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

# INVESQUE INC.

Three months ended March 31, 2020 and 2019
(Unaudited)

# INVESQUE INC.

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

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash | $ | 17,689 | $ | 11,838 |
| Tenant and other receivables | | 7,064 | | 6,937 |
| Property tax receivables | | 12,420 | | 11,020 |
| Loans receivable (note 2) | | 4,096 | | 4,249 |
| Assets held for sale (note 5) | | — | | 12,201 |
| Other (note 3) | | 7,726 | | 6,184 |
| | | 48,995 | | 52,429 |
| Non-current assets: | | | | |
| Loans receivable (note 2) | | 47,948 | | 46,078 |
| Derivative instruments (note 9) | | 3,806 | | 64 |
| Investment in joint ventures (note 6) | | 83,816 | | 99,321 |
| Investment properties (note 4) | | 942,552 | | 969,634 |
| Property, plant and equipment, net (note 5) | | 437,173 | | 459,942 |
| Other non-current assets (note 3) | | 3,135 | | 3,270 |
| | | 1,518,430 | | 1,578,309 |
| Total assets | $ | 1,567,425 | $ | 1,630,738 |
| **Liabilities and Shareholders' Equity** | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | $ | 15,312 | $ | 18,885 |
| Accrued real estate taxes | | 14,140 | | 13,066 |
| Dividends payable | | 3,387 | | 3,354 |
| Credit facilities (note 7) | | 14,759 | | 14,569 |
| Mortgages payable (note 8) | | 26,057 | | 43,024 |
| Other current liabilities (note 12) | | 3,438 | | 3,015 |
| | | 77,093 | | 95,913 |
| Non-current liabilities: | | | | |
| Credit facilities (note 7) | | 639,569 | | 632,390 |
| Mortgages payable (note 8) | | 234,398 | | 232,443 |
| Convertible debentures (note 10) | | 91,398 | | 91,049 |
| Commonwealth preferred unit liability (note 11) | | 63,764 | | 63,654 |
| Derivative instruments (note 9) | | 32,145 | | 7,966 |
| Deferred tax liability (note 22) | | — | | 6,944 |
| Other non-current liabilities (note 12) | | 14,490 | | 16,736 |
| Non-controlling interest liability | | 3,502 | | 3,499 |
| | | 1,079,266 | | 1,054,681 |
| Total liabilities | | 1,156,359 | | 1,150,594 |
| Shareholders' equity: | | | | |
| Common share capital (note 14) | | 507,330 | | 504,561 |
| Equity settled deferred shares | | 902 | | 733 |
| Preferred share capital (note 14) | | 85,389 | | 85,389 |
| Contributed surplus | | 400 | | 400 |
| Equity component of convertible instruments | | 3,764 | | 3,764 |
| Cumulative deficit | | (181,959) | | (114,908) |
| Accumulated other comprehensive income | | (4,760) | | 205 |
| Total shareholders' equity | | 411,066 | | 480,144 |
| Commitments and contingencies (note 23) | | | | |
| Subsequent events (note 26) | | | | |
| Total liabilities and shareholders' equity | $ | 1,567,425 | $ | 1,630,738 |

See accompanying notes to condensed consolidated interim financial statements.

(Expressed in thousands of U.S. dollars, except per share amounts)

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Revenue: | | |
| Rental (note 16) | $ 23,038 | $ 28,017 |
| Resident rental and related revenue (note 16) | 28,903 | — |
| Lease revenue from joint ventures (note 6) | 773 | 751 |
| Other income | 1,177 | 456 |
| | 53,891 | 29,224 |
| Expenses (income): | | |
| Direct property operating expenses (note 17) | 22,623 | 1,302 |
| Depreciation and amortization expense | 12,488 | 21 |
| Finance costs from operations (note 18) | 11,928 | 9,070 |
| Real estate tax expense | 13,324 | 14,428 |
| General and administrative expenses (note 19) | 4,481 | 3,460 |
| Transaction costs for business combination | 407 | — |
| Allowance for credit losses on loans and interest receivable (note 18) | 1,535 | 491 |
| Change in non-controlling interest liability (note 18) | 49 | 56 |
| Change in fair value of investment properties - IFRIC 21 | (9,699) | (10,424) |
| Change in fair value of investment properties (note 4) | 18,649 | (4,857) |
| Change in fair value of financial instruments (note 18) | 23,541 | 1,811 |
| Loss on sale of property, plant and equipment | 118 | — |
| | 99,444 | 15,358 |
| Loss from joint ventures (note 6) | (18,322) | (3,813) |
| Income (loss) before income taxes | (63,875) | 10,053 |
| Income tax expense (recovery): | | |
| Deferred (note 22) | (6,944) | 2,848 |
| Net income (loss) | $ (56,931) | $ 7,205 |
| Other comprehensive income (loss): | | |
| Items to be reclassified to net income (loss) in subsequent periods | | |
| Unrealized gain (loss) on translation of foreign operations | (4,965) | 1,455 |
| Total comprehensive income (loss) | $ (61,896) | $ 8,660 |
| Income (loss) per share (note 15): | | |
| Basic | $ (1.04) | $ 0.14 |
| Diluted | $ (1.04) | $ 0.12 |

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)
Three months ended March 31, 2020 and 2019

| | Common share capital | Equity settled deferred shares | Preferred share capital | Contributed surplus | Equity component of convertible instruments | Cumulative deficit | Accumulated other comprehensive income (loss) | Total |
|---|---|---|---|---|---|---|---|---|
| Balance, January 1, 2020 | $ 504,561 | $ 733 | $ 85,389 | $ 400 | $ 3,764 | $ (114,908) | $ 205 | $ 480,144 |
| Net loss | — | — | — | — | — | (56,931) | — | (56,931) |
| Other comprehensive income | — | — | — | — | — | — | (4,965) | (4,965) |
| Common shares issued, net of issuance costs (note 14) | 1,014 | — | — | — | — | — | — | 1,014 |
| Common shares issued under the Company's dividend reinvestment plan (note 14) | 1,903 | — | — | — | — | — | — | 1,903 |
| Dividends declared on common shares | — | — | — | — | — | (10,120) | — | (10,120) |
| Common shares purchased under NCIB (note 14) | (148) | — | — | — | — | — | — | (148) |
| Amortization of equity settled deferred shares (note 20) | — | 169 | — | — | — | — | — | 169 |
| Balance, March 31, 2020 | $ 507,330 | $ 902 | $ 85,389 | $ 400 | $ 3,764 | $ (181,959) | $ (4,760) | $ 411,066 |

| | Common share capital | Preferred share capital | Contributed surplus | Equity component of convertible instruments | Cumulative deficit | Accumulated other comprehensive income (loss) | Total |
|---|---|---|---|---|---|---|---|
| Balance, January 1, 2019 | $ 493,165 | $ 71,106 | $ 400 | $ 1,671 | $ (69,785) | $ (3,089) | $ 493,468 |
| Net income | — | — | — | — | 7,205 | — | 7,205 |
| Other comprehensive loss | — | — | — | — | — | 1,455 | 1,455 |
| Common shares issued, net of issuance costs | 817 | — | — | — | — | — | 817 |
| Common shares issued under the Company's dividend reinvestment plan | 1,340 | — | — | — | — | — | 1,340 |
| Dividends declared on common shares | — | — | — | — | (9,774) | — | (9,774) |
| Common Shares purchased under NCIB | (2) | — | — | — | — | — | (2) |
| Balance, March 31, 2019 | $ 495,320 | $ 71,106 | $ 400 | $ 1,671 | $ (72,354) | $ (1,634) | $ 494,509 |

