Condensed Consolidated Interim Financial Statements
(Expressed in U.S. dollars)

INVESQUE INC.

Three and nine months ended September 30, 2020 and 2019
(Unaudited)

INVESQUE INC.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in thousands of U.S. dollars)

	September 30, 2020	December 31, 2019 (Adjusted - note 2)
Assets		
Current assets:		
Cash	$ 34,512	$ 11,838
Tenant and other receivables	13,291	6,937
Property tax receivables	13,267	11,020
Loans receivable (note 3)	3,966	4,249
Assets held for sale (note 6)	2,144	12,201
Other (note 4)	8,935	6,184
	76,115	52,429
Non-current assets:		
Loans receivable (note 3)	20,218	37,405
Derivative instruments (note 10)	5,241	64
Investment in joint ventures (note 7)	68,531	107,994
Investment properties (note 5)	894,077	969,634
Property, plant and equipment, net (note 6)	460,105	459,942
Other non-current assets (note 4)	2,888	3,270
	1,451,060	1,578,309
Total assets	$ 1,527,175	$ 1,630,738
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 18,163	$ 18,885
Accrued real estate taxes	15,899	13,066
Dividends payable	—	3,354
Credit facilities (note 8)	10,000	14,569
Mortgages payable (note 9)	23,071	43,024
Other current liabilities (note 13)	7,137	3,015
	74,270	95,913
Non-current liabilities:		
Credit facilities (note 8)	648,107	632,390
Mortgages payable (note 9)	271,716	232,443
Convertible debentures (note 11)	92,072	91,049
Commonwealth preferred unit liability (note 12)	63,985	63,654
Derivative instruments (note 10)	31,951	7,966
Deferred tax liability (note 23)	—	6,944
Other non-current liabilities (note 13)	14,185	16,736
Non-controlling interest liability	4,597	3,499
	1,126,613	1,054,681
Total liabilities	1,200,883	1,150,594
Shareholders' equity:		
Common share capital (note 15)	509,165	504,561
Equity settled deferred shares	1,859	733
Preferred share capital (note 15)	85,389	85,389
Contributed surplus	400	400
Equity component of convertible instruments	3,764	3,764
Cumulative deficit	(272,717)	(114,908)
Accumulated other comprehensive income	(1,568)	205
Total shareholders' equity	326,292	480,144
Commitments and contingencies (note 24)		
Total liabilities and shareholders' equity	$ 1,527,175	$ 1,630,738

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of U.S. dollars, except per share amounts)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue:				
Rental (note 17)	$ 22,735	$ 24,240	$ 68,534	$ 79,787
Resident rental and related revenue (note 17)	31,106	12,639	89,439	12,639
Lease revenue from joint ventures (note 7)	779	756	2,301	2,253
Other revenue	809	915	2,733	1,919
	55,429	38,550	163,007	96,598
Other income	2,529	—	2,594	—
Expenses (income):				
Direct property operating expenses (note 18)	24,391	9,934	70,205	12,479
Depreciation and amortization expense	12,581	5,365	36,606	5,408
Finance costs from operations (note 19)	12,160	10,702	36,848	29,609
Real estate tax expense	407	527	14,114	15,505
General and administrative expenses (note 20)	4,858	4,305	15,583	11,867
Transaction costs for business combination	(237)	2,564	170	4,260
Diligence costs for transactions not pursued	—	—	—	633
Allowance for credit losses on loans and interest receivable (note 19)	13,056	(152)	20,151	1,012
Change in non-controlling interest liability (note 19)	41	189	209	344
Change in fair value of investment properties - IFRIC 21	3,206	3,285	(3,278)	(3,522)
Change in fair value of investment properties (note 5)	39,699	(970)	72,087	8,751
Change in fair value of financial instruments (note 19)	(2,131)	4,754	21,756	14,089
Change in fair value of contingent consideration (note 19)	3,256	—	3,256	—
Loss on sale of property, plant and equipment	—	—	141	—
	111,287	40,503	287,848	100,435
Loss from joint ventures (note 7)	(7,420)	(1,093)	(32,386)	(12,144)
Loss before income taxes	(60,749)	(3,046)	(154,633)	(15,981)
Income tax recovery:				
Deferred (note 23)	—	(700)	(6,944)	(3,938)
Net loss	$ (60,749)	$ (2,346)	$ (147,689)	$ (12,043)
Other comprehensive income (loss):				
Items to be reclassified to net income (loss) in subsequent periods				
Unrealized gain (loss) on translation of foreign operations	1,163	(799)	(1,773)	2,013
Total comprehensive loss	$ (59,586)	$ (3,145)	$ (149,462)	$ (10,030)
Loss per share (note 16):				
Basic and diluted	$ (1.09)	$ (0.04)	$ (2.66)	$ (0.22)

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars)
Nine months ended September 30, 2020 and 2019

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2020	$ 504,561	$ 733	$ 85,389	$ 400	$ 3,764	$ (114,908)	$ 205	$ 480,144
Net loss	—	—	—	—	—	(147,689)	—	(147,689)
Other comprehensive loss	—	—	—	—	—	—	(1,773)	(1,773)
Common shares issued, net of issuance costs (note 15)	1,040	—	—	—	—	—	—	1,040
Common shares issued under the Company's dividend reinvestment plan (note 15)	3,498	—	—	—	—	—	—	3,498
Dividends declared on common shares	—	—	—	—	—	(10,120)	—	(10,120)
Common shares purchased under NCIB (note 145)	(148)	—	—	—	—	—	—	(148)
Amortization of equity settled deferred shares (note 21)	—	1,340	—	—	—	—	—	1,340
Common shares issued for equity settled deferred share (note 15 and 21)	214	(214)	—	—	—	—	—	—
Balance, September 30, 2020	$ 509,165	$ 1,859	$ 85,389	$ 400	$ 3,764	$ (272,717)	$ (1,568)	$ 326,292

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2019	$ 493,165	$ —	$ 71,106	$ 400	$ 1,671	$ (69,785)	$ (3,089)	$ 493,468
Net income	—	—	—	—	—	(12,043)	—	(12,043)
Other comprehensive income	—	—	—	—	—	—	2,013	2,013
Common shares issued, net of issuance costs	4,878	—	—	—	—	—	—	4,878
Preferred shares issued, net of issuance costs	—	—	14,286	—	—	—	—	14,286
Equity component of Commonwealth preferred units	—		—	—	1,618	—	—	1,618
Common shares issued under the Company's dividend reinvestment plan	5,222	—	—	—	—	—	—	5,222
Dividends declared on common shares	—	—	—	—	—	(29,718)	—	(29,718)
Common Shares purchased under NCIB	(213)	—	—	—	—	—	—	(213)
Amortization of equity settled deferred shares	—	430	—	—	—	—	—	430
Common shares issued through conversion of convertible debentures	25	—	—		—	—	—	25
Balance, September 30, 2019	$ 503,077	$ 430	$ 85,392	$ 400	$ 3,289	$ (111,546)	$ (1,076)	$ 479,966

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Nine months ended September 30, 2020 and 2019

		Nine months ended September 30, 2020		Nine months ended September 30, 2019 (Adjusted - note 2)
Cash flows from operating activities:				
Net (loss) income	$	(147,689)	$	(12,043)
Items not involving cash:				
Fair value adjustment of investment properties		72,087		8,751
Fair value adjustment of financial instruments		21,756		14,089
Depreciation and amortization expense		36,606		5,408
Allowance for credit losses on loans and interest receivable		20,151		1,012
Straight-line rent		(5,090)		(6,795)
Amortization of tenant inducements		287		57
Finance costs from operations		36,848		29,609
Change in non-controlling interest liability		209		344
Change in fair value of contingent consideration		3,256		—
Loss on sale of property, plant and equipment		141		—
Loss from joint ventures		32,386		12,144
Deferred income tax		(6,944)		(3,938)
Interest paid		(36,148)		(28,858)
Interest income received		491		462
Change in non-cash operating working capital:				
Tenant and other receivables		(10,966)		(14,062)
Accounts payable and accrued liabilities		(1,839)		(4,084)
Unearned revenue		105		(145)
Other assets		(1,755)		(5,759)
Other liabilities		925		4,210
Accrued real estate taxes		2,744		2,489
Net cash provided by operating activities	$	17,561	$	2,891
Cash flows from financing activities:				
Proceeds from credit facilities (note 14)	$	33,000	$	328,550
Payments on credit facilities (note 14)		(21,250)		(46,240)
Debt issuance costs paid (note 14)		(857)		(3,863)
Proceeds from mortgages payable (note 14)		17,198		36,925
Payments of mortgages payable (note 14)		(21,083)		(33,108)
Proceeds from settlement of interest rate swap		—		104
Dividends paid to common shareholders		(9,976)		(24,410)
Payment for repurchase of common shares		(148)		(213)
Proceeds from issuance of preferred share capital		—		14,550
Cash provided by (used in) financing activities	$	(3,116)	$	272,295
Cash flows from investing activities:				
Additions to investment properties	$	(5,323)	$	(89,381)
Dispositions of investment properties		—		9,887
Additions to property, plant and equipment		(7,602)		(221,443)
Dispositions of property, plant and equipment		15,563		—
Acquisition of interest in joint venture		(476)		—
Disposition of interest in joint venture		1,447		—
Cash balance acquired in business combination (note 6)		2,081		—
Distributions from joint ventures		2,831		4,769
Contributions to joint ventures		(1,855)		(10,840)
Distributions to non-controlling interest partners		(238)		(105)
Proceeds from income support agreement		63		236
Payments to previous owner of Care		—		(9,676)
Repayment of loans receivable		1,738		4,085
Proceeds from sale of interest in assets to joint venture partner		—		23,000
Cash provided by (used in) investing activities	$	8,229	$	(289,468)
Increase (decrease) in cash and cash equivalents		22,674		(14,282)
Cash and cash equivalents, beginning of period		11,838		26,978
Cash and cash equivalents, end of period	$	34,512	$	12,696

See accompanying notes to condensed consolidated interim financial statements.

