

balance sheet as at march 31, 1998

ASSETS	1998	1997
CURRENT		
Cash and short-term deposits	\$ 824,139	\$ 2,917,842
Marketable securities (Note 3)	3,074,600	-
Subscriptions and other receivables	139,744	148,175
Prepaid expenses and deposits	5,802	5,837
Due from La Fondation Musicaction	32,164	3,935
	<u>4,076,449</u>	<u>3,075,789</u>
CAPITAL ASSETS (Note 4)	55,001	-
	<u>\$ 4,131,450</u>	<u>3,075,789</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 93,273	\$ 32,383
Due to FACTOR Musicaction Canada (Note 5)	2,400	2,400
Provision for employee termination benefits	70,373	-
	<u>166,046</u>	<u>34,783</u>
NET ASSETS		
General Fund	3,910,403	3,041,006
Capital Asset Fund	55,001	-
	<u>3,965,404</u>	<u>3,041,006</u>
	<u>\$ 4,131,450</u>	<u>\$ 3,075,789</u>

Approved on behalf of the Board:


 _____ Director


 _____ Director

See accompanying notes to financial statements

statement of revenue and expenditures for the year ended march 31, 1998

	1998	1997
REVENUE		
Public		
FACTOR Musicaction Canada Programs	\$ 4,375,540	\$ 2,159,800
Administration fee (Note 1)	762,362	371,979
Private		
Sponsors	853,184	888,147
Loan repayments	331,166	356,510
Subscription fees	203,216	50,770
Interest	107,886	94,514
	<u>6,633,354</u>	<u>3,921,720</u>
EXPENDITURES		
Loans and awards (Schedule 1)	4,838,486	2,777,651
Administrative expenses (Schedule 2)	870,470	569,108
	<u>5,708,956</u>	<u>3,346,759</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 924,398</u>	<u>\$ 574,961</u>

statement of net assets for the year ended march 31, 1998

	1998	1997
GENERAL FUND		
Balance, beginning of year	\$ 3,041,006	\$ 2,466,045
Transfer to Capital Asset Fund	(55,001)	-
Excess of revenue over expenditures	924,398	574,961
Balance, end of year	<u>\$ 3,910,403</u>	<u>\$ 3,041,006</u>
CAPITAL ASSET FUND		
Balance, beginning of year	\$ -	\$ -
Transfer from General Fund	55,001	-
Balance, end of year	<u>\$ 55,001</u>	<u>\$ -</u>

See accompanying notes to financial statements

statement of changes in financial position for the year ended march 31, 1998

OPERATING ACTIVITIES	1998	1997
Excess of revenue over expenses	\$ 924,398	\$ 574,961
Items not involving cash		
- amortization	41,032	20,604
- provision for employee termination benefits	70,373	-
	<u>1,035,803</u>	<u>595,565</u>
Changes in non-cash working capital balances		
- subscriptions and other receivables	8,431	(92,111)
- prepaid expenses and deposits	35	2,655
- accounts payable and accrued expenses	60,890	524
- due from La Fondation Musicaction	(28,229)	739
	<u>41,127</u>	<u>(88,193)</u>
	<u>1,076,930</u>	<u>507,372</u>
INVESTING ACTIVITIES		
Marketable securities	(3,074,600)	-
Term loan advance	-	21,769
Purchase of capital assets	(96,033)	(20,604)
	<u>(3,170,633)</u>	<u>1,165</u>
(DECREASE) INCREASE IN CASH AND SHORT-TERM DEPOSITS	(2,093,703)	508,537
CASH AND SHORT-TERM DEPOSITS, beginning of year	2,917,842	2,409,305
CASH AND SHORT-TERM DEPOSITS, end of year	\$ 824,139	\$ 2,917,842

See accompanying notes to financial statements

notes to financial statements for the year ended march 31, 1998

1. NATURE OF ACTIVITIES

The Foundation to Assist Canadian Talent on Records (FACTOR) was incorporated as a non-profit association without share capital on June 17, 1982, under the Canada Corporations Act.

FACTOR provides funding to Canadian individuals and groups in the recording industry in order to promote and foster Canadian talent. FACTOR acts as a participating organization for FACTOR Musicaction Canada (FMC) and is designated to disburse funds under an agreement that FMC has with the Government of Canada, under the Department of Canadian Heritage's Sound Recording Development Program. An administration fee is earned by FACTOR from FMC's excess of administration fees earned over expenses incurred.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the following accounting policies:

i) Basis of accounting

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions from sponsors are accrued as revenue in the year in which they are receivable.

ii) Loans to artists, producers and record companies

Loans made to artists, producers and record companies are to be repaid from monies received by the loan recipient by way of advances, record royalties and publishers' royalties. Due to the uncertainty of collectibility, loans are expensed when the monies are advanced. Repayment of these loans is recorded as revenue when cash is received from the recipient.

iii) Capital assets

Capital assets are recorded at cost and amortized annually over their estimated useful lives as follows:

Computer equipment	- 50% declining balances
Computer software	- 100% declining balances
Furniture and equipment	- 20% declining balances

Prior to April 1, 1997, capital assets were expensed as incurred. Management is of the opinion that capital assets acquired prior to April 1, 1997 did not have any realizable value and were written down accordingly. Therefore, the effect of the above change in accounting policy has no effect on the prior year's financial results.