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 months ended March 31, 2020 and 2019

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net (loss) income | $ (56,931) | $ 7,205 |
| Items not involving cash: | | |
| Fair value adjustment of investment properties | 18,649 | (4,857) |
| Fair value adjustment of financial instruments | 23,541 | 1,811 |
| Depreciation and amortization expense | 12,488 | — |
| Allowance for credit losses on loans and interest receivable | 1,535 | 491 |
| Straight-line rent | (1,716) | (2,354) |
| Amortization of tenant inducements | 93 | — |
| Finance costs from operations | 11,928 | 9,070 |
| Change in non-controlling interest liability | 49 | 56 |
| Loss on sale of property, plant and equipment | 118 | — |
| Loss from joint ventures | 18,322 | 3,813 |
| Deferred income tax | (6,944) | 2,848 |
| Interest paid | (13,589) | (8,293) |
| Interest income received | 132 | 59 |
| Change in non-cash operating working capital: | | |
| Tenant and other receivables | (3,195) | (4,637) |
| Accounts payable and accrued liabilities | (1,813) | (2,889) |
| Unearned revenue | 268 | (107) |
| Other assets | (1,731) | (795) |
| Other liabilities | (444) | 1,897 |
| Accrued real estate taxes | 1,118 | (1,033) |
| Net cash provided by operating activities | $ 1,878 | $ 2,285 |
| Cash flows from financing activities: | | |
| Proceeds from credit facilities (note 13) | $ 19,000 | $ 55,000 |
| Payments on credit facilities (note 13) | (7,000) | — |
| Debt issuance costs paid (note 13) | (382) | (146) |
| Proceeds from mortgages payable (note 13) | 2,360 | 6,468 |
| Payments of mortgages payable (note 13) | (9,227) | (16,701) |
| Proceeds from settlement of interest rate swap | — | 104 |
| Dividends paid to common shareholders | (8,185) | (8,417) |
| Payment for repurchase of common shares | (148) | (2) |
| Cash provided by (used in) financing activities | $ (3,582) | $ 36,306 |
| Cash flows from investing activities: | | |
| Additions to investment properties | $ (2,259) | $ (31,367) |
| Additions to property, plant and equipment | (1,476) | — |
| Dispositions of property, plant and equipment | 11,900 | — |
| Distributions from joint ventures | 729 | 463 |
| Contributions to joint ventures | (260) | (1,062) |
| Distributions to non-controlling interest partners | (49) | (25) |
| Proceeds from income support agreement | 49 | 120 |
| Payments to previous owner of Care | — | (9,676) |
| Issuance of loans receivable | (1,428) | (470) |
| Repayment of loans receivable | 349 | 2,125 |
| Cash provided by (used in) investing activities | $ 7,555 | $ (39,892) |
| Increase (decrease) in cash and cash equivalents | 5,851 | (1,301) |
| Cash and cash equivalents, beginning of period | 11,838 | 26,978 |
| Cash and cash equivalents, end of period | $ 17,689 | $ 25,677 |

See accompanying notes to condensed consolidated interim financial statements.

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

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

At March 31, 2020, the Company owns interests in a portfolio of 123 health care and senior living properties comprised of 69 consolidated investment properties, 31 consolidated owner occupied properties and interests in 23 properties held through joint arrangements.

**COVID-19 Risks**

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

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

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

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

**1. Basis of preparation:**

*Statement of compliance:*

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

December 31, 2019 issued on March 11, 2020, and which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company and authorized for issuance on May 13, 2020.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2019. The following IFRS amendments were adopted in 2020:

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

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

## 2. Loans receivable:

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

| Debtor | Loan Type | March 31, 2020 | December 31, 2019 | Issued Date | Maturity Date (1) | Current Interest Rate | PIK Interest Rate |
|---|---|---|---|---|---|---|---|
| MS-SW Mezzanine Fund, LLC | Mezzanine loan | $ 1,264 | $ 1,267 | September 1, 2016 | September 1, 2020 | 10.5% | 4.0% |
| Mainstreet Investment Company, LLC | Interest-only loan | 3,932 | 3,932 | December 22, 2016 | December 22, 2018 | 8.5% | 1.5% |
| Autumnwood Lifestyles Inc. | Revolving credit facility | 1,067 | 1,155 | November 1, 2016 | October 31, 2018 (3) | 8.0% | —% |
| Symcare ML, LLC | Loan receivable | 7,295 | 7,295 | October 20, 2017 | December 31, 2033 | 5.0% | —% |
| Premier Senior Living, LLC (6) | Loan receivable | 700 | 700 | August 16, 2013 (2) | August 16, 2025 | 9.2% | —% |
| Ellipsis Real Estate Partners | Loan receivable | 951 | 951 | May 4, 2018 | May 4, 2028 | —% | 10.0% |
| Ellipsis Real Estate Partners | Loan receivable | 1,339 | 1,341 | September 14, 2018 | September 14, 2028 | —% | 10.0% |
| Symcare ML, LLC | Loan receivable | 15,000 | 13,530 | December 26, 2018 | December 31, 2033 | 5.0% | 5.0% |
| YAL Borrower LLC | Interest-only loan | 750 | 1,000 | December 31, 2018 | December 30, 2020 | 5.0% | —% |
| YAL Borrower LLC | Loan receivable | 2,000 | 2,000 | December 31, 2018 | December 30, 2020 | 5.0% | —% |
| Hillcrest Millard, LLC | Loan receivable | 485 | 480 | January 1, 2019 | January 1, 2028 | —% | 5.0% |
| Hillcrest Firethorn, LLC | Loan receivable | 454 | 449 | January 1, 2019 | November 1, 2027 | —% | 5.0% |
| Bridgemoor Transitional Care Operations, LLC (5) | Loan receivable | 1,781 | 1,738 | June 5, 2019 | June 5, 2035 | —% | —% |
| MOC Webster, LLC | Loan receivable | 279 | 189 | June 5, 2019 | June 5, 2035 | —% | —% |
| RHS Propco Mooresville, LLC | Loan receivable | 5,000 | 5,000 | June 28, 2019 | July 1, 2024 | 8.5% | —% |
| Jaguarundi Ventures, LP (7) | Loan receivable | 9,688 | 8,673 | June 5, 2019 | June 5, 2029 | —% | —% |
| Memory Care America LLC | Loan receivable | 1,427 | 1,526 | July 31, 2019 | January 1, 2024 | 8.5% | —% |
| Ellipsis Real Estate Partners LLC | Mezzanine loan | 1,229 | 1,223 | October 25, 2019 | October 1, 2022 | 7.5% | 7.5% |
| Blue Bell Senior Holdings, LLC (8) | Loan receivable | 490 | — | February 21, 2020 | March 1, 2024 | 10.0% | —% |
| | Accrued current and long term interest | 1,995 | 1,425 | | | | |
| | Allowance for losses on loans receivable | (7,450) | (5,915) | | | | |
| | Carrying value of loans recorded at amortized cost | $ 49,676 | $ 47,959 | | | | |
| Javelina Ventures, LLC | Loan receivable - FVTPL | 2,368 | 2,368 | December 31, 2018 | (4) | —% | 5.0% |
| | Carrying value of loans receivable | 52,044 | 50,327 | | | | |
| | Less current portion | 4,096 | 4,249 | | | | |
| | Long-term portion | $ 47,948 | $ 46,078 | | | | |

