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

INVESQUE INC.

Three and nine months ended September 30, 2019 and 2018
(Unaudited)

INVESQUE INC.

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

	September 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash	$ 12,696	$ 26,978
Tenant and other receivables	19,418	15,544
Loans receivable (note 2)	1,621	12,241
Other (note 3)	10,793	5,598
	44,528	60,361
Non-current assets:		
Loans receivable (note 2)	42,858	20,181
Derivative instruments (note 9)	—	1,722
Investment in joint ventures (note 6)	99,357	84,658
Investment properties (note 4)	1,029,509	1,115,530
Property, plant and equipment, net (note 5)	329,225	507
Other non-current assets (note 3)	4,552	1,000
	1,505,501	1,223,598
Total assets	$ 1,550,029	$ 1,283,959
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 12,291	$ 9,871
Accrued real estate taxes	14,287	11,052
Dividends payable	3,338	3,253
Liability to previous owner of Care	—	9,676
Credit facilities (note 7)	29,387	12,647
Mortgages payable (note 8)	33,095	49,444
Other current liabilities (note 12)	3,046	2,030
	95,444	97,973
Non-current liabilities:		
Credit facilities (note 7)	591,087	325,493
Mortgages payable (note 8)	202,987	253,886
Convertible debentures (note 10)	90,715	89,745
Commonwealth preferred unit liability (note 11)	51,969	—
Derivative instruments (note 9)	12,604	651
Deferred tax liability (note 22)	3,073	7,011
Other non-current liabilities (note 12)	17,756	12,785
Non-controlling interest liability	4,428	2,947
	974,619	692,518
Total liabilities	1,070,063	790,491
Shareholders' equity:		
Common share capital (note 14)	503,077	493,165
Equity settled deferred shares	430	—
Preferred share capital (note 14)	85,392	71,106
Contributed surplus	400	400
Equity component of convertible instruments	3,289	1,671
Cumulative deficit	(111,546)	(69,785)
Accumulated other comprehensive income	(1,076)	(3,089)
Total shareholders' equity	479,966	493,468
Commitments and contingencies (note 23)		
Subsequent events (notes 7 and 26)		
Total liabilities and shareholders' equity	$ 1,550,029	$ 1,283,959

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)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue:				
Rental (note 16)	$ 24,240	$ 30,456	$ 79,787	$ 80,778
Resident rental and related revenue (note 16)	12,639	—	12,639	—
Lease revenue from joint ventures (note 6)	756	742	2,253	2,259
Other income	915	383	1,919	937
	38,550	31,581	96,598	83,974
Expenses (income):				
Direct property operating expenses (note 17)	9,934	1,256	12,479	1,942
Depreciation and amortization expense	5,365	—	5,408	—
Finance costs from operations (note 18)	10,702	9,540	29,609	24,727
Real estate tax expense	527	1,810	15,505	11,261
General and administrative expenses (note 19)	4,305	3,732	11,867	9,626
Transaction costs for business combination	2,564	6	4,260	6,444
Diligence costs for transactions not pursued	—	1,971	633	2,041
Allowance for credit losses on loans and interest receivable (note 18)	(152)	555	1,012	2,529
Change in non-controlling interest liability	189	17,028	344	17,807
Change in fair value of investment properties - IFRIC 21	3,285	2,741	(3,522)	(385)
Change in fair value of investment properties (note 4)	(970)	(29,082)	8,751	(28,871)
Change in fair value of financial instruments (note 18)	4,754	(334)	14,089	(1,825)
Change in fair value of contingent consideration	—	11,171	—	11,171
	40,503	20,394	100,435	56,467
Income (loss) from joint ventures (note 6)	(1,093)	974	(12,144)	3,373
Income (loss) before income taxes	(3,046)	12,161	(15,981)	30,880
Income tax expense (recovery):				
Deferred (note 22)	(700)	3,507	(3,938)	9,362
Current (note 22)	—	—	—	18
	(700)	3,507	(3,938)	9,380
Net income (loss)	$ (2,346)	$ 8,654	$ (12,043)	$ 21,500
Other comprehensive income (loss):				
Items to be reclassified to net income (loss) in subsequent periods				
Unrealized gain (loss) on translation of foreign operations	(799)	1,156	2,013	(596)
Total comprehensive income (loss)	$ (3,145)	$ 9,810	$ (10,030)	$ 20,904
Income (loss) per share (note 15):				
Basic	$ (0.04)	$ 0.16	$ (0.22)	$ 0.44
Diluted	$ (0.04)	$ 0.14	$ (0.22)	$ 0.38

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, 2019 and 2018
(Unaudited)

	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 loss	—	—	—	—	—	(12,043)	—	(12,043)
Other comprehensive income	—	—	—	—	—	—	2,013	2,013
Common shares issued, net of issuance costs (note 14)	4,878	—	—	—	—	—	—	4,878
Preferred Shares issued, net of issuance costs (note 14)	—		14,286	—	—	—	—	14,286
Equity component of Commonwealth preferred units	—	—	—	—	1,618	—	—	1,618
Common shares issued under the Company's dividend reinvestment plan (note 14)	5,222	—	—	—	—	—	—	5,222
Dividends declared on common shares	—	—	—	—	—	(29,718)	—	(29,718)
Common shares purchased under NCIB (note 14)	(213)	—	—	—	—	—	—	(213)
Amortization of equity settled deferred shares (note 20)	—	430	—	—	—	—	—	430
Common shares issued through conversion of convertible debentures (note 14)	25	—	—	—	—	—	—	25
Balance, September 30, 2019	$ 503,077	$ 430	$ 85,392	$ 400	$ 3,289	$ (111,546)	$ (1,076)	$ 479,966

	Common share capital	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2018 as previously reported	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,145)	$ 1,187	$ 319,384
Impact of adopting IFRS 9	—	—	—	—	(364)	—	(364)
Adjusted balance, January 1, 2018	$ 310,459	$ 26,353	$ 400	$ 1,130	$ (20,509)	$ 1,187	$ 319,020
Net income	—	—	—	—	21,500	—	21,500
Other comprehensive loss	—	—	—	—	—	(596)	(596)
Common shares issued, net of issuance costs (note 14)	180,581	—	—	—	—	—	180,581
Preferred shares issued, net of issuance costs (note 14)	—	44,753	—	—	—	—	44,753
Common shares issued under the Company's dividend reinvestment plan (note 14)	542	—	—	—	—	—	542
Convertible debentures, net of tax	—	—	—	541	—	—	541
Dividends declared on common shares	—	—	—	—	(27,244)	—	(27,244)
Balance, September 30, 2018	$ 491,582	$ 71,106	$ 400	$ 1,671	$ (26,253)	$ 591	$ 539,097

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)
Three and nine months ended September 30, 2019 and 2018
(Unaudited)

