
HARD FEELINGS MENTAL HEALTH

FINANCIAL STATEMENTS

UNAUDITED

JUNE 30, 2019

INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members,
Hard Feelings Mental Health

We have reviewed the accompanying financial statements of Hard Feelings Mental Health (the organization) that comprise the statement of financial position as at June 30, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly, in all material respects, the financial position of Hard Feelings Mental Health as at June 30, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Pennylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

October 28, 2019
Toronto, Ontario

HARD FEELINGS MENTAL HEALTH

STATEMENT OF FINANCIAL POSITION

UNAUDITED

AS AT JUNE 30, 2019

	2019	2018
ASSETS		
Current assets		
Operating cash	\$ 29,222	\$ 21,979
Restricted cash (note 3)	2,035	-
Guaranteed investment certificate	-	2,024
Accounts receivable	-	1,487
Prepaid expenses	3,711	4,289
Inventory	<u>5,335</u>	<u>4,682</u>
	38,268	34,461
Capital assets (note 4)	<u>14,383</u>	<u>18,866</u>
	<u>\$ 54,686</u>	<u>\$ 53,327</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 12,291	\$ 6,473
Loans payable (note 6)	2,500	5,000
Deferred capital contributions	<u>14,383</u>	<u>18,866</u>
	<u>29,174</u>	<u>30,339</u>
Net assets		
Unrestricted	<u>25,512</u>	<u>22,988</u>
	<u>\$ 54,686</u>	<u>\$ 53,327</u>

Approved on behalf of the Board:

_____, Director

_____, Director

see accompanying notes

HARD FEELINGS MENTAL HEALTH

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2019

(with comparative amounts for the period May 3, 2017 to June 30, 2018)

	2019 (12 months)	2018 (14 months)
REVENUE		
Rental	\$ 70,188	\$ 36,548
Sales and workshops	48,250	28,278
Contributions	31,773	68,224
Capital contributions recognized	<u>4,483</u>	<u>3,549</u>
	<u>154,694</u>	<u>136,599</u>
COST OF GOODS SOLD		
	<u>26,594</u>	<u>16,988</u>
EXPENSES		
Occupancy	46,107	57,289
Salaries and benefits	54,623	17,950
Office and store	9,033	7,872
Professional fees	4,013	3,753
Processing fees	3,766	2,721
Insurance	3,551	3,489
Amortization	<u>4,483</u>	<u>3,549</u>
	<u>125,576</u>	<u>96,623</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD	2,524	22,988
Net assets, beginning of period	<u>22,988</u>	<u>-</u>
NET ASSETS, END OF PERIOD	<u><u>\$ 25,512</u></u>	<u><u>\$ 22,988</u></u>

see accompanying notes

HARD FEELINGS MENTAL HEALTH

STATEMENT OF CASH FLOWS

UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2019

(with comparative amounts for the period May 3, 2017 to June 30, 2018)

	2019 (12 months)	2018 (14 months)
OPERATING ACTIVITIES		
Excess of revenue over expenses for the period	\$ 2,524	\$ 22,988
Add (subtract) items not involving cash:		
Amortization	4,483	3,549
Recognition of deferred capital contributions	(4,483)	(3,549)
Net change in non-cash working capital items (see below)	<u>7,230</u>	<u>(3,985)</u>
Net cash generated from operating activities	<u>9,754</u>	<u>19,003</u>
INVESTING ACTIVITIES		
Redemption (purchase) of guaranteed investment certificate	2,024	(2,024)
Purchase of capital assets	<u>-</u>	<u>(22,415)</u>
Net cash generated from (used for) investing activities	<u>2,024</u>	<u>(24,439)</u>
FINANCING ACTIVITIES		
Issuance (repayment) of related party loan	(2,500)	5,000
Receipt of deferred capital contributions	<u>-</u>	<u>22,415</u>
Net cash generated from (used for) financing activities	<u>(2,500)</u>	<u>27,415</u>
NET INCREASE IN CASH FOR THE PERIOD	9,278	21,979
Cash, beginning of period	<u>21,979</u>	<u>-</u>
CASH, END OF PERIOD	<u>\$ 31,257</u>	<u>\$ 21,979</u>
Cash comprises of:		
Operating cash	\$ 29,222	\$ 21,979
Restricted cash	<u>2,035</u>	<u>-</u>
	<u>\$ 31,257</u>	<u>\$ 21,979</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Accounts receivable	\$ 1,487	\$ (1,487)
Inventory	(653)	(4,682)
Prepaid expenses	578	(4,289)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	<u>5,818</u>	<u>6,473</u>
	<u>\$ 7,230</u>	<u>\$ (3,985)</u>