(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 Bridgemoor Transitional Care Operations, LLC.

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

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

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

$27,421 of the loans outstanding as at March 31, 2020 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 Symcare with a total capacity of $15,000 and a maturity date of January 1, 2033. As at March 31, 2020, Symcare had drawn $15,000 on this loan (December 31, 2019 - $13,530). The loan earned 10% interest accruing to the balance of the loan through December 1, 2019. Through and including December 1, 2022, half of the interest will accrue to the loan balance with the remaining portion payable at a current pay rate on a monthly basis. Commencing January 1, 2023 the full amount of monthly interest payments shall be paid each month.

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

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at March 31, 2020 are as follows:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Loans receivable, net of loan fees | $ 13,398 | $ 35,110 | $ 6,623 | $ 55,131 |
| Allowance for losses on loans receivable | (156) | (1,775) | (5,519) | (7,450) |
| Loans receivable, net of allowances | $ 13,242 | $ 33,335 | $ 1,104 | $ 47,681 |

The changes in the gross loans receivable balance during the year ended March 31, 2020 are shown in the following table:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Total loans receivable as at December 31, 2019 | $ 45,724 | $ — | $ 6,725 | $ 52,449 |
| Loans receivable | | | | |
| Transfer to/(from) | | | | |
| Stage 1 | (32,580) | 32,580 | — | — |
| Stage 2 | — | — | — | — |
| Stage 3 | — | — | — | — |
| | $ 13,144 | $ 32,580 | $ 6,725 | $ 52,449 |
| Issuances | 504 | 2,530 | — | 3,034 |
| Repayments | (250) | — | (102) | (352) |
| Total loans receivable as at March 31, 2020 | $ 13,398 | $ 35,110 | $ 6,623 | $ 55,131 |

The changes in the allowance for credit losses during the year ended March 31, 2020 are shown in the following table:

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Total allowance for credit losses as at December 31, 2019 | $ 421 | $ — | $ 5,494 | $ 5,915 |
| Allowance for credit losses | | | | |
| Remeasurement | — | 1,505 | 25 | 1,530 |
| Transfer to/(from) | | | | |
| Stage 1 | (270) | 270 | — | — |
| Stage 2 | — | — | — | — |
| Stage 3 | — | — | — | — |
| | $ 151 | $ 1,775 | $ 5,519 | $ 7,445 |
| Issuances | 8 | — | — | 8 |
| Repayments | (3) | — | — | (3) |
| Total allowance for credit losses as at March 31, 2020 | $ 156 | $ 1,775 | $ 5,519 | $ 7,450 |

For the three months ended March 31, 2020, a loss of $1,535 was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

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

## 3. Other assets:

Other assets are as follows:

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Prepaid expense | $ | 2,389 | $ | 1,906 |
| Prepaid management fees | | 37 | | 160 |
| Security deposits and costs related to future acquisitions | | 368 | | 159 |
| Income support receivable | | 15 | | 63 |
| Escrow deposits held by lenders | | 3,209 | | 3,038 |
| Right-of-use assets | | 2,126 | | 2,199 |
| Bond assets | | 1,005 | | 1,071 |
| Other | | 1,712 | | 858 |
| | $ | 10,861 | $ | 9,454 |
| Current | $ | 7,726 | $ | 6,184 |
| Non-current | | 3,135 | | 3,270 |
| | $ | 10,861 | $ | 9,454 |

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

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

## 4. Investment properties:

| | Number of Properties | | Amount |
|---|---|---|---|
| Balance, December 31, 2019 | 69 | $ | 969,634 |
| Capital expenditures | — | | 2,259 |
| Increase in straight-line rents | — | | 1,716 |
| Fair value adjustment | — | | (18,649) |
| Amortization of tenant inducements | — | | (93) |
| Translation of foreign operations | — | | (12,315) |
| Balance, March 31, 2020 | 69 | $ | 942,552 |
| Property tax liability under IFRIC 21 | | | (9,697) |
| Fair value adjustment to investment properties - IFRIC 21 | | | 9,697 |
| | | $ | 942,552 |

At March 31, 2020, the Company used an internal valuation process to value its investment properties. Third party appraisers are engaged to prepare valuations on a portion of the portfolio annually such that one third of the portfolio is valued externally each year, and every property in the portfolio is valued externally at least once every five years.

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

The Company is also continuing to review market capitalization, discount and terminal capitalization rates as well as its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic. The carrying value for the Company's investment properties reflects its best estimate for the highest and best use as at March 31, 2020.  It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company's business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Company's business and operations that could potentially be impacted include rental income, occupancy, turnover, future demand, and market rents, which all ultimately impact the underlying valuation of investment properties.

(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 March 31, 2020 and December 31, 2019 are set out in the following table:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Capitalization rate - range | 6.75% - 8.90% | 6.50% - 8.75% |
| Capitalization rate - weighted average | 8.10% | 7.89% |
| Terminal capitalization rate - range | 5.70% - 9.75% | 5.70% - 9.25% |
| Terminal capitalization rate - weighted average | 6.80% | 6.72% |
| Discount rate - range | 6.70% - 9.50% | 6.70% - 9.00% |
| Discount rate - weighted average | 7.64% | 7.56% |

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

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Investment property valued using direct capitalization income approach | $ | 774,103 | $ | 793,724 |
| Investment property valued using discounted cash flow projection | $ | 154,147 | $ | 162,501 |
| Investment property valued using other methods | $ | 14,302 | $ | 13,409 |
| Capitalization rate: | | | | |
| 25-basis point increase | $ | (23,299) | $ | (24,519) |
| 25-basis point decrease | $ | 24,801 | $ | 26,146 |
| Terminal capitalization rate: | | | | |
| 25-basis point increase | $ | (4,007) | $ | (4,252) |
| 25-basis point decrease | $ | 4,335 | $ | 4,601 |
| Discount rate: | | | | |
| 25-basis point increase | $ | (1,852) | $ | (1,968) |
| 25-basis point decrease | $ | 1,886 | $ | 2,005 |