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flows from operating activities:		
Net income (loss)	$ (12,043)	$ 21,500
Items not involving cash:		
Fair value adjustment of investment properties	8,751	(28,871)
Fair value adjustment of financial instruments	14,089	(1,825)
Fair value adjustment of contingent consideration	—	11,171
Depreciation and amortization expense	5,408	—
Allowance for credit losses on loans and interest receivable	1,012	2,529
Straight-line rent	(6,795)	(8,267)
Amortization of tenant inducements	57	—
Finance costs from operations	29,609	24,727
Change in non-controlling interest liability	344	17,807
Loss (income) from joint ventures	12,144	(3,373)
Change in fair value of investment in MS-SW Development Fund Holdings, LLC	—	(154)
Deferred income tax	(3,938)	9,362
Interest paid	(28,858)	(25,188)
Interest income received	462	1,072
Change in non-cash operating working capital:		
Tenant and other receivables	(14,062)	(12,782)
Accounts payable and accrued liabilities	(4,084)	(623)
Unearned revenue	(145)	(711)
Other assets	(5,759)	(1,343)
Other liabilities	4,210	2,965
Accrued real estate taxes	2,489	8,154
Net cash provided by operating activities	$ 2,891	$ 16,150
Cash flows from financing activities:		
Proceeds from credit facilities	$ 328,550	$ 158,670
Payments on credit facilities	(46,240)	(58,000)
Debt issuance costs paid	(3,863)	(5,034)
Proceeds from mortgages payable	36,925	8,091
Payments of mortgages payable	(33,108)	(5,695)
Proceeds from settlement of interest rate swap	104	—
Dividends paid to common shareholders	(24,410)	(25,438)
Payment for repurchase of common shares	(213)	—
Proceeds from issuance of preferred share capital	14,550	45,000
Proceeds from issuance of 2018 Convertible Debentures (note 10)	—	50,000
Cash provided by financing activities	$ 272,295	$ 167,594
Cash flows from investing activities:		
Additions to investment properties	$ (89,381)	$ (180,223)
Dispositions of investment properties	9,887	—
Additions to property, plant, and equipment	(221,443)	—
Distributions from joint ventures	4,769	6,788
Contributions to joint ventures	(2,210)	(846)
Distributions to non-controlling interest partners	(105)	(93)
Proceeds from income support agreement	236	205
Construction costs	—	(4,600)
Payments to previous owner of Care	(9,676)	—
Issuance of loans receivable	(8,630)	(14,336)
Repayment of loans receivable	4,085	8,150
Proceeds from sale of interest in assets to joint venture partner (note 6)	23,000	—
Cash used in investing activities	$ (289,468)	$ (184,955)
Decrease in cash and cash equivalents	(14,282)	(1,211)
Cash and cash equivalents, beginning of period	26,978	12,958
Cash and cash equivalents, end of period	$ 12,696	$ 11,747

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 current 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, 2019, the Company owns interests in a portfolio of 121 health care and senior living properties comprised of 76 consolidated investment properties, 21 consolidated owner occupied properties and an interest in 24 properties held through joint arrangements.

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, 2018 issued on March 13, 2019, 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 13, 2019.

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, 2018 with the exception of new accounting policies adopted as a result of acquisitions made during the nine months ended September 30, 2019 and policies which became effective January 1, 2019 as follows:

(i) IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 replaces IAS 17, Leases ("IAS 17"). The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach without restatement of prior periods. On January 1, 2019, the Company recognized both a right-of-use asset and lease liability of $1,490. There was no impact to equity as a result of the adoption of IFRS 16.

(ii) IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"), which provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 requires (i) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (ii) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (iii) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount of expected value, depending on whichever method better predicts the resolution of the uncertainty. The new standard is effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have a material impact on the Company's condensed consolidated interim financial statements.

(iii) Property, plant, and equipment

Property, plant, and equipment includes land; buildings; and furniture, fixtures and equipment ("FFE"), which are measured at cost less accumulated depreciation and accumulated impairment losses.

Significant parts of the buildings are accounted for as separate components of the property, based on management's judgement of what components constitute a significant cost in relation to the total cost of an asset and whether these components have similar or dissimilar patterns of consumption and useful lives for purposes of calculating depreciation and amortization. The cost of replacing a major component of a building is recognized in the carrying amount of the building if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of ongoing repairs and maintenance of the properties are recognized in profit or loss as incurred.

Depreciation is recorded in profit or loss on a straight-line basis over the useful lives of the assets. Estimated useful lives were determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset and current and forecasted demand. The rates and methods used are reviewed annually at year end to ensure they continue to be appropriate, and are also reviewed in conjunction with impairment testing.

Gains/losses on disposition of property, plant, and equipment are recognized in profit or loss in accordance with the requirements for determining when a performance obligation is satisfied under IFRS 15.

The value associated with in-place resident contracts, which represents the avoided cost of originating the acquired resident contracts plus the value of the avoided loss of net resident revenue over the estimated lease-up period of the property, is amortized over the expected term of the resident occupancy. Resident contracts are recorded as a component of buildings.

(iv) Impairment of property, plant, and equipment

The carrying amount of the Company's property, plant, and equipment are assessed at each reporting date to determine if any events have occurred that would indicate the assets may be impaired. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognized immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of an asset is the higher of (a) fair value less costs to sell, and (b) value in use. The determination of recoverable amounts can be significantly impacted by estimates related to current market valuations, current and future economic conditions in the geographical markets of the assets, and management's strategic plans within each of its markets.

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

2. Loans receivable:

Loans receivable issued as at September 30, 2019 and December 31, 2018 are detailed in the table below:

Debtor	Loan Type	September 30, 2019	December 31, 2018	Issued Date	Maturity Date (1)	Current Interest Rate	PIK Interest Rate
MS-SW Mezzanine Fund, LLC	Mezzanine loan	$ 1,267	$ 1,271	September 1, 2016	September 1, 2020	10.5%	4.0%
MS Surprise, LLC	Mezzanine loan	2,964	2,965	November 1, 2016	October 1, 2021	10.5%	3.0%
MS Parker Holdings II, LLC	Mezzanine loan	—	3,725	November 1, 2016	September 1, 2021	12.0%	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	1,133	1,100	November 1, 2016	October 31, 2018 (3)	8.0%	—%
Autumnwood Lifestyles Inc.	Loan receivable	—	367	June 29, 2017	On Demand	8.0%	—%
Symcare ML, LLC	Loan receivable	7,295	7,206	October 20, 2017	December 31, 2033	2.5%	2.5%
MCA Memory Care America, LLC	Loan receivable	—	300	November 6, 2017	April 1, 2019	10.0%	—%
Mainstreet Development Fund III, LP	Loan receivable	—	652	November 28, 2017	On Demand	6.5%	—%
Mainstreet Development Fund II, LP	Loan receivable	—	397	January 31, 2018	On Demand	15.0%	—%
Mainstreet Development Fund II, LP	Loan receivable	—	507	February 23, 2018	On Demand	15.0%	—%
Premier Senior Living, LLC (6)	Loan receivable	700	700	August 16, 2013 (2)	August 16, 2025	8.7%	—%
Ellipsis Real Estate Partners	Loan receivable	951	1,643	May 4, 2018	May 4, 2028	—%	10.0%
Ellipsis Real Estate Partners	Loan receivable	1,341	2,400	September 14, 2018	September 14, 2028	—%	10.0%
Symcare ML, LLC	Loan receivable	12,482	7,557	December 26, 2018	December 31, 2033	—%	10.0%
PAIF-MS, LLC	Loan receivable	—	1,900	December 31, 2018	January 25, 2019	5.0%	—%
YAL Borrower LLC	Interest-only loan	1,250	2,000	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	474	—	January 1, 2019	January 1, 2028	—%	5.0%
Hillcrest Firethorn, LLC	Loan receivable	444	—	January 1, 2019	November 1, 2027	—%	5.0%
Bridgemoor Transitional Care Operations, LLC (5)	Loan receivable	1,695	—	June 5, 2019	June 5, 2035	—%	—%
MOC Webster, LLC	Loan receivable	105	—	June 5, 2019	June 5, 2035	—%	—%
RHS Propco Mooresville, LLC	Loan receivable	5,000	—	June 28, 2019	July 1, 2024	8.5%	—%
Jaguarundi Ventures, LP (7)	Loan receivable	6,153	—	June 5, 2019	June 5, 2029	—%	—%
Memory Care America LLC	Loan receivable	1,958	—	July 31, 2019	January 1, 2024	8.5%	—%
Allowance for losses on loans receivable		(8,806)	(10,341)				
Carrying value of loans recorded at amortized cost		$ 42,338	$ 30,281				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,141	2,141	December 31, 2018	(4)	—%	5.0%
Carrying value of loans receivable		44,479	32,422				
Less current portion		1,621	12,241				
Long-term portion		$ 42,858	$ 20,181				

(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 and 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 Bridemoor 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.

