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2009-2010 Financial Statements





BLACKBURN GROUP

CORUS ENTERTAINMENT

**EVANOV COMMUNICATIONS** 

GOLDEN WEST BROADCASTING

HALIBURTON BROADCASTING GROUP

HARVARD BROADCASTING

JIM PATTISON GROUP

LARCHE COMMUNICATIONS

MUSKOKA-PERRY SOUND BROADCASTING

MY BROADCASTING CORPORATION

MZ MEDIA

NEWCAP

R.B. COMMUNICATIONS

RADIO DIFFUSION SOREL-TRACY

RADIO SEPT-ÎLES

SONÈME

STRIVE COMMUNICATIONS

VISTA BROADCAST GROUP

WESTMAN MEDIA COOPERATIVE















## **President's Message**

2009-2010 picked up where the first two years of the revamped edition of the Fonds RadioStar program left off. For a third consecutive year, the results bore out the changes we made in 2007-2008. Also, we began addressing certain issues regarding the roll out of new promotional tools.

Making sales benchmarks a prerequisite for funding meant that once again this year we were able to strike a better balance between the volume of applications received and the fund's limited financial capabilities. We were, in fact, able to approve 98% of applications submitted, just as in 2008-2009. The trend toward wider musical diversity was again in the spotlight in 2009-2010, with contemporary folk topping the list, finishing ahead of pop music for the first time in terms of applications approved, and alternative music ranking third among the music categories for most projects funded. This was the highest ranking ever for alternative music.

Another milestone for Fonds RadioStar in 2009-2010: a review of completed projects indicated that live performances became the Number One means used by applicants to promote artists, accounting for 27% of expenses compared to 15% last year. Image, the top expense for the last two years, ranked second with 16%. This increase reflects the growing popularity of the new rule implemented in 2007-2008, earmarking funds specifically for live show producers. It also speaks to the importance of live performances as the music industry continues to redefine its practices.

Last year, we observed that the new web tools available to the program's users were being underutilized. In 2009-2010, web related activities accounted for 9.1% of expenses by applicants, representing a net increase. Record companies and artists are clearly beginning to click with the web, as demonstrated by the progressively higher use of the resource in the last four years. As pointed out by marketing and communications experts, whose input we actively sought, music is not the only industry grappling with the Internet "issue." As other industries have done, we too will have to find new ways to reach our target audiences. We must invent new solutions, and this applies to everyone across the entire musical spectrum.

We consulted on the idea of a shared toolbox that could be used by multiple users of the Fonds RadioStar program for web based promotions, and ultimately decided it would prove immaterial. Nevertheless, as my short tenure as president comes to an end, I would urge my fellow board members to be on the lookout for new trends that might prove useful to the program's users, including collective initiatives that would enable emerging artists to meet the challenges associated with the radio and retail markets.

Luc Piette Président

#### **BACKGROUNDER**

In 1998, the CRTC authorized as part of its Policy on Commercial Radio (Public Notice CRTC 1998-41) the establishment of a new Canadian music marketing and promotion fund, toward which would be allocated 3% of the transaction value of radio broadcasting acquisitions. In November 2000, the CRTC approved a CAB and ADISQ joint proposal outlining the Fonds RadioStar's terms and structure. In December 2006, the aforementioned allocation was renewed under the CRTC's new Policy on Commercial Radio.



The Fonds RadioStar began operating in August 2001, and it has since been supporting by way of financial assistance the marketing of French-language sound recordings in Canada. From the outset, the fund has been managed by the Fondation MUSICACTION, under the direction of the Fonds RadioStar Board of Directors. The fund's program and rules, which are completely separate from those of MUSICACTION, are managed independently.



Credit: Vincent Faucon

- In the purpose of the fund is to promote Canadian French-language music, referring requests for projects in a language other than French as well as instrumental music projects to the Radio Starmaker Fund.
- The fund's goal is to supply private radio broadcasters with quality, diversified French-language music.
- Funding is reserved for national marketing endeavours, i.e. aimed at the Canadian market.
- Designed primarily for emerging artists, the fund is intended "to advance the careers of Canada's rising stars producing popular Canadian content."
- Funding is allocated to Canadian owned and controlled record labels, with the exception of Canadian artists residing outside Québec, who are entitled to receive funding directly.
- IFonds RadioStar funding must constitute additional support, designed to complement existing funding from record labels as well as various public and private sources earmarked for the initial marketing phases.



