
HARD FEELINGS MENTAL HEALTH

FINANCIAL STATEMENTS

UNAUDITED

JUNE 30, 2020

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, 2020, 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, 2020, 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.



Chartered Professional Accountants
Licensed Public Accountants

August 30, 2020
Toronto, Ontario

HARD FEELINGS MENTAL HEALTH

STATEMENT OF FINANCIAL POSITION

UNAUDITED

AS AT JUNE 30, 2020

	2020	2019
ASSETS		
Current assets		
Operating cash	\$ 66,225	\$ 29,222
Restricted cash (note 3)	2,035	2,035
Prepaid expenses	3,949	3,711
Inventory	<u>5,739</u>	<u>5,335</u>
	77,948	40,303
Capital assets (note 4)	<u>9,900</u>	<u>14,383</u>
	<u>\$ 87,848</u>	<u>\$ 54,686</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (note 5)	\$ 6,103	\$ 12,291
Related party loan payable (note 6)	-	2,500
Deferred capital contributions	<u>9,900</u>	<u>14,383</u>
	16,003	29,174
Canada Emergency Benefit Account Loan (CEBA) (note 7)	<u>40,000</u>	<u>-</u>
	<u>56,003</u>	<u>29,174</u>
Net assets		
Unrestricted	<u>31,845</u>	<u>25,512</u>
	<u>\$ 87,848</u>	<u>\$ 54,686</u>

Approved on behalf of the Board:

Kate Scowen, Director

Claire Angus, Director

see accompanying notes

HARD FEELINGS MENTAL HEALTH

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
REVENUE		
Rental	\$ 68,023	\$ 70,188
Sales and workshops	42,097	48,250
Contributions (note 8)	35,770	31,773
Capital contributions recognized	<u>4,483</u>	<u>4,483</u>
	<u>150,373</u>	<u>154,694</u>
COST OF GOODS SOLD	<u>23,535</u>	<u>26,594</u>
EXPENSES		
Salaries and benefits	51,725	54,623
Occupancy	44,301	46,107
Office and store	8,741	9,032
Processing fees	3,813	3,766
Insurance	3,811	3,551
Professional fees	3,631	4,013
Amortization	<u>4,483</u>	<u>4,483</u>
	<u>120,505</u>	<u>125,575</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	6,333	2,525
Net assets, beginning of year	<u>25,512</u>	<u>22,987</u>
NET ASSETS, END OF YEAR	<u><u>\$ 31,845</u></u>	<u><u>\$ 25,512</u></u>

see accompanying notes

HARD FEELINGS MENTAL HEALTH

STATEMENT OF CASH FLOWS

UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 6,333	\$ 2,525
Add (subtract) items not involving cash:		
Amortization	4,483	4,483
Recognition of deferred capital contributions	(4,483)	(4,483)
Net change in non-cash working capital items (see below)	<u>(6,830)</u>	<u>7,229</u>
Net cash generated from (used for) operating activities	<u>(497)</u>	<u>9,754</u>
INVESTING ACTIVITIES		
Redemption of guaranteed investment certificate	<u>-</u>	<u>2,024</u>
FINANCING ACTIVITIES		
Repayment of related party loan	(2,500)	(2,500)
Proceeds from CEBA Loan	<u>40,000</u>	<u>-</u>
Net cash generated from (used for) financing activities	<u>37,500</u>	<u>(2,500)</u>
NET INCREASE IN CASH FOR THE YEAR	37,003	9,278
Cash, beginning of year	<u>31,257</u>	<u>21,979</u>
CASH, END OF YEAR	<u>\$ 68,260</u>	<u>\$ 31,257</u>
Cash comprises of:		
Operating cash	\$ 66,225	\$ 29,222
Restricted cash	<u>2,035</u>	<u>2,035</u>
	<u>\$ 68,260</u>	<u>\$ 31,257</u>
Net change in non-cash working capital items:		
Decrease (increase) in current assets-		
Accounts receivable	\$ -	\$ 1,487
Inventory	(405)	(653)
Prepaid expenses	(238)	578
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	<u>(6,187)</u>	<u>5,817</u>
	<u>\$ (6,830)</u>	<u>\$ 7,229</u>

see accompanying notes

HARD FEELINGS MENTAL HEALTH

NOTES TO THE FINANCIAL STATEMENTS

UNAUDITED

FOR THE YEAR ENDED JUNE 30, 2020

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, restricted cash, accounts payable and accrued liabilities, and CEBA loan 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.

3. RESTRICTED CASH

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

HARD FEELINGS MENTAL HEALTH

NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED JUNE 30, 2020

4. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2020 Net	2019 Net
Leasehold improvements	\$ 16,831	\$ (9,397)	\$ 7,434	\$ 10,800
Furniture and fixtures	<u>5,584</u>	<u>(3,118)</u>	<u>2,466</u>	<u>3,583</u>
	<u>\$ 22,415</u>	<u>\$ (12,515)</u>	<u>\$ 9,900</u>	<u>\$ 14,383</u>

5. PAYABLE TO THE GOVERNMENT

Included in accounts payable and accrued liabilities are government remittances and HST payable of \$1,393 (2019 - \$5,313)

6. RELATED PARTY LOAN PAYABLE

In fiscal 2019, the organization obtained a loan from a member of the organization's Board of Directors in the amount of \$5,000. In fiscal 2020, the organization repaid \$2,500 to the director (2019 - \$2,500 repaid). The loan payable was non-interest bearing, unsecured and payable on demand.

7. CANADA EMERGENCY BUSINESS ACCOUNT LOAN

During the year, the organization obtained the Canada Emergency Business Account Loan of \$40,000 from the Government of Canada. The loan bears 0% interest and no principal repayments are required until December 31, 2022. If the organization repays \$30,000 of the loan before December 31, 2022 then \$10,000 of the loan is forgiven. The loan can only be used for non-deferrable operating expenses. At the end of the year, the organization made no principal repayments.

8. CONTRIBUTIONS

Contribution revenue is from the following sources:

	2020	2019
Individuals	\$ 27,509	\$ 28,519
Government	<u>8,261</u>	<u>3,254</u>
	<u>\$ 35,770</u>	<u>\$ 31,773</u>

Included in government contributions is \$339 from the Government of Canada Temporary Wage Subsidy program.

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NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED JUNE 30, 2020

9. COMMITMENT

The organization leases space in Toronto, Ontario. The four year lease expires on May 31, 2022. Minimum annual payments for the remaining over the term of the lease are as follows:

2021	\$ 38,203
2022	<u>35,720</u>
	<u>\$ 73,923</u>

10. SUBSEQUENT EVENT

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. This presents uncertainty regarding the organization's future cash flows. The impact of social distancing may significantly impact the organization's future operations. An estimate of the financial impact of the pandemic on these financial statements is not practicable and therefore no adjustments related thereto have been made.