



## **BLVD Centers Corporation**

### **Consolidated Financial Statements**

#### **2019 First Quarter**

*For the Periods Ended  
May 31, 2018 and May 31, 2017  
(Unaudited)*

*(Expressed in Canadian Dollars in Thousands)*

#### **TABLE OF CONTENTS**

Consolidated Statements of Financial Position	Page 2
Consolidated Statements of Loss and Comprehensive Loss	Page 3
Consolidated Statements of Changes in Equity	Page 4
Consolidated Statements of Cash Flows	Page 5
Notes to the Consolidated Financial Statements	Page 6-26

**BLVD Centers Corporation**  
**Consolidated statements of financial position**

As of May 31, 2018, and May 31, 2017

Unaudited  
(CAD \$000s)

	May 31, 2018	May 31, 2017
<b>ASSETS</b>		
<b>Current</b>		
Cash and restricted cash (note 4)	\$6,695	\$6,086
Accounts receivable, net (note 5)	5,605	10,857
Prepaid expenses	1,301	890
Other current assets	2,542	1,535
<b>Total current assets</b>	<b>\$16,143</b>	<b>\$19,368</b>
<b>Long-term</b>		
Property, plant and equipment (note 6)	\$7,570	\$4,735
Prepaid finance fee (note 17)	711	-
Deposits and other assets	324	380
Intangible assets, net (note 8)	-	43
Deferred tax assets	-	552
<b>Total long-term assets</b>	<b>\$8,605</b>	<b>\$5,710</b>
<b>TOTAL ASSETS</b>	<b>\$24,748</b>	<b>\$25,078</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$8,839	\$6,863
Current portion of finance leases (note 9)	115	97
<b>Total current liabilities</b>	<b>\$8,954</b>	<b>\$6,960</b>
<b>Long-term liabilities</b>		
Long-term portion of finance leases (note 9)	\$3,922	\$2,153
Deferred tax liabilities	-	146
<b>Total long-term liabilities</b>	<b>\$3,922</b>	<b>\$2,299</b>
<b>TOTAL LIABILITIES</b>	<b>\$12,876</b>	<b>\$9,259</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 10)	\$40,724	\$40,723
Shares to be issued (note 17)	2,340	2,340
Contributed surplus (note 11)	2,935	4,471
Accumulated other comprehensive gain	2,533	2,337
Accumulated deficit	(36,658)	(34,052)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$11,872</b>	<b>\$15,819</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$24,748</b>	<b>\$25,078</b>

Going concern (note 2)  
Commitments (note 17)  
Contingencies (note 7)  
Subsequent events (note 19)

Approved on behalf of the Board

Chris Heath  
**Director** [signed]

Nitin Kaushal  
**Director** [signed]

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

## BLVD Centers Corporation

### Consolidated statements of loss and comprehensive loss

For the three months ended May 31, 2018 and May 31, 2017

Unaudited

(CAD \$000s)

	Three months ended May 31, 2018	Three months ended May 31, 2017
<b>Revenues</b>	\$7,628	\$9,033
Cost of services (note 12)	5,956	4,620
Gross profit	<b>1,673</b>	<b>4,413</b>
<b>Expenses</b>		
Facilities (note 12)	\$183	\$422
Sales and marketing (note 12)	-	320
Bad debt expense (note 5)	355	1,718
New facility start-up costs and nonrecurring cost	5	87
General and administrative (note 12)	614	853
Legal	117	-
Billing and other outside services (note 12)	292	524
Depreciation and amortization (note 6)	192	179
Aged collections and operator relations fee	385	-
Stock based compensation (note 11)	61	210
Realized foreign exchange loss	-	-
Interest expense	115	48
Amortization of non-cash prepaid real estate option fee	123	-
Goodwill and intangible assets impairment (note 8)	-	-
<b>Net loss before income taxes</b>	<b>(770)</b>	<b>52</b>
Deferred tax (expense) recovery (note 13)	-	-
<b>Net loss</b>	<b>(770)</b>	<b>52</b>
<b>Other comprehensive (loss)</b>		
Amounts that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustment	160	-
<b>Comprehensive (loss)</b>	<b>(610)</b>	<b>52</b>
<b>Basic and diluted loss per share (note 18)</b>	<b>(0.00)</b>	<b>0.00</b>
Weighted average number of common shares Basic and diluted	232,617,234	232,617,234

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

## BLVD Centers Corporation

### Consolidated statements of changes in equity

For the three months ended May 31, 2018 and year ended February 28, 2018

Unaudited

(CAD \$000s)

	Shares	Share Capital	Shares to be issued	Contributed Surplus	Deficit	Accumulated other comprehensive gain (loss)	Total equity
<b>Balance February 29, 2016</b>	<b>227,966,050</b>	<b>\$40,235</b>	-	<b>\$2,330</b>	<b>(\$4,581)</b>	<b>\$3,933</b>	<b>\$41,917</b>
Net loss	-	-	-	-	(29,524)	-	(29,524)
Other comprehensive loss	-	-	-	-	-	(1,217)	(1,217)
Shares issued for services (note 10)	4,350,000	457	-	-	-	-	457
Shares issued for compensation (note 10)	234,684	19	-	-	-	-	19
Warrants exercised (note 10)	66,500	7	-	-	-	-	7
Shares to be issued (note 17)	-	-	2,340	-	-	-	2,340
Stock based compensation (note 11)	-	-	-	2,141	-	-	2,141
<b>Balance February 28, 2017</b>	<b>232,617,234</b>	<b>\$40,718</b>	<b>\$2,340</b>	<b>\$4,471</b>	<b>(\$34,105)</b>	<b>\$2,716</b>	<b>\$16,140</b>
Net loss	-	-	-	-	(1,783)	-	(1,783)
Other comprehensive loss	-	-	-	-	-	(344)	(344)
Other	-	6	-	-	-	-	6
Stock based compensation (recovery) (note 11)	-	-	-	(1,597)	-	-	(1,597)
<b>Balance February 28, 2018</b>	<b>232,617,234</b>	<b>\$40,724</b>	<b>\$2,340</b>	<b>\$2,874</b>	<b>(\$35,888)</b>	<b>\$2,372</b>	<b>\$12,422</b>
Net loss	-	-	-	-	(770)	-	(770)
Other comprehensive loss	-	-	-	-	-	160	160
Stock based compensation (recovery) (note 11)	-	-	-	61	-	-	61
<b>Balance May 31, 2018</b>	<b>232,617,234</b>	<b>\$40,724</b>	<b>\$2,340</b>	<b>\$2,935</b>	<b>(\$36,658)</b>	<b>\$2,532</b>	<b>\$11,873</b>