Invesque Inc. (the "Company") was incorporated on May 31, 2007 under the Business Corporations Act (Ontario). Effective April 4, 2016, the Company changed its name from "Kingsway Arms Retirement Residences Inc." to "Mainstreet Health Investments Inc." and continued under the laws of the Province of British Columbia. Effective January 3, 2018, the Company changed its name from "Mainstreet Health Investments Inc." to "Invesque Inc.". The Company's registered office is 2500 - 700 W Georgia Street, Vancouver, British Columbia V7Y 1B3.

The Company is a North American health care real estate company with a growing portfolio of high quality properties located in the United States and Canada. The Company partners with industry leaders to invest across the health care spectrum. Specifically, the Company will look to acquire and invest in predominately transitional care, long-term care, memory care, assisted living, independent living and medical office properties. The Company's portfolio also includes investments in owner occupied seniors housing properties, in which the Company owns the real estate and also provides management services through its subsidiary management company.

At September 30, 2020, the Company owns interests in a portfolio of 121 health care and senior living properties comprised of 68 consolidated investment properties, 36 consolidated owner occupied properties, interests in 16 properties held through joint arrangements, and one property held for sale.

COVID-19 Risks

A novel strain of coronavirus causing the disease known as COVID-19 has spread throughout the world, including across the United States and Canada, causing the World Health Organization to declare the COVID-19 outbreak a pandemic in March 2020. In an attempt to contain the spread and impact of the pandemic, authorities throughout the United States and Canada have implemented measures such as travel bans and restrictions, stay-at-home orders, social distancing guidelines and limitations on other business activity. The pandemic has resulted in a significant economic downturn in the United States, Canada and globally, and has also led to disruptions and volatility in capital markets.

The Company is not able to fully quantify the impact that the COVID-19 pandemic will have on its future financial results, but expect that the pandemic could have a material adverse affect on its results of operations, financial position and cash flows, particularly if negative economic and public health conditions in the United States and Canada persist for a significant period of time. The ultimate impact of the pandemic on the Company's financial results will depend on, among other factors, the duration and severity of the pandemic as well as negative economic conditions arising therefrom, the impact of the pandemic on occupancy rates in its communities, the volume of COVID-19 patients cared for across its portfolio, and the impact of government actions on the seniors housing industry and broader economy, including through existing and future stimulus efforts.

Liquidity risk is managed in part through cash forecasting. The Company monitors forecasts of liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient availability of the combination of cash and credit facility capacity, and by ensuring the Company will meet its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment which takes into consideration current and projected macroeconomic conditions, the Company's cash collection efforts, debt financing and refinancing plans, and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the Company at terms and conditions that are favorable, or at all.

For the three and nine months ended September 30, 2020, the Company recognized $2,529 and $2,594, respectively, of other income related to government grants funded through programs designed to assist seniors housing operators who have experienced both lost revenue and increased expenses during the COVID-19 pandemic. For the three and nine months ended September 30, 2020, the Company recognized $527 and $959, respectively, of income from joint ventures related to the Company's share of government grants recognized at the joint venture properties for COVID-19 pandemic relief. For the three and nine months ended September 30, 2020, the Company incurred $415 and $1,043, respectively, of additional direct property operating costs incurred due to the COVID-19 pandemic as a result of increased supplies and personal protective equipment. For the three and nine months ended September 30, 2020, the Company incurred $276 and $735, respectively, for the Company's share of costs related to COVID-19 included in income from joint ventures in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

The Company announced on April 10, 2020 that it has suspended the dividend for all common shares beginning from April 1, 2020 until further notice.

1. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019 issued on March 11, 2020, and which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company and authorized for issuance on November 11, 2020.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2019 with the exception of new accounting policies adopted as a result of government grants received in relief of the COVID-19 global pandemic and policies which became effective January 1, 2020 as follows:

(i) IFRS 3 Business Combinations

On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combinations ("IFRS 3") that seek to clarify whether a transaction is to be accounted for as an asset acquisition or a business combination. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The adoption of this standard did not have a material impact on the Company's condensed consolidated interim financial statements.

(ii) Government grants

Government grants that become receivable as compensation for lost revenue and increased expenses are recognized when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received. The grants are recorded as other income in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

2. Prior Year Adjustment:

During the period ended September 30, 2020, management determined that certain amounts previously recognized as loans receivable should have been classified as an investment in joint ventures and that amounts previously recognized as other receivables should have been classified as loans receivable. As a result the consolidated financial statements have been adjusted as at December 31, 2019 and for the period ended September 30, 2019 to correct for this immaterial error as follows:

	December 31, 2019 (As reported)	Adjustment	December 31, 2019 (As adjusted)
Statement of Financial Position			
Tenant and other receivables	$ 7,073	$ (136)	$ 6,937
Loans receivable - current	4,113	136	4,249
Loans receivable - non-current	44,789	(7,384)	37,405
Other non-current assets	4,559	(1,289)	3,270
Investment in joint ventures	99,321	8,673	107,994

	Nine months ended September 30, 2019 (As reported)	Adjustment	Nine months ended September 30, 2019 (As adjusted)
Statement of Cash Flows			
Issuance of loans receivable	$ (8,630)	$ 8,630	$ —
Contributions to joint ventures	(2,210)	(8,630)	(10,840)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

3. Loans receivable:

Loans receivable issued as at September 30, 2020 and December 31, 2019 are detailed in the table below:

Debtor	Loan Type	September 30, 2020	December 31, 2019	Issued Date	Maturity Date (1)	Current Interest Rate	PIK Interest Rate
MS-SW Mezzanine Fund, LLC	Mezzanine loan	$ 1,264	$ 1,267	September 1, 2016	September 1, 2020	10.5 %	4.0 %
Mainstreet Investment Company, LLC	Interest-only loan	3,932	3,932	December 22, 2016	December 22, 2018	8.5 %	1.5 %
Autumnwood Lifestyles Inc.	Revolving credit facility	1,126	1,155	November 1, 2016	October 31, 2018 (3)	8.0 %	— %
Symcare ML, LLC	Loan receivable	7,295	7,295	October 20, 2017	December 31, 2033	5.0 %	— %
Premier Senior Living, LLC (6)	Loan receivable	700	700	August 16, 2013 (2)	August 16, 2025	9.2 %	— %
Ellipsis Real Estate Partners	Loan receivable	951	951	May 4, 2018	May 4, 2028	— %	10.0 %
Ellipsis Real Estate Partners	Loan receivable	1,338	1,341	September 14, 2018	September 14, 2028	— %	10.0 %
Symcare ML, LLC	Loan receivable	15,000	13,530	December 26, 2018	December 31, 2033	5.0 %	5.0 %
YAL Borrower LLC	Interest-only loan	250	1,000	December 31, 2018	December 30, 2020	5.0 %	— %
YAL Borrower LLC	Loan receivable	2,000	2,000	December 31, 2018	December 30, 2020	5.0 %	— %
Hillcrest Millard, LLC	Loan receivable	498	480	January 1, 2019	January 1, 2028	— %	5.0 %
Hillcrest Firethorn, LLC	Loan receivable	466	449	January 1, 2019	November 1, 2027	— %	5.0 %
Bridgemoor Transitional Care Operations, LLC (5)	Loan receivable	1,872	1,738	June 5, 2019	June 5, 2035	— %	— %
MOC Webster, LLC	Loan receivable	472	189	June 5, 2019	June 5, 2035	— %	— %
RHS Propco Mooresville, LLC	Loan receivable	5,000	5,000	June 28, 2019	July 1, 2024	8.5 %	— %
Memory Care America LLC	Loan receivable	1,314	1,526	July 31, 2019	January 1, 2024	8.5 %	— %
Ellipsis Real Estate Partners LLC (10)	Mezzanine loan	473	1,223	October 25, 2019	October 1, 2022	2.5 %	7.5 %
Blue Bell Senior Holdings, LLC (8)	Loan receivable	490	—	February 21, 2020	March 1, 2024	5.9 %	— %
PSL Care GP LLC	Loan receivable	450	—	May 6, 2020	(9)	3.5 %	— %
	Accrued current and long term interest	3,009	1,425				
	Allowance for losses on loans receivable	(26,084)	(5,915)				
	Carrying value of loans recorded at amortized cost	$ 21,816	$ 39,286				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,368	2,368	December 31, 2018	(4)	— %	5.0 %
	Carrying value of loans receivable	24,184	41,654				
	Less current portion	3,966	4,249				
	Long-term portion	$ 20,218	$ 37,405				

(1) Mezzanine loans are due at the time of sale of the property if sale occurs earlier than the stated maturity date.

(2) Loan assumed through acquisition on February 1, 2018. Loan was originally issued by Care PSL Holdings LLC on August 16, 2013.

(3) Maturity date is the later of October 31, 2018 or the completion of the expansion projects at the Marina Point and Red Oak Facilities. The projects are not yet complete.

(4) The repayment of this loan is pursuant to Javelina Ventures Operating Agreement in which net available cash from operations will be used to repay the principal and accrued interest on this loan.

(5) This loan was issued to MOC Fort Worth, LLC; MOC Round Rock, LLC; MOC San Antonio II, LLC; MOC Webster, LLC; and Bridgemoor Transitional Care Operations, LLC.

(6) This loan was issued to Park Terrace Operating, LLC; Seneca Lake Terrace Operating, LLC; and Premier Senior Living, LLC.

(7) Jaguarundi Ventures, LP is a joint venture in which the Company owns a 60.51% interest.

(8) Maturity date is the earlier of March 1, 2024, the date that the existing debt secured by the property is refinanced, or upon termination of the management agreement.

(9) No stated maturity date for loan receivable. Principal of loan is repaid when distributions are made from the Phoenix JV(note 7).

(10) This loan was funded for the development of a memory care facility in Wyoming, MI.

$27,617 of the loans outstanding as at September 30, 2020 in the table above are made to current tenant operators.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

On July 17, 2020, the Company received $750 as repayment of a portion of the principal of the mezzanine loan to Ellipsis Real Estate Partners LLC. On the same date, the loan was amended and the annual interest rate was reduced to 10%.

On December 26, 2018, a subsidiary of the Company entered into a loan agreement with Symcare with a total capacity of $15,000 and a maturity date of January 1, 2033. As at September 30, 2020, Symcare had drawn $15,000 on this loan (December 31, 2019 - $13,530). The loan earned 10% interest accruing to the balance of the loan through December 1, 2019. Through and including December 1, 2022, half of the interest will accrue to the loan balance with the remaining portion payable at a current pay rate on a monthly basis. Commencing January 1, 2023 the full amount of monthly interest payments shall be paid each month.