**OBJECTIVES** 

### **Board of Directors and Fund Management**

BOARD OF DIRECTO	RS	
President	Luc Piette	Vice President, EDC Musique
Vice President	Sylvie Courtemanche	Vice President, Governmental Relations CORUS
Treasurer	Sylvain Simard	Director NRJ Trend, Astral Media Radio
Secretary	Stéphanie Moffatt	President, Mo'fat Management
Director	Richard Lachance	Vice President Radio, Cogeco
Director	Marc Ménard	Professor, École des médias UQAM
Director	Geneviève Moreau	Music Director, Réseau Énergie Astral Media Radio
Director	Raymond Du Berger	President, Disques Artic
Director	Michel Sabourin	President, Disques Atlantis







## **ABOUT THE PROGRAM**

In 2007, the Board of Directors reviewed the terms of Fonds RadioStar program for the 2007-2008 financial year, as per the guiding principles of the fund:

- Promoting diversified Canadian French-language music
- Supporting eligible Canadian emerging artists
- 🔋 Reserving funding for second marketing phases following initial marketing spending
- Merving as complementary funding to the applicant's own investment.

#### And according to the following criteria:

- Access to funding is primarily governed by minimum sales requirements as tracked by Soundscan, based on music category and career albums. The requirements for a first album are lower than for a second release. This criterion makes it possible to guarantee an applicant is in a position to make a significant initial investment and to determine a project's real potential for success.
- Receiving additional funding for a second marketing phase is also conditional upon achieving the required sales requirements, which are higher for the second phase.
- In Funding is limited to 2/3 of the budget for eligible expenses, not including all initial marketing related spending.
- In keeping with the program's principle of supporting emerging artists, artists with album sales of over 300,000 copies or more are no longer eligible.
- The only change adopted in 2009-2010: the minimum sales requirement for the contemporary folk category was increased to match that of the pop, pop-rock and rock categories.

#### **Financial Results**

#### **FINANCIAL RESOURCES**

Monies for the Fonds RadioStar and its English-language music marketing counterpart, the Radio Starmaker Fund, come primarily from broadcaster contributions resulting from radio acquisition transactions, as required by the CRTC. A minimum of 3% of the value of such transactions must be disbursed to both of these funds. For transactions affecting the French-speaking market, 80% of the 3% is directed to the Fonds RadioStar. In the case of transactions affecting the English-speaking market, the Fonds RadioStar receives 20% of that 3%.

The CAB collects the 3% of the value of the transactions, and then redistributes these monies to both funds as per CRTC approved payment methods, earmarking the appropriate contributions intended for the advancement of French-language music to the Fonds RadioStar. These contributions amounted to \$4,126,041 in 2009-2010. The combined total since the fund's creation in 2001-2002 is now \$25,385,699. Contributions to the Fonds RadioStar are expected to reach \$33M by 2016.

#### **ADMINISTRATION FEES**

The administration fees for this ninth financial year have been set at 4.8%. The fund has averaged administrative fees of 7.9% since inception, thus complying with CRTC regulations approved in November 2000 requiring administration fees to never exceed more than 10% of broadcaster contributions throughout the lifetime of the fund.

#### **COMMITMENTS**

The fund has accepted 489 of the 556 applications it has received since its inception, for an approval rate of 88%. This rate, which was 78% in 2006-2007 due to the record number of applications, reached 98% in 2009-2010. The increase stemmed from the 2007 revamping of the program and its funding application criteria.

The expected scaled back contributions from radio broadcasters prompted the Board to spread the available sums over a greater number of years, thus extending the life of the fund and guaranteeing a steady availability of funding each year. In 2009-2010, the Fonds RadioStar's financial commitments amounted to \$1,831,140, compared with \$1,739,910 in 2008-2009, \$1,949,849 in 2007-2008, and \$3,315,015 in 2006-2007.