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

# BLVD Centers Corporation

## Condensed consolidated interim statements of cash flow

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited  
(CAD \$000s)

	Three months ended May 31, 2018	Three months ended May 31, 2017
<b>Cash flow from operating activities</b>		
Net loss	\$(770)	\$52
<b>Items not affecting cash:</b>		
Goodwill and intangible assets impairment	-	-
Stock based compensation (recovery)	61	552
Bad debt expense	355	1,718
Amortization of non-cash prepaid real estate option fee	123	-
Deferred tax expense (recovery)	-	(16)
Depreciation and amortization	192	39
	<b>(39)</b>	<b>2,345</b>
<i>Changes in working capital:</i>		
Accounts receivable	1,278	(4,201)
Prepaid expenses, deposits and other assets	(978)	(1,492)
Accounts payable and accrued liabilities	485	(62)
<b>Net cash used in operating activities</b>	<b>745</b>	<b>(3,410)</b>
<b>Investing activities</b>		
Advances of loan receivable	(955)	-
Repayments of loan receivable	1,218	-
Purchase of property, plant and equipment	(114)	-
<b>Net cash used in investing activities</b>	<b>149</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from private placement	-	108
Repayment of loans	-	-
Proceeds from warrants and options exercised, net of issue costs	-	-
Proceeds from borrowings	-	65
<b>Net cash from financing activities</b>	<b>-</b>	<b>173</b>
Effect of exchange rate changes on cash	<b>189</b>	<b>341</b>
Net (decrease) increase in cash and restricted cash	1,083	(2,896)
Cash and restricted cash balance, beginning of year	5,612	8,982
<b>Cash and restricted cash balance, end of year</b>	<b>\$6,695</b>	<b>\$6,086</b>

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

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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### 1. Incorporation and operations

BLVD Centers Corporation (the “Company” or “BLVD”) was incorporated under the Business Corporations Act (British Columbia) (“BCBCA”) on June 7, 2013. On February 11, 2015 as a result of the Amalgamation transaction, BLVD obtained the listing status of Valiant Minerals Ltd. (“Valiant”), on the NEX trading board of the TSX Venture Exchange (the “Exchange”). BLVD trades under the trading symbol “BLVD” on the CSE.

BLVD is focused on the United States detoxification and outpatient rehabilitation market. The Company operates high-end treatment centers in California and Oregon. In the state of California, treatment centers are located in Los Angeles, Orange County, Corona and San Diego. In the state of Oregon, the centers are located in Portland. The Company also operates an internal laboratory in Tempe, Arizona and the Company’s headquarters and registered address is 800 W. 6th St. Suite 1415, Los Angeles, CA 90017.

### 2. Basis of presentation

#### ***Statement of compliance***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 25, 2018.

#### ***Basis of presentation and measurement***

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars (or “CAD” in thousands), except for share and per share information. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value as required by IFRS. The financial statements have also been prepared on an accrual basis except for cash flows.

#### ***Going concern***

These consolidated financial statements have been prepared on a going concern basis. The application of the going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and can realize its assets and discharge its liabilities and commitments in the normal course of operation. During the quarter ended May 31, 2018, the Company incurred a loss of \$770 (2017 - net income \$52) and has an accumulated deficit of \$36,658 as at May 31, 2018 (2017 - \$34,052). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Management of the Company plans to fund its future operations and settle its debt by obtaining additional financing through loans and share issuance.

#### ***Basis of consolidation***

The Company consolidates all subsidiaries. As such, assets, liabilities, revenues and expenses of all subsidiaries have been consolidated. All inter-company transactions and balances with subsidiaries have been eliminated. The functional currency for BLVD Centers Corporation is Canadian dollars.

#### ***Subsidiaries***

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

### 2. Basis of presentation (cont'd)

The consolidated entity includes the following wholly-owned subsidiaries:

Entity	Country of domicile	% Ownership	Functional Currency
Accredited Rehab and Treatment Services, LLC	United States	100%	United States dollars
BLVD Centers Inc.	United States	100%	United States dollars
CBD Laboratories, Inc.	United States	100%	United States dollars
Convalo Health, Inc.	United States	100%	United States dollars
Harmony Hollywood, LLC	United States	100%	United States dollars
Reflections Recovery, LLC	United States	100%	United States dollars
San Diego Detox, Inc.	United States	100%	United States dollars
Portland Detox & Residential, Inc.	United States	100%	United States dollars
Convalo Health Corp	Canada	100%	Canadian dollars
Altus Nutraceuticals	United States	100%	United States dollars
PRT Management Corp	United States	100%	United States dollars

As of May 31, 2018 and May 31, 2017, and for all the periods then ended, all of the Company's estimated revenues were determined to have been earned and all of the Company's non-current assets were located in the United States.

#### Reporting currency

All values are in Canadian dollars (\$) in thousands, unless specifically indicated otherwise. United States dollars are indicated as US\$.