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

$25,153 of the loans outstanding as at September 30, 2019 in the table above are made to current tenant operators.

On December 26, 2018, a subsidiary of the Company entered into a loan agreement with the tenant operator of the Symphony Portfolio ("Symcare") with a total capacity of $15,000 and a maturity date of January 1, 2033. As at September 30, 2019, Symcare had drawn $12,482 on this loan (December 31, 2018 - $7,557). The loan earns 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, 2019 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 41,023	$ —	$ 10,121	$ 51,144
Allowance for losses on loans receivable	(352)	—	(8,454)	(8,806)
Loans receivable, net of allowances	$ 40,671	$ —	$ 1,667	$ 42,338

The changes in the gross loans receivable balance during the nine months ended September 30, 2019 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2018	$ 27,173	$ 1,556	$ 11,893	$ 40,622
Loans receivable				
Transfer to/(from)				
Stage 1	(300)	—	300	—
Stage 2	—	(1,556)	1,556	—
Stage 3	—	—	—	—
	$ 26,873	$ —	$ 13,749	$ 40,622
Issuances	18,983	—	2,756	21,739
Repayments	(3,085)	—	(1,000)	(4,085)
Non-cash settlement	(1,748)	—	(3,809)	(5,557)
Write off of loans receivable	—	—	(1,575)	(1,575)
Total loans receivable	$ 41,023	$ —	$ 10,121	$ 51,144

On July 31, 2019, the Company received the deed to the land held by MS Parker, LLC in satisfaction of the mezzanine loan to MS Parker II Holdings, LLC. The development project associated with the loan has been terminated. The Company received the deed in lieu in satisfaction of the loan receivable and recorded the value of the land in property, plant and equipment in the condensed consolidated statements of financial position (note 5).

On July 31, 2019, the Company entered into a new loan with MCA Memory Care America, LLC ("MCA") in the amount of $2,934. The loan balance represented outstanding rents owed, the remaining balance of a previously issued loan receivable and outstanding interest thereon. Subsequent to issuance, the Company has received repayment on this loan receivable of $1,000 consistent with the terms outlined in the loan agreement.

(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 nine months ended September 30, 2019 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Balance as at December 31, 2018	$ 293	$ 78	$ 9,970	$ 10,341
Allowance for credit losses				
Remeasurement	—	—	884	884
Transfer to/(from)				
Stage 1	(3)	—	3	—
Stage 2	—	(76)	76	—
Stage 3	—	—	—	—
	$ 290	$ 2	$ 10,933	$ 11,225
Issuances	157	—	—	157
Repayments/settlements	(95)	(2)	(1,952)	(2,049)
Write off of loan receivable and allowance	—	—	(527)	(527)
Total allowance for credit losses	$ 352	$ —	$ 8,454	$ 8,806

For the three and nine months ended September 30, 2019, a (recovery) loss of $(152) and $1,007, respectively was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) due to the (decreased) increased allowance on the Stage 3 loans and general allowance recorded on new loans issued. For the three and nine months ended September 30, 2019, the Company recorded a loss of $0 and $5, respectively in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) due to an allowance on uncollectible interest receivable.

The Company recognized a loss of $36 and $491 for the three and nine months ended September 30, 2019, respectively, in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) related to the impairment of the loan receivable to the Mainstreet Development Funds II and III. On July 31, 2019, the Company was signed over rights to the bond that secured the loans receivable. The Company recorded the bond asset and wrote off the remaining portion of the loans receivable.

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

3. Other assets:

Other assets are as follows:

	September 30, 2019	December 31, 2018
Prepaid expense	$ 2,421	$ 519
Prepaid management fees	275	648
Security deposits and costs related to future acquisitions	5,115	1,048
Income support receivable	109	337
Escrow deposits held by lenders	1,370	2,565
Right-of-use assets	2,282	—
Bond assets	1,073	—
Other	2,700	1,481
	$ 15,345	$ 6,598
Current	$ 10,793	$ 5,598
Non-current	4,552	1,000
	$ 15,345	$ 6,598

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

The Company adopted IFRS 16 effective January 1, 2019 using the modified retrospective approach resulting in the capitalization of its office lease which is included in other non-current assets. As at September 30, 2019, the Company has a right-of-use asset in respect to its office lease totaling $1,360 with a 7 year lease term which began in 2018. The Company acquired a right-of-use asset related to the office lease of the Commonwealth management company of $935. During the three and nine months ended September 30, 2019, amortization of right-of-use assets of $57 and $143 was recorded in the condensed consolidated interim statements of financial position.

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

4. Investment properties:

(a) Investment properties:

	Number of Properties		Amount
Balance, December 31, 2018	80	$	1,115,530
Acquisitions of income properties	7		89,421
Sale of income property	(1)		(14,991)
Acquisition of control over a property previously owned through a joint venture	1		13,082
Contribution of investment properties to joint venture (note 6)	(8)		(161,047)
Transfer to property, plant and equipment (note 5)	(3)		(29,108)
Capital expenditures	—		5,489
Increase in straight-line rents	—		6,795
Fair value adjustment	—		(8,751)
Tenant inducements	—		8,337
Amortization of tenant inducements	—		(57)
Translation of foreign operations	—		4,809
Balance, September 30, 2019	76	$	1,029,509
Property tax liability under IFRIC 21			(3,188)
Fair value adjustment to investment properties - IFRIC 21			3,188
		$	1,029,509

At September 30, 2019, 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.

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, discounted cash flow projections (Level 3 inputs) or recent transaction prices. 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. The fair value of the discount on below market loans entered into by the Company is recognized as tenant inducements at the time the commitment is made.

On April 1, 2019, the Company exchanged its majority ownership interest in the operations of a property, located in Lansdale, PA, that was owned through a joint venture for the partner's minority ownership interest in the real estate of the property resulting in the acquisition of control over the real estate. The transaction resulted in the consolidation of investment property of $13,082 and assumption of mortgages payable of $9,743.

The Company has agreed to terms with Greenfield Senior Living ("Greenfield") whereby the Company will acquire 100% of Greenfield's interests in 13 properties in which the Company already has an ownership interest. Ten of these properties were previously triple-net leased to Greenfield and the Company will acquire Greenfield's interest in the operations at each property. On September 3, 2019, three properties that were previously triple-net leased to Greenfield transitioned operations to a subsidiary of the Company. As of the date of this transition, the assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

(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, 2019 and December 31, 2018 are set out in the following table:

	September 30, 2019	December 31, 2018
Capitalization rate - range	6.50% - 8.50%	6.50% - 8.25%
Capitalization rate - weighted average	7.85%	7.89%
Terminal capitalization rate - range	5.70% - 9.25%	5.70% - 9.25%
Terminal capitalization rate - weighted average	6.85%	7.04%
Discount rate - range	6.70% - 9.00%	6.70% - 9.00%
Discount rate - weighted average	7.61%	7.74%

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, 2019		December 31, 2018	
Investment property valued using direct capitalization income approach	$	841,470	$	925,895
Investment property valued using discounted cash flow projection	$	177,537	$	183,582
Investment property valued using other methods	$	10,502	$	6,053
Capitalization rate:				
25-basis point increase	$	(26,136)	$	(28,559)
25-basis point decrease	$	27,881	$	30,448
Terminal capitalization rate:				
25-basis point increase	$	(4,492)	$	(4,281)
25-basis point decrease	$	4,856	$	4,629
Discount rate:				
25-basis point increase	$	(2,125)	$	(2,479)
25-basis point decrease	$	2,165	$	2,535

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

(b) Acquisitions and dispositions - nine months ended September 30, 2019

	Allen, TX	Symcare Properties	Mooresville, IN	Constant Care	Total
Number of consolidated properties acquired (disposed):	1	3	(1)	3	6
Net assets acquired (disposed):					
Investment properties	$ 8,136	$ 51,323	$ (14,991)	$ 29,962	$ 74,430
Working capital balances	—	(586)	104	—	(482)
	$ 8,136	$ 50,737	$ (14,887)	$ 29,962	$ 73,948
Consideration paid/funded (received):					
Cash	2,445	46,937	(9,887)	25,613	65,108
Proceeds from mortgage payable, net of fees	5,591	—	—	—	5,591
Deposit applied against purchase price	100	—	—	—	100
Common shares issued	—	3,800	—	—	3,800
Loans issued to buyer	—	—	(5,000)	—	(5,000)
Issuance of Exchangeable Units	—	—	—	2,049	2,049
Repayment of loan receivable principal and accrued interest	—	—	—	2,300	2,300
	$ 8,136	$ 50,737	$ (14,887)	$ 29,962	$ 73,948

On January 16, 2019, the Company acquired a memory care facility leased to an operator located in Allen, TX for a contractual purchase price of $8,100 plus transaction costs. The Company entered into a new mortgage secured by the property to fund $5,693 of the purchase price and funded the remainder of the purchase with cash on hand.