APPLICATIONS AND APPROVALS										
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	Total
Applications Submitted	55	52	51	103	79	64	53	46	53	556
Amount Requested	\$1,911,982	\$1,898,160	\$2,018,033	\$4,773,602	\$3,321,515	\$3,021,311	\$3,171,982	\$2,158,990	\$2,153,585	\$24,429,160
Applications Approved	54	51	51	80	78	63	43	33	36	489
Amount Offered	\$1,831,140	\$1,739,910	\$1,949,849	\$3,315,015	\$3,104,566	\$2,848,958	\$2,013,175	\$1,506,415	\$1,236,314	\$19,545,342
Amount Disbursed	\$1,354,493	\$1,321,687	\$1,990,583	\$2,827,781	\$2,316,105	\$2,331,725	\$1,311,619	\$1,038,105	\$501,276	\$14,993,374









#### RESIDUAL BALANCE OF FUNDING COMMITMENTS

Disbursements generally represent initial funding for projects approved during the year and final rounds of funding for projects approved in the past. Few projects are begun and finalized in the same financial year. Disbursements amounted to \$1,354,493 in 2009-2010, compared with \$1,321,687 in 2008-2009, bringing the balance of funding commitments to \$1,011,176.

#### **DISBURSEMENTS BY EXPENSES**

A review of the projects completed in 2009-2010 ranks expenses in the following order of importance:

- Live show spending, accounting for 27.2% of disbursements, as opposed to 15.3% in 2008-2009.
- Image production spending, accounting for 16.2%, as opposed to 19.1% in 2008-2009.
- Television advertising spending, accounting for 10.0%, as opposed to 15.3% in 2008-2009.
- The continual rise in the share of spending related to webcasts since 2006-2007 is noteworthy.

EXPENSES									
	200	9-2010	2008	3-2009	2007	7-2008	2006-2007		
	Amount	%	Amount	%	Amount	%	Amount	%	
Image Production	\$ 236,618	16,2	\$ 276,367	19,1	\$ 381,960	15,2	\$ 267,277	9,9	
Promotion	60,584	4,2	101,883	7,0	233,489	9,3	342,970	12,8	
Media Relations	119,037	8,1	113,853	7,9	266,040	10,6	246,601	9,2	
Radio Promotions	77,191	5,3	69,004	4,8	153,985	6,2	143,599	5,3	
Web	133,670	9,1	97,463	6,7	104,733	4,2	82,405	3,1	
Television	146,472	10,0	222,367	15,3	362,928	14,5	390,151	14,5	
Radio	59,977	4,1	115,710	8,0	188,808	7,5	305,420	11,3	
POS Displays	53,232	3,6	84,768	5,8	219,608	8,8	175,219	6,5	
Print	92,906	6,4	95,274	6,6	206,983	8,3	215,045	8,0	
Billboard	25,359	1,7	0	0	30,525	1,2	68,873	2,6	
Tour support	59,902	4,1	50,258	3,5	87,867	3,5	50,265	1,9	
Live show	397,882	27,2	221,513	15,3	269,162	10,7	401,761	14,9	
Total	\$1,462,830	100	\$1,448,460	100	\$2,506,088	100	\$2,689,586	100	





#### **Evaluation of Results**

#### **SUPPORTING NEW ARTISTS**

The fund continues to remain true to its mission of funding developing artists first and foremost. In 2009-2010, 35% of approved funding went to first albums, 20% to second albums and 14% to third albums, accounting for a combined 69% of total commitments. The number of artists recording upwards of four career albums represents 31% of approved sums and 24% of applications approved.

NEW ARTISTS							
		2009-2010			2008-2009		
	Applications Approved	Amount offered	% amount approved	Applications Approved	Amount offered	% amount approved	
1 <sup>st</sup> album	20	\$ 641,408	35	25	\$ 875,344	50	
2 <sup>nd</sup> album	12	374,222	20	13	387,470	22	
3 <sup>rd</sup> albums	9	257,691	14	8	307,218	18	
4 albums and above	13	557,819	31	5	169,878	10	
Total	54	\$1,831,140	100	51	\$1,739,910	100	

NEW ARTISTS							
		2007-2008			2006-2007		
	Applications Approved	Amount offered	% amount approved	Applications Approved	Amount offered	% amount approved	
1 <sup>st</sup> album	22	\$ 900,818	46	30	\$1,354,106	41	
2 <sup>nd</sup> album	12	449,613	23	22	903,111	27	
3 <sup>rd</sup> albums	11	375,000	19	8	340,000	10	
4 albums and above	6	224,418	12	20	717,798	22	
Total	51	\$1,949,849	100	80	\$3,315,015	100	

#### **REGIONAL ALLOCATIONS**

In 2009-2010, four artists from French-speaking minority communities in Canada obtained funding, compared with five in 2008-2009, four in 2007-2008, and five in 2006-2007 as well as 2005-2006. Two are from Nova Scotia, and two from Ontario.