### 3. Accounting standards issued but not yet effective

The IASB has issued several new standards and amendments that will be effective on various dates. The listing below is of standards, interpretation and amendments issued which the Company reasonably expects to be applicable at a future date. The Company intended to adopt those standards when they become effective. The impact on the Company is currently being assessed.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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### 3. Accounting standards issued but not yet effective (cont'd)

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted. The Company has yet to fully assess the impact of the new standard on its results of operations, financial position and disclosures.

#### Accounting changes

During the year ended February 28, 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7 and IAS 12. These new standards and changes did not have any material impact on the Company's financial statements.



# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited  
(CAD \$000s)

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#### 4. Summary of significant accounting policies

The consolidated financial statements include the following significant accounting policies:

##### ***Revenue recognition***

The Company's revenues primarily consisted of service charges related to providing addiction treatment and related services to clients in both inpatient and outpatient settings. Most of the Company's revenues are reimbursable by commercial payors, at out-of-network rates, with the remaining revenues payable directly by the Company's clients. The Company billed commercial payors, once insurance have been verified and services have been performed, based on usual and customary rates for each service. These billed rates were discounted to expected reimbursement rates (or net realizable value) as determined by management after taking into account the historical collections received from the commercial payors services to arrive at the revenues that are recognized. During 2018, management adjusted the accounting practice for estimating collectible revenues and bad debts which had a slight effect on estimated revenues over the year with no significant impact on the net loss. The bad debt account is a significant estimate and bad debt and revenue can only be known over time. The Company does not recognize revenues for scholarships provided.

##### ***Cash and Restricted Cash***

Cash comprises cash on-hand and demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash also includes cash held in trust or escrow as security of credit card authorization limit. In the consolidated statements of financial position, the Company included \$585 of cash held in a trust account as at May 31, 2018.

##### ***Accounts receivable***

Accounts receivable are recorded at the time revenue is recognized and are presented on the statements of consolidated financial position net of allowance for doubtful accounts. The Company performs regular analysis to evaluate the net realizable value of accounts receivable as of the statement of financial position date. Specifically, the Company considers historical realization data, accounts receivable aging trends, other operating trends and relevant business conditions.

##### ***Income taxes***

The Company and its subsidiaries are generally taxable under the statutes of their country of incorporation. Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Company follows the liability method of accounting for deferred taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss or in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

#### 4. Summary of significant accounting policies (cont'd)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill if it occurred during the measurement period or in the statement of loss and comprehensive income, when it occurs subsequent to the measurement period.

#### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Major renewals and improvements are charged to the property accounts, while maintenance and repairs, which do not extend the useful life of the respective assets, are expensed as incurred. All assets having limited useful lives are depreciated from the date of acquisition using the straight-line method over their estimated useful lives.

The methods of depreciation and useful life applicable for each class of asset are as follows:

Category	Method	Useful Life
Furniture and fixtures	Straight-line	3-7 years
Computer hardware	Straight-line	3 years
Vehicles	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease or estimated useful life if shorter
Buildings	Straight-line	27-28 years

Land owned by the Company is not depreciated.

Useful lives, components, the depreciation method and residual amounts are reviewed annually. Such a review takes into consideration the nature of the assets and the intended evolution of the technology. Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in net loss.

#### **Intangible assets**

The Company has recorded various intangible assets consisting primarily of non-compete agreements, customer relationships and software. Non-compete agreements are the value associated with the non-compete agreements entered into by the sellers of acquired companies. Customer relationships are the value given in the purchase price allocation to the long-term associations with referral sources such as doctors, medical centers, etc. Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Category	Useful Life
Customer relationships	5 years
Non-compete agreements	5 years
Software	3 years

At the end of each reporting period, the Company assesses whether there has been any indication that an asset may be impaired. If an impairment indicator exists, the asset's recoverable amount is determined and compared to the carrying amount of the asset. If the recoverable amount is lower, any difference between the carrying amount and the recoverable amount is written off to the consolidated statements of loss as an impairment charge.

#### **Goodwill**

Goodwill represents the difference between the purchase price for acquisitions and the fair value of identifiable tangible and intangible assets acquired. All of the Company's goodwill arose as a result of the acquisitions of Harmony Hollywood, LLC and Accredited Rehab and

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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#### 4. Summary of significant accounting policies (cont'd)

Treatment Services, LLC on June 29, 2015 (note 7). The goodwill arose as a result of synergies expected to benefit all of the Company, including the addition of key management personnel and merging of all operations. As a result, the lowest level cash generating unit ("CGU") at which goodwill is monitored for internal management purposes is at the total Company level.

Goodwill for the CGU is tested for impairment annually or more frequently when there is an indication that the goodwill may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset. Any impairment loss for goodwill is recognized directly in profit or loss (Note 7). An impairment loss recognized for goodwill is not reversed in subsequent periods.

#### **Acquisition accounting**

The Company accounts for business acquisitions where control is acquired as business combinations under IFRS 3, *Business Combinations*, which requires the allocation of the purchase price to the various tangible and intangible assets and liabilities of the acquired business at their respective fair values with excess recorded as goodwill. The Company uses all available information to determine the fair values of the various tangible and intangible assets and liabilities acquired.

#### **Stock based compensation and warrants**

The Company measures share based payments to employees and contractors by reference to the fair value of the equity instruments at the date on which they are granted or committed. The fair value of shares is based on recent transactions with arm's length parties. The Company uses the Black-Scholes option pricing model to determine the fair value of options and warrants. The inputs into the Black-Scholes model, including the expected life of the instrument, expected volatility, risk-free interest rate, dividend yield and expected forfeiture rate are determined by reference to the underlying terms of the instrument, the Company's experience with similar instruments and observable market data. The assumptions used for estimating fair value of share-based payments, options and warrants are disclosed in Note 11. The value of options is expensed on a graded basis over the vesting or service period for each tranche. Warrants are issued in connection with common stock issuances and accordingly the fair value of warrants is netted off against the proceeds from the issuance and recorded as contributed surplus. The value of expired options and warrants remains in contributed surplus.

