

DESTINY MEDIA TECHNOLOGIES INC
Form 10-Q
April 14, 2015

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 **February 28, 2015**

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

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 April 13, 2015 was 52,993,874.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Financial Statements

Destiny Media Technologies Inc.

(Unaudited)

Six months ended February 28, 2015

(Expressed in United States dollars)

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

Unaudited

As at

	February 28, 2015	August 31, 2014
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	577,118	990,007
Accounts receivable, net of allowance for doubtful accounts of \$5,601 [Aug 31, 2014 \$5,513]	526,697	544,609
Other receivables	43,740	78,040
Current portion of long term receivable [note 3]	101,611	115,464
Prepaid expenses	43,136	147,206
Deposits - current portion	53,064	
Total current assets	1,345,366	1,875,326
Deposits - long term portion	23,499	22,870
Long term receivable [note 3]	237,096	345,830
Property and equipment, net	324,023	315,180
Deferred tax assets - long term portion	842,000	842,000
Total assets	2,771,984	3,401,206
LIABILITIES AND STOCKHOLDERS EQUITY		
Current		
Accounts payable	212,596	172,617
Accrued liabilities	192,012	203,353
Deferred revenue	4,359	22,589
Deferred leasehold inducement	14,530	
Obligation under capital lease - current portion [note 5]	4,967	
Total current liabilities	428,464	398,559
Obligation under capital lease - long term portion [note 5]	14,115	
Total liabilities	442,579	398,559
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: 52,993,874 shares		
[Aug 31, 2014 issued and outstanding 52,993,874 shares]	52,994	52,994
Additional paid-in capital	9,074,636	9,061,325
Accumulated deficit	(6,532,181)	(6,111,415)
Accumulated other comprehensive (loss)	(266,044)	(257)
Total stockholders equity	2,329,405	3,002,647
Total liabilities and stockholders equity	2,771,984	3,401,206

See accompanying notes

Destiny Media Technologies Inc.

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

(Expressed in United States dollars)

Unaudited

	Three Months Ended February 28, 2015 \$	Three Months Ended February 28, 2014 \$	Six Months Ended February 28, 2015 \$	Six Months Ended February 28, 2014 \$
Revenue <i>[note 10]</i>	743,193	810,682	1,698,263	1,733,223
Operating expenses				
General and administrative	246,922	526,166	540,580	769,665
Sales and marketing	422,493	394,750	753,506	726,391
Research and development	411,282	268,362	775,251	532,846
Amortization	38,998	33,061	74,783	64,408
	1,119,695	1,222,339	2,144,120	2,093,310
(Loss) from operations	(376,502)	(411,657)	(445,857)	(360,087)
Other income				
Interest income	12,045	15,824	25,091	32,647
(Loss) before income taxes	(364,457)	(395,833)	(420,766)	(327,440)
Income tax recovery (expense) - deferred		21,000		(3,000)
Net (loss)	(364,457)	(374,833)	(420,766)	(330,440)
Other comprehensive (loss), net of tax				
Foreign currency translation adjustments	(164,827)	(140,131)	(265,787)	(154,681)
Total comprehensive (loss)	(529,284)	(514,964)	(686,553)	(485,121)
Net (loss) per common share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average common shares outstanding:				
Basic	52,993,874	52,222,640	52,993,874	52,109,899
Diluted	52,993,874	52,222,640	52,993,874	52,109,899

See accompanying notes

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Expressed in United States dollars)

Unaudited

	Common stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	paid-in	Deficit	other	stockholders
	#	\$	capital	\$	comprehensive	equity
			\$		Income (loss)	\$
					\$	
Balance, August 31, 2013	51,981,964	51,982	8,929,384	(5,787,016)	88,657	3,283,007
Total comprehensive income (loss)				(324,399)	(88,914)	(413,313)
Common stock issued on private placement	128,701	129	111,841			111,970
Common stock issued on options exercised	883,209	883	100,367			101,250
Repurchase of options			(113,215)			(113,215)
Stock based compensation			32,948			32,948
Balance, August 31, 2014	52,993,874	52,994	9,061,325	(6,111,415)	(257)	3,002,647
Total comprehensive (loss)				(420,766)	(265,787)	(686,553)
Stock based compensation Note 4			13,311			13,311
Balance, February 28, 2015	52,993,874	52,994	9,074,636	(6,532,181)	(266,044)	2,329,405