(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 March 31, 2020:

| | Land | Buildings | Furniture, fixtures and equipment | Properties under development | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance, December 31, 2019 | $ 28,002 | $ 435,958 | $ 9,563 | $ 937 | $ 474,460 |
| Additions | — | 571 | 495 | 410 | 1,476 |
| Transfers to joint venture | (316) | (11,336) | (226) | — | (11,878) |
| Balance, March 31, 2020 | $ 27,686 | $ 425,193 | $ 9,832 | $ 1,347 | $ 464,058 |
| **Accumulated depreciation** | | | | | |
| Balance, December 31, 2019 | — | 13,930 | 588 | — | 14,518 |
| Depreciation and amortization | — | 12,087 | 401 | — | 12,488 |
| Transfers to joint venture | — | (111) | (10) | — | (121) |
| Balance, March 31, 2020 | $ — | $ 25,906 | $ 979 | $ — | $ 26,885 |

*(b) Dispositions and transfers - three months ended March 31, 2020*

| | Arlington Sale | Glassboro Joint Venture | Total |
|---|---|---|---|
| Properties Sold | (1) | (1) | (2) |
| Property, plant and equipment | $ (12,201) | $ (11,757) | $ (23,958) |
| Working capital balances | 80 | (57) | 23 |
| | $ (12,121) | $ (11,814) | $ (23,935) |
| Consideration received: | | | |
| Equity contributed to joint venture | — | (3,016) | (3,016) |
| Gain (loss) on sale of property | (221) | 103 | (118) |
| Note issued to joint venture partner | — | (490) | (490) |
| Repayment/contribution of mortgages payable | (8,000) | (8,411) | (16,411) |
| Cash proceeds received, net | (3,900) | — | (3,900) |
| | $ (12,121) | $ (11,814) | $ (23,935) |

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

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

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

*(c) Acquisitions - the year ending December 31, 2019*

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

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

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

## 6. Joint arrangements:

As at March 31, 2020, the following are the Company's joint arrangements:

| Joint arrangement | Number of properties | Location | Company ownership | Consolidation type |
|---|---|---|---|---|
| Invesque-Autumnwood Landlord | 4 | Canada | 50% | Joint operation (1) |
| Invesque-Autumnwood Operator | — | Canada | 50% | Joint venture (2) |
| Calamar | 2 | United States | 75% | Joint venture (3) |
| Heritage JV | 3 | United States | 80% | Joint venture (3) |
| Heritage Newtown | 1 | United States | 80% | Joint venture (3) |
| Heritage Harleysville | 1 | United States | 90% | Joint venture (3) |
| Heritage Glassboro | 1 | United States | 90% | Joint venture (3) |
| 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 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, $773 for the three months ended March 31, 2020 (2019 - $751), is reported as lease revenue from joint ventures. Invesque-Autumnwood Operators lease expense is included in the share of income from joint ventures in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

The Company has an interest in 15 seniors housing and care properties in the United States in which it also owns an interest in the operations at those properties through joint arrangements. In these joint arrangements, the Company owns an interest in the real estate and operations through separate legal entities at each of the properties and has management agreements in place to provide for the day to day operations resulting in joint control of the interests. Each of these joint arrangements are accounted for as joint ventures using the equity method and the Company's share of net income is included in income from joint ventures in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

On June 5, 2019, the Company contributed eight investment properties to a newly formed joint venture, Jaguarundi Ventures, LP. The Company received $23,000 from its joint venture partner in the arrangement in exchange for a 39.49% interest in the joint venture. The properties contributed had an investment property value of $161,047 and total mortgage indebtedness of $102,692. The Company provides a guarantee on the outstanding mortgage balances of the joint venture in exchange for a fee equal to 15 basis points on the amount guaranteed. The Company earns an asset management fee of 25 basis points based on gross asset value. For the three months ended March 31, 2020, the Company has earned guaranty fees of $15 and management fees of $101 from Jaguarundi Ventures included in other income in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

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

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 March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Cash contributions to joint ventures | $ 260 | $ 1,062 |
| Distributions received from joint ventures | $ 729 | $ 463 |

| | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Net assets | Company share of net assets | Net assets | Company share of net assets |
| Cash | $ 6,776 | $ 5,166 | $ 8,288 | $ 5,959 |
| Tenant and other receivables | 5,372 | 3,530 | 5,192 | 3,374 |
| Other | 2,054 | 1,605 | 1,032 | 793 |
| Current assets | 14,202 | 10,301 | 14,512 | 10,126 |
| Investment properties | 356,125 | 254,781 | 361,970 | 256,945 |
| Property, plant and equipment | 26,523 | 19,324 | 26,878 | 19,567 |
| Loans receivable | 13,501 | 8,017 | 13,978 | 9,010 |
| Other non-current assets | 1,107 | 926 | 1,107 | 927 |
| Total assets | $ 411,458 | $ 293,349 | $ 418,445 | $ 296,575 |
| Accounts payable and accrued liabilities | $ 7,151 | $ 5,339 | $ 7,578 | $ 5,441 |
| Unearned revenue | 590 | 474 | 724 | 560 |
| Mortgages payable - current | 43,025 | 32,003 | 29,424 | 21,207 |
| Current liabilities | 50,766 | 37,816 | 37,726 | 27,208 |
| Mortgages payable - non-current | 211,645 | 153,315 | 217,627 | 156,853 |
| Loan payable to Invesque (note 2) | 11,113 | 9,689 | 9,559 | 8,673 |
| Loan commitment liability | 1,862 | 1,127 | 2,359 | 1,478 |
| Derivative instruments | 8,118 | 6,279 | 2,627 | 2,012 |
| Other non-current liabilities | 2,032 | 1,307 | 1,702 | 1,030 |
| Total liabilities | $ 285,536 | $ 209,533 | $ 271,600 | $ 197,254 |
| Net assets | $ 125,922 | $ 83,816 | $ 146,845 | $ 99,321 |

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 March 31, 2020 | | Three months ended March 31, 2019 | |
|---|---|---|---|---|
| | Net income (loss) | Company share of net income (loss) | Net income (loss) | Company share of net income (loss) |
| Revenue | $ 19,505 | $ 12,802 | $ 18,538 | $ 12,693 |
| Property operating expense | (13,053) | (8,309) | (14,667) | (9,663) |
| Finance costs | (2,703) | (1,946) | (2,149) | (1,714) |
| Depreciation expense | (181) | (136) | (432) | (324) |
| Allowance for credit losses on loans and interest receivable | (3,865) | (3,119) | — | — |
| Change in fair value of financial instruments | (5,491) | (4,261) | (791) | (661) |
| Change in fair value of investment properties | (18,406) | (13,353) | (4,624) | (4,144) |
| Net loss, prior to distributions to owners | $ (24,194) | $ (18,322) | $ (4,125) | $ (3,813) |

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

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

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Mortgages at fixed rates: | | |
| Mortgages (principal) (1) | $ 171,419 | $ 163,307 |
| Interest rates | 3.99% to 4.98% | 3.99% to 4.98% |
| Weighted average interest rate | 4.32% | 4.33% |
| Mortgages at variable rates: | | |
| Mortgages (principal) | $ 84,278 | $ 84,745 |
| Interest rates | LIBOR plus 2.40% to LIBOR plus 3.00% | LIBOR plus 2.40% to LIBOR plus 3.00% |
| Weighted average interest rate | 3.78% | 4.56% |
| Blended weighted average rate | 4.14% | 4.41% |

(1) Includes $115,113 of variable rate mortgages that are fixed with interest rate swaps.