#### **Basic and diluted loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential securities, which are comprised of stock options and warrants. Diluted loss per share is not shown where the effects of the above adjustments are anti-dilutive.

#### **Foreign currency translation**

Each entity in the group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Company's entities in their respective functional currency at rate prevailing at the date of the transaction to disclose FX rates used for monetary vs non-monetary.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their statements of loss are translated at the average rate of exchange for the period being reported. The exchange differences arising on the translation are recognized in other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income (loss) relating to that particular foreign operation is recognized in profit or loss.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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#### 4. Summary of significant accounting policies (cont'd)

##### *Functional currency*

The Company determines the functional currency for each entity by performing an assessment of the primary economic environment in which each entity operates. The determination of functional currency affects how the Company translates foreign currency balances and transactions. As a holding company, management of BLVD Centers Corporation (formerly known as Convalo Health International Corp.) considered the currency that primarily influences the issuance of shares, outstanding options, incurring of costs and inter-company receivables, all of which are in Canadian dollars. Management thus concluded that the functional currency of BLVD Centers Corporation (formerly, Convalo Health International, Corp.) is Canadian dollars. For Convalo Health, Inc. and its U.S. subsidiaries the Company reviewed the indicators that primarily influence or determine the selling price of its services and the cost of providing services to be United States dollars.

##### *Leases*

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and building are classified separately, and the minimum lease payments are allocated between the land and building elements in proportion to the relative fair values of the leasehold interests at the inception of the lease.

Assets under finance lease are amortized on a straight-line basis, over the shorter of the useful life and the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned by the Company. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

All other leases are accounted for as operating leases, and payments are expensed on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

##### *Financial instruments*

###### *Financial assets and liabilities*

The Company classifies its financial assets as [i] financial assets at fair value through profit or loss, [ii] loans and receivables or [iii] available-for-sale, and its financial liabilities as either [i] financial liabilities at fair value through profit or loss or [ii] other financial liabilities. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the statement of financial position.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument.

###### *Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets at FVTPL include financial assets held-for-trading and financial assets designated upon initial recognition as FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at FVTPL are carried in the statement of financial position at fair value with changes in the fair value recognized in the statement of loss and comprehensive loss. Transaction costs on FVTPL are expensed as incurred.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the statement of loss and comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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#### 4. Summary of significant accounting policies (cont'd)

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance costs in the statement of loss and comprehensive loss. The losses arising from impairment are recognized as finance costs in the statement of loss and comprehensive loss.

##### *Derecognition*

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

##### *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset, an incurred 'loss event', and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance costs.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs.

##### *Other financial liabilities*

Financial liabilities are measured at amortized cost using the effective interest method. All financial liabilities are initially measured at fair value. Transaction costs related other financial liabilities are included in the value of the instruments and amortized using the effective interest method. The effective interest expense is included in finance costs.

##### *Financial instrument classification*

The Company has designated its cash and restricted cash, accounts receivable, and loans receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities. The Company has designated its finance leases as other financed liabilities.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited  
(CAD \$000s)

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#### 4. Summary of significant accounting policies (cont'd)

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of loss and comprehensive loss.

##### *Interest income and expense*

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in finance cost.

##### *Fair value of financial instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

For those financial instruments where fair value is recognized in the statement of financial position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 includes inputs that are observable other than quoted prices included in Level 1.

Level 3 includes inputs that are not based on observable market data.

The following methods and assumptions were used to estimate the fair values:

Cash and restricted cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

##### *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the "CGU" to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The recoverable amount of assets that do not generate independent cash flows is determined based on the CGU to which the asset belongs.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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#### 4. Summary of significant accounting policies (cont'd)

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

An impairment loss is recognized in the statements of loss and comprehensive loss if an asset's carrying amount or that of the CGU to which it is allocated is higher than its recoverable amount. Impairment losses of CGUs are first charged against the carrying value of the goodwill balance included in the CGU and then against the value of the other assets, in proportion to their carrying amount. In the statements of loss and comprehensive loss, the impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized in the statements of loss and comprehensive income.

##### *Use of estimates and judgments*

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The following are the significant estimates that the Company has made in preparing the consolidated financial statements:

##### *Recognition of revenues*

Revenues from commercial payors are recognized based on expected realizable rates using historical collections rates. If no collections data is available for a payor (for example where the payor is new to the Company), the Company uses the Company-wide average reimbursement rate for that particular service. If commercial payors change their reimbursement rates for services already provided but not yet reimbursed, or a new payor rate is different from the estimated rate used, revenue is adjusted to account for the new rates. Because of continuing changes in the health care industry and third-party reimbursement, it is possible the Company's estimates could change, which could have a material impact on the Company's recorded revenues and earnings.

##### *Valuation of accounts receivable*

The Company records bad debt expense based on the accounting practice adopted by management which incorporates paid and denied claims. Denials can be as a result of termed policies, client deductibles not met, client maximum benefits limit met, etc. In addition, management reviews account receivable in detail at each reporting period and provides for specific accounts that are deemed to not be collectible. Because of continuing changes in the health care industry and third-party reimbursement, it is possible that the Company's estimates could change, which could have a material impact on our operations and cash flows. If circumstances related to certain customers change or actual results differ from expectations, the Company's estimate of the recoverability of receivables could fluctuate from that provided for in the consolidated financial statements. A change in estimate could impact expenses and accounts receivable.