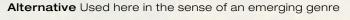




ARTIST	APPLICANT	REGION	AMOUNT
3 gars su'l sofa	Productions Pixelia	Plusieurs régions	\$45,912
3 gars su'l sofa	Productions Tribal	Plusieurs régions	\$10,000
Adamus Bernard	Disques Dare to Care	Montréal	\$38,043
Amylie	Disques Audiogramme	Québec	\$19,405
Arthur l'Aventurier	Gregg Musique	Québec	\$60,000
Arthur Marie-Pierre	Opak Média	Gaspésie	\$15,000
Arthur Marie-Pierre	Bonsound	Gaspésie	\$29,373
Blou	À l'Infini Communications	Nouvelle-Écosse	\$15,665
Boni Suba	Cie Larivée Cabot Champagne	Montréal	\$30,707
Chinatown	Tacca Musique	Montréal	\$48,980
Cœur de pirate	Disques Dare to Care	Montréal	\$15,000
Cusson-Mervil-Montcalm	Go Musique	Plusieurs régions	\$32,400
Desjardins Boom	Entourage Musique	Abitibi	\$30,000
Deslauriers William	Productions J	Montréal	\$65,000
Dramatik	Disques 7 <sup>e</sup> ciel	Montréal	\$50,000
Dumas	Cie Larivée Cabot Champagne	Centre-du-Québec	\$38,126
Éléphantine	Sphère Musique	Mauricie	\$60,000
Exterio	Slam Disques	Montréal	\$27,017
Fortin Fred	C4 Productions	Saguenay-Lac St-Jean	\$57,774
Galant tu perds ton temps	Cie Larivée Cabot Champagne	Plusieurs régions	\$24,045
Hervieux Marc	Zone 3 Spectacle	Montréal	\$15,000
Hervieux Marc	Zone 3 Musique	Montréal	\$40,907
Ima	Productions Divine Angel	Montréal	\$80,000
Karkwa	9175-5272 Québec	Gaspésie	\$15,000
Karkwa	Disques Audiogramme	Gaspésie	\$50,000
Lambert Yves	Prûche Libre	Mauricie	\$67,542
Landry Maxime	Productions J	Montréal	\$30,000
Lindsay Andrea	Bavota Communications	Ontario	\$15,000
Lindsay Andrea	Gestion Son Image	Ontario	\$25,000
Lost Fingers	Tandem.mu	Québec	\$30,000
Mad'moizèle Giraf	High Life Music	Estrie	\$33,168
Malajube	Bonsound	Montérégie	\$15,000
Malajube	Disques Dare to Care	Montérégie	\$20,109
Manu Militari	High Life Music	Québec	\$30,899
Marie-Mai	Disques Musicor	Montérégie	\$62,845

ARTIST	APPLICANT	REGION	AMOUNT
Marie-Mai	Productions J	Montérégie	\$15,000
Marin David	Productions Pixelia	Centre-du-Québec	\$23,487
			. ,
Orange Orange	Star.ca	Québec	\$50,000
Patère rose	Disques Dare to Care	Estrie	\$20,893
Perreau Yann	Bonsound	Lanaudière	\$36,013
Radio Radio	Bonsound	Nouvelle-Écosse	\$65,000
Robitaille Damien	9º Vague	Ontario	\$10,000
Robitaille Damien	Disques Audiogramme	Ontario	\$50,000
Samian	Disques 7 <sup>e</sup> Ciel	Abitibi	\$50,000
Sir Pathétik	High Life Music	Abitibi	\$39,002
Tremblay Mara	Disques Audiogramme	Côte-Nord	\$36,469
Tricot Machine	Disques Dare to Care	Mauricie	\$50,292
Trois Accords	Disques Indica	Centre-du-Québec	\$20,000
Trois Accords	Phonoscope Productions	Centre-du-Québec	\$10,000
Vallières Vincent	Équipe Spectra	Estrie	\$48,132
Watters Andrée	Vega Musique	Québec	\$21,524
Xavier Caféine	Disques Indica	Gatineau	\$32,411
Xavier Caféine	Opak Media	Gatineau	\$10,000
Total			\$1,831,140