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

The following tables summarize the information about the Company's investment in Jaguarundi Ventures, which have been accounted for under the equity method and included in tables above. Jaguarundi Venture is shown separately below due to significance of the interest in the joint venture. The joint venture was formed on June 5, 2019.

| | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Net assets | Company share of net assets | Net assets | Company share of net assets |
| Cash | $ 1,906 | $ 1,153 | $ 3,936 | $ 2,382 |
| Tenant and other receivables | 1,838 | 1,112 | 1,620 | 980 |
| Current assets | 3,744 | 2,265 | 5,556 | 3,362 |
| Investment properties | 157,316 | 95,186 | 162,660 | 98,420 |
| Loans receivable | 9,643 | 7,979 | 10,120 | 8,972 |
| Total assets | $ 170,703 | $ 105,430 | $ 178,336 | $ 110,754 |
| Accounts payable and accrued liabilities | $ 1,328 | $ 804 | $ 2,154 | $ 1,303 |
| Unearned revenue | — | — | 82 | 50 |
| Mortgages payable - current | 2,343 | 1,417 | 2,122 | 1,284 |
| Current liabilities | 3,671 | 2,221 | 4,358 | 2,637 |
| Mortgages payable - non-current | 98,805 | 59,783 | 99,542 | 60,229 |
| Loan payable to Invesque (note 2) | 11,113 | 9,689 | 9,559 | 8,673 |
| Loan commitment liability | 1,862 | 1,127 | 2,359 | 1,428 |
| Derivative instruments | 1,829 | 1,106 | 659 | 399 |
| Other non-current liabilities | 1,700 | 1,029 | 1,700 | 1,029 |
| Total liabilities | $ 118,980 | $ 74,955 | $ 118,177 | $ 74,395 |
| Net assets | $ 51,723 | $ 30,475 | $ 60,159 | $ 36,359 |

| | Three months ended March 31, 2020 | | Three months ended March 31, 2019 | |
|---|---|---|---|---|
| | Net income (loss) | Company share of net income (loss) | Net income (loss) | Company share of net income (loss) |
| Revenue | $ 3,608 | $ 2,161 | $ — | $ — |
| Property operating expense | (535) | (323) | — | — |
| Finance costs | (1,155) | (699) | — | — |
| Allowance for credit losses on loans and interest receivable | (3,865) | (3,119) | — | — |
| Change in fair value of financial instruments | (1,170) | (708) | — | — |
| Change in fair value of investment properties | (5,887) | (3,540) | — | — |
| Net income (loss), prior to distributions to owners | $ (9,004) | $ (6,228) | $ — | $ — |

(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.

| | | March 31, 2020 | Borrowing rate at March 31, 2020 | | December 31, 2019 | Borrowing rate at December 31, 2019 |
|---|---|---|---|---|---|---|
| Unsecured Facility Term [1] | $ | 200,000 | 4.51% | $ | 200,000 | 4.51% |
| Unsecured Facility Revolver [3] | | 185,750 | 3.96% | | 173,750 | 4.43% |
| Mohawk Facility USD denominated portion | | 21,286 | 3.19% | | 21,286 | 3.96% |
| Mohawk Facility CAD denominated portion [1] [2] | | 60,582 | 4.32% | | 65,589 | 4.32% |
| Magnetar Facility | | 15,000 | 8.50% | | 15,000 | 8.50% |
| Commonwealth Facility [1] | | 176,000 | 3.84% | | 176,000 | 3.84% |
| Finance costs, net | | (4,290) | — | | (4,666) | — |
| Carrying value | $ | 654,328 | 4.21% | $ | 646,959 | 4.36% |
| Less current portion | | 14,759 | | | 14,569 | |
| Long-term portion | $ | 639,569 | | $ | 632,390 | |

(1) This facility is fixed with an interest rate swap.

(2) This facility is denominated in Canadian dollars with a principal amount of CAD$85,202.

(3) $75,000 of this facility is fixed with interest rate swaps.

Future principal repayments of the credit facilities are as follows:

| | | Aggregate principal payments |
|---|---|---|
| 2020 | $ | 15,000 |
| 2021 | | — |
| 2022 | | 185,750 |
| 2023 | | 281,868 |
| 2024 | | 176,000 |
| Thereafter | | — |
| Total | $ | 658,618 |

(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 March 31, 2020:

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Mortgages payable | $ | 257,394 | $ | 275,083 |
| Mark-to-market adjustment, net | | 5,095 | | 2,297 |
| Finance costs, net | | (2,034) | | (1,913) |
| Carrying value | $ | 260,455 | $ | 275,467 |
| Less current portion | | 26,057 | | 43,024 |
| Long-term portion | $ | 234,398 | $ | 232,443 |

Mortgages payable are collateralized by investment properties and property, plant and equipment with a value of $402,434 at March 31, 2020. Maturity dates on mortgages payable range from 2020 to 2054, and the weighted average years to maturity is 8.93 years at March 31, 2020.

Future principal payments on the mortgages payable as at March 31, 2020 are as follows:

| | | Regular principal payments | | Principal due on maturity | | Total principal payments | % of total principal payments |
|---|---|---|---|---|---|---|---|
| 2020 | $ | 3,911 | $ | 17,387 | $ | 21,298 | 8.27% |
| 2021 | | 5,853 | | 9,927 | | 15,780 | 6.13% |
| 2022 | | 5,560 | | 27,362 | | 32,922 | 12.79% |
| 2023 | | 4,917 | | 54,838 | | 59,755 | 23.22% |
| 2024 | | 3,372 | | 19,609 | | 22,981 | 8.93% |
| Thereafter | | 49,056 | | 55,602 | | 104,658 | 40.66% |
| | $ | 72,669 | $ | 184,725 | $ | 257,394 | 100.00% |

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Mortgages at fixed rates: | | | | |
| Mortgages (principal) [(1)] | $ | 230,112 | $ | 241,451 |
| Interest rates | | 2.55% to 6.47% | | 2.55% to 6.96% |
| Weighted average interest rate | | 4.47% | | 4.76% |
| Mortgages at variable rates: | | | | |
| Mortgages (principal) | $ | 27,282 | $ | 33,632 |
| Interest rates | | LIBOR plus 3.22% to Canada Prime Rate plus 1.25% | | LIBOR plus 3.20% to Canada Prime Rate plus 1.25% |
| Weighted average interest rate | | 3.90% | | 5.02% |
| Blended weighted average rate | | 4.40% | | 4.79% |