The Company's revenues primarily consisted of service charges related to providing addiction treatment and related services to clients in both inpatient and outpatient settings. Most of the Company's revenues are reimbursable by commercial payors, at out-of-network rates, with the remaining revenues payable directly by the Company's clients. The Company billed commercial payors, once insurance have been verified and services have been performed, based on usual and customary rates for each service. These billed rates were discounted to expected reimbursement rates (or net realizable value) as determined by management after taking into account the historical collections received from the commercial payors services to arrive at the revenues that are recognized. During 2018, management adjusted the accounting practice for estimating collectible revenues and bad debts which had a slight effect on estimated revenues over the year with no significant impact on the net loss. The bad debt account is a significant estimate and bad debt and revenue can only be known over time. The Company does not recognize revenues for scholarships provided.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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#### 4. Summary of significant accounting policies (cont'd)

##### *Income, value added, withholding and other taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

##### *Identification of cash-generating units*

The Company has allocated its tangible and intangible assets to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The Company applied judgment to determine its cash-generating units.

##### *Impairment of goodwill and intangible assets*

The Company tests whether goodwill or intangible assets are impaired in accordance with International Accounting Standard ("IAS") 36, Impairment of Assets. The recoverable amount of cash-generating units is determined based on a value in use calculation. The method requires an estimate of future cash flows and the selection of a suitable discount rate in order to calculate the net present value of the cash flows.

##### *Stock based compensation and warrants*

The Company uses the Black-Scholes option pricing model to determine the fair value of the Company's issued stock options and warrants as prescribed by IFRS 2. The Black-Scholes option pricing model requires management to make various estimates about certain inputs into the model, including the expected option and warrant life, expected volatility, risk-free interest rate and expected dividend yield. A change in any of these estimates at the time the underlying options or warrants were issued would have impacted the Company's equity and ongoing stock-based compensation expense.

##### *Segment reporting*

IFRS 8 requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker ('CODM'). The CODM has been determined to be the CEO as he is primarily responsible for the allocation of resources and the assessment of performance.

The CODM uses operating profit, as reviewed at monthly business review meetings, as the key measure of the Company's results as it reflects the Company's underlying performance for the period under evaluation. Operating profit is defined as profit on operations before interest, taxes, stock-based compensation, amortization of intangibles and impairment expenses.

The CODM's primary focus for review and resource allocation is the Company as a whole and not any component part of the business. All revenue streams for the business are managed centrally by functional teams (Sales and marketing, Billing and Collections and Finance) that have responsibility for the whole of the Company's location portfolio. Although some discrete financial information is available to provide insight to the management team of the key performance drivers, location profit is not part of the CODM's review. Having considered these factors, management has determined that the Company comprises one operating segment under IFRS 8.



# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

### 5. Accounts Receivable

Accounts receivable	May 31, 2018	February 28, 2018
Gross receivables	\$6,411	\$7,943
Allowance for doubtful accounts	(806)	(443)
<b>Balance, ending</b>	<b>\$5,605</b>	<b>\$7,500</b>
	<b>For the three months ended</b>	<b>For the year ended</b>
	<b>May 31, 2018</b>	<b>February 28, 2018</b>
Allowance for doubtful accounts		
Balance, beginning	\$443	\$9,341
Change in provision	363	(8,898)
<b>Balance, ending</b>	<b>\$806</b>	<b>\$443</b>

During the quarter ended May 31, 2018, the allowance for doubtful accounts (\$806) reflects management's adjusted accounting practice for estimating collectible revenues and bad debts which had a slight effect on estimated revenues over the quarter with no significant impact on the net loss. The bad debt is a significant estimate and bad debt and revenue can only be known over time.

### 6. Plant, property and equipment

Net property, plant and equipment as of May 31, 2018	Cost	Accumulated depreciation	Net
Vehicles	\$259	(\$147)	\$112
Furniture and fixtures	992	(385)	607
Computer hardware	179	(146)	33
Leasehold improvements	1,217	(738)	479
Buildings	6,101	(291)	5,810
Land	530	-	530
<b>Total</b>	<b>\$9,277</b>	<b>(\$1,707)</b>	<b>\$7,570</b>

Net property, plant and equipment as of May 31, 2017	Cost	Accumulated depreciation	Net
Vehicles	\$273	(\$101)	\$172
Furniture and fixtures	737	(199)	538
Computer hardware	487	(121)	366
Leasehold improvements	1,288	(483)	805
Buildings	2,413	(118)	2,295
Land	559	-	559
<b>Net carrying amount</b>	<b>\$5,756</b>	<b>(\$1,021)</b>	<b>\$4,735</b>

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited  
(CAD \$000s)

<b>Cost: As of May 31, 2018</b>	<b>At February 28, 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>Foreign exchange impact</b>	<b>At May 31, 2018</b>
Vehicles	\$255	\$-	\$-	\$4	\$259
Furniture and fixtures	977	-	-	15	992
Computer hardware	176	-	-	3	179
Leasehold improvement	1,199	-	-	18	1,217
Buildings	6,010	-	-	91	6,101
Land	522	-	-	8	530
<b>Total cost</b>	<b>\$9,139</b>	<b>\$-</b>	<b>\$-</b>	<b>\$138</b>	<b>\$9,277</b>

<b>Accumulated depreciation: As of May 31, 2018</b>	<b>At February 28, 2018</b>	<b>Depreciation</b>	<b>Disposals</b>	<b>Foreign exchange impact</b>	<b>At May 31, 2018</b>
Vehicles	(\$132)	(13)	\$-	\$(2)	(\$147)
Furniture and fixtures	(336)	(43)	-	(6)	(385)
Computer hardware	(132)	(12)	-	(2)	(146)
Leasehold improvement	(660)	(68)	-	(10)	(738)
Buildings	(231)	(56)	-	(4)	(291)
Land	-	-	-	-	-
<b>Total cost</b>	<b>(\$1,491)</b>	<b>(\$192)</b>	<b>\$-</b>	<b>(\$24)</b>	<b>(\$1,707)</b>

### 7. Contingencies

From time to time the Company is subject to audits by commercial insurers. These audits typically cover claims upon which payment has already been made to the Company. As of May 31, 2018, there were no outstanding claims.