See accompanying notes

Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

Unaudited

	Six months Ended February 28, 2015	Six months Ended February 28, 2014
	\$	\$
OPERATING ACTIVITIES		
Net income (loss)	(420,766)	(330,440)
Items not involving cash:		
Depreciation and amortization	74,783	64,408
Stock-based compensation	13,311	32,635
Deferred leasehold inducement	15,687	(2,867)
Deferred income taxes		3,000
Unrealized foreign exchange	17,327	(29,363)
Changes in non-cash working capital:		
Accounts receivable	(56,563)	(230,192)
Other receivables	26,158	(60,915)
Prepaid expenses and deposits	39,055	(2,833)
Accounts payable	87,538	88,586
Accrued liabilities	16,094	299,407
Deferred revenue	(16,535)	(64,035)
Long term receivable	50,741	48,658
Net cash used in operating activities	(153,170)	(183,951)
INVESTING ACTIVITIES		
Purchase of property and equipment	(128,258)	(106,971)
Net cash used in investing activities	(128,258)	(106,971)
FINANCING ACTIVITIES		
Proceeds from options/warrants exercised		37,500
Repurchase of options		(305,250)
Net cash used in financing activities		(267,750)
Effect of foreign exchange rate changes on cash	(131,461)	(91,941)
Net decrease in cash during the period	(412,889)	(650,613)
Cash, beginning of the period	990,007	1,521,552
Cash, end of the period	577,118	870,939
Supplementary disclosure		
Interest paid		
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

Six months ended February 28, 2015 and 2014

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 six months ended February 28, 2015 are not necessarily indicative of the results that may be expected for the year ended August 31, 2015.

The balance sheet at August 31, 2014 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, 2014.

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

(Expressed in United States dollars)

Unaudited

Six months ended February 28, 2015 and 2014

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 February 28, 2015, installments of \$577,700AUD (US \$556,579) including interest of \$186,495AUD (US \$179,695) has been received.

The following table summarizes the changes regarding the carrying value of the remaining receivable balance during the six months period ended February 28, 2015 covering period of September 1, 2014 to February 28, 2015 and the three months period ended February 28, 2015 covering period of November 1, 2014 to February 28, 2015:

	Three Months Ended		Six Months Ended	
	February 28	February 28	February 28	February 28
	2015	2014	2015	2014
	\$	\$	\$	\$
Beginning balance	394,660	526,643	461,294	540,538
Gross installments received	(33,939)	(37,653)	(71,158)	(77,143)
Interest included in above	9,342	13,026	20,297	27,355
Foreign exchange impact	(31,356)	(9,039)	(71,726)	2,227
Ending balance	338,707	492,977	338,707	492,977

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.

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 six months ended February 28, 2015, no shares were issued.

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

(Expressed in United States dollars)

Unaudited

Six months ended February 28, 2015 and 2014

4. STOCKHOLDERS EQUITY (cont d.)**[b] Stock option plans**

The Company has one existing stock option plan (the Plan), namely the 2006 Stock Option Plan, under which up to 5,100,000 shares of the common stock, has been reserved for issuance. A total of 8,181 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.

Stock-Based Payment Award Activity

A summary of option activity under the Plan as of February 28, 2015, 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, 2014	545,000	0.95	2.55	67,500
Issued				
Exercised				
Expired	200,000	0.50		
Outstanding at February 28, 2015	345,000	1.21	3.29	
Vested and exercisable at February 28, 2015	25,000	0.50	0.05	

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 respective reporting date.

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

(Expressed in United States dollars)

Unaudited

Six months ended February 28, 2015 and 2014

4. STOCKHOLDERS EQUITY (cont d.)

The following table summarizes information regarding the non-vested stock purchase options outstanding as of February 28, 2015:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested options at August 31, 2014	320,000	0.23
Granted		
Vested		
Non-vested options at February 28, 2015	320,000	0.23

As of February 28, 2015, there was \$31,832 of total unrecognized compensation cost related to non-vested share-based compensation awards. The unrecognized compensation cost is expected to be recognized over a weighted average period of 1.35 years.

During the six months ended February 28, 2015 and 2014, stock-based compensation expense has been reported in the consolidated statement of operations and comprehensive income as follows:

Three Months Ended		Six Months Ended	
February 28	February 28	February 28	February 28
2015	2014	2	