(1) Includes $53,125 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:

*(a) Derivative swaps:*

Derivative swaps as at March 31, 2020 are detailed in the table below:

| Swap | Maturity date | Fixed rate | Notional amount | Asset (liability) balance March 31, 2020 | Asset (liability) balance December 31, 2019 | Income (loss) for the three months ended March 31, 2020 | Income (loss) for the three months ended March 31, 2019 |
|---|---|---|---|---|---|---|---|
| The Unsecured Term | December 19, 2023 | LIBOR fixed at 2.11% | 200,000 | (13,288) | (4,466) | (8,822) | (795) |
| The Unsecured Revolver | January 2, 2024 | LIBOR fixed at 2.57% | 25,000 | (2,113) | (1,019) | (1,094) | (309) |
| The Unsecured Revolver | December 1, 2022 | LIBOR fixed at 2.11% | 50,000 | (2,450) | (861) | (1,589) | — |
| Leawood Swap (3) | March 15, 2024 | Interest rate fixed at 4.55% | 13,136 | — | — | — | (176) |
| Topeka Swap (3) | March 15, 2024 | Interest rate fixed at 4.55% | 12,477 | — | — | — | (167) |
| Red Oak Swap (1) | January 18, 2021 | Interest rate fixed at 3.77% | 3,799 | (59) | (27) | (34) | (20) |
| Park Terrace Swap | December 18, 2020 | LIBOR fixed at 2.42% | — | — | — | — | (4) |
| Seneca Lake Swap | December 18, 2020 | LIBOR fixed at 2.42% | — | — | — | — | (4) |
| Winchester Swap | November 1, 2021 | Interest rate fixed at 4.54% | 6,454 | (127) | (2) | (125) | (54) |
| Calhoun Swap | May 31, 2019 | LIBOR fixed at 1.75% | — | — | — | — | (3) |
| Mohawk Credit Facility Swap (2) | May 1, 2023 | Banker's Acceptance fixed at 2.12% | 60,582 | (2,473) | (276) | (2,308) | (215) |
| Grand Brook Swap | October 2, 2021 | Interest rate fixed at 5.98% | 15,657 | (711) | (475) | (236) | (64) |
| Commonwealth Swap | August 1, 2024 | LIBOR fixed at 1.69% | 176,000 | (10,045) | (840) | (9,205) | — |
| Constant Care Swap | October 1, 2022 | Interest rate fixed at 4.21% | 27,215 | (775) | 64 | (839) | — |
| Oak Ridge Swap | April 1, 2022 | LIBOR fixed at 0.66% | 14,379 | (104) | — | (104) | — |
| | | | Carrying value | $ (32,145) | $ (7,902) | $ (24,356) | $ (1,811) |
| | | | Derivative instruments (Asset) | $ — | $ 64 | | |
| | | | Derivative instruments (Liability) | (32,145) | (7,966) | | |
| | | | | $ (32,145) | $ (7,902) | | |

1) The swap has a notional amount of CAD$5,335.

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

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

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

*(b) Prepayment embedded derivatives:*

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

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2). For the three months ended March 31, 2020, a fair value gain of $815 was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

## 10. Convertible debentures:

As at March 31, 2020 the convertible debentures are comprised of the following:

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Issued | $ | 94,975 | $ | 94,975 |
| Issue costs, net of amortization and accretion of equity component | | (1,193) | | (1,542) |
| Equity component, excluding issue costs and taxes | | (2,384) | | (2,384) |
| Convertible debentures | $ | 91,398 | $ | 91,049 |

## 11. Commonwealth preferred unit liability:

As at March 31, 2020 the Commonwealth preferred unit liability is comprised of the following:

| | | March 31, 2020 | | December 31, 2019 |
|---|---|---|---|---|
| Issued | $ | 65,680 | $ | 65,680 |
| Equity component, net of accretion | | (1,916) | | (2,026) |
| Commonwealth preferred unit liability | $ | 63,764 | $ | 63,654 |

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

**12. Other liabilities:**

Other liabilities are as follows:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Deferred shares liability (note 20) | $ 857 | $ 2,597 |
| Security deposits received from tenants | 8,555 | 8,573 |
| Escrows collected from tenant | 1,056 | 944 |
| Unearned revenue | 1,694 | 1,426 |
| Liability to previous owner of Care | 506 | 632 |
| Lease liability | 2,126 | 2,199 |
| Loan commitment liability (note 23) | 516 | 979 |
| Exchangeable units liability | 2,049 | 2,049 |
| Other | 569 | 352 |
| | $ 17,928 | $ 19,751 |
| Current | $ 3,438 | $ 3,015 |
| Non-current | 14,490 | 16,736 |
| | $ 17,928 | $ 19,751 |

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

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

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

| | Credit facilities | Mortgages payable | Convertible debentures | Commonwealth preferred unit liability | Total |
|---|---|---|---|---|---|
| Balance, December 31, 2019 | $ 646,959 | $ 275,467 | $ 91,049 | $ 63,654 | $ 1,077,129 |
| Proceeds from financing | 19,000 | 2,360 | — | — | 21,360 |
| Repayments | (7,000) | (8,000) | — | — | (15,000) |
| Scheduled principal payments | — | (1,227) | — | — | (1,227) |
| Mortgage contributed to joint venture | — | (8,411) | — | — | (8,411) |
| Mark to market adjustments made to mortgages assumed through acquisition of property, plant and equipment (note 5) | — | 2,991 | — | — | — |
| Financing costs paid | (130) | (252) | — | — | (382) |
| Amortizing of financing costs, mark to market adjustments, and accretion of equity components | 472 | (91) | 349 | 110 | 840 |
| Changes in foreign currency rates | (4,973) | (2,382) | — | — | (7,355) |
| Balance, March 31, 2020 | $ 654,328 | $ 260,455 | $ 91,398 | $ 63,764 | $ 1,066,954 |

| | Credit facilities | Mortgages payable | Convertible debentures | Total |
|---|---|---|---|---|
| Balance, December 31, 2018 | $ 338,140 | $ 303,330 | $ 89,745 | $ 731,215 |
| Proceeds from financing | 55,000 | 6,468 | — | 61,468 |
| Repayments | — | (15,326) | — | (15,326) |
| Scheduled principal payments | — | (1,375) | — | (1,375) |
| Financing costs paid | (14) | (132) | — | (146) |
| Amortizing of financing costs, mark to market adjustments, and accretion of equity components | 254 | 144 | 328 | 726 |
| Changes in foreign currency rates | 1,347 | 506 | — | 1,853 |
| Balance, March 31, 2019 | $ 394,727 | $ 293,615 | $ 90,073 | $ 778,415 |

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

## 14. Share capital:

*(a) Common shares:*

The following number and value of common shares were issued and outstanding as at March 31, 2020:

| | Common shares | | Carrying value |
|---|---|---|---|
| Balance, December 31, 2019 | 54,633,482 | $ | 504,561 |
| Issued on settlement of Deferred Share Incentive Plan | 239,816 | | 1,014 |
| Issued pursuant to the Company's dividend reinvestment plan | 345,860 | | 1,903 |
| Shares acquired under NCIB | (54,500) | | (148) |
| Balance, March 31, 2020 | 55,164,658 | $ | 507,330 |

(i) On November 15, 2019 the Toronto Stock Exchange approved the Company's notice of intention to renew its NCIB for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,723,835 of its common shares, or approximately 5% of the Company’s 54,476,694 outstanding common shares as of November 1, 2019, for cancellation over the following 12 months. Purchases under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per share equal to the market at the time of acquisition. The number of shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 10,927 shares, subject to the Company’s ability to make one block purchase of shares per calendar week that exceeds such limits. Any shares purchased under the NCIB will be canceled upon purchase. During the three months ended March 31, 2020, the Company acquired 54,500 shares.