The Company is from time to time named in various legal proceedings. The Company has not estimated or accrued any amounts related to such proceedings as they are believed to be without merit.

### 8. Goodwill and Intangible assets

Prior to 2017, the Company had acquired certain businesses and allocated a portion of the purchase price to goodwill and intangible assets.

In February 2017, the Company performed its annual impairment testing based on a value in use calculation which uses cash flow projections covering a five-year period and a discount rate of 20% (2016 – 20%) per annum. The estimated cumulative average growth rate for the first five years was determined to be 5%. The cash flows beyond the five-year period have been extrapolated using a terminal growth rate of 3%. As a result of its annual goodwill impairment testing, the company determined that the carrying value of the CGU related to these businesses exceeded their recoverable amount and recorded a full impairment on the goodwill and intangible assets. The impairment resulted from a decline in the expected performance of the business relative to expectations at the time the acquisitions were consummated. The cash flow projections used in estimating the recoverable amounts are generally consistent with results achieved historically adjusted for anticipated growth. Management believes that any reasonably possible change in key assumptions on which the recoverable amounts were based would not cause the carrying amount to exceed the recoverable amount of the CGU.

During the quarter ended May 31, 2018, it was determined that no reversal of intangible impairment was required. As of May 31, 2018

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited  
(CAD \$000s)

Goodwill and Intangible assets has a zero balance.

### 9. Finance and Capital leases and loans

	May 31, 2018	May 31, 2017
Finance lease and other borrowings	\$4,038	\$2,250
Less:		
Current portion of finance lease and other borrowings	(115)	(97)
Long-term portion of finance lease and other borrowings	\$3,992	\$2,153

On August 31, 2016, the Company entered into a loan agreement with Civic Financial Services LLC in the amount of \$2,185. owned by the Company. Current interest rates are fixed and average 8.990%. The loan term is for 4 years and matures on September 1, 2020. An addendum to the loan agreement requires interest payments for 47 months with a balloon payment of the loan proceeds in month 48. The carrying amount of the borrowings are considered to be a reasonable approximation of the fair value.

The Company also has finance leases for vehicles which mature between May 2017 and April 2021. Interest on these leases approximate 2.9% - 7.0%. The carrying amount of these leases was \$115 as at May 31, 2018. Borrowings are secured by land and building owned by the Company (note 6).

On September 26, 2017, the Company entered into a loan agreement with Civic Financial Services in the amount of \$1,955. Current interest rates are fixed and average 8.99%. The loan term is for four years and matures on September 1, 2021. Borrowings are secured by land and building owned by the Company (note 6).

### 10. Share capital

	May 31, 2018	May 31, 2017
Authorized		
Unlimited voting common shares without par value		
Issued		
232,617,234 voting common shares (2017 – 232,617,234)	<b>\$40,724</b>	<b>\$40,718</b>
Changes to share capital:		
	<b>Number of Shares</b>	<b>Amount</b>
<b>As of February 29, 2016</b>	<b>227,966,050</b>	<b>\$40,235</b>
Exercise of warrants (i)	66,500	7
Shares issued for services (ii)	4,350,000	457
Shares issued for compensation (iii)	234,684	19
<b>As of February 28, 2017</b>	<b>232,617,234</b>	<b>\$40,718</b>
Other	-	6
<b>As of February 28, 2018</b>	<b>232,617,234</b>	<b>\$40,724</b>
Other	-	-
<b>As of May 31, 2018</b>	<b>232,617,234</b>	<b>\$40,724</b>

- (i) During the year ended February 28, 2017, 66,500 warrants were exercised at a weighted average exercise price of \$0.10 per share for total net proceeds of \$7 transferred from contributed surplus. Cost directly attributed to the conversion into common stock amounted to \$nil.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

- (ii) In October 2016, as part of the agreement with Kings Cross Advisors Inc. ("KCA"), the Company issued 4,350,000 common shares to KCA shareholders at a fair value of \$0.105 per share, for services provided.
- (iii) In January 2017, the Company issued 234,684 shares at a price of \$0.075 per share, pursuant to an employment agreement between the Company and Todd Reber.

### 11. Options and warrants

#### Options

The Company has an incentive stock option plan that provides that the Board of Directors of BLVD may from time to time, in its discretion and in accordance with Exchange requirements, grant to directors, officers and employees and consultants of BLVD, non-transferable options to purchase BLVD shares, provided that the number of shares reserved for issuance will not exceed 10% of the total issued and outstanding BLVD shares, exercisable for a period of up to ten (10) years from the date of the grant. The number of BLVD shares reserved for issuance to any individual director or officer of BLVD will not exceed 5% of the issued and outstanding BLVD shares and the total number of options awarded to any one consultant in any twelve-month period shall not exceed 2% of the issued and outstanding shares of BLVD at the date that the particular option was granted without consent being obtained from the Exchange. The exercise price of any options granted under the BLVD option plan shall not be less than the closing price of BLVD shares on the day preceding the day on which the directors grant such options, less any discount permitted by the Exchange. Options held by a director or employee who ceases to be employed by BLVD expire 30 days from the date the director or ceases to be a director of BLVD or the employee ceases to be employed by BLVD.

