



# FINANCIAL STATEMENTS

# AUDITOR'S REPORT

To the directors of FONDS RADIOSTAR

I have audited the balance sheet of Fonds Radiostar as at August 31, 2004 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, 2004 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>, 2004

# STATEMENT OF EARNINGS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2004

	2004	2003
<b>REVENUE</b>		
Radio broadcaster contributions	<b>\$2,285,722</b>	\$2,208,431
Interest	<b>54,155</b>	41,155
	<b>2,339,877</b>	2,249,586
<b>EXPENDITURES</b>		
Management fees and other charges	<b>213,967</b>	193,147
Professional fees	<b>5,025</b>	12,233
	<b>218,992</b>	205,380
<b>SURPLUS AVAILABLE FOR ASSISTANCE CONTRIBUTIONS</b>	<b>2,120,885</b>	2,044,206
Assistance contributions	<b>1,268,077</b>	1,038,105
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>852,808</b>	1,006,101
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<b>1,824,504</b>	818,403
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<b>\$2,677,312</b>	\$1,824,504

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

# BALANCE SHEET

AUGUST 31, 2004

	2004	2003
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	\$1,363,104	\$1,016,542
Term deposits (note 4)	1,250,000	750,000
Receivable	65,793	50,451
Prepaid expenses	1,315	10,511
	<b>\$2,680,212</b>	\$1,827,504
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accrued liabilities	\$ 2,900	\$ 3,000
<b>NET ASSETS</b>		
Unrestricted net assets	<b>2,677,312</b>	1,824,504
	<b>\$2,680,212</b>	\$1,827,504

APPROVED ON BEHALF OF THE BOARD



Denis Wolff  
President



Sylvain Langlois  
Treasurer

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2004

	2004	2003
<b>OPERATING ACTIVITIES</b>		
Contributions received from radio broadcaster	<b>\$2,285,722</b>	\$2,208,431
Interest received	<b>53,247</b>	18,248
Sales taxes paid	<b>(14,430)</b>	(12,508)
	<b>2,324,539</b>	2,214,171
Assistance contributions paid	<b>(1,268,077)</b>	(1,038,105)
Purchase of goods and services paid	<b>(209,900)</b>	(335,807)
	<b>(1,477,977)</b>	(1,373,912)
	<b>846,562</b>	840,259
<b>INVESTING ACTIVITIES</b>		
Term deposit		(250,000)
		(250,000)
<b>NET INCREASE IN CASH</b>	<b>846,562</b>	590,259
<b>LIQUIDITY AT THE BEGINNING OF THE YEAR</b>	<b>1,016,542</b>	426,283
<b>LIQUIDITY AT THE END OF THE YEAR</b> (note 5)	<b>\$1,863,104</b>	\$1,016,542

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

# NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2004

## 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.

Designed primarily for emerging artists, the Fonds RadioStar grants significant funding to the marketing initiatives of Canadian record labels likely to have a discernible effect on the careers of Canadian French-language performers. 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) is responsible for collecting 3% of the transaction value 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 held for short-term cash requirements but not those held for investment purpose, more precisely, they include term deposits whose values are unlikely to incur significant changes and which mature no later than three months after they are issued.

# NOTES TO FINANCIAL STATEMENTS

31 AOÛT 2004

## 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 – TERM DEPOSIT

	2004	2003
Term deposit, 3,85 %, maturing November 22, 2004	<b>\$ 750,000</b>	\$ 750,000
Term deposit, 1,9 %, maturing September 9, 2004	<b>500,000</b>	
	<b>\$1,250,000</b>	\$ 750,000

## 5 – LIQUIDITY AT THE END OF THE YEAR

	2004	2003
Cash	<b>\$ 1,363,104</b>	\$1,016,542
Term deposit	<b>500,000</b>	
	<b>\$ 1,863,104</b>	\$1,016,542

## 6 – RELATED PARTY TRANSACTIONS

During the year, the organization disbursed contributions and/or grants totalling \$279,353. 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.

## 7 – COMMITMENTS

### Contributions

Fonds RadioStar is contractually committed to advance contributions totalling \$1,274,201 (2003, \$961,105). Of this amount, \$256,911 (2003, \$375,612) represent commitments to related companies.

### Management agreement

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

## 8 – COMPARATIVE FIGURES

The presentation of certain positions for the previous year has been altered to comply with that of the current year.