Children's Musical genre mostly geared toward kids

**Contemporary Folk** Musical genre covering the full range of new trends in folk music

**Country** Genre that groups together country and western music styles

**Hip Hop** Musical genre derived from new music trends that include rap and hip hop

**Pop** Over and above vocal performances, mainstream musical genre that covers easy listening to adult pop

**Pop rock** Musical genre that covers a wide range of styles, including acoustic rock

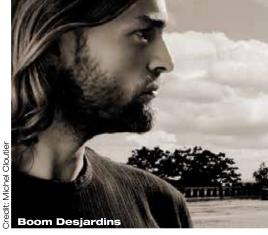
**Rock** Musical genre that covers music with a heavier, more accentuated beat

Traditional Musical genre that houses roots music

**Urban** Musical genre derived from new music trends namely rooted in techno, house/ dance, drum'n bass, jungle, tribal, ambient/trance/chill, trip hop, acid jazz and all electronica related genres

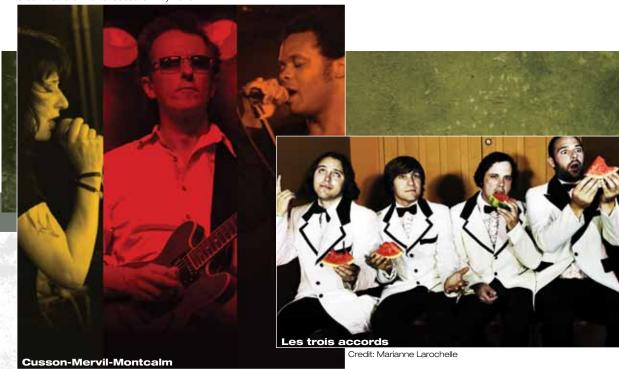
Worldbeat Musical genre that groups together styles derived from, but not limited to, South America, Central America, Asia, Africa, the Middle East and Caribbean as well as aboriginal music





ANNUAL REPORT **FONDS RADIOSTAR** 14

Credit: Nathalie Brien et Sébastien Raymond



The year 2009-2010 saw a sharp increase in applications approved in the alternative music category, with eight, up from four in 2008-2009. Contemporary folk applications totalled 13, solidifying the growing popularity of this category as it eclipsed pop music. Meanwhile, hip hop applications dropped to five, from 10 in 2008-2009.

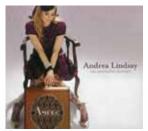
As for the allocation of funding, Pop music was first again, accounting for 22.6% of approved funding, followed by contemporary folk at 19.3%. Alternative staged a marked rise to third spot with 14.5%, with hip hop ranking fourth at 12.8%. Approved funding for pop rock remained stable at 11.8%.

The funding essentially reflects the growing diversity of the music industry year after year.

FUNDING BY MUSIC CATEGORY											
2009-2010							2008-2009				
	Applications Submitted	Amount Requested	Applications Approved	Amount Offered	As a %		Applications Submitted	Amount Requested	Applications Approved	Amount Offered	As a %
Alternative	8	\$ 270,790	8	\$ 265,793	14.5	Ì	4	\$ 121,447	4	\$ 121,447	7.0
Country	0	0	0	0	0.0		2	77,369	2	73,204	4.2
Contemporary Folk	13	363,924	13	352,417	19.3		9	404,797	9	354,596	20.4
Нір Нор	5	235,117	5	234,901	12.8		10	277,909	9	252,373	14.5
Jazz	1	30,000	1	30,000	1.6		0	0	0	0	0.0
Children's	1	60,000	1	60,000	3.3		0	0	0	0	0.0
Worlbeat	0	0	0	0	0.0		2	80,865	2	80,865	4.6
Urban	2	63,875	2	63,875	3.5		2	56,815	2	53,764	3.1
Pop rock	7	224,185	7	215,986	11.8		7	233,146	7	231,930	13.3
Pop	11	470,093	10	414,170	22.6		13	474,369	13	411,635	23.7
Rock	5	102,411	5	102,411	5.6		2	101,443	2	100,096	5.8
Traditional	2	91,587	2	91,587	5.0		1	70,000	1	60,000	3.4
TOTAL	55	\$1,911,982	54	\$1,831,140	100		52	\$1,898,160	51	\$1,739,910	100