On June 24, 2016, the shareholders approved a new 20% fixed number stock option plan (the "2016 Option Plan") at BLVD's Annual and Special Meeting of Shareholders. The 2016 Option Plan reserves 45,606,510 common shares and replaces BLVD's 10% rolling stock option plan.

	Number of options	Weighted average exercise price	Weighted average remaining life (years)
<b>Outstanding at February 29, 2016</b>	<b>17,695,000</b>	<b>\$0.36</b>	<b>7.5</b>
Options granted	11,995,000	0.22	6.7
Options cancelled / forfeited	(4,775,834)	0.29	n/a
<b>Outstanding at February 28, 2017</b>	<b>24,914,166</b>	<b>\$0.31</b>	<b>5.69</b>
Options granted	7,600,000	0.13	6.7
Options cancelled / forfeited	(22,166,666)	0.32	n/a
Options exercised	-	-	-
<b>Outstanding at February 28, 2018</b>	<b>10,347,500</b>	<b>\$0.15</b>	<b>6.99</b>
Options granted	-	-	-
Options cancelled / forfeited	-	-	-
Options exercised	-	-	-
<b>Outstanding at May 31, 2018</b>	<b>10,347,500</b>	<b>\$0.15</b>	<b>6.99</b>

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited  
(CAD \$000s)

### Details of stock options outstanding at May 31, 2018

Exercise Price	Number of options outstanding	Number of options exercisable	Expiry Date
\$0.10	4,700,000	4,466,667	February 11, 2025
\$0.55	500,000	333,333	May 19, 2020
\$0.47	200,000	133,333	July 13, 2020
\$0.24	750,000	250,000	March 1, 2021
\$0.14	497,500	382,500	September 6, 2021
\$0.09	500,000	-	March 6, 2027
\$0.12	2,000,000	-	April 13, 2027
\$0.17	950,000	-	June 28, 2027
\$0.11	250,000	-	October 9, 2027
\$0.15	10,347,500	5,565,833	

The estimated fair value of options is expensed on a graded basis over the vesting or service period for each tranche. The vesting period approximates three years for all issued and outstanding option compensation. For the three months ended May 31, 2018, stock-based compensation totaled \$61.

The fair value of the Company's stock options was determined using the Black-Scholes option pricing model using the following assumptions:

Category	May 31, 2018	February 28, 2018
Expected option life	5 years	5 years
Expected volatility	90.77%	90.77%
Risk-free interest rate	1.07%	1.07%
Expected dividend yield	Nil	Nil
Weighted average share price at grant date	\$0.11	\$0.11
Weighted average exercise price	\$0.13	\$0.13
Estimated forfeiture rate	9%	9%

Expected volatility was estimated by reference to comparable listed entities since the Company's own shares have limited trading history.

### Warrants

	Number of warrants	Weighted average exercise price
<b>Outstanding and exercisable at February 29, 2016</b>	<b>46,413,150</b>	<b>\$0.39</b>
Warrants exercised (i)	(66,500)	0.10
Warrants cancelled (ii)	(297,400)	0.10
Warrants expired (iii)	(21,562,500)	0.38
<b>Outstanding and exercisable at February 28, 2017</b>	<b>24,486,750</b>	<b>\$0.39</b>
Warrants expired (ii)	(22,330,500)	0.39
<b>Outstanding and exercisable at February 28, 2018</b>	<b>2,156,250</b>	<b>\$0.14</b>
Warrants expired (iii)	(2,156,250)	0.14
<b>Outstanding and exercisable at May 31, 2018</b>	<b>-</b>	<b>\$0</b>

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

Warrants to acquire voting common shares outstanding and exercisable at May 31, 2018 and February 28, 2017 were as follows:

- (i) During the year ended February 28, 2017, 66,500 warrants were exercised at a weighted average exercise price of \$0.10 per share for total net proceeds of \$7.
- (ii) During the year ended February 28, 2017, 297,400 warrants were cancelled at a weighted average exercise price of \$0.10 per share for total net proceeds of \$7.
- (iii) On June 28, 2016, the Company amended the original warrant terms, including price and expiry date, (part of the \$17,250 financing closed in April 2015 in which issued 43,125,000 warrants) resulting in the warrants being exercisable for 21,562,500 common shares, half at \$0.30 with a six-month term and half at \$0.38 with a nine-month term. During 2017, 21,562,500 of the modified warrants, expired. During 2018, the remaining warrants expired.

### 12. Expenses by nature

Category	Three months ended May 31, 2018	Three months ended May 31, 2017
Included in cost of services:		
Employee salary and benefits	\$74	\$411
Direct client service cost	409	878
Outside services-clinical	134	244
Service fee	5,307	3,087
All other	32	-
	<b>\$5,956</b>	<b>\$4,619</b>
Included in general and administrative:		
Employee salary and benefits	\$336	\$487
Insurance	208	123
All other	70	5
	<b>\$614</b>	<b>\$615</b>
Included in facilities:		
Rent	\$167	\$422
Supplies and services	15	8
All other	-	-
	<b>\$183</b>	<b>\$430</b>
Included in sales and marketing:		
Employee salary and benefits	\$-	\$200
Advertising	-	217
All other	-	104
	<b>\$0</b>	<b>\$520</b>
Included in billing and other outside services:		
Outside billing expense	\$40	\$215
Other outside services	753	320
	<b>\$794</b>	<b>\$535</b>

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

### 13. Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Deferred income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes are measured using the current or substantively enacted tax rates expected to apply when the differences reverse. A deferred tax asset is recognized to the extent that the recoverability of deferred income tax assets is considered probable.

The Company's provision for (recovery of) income taxes differs from the amount that is computed by applying the combined federal and state statutory income tax rate of 40% in the United States to the Company's net loss before income taxes.