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at September 30, 2020 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 13,197	$ 25,849	$ 8,854	$ 47,900
Allowance for losses on loans receivable	(149)	(18,134)	(7,801)	(26,084)
Loans receivable, net of allowances	$ 13,048	$ 7,715	$ 1,053	$ 21,816

The changes in the gross loans receivable balance during the period ended September 30, 2020 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total loans receivable as at December 31, 2019	$ 38,476	$ —	$ 6,725	$ 45,201
Loans receivable				
Transfer to/(from)				
Stage 1	(25,052)	25,052	—	—
Stage 2	—	(1,927)	1,927	—
Stage 3	—	—	—	—
	$ 13,424	$ 23,125	$ 8,652	$ 45,201
Issuances	1,298	2,724	415	4,437
Repayments	(1,525)	—	(213)	(1,738)
Total loans receivable as at September 30, 2020	$ 13,197	$ 25,849	$ 8,854	$ 47,900

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The changes in the allowance for credit losses during the period ended September 30, 2020 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total allowance for credit losses as at December 31, 2019	$ 421	$ —	$ 5,494	$ 5,915
Allowance for credit losses				
Remeasurement	—	17,916	2,256	20,172
Transfer to/(from)				
Stage 1	(269)	269	—	—
Stage 2	—	(51)	51	—
Stage 3	—	—	—	—
	$ 152	$ 18,134	$ 7,801	$ 26,087
Issuances	12	—	—	12
Repayments	(15)	—	—	(15)
Total allowance for credit losses as at September 30, 2020	$ 149	$ 18,134	$ 7,801	$ 26,084

For the three and nine months ended September 30, 2020, a loss of $13,056 and $20,151, respectively (three and nine months ended September 30, 2019 - $(152) and $1,012, respectively) was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

4. Other assets:

Other assets are as follows:

	September 30, 2020	December 31, 2019
Prepaid expense	$ 2,774	$ 1,906
Prepaid management fees	—	160
Security deposits and costs related to future acquisitions	696	159
Income support receivable	—	63
Escrow deposits held by lenders	4,679	3,038
Right-of-use assets	1,940	2,199
Bond assets	948	1,071
Other	786	858
	$ 11,823	$ 9,454
Current	$ 8,935	$ 6,184
Non-current	2,888	3,270
	$ 11,823	$ 9,454

Escrow deposits held by lenders includes amounts held for use in payment of real estate taxes, property insurance and replacement reserves.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

5. Investment properties:

	Number of Properties		Amount
Balance, December 31, 2019	69	$	969,634
Transfer of property, plant and equipment (note 7)	(1)		(9,869)
Capital expenditures	—		5,323
Increase in straight-line rents	—		5,090
Fair value adjustment	—		(72,087)
Amortization of tenant inducements	—		(287)
Translation of foreign operations	—		(3,727)
Balance, September 30, 2020	68	$	894,077
Property tax liability under IFRIC 21			(3,267)
Fair value adjustment to investment properties - IFRIC 21			3,267
		$	894,077

At September 30, 2020, the Company used an internal valuation process to value its investment properties. Third party appraisers are engaged to prepare valuations on a portion of the portfolio annually such that one third of the portfolio is valued externally each year, and every property in the portfolio is valued externally at least once every five years. Management considers the external valuations for a cross-section of properties that represent different geographical locations across the Company's portfolio and updates, as deemed necessary, the valuation models to reflect current market data.

Acquired investment properties are initially measured at cost, including directly attributable acquisition costs, when the transactions are deemed to be asset acquisitions. Acquisition costs related to business combinations are expensed in the period incurred. Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. The Company uses alternative valuation methods such as the direct capitalized income approach or discounted cash flow projections (Level 3 inputs). The fair value of investment properties reflects rental income from current leases and assumptions about rental income from future leases in light of current market conditions. When a loan is arranged with a tenant at a below market rate, the estimated fair value of the discount is recognized as a tenant inducement at the time the loan commitment is made.

Capital expenditures includes costs related to expansion projects at two buildings in Canada that are jointly owned. The Company has committed to fund its share of the projects as the expansions are completed.

The Company is also continuing to review market capitalization, discount and terminal capitalization rates as well as its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic. The carrying value for the Company’s investment properties reflects its best estimate for the highest and best use as at September 30, 2020. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company’s business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Company’s business and operations that could potentially be impacted include rental income, occupancy, turnover, future demand, and market rents, which all ultimately impact the underlying valuation of investment properties.

On May 6, 2020, the Company contributed a previously triple-net leased property to a subsidiary partially owned by Phoenix Senior Living (note 6).

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The significant unobservable assumptions used in determining fair value of investment properties measured as at September 30, 2020 and December 31, 2019 are set out in the following table:

	September 30, 2020	December 31, 2019
Capitalization rate - range	6.75% - 11.48%	6.50% - 8.75%
Capitalization rate - weighted average	8.15%	7.89%
Terminal capitalization rate - range	5.70% - 8.90%	5.70% - 9.25%
Terminal capitalization rate - weighted average	6.69%	6.72%
Discount rate - range	6.70% - 9.50%	6.70% - 9.00%
Discount rate - weighted average	7.64%	7.56%

The fair value of investment properties is most sensitive to changes in capitalization rates, terminal capitalization rates and discount rates. Changes in the capitalization rates, terminal capitalization rates and discount rates would result in the following changes in the fair value of the Company's investment properties:

	September 30, 2020		December 31, 2019	
Investment property valued using direct capitalization income approach	$	717,618	$	793,724
Investment property valued using discounted cash flow projection	$	158,516	$	162,501
Investment property valued using other methods	$	17,943	$	13,409
Capitalization rate:				
25-basis point increase	$	(21,631)	$	(24,519)
25-basis point decrease	$	23,036	$	26,146
Terminal capitalization rate:				
25-basis point increase	$	(4,172)	$	(4,252)
25-basis point decrease	$	4,514	$	4,601
Discount rate:				
25-basis point increase	$	(1,918)	$	(1,968)
25-basis point decrease	$	1,954	$	2,005

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

6. Property, plant and equipment, net:

(a) Property, plant and equipment, net:

Property, plant and equipment consists of the following as at September 30, 2020:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Total
Cost					
Balance, December 31, 2019	$ 28,002	$ 435,958	$ 9,563	$ 937	$ 474,460
Additions	—	1,311	1,897	4,394	7,602
Disposals	—	—	(30)	—	(30)
Transfers to joint venture	(316)	(11,336)	(226)	—	(11,878)
Transfer from investment property	488	9,182	199	—	9,869
Acquisition of Albany operations	—	—	259	—	259
Acquisition of Royal JV	1,232	23,184	607	—	25,023
Acquisition of Fayetteville	524	9,843	505	—	10,872
Sale of Tampa	(143)	(2,707)	(29)	—	(2,879)
Asset transferred to held for sale	(960)	(1,420)	(188)	—	(2,568)
Balance, September 30, 2020	$ 28,827	$ 464,015	$ 12,557	$ 5,331	$ 510,730
Accumulated depreciation					
Balance, December 31, 2019	—	13,930	588	—	14,518
Depreciation and amortization	—	34,942	1,713	—	36,655
Disposals	—	—	(3)	—	(3)
Transfers to joint venture	—	(111)	(10)	—	(121)
Asset transferred to held for sale	—	(397)	(27)	—	(424)
Balance, September 30, 2020	$ —	$ 48,364	$ 2,261	$ —	$ 50,625
Property, plant and equipment, net balance, December 31, 2019	$ 28,002	$ 422,028	$ 8,975	$ 937	$ 459,942
Property, plant and equipment, net balance, September 30, 2020	$ 28,827	$ 415,651	$ 10,296	$ 5,331	$ 460,105

In June 2020 the Company ceased operations in and listed for sale a property located in Richmond, VA. The Company has successfully transitioned all residents from this property into new locations in order to prepare the building for sale. The assets are classified as held for sale on the condensed consolidated interim statement of financial position at September 30, 2020.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

(b) Acquisitions - three and nine months ended September 30, 2020

	Royal	Fayetteville	Albany operations	Total
Properties	5	1	—	6
Property, plant and equipment	$ 25,023	$ 10,872	$ 259	$ 36,154
Cash balance acquired	1,388	625	68	2,081
Working capital balances	(261)	(101)	(327)	(689)
Mortgages assumed	(22,708)	(6,848)	—	(29,556)
	$ 3,442	$ 4,548	$ —	$ 7,990
Consideration paid:				
Fair value of previously held interest	3,442	4,072	—	7,514
Cash paid	—	476	—	476
	$ 3,442	$ 4,548	$ —	$ 7,990

On May 6, 2020 the Company acquired 100% of Royal Senior Living’s ("Royal") interest in five joint venture properties in which the Company already had a majority ownership interest ("Royal JV"). Simultaneous with this transaction, management of four of these properties were transitioned to Phoenix Senior Living (“Phoenix") and combined with two assets in the Company’s portfolio already managed by Phoenix. On May 6, 2020 the Company acquired the minority partner's interest in one of these properties, Fayetteville, for $476.

The Company owns a controlling 90% interest in the entity that owns and operates the six assets, and as a result they have been consolidated following this transaction. The Company received total consideration of $1,126 from Phoenix for their buy-in to the entity, of which $650 was received in cash and $476 in a note to an affiliate of Phoenix for the remaining portion of their 10% ownership in the entity. $26 of the note has been repaid as of September 30, 2020.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

(c) Dispositions and transfers - three and nine months ended September 30, 2020

	Arlington Sale	Glassboro to Joint Venture	Tampa Sale	Total
Properties	(1)	(1)	(1)	(3)
Property, plant and equipment	$ (12,201)	$ (11,757)	$ (2,879)	$ (26,837)
Working capital balances	80	(57)	(121)	(98)
	$ (12,121)	$ (11,814)	$ (3,000)	$ (26,935)
Consideration paid (received):				
Equity contributed to joint venture	—	(3,016)	—	(3,016)
Gain (loss) on sale of property	(221)	103	—	(118)
Note issued to joint venture partner	—	(490)	—	(490)
Repayment/contribution of mortgages payable	(8,000)	(8,411)	—	(16,411)
Cash proceeds received, net	(3,900)	—	(3,000)	(6,900)
	$ (12,121)	$ (11,814)	$ (3,000)	$ (26,935)

On February 28, 2020, the Company sold a seniors housing property located in Arlington, TX for a sale price of $12,450 before closing costs. This property was previously recorded as held for sale. The consideration was paid in the form of an $8,000 repayment of the mortgage secured by the property and $3,900 of cash.