(ii) For the three months ended March 31, 2020, the Company declared dividends payable on common shares of $10,120, respectively (2019 - $9,774). Of the $10,120 dividends declared in the three months ended March 31, 2020, $2,868 was satisfied in the form of shares issued through the dividend reinvestment plan (2019 - $1,882).

*(b) Preferred shares:*

The following number and value of preferred shares were issued and outstanding as at March 31, 2020:

| | Preferred shares | | Carrying value |
|---|---|---|---|
| Balance, December 31, 2019 and March 31, 2020 | 9,098,598 | $ | 85,389 |

As at March 31, 2020, the preferred shares are convertible into 10,164,711 common shares of the Company.

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

## 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, preferred shares and Commonwealth preferred units, if exercised, would be anti-dilutive to net income per share. Accordingly their potential exercise has been ignored in calculating the diluted net income per share.

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

*Net (loss) income:*

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Net income (loss) for basic and diluted net loss per share | $ (56,931) | $ 7,205 |

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

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Weighted average number of shares, including fully vested deferred shares: Basic | 54,963,412 | 53,134,791 |
| Weighted average shares issued if all preferred shares were converted | 10,008,595 | 7,946,496 |
| Weighted average number of shares: Diluted | 64,972,007 | 61,081,287 |

*Net (loss) income per share:*

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Basic | $ (1.04) | $ 0.14 |
| Diluted | $ (1.04) | $ 0.12 |

(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 March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Contractual rental revenue | $ 17,155 | $ 21,032 |
| Straight-line rent adjustments | 1,716 | 2,354 |
| Amortization of tenant inducements | (93) | — |
| Property tax recoveries | 3,457 | 3,838 |
| Revenue from services - CAM recoveries (1) | 803 | 793 |
| | $ 23,038 | $ 28,017 |

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

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

The Company is also scheduled to receive rental income from tenants of the medical office building portfolio. These leases, 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 months ended March 31, 2020, rental revenue from this tenant comprised approximately 43% (2019 - 32%), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of March 31, 2020 are as follows:

| | |
|---|---|
| Less than 1 year | $ 68,363 |
| Between 1 and 5 years | 273,560 |
| More than 5 years | 562,501 |
| | $ 904,424 |

Future minimum rentals in the above table attributable to Symcare represent approximately 49% of the total.

*(b) Resident rental and related revenue:*

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Resident revenue | $ 12,966 | $ — |
| Service revenue (1) | 15,937 | — |
| | $ 28,903 | $ — |

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

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

**17. Direct property operating expenses:**

Direct property operating expenses consist of the following:

| | Three months ended March 31, 2020 | | | Three months ended March 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Owner occupied properties | Medical office buildings | Total | Owner occupied properties | Medical office buildings | Total |
| Repairs and maintenance | $ 605 | $ 483 | $ 1,088 | $ — | $ 383 | $ 383 |
| Utilities | 996 | 329 | 1,325 | — | 357 | 357 |
| Property management fees | — | 142 | 142 | — | 143 | 143 |
| Compensation and benefits | 14,069 | — | 14,069 | — | — | — |
| Other services and supplies | 1,828 | 252 | 2,080 | — | 235 | 235 |
| Real estate taxes | 534 | — | 534 | — | — | — |
| Other | 3,191 | 194 | 3,385 | — | 184 | 184 |
| | $ 21,223 | $ 1,400 | $ 22,623 | $ — | $ 1,302 | $ 1,302 |

**18. Finance costs:**

Finance costs consist of the following:

| | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| Interest expense on credit facilities | $ 6,535 | $ 4,235 |
| Interest expense on mortgages payable | 2,821 | 3,650 |
| Interest expense on convertible debentures | 1,312 | 1,312 |
| Distributions on exchangeable units | 62 | — |
| Dividends on Commonwealth preferred units | 1,084 | — |
| Amortization and accretion expense | 1,027 | 711 |
| Interest rate swap receipts/payments | 400 | (115) |
| Amortization of mark-to-market debt adjustments | (193) | 22 |
| Interest income from loans receivable (note 2) | (1,120) | (745) |
| Finance costs from operations | $ 11,928 | $ 9,070 |
| Allowance for credit losses on loans and interest receivable (note 2) | 1,535 | 491 |
| Change in non-controlling interest liability | 49 | 56 |
| Change in fair value of financial instruments (note 9) | 23,541 | 1,811 |
| Total finance costs | $ 37,053 | $ 11,428 |

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

## 19. General and administrative:

General and administrative costs consist of the following:

| | | Three months ended March 31, 2020 | | Three months ended March 31, 2019 |
|---|---|---|---|---|
| Compensation and benefits | $ | 3,072 | $ | 1,750 |
| Asset management and administrative fees | | 124 | | 125 |
| Professional fees | | 1,231 | | 769 |
| Deferred share compensation expense (recovery) | | (676) | | 349 |
| Other | | 730 | | 467 |
| | $ | 4,481 | $ | 3,460 |

For the three months ended March 31, 2020, $1,614 (2019 - NIL) of general and administrative costs were incurred at the Commonwealth management company.

## 20. Deferred share incentive plan:

At March 31, 2020, the number of deferred shares granted and outstanding and vested are as follows:

| | Granted/ Outstanding | Fully Vested |
|---|---|---|
| As at December 31, 2019 | 897,726 | 108,186 |
| Discretionary Deferred Shares granted | 265,062 | 243,499 |
| Equity Settled Deferred Shares | 344,310 | — |
| Individual Contributed Deferred Shares (vested immediately) | 16,518 | 16,518 |
| Company Contributed Deferred Shares | 16,518 | 6,916 |
| Shares issued upon vesting of deferred shares | (239,816) | (239,816) |
| Shares settled for cash pursuant to the plan terms | (4,255) | (4,255) |
| As at March 31, 2020 | 1,296,063 | 131,048 |

For the three months ended March 31, 2020, the recovery recognized in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) related to deferred shares was $676 (2019 - $349 expense). A deferred share liability of $857 (2019 - $2,597) is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at March 31, 2020.