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset. It is more probable than not that the Company will utilize available non-capital loss carry-forwards and deferred tax assets to offset the anticipated future taxable profits. Therefore, a net deferred income tax asset is being recognized for US non-capital tax loss carry-forwards and other available tax assets.

#### Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at February 28, 2018, the Company had approximately USD\$7,681 (2017 – USD\$6,746) of US non-capital losses. The US non-capital loss carry forwards expire in 2038. The Canadian non-capital loss carry forwards expire as noted in the table below:

Year of expiry	Non-capital Income tax loss
2034	\$911
2036	56
2037	1,656
2038	757
<b>Total</b>	<b>\$3,380</b>

### 14. Financial instruments and financial risk management

#### Foreign currency risk

A significant portion all of the Company's revenues are transacted in US dollars and as a result, fluctuations in the rate of exchange between the U.S. dollar and Canadian dollar can have a significant impact on the Company's cash flows and reported results. As a majority of the Company's operating expenses are also in United States dollars, operational foreign currency risk is limited.

#### Fair value

The fair values of cash, restricted cash, accounts receivable, other current assets and accounts payable and accrued liabilities approximate their carrying values given their short-term maturities.

#### Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of trade accounts receivable as the Company's revenues are concentrated to California. The Company had many customers during the course of the year and believes that there is minimal risk associated with collection of these amounts. The Company manages its credit risk by ensuring the eligibility of its patients for insurance or other coverage prior to admittance.

As explained in Note 4, revenue is estimated to be the amount collectible from the insurer. Given the counterparties in these transactions, which are generally large, financially stable commercial insurers, the Company considers the credit quality of these receivables to be high. Credit risk is generally limited to the risk that the estimated amount of revenue that can be collected is not accurate.

### *Liquidity risk*

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company manages its liquidity risk through cash management. In managing liquidity risk, the Company maintains access to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements through the use of rolling future net cash flow projections and budgets and believes it has sufficient funding through its current cash position to continue operating for the foreseeable future.

### *Other risk*

The Company is not exposed to any significant interest rate risk as it does not have any borrowings and loans receivable that carry variable rates of interest. The Company is not exposed to any significant price risk or other financial risks due to the nature of its business

## **15. Capital management**

The Company's objectives in managing capital are to maintain a strong capital base so as to preserve investor and creditor confidence; to ensure sufficient liquidity to service its debts, support capital projects and growth-oriented acquisitions; and to provide a return to shareholders.

Capital is used by the Company to finance capital expenditures and fund acquisitions that add to its ability to generate returns and meet long-term strategic growth objectives.

The Company sets the amount and type of capital required relative to its assessment of risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or modify its capital structure, the Company may adjust or defer the number of dividends paid to shareholders, issue new shares, seek other forms of financing, or sell assets to reduce debt.

The Company manages its share capital, contributed surplus, deficit and long-term debt as capital. The Company is not subject to any external covenants. There has been no significant change to the capital management policies for the three months ended May 31, 2018 and 2017.



# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited  
(CAD \$000s)

### 16. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Company, directly or indirectly, including executive directors. The total compensation of key management personnel are as follows:

Category	For the three months ended May 31, 2018	For the three months ended May 31, 2017
Salaries and short-term benefits	\$127	\$194
Stock based compensation	56	41
<b>Total</b>	<b>\$183</b>	<b>\$235</b>

### 17. Commitments

#### Leases

The Company has property under operating leases. For the three months ended May 31, 2018 and for the three months ended May 31, 2017, the Company incurred rent expense of \$167 and \$422 respectively, included in Facilities expense.

Minimum aggregate payments on all operating leases in the future as of May 31, 2018 are as follows:

Category	
Within 12 months	\$1,442
1-2 years	1,139
2-3 years	617
>5 years	1,030
<b>Total</b>	<b>\$4,228</b>

In March 2016, the Company entered into a five-year master lease agreement with a Real Estate Investment Fund (the "RE Fund" or "Lessor"). The agreement covers the next eight inpatient pods, potentially including up to 16 properties, that the Company desires to utilize for inpatient services as part of its expansion plans. Subject to certain limitations, the agreement requires the RE Fund, as lessor, to purchase properties identified by the Company and to lease those properties to the Company for a period of five years, after which, the Company has the option to extend each lease for an additional five years, acquire all the properties at a guaranteed return to the RE Fund or let the leases lapse. The leases also contain an early termination right for the Company, which the Company may exercise after one year, provided the Company acquires the leased property from the RE Fund. As part of securing this agreement, the Company will issue 8,700,000 shares to the RE Fund. The agreement allows the Company to support its expansion plans without having to utilize its own cash or access outside financing.

The shares to be issued have been accounted for as a prepaid finance fee to be amortized over 57 months. The prepaid finance fee amounted to \$2,340 of which \$903 has been expensed during the year ended February 28, 2017, \$493 during the year ended February 28, 2018 and \$123 during the three months ended May 31, 2018.

# BLVD Centers Corporation

## Notes to the consolidated financial statements

For the three months ended May 31, 2018 and three months ended May 31, 2017

Unaudited

(CAD \$000s)

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### 18. Loss per share

Loss per share is based on the consolidated net loss for the year divided by the weighted average number of shares outstanding during the period. Diluted loss per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

For the three months ended May 31, 2018 and May 31, 2017, respectively, the outstanding warrants and options were excluded from the calculation of diluted loss per share because their effect is anti-dilutive.

The following reflects the earnings and share data used in the basic and diluted loss per share computations:

<b>Category</b>	<b>Three months ended May 31, 2018</b>	<b>Three months ended May 31, 2017</b>
Net loss	(\$770)	\$52
Basic and diluted weighted average number of shares	232,614,234	232,614,234
<b>Total LPS- basic and diluted</b>	<b>(\$0.00)</b>	<b>(\$0.00)</b>