On February 21, 2020, the Company entered into a joint venture agreement with the operator Heritage Senior Living ("Heritage") for a property in Glassboro, NJ. Heritage operates the property pursuant to a management agreement. The Company sold 10% of its interest in the property and operations for $490, satisfied through a promissory note earning 5.91% annual interest. The promissory note matures at the earlier of March 1, 2024, the date that the existing debt secured by the property is refinanced, or upon termination of the management agreement.

The remaining asset in the former five property Royal JV, a seniors housing community in Tampa, FL, was non-strategic for the Company, and was sold to a third party on May 11, 2020 for $3,290 less transaction costs.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

(d) Acquisitions - the year ending December 31, 2019

The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition and the major categories of consideration transferred for acquisitions which were accounted for as business combinations under IFRS 3. The Company finalized the purchase price during the three months ended March 31, 2020.

	Commonwealth Tranche I	Commonwealth Tranche II	Greenfield Transition	Total
Properties Acquired	17	3	13	33
Property, plant and equipment	$ 286,695	$ 58,051	$ 36,430	$ 381,176
Construction in progress	893	—	—	893
Assumption of mortgages payable	(9,523)	(34,475)	(22,522)	(66,520)
Prepayment embedded derivatives	—	2,991	—	2,991
Mark to market debt adjustments	(278)	(5,867)	—	(6,145)
Working capital balances	(2,964)	1,010	559	(1,395)
Previous interest in joint venture	—	—	(9,863)	(9,863)
	$ 274,823	$ 21,710	$ 4,604	$ 301,137
Consideration paid:				
Issuance of preferred units	53,587	12,093	—	65,680
Proceeds from Commonwealth Facility	174,069	—	—	174,069
Satisfaction of rent receivable	—	—	1,522	1,522
Cash on hand	47,167	9,617	3,082	59,866
	$ 274,823	$ 21,710	$ 4,604	$ 301,137

Pursuant to the Commonwealth purchase agreement, the Company may be required to fund one or more earnout payments relating to six communities that had not yet reached stabilization at the time of acquisition by the Company. These earnout payments are only payable in the event specific occupancy and earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR") thresholds have been satisfied, and must be met prior to the third anniversary of closing at which time the earnout payment obligation will cease to exist. The earnout payments, when funded, will consist of a combination of cash and additional preferred interests. At this time, given the performance of one of the six communities, the Company has recorded an expense related to the increase in the fair value of contingent consideration in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) in the amount of $3,256, which will be paid through the issuance of $1,701 of Commonwealth preferred units and $1,555 of cash on hand. The Company has not recorded any balance in the financial statements associated with this commitment relating to the remaining five communities but is monitoring the financial performance trends and will begin accruing if it is determined that the thresholds are likely to be satisfied.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

7. Joint arrangements:

As at September 30, 2020, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Consolidation type
Invesque-Autumnwood Landlord	4	Canada	50 %	Joint operation (1)
Invesque-Autumnwood Operator	—	Canada	50 %	Joint venture (2)
Calamar	2	United States	75 %	Joint venture (3)
Heritage JV	3	United States	80 %	Joint venture (3)
Heritage Newtown	1	United States	80 %	Joint venture (3)
Heritage Harleysville	1	United States	90 %	Joint venture (3)
Heritage Glassboro	1	United States	90 %	Joint venture (3)
Jaguarundi	8	United States	61 %	Joint venture (4)

(1) The Company directly holds its interest in the real estate joint operation.
(2) These joint venture arrangements have been structured through separate legal entities and lease the properties from the joint operation landlord.
(3) These joint venture arrangements have been structured through separate legal entities. The joint venture owns an interest in separate legal entities which own the real estate and operations.
(4) The joint venture owns an interest in separate legal entities which own the real estate and leases the properties to third party operators.

The Company has entered into a number of joint arrangements for the purpose of jointly owning and operating certain of its seniors housing investments as detailed in the table above.

The Company and Autumnwood each owns a 50% direct beneficial interest in the real estate assets of the Invesque-Autumnwood Landlord entity and are jointly obligated for the related mortgages for a portfolio of four properties which are accounted for as joint operations and are accounted for under the proportionate consolidation method. The Company's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Invesque-Autumnwood Operators"), which under IFRS 11, Joint arrangements, are accounted for as joint ventures using the equity method. Invesque-Autumnwood Operators have leased the real estate from the landlords under their respective lease agreements. These leases are for three-year periods, with six automatic renewals every third anniversary for a total of 21 years. The Company's share of the landlords' lease receipts, $779 and $2,301 for the three and nine months ended September 30, 2020, respectively (three and nine months ended September 30, 2019 - $756 and $2,253, respectively), is reported as lease revenue from joint ventures. Invesque-Autumnwood Operators lease expense is included in the share of income from joint ventures in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

The Company has an interest in eight seniors housing and care properties in the United States in which it also owns an interest in the operations at those properties through joint arrangements. In these joint arrangements, the Company owns an interest in the real estate and operations through separate legal entities at each of the properties and has management agreements in place to provide for the day to day operations resulting in joint control of the interests. Each of these joint arrangements are accounted for as joint ventures using the equity method and the Company's share of net income is included in income from joint ventures in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

On June 5, 2019, the Company contributed eight investment properties to a newly formed joint venture, Jaguarundi Ventures, LP. The Company received $23,000 from its joint venture partner in the arrangement in exchange for a 39.49% interest in the joint venture. The properties contributed had an investment property value of $161,047 and total mortgage indebtedness of $102,692. The Company provides a guarantee on the outstanding mortgage balances of the joint venture in exchange for a fee equal to 15 basis points on the amount guaranteed. The Company earns an asset management fee of 25 basis points based on gross asset value. For the three and nine months ended September 30, 2020, the Company has earned guaranty fees of $15 and $45 and management fees of $101 and $303 from Jaguarundi Ventures included in other income in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

On May 6, 2020 the Company acquired 100% of Royal Senior Living's ("Royal") interest in five joint venture properties in which the Company already had a majority ownership interest ("Royal JV") (Note 6).

In addition to the five-asset Royal joint venture referenced above, the Company also had a single-asset joint venture with Royal which owned a seniors housing community in Eatonton, GA ("Royal Eatonton"). Royal purchased the Company's 65% ownership interest in the community on May 6, 2020. Cash proceeds to the Company for this sale were $1,447. Following this transaction, the Company and Royal no longer have any shared interests in joint arrangements.

The following tables summarize the information about the Company's investment in joint ventures, which have been accounted for under the equity method:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash contributions to joint ventures	$ 167	$ 4,649	$ 1,855	$ 10,840
Distributions received from joint ventures	$ 811	$ 1,727	$ 2,831	$ 4,769

	September 30, 2020		December 31, 2019	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 5,609	$ 4,169	$ 8,288	$ 5,959
Tenant and other receivables	5,813	3,977	5,192	3,374
Other	951	763	1,032	793
Current assets	12,373	8,909	14,512	10,126
Investment properties	296,009	208,134	361,970	256,945
Property, plant and equipment, net	26,374	19,130	26,878	19,567
Loans receivable	3,858	39	13,978	9,010
Other non-current assets	455	337	1,107	927
Total assets	$ 339,069	$ 236,549	$ 418,445	$ 296,575
Accounts payable and accrued liabilities	$ 8,455	$ 6,193	$ 7,578	$ 5,441
Unearned revenue	457	375	724	560
Mortgages payable - current	15,758	9,636	29,424	21,207
Current liabilities	24,670	16,204	37,726	27,208
Mortgages payable - non-current	197,369	143,613	217,627	156,853
Loan commitment liability	890	539	2,359	1,478
Derivative instruments	7,961	6,166	2,627	2,012
Other non-current liabilities	2,268	1,496	1,702	1,030
Total liabilities	$ 233,158	$ 168,018	$ 262,041	$ 188,581
Net assets	$ 105,911	$ 68,531	$ 156,404	$ 107,994

Loan commitment liability represents the fair value of commitments made by the Company to issue loans at rates below market value.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	Three months ended September 30, 2020		Three months ended September 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 14,634	$ 8,852	$ 20,717	$ 13,686
Other income	638	527	—	—
Property operating expense	(12,137)	(6,978)	(13,705)	(8,806)
Finance costs	(2,397)	(1,720)	(2,912)	(2,079)
Depreciation expense	(181)	(135)	(870)	(684)
Allowance for credit losses on loans and interest receivable	(5,239)	(4,326)	—	—
Change in fair value of financial instruments	588	454	(1,916)	(1,486)
Change in fair value of investment properties	(5,803)	(4,094)	(1,625)	(1,724)
Net loss, prior to distributions to owners	$ (9,897)	$ (7,420)	$ (311)	$ (1,093)

	Nine months ended September 30, 2020		Nine months ended September 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 50,125	$ 31,590	$ 58,354	$ 39,235
Other income	1,169	959	—	—
Property operating expense	(36,447)	(21,987)	(42,690)	(27,738)
Finance costs	(6,940)	(4,905)	(7,494)	(5,668)
Depreciation expense	(543)	(407)	(1,735)	(1,333)
Allowance for credit losses on loans and interest receivable	(14,471)	(11,758)	—	—
Change in fair value of financial instruments	(5,334)	(4,149)	(4,968)	(3,944)
Change in fair value of investment properties	(30,099)	(21,729)	(17,297)	(12,696)
Net loss, prior to distributions to owners	$ (42,540)	$ (32,386)	$ (15,830)	$ (12,144)

Related party transactions occur between the Company and its joint ventures. These related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to between the parties. Except as disclosed elsewhere in these consolidated financial statements, the related party balances are included in accounts payable, other receivables, loans receivable, and lease revenue from joint ventures.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The following table summarizes information about the gross balance of mortgages payable at the joint ventures:

	September 30, 2020	December 31, 2019
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 171,124	$ 163,307
Interest rates	3.99% to 4.98%	3.99% to 4.98%
Weighted average interest rate	4.30 %	4.33 %
Mortgages at variable rates:		
Mortgages (principal)	$ 42,989	$ 84,745
Interest rates	LIBOR plus 2.40% to LIBOR plus 3.00%	LIBOR plus 2.40% to LIBOR plus 3.00%
Weighted average interest rate	2.96 %	4.56 %
Blended weighted average rate	4.03 %	4.41 %

(1) Includes $114,764 of variable rate mortgages that are fixed with interest rate swaps.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The following tables summarize the information about the Company's investment in Jaguarundi Ventures, LP, which have been accounted for under the equity method and included in tables above. Jaguarundi Ventures, LP is shown separately below due to significance of the interest in the joint venture. The joint venture was formed on June 5, 2019. During the three and nine months ended September 30, 2020, the Company has made cash contributions of $0 and $1,428 to Jaguarundi Ventures, LP, respectively, (three and nine months ended September 30, 2019 - $4,116 and $8,630, respectively). During the three and nine months ended September 30, 2020, the Company has not received any distributions from Jaguarundi Ventures, LP (three and nine months ended September 30, 2019 - NIL).

