,568 shares were issued pursuant to the cashless exercise of 60,000 share purchase options exercisable at \$0.50 during the year ended August 31, 2012.

Destiny Media Technologies Inc.

**NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2013

4. STOCKHOLDERS' EQUITY (cont'd.)

[b] Common stock cancelled

On December 6, 2012, the board of directors authorized for repurchase a new tranche of up to 1,000,000 shares of the Company's common stock at a maximum share purchase price of \$1.00 per share. Repurchases will be at times and in amounts as the Company deems appropriate and will be made through open market transactions. All repurchases will be made in compliance with the Securities and Exchange Commission's Rule 10b-18, subject to market conditions, applicable legal requirements and other factors. The board approved stock repurchase program runs through May 31, 2013. In addition to the applicable securities laws, the Company will not make any purchases during a time at which its insiders are subject to a blackout from trading in the Company's common shares.

During the nine months ended May 31, 2013, the Company repurchased and cancelled 156,650 shares.

During the nine months ended May 31, 2012, the Company cancelled 124,930 shares which were repurchased during the last quarter of fiscal year ended August 31, 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 2,094,716 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.

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

(Expressed in United States dollars)

Unaudited

Nine months ended May 31, 2013

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

A summary of option activity under the Plans as of May 31, 2013, and changes during the period ended are presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value \$
Outstanding at August 31, 2012	1,800,000	0.48	1.57	802,500
Granted	75,000	0.85		
Outstanding at May 31, 2013	1,875,000	0.49	0.82	836,250
Vested and exercisable at May 31, 2013	1,815,625	0.48	0.82	830,906

The following table summarizes information regarding the non-vested stock purchase options outstanding during the nine months ended May 31, 2013:

	Number of Options
Non-vested options at August 31, 2012	
Granted	75,000
Vested	(15,625)
Non-vested options at May 31, 2013	59,375

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, 2013.

During the three and nine months ended May 31, 2013 and May 31, 2012, stock-based compensation expense has been reported in the statement of operations as follows:

Three Months Ended		Nine Months Ended	
May 31	May 31	May 31	May 31