On March 15, 2019, the Company acquired a skilled nursing property located in Oswego, IL from Symcare for a contractual purchase price of $22,000 plus transaction costs funded with cash on hand. The original master lease with Symcare was amended to include this new building.

On April 30, 2019, the Company acquired two skilled nursing properties located in Chicago, IL and Glendale, WI from Symcare for a total contractual purchase price of $30,000 plus transaction costs. The transaction was funded by the issuance of 555,556 common shares and cash on hand. The original master lease with the Symcare operator was amended to include these new buildings.

On June 28, 2019, the Company sold its interest in a property located in Mooresville, IN for total consideration of $15,000, less transaction costs. The consideration was paid in the form of cash and a $5,000 loan receivable issued to the buyer of the property. The loan receivable earns annual interest of 8.5% and matures on July 1, 2024.

On August 30, 2019, the Company purchased three memory care facilities located in Fishers, IN; Greenwood, IN; and Zionsville, IN for a total contractual purchase price of $30,786, plus transaction costs. The transaction was funded by the repayment of $2,300 of outstanding loans receivable principal and accrued interest, issuance of $2,049 in Class B LP units with the right to exchange units into common shares of the Company at the option of the unit holder ("Exchangeable Units"), and cash on hand.

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

5. Property, plant and equipment, net:

(a) Property, plant and equipment, net:

Property, plant and equipment consists of the following as at September 30, 2019:

	Land	Buildings	In-place leases	Furniture, fixtures and equipment	Properties under development	Total
Cost						
Balance, December 31, 2018	$ —	$ —	$ —	$ 585	$ —	$ 585
Additions through business combinations	28,314	215,883	37,510	4,165	893	286,765
Additions through settlement of loans receivable	2,500	—	—	—	—	2,500
Additions	—	63	—	99	44	206
Transfers from investment property	2,911	26,197	—	—	—	29,108
Transfers from joint arrangements	1,555	12,519	—	1,473	—	15,547
Balance, September 30, 2019	35,280	254,662	37,510	6,322	937	334,711
Accumulated depreciation						
Balance, December 31, 2018	—	—	—	78	—	78
Depreciation and amortization	—	1,036	4,169	203	—	5,408
Balance, September 30, 2019	$ —	$ 1,036	$ 4,169	$ 281	$ —	$ 5,486

On August 2, 2019, a property that was previous held in a joint arrangement and managed by Greenfield transitioned operations to the management of Commonwealth, a subsidiary of the Company. As of the date of this transition, the assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

On September 3, 2019, three properties that were previously triple-net leased to Greenfield transitioned operations to a subsidiary of the Company. As of the date of this transition, the assets were determined to be owner occupied property, and the corresponding assets are classified as property, plant and equipment.

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

(b) Acquisitions - nine months ended September 30, 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.

		Commonwealth
Properties Acquired		17
Property, plant and equipment	$	285,872
Construction in progress		893
Assumption of mortgages payable		(9,523)
Working capital balances		(2,419)
	$	274,823
Consideration paid:		
Issuance of preferred units		53,587
Proceeds from Commonwealth Facility		174,074
Cash on hand		47,162
	$	274,823

On August 1, 2019, a wholly owned subsidiary of the Company closed on the previously announced acquisition of Commonwealth Senior Living, LLC ("Commonwealth"). The acquisition includes 17 private pay seniors housing properties in addition to the Commonwealth management company. The Commonwealth management company operates all 17 properties in the Commonwealth portfolio and operates six properties not owned by Invesque. The August 1, 2019 acquisition represents the first tranche of the acquisition of Commonwealth properties, and the Company remains committed to purchasing three additional properties as previously announced, subject to the approval of certain lenders of secured debt underlying the remaining three properties.

The total contractual purchase price for the 17 properties and management company was $285,357 for property, plant and equipment and $893 for construction in progress related to development projects ongoing at certain properties in the portfolio, subject to working capital adjustments and transaction costs. The acquisition was funded through $176,000 in new debt secured by 16 of the properties, the assumption of $9,537 in debt secured by one of the properties, the issuance of $53,587 of preferred interests in the Company's acquiring subsidiary entity and cash on hand.

For the three and nine months ended September 30, 2019, the Commonwealth portfolio has contributed revenue of $11,412 and net loss of $6,979. Had the acquisition of the Commonwealth portfolio taken place on January 1, 2019, revenue for the Company for the three and nine months ended September 30, 2019 would have been $44,186 and $136,052, respectively, and net loss for the Company would have been $4,604 and $27,850, respectively.

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

6. Joint arrangements:

As at September 30, 2019, 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)
Greenfield JV	2	United States	80%	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)
Phoenix Fayetteville	1	United States	90%	Joint venture (3)
Royal JV	5	United States	80%	Joint venture (3)
Royal Eatonton	1	United States	65%	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 has agreed to terms with Greenfield Senior Living ("Greenfield") whereby the Company will acquire 100% of Greenfield's interests in 13 properties in which the Company already has an ownership interest. During the period ended September 30, 2019, one such property was transitioned which was previously a part of the Greenfield JV. The remaining two properties are expected to transition when certain conditions are met pursuant to the terms of the transition agreement.

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, $756 and $2,253 for the three and nine months ended September 30, 2019, respectively, (three and nine months ended September 30, 2018 - $742 and $2,259, 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 consolidated statements of income and comprehensive income.

The Company has an interest in 16 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 consolidated statements of income and comprehensive income.

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

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.

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,	
	2019	2018	2019	2018
Cash contributions to joint ventures	$ 533	$ 211	$ 2,210	$ 846
Distributions received from joint ventures	$ 1,727	$ 1,253	$ 4,769	$ 6,788

	September 30, 2019		December 31, 2018	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 8,340	$ 6,133	$ 4,965	$ 4,047
Tenant and other receivables	4,029	2,496	2,443	1,591
Other	1,103	856	1,349	1,021
Current assets	13,472	9,485	8,757	6,659
Investment properties	378,182	269,843	256,184	202,972
Property, plant and equipment	26,784	19,531	28,012	20,498
Loans receivable	10,392	6,422	3,864	39
Derivative instruments	—	—	2,024	1,726
Other non-current assets	1,103	923	445	325
Total assets	$ 429,933	$ 306,204	$ 299,286	$ 232,219
Accounts payable and accrued liabilities	$ 8,984	$ 6,575	$ 6,511	$ 4,945
Unearned revenue	728	572	1,066	873
Mortgages payable - current	49,826	39,204	32,323	25,382
Current liabilities	59,538	46,351	39,900	31,200
Mortgages payable - non-current	209,010	148,179	144,419	116,263
Loan payable to Invesque (note 2)	6,153	6,153	—	—
Loan commitment liability	2,852	1,821	—	—
Derivative instruments	4,537	3,452	—	—
Other non-current liabilities	1,466	891	104	98
Total liabilities	$ 283,556	$ 206,847	$ 184,423	$ 147,561
Net assets	$ 146,377	$ 99,357	$ 114,863	$ 84,658