ARTIST	AWARDS
Blou	Francophone Album of the Year – East Cost Music Award
Cœur de pirate	Best New Artist – ADISQ
Cœur de pirate	Song of the Year - Victoires de la musique
Cœur de pirate	Best New Artist – GAMIQ
Karkwa	Show of the Year – Songwriter-composer-performer – ADISQ
Karkwa	Videoclip of the Year - La façade - ADISQ
Lindsay Andrea	Francophone Album of the Year – JUNO
Lindsay Andrea	Emerging Live Act – Prix André Dédé Fortin – SPACQ
Malajube	Album of the Year - Alternative - ADISQ
Malajube	Album of the Year - Indie Rock - GAMIQ
Numéro#	Album of the Year - Electronical Music - ADISQ
Perreau Yann	Songwriter or composer of the Year - ADISQ
Robitaille Damien	Songwriter-composer-performer – Prix Félix Leclerc
Sir Pathétik	Album of the Year - Hip Hop - ADISQ









Since the inception of the Fonds RadioStar program, some of these artists have also been certified by the Canadian Recording Industry Association, for début albums in many cases.

#### **CD Certifications**

YEAR	ARTIST	ALBUM	CERTIFICATION
2006	Artistes variés	Quand le country dit bonjour	Gold
2007	Artistes variés	Duos Dubois	Double Platinum
2004	Bédar Dany	Fruits de ma récente nuit blanche	Platinum
2005	Bédar Dany	Écoute-moi donc	Platinum
2007	Bélanger Daniel	L'échec du matériel	Gold
2007	Boulay Isabelle	De retour à la source	Platinum
2003	Chicane	Ent'nous autres	Gold
2009	Cœur de pirate	Cœur de pirate	Gold
2005	Corneille	Parce qu'on vient de loin	Platinum
2006	Cowboys Fringants	La Grand-Messe	Double Platinum
2004	Desjardins Boom	Boom Desjardins	Gold
2006	Dobacaracol	Soley	Gold
2004	Don Juan	Don Juan	Double Platinum
2006	Dumas	Le cours des jours	Gold
2009	Hervieux Marc	Après nous	Gold
2009	Ima	A la vida	Gold
2006	Kaïn	Nulle part ailleurs	Platinum
2008	Kaïn	Les saisons s'tassent	Gold
2010	Landry Maxime	Vox Pop	Double Platinum
2004	Lapointe Éric	Coupable	Platinum
2006	Lapointe Pierre	Pierre Lapointe	Platinum
2006	Lapointe Pierre	La forêt des mal-aimés	Platinum
2004	Le Bouthillier Wilfred	Wilfred Le Bouthillier	Double Platinum
2005	Loco Locass	Amour oral	Gold
2009	Lost Fingers	Rendez-vous rose	Gold
2008	Marie-Mai	Dangereuse attraction	Gold
2005	Marie-Mai	Inoxydable	Gold
2009	Marie-Mai	Version 3.0	Gold
2006	Mes Aïeux	En famille	Double Platinum
2003	Mix Mania	Mix Mania	Double Platinum
2005	Moffatt Ariane	Aquanaute	Platinum
2008	Moffatt Ariane	Tous les sens	Gold
2004	Pelchat Mario	Noël avec Jireh Gospel	Gold
2003	Quilico Gino	Noël	Gold
2004	Shock Stefie	Le décor	Gold
2005	Thibert Marie-Élaine	Marie-Élaine Thibert	Triple Platinum
2007	Thibert Marie-Élaine	Comme ça	Platinum
2004	Toupin Marie-Chantal	Maudit bordel	Platinum
2006	Toupin Marie-Chantal	Non négociable	Platinum
2004	Trois Accords	Gros mammouth album trio	Platinum
2007	Trois Accords	Grand champion international de course	Gold
2005	Villeneuve Annie	Quand je ferme les yeux	Platinum
2009	Villeneuve Annie	Annie Villeneuve	Gold
DVD Cortifications			
DVD Certifications	Decretables	Live au Cantra Ball	0-1-1
2007	Respectables	Live au Centre Bell	Gold
2008	Marie-Mai	La tournée	Gold