	September 30, 2020		December 31, 2019	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 1,861	$ 1,126	$ 3,936	$ 2,382
Tenant and other receivables	1,797	1,087	1,620	980
Other	57	35	—	—
Current assets	3,715	2,248	5,556	3,362
Investment properties	147,361	89,163	162,660	98,420
Loans receivable	—	—	10,120	8,972
Total assets	$ 151,076	$ 91,411	$ 178,336	$ 110,754
Accounts payable and accrued liabilities	$ 2,135	$ 1,292	$ 2,154	$ 1,303
Unearned revenue	—	—	82	50
Mortgages payable - current	15,363	9,295	2,122	1,284
Current liabilities	17,498	10,587	4,358	2,637
Mortgages payable - non-current	84,614	51,197	99,542	60,229
Loan commitment liability	890	539	2,359	1,428
Derivative instruments	1,759	1,064	659	399
Other non-current liabilities	1,700	1,029	1,700	1,029
Total liabilities	$ 106,461	$ 64,416	$ 108,618	$ 65,722
Net assets	$ 44,615	$ 26,995	$ 69,718	$ 45,032

The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed. As of September 30, 2020, the outstanding mortgages balance of Jaguarundi Ventures, LP is $99,977. As of September 30, 2020, the value of the properties that collateralize the mortgages is $147,361 and is sufficient to support the mortgage values.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	Three months ended September 30, 2020		Three months ended September 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 3,628	$ 2,173	$ 3,699	$ 2,213
Real estate tax expense	(418)	(253)	(438)	(265)
General and administrative expenses	(2,160)	(1,307)	(137)	(83)
Finance costs	(1,122)	(678)	(1,280)	(779)
Allowance for credit losses on loans and interest receivable	(5,240)	(4,325)	—	—
Change in fair value of financial instruments	135	81	(242)	(147)
Change in fair value of investment properties	(5,327)	(3,201)	830	527
Net loss, prior to distributions to owners	$ (10,504)	$ (7,510)	$ 2,432	$ 1,466

	Nine months ended September 30, 2020		Nine months ended September 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 10,850	$ 6,498	$ 4,783	$ 2,869
Real estate tax expense	(1,253)	(758)	(583)	(353)
General and administrative expenses	(2,393)	(1,448)	(170)	(103)
Finance costs	(2,743)	(1,507)	(1,619)	(979)
Allowance for credit losses on loans and interest receivable	(14,471)	(11,757)	—	—
Change in fair value of financial instruments	(1,100)	(666)	(375)	(227)
Change in fair value of investment properties	(15,760)	(9,469)	(4,931)	(3,821)
Net loss, prior to distributions to owners	$ (26,870)	$ (19,107)	$ (2,895)	$ (2,614)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

8. Credit facilities:

The credit facilities are recorded net of loan fees, which are capitalized when paid, and amortized into finance cost over the terms of the related loans using the effective interest rate method.

	September 30, 2020	Borrowing rate at September 30, 2020	December 31, 2019	Borrowing rate at December 31, 2019
Unsecured Facility Term (1)	$ 200,000	4.51 %	$ 200,000	4.51 %
Unsecured Facility Revolver (3)	190,500	3.43 %	173,750	4.43 %
Mohawk Facility USD denominated portion	21,286	2.34 %	21,286	3.96 %
Mohawk Facility CAD denominated portion (1) (2)	63,955	4.32 %	65,589	4.32 %
Magnetar Facility	10,000	9.00 %	15,000	8.50 %
Commonwealth Facility (1)	176,000	3.84 %	176,000	3.84 %
Finance costs, net	(3,634)	—	(4,666)	—
Carrying value	$ 658,107	4.00 %	$ 646,959	4.36 %
Less current portion	10,000		14,569	
Long-term portion	$ 648,107		$ 632,390	

(1) This facility is fixed with an interest rate swap.
(2) This facility is denominated in Canadian dollars with a principal amount of CAD$85,202.
(3) $75,000 of this facility is fixed with interest rate swaps.

On June 5, 2020, the Company gave notice of intent to exercise the one year extension option and per the Magnetar Facility credit agreement the interest rate will increase to 9.0%. On June 16, 2020, the Company repaid $5,000 on the Magnetar Facility.

On November 4, 2020, the Company entered into an agreement to modify the Unsecured Facility, in which the facility will be permanently converted to a facility secured by pledges of equity in the special purposes entities which own the properties making up a borrowing base. The minimum fixed charge coverage ratio covenant will permanently decrease from 1.75 to 1.60. Per the agreement, the Company will be granted a surge period effective with the quarterly reporting period ended September 30, 2020 through June 30, 2021. During the surge period, the consolidated leverage ratio covenant will be increased from 60% to 65%, the advance rate will increase from 60% to 65% of the borrowing base, the applicable margin for LIBOR loans will increase 15 basis points, and the implied interest rate used to calculate the debt service coverage amount will decrease from 6.0% to 5.75%.

The table below shows the applicable margins at each leverage ratio during the surge period, which includes a 15 basis point increase:

Level	Consolidated Leverage Ratio	Applicable Margin for Revolving Credit LIBOR Loans	Applicable Margin for LIBOR Loans that are Term Loans
1	Less than 40%	1.75 %	1.70 %
2	Equal to or greater than 40% but less than 45%	1.90 %	1.85 %
3	Equal to or greater than 45% but less than 50%	2.05 %	2.00 %
4	Equal to or greater than 50% but less than 55%	2.20 %	2.15 %
5	Equal to or greater than 55% but less than 60%	2.35 %	2.30 %
6	Equal to or greater than 60% but less than 65%	2.60 %	2.55 %

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2020	$ —
2021	10,000
2022	190,500
2023	285,241
2024	176,000
Thereafter	—
Total	$ 661,741

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

9. Mortgages payable:

Mortgages payable consist of the following as at September 30, 2020:

	September 30, 2020	December 31, 2019
Mortgages payable	$ 292,262	$ 275,083
Mark-to-market adjustment, net	4,987	2,297
Finance costs, net	(2,462)	(1,913)
Carrying value	$ 294,787	$ 275,467
Less current portion	23,071	43,024
Long-term portion	$ 271,716	$ 232,443

Mortgages payable are collateralized by investment properties and property, plant and equipment with a value of $445,620 at September 30, 2020. Maturity dates on mortgages payable range from 2020 to 2054, and the weighted average years to maturity is 8.24 years at September 30, 2020.

Future principal payments on the mortgages payable as at September 30, 2020 are as follows:

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2020	$ 1,353	$ 13,245	$ 14,598	5 %
2021	6,212	10,707	16,919	6 %
2022	6,182	27,362	33,544	11 %
2023	5,255	83,435	88,690	30 %
2024	3,618	20,206	23,824	8 %
Thereafter	50,106	64,581	114,687	40 %
	$ 72,726	$ 219,536	$ 292,262	100 %

	September 30, 2020	December 31, 2019
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 236,493	$ 241,451
Interest rates	2.55% to 6.15%	2.55% to 6.96%
Weighted average interest rate	4.34 %	4.76 %
Mortgages at variable rates:		
Mortgages (principal)	$ 55,769	$ 33,632
Interest rates	LIBOR plus 2.45% to LIBOR plus 2.75% with a 1% LIBOR Floor	LIBOR plus 3.20% to Canada Prime Rate plus 1.25%
Weighted average interest rate	3.53 %	5.02 %
Blended weighted average rate	4.18 %	4.79 %

(1) Includes $67,218 of variable rate mortgages that are fixed with interest rate swaps.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

10. Derivative financial instruments:

(a) Derivative swaps:

Derivative swaps as at September 30, 2020 are detailed in the table below:

				Asset (liability) balance		Income (loss) for the three months ended		Income (loss) for the nine months ended	
Swap	Maturity date	Fixed rate	Notional amount	September 30, 2020	December 31, 2019	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
The Unsecured Term	December 19, 2023	LIBOR fixed at 2.11%	200,000	(13,149)	(4,466)	1,000	(1,821)	(8,683)	(7,310)
The Unsecured Revolver	January 2, 2024	LIBOR fixed at 2.57%	25,000	(2,040)	(1,019)	155	(206)	(1,021)	(1,093)
The Unsecured Revolver	December 1, 2022	LIBOR fixed at 2.11%	50,000	(2,256)	(861)	259	(273)	(1,395)	(1,119)
Leawood Swap (3)	March 15, 2024	Interest rate fixed at 4.55%	13,136	—	—	—	—	—	(407)
Topeka Swap (3)	March 15, 2024	Interest rate fixed at 4.55%	12,477	—	—	—	—	—	(387)
Red Oak Swap (1)	January 18, 2021	Interest rate fixed at 3.77%	3,952	(30)	(27)	18	11	(3)	(15)
Park Terrace Swap	December 18, 2020	LIBOR fixed at 2.42%	—	—	—	—	—	—	(4)
Seneca Lake Swap	December 18, 2020	LIBOR fixed at 2.42%	—	—	—	—	—	—	(4)
Winchester Swap	November 1, 2021	Interest rate fixed at 4.54%	6,367	(98)	(2)	23	(23)	(96)	(169)
Calhoun Swap	May 31, 2019	LIBOR fixed at 1.75%	—	—	—	—	—	—	(3)
Mohawk Credit Facility Swap (2)	May 1, 2023	Banker's Acceptance fixed at 2.12%	63,955	(2,659)	(276)	177	202	(2,339)	(715)
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	15,507	(521)	(475)	123	5	(46)	(214)
Commonwealth Swap	August 1, 2024	LIBOR fixed at 1.69%	176,000	(10,344)	(840)	666	(2,649)	(9,504)	(2,649)
Constant Care Swap	October 1, 2022	Interest rate fixed at 4.21%	27,101	(735)	64	96	—	(799)	—
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	14,291	(119)	—	20	—	(119)	—
			Carrying value	$ (31,951)	$ (7,902)	$ 2,537	$ (4,754)	$ (24,005)	$ (14,089)
			Derivative instruments (Asset)	$ —	$ 64				
			Derivative instruments (Liability)	(31,951)	(7,966)				
				$ (31,951)	$ (7,902)				

(1) The swap has a notional amount of CAD$5,266.