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, 2019		Three months ended September 30, 2018	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 20,717	$ 13,686	$ 19,482	$ 13,587
Property operating expense	(13,705)	(8,806)	(14,968)	(10,101)
Finance costs	(2,912)	(2,079)	(2,078)	(1,673)
Depreciation expense	(870)	(684)	(432)	(324)
Change in fair value of financial instruments	(1,916)	(1,486)	236	194
Change in fair value of investment properties	(1,625)	(1,724)	(823)	(709)
Net income (loss), prior to distributions to owners	$ (311)	$ (1,093)	$ 1,417	$ 974

	Nine months ended September 30, 2019		Nine months ended September 30, 2018	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 58,354	$ 39,235	$ 52,170	$ 35,364
Property operating expense	(42,690)	(27,738)	(40,289)	(26,110)
Finance costs	(7,494)	(5,668)	(5,424)	(4,330)
Depreciation expense	(1,735)	(1,333)	(1,153)	(865)
Change in fair value of financial instruments	(4,968)	(3,944)	770	635
Change in fair value of investment properties	(17,297)	(12,696)	(1,435)	(1,321)
Net income (loss), prior to distributions to owners	$ (15,830)	$ (12,144)	$ 4,639	$ 3,373

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 condensed consolidated interim 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 mortgages payable at the joint ventures:

	September 30, 2019	December 31, 2018
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 163,423	$ 100,028
Interest rates	3.99% to 4.97%	3.24% to 5.68%
Weighted average interest rate	4.33%	4.26%
Mortgages at variable rates:		
Mortgages (principal)	$ 96,332	$ 76,874
Interest rates	LIBOR plus 2.40% to LIBOR plus 3.20%	LIBOR plus 2.75% to LIBOR plus 3.20%
Weighted average interest rate	4.86%	5.43%
Blended weighted average rate	4.53%	4.76%

(1) Includes $115,446 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)

7. 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, 2019	Borrowing rate at September 30, 2019	December 31, 2018	Borrowing rate at December 31, 2018
Unsecured Facility Term (1)	$ 200,000	4.26%	$ 200,000	4.33%
Unsecured Facility Revolver (3)	133,950	4.35%	44,900	4.75%
Secured Revolving Facility	—	—%	12,740	6.31%
Mohawk Facility USD denominated portion	21,286	4.22%	21,286	4.72%
Mohawk Facility CAD denominated portion (1) (2)	64,344	4.32%	62,461	4.53%
Magnetar Facility	30,000	8.50%	—	—%
Commonwealth Facility (1)	176,000	3.84%	—	—%
Finance costs, net	(5,106)	—	(3,247)	—
Carrying value	$ 620,474	4.37%	$ 338,140	4.52%
Less current portion	29,387		12,647	
Long-term portion	$ 591,087		$ 325,493	

(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 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. The Company pledged its equity interests in properties located in Little Rock, AR; San Antonio, TX; and New Braunfels, TX against the debt.

On August 1, 2019, a wholly owned subsidiary of the Company entered into a secured credit facility ("Commonwealth Facility") for the purpose of funding the acquisition of the 17 properties and management company from Commonwealth. The $176,000 new debt secured by 16 properties has a maturity date of August 1, 2024, with 2 available extension options. It bears interest at a rate of LIBOR plus 215 basis points. The agreement also provides for an accordion feature that would extend the capacity of the loan by an additional $50,000 subject to certain terms and conditions provided for in the agreement.

On November 7, 2019, the Company amended the terms of the Unsecured Facility to extend the surge provision period following a material acquisition for both the maximum consolidated total leverage ratio covenant and unencumbered pool leverage covenant. The maximum consolidated total leverage ratio covenant can increase to 65% for four quarters starting with the third quarter of 2019. The unencumbered pool leverage ratio may increase to 65% for two quarters starting with the third quarter of 2019, reducing to 62.5% for two quarters after that, and reducing back to 60% thereafter.

(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
2019	$ —
2020	30,000
2021	—
2022	133,950
2023	285,630
Thereafter	176,000
Total	$ 625,580

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

8. Mortgages payable:

Mortgages payable consist of the following as at September 30, 2019:

	September 30, 2019	December 31, 2018
Mortgages payable	$ 238,729	$ 306,170
Mark-to-market adjustment, net	(816)	(883)
Finance costs, net	(1,831)	(1,957)
Carrying value	$ 236,082	$ 303,330
Less current portion	33,095	49,444
Long-term portion	$ 202,987	$ 253,886

Mortgages payable are collateralized by investment properties and property, plant and equipment with a value of $381,020 at September 30, 2019. Maturity dates on mortgages payable range from 2019 to 2049, and the weighted average years to maturity is 5.82 years at September 30, 2019.

Future principal payments on the mortgages payable as at September 30, 2019 are as follows:

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2019	$ 1,089	$ 5,828	$ 6,917	2.90%
2020	4,669	22,746	27,415	11.48%
2021	5,484	13,379	18,863	7.90%
2022	5,166	31,085	36,251	15.19%
2023	4,599	41,102	45,701	19.14%
Thereafter	20,462	83,120	103,582	43.39%
	$ 41,469	$ 197,260	$ 238,729	100.00%

	September 30, 2019	December 31, 2018
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 180,190	$ 228,925
Interest rates	2.55% to 6.15%	3.08% to 5.98%
Weighted average interest rate	4.59%	4.58%
Mortgages at variable rates:		
Mortgages (principal)	$ 58,539	$ 77,245
Interest rates	LIBOR plus 2.75% to LIBOR plus 3.25%	LIBOR plus 2.5% to US Prime plus 0.5%
Weighted average interest rate	5.01%	5.56%
Blended weighted average rate	4.69%	4.82%

(1) Includes $27,028 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)

9. Derivative financial instruments:

Derivative financial instruments as at September 30, 2019 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, 2019	December 31, 2018	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
The Secured Facility Term Swap	October 30, 2019	LIBOR fixed at 1.16%	$ 200,000	$ —	$ —	$ —	$ (183)	$ —	$ 527
The Unsecured Term	December 19, 2023	LIBOR fixed at 2.11%	200,000	(6,121)	1,189	(1,821)	—	(7,310)	—
The Unsecured Revolver	January 2, 2024	LIBOR fixed at 2.57%	25,000	(1,256)	(163)	(206)	—	(1,093)	—
The Unsecured Revolver	December 1, 2022	LIBOR fixed at 2.11%	50,000	(1,119)	—	(273)	—	(1,119)	—
Leawood Swap (3)	March 15, 2024	Interest rate fixed at 4.55%	13,307	—	134	—	87	(407)	494
Topeka Swap (3)	March 15, 2024	Interest rate fixed at 4.55%	12,639	—	128	—	83	(387)	470
Red Oak Swap (1)	January 18, 2021	Interest rate fixed at 3.77%	4,084	(32)	(17)	11	24	(15)	13
Park Terrace Swap	December 18, 2020	LIBOR fixed at 2.42%	3,750	—	4	—	13	(4)	43
Seneca Lake Swap	December 18, 2020	LIBOR fixed at 2.42%	4,238	—	4	—	14	(4)	46
Winchester Swap	November 1, 2021	Interest rate fixed at 4.54%	6,538	(12)	157	(23)	14	(169)	54
Calhoun Swap	May 31, 2019	LIBOR fixed at 1.75%	28,800	—	106	—	6	(3)	41
Mohawk Credit Facility Swap (2)	May 1, 2023	Banker's Acceptance fixed at 2.12%	64,344	(856)	(126)	202	276	(715)	137
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	15,805	(559)	(345)	5	—	(214)	—
Commonwealth Swap	August 1, 2024	LIBOR fixed at 1.69%	176,000	(2,649)	—	(2,649)	—	(2,649)	—
			Carrying value	$ (12,604)	$ 1,071	$ (4,754)	$ 334	$ (14,089)	$ 1,825
			Derivative instruments (Asset)	$ —	$ 1,722				
			Derivative instruments (Liability)	(12,604)	(651)				
				$ (12,604)	$ 1,071				

1) The swap has a notional amount of CAD$5,407

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

3) Swap transferred to joint venture on June 5, 2019

The Company entered into an interest rate swap agreement effective August 1, 2019 ("The Commonwealth Swap Agreement") to manage the interest rate risk associated with the mortgages for the Commonwealth properties. In the Commonwealth Swap Agreement, the Company agreed to exchange the difference between fixed and variable rate interest on a principal amount of $176,000 effectively fixing the interest rate at 3.84% through its initial maturity at August 1, 2024. The interest rate swap is not designated as a hedge and is marked to fair value each reporting period through finance cost in the consolidated statement of income and comprehensive income.