see accompanying notes

HARD FEELINGS MENTAL HEALTH

NOTES TO THE FINANCIAL STATEMENTS

UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2019

(with comparative amounts for the period May 3, 2017 to June 30, 2018)

Hard Feelings Mental Health (the organization) is incorporated without share capital under the Canada Not-for-profit Corporations Act. The organization is exempt from income tax in Canada as a not-for-profit organization under Section 149(1)(L) of the Income Tax Act (Canada).

The organization facilitates the delivery of low cost counselling through an innovative, welcoming community of professional counsellors. The retail store sells carefully curated books and resources to help build and sustain stronger mental health and the space fosters dialogue around mental health.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources and recognition of revenue for financial statement purposes are as follows:

- i) The organization follows the deferral method of revenue recognition for contributions, which include grants and donations. Unrestricted contributions are recognized as revenue when received. Restricted contributions are initially recognized as deferred contributions and subsequently recognized as revenue in the year in which the related expenses are incurred. Contributions related to the purchase of capital assets are recorded as revenue in the same period the related capital assets are charged to operations.
- ii) Contributed materials and services normally purchased by the organization are not recorded in these financial statements.
- iii) Sales revenue from the retail store is recognized when the goods are provided.
- iv) Rental income earned from counsellors for use of the facilities for sessions is recognized when the services are rendered.

Capital assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Leasehold improvements	- 5 years straight line basis
Furniture and fixtures	- 5 years straight line basis

Inventory

Inventory is carried at the lower of cost, determined by using the first-in, first-out method, and net realizable value.

2. FINANCIAL INSTRUMENTS

The organization records financial instruments, which include cash, guaranteed investment certificate, accounts receivable, accounts payable and accrued liabilities, initially at fair value. The guaranteed investment certificate is subsequently measured at cost plus accrued interest income. All other financial instruments are subsequently recorded net of any provisions for impairment in value.

HARD FEELINGS MENTAL HEALTH

NOTES TO THE FINANCIAL STATEMENTS

UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2019

(with comparative amounts for the period May 3, 2017 to June 30, 2018)

3. RESTRICTED CASH

Restricted cash acts as security for the organization's credit card.

4. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2019 Net	2018 Net
Leasehold improvements	\$ 16,831	\$ (6,031)	\$ 10,800	\$ 14,166
Furniture and fixtures	<u>5,584</u>	<u>(2,001)</u>	<u>3,583</u>	<u>4,700</u>
	<u>\$ 22,415</u>	<u>\$ (8,032)</u>	<u>\$ 14,383</u>	<u>\$ 18,866</u>

5. PAYABLE TO THE GOVERNMENT

Included in accounts payable and accrued liabilities are government remittances and HST payable of \$5,313 (2018 - \$2,582)

6. RELATED PARTY LOAN

In the prior period, the organization obtained a loan from a director in the amount of \$5,000. In fiscal 2019, the organization repaid \$2,500 to the director. The loan payable was non-interest bearing, unsecured and payable on demand.

7. COMMITMENT

The organization leases space in Toronto, Ontario. The organization entered into a four year lease expiring on May 31, 2022. Minimum annual lease payments for the term of the lease are as follow:

2020	\$ 37,454
2021	38,203
2022	<u>35,720</u>
	<u>\$ 111,377</u>