#### CERTIFICATIONS

	CD	CD*	DVD	Song Downloads
Gold	50,000	40,000	5,000	20,000
Platinum	100,000	80,000	10,000	40,000
Double platinum	200,000	160,000	20,000	80,000
Triple platinum	300,000	240,000	30,000	120,000
Diamond	1,000,000	800,000	100,000	400,000

<sup>\*</sup> Released after May 1, 2008





#### **AUDITOR'S REPORT**

To the directors of FONDS RADIOSTAR,

I have audited the balance sheets of Fonds RadioStar as at August 31, 2010 and 2009, as well as the statements of earnings and changes in net assets and statements of cash flow for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion concerning 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 in such a way as to obtain reasonable assurance that the financial statements are free of material misstatements. An audit involves examining evidence supporting the amounts and disclosures that are contained in the financial statements, on a test basis. An audit also involves assessing the accounting principles used and the significant estimates made by management, and evaluating the overall presentation of the financial statements.

In my opinion, these financial statements present the financial position of the Organization as at August 31, 2010 and 2009 and the results of its operations and cash flow for the years then ended fairly in all material respects, in accordance with Canadian generally accepted accounting principles.

Denis Thérien, CA auditor

September 20, 2010

## STATEMENTS OF EARNINGS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED AUGUST 31	2010	2009
REVENUE		
Contributions from radio broadcasters	\$ 4,126,041	\$ 3,259,525
Management fees – CAB	(9,450)	(14,175)
	4,116,591	3,245,350
Interest	140,946	201,538
	4,257,537	3,446,888
EXPENDITURES		
Salaries and benefits	134,372	104,329
Legal and management fees	2,000	1,203
Professional fees	17,814	8,273
Rent and other charges	39,506	39,506
Communications	6,517	38,588
Insurance	2,576	2,540
Meeting expenses	290	644
	203,075	195,083
SURPLUS AVAILABLE FOR ASSISTANCE CONTRIBUTIONS	4,054,462	3,251,805
Assistance contributions	1,354,493	1,321,687
EXCESS OF REVENUE OVER EXPENDITURES	2,699,969	1,930,118
	, ,	, ,
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	6,713,033	4,782,915
UNRESTRICTED NET ASSETS, END OF YEAR	\$ 9,413,002	\$ 6,713,033

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

# **BALANCE SHEETS**

AS AT AUGUST 31	2010	2009
ASSETS		
ASSETS		
CURRENT		
Cash	\$ 777,350	\$ 83,126
Demand deposit, 1.25% maturing June 15, 2011	1,000,000	1,600,000
Term deposit, 1.77%, maturing June 26, 2011	4,000,000	1,000,000
Accounts receivable (Note 5)	60,654	75,367
Prepaid expenses	13,069	1,681
	5,851,073	2,760,174
LONG-TERM INVESTMENT		
Term deposits, varying between 1.45% and 1.70%, maturing between September 12, 2011		
and 1.70%, maturing between September 12, 2011 and December 15, 2011	3,600,000	4,000,000
	\$ 9,451,073	\$ 6,760,174
LIABILITIES		
CURRENT		
Accrued liabilities	\$ 38,071	\$ 47,141
Accided Ilabilities	φ 50,07 1	Ψ 41,141
NET ASSETS		
Unrestricted net assets	9,413,002	6,713,033
	\$ 9,451,073	\$ 6,760,174

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

APPROVED ON BEHALF OF THE BOARD

Luc Piette President **Sylvain Simard** Treasurer

# STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED AUGUST 31	2010	2009
OPERATING ACTIVITIES		
Contributions received from radio broadcasters	\$ 4,116,591	\$ 3,245,350
Interest received	156,195	151,962
	4,272,786	3,397,312
Assistance contributions paid	(1,355,029)	(1,317,687)
Purchase of goods and services paid	(89,436)	(73,867)
Employee salaries paid	(134,097)	(99,232)
	(1,578,562)	(1,490,786)
	2,694,224	1,906,526
INVESTMENT		
Term deposits	(2,600,000)	(5,000,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,224	(3,093,474)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,683,126	4,776,600
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 6)	\$ 1,777,350	\$ 1,683,126

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

## NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

#### 1 - STATUTES AND PURPOSE OF THE ORGANIZATION

Fonds RadioStar was incorporated on February 16, 2001 pursuant to Part II of the Canada Business Corporations Act.