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

10. Convertible debentures:

As at September 30, 2019 the convertible debentures are comprised of the following:

	September 30, 2019	December 31, 2018
Issued	$ 94,975	$ 95,000
Issue costs, net of amortization and accretion of equity component	(1,876)	(2,871)
Equity component, excluding issue costs and taxes	(2,384)	(2,384)
Convertible debentures	$ 90,715	$ 89,745

Interest costs related to the convertible debentures are recorded in financing costs using the effective interest rate method.

On May 6, 2019, $25 of convertible debentures were converted into 2,272 common shares.

11. Commonwealth preferred unit liability:

On August 1, 2019, the Company issued $53,587 in preferred interests of the acquiring subsidiary to fund the purchase of Commonwealth. The preferred interests are exchangeable by holders into common shares of the Company at a fixed exchange price of one preferred unit of $9.75 per common share. The preferred interests have an initial dividend rate of 6.50% per annum and a liquidation value equal to their unreturned initial capital contribution and any accrued and unpaid dividends. These dividends are included in finance costs from operations in the condensed consolidated interim statement of income and comprehensive income. Under certain circumstances, the Company will have the right to redeem the preferred interests at its discretion for an amount specified in the operating agreement.

As at September 30, 2019 the Commonwealth preferred unit liability is comprised of the following:

	September 30, 2019	December 31, 2018
Issued	$ 53,587	$ —
Equity component	(1,618)	—
Commonwealth preferred unit liability	$ 51,969	$ —

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

12. Other liabilities:

Other liabilities are as follows:

	September 30, 2019	December 31, 2018
Deferred shares liability	$ 2,051	$ 1,756
Security deposits received from tenants	9,033	10,029
Escrows collected from tenant	1,428	1,575
Unearned revenue	1,296	303
Liability to previous owner of Care	759	1,000
Lease liability	2,282	—
Loan commitment liability (note 21)	1,225	—
Exchangeable Units liability (note 4)	2,049	—
Other	679	152
	$ 20,802	$ 14,815
Current	$ 3,046	$ 2,030
Non-current	17,756	12,785
	$ 20,802	$ 14,815

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

On August 30, 2019, the Company issued 327,869 Class B LP units with the right to exchange units into common shares at the option of the unit holder ("Exchangeable Units"). The shares were issued to fund $2,049 of the consideration paid for the three purchased properties located in Indiana. The Exchangeable Units are entitled to receive distributions equal to those provided to common share holders. These distributions are included in finance costs from operations in the condensed consolidated interim statement of income and comprehensive income.

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

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

	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 (note 6)	—	(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 and mark to market adjustments	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

14. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at September 30, 2019:

	Common shares	Value
Balance, December 31, 2018	52,933,851	$ 493,165
Issued as consideration for acquisition of Symcare properties	555,556	3,800
Issued on settlement of Deferred Share Incentive Plan	150,912	1,078
Issued pursuant to the Company's dividend reinvestment plan	765,737	5,222
Shares acquired under NCIB	(33,600)	(213)
Issued through conversion of convertible debentures	2,272	25
Balance, September 30, 2019	54,374,728	$ 503,077

(i) On November 9, 2018 the Toronto Stock Exchange approved the Company's notice of intention to make a 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 2,647,954 of its Units, or approximately 5% of the Company’s 52,959,070 outstanding Shares as of November 1, 2018, for cancellation over the next 12 months. Purchases under the NCIB will be made through the facilities of the Toronto Stock Exchange 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 7,918 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, 2019, the Company acquired 33,600 shares.

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

(ii) For the period ended September 30, 2019, the Company declared dividends payable on common shares of $29,718, respectively (2018 - $27,244). Of the $29,718 dividends declared in the nine month ended September 30, 2019, $5,769 is satisfied in the form of shares issued through the dividend reinvestment plan (2018 - $564).

(b) Preferred shares:

The following number and value of preferred shares were issued and outstanding as at September 30, 2019:

	Preferred shares		Value
Balance, December 31, 2018	7,560,137	$	71,106
Issued Series 4 preferred shares	1,538,461		14,286
Balance, September 30, 2019	9,098,598	$	85,392

On July 23, 2019, the Company entered subscription agreements in respect of the issuance of Class A convertible preferred shares to Magnetar for aggregate gross proceeds of $14,550. On August 27, 2019 the fourth series funded resulted in the issuance of 1,538,461 Class A Series 4 Preferred Shares.

The Series 4 Preferred Shares will be convertible into common shares at a conversion price of $9.75. The other terms of the Series 4 Preferred Shares will be substantially similar to the terms of the Company's Class A convertible preferred shares that are currently outstanding, except that the liquidation preference of the Series 4 Preferred Shares will accrue at a rate of 9.80% for the first 24 months following the issuance of the Series 4 Preferred Shares and 12.25% thereafter; the prepayment penalty on liquidation, mandatory conversion and redemption will be 1% of the initial liquidation amount if the applicable event occurs within the first six months after issuance and 0.5% of the initial liquidation amount if the applicable event occurs between 6 months and one year following the issuance; and the Series 4 Preferred Shares will contain a limitation on converting to common shares, without prior approval of the Toronto Stock Exchange, if such conversion would result in the issuance of common shares equal to or exceeding 10% of the common shares outstanding on the date the Series 4 Preferred Shares are issued.

As at September 30, 2019, the preferred shares are convertible into 9,851,170 common shares of the Company.

15. Earnings 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 after-tax interest on the convertible debentures has been removed from net earnings and the weighted average number of shares has been increased by the number of shares, which would be issued on conversion of the convertible debentures, pro-rated for the number of days in the period the convertible debentures were outstanding. The outstanding convertible debentures, unvested deferred shares, Exchangeable Units, 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.

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

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

Net income (loss):

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income (loss) for basic and diluted net income per share	$ (2,346)	$ 8,654	$ (12,043)	$ 21,500

Denominator for basic and diluted net income (loss) per share:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Weighted average number of shares, including fully vested deferred shares: Basic	54,333,436	52,997,290	53,781,980	49,338,826
Weighted average shares issued if all preferred shares were converted	8,769,999	7,732,924	8,260,424	6,684,156
Weighted average number of shares: Diluted	63,103,435	60,730,214	62,042,404	56,022,982

Net income (loss) per share:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Basic	$ (0.04)	$ 0.16	$ (0.22)	$ 0.44
Diluted	$ (0.04)	$ 0.14	$ (0.22)	$ 0.38

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

16. Revenue:

(a) Rental Revenue:

Rental revenue consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Contractual rental revenue	$ 17,717	$ 22,559	$ 59,163	$ 60,561
Straight-line rent adjustments	2,147	2,703	6,795	8,267
Amortization of tenant inducements	(57)	—	(57)	—
Property tax recoveries	3,660	4,442	11,534	10,684
Revenue from services - CAM recoveries (1)	773	752	2,352	1,266
	$ 24,240	$ 30,456	$ 79,787	$ 80,778

(1) Represents property services element in accordance with IFRS 15, Revenue from Contracts with Customers.