(2) The swap is for a fixed amount of CAD$85,202.

(3) These properties were contributed to a joint venture on June 5, 2019.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

(b) Prepayment embedded derivatives:

Certain mortgages payable contain prepayment options that represent embedded derivatives that require bifurcation from the host contract. The prepayment options are measured at fair value, with changes in the fair value being recognized as change in fair value of financial instruments in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2). As at September 30, 2020, the prepayment embedded derivative assets have a fair value of $5,241. For the three and nine months ended September 30, 2020, a fair value gain (loss) of ($406) and $2,249, respectively, was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

11. Convertible debentures:

As at September 30, 2020 the convertible debentures are comprised of the following:

	September 30, 2020	December 31, 2019
Issued	$ 94,975	$ 94,975
Issue costs, net of amortization and accretion of equity component	(519)	(1,542)
Equity component, excluding issue costs and taxes	(2,384)	(2,384)
Convertible debentures	$ 92,072	$ 91,049

12. Commonwealth preferred unit liability:

As at September 30, 2020 the Commonwealth preferred unit liability is comprised of the following:

	September 30, 2020	December 31, 2019
Issued	$ 65,680	$ 65,680
Equity component, net of accretion	(1,695)	(2,026)
Commonwealth preferred unit liability	$ 63,985	$ 63,654

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

13. Other liabilities:

Other liabilities are as follows:

	September 30, 2020	December 31, 2019
Deferred shares liability (note 21)	$ 839	$ 2,597
Security deposits received from tenants	8,563	8,573
Escrows collected from tenant	2,039	944
Unearned revenue	1,522	1,426
Liability to previous owner of Care	253	632
Lease liability	1,940	2,199
Loan commitment liability (note 24)	246	979
Exchangeable units liability	2,049	2,049
Earnout payable (note 6)	3,256	—
Other	615	352
	$ 21,322	$ 19,751
Current	$ 7,137	$ 3,015
Non-current	14,185	16,736
	$ 21,322	$ 19,751

Loan commitment liability represents the fair value of commitments made by the Company to issue loans at rates below market value.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

14. Reconciliation of changes in liabilities arising from financing activities:

	Credit facilities	Mortgages payable	Convertible debentures	Commonwealth preferred unit liability	Total
Balance, December 31, 2019	$ 646,959	$ 275,467	$ 91,049	$ 63,654	$ 1,077,129
Proceeds from financing	33,000	17,198	—	—	50,198
Repayments	(21,250)	(17,375)	—	—	(38,625)
Scheduled principal payments	—	(3,708)	—	—	(3,708)
Mortgage contributed to joint venture	—	(8,411)	—	—	(8,411)
Mortgages assumed from joint venture	—	29,670	—	—	29,670
Mark to market adjustments made to mortgages assumed through acquisition of property, plant and equipment (note 6)	—	2,991	—	—	2,991
Financing costs paid	(254)	(603)	—	—	(857)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	1,273	189	1,023	331	2,816
Changes in foreign currency rates	(1,621)	(631)	—	—	(2,252)
Balance, September 30, 2020	$ 658,107	$ 294,787	$ 92,072	$ 63,985	$ 1,108,951

	Credit facilities	Mortgages payable	Convertible debentures	Total
Balance, December 31, 2018	$ 338,140	$ 303,330	$ 89,745	$ 731,215
Proceeds from financing	328,550	36,925	—	365,475
Repayments	(46,240)	(29,370)	—	(75,610)
Scheduled principal payments	—	(3,738)	—	(3,738)
Mortgages contributed to joint venture	—	(102,692)	—	(102,692)
Mortgages assumed on acquisition of control over a property previously owned through a joint venture	—	21,203	—	21,203
Mortgages assumed through acquisition of property, plant, and equipment	—	9,537	—	9,537
Financing costs paid	(2,702)	(913)	—	(3,615)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	886	1,112	995	2,993
Changes in foreign currency rates	1,840	688	—	2,528
Conversion of convertible debentures into common shares	—	—	(25)	(25)
Balance, September 30, 2019	$ 620,474	$ 236,082	$ 90,715	$ 947,271

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

15. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at September 30, 2020:

	Common shares		Carrying value
Balance, December 31, 2019	54,633,482	$	504,561
Issued on settlement of Deferred Share Incentive Plan	313,694		1,040
Issued on settlement of equity settled Deferred Shares	31,203		214
Issued pursuant to the Company's dividend reinvestment plan	931,602		3,498
Shares acquired under NCIB	(54,500)		(148)
Balance, September 30, 2020	55,855,481	$	509,165

(i) On November 15, 2019 the Toronto Stock Exchange ("TSX") approved the Company's notice of intention to renew its normal course issuer bid ("NCIB") for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,723,835 of its common shares, or approximately 5% of the Company's 54,476,694 outstanding common shares as of November 1, 2019, for cancellation over the following 12 months. Purchases under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per share equal to the market at the time of acquisition. The number of shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 10,927 shares, subject to the Company's ability to make one block purchase of shares per calendar week that exceeds such limits. Any shares purchased under the NCIB will be canceled upon purchase. During the nine months ended September 30, 2020, the Company acquired 54,500 shares.

(ii) For the nine months ended September 30, 2020, the Company declared dividends payable on common shares of $10,120 (2019 - $29,718). Of the $10,120 dividends declared in the nine months ended September 30, 2020, $2,868 was satisfied in the form of shares issued through the dividend reinvestment plan (2019 - $5,769).

(iii) On April 10, 2020, the Company announced the suspension of its dividend for all common shareholders from April 1, 2020 until further notice.

(b) Preferred shares:

The following number and value of preferred shares were issued and outstanding as at September 30, 2020:

	Preferred shares		Carrying value
Balance, December 31, 2019 and September 30, 2020	9,098,598	$	85,389

As at September 30, 2020, the preferred shares are convertible into 10,488,362 common shares of the Company.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

16. Earnings (loss) per share:

Basic income per share is calculated using the weighted average number of shares outstanding during the period. The calculation of diluted income per share, is calculated using the "if-converted" method and to the extent the conversion is dilutive, assumes all convertible securities have been converted at the beginning of the period, or at the time of issuance, if later, and any charges or returns on the convertible securities, on an after-tax basis, are removed from net earnings. The outstanding convertible debentures, unvested deferred shares, exchangeable units, preferred shares and Commonwealth preferred units, if exercised, would be anti-dilutive to net income per share. Accordingly their potential exercise has been ignored in calculating the diluted net income per share.

The following table reconciles the numerator and denominator of the basic and diluted earnings per share computation:

Net loss:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net loss for basic and diluted net loss per share	$ (60,749)	$ (2,346)	$ (147,689)	$ (12,043)

Denominator for basic and diluted net loss per share:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	55,987,283	54,333,436	55,586,685	53,781,980

Net loss per share:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Basic and diluted	$ (1.09)	$ (0.04)	$ (2.66)	$ (0.22)

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

17. Revenue:

(a) Rental Revenue:

Rental revenue consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Contractual rental revenue	$ 17,068	$ 17,717	$ 51,202	$ 59,163
Straight-line rent adjustments	1,616	2,147	5,090	6,795
Amortization of tenant inducements	(97)	(57)	(287)	(57)
Property tax recoveries	3,437	3,660	10,328	11,534
Revenue from services - CAM recoveries (1)	711	773	2,201	2,352
	$ 22,735	$ 24,240	$ 68,534	$ 79,787

(1) Represents property services element in accordance with IFRS 15

The Company is scheduled to receive rental income from operators of its seniors housing and care properties under the provisions of long term non-cancellable operating leases, generally with lease terms of 10 to 15 years, with provisions for lease extensions at the option of the tenants. These leases are triple-net and include renewal options and rent escalation clauses.

The Company is also scheduled to receive rental income from tenants of the medical office building portfolio. These leases include provisions for recovery of real estate taxes, insurance and costs associated with common area maintenance ("CAM").

The tenant Symcare operates a portfolio of 15 properties and pays rent pursuant to a master lease. For the three and nine months ended September 30, 2020, rental revenue from this tenant comprised approximately 44% and 43%, respectively (three and nine months ended September 30, 2019 - 41% and 36%), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of September 30, 2020 are as follows:

Less than 1 year	$ 68,542
Between 1 and 5 years	272,236
More than 5 years	524,750
	$ 865,528

Future minimum rentals in the above table attributable to Symcare represent approximately 50% of the total.

