

# FONDS RADIOSTAR

2002-2003 FINANCIAL STATEMENTS

[www.fondsradiostar.com](http://www.fondsradiostar.com)

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## Auditor's report

To the directors of Fonds RadioStar

I have audited the balance sheet of Fonds Radiostar as at August 31, 2003 and the statements of earnings, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. These standards require that I plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also involves assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at August 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**Denis Thérien**

*Chartered Accountant*

September 16<sup>th</sup>, 2003

**STATEMENT OF EARNINGS AND  
CHANGES IN NET ASSETS**  
FOR THE YEAR ENDED AUGUST 31, 2003

	2003	2002
<b>REVENUE</b>		
Radio broadcaster contributions	<b>\$2,208,431</b>	\$1,510,939
Interest	<b>41,155</b>	5,207
	<b>2,249,586</b>	1,516,146
<b>EXPENDITURES (exhibit 1)</b>	<b>205,380</b>	196,467
<b>SURPLUS AVAILABLE FOR ASSISTANCE CONTRIBUTIONS</b>	<b>2,044,206</b>	1,319,679
Assistance contributions	<b>1,038,105</b>	501,276
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>1,006,101</b>	818,403
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<b>818,403</b>	
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<b>\$1,824,504</b>	\$ 818,403

The accompanying notes are an integral part of the financial statements.

## BALANCE SHEET

AUGUST 31, 2003

### ASSETS

#### CURRENT

Cash  
Term deposit, 3.85%,  
maturing November 22<sup>nd</sup>, 2004  
Receivable  
Prepaid expenses

### LIABILITIES

#### CURRENT

Accrued liabilities

### NET ASSETS

Unrestricted net assets

	2003	2002
<b>\$1,016,542</b>	\$ 426,283	
<b>750,000</b>	500,000	
<b>50,451</b>	15,036	
<b>10,511</b>		
<b>\$1,827,504</b>	\$ 941,319	
<b>\$ 3,000</b>	\$ 122,916	
<b>1,824,504</b>	818,403	
<b>\$1,827,504</b>	\$ 941,319	

Approved on behalf of the board



André Lallier  
Director



Sylvain Langlois  
Director

The accompanying notes are an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2003

	2003	2002
<b>OPERATING ACTIVITIES</b>		
Contributions received from radio broadcaster	<b>\$2,208,431</b>	\$ 1,510,939
Interest received	<b>41,155</b>	5,207
	<b>2,249,586</b>	1,516,146
Assistance contributions paid	<b>(1,038,105)</b>	(501,276)
Purchase of goods and services paid	<b>(371,222)</b>	(88,587)
	<b>(1,409,327)</b>	(589,863)
	<b>840,259</b>	926,283
<b>INVESTING ACTIVITIES</b>		
Term deposit	<b>(250,000)</b>	(500,000)
	<b>(250,000)</b>	(500,000)
<b>NET INCREASE IN CASH</b>	<b>590,259</b>	426,283
<b>CASH, BEGINNING OF YEAR</b>	<b>426,283</b>	
<b>CASH, END OF YEAR</b>	<b>\$ 1,016,542</b>	\$ 426,283

The accompanying notes are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2003

### 1 - ORGANIZATION'S PURPOSE AND STATUTES

Fonds RadioStar was incorporated on February 16<sup>th</sup>, 2001 under Part II of the Canada Business Corporation Act.

The primary mandate of Fonds RadioStar, a non-profit organization, is to assist promising new talent by providing significant financial support for projects involving the promotion of label companies that are likely to have a considerable impact on the careers of French-Canadian artists. The support it provides is complementary to existing assistance programs, and adds momentum to marketing efforts. Fonds RadioStar pays non-refundable contributions to eligible label companies.

### 2 - FOUNDATION FINANCING

Fonds RadioStar products are generated by financial contributions made by broadcast companies to the Canadian Association of Broadcasters (CAB).

### 3 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian generally accepted accounting principles and the following significant policies:

#### Revenue Recognition

Fonds RadioStar uses the deferral method for recording its contributions. Contributions to Fonds RadioStar and its Anglophone counterpart, Radio Starmaker Fund, originate from financial contributions required of broadcast companies by the Canadian Radio-television and Telecommunications Commission (CRTC) during transactions involving the acquisition of broadcast companies. A minimum of 3% of these transactions must be paid to the two new Canadian music marketing funds.

Generally speaking, in transactions involving Francophone stations, 80% of the 3% is paid to Fonds RadioStar; while in transactions involving Anglophone stations, 20% of the 3% is paid to Fonds RadioStar. The Canadian Association of Broadcasters (CAB) collects 3% of the value of the transactions, which it redistributes to the two funds in accordance with the payment terms accepted by the CRTC. These financial contributions are reported using a cash-based accounting system.

#### Income Taxes

Pursuant to the Income Tax Acts (Canada and Quebec), Fonds RadioStar is classified as a non-profit organization and is, therefore, not subject to income tax.

#### Contributed Services

Members of the organization's Board of Directors attend Board meetings without monetary compensation. The value of the time donated by these individuals is not recorded in the financial statements as it would be difficult to measure its fair market value.

#### Cash and cash equivalents

For the purpose of cash flows, cash and cash equivalents include cash and cash equivalents that are not restricted as to their use. Cash includes cash. Cash equivalents include term deposits investments held for short-term cash requirements but not those held for investment purpose, more precisely they include investments, the value of which will not change significantly and the maturity does not exceed three months from the date of acquisition. The cash equivalents do not include investments held in shares.

**NOTES TO  
FINANCIAL STATEMENTS**  
AUGUST 31, 2003

**COMPLEMENTARY  
FINANCIAL INFORMATION**  
FOR THE YEAR ENDED AUGUST 31, 2003

**3 - SIGNIFICANT ACCOUNTING  
POLICIES** (cont'd)

**Use of estimates**

The presentation of financial statements in accordance with generally accepted accounting principles of Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

**4 - RELATED PARTY TRANSACTIONS**

During the year, the organization disbursed contributions and/or grants totalling \$234,041 (2002, \$210,710). The parties are related due to the fact that their representatives are company directors. These related companies satisfy all the criteria established by the organization and as such, do not benefit from any one statute or privilege over another through their representation on the Board of Directors.

Management states that these transactions were executed under the same terms as transactions with non-related parties.

**5 - COMMITMENTS**

**Contributions**

Fonds RadioStar is contractually committed to advance contributions totalling \$961,105 (2002, \$735,038). Of this amount, \$375,612 (2002, \$215,755) represent commitments to related companies.

**Management agreement**

Fonds RadioStar signed a management agreement with La Fondation MUSICTION for an annual amount representing 10% of financial contributions to a maximum of \$150,000, before sales taxes. This agreement is annually renewable.

**EXHIBIT 1 –  
EXPENDITURES**

	2003	2002
Management fees - La Fondation MUSICTION	<b>\$161,269</b>	\$161,269
Professional fees	<b>12,383</b>	4,992
Advertising	<b>13,839</b>	17,316
Telephone	<b>17,889</b>	12,890
	<b>\$ 205,380</b>	\$ 196,467



**Fonds RadioStar**

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