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, generally with lease terms of 5 to 10 years, 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, 2019, rental revenue from this tenant comprised approximately 41% and 36%, respectively (three and nine months ended September 30, 2018 - 31% and 33%, respectively), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of September 30, 2019 are as follows:

Less than 1 year	$ 73,205
Between 1 and 5 years	290,800
More than 5 years	601,225
	$ 965,230

Future minimum rentals in the above table attributable to Symcare represent approximately 48% of the total.

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

(b) Resident rental and related revenue:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Resident revenue	$ 8,261	$ —	$ 8,261	$ —
Service revenue [(1)]	4,378	—	4,378	—
	$ 12,639	$ —	$ 12,639	$ —

(1) Represents property services element in accordance with IFRS 15, Revenue from Contracts with Customers.

17. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended September 30, 2019			Three months ended September 30, 2018		
	Owner occupied property	Medical office buildings	Total	Owner occupied property	Medical office buildings	Total
Repairs and maintenance	$ 211	$ 345	$ 556	$ —	$ 287	$ 287
Utilities	371	362	733	—	371	371
Property management fees	—	144	144	—	144	144
Services and supplies	6,857	247	7,104	—	239	239
Other	1,211	186	1,397	—	215	215
	$ 8,650	$ 1,284	$ 9,934	$ —	$ 1,256	$ 1,256

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
	Owner occupied property	Medical office buildings	Total	Owner occupied property	Medical office buildings	Total
Repairs and maintenance	$ 211	$ 1,101	$ 1,312	$ —	$ 460	$ 460
Utilities	371	984	1,355	—	546	546
Property management fees	—	430	430	—	236	236
Services and supplies	6,857	735	7,592	—	391	391
Other	1,211	579	1,790	—	309	309
	$ 8,650	$ 3,829	$ 12,479	$ —	$ 1,942	$ 1,942

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

18. Finance costs:

Finance costs consist of the following:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Interest expense on credit facilities	$ 6,645	$ 4,520	$ 15,718	$ 11,541
Interest expense on mortgages payable	2,439	4,581	9,239	12,399
Interest expense on convertible debentures	1,312	879	3,936	2,004
Distributions on Exchangeable Units	20	—	20	—
Dividends on Commonwealth preferred units	573	—	573	—
Amortization and accretion expense	810	734	2,860	1,985
Interest rate swap receipts	(142)	(362)	(304)	(876)
Write-off of deferred financing costs from refinancing	13	—	82	—
Amortization of mark-to-market debt adjustments	22	22	66	57
Interest income from loans receivable (note 2)	(990)	(834)	(2,581)	(2,383)
Finance costs from operations	$ 10,702	$ 9,540	$ 29,609	$ 24,727
Allowance for credit losses on loans and interest receivable (note 2)	(152)	555	1,012	2,529
Change in non-controlling interest liability	189	17,028	344	17,807
Change in fair value of financial instruments	4,754	(334)	14,089	(1,825)
Total finance costs	$ 15,493	$ 26,789	$ 45,054	$ 43,238

19. General and administrative:

General and administrative costs consist of the following:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Compensation and benefits	$ 2,158	$ 1,798	$ 5,356	$ 4,464
Asset management and administrative fees	125	125	374	296
Professional fees	566	796	2,300	2,054
Deferred share compensation	671	365	1,804	1,042
Other	785	648	2,033	1,770
	$ 4,305	$ 3,732	$ 11,867	$ 9,626

For the three and nine months ended September 30, 2019, $981 and $981, respectively, (2018 - NIL) of general and administrative costs were incurred at the Commonwealth management company.

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

20. Deferred share incentive plan:

At September 30, 2019, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
As at December 31, 2018	375,279	92,244
Discretionary Deferred Shares granted	601,258	95,512
Individual Contributed Deferred Shares (vested immediately)	33,238	33,238
Company Contributed Deferred Shares	20,943	23,869
Shares forfeited	(17,659)	—
Shares issued upon vesting of deferred shares	(150,912)	(150,912)
As at September 30, 2019	862,147	93,951

For the three and nine months ended September 30, 2019, expense recognized in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) related to deferred shares was $671 and $1,804, respectively (three and nine months ended September 30, 2018 - $365 and $1,042, respectively). A deferred share liability of $2,051 (2018 - $1,756) is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at September 30, 2019.

On May 14, 2019, the Company granted 292,825 equity settled deferred shares. During the nine months ended September 30, 2019, the Company amortized $430 of equity settled deferred shares. The table above includes dividends granted during the nine months ended September 30, 2019 of 48,096 shares (2018 - 18,584 shares).

21. Related party transactions:

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

The Company entered into subscription agreements in 2017 and 2018 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 7,560,137 preferred shares for aggregate gross proceeds of $71,500.

On June 5, 2019, the Company formed a joint venture, Jaguarundi Ventures, LP, with Magnetar (note 6). 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 23, 2019, the Company entered subscription agreements in respect of the issuance of Class A convertible preferred shares to Magnetar for aggregate proceeds of $14,550. On August 27, 2019 the fourth series funded resulted in the issuance of 1,538,461 Class A Series 4 Preferred Shares.

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. The credit facility was funded on July 26, 2019. The Company pledged its equity interests in properties located in Little Rock, AR; San Antonio, TX; and New Braunfels, TX against the loan.

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

22. Income taxes:

The income tax expense (recovery) in the consolidated statements of income and comprehensive income differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2018 - 26.5%). The differences for the three and nine months ended September 30, 2019 and 2018 are as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Income (loss) before income taxes	$ (3,046)	$ 12,161	$ (15,981)	$ 30,880
Income tax expense (recovery) at Canadian tax rate	(808)	3,223	(4,235)	8,183
Non-deductible expenses	197	223	539	778
Difference in tax rate in foreign jurisdiction	(89)	174	(189)	387
Other	—	(113)	(53)	32
Income tax expense (recovery)	$ (700)	$ 3,507	$ (3,938)	$ 9,380

The gross movement in deferred tax is as follows:

	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Deferred tax liability, beginning balance	$ 7,011	$ 10,291
Deferred tax expense (recovery)	(3,938)	9,362
Deferred tax resulting from business combination	—	1,699
Deferred tax liability charged to equity	—	(306)
Other	—	(42)
Deferred tax liability, ending balance	$ 3,073	$ 21,004

23. 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 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 will earn 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. As at September 30, 2019, the Company is committed to fund an additional $2,068 pursuant to these agreements.

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

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.

The Company is committed to purchasing three additional Commonwealth properties as previously announced, subject to the approval of certain lenders of secured debt underlying the remaining three properties. The three additional buildings have a total consideration of approximately $55,000 that is expected to be funded by the assumption of debt, the issuance of preferred interests in the Company's acquiring subsidiary entity and cash on hand.

The Company agreed to terms with Greenfield Senior Living ("Greenfield") whereby the Company will acquire 100% of Greenfield's interests in 13 properties in which the Company already has an ownership interest for total consideration of approximately $4,500. The Company has prepaid $2,522 of the purchase price as at September 30, 2019. As at September 30, 2019, operations at four of the buildings have been transitioned from Greenfield.

24. Fair value measurement:

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

	September 30, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	$ —	$ —	$ —	$ —	$ 1,722	$ —
Investment properties	—	—	1,029,509	—	—	1,115,530
Loan commitment liability	—	1,225	—	—	—	—
Derivative liability	—	12,604	—	—	651	—
Deferred share liability	—	2,051	—	—	1,756	—

For the assets and liabilities measured at fair value as at September 30, 2019, there were no transfers between Level 1, Level 2 and Level 3 liabilities during the period. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 4 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.