The effect of the change in accounting policy on the current year financial results is an increase of revenue over expenditures amounting to \$55,001.

iv) Donated services

Members of the Foundation's Board of Directors attend Board and other Foundation meetings without monetary compensation. Members of the National Advisory Board which advises the Foundation on regional matters, donate their services in a like manner. The Foundation uses unpaid volunteers from the music industry to evaluate proposed sound recording projects. The value of the time donated by these individuals is not recorded in the accounts as it would be difficult to measure its fair market value.

v) Income taxes

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

vi) Employee termination benefits

On termination of employment, employees are entitled to certain benefits provided in terms of their conditions of employment. The costs of these benefits have been provided for in these financial statements.

notes to financial statements for the year ended march 31, 1998

3. MARKETABLE SECURITIES

As at March 31, 1998, the market value of the marketable securities was approximately \$3,074,000.

4. CAPITAL ASSETS

	1998		1997	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 37,133	\$ 24,738	\$ 13,236	\$ 13,236
Computer software	27,303	27,303	5,292	5,292
Furniture and equipment	52,201	9,595	2,076	2,076
	<u>\$ 116,637</u>	<u>\$ 61,636</u>	<u>\$ 20,604</u>	<u>\$ 20,604</u>
Net book value	<u>\$ 55,001</u>		<u>\$ -</u>	

5. DUE TO FACTOR MUSICACTION CANADA

Amounts due to FACTOR Musicaction Canada consist of the following:

	1998	1997
Expenses incurred on behalf of FMC	\$ 7,393	\$ 6,008
Allocation of net administration fee	<u>762,362</u>	<u>372,203</u>
	769,755	378,211
Less: administration revenue earned	<u>772,155</u>	<u>380,611</u>
	<u>\$ (2,400)</u>	<u>\$ (2,400)</u>

6. COMMITMENTS

i) Loans and awards

As at March 31, 1998, the Foundation is contractually committed to advance funds totalling \$3,917,524 (1997 - \$2,076,198) as loans and awards to artists, producers and record companies. Because certain conditions must be met before such loans may be paid out, these amounts have not been recorded as a liability.

ii) Leases

FACTOR is committed under the terms of various operating leases to payments in the next five fiscal years as follows:

1999	\$ 54,371
2000	55,275
2001	55,830
2002	54,776
2003	<u>37,321</u>
	<u>\$ 257,573</u>

7. COMPARATIVE FIGURES

Certain prior year's figures have been reclassified to conform with the current year's presentation.

schedule of loans and awards (schedule 1) for the year ended march 31, 1998

	1998	1997
Audio and Video Production		
Sound recording	\$ 2,476,523	\$ 1,604,270
Music videos	701,195	415,390
Contribution to regional affiliates	<u>43,316</u>	<u>48,000</u>
	<u>3,221,034</u>	<u>2,067,660</u>
Marketing and Touring		
International touring	419,193	170,841
International marketing	334,228	232,932
Domestic touring	185,110	-
International showcase	110,364	-
Domestic showcase	35,390	-
Radio programs	-	30,837
	<u>1,084,285</u>	<u>434,610</u>
Business Development		
Business development	<u>420,798</u>	<u>208,332</u>
Specialized Music Distribution		
Specialized music distribution	<u>112,369</u>	<u>67,049</u>
TOTAL	<u>\$ 4,838,486</u>	<u>\$ 2,777,651</u>

schedule of administrative expenses (schedule 2) for the year ended march 31, 1998

	1998	1997
Salaries	\$355,606	\$266,253
Employee termination benefits	70,373	-
Stationery and office supplies	53,170	35,085
Publicity, promotion and meetings	48,729	45,161
Rent	47,085	45,336
Lease termination	45,000	-
Travel and entertainment	42,841	46,544
Employee benefits	33,257	25,050
Legal and audit	31,664	16,956
Courier and postage	20,516	17,644
Regional affiliates and travel	18,490	-
Equipment rental	15,332	19,205
Telephone and Internet	15,114	11,903
Maintenance and repairs	14,057	6,236
Consulting	6,727	-
Dues and periodicals	5,657	3,780
Insurance	2,955	3,365
Staff education	2,200	5,883
Bank charges	665	103
Amortization	<u>41,032</u>	<u>20,604</u>
	<u>\$ 870,470</u>	<u>\$ 569,108</u>



sound recording development program

Since 1986, FACTOR has administered funds from the Department of Canadian Heritage's Sound Recording Development Program. Funding was dramatically increased April 1, 1997 for a three-year period. This additional funding has resulted in significantly enhanced support to the Canadian independent music industry. With these new funds, FACTOR has launched a number of new programs with the majority of the funds being made available for the marketing and promotion support for currently-released sound recordings and domestic showcasing and touring support. Budgets for a number of existing programs were also increased.

FACTOR, on behalf of the Canadian independent music industry wishes to thank the Department of Canadian Heritage for the investment funds they make available to the Canadian independent music industry.



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