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

#### 2 - FINANCING OF THE ORGANIZATION

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

#### 3 - SIGNIFICANT ACCOUNTING POLICIES

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

#### Financial instruments

#### Assets or liabilities held for transactional purposes

Financial instruments that are classified as assets or liabilities and held for transactional purposes are reported at fair value on each date indicated on the statements, and any variation in the fair value is recorded in the statement of results for the period during which these variations occurred.

#### Investments held until maturity

Financial instruments including investments held until maturity are accounted at amortized cost using the effective interest rate method. Interest income is included in the income statements throughout the anticipated duration of the investment.

#### Recognition of revenue

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 that are required of broadcast companies by the Canadian Radio-television and Telecommunications Commission (CRTC) in connection with 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, for transactions involving Francophone stations, 80% of the 3% is paid to Fonds RadioStar; and for 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 that are approved by the CRTC. These financial contributions are reported using a cash-based accounting system.

#### Income taxes

Pursuant to the Income Tax Acts of Canada and Quebec, Fonds RadioStar is classified as a non-profit organization, and therefore, is 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, because it would be difficult to measure its fair market value.

#### Cash and cash equivalents

For cash flow purposes, cash and cash equivalents include cash and cash equivalents that are not restricted as to their use. Cash includes cash. Cash equivalents include term or demand deposit investments that are held for short-term cash requirements, but not those that are held for investment purposes. More precisely, they include investments for which the value will not change significantly and for which the maturity does not exceed three months from the date of acquisition.

# NOTES ACCOMPANYING THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

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

#### Use of estimates

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

## 4 - INFORMATION TO DISCLOSE WITH RESPECT TO CAPITAL

With respect to its capital management, the Organization's objective is to preserve its ability to pursue operations so as to continue to fulfil its purpose as described in Note 1 in keeping with its financial resources, and to use its residual balance for commitments and make assistance contributions for new projects that are submitted.

Under the terms of external rules, the Organization is not subject to requirements concerning its capital.

#### 5 - ACCOUNTS RECEIVABLE

	2010	2009
Applicant – assistance contributions	\$ 1,536	\$ 1,000
Accrued interest	59,118	74,367
	\$ 60,654	\$ 75,367

#### 6 - CASH AND CASH EQUIVALENTS AT END OF YEAR

Cash	\$ 777,350	\$ 83,126
Demand deposit	1,000,000	1,600,000
	\$1,777,350	\$ 1,683,126

#### 7 - RELATED PARTY TRANSACTIONS

The Organization carried out the following operations with related parties:

Contribution from radio broadcasters	\$ 2,501,897	\$ 2,306,768
Assistance contributions	\$ 25,000	\$ 57,500

The parties are related due to the fact that their representatives are directors of the Organization. These related companies satisfy all of the criteria established by the Organization, and as such, they do not benefit from any particular statute or privilege over another through their membership on the Board of Directors.

Management declares that these transactions were carried out under the same terms as transactions with non-related parties.

#### 8 - COMMITMENTS

#### Contributions

Fonds RadioStar is contractually committed to advancing contributions totalling \$1,011,176 (2009: \$1,024,798). Of this amount, \$25,000 (2009: \$57,500) represents commitments to related companies.

#### 9 - FINANCIAL INSTRUMENTS

#### Fair value

The carrying amount of financial instruments is equivalent to their fair value because of their short-term nature.

#### Risks

Based on the financial instruments it holds, the Organization does not anticipate incurring any risks related to market, credit, illiquidity, or cashflow.

#### 10 - CONTRIBUTIONS FROM RADIO BROADCASTERS

As at August 31, 2010, radio broadcasters must pay the Organization contributions totalling \$78,905 (2009, \$2,577,889) in compliance with the conditions imposed by the Canadian Radio-Television and Telecommunications Commission (CRTC).

#### 11 - OPERATING EXPENSES

Under the terms of the proposal to establish a marketing and promotional fund for French language Canadian music, called the "Radiostar Fund", which was presented by the Canadian Association of Broadcasters (CAB) to the Canadian Radio-television and Telecommunications Commission (CRTC) in September 2000, and approved by the latter on November 9, 2000, the operating expenses cannot exceed 10% of broadcaster contributions made during the Fund's existence. Between August 2001 and August 31, 2010, expenses represented 7.9% of contributions.

## FONDS RADIOSTAR

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