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

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, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 44,479	$ 44,529	$ 32,422	$ 32,361
Derivative instruments	—	—	1,722	1,722
Financial liabilities:				
Mortgages payable	236,082	238,729	303,330	306,170
Credit facilities	620,474	625,580	338,140	341,387
Derivative instruments	12,604	12,604	651	651
Convertible debentures	90,715	85,152	89,745	72,500
Commonwealth preferred unit liability	51,969	51,969	—	—
Loan commitment liability	1,225	1,225	—	—

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.

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

25. 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, the Company has investments in 21 properties and a management company that operates those properties ("Owner occupied property"). Management considers this another reportable operating segment.

The following tables show net income (loss) by reportable segment for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30, 2019				
	Seniors housing and care investment property	Owner occupied property	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	—	(8,650)	(1,284)	—	(9,934)
Depreciation expense	—	(5,341)	—	(24)	(5,365)
Finance cost	(6,588)	(2,098)	(1,013)	(1,003)	(10,702)
Real estate tax expense	(169)	—	(358)	—	(527)
General and administrative	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 (expense)	—	—	—	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 property	Owner occupied property	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 70,112	$ —	$ 9,675	$ —	$ 79,787
Resident rental 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	—	(8,650)	(3,829)	—	(12,479)
Depreciation expense	—	(5,341)	—	(67)	(5,408)
Finance cost	(21,556)	(2,098)	(3,065)	(2,890)	(29,609)
Real estate tax expense	(13,816)	—	(1,689)	—	(15,505)
General and administrative	(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 (expense)	—	—	—	3,938	3,938
Net income (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)

	Three months ended September 30, 2018			
	Seniors housing and care investment property	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 26,843	$ 3,613	$ —	30,456
Lease revenue from joint ventures	742	—	—	742
Other income	10	319	54	383
Finance cost	(8,120)	(1,112)	(308)	(9,540)
Real estate tax expense	(1,440)	(370)	—	(1,810)
General and administrative	(151)	(125)	(3,456)	(3,732)
Direct property operating	—	(1,256)	—	(1,256)
Transaction costs for business combination	—	—	(6)	(6)
Diligence costs for transactions not pursued	—	—	(1,971)	(1,971)
Changes in non-controlling interest liability	(17,028)	—	—	(17,028)
Change in fair value of investment properties - IFRIC 21	(2,588)	(153)	—	(2,741)
Change in fair value of investment properties	29,685	(603)	—	29,082
Change in fair value of financial instruments	69	136	(426)	(221)
Change in value of contingent consideration	(11,171)	—	—	(11,171)
Income from joint ventures	974	—	—	974
Income tax expense	—	—	(3,507)	(3,507)
Net income (loss)	$ 17,825	$ 449	$ (9,620)	$ 8,654
Expenditures for non-current assets:				
Acquisition of properties	$ 137,530	$ 8,305	$ —	$ 145,835
Capital additions	4,049	—	—	4,049

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

	Nine months ended September 30, 2018			
	Seniors housing and care investment property	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 74,973	$ 5,805	$ —	80,778
Lease revenue from joint ventures	2,259	—	—	2,259
Other income	16	766	155	937
Finance cost	(22,713)	(1,724)	(290)	(24,727)
Real estate tax expense	(10,640)	(621)	—	(11,261)
General and administrative	(470)	(216)	(8,940)	(9,626)
Direct property operating	—	(1,942)	—	(1,942)
Transaction costs for business combination	—	—	(6,444)	(6,444)
Diligence costs for transactions not pursued	—	—	(2,041)	(2,041)
Changes in non-controlling interest liability	(17,807)	—	—	(17,807)
Change in fair value of investment properties - IFRIC 21	622	(237)	—	385
Change in fair value of investment properties	29,474	(603)	—	28,871
Change in fair value of financial instruments	1,682	136	(2,522)	(704)
Change in value of contingent consideration	(11,171)	—	—	(11,171)
Income from joint ventures	3,373	—	—	3,373
Income tax expense	(18)	—	(9,362)	(9,380)
Net income (loss)	$ 49,580	$ 1,364	$ (29,444)	$ 21,500
Expenditures for non-current assets:				
Acquisition of properties	$ 306,163	$ 145,580	$ —	$ 451,743
Capital additions	11,698	—	—	11,698

(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, 2019 and December 31, 2018:

	As at September 30, 2019				
	Seniors housing and care investment property	Owner occupied property	Medical office buildings	Corporate/ other	Total
Investment properties	$ 886,354	$ —	$ 143,155	$ —	$ 1,029,509
Property, plant and equipment, net	—	326,196		3,029	329,225
Investment in joint ventures	99,357	—	—	—	99,357
Loans receivable	8,404	—	—	36,075	44,479
Other assets	21,662	10,185	841	14,771	47,459
Total assets	$ 1,015,777	$ 336,381	$ 143,996	$ 53,875	$ 1,550,029
Mortgages payable	$ 198,544	$ 37,538	$ —	$ —	$ 236,082
Credit facilities	361,686	174,139	84,649	—	620,474
Convertible debentures	—	—	—	90,715	90,715
Commonwealth preferred unit liability	—	51,969	—	—	51,969
Non-controlling interest liability	3,387	1,041	—	—	4,428
Other liabilities	27,040	10,696	2,264	26,395	66,395
Total liabilities	$ 590,657	$ 275,383	$ 86,913	$ 117,110	$ 1,070,063

	As at December 31, 2018			
	Seniors housing and care investment property	Medical office buildings	Corporate/ other	Total
Investment properties	$ 975,914	$ 139,616	$ —	$ 1,115,530
Investment in joint ventures	84,658	—	—	84,658
Loans receivable	—	—	32,422	32,422
Other assets	22,637	1,790	26,922	51,349
Total assets	$ 1,083,209	$ 141,406	$ 59,344	$ 1,283,959
Liability to previous owner of Care	$ 9,676	$ —	$ —	$ 9,676
Mortgages payable	303,330	—	—	303,330
Credit facilities	255,561	82,579	—	338,140
Convertible debentures	—	—	89,745	89,745
Non-controlling interest liability	2,947	—	—	2,947
Other liabilities	26,465	1,458	18,730	46,653
Total liabilities	$ 597,979	$ 84,037	$ 108,475	$ 790,491

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 three 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, 2019, $1,301,702 of the Company's non-current assets, excluding financial instruments, are located in the United States (2018 - $1,051,527) and $160,941 are located in Canada (2018 - $150,168). During the three and nine months ended September 30, 2019, the Company generated $35,005 and $86,305, respectively (three and nine months ended September 30, 2018 - $28,012 and $76,768), of its revenues, excluding other income, from properties located in the United States and $2,630 and $8,374 (three and nine months ended September 30, 2018 - $3,186 and $6,269, respectively) of its revenues from properties located in Canada.

26. Subsequent events:

The Company has agreed to terms with Greenfield Senior Living ("Greenfield") whereby the Company will acquire 100% of Greenfield's interests in 13 properties in which the Company already has an ownership interest. Ten of these properties were previously triple-net leased to Greenfield and the Company will acquire Greenfield's interest in the operations at each property. Three of the properties were previously joint arrangements between the Company and Greenfield, and the Company will acquire Greenfield's interest in both the real estate and the operations of these properties. The Company has transitioned the operations in 10 of the 13 properties as of November 13, 2019, four of which transitioned prior to September 30, 2019, pursuant to interim management agreements pending final regulatory approval to the management company acquired in the Commonwealth transaction. As of November 13, 2019, the Company has transitioned the management of the operations at two properties to Heritage Senior Living, a partner who manages five joint venture properties in the Company's existing portfolio. The Company is currently evaluating its options to transition the final property.