(b) Resident rental and related revenue:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Resident revenue	$ 14,812	$ 8,261	$ 41,035	$ 8,261
Service revenue (1)	16,229	4,378	48,404	4,378
	$ 31,041	$ 12,639	$ 89,439	$ 12,639

(1) Represents property services element in accordance with IFRS 15

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

18. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 634	$ 338	$ 972	$ 211	$ 345	$ 556
Utilities	918	361	1,279	371	362	733
Property management fees	—	143	143	—	144	144
Compensation and benefits	15,343	—	15,343	6,003	—	6,003
Other services and supplies	1,640	244	1,884	854	247	1,101
Real estate taxes	604	—	604	181	—	181
Other	3,970	196	4,166	1,030	186	1,216
	$ 23,109	$ 1,282	$ 24,391	$ 8,650	$ 1,284	$ 9,934

	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 1,802	$ 1,227	$ 3,029	$ 211	$ 1,101	$ 1,312
Utilities	2,744	950	3,694	371	984	1,355
Property management fees	—	425	425	—	430	430
Compensation and benefits	43,746	—	43,746	6,003	—	6,003
Other services and supplies	5,096	730	5,826	854	735	1,589
Real estate taxes	1,733	—	1,733	181	—	181
Other	11,170	582	11,752	1,030	579	1,609
	$ 66,291	$ 3,914	$ 70,205	$ 8,650	$ 3,829	$ 12,479

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

19. Finance costs:

Finance costs consist of the following:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Interest expense on credit facilities	$ 4,427	$ 6,645	$ 15,968	$ 15,718
Interest expense on mortgages payable	2,754	2,439	8,385	9,239
Interest expense on convertible debentures	1,312	1,312	3,936	3,936
Distributions on exchangeable units	—	20	62	20
Dividends on Commonwealth preferred units	1,082	573	3,236	573
Amortization and accretion expense	947	810	3,057	2,860
Interest rate swap payments (receipts)	2,616	(142)	5,081	(304)
Write-off of deferred financing costs from refinancing	67	13	67	82
Amortization of mark-to-market debt adjustments	(168)	22	(301)	66
Interest income from loans receivable (note 3)	(877)	(990)	(2,643)	(2,581)
Finance costs from operations	$ 12,160	$ 10,702	$ 36,848	$ 29,609
Allowance for credit losses on loans and interest receivable (note 3)	13,056	(152)	20,151	1,012
Change in non-controlling interest liability	41	189	209	344
Change in fair value of financial instruments (note 10)	(2,131)	4,754	21,756	14,089
Change in fair value of contingent consideration (note 6)	3,256	—	3,256	—
Total finance costs	$ 23,126	$ 15,493	$ 78,964	$ 45,054

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

20. General and administrative:

General and administrative costs consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Compensation and benefits	$ 2,573	$ 2,158	$ 8,421	$ 5,356
Asset management and administrative fees	41	125	231	374
Professional fees	625	566	2,601	2,300
Deferred share compensation expense	484	671	519	1,804
Bad debt expense	262	—	1,726	—
Other	873	785	2,085	2,033
	$ 4,858	$ 4,305	$ 15,583	$ 11,867

For the three and nine months ended September 30, 2020, $1,732 and $4,930, respectively (three and nine months ended September 30, 2019 - $981 and $981, respectively) of general and administrative costs were incurred at the Commonwealth management company. For the three and nine months ended September 30, 2020, the Company has incurred severance expense of $0 and $393, respectively (2019 - NIL) .

21. Deferred share incentive plan:

At September 30, 2020, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
As at December 31, 2019	897,726	108,186
Discretionary Deferred Shares	257,955	313,580
Equity Settled Deferred Shares	375,733	34,998
Individual Contributed Deferred Shares (vested immediately)	54,228	54,228
Company Contributed Deferred Shares	54,228	18,015
Shares issued upon vesting of deferred shares	(344,896)	(344,896)
Shares settled for cash pursuant to the plan terms	(4,255)	(4,255)
As at September 30, 2020	1,290,719	179,856

For the three and nine months ended September 30, 2020, the expense recognized in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) related to deferred shares was $484 and $519, respectively (three and nine months ended September 30, 2019 - $671 and $1,804, respectively). A deferred share liability of $839 (2019 - $2,597) is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at September 30, 2020.

On January 24, 2020, the Company granted 344,310 deferred shares that are considered to be equity settled, as the participants of this grant have waived their rights to receive settlement in cash pursuant to the plan. During the three and nine months ended September 30, 2020, the Company amortized $471 and $1,340, respectively (three and nine months ended September 30, 2019 - $142 and $430, respectively) of equity settled deferred shares.

The table above includes dividends granted during the nine months ended September 30, 2020 of 64,266 shares (2019 - 48,096 shares).

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

22. Related party transactions:

Related party transactions in addition to those disclosed elsewhere in these consolidated financial statements are as follows:

The Company entered into subscription agreements in 2017, 2018 and 2019 in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar Financial LLC (collectively, "Magnetar"), a significant shareholder of the Company, funded in multiple series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 9,098,598 preferred shares for aggregate gross proceeds of $86,050.

On June 5, 2019, the Company formed a joint venture, Jaguarundi Ventures, LP, with Magnetar. The Company contributed 8 properties to a newly formed joint venture and received $23,000 from Magnetar in exchange for a 39.49% interest in the joint venture.

On July 26, 2019, the Company entered into a credit agreement with Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility. On June 5, 2020, the Company gave notice of intent to exercise the one year extension option and per the credit agreement the interest rate will increase to 9.0%. On June 16, 2020, the Company repaid $5,000 on the facility.

23. Income taxes:

The income tax expense (recovery) in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2019 - 26.5%). The differences for the three and nine months ended September 30, 2020 and 2019 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net loss before income taxes	$ (60,749)	$ (3,046)	$ (154,633)	$ (15,981)
Income tax recovery at Canadian tax rate	(16,099)	(808)	(40,978)	(4,235)
Non-deductible expenses	306	197	514	539
Difference in tax rate in foreign jurisdiction	(736)	(89)	(1,791)	(189)
Unrecognized tax losses	16,529	—	35,311	(53)
Income tax recovery	$ —	$ (700)	$ (6,944)	$ (3,938)

The gross movement in deferred tax is as follows:

	Nine months ended September 30,	
	2020	2019
Deferred tax liability, beginning balance	$ (6,944)	$ (7,011)
Deferred tax recovery (expense)	6,944	3,938
Deferred tax liability, ending balance	$ —	$ (3,073)

24. Commitments and contingencies:

Pursuant to the Chesterton lease agreement and satisfaction of certain conditions, the tenant has an option prior to the end of the fifth year of the lease to increase rent to a level supported by certain metrics as identified in the lease agreement. In consideration for the exercise of such option, the Company is required to pay the tenant an amount equal to the capitalized value of the rent increase using a pre-determined capitalization rate. If such option is exercised, the tenant's rent is also increased by an amount equal to the consideration paid multiplied by the capitalization rate. The Company has not recorded any balance in the consolidated financial statements associated with this commitment.

There are risks which arise from the joint arrangements, including the willingness of the other partners to contribute or withdraw funds and a change in creditworthiness of the partner. As a result, there may be a requirement by the Company to contribute cash into the operating partnerships.

On December 31, 2018, the Company entered into an operating agreement with Javelina Ventures, LLC in which the Company will share in 5% of the net available cash flows from operations. Concurrently, the Company entered into an agreement to guarantee a total of $5,000 of the mortgages on the properties operated by Javelina Ventures, LLC. The Company earns an annual guaranty fee of $225 until the loans have been repaid or the guaranty is released. The Company has not recorded any balance in the financial statements associated with this commitment.

On June 5, 2019, the Company entered into agreements to fund future loans to tenants of the Jaguarundi Ventures, LP joint venture. On October 1, 2019, the Company amended the agreements to increase the future loan commitments to the tenants. On February 18, 2020, the Company amended the agreements to further increase the future loan commitments to the tenants. As at September 30, 2020, the Company is committed to fund an additional $603 pursuant to these agreements. The Company has recorded an associated loan commitment liability representing the fair value of these commitments, which were made at interest rates below market value. The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed (note 7). As of September 30, 2020, the value of the properties that collateralize the mortgages is $147,361 and is sufficient to support the mortgage values.

Pursuant to the Commonwealth purchase agreement, the Company may be required to fund one or more earnout payments relating to six communities that had not yet reached stabilization at the time of acquisition by the Company. These earnout payments are only payable in the event specific occupancy and EBITDAR thresholds have been satisfied, and must be met prior to the third anniversary of closing at which time the earnout payment obligation will cease to exist. The earnout payments, when funded, will consist of a combination of cash and additional preferred interests. At this time, given the performance of one of the six communities, the Company has recorded an expense related to the increase in the fair value of contingent consideration in the amount of $3,256, which will be paid through the issuance of $1,701 of Commonwealth preferred units and $1,555 of cash on hand. The Company has not recorded any balance in the financial statements associated with this commitment relating to the remaining five communities but is monitoring the financial performance trends and will begin accruing if it is determined that the thresholds are likely to be satisfied.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

25. Fair value measurement:

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the condensed consolidated interim statements of financial position is as follows:

	September 30, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	$ —	$ 5,241	$ —	$ —	$ 64	$ —
Investment properties	—	—	894,077	—	—	969,634
Loans receivable	—	—	2,368	—	—	2,368
Loan commitment liability	—	246	—	—	979	—
Derivative liability	—	31,951	—	—	7,966	—
Deferred share liability	—	839	—	—	2,597	—

For the assets and liabilities measured at fair value as at September 30, 2020, there were no transfers between Level 1, Level 2 and Level 3 levels during the period. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 5 for details. The fair values of the derivative instruments represents estimates at a specific point in time using financial models, based on interest rates that reflect current market conditions, the credit quality of counterparties and interest rate curves. Fair value measurements of derivative instruments were estimated using Level 2 inputs. Fair value of deferred share liability represents the value of the units if converted using the market price of the Company's common shares.

Fair value of financial instruments:

The carrying amounts and fair values of financial instruments as shown in the condensed consolidated interim statements of financial position are shown in the table below. The table below excludes cash, restricted cash, tenant and other receivables, security deposits and costs related to future acquisitions, income support receivable, escrow deposits held by lenders, accounts payable and accrued liabilities, accrued real estate taxes, construction payable, liabilities to previous owner of Care, escrows collected from tenant, and dividend payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value due to their short term nature. The table also excludes security deposits received from tenants as the carrying amount is a reasonable approximation of fair value.

	September 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 24,184	$ 24,226	$ 48,902	$ 48,947
Derivative instruments	5,241	5,241	64	64
Bond assets	948	948	1,071	1,071
Financial liabilities:				
Mortgages payable	294,787	297,249	275,467	275,083
Credit facilities	658,107	661,741	646,959	651,625
Derivative instruments	31,951	31,951	7,966	7,966
Convertible debentures	92,072	66,201	91,049	86,441
Commonwealth preferred unit liability	63,985	63,985	63,654	63,654
Loan commitment liability	246	246	979	979
Exchangeable Units liability	2,049	662	2,049	2,207

Fair value represents management's estimates of the fair market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective and require estimation, and cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

26. Segments:

The Company's current portfolio includes investments in assisted living, independent living, memory care, transitional care, long-term care, and medical office properties. The Company's senior housing and care investments in assisted living, independent living, memory care, transitional care and long-term care share similar characteristics and are generally leased to operators on a long-term, triple-net lease basis. In some instances the Company has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. The Company considers these investments to be one reportable operating segment. The Company has investments in 15 medical office buildings ("Medical office buildings"). This multi-tenant medical office portfolio has different characteristics that are evaluated by management, and is considered to be a separate reportable operating segment. Through the acquisition of Commonwealth and the transition of the Greenfield assets, the Company has investments in 36 properties and a management company that operates 29 of those properties ("owner occupied property"). Management considers this another reportable operating segment.

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The following tables show net income (loss) by reportable segment for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30, 2020				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 19,541	$ —	$ 3,194	$ —	$ 22,735
Resident rental and related revenue	—	31,106	—	—	31,106
Lease revenue from joint ventures	779	—	—	—	779
Other revenue	2	410	224	173	809
Other income	—	2,529	—	—	2,529
Direct property operating expenses	—	(23,109)	(1,282)	—	(24,391)
Depreciation and amortization expense	—	(12,558)	—	(23)	(12,581)
Finance cost from operations	(1,058)	(4,333)	(897)	(5,872)	(12,160)
Real estate tax expense	—	—	(407)	—	(407)
General and administrative expenses	(311)	(1,758)	(41)	(2,748)	(4,858)
Transaction costs for business combination	—	—	—	237	237
Allowance for credit losses on loans and interest receivable	(87)	—	—	(12,969)	(13,056)
Changes in non-controlling interest liability	(63)	22	—	—	(41)
Change in fair value of investment properties - IFRIC 21	(3,038)	—	(168)	—	(3,206)
Change in fair value of investment properties	(38,037)	—	(1,662)	—	(39,699)
Change in fair value of financial instruments	261	260	177	1,433	2,131
Change in fair value of contingent consideration	—	—	—	(3,256)	(3,256)
Loss from joint ventures	(7,420)	—	—	—	(7,420)
Net loss	$ (29,431)	$ (7,431)	$ (862)	$ (23,025)	$ (60,749)
Expenditures for non-current assets:					
Capital additions	1,388	3,350	141	—	4,879

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	Nine months ended September 30, 2020				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 58,962	$ —	$ 9,572	$ —	$ 68,534
Resident rental and related revenue	—	89,439	—	—	89,439
Lease revenue from joint ventures	2,301	—	—	—	2,301
Other revenue	2	1,261	779	691	2,733
Other income	—	2,594	—	—	2,594
Direct property operating expenses	—	(66,291)	(3,914)	—	(70,205)
Depreciation and amortization expense	—	(36,536)	—	(70)	(36,606)
Finance cost from operations	(4,622)	(12,942)	(2,724)	(16,560)	(36,848)
Real estate tax expense	(12,255)	—	(1,859)	—	(14,114)
General and administrative expenses	(1,863)	(4,956)	(230)	(8,534)	(15,583)
Transaction costs for business combination	—	(34)	—	(136)	(170)
Allowance for credit losses on loans and interest receivable	(450)	—	—	(19,701)	(20,151)
Changes in non-controlling interest liability	(80)	(129)	—	—	(209)
Change in fair value of investment properties - IFRIC 21	3,106	—	172	—	3,278
Change in fair value of investment properties	(69,456)	—	(2,631)	—	(72,087)
Change in fair value of financial instruments	(942)	(7,255)	(2,341)	(11,218)	(21,756)
Change in fair value of contingent consideration	—	—	—	(3,256)	(3,256)
Loss on sale of property, plant and equipment	—	79	—	(220)	(141)
Loss from joint ventures	(32,386)	—	—	—	(32,386)
Income tax recovery	—	—	—	6,944	6,944
Net loss	$ (57,683)	$ (34,770)	$ (3,176)	$ (52,060)	$ (147,689)
Expenditures for non-current assets:					
Capital additions	4,827	7,602	496	—	12,925

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	Three months ended September 30, 2019				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 21,250	$ —	$ 2,990	$ —	$ 24,240
Resident rental and related revenue	—	12,639	—		12,639
Lease revenue from joint ventures	756	—	—	—	756
Other income	—	298	456	161	915
Direct property operating expenses	—	(8,650)	(1,284)	—	(9,934)
Depreciation and amortization expense	—	(5,341)	—	(24)	(5,365)
Finance cost from operations	(6,588)	(2,098)	(1,013)	(1,003)	(10,702)
Real estate tax expense	(169)	—	(358)	—	(527)
General and administrative expenses	61	(1,032)	(142)	(3,192)	(4,305)
Transaction costs for business combination	—	—	—	(2,564)	(2,564)
Allowance for credit losses on loans and interest receivable	2	—	—	150	152
Changes in non-controlling interest liability	(189)	—	—	—	(189)
Change in fair value of investment properties - IFRIC 21	(3,123)	—	(162)	—	(3,285)
Change in fair value of investment properties	435	—	535	—	970
Change in fair value of financial instruments	(7)	(2,649)	201	(2,299)	(4,754)
Loss from joint ventures	(1,093)	—	—	—	(1,093)
Income tax recovery	—	—	—	700	700
Net income loss	$ 11,335	$ (6,833)	$ 1,223	$ (8,071)	$ (2,346)
Expenditures for non-current assets:					
Acquisition of properties	$ 29,962	$ 286,765	$ —	$ —	$ 316,727
Capital additions	1,994	206	363	—	2,563

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

	Nine months ended September 30, 2019				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 70,112	$ —	$ 9,675	$ —	$ 79,787
Resident renal and related revenue	—	12,639	—	—	12,639
Lease revenue from joint ventures	2,253	—	—	—	2,253
Other income	—	298	1,290	331	1,919
Direct property operating expenses	—	(8,650)	(3,829)	—	(12,479)
Depreciation and amortization expense	—	(5,341)	—	(67)	(5,408)
Finance cost from operations	(21,556)	(2,098)	(3,065)	(2,890)	(29,609)
Real estate tax expense	(13,816)	—	(1,689)	—	(15,505)
General and administrative expenses	(91)	(1,032)	(392)	(10,352)	(11,867)
Transaction costs for business combination	—	—	—	(4,260)	(4,260)
Diligence costs for transactions not pursued	—	—	—	(633)	(633)
Allowance for credit losses on loans and interest receivable	(11)	—	—	(1,001)	(1,012)
Changes in non-controlling interest liability	(344)	—	—	—	(344)
Change in fair value of investment properties - IFRIC 21	3,367	—	155	—	3,522
Change in fair value of investment properties	(4,425)	—	(466)	(3,860)	(8,751)
Change in fair value of financial instruments	(1,204)	(2,649)	(715)	(9,521)	(14,089)
Loss from joint ventures	(12,144)	—	—	—	(12,144)
Income tax recovery	—	—	—	3,938	3,938
Net loss	$ 22,141	$ (6,833)	$ 964	$ (28,315)	$ (12,043)
Expenditures for non-current assets:					
Acquisition of properties	$ 89,421	$ 286,765	$ —	$ —	$ 376,186
Capital additions	4,659	206	830	—	5,695

(Expressed in thousands of U.S. dollars unless otherwise noted, except share and per share amounts)

The following tables show assets and liabilities by reportable segment as at September 30, 2020 and December 31, 2019:

	As at September 30, 2020				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	$ 757,202	$ —	$ 136,875	$ —	$ 894,077
Property, plant and equipment, net	—	457,169	—	2,936	460,105
Investment in joint ventures	68,531	—	—	—	68,531
Loans receivable	11,833	—	—	12,351	24,184
Other assets	20,047	27,824	2,628	29,779	80,278
Total assets	$ 857,613	$ 484,993	$ 139,503	$ 45,066	$ 1,527,175
Mortgages payable	$ 153,596	$ 141,191	$ —	$ —	$ 294,787
Credit facilities	399,298	174,400	84,409	—	658,107
Convertible debentures	—	—	—	92,072	92,072
Commonwealth preferred unit liability	—	63,985	—	—	63,985
Non-controlling interest liability	3,279	1,318	—	—	4,597
Other liabilities	27,629	27,566	3,931	28,209	87,335
Total liabilities	$ 583,802	$ 408,460	$ 88,340	$ 120,281	$ 1,200,883

	As at December 31, 2019				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	$ 828,150	$ —	$ 141,484	$ —	$ 969,634
Property, plant and equipment, net	—	456,936	—	3,006	459,942
Investment in joint ventures	99,321	—	—	—	99,321
Loans receivable	8,247	—	—	42,080	50,327
Other assets	19,653	24,381	1,726	5,754	51,514
Total assets	$ 955,371	$ 481,317	$ 143,210	$ 50,840	$ 1,630,738
Mortgages payable	$ 151,279	$ 124,188	$ —	$ —	$ 275,467
Credit facilities	386,778	174,230	85,951	—	646,959
Convertible debentures	—	—	—	91,049	91,049
Commonwealth preferred unit liability	—	63,654	—	—	63,654
Non-controlling interest liability	3,376	123	—	—	3,499
Other liabilities	25,875	12,839	2,465	28,787	69,966
Total liabilities	$ 567,308	$ 375,034	$ 88,416	$ 119,836	$ 1,150,594

In measuring performance, the Company does not distinguish or group its properties on a geographical basis. Management has applied judgment by aggregating its properties into four reportable segments for disclosure purposes. The Company's Chief Executive Officer is the chief decision maker and regularly reviews performance on an individual property basis and on the basis of the Company's reportable operating segments.

At September 30, 2020, $1,263,003 of the Company's non-current assets, excluding financial instruments, are located in the United States (2019 - $1,371,173) and $162,598 are located in Canada (2019 - $162,283). During the three and nine months ended September 30, 2020, the Company generated $51,803 and $151,926, respectively (three and nine months ended September 30, 2019 - $35,005 and $86,305, respectively), of its revenues, excluding other income, from properties located in the United States and $2,817 and $8,348, respectively (three and nine months ended September 30, 2019 - $2,630 and $8,374, respectively) of its revenues from properties located in Canada.