On January 24, 2020, the Company granted 344,310 deferred shares that are considered to be equity settled, as the participants of this grant have waived their rights to receive settlement in cash pursuant to the plan. During the three months ended March 31, 2020, the Company amortized $169 (2019 - NIL) of equity settled deferred shares.

The table above includes dividends granted during the year ended March 31, 2020 of 35,934 shares (2019 - 9,002 shares).

## 21. Related party transactions:

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

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

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

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

On July 26, 2019, the Company entered into a credit agreement with Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility.

## 22. Income taxes:

The income tax expense (recovery) in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2019 - 26.5%). The differences for the three months ended March 31, 2020 and 2019 are as follows:

| | | Three months ended March 31, 2020 | | Three months ended March 31, 2019 |
|---|---|---|---|---|
| Net loss before income taxes | $ | (63,875) | $ | 10,053 |
| Income tax recovery at Canadian tax rate | | (16,926) | | 2,664 |
| Non-deductible expenses | | (125) | | 55 |
| Difference in tax rate in foreign jurisdiction | | (722) | | 129 |
| Unrecognized tax losses | | 10,829 | | — |
| Income tax recovery | $ | (6,944) | $ | 2,848 |

The gross movement in deferred tax is as follows:

| | | Three months ended March 31, 2020 | | Three months ended March 31, 2019 |
|---|---|---|---|---|
| Deferred tax liability, beginning balance | $ | (6,944) | $ | (7,011) |
| Deferred tax recovery (expense) | | 6,944 | | (2,848) |
| Deferred tax liability, ending balance | $ | — | $ | (9,859) |

## 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 consolidated financial statements associated with this commitment.

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

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

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

On June 5, 2019, the Company entered into agreements to fund future loans to tenants of the Jaguarundi Ventures, LP joint venture. On October 1, 2019, the Company amended the agreements to increase the future loan commitments to the tenants. On February 18, 2020, the Company amended the agreements to further increase the future loan commitments to the tenants. As at March 31, 2020, the Company is committed to fund an additional $1,048 pursuant to these agreements. The Company has recorded an associated loan commitment liability representing the fair value of these commitments, which were made at interest rates below market value. The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed.

## 24. Fair value measurement:

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

| | March 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Derivative asset | $ — | $ 3,806 | $ — | $ — | $ 64 | $ — |
| Investment properties | — | — | 942,552 | — | — | 969,634 |
| Loans receivable | — | — | 2,368 | — | — | 2,368 |
| Loan commitment liability | — | 516 | — | — | 979 | — |
| Derivative liability | — | 32,145 | — | — | 7,966 | — |
| Deferred share liability | — | 857 | — | — | 2,597 | — |

For the assets and liabilities measured at fair value as at March 31, 2020, there were no transfers between Level 1, Level 2 and Level 3 levels during the period. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 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.

| | March 31, 2020 | | December 31, 2019 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial assets: | | | | |
| Loans receivable | $ 52,044 | $ 52,093 | $ 48,902 | $ 48,947 |
| Derivative instruments | 3,806 | 3,806 | 64 | 64 |
| Bond assets | 1,005 | 1,005 | 1,071 | 1,071 |
| Financial liabilities: | | | | |
| Mortgages payable | 260,455 | 262,489 | 275,467 | 275,083 |
| Credit facilities | 654,328 | 658,618 | 646,959 | 651,625 |
| Derivative instruments | 32,145 | 32,145 | 7,966 | 7,966 |
| Convertible debentures | 91,398 | 63,734 | 91,049 | 86,441 |
| Commonwealth preferred unit liability | 63,764 | 63,764 | 63,654 | 63,654 |
| Loan commitment liability | 516 | 516 | 979 | 979 |
| Exchangeable Units liability | 2,049 | 1,036 | 2,049 | 2,207 |

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

**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 and the transition of the Greenfield assets, the Company has investments in 31 properties and a management company that operates 30 of those properties ("owner occupied property"). Management considers this another reportable operating segment.

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

The following tables show net income (loss) by reportable segment for the three months ended March 31, 2020 and 2019:

| | Three months ended March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Seniors housing and care investment properties | Owner occupied properties | Medical office buildings | Corporate/ other | Total |
| Rental revenue | $ 19,778 | $ — | $ 3,260 | $ — | $ 23,038 |
| Resident rental and related revenue | — | 28,903 | — | — | 28,903 |
| Lease revenue from joint ventures | 773 | — | — | — | 773 |
| Other income | — | 418 | 411 | 348 | 1,177 |
| Direct property operating expenses | — | (21,223) | (1,400) | — | (22,623) |
| Depreciation and amortization expense | — | (12,465) | — | (23) | (12,488) |
| Finance cost from operations | (1,523) | (4,069) | (951) | (5,385) | (11,928) |
| Real estate tax expense | (12,255) | — | (1,069) | — | (13,324) |
| General and administrative expenses | (51) | (1,614) | (124) | (2,692) | (4,481) |
| Transaction costs for business combination | — | (34) | — | (373) | (407) |
| Allowance for credit losses on loans and interest receivable | (138) | — | — | (1,397) | (1,535) |
| Changes in non-controlling interest liability | 47 | (96) | — | — | (49) |
| Change in fair value of investment properties - IFRIC 21 | 9,192 | — | 507 | — | 9,699 |
| Change in fair value of investment properties | (18,275) | — | (374) | — | (18,649) |
| Change in fair value of financial instruments | (1,235) | (8,389) | (2,308) | (11,609) | (23,541) |
| Loss on sale of property, plant and equipment | — | (118) | — | — | (118) |
| Loss from joint ventures | (18,322) | — | — | — | (18,322) |
| Income tax recovery | — | — | — | 6,944 | 6,944 |
| Net income (loss) | $ (22,009) | $ (18,687) | $ (2,048) | $ (14,187) | $ (56,931) |
| | | | | | |
| Expenditures for non-current assets: | | | | | |
| Capital additions | 1,924 | 1,476 | 335 | — | 3,735 |

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

| | Three months ended March 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Seniors housing and care investment properties | Owner occupied properties | Medical office buildings | Corporate/ other | Total |
| Rental revenue | $ 24,573 | $ — | $ 3,444 | $ — | $ 28,017 |
| Lease revenue from joint ventures | 751 | — | — | — | 751 |
| Other income | 8 | — | 391 | 57 | 456 |
| Direct property operating expenses | — | — | (1,302) | — | (1,302) |
| Finance cost from operations | (7,088) | — | (1,024) | (958) | (9,070) |
| Real estate tax expense | (13,442) | — | (986) | — | (14,428) |
| General and administrative expenses | (35) | — | (125) | (3,321) | (3,481) |
| Allowance for credit losses on loans and interest receivable | — | — | — | (491) | (491) |
| Changes in non-controlling interest liability | (56) | — | — | — | (56) |
| Change in fair value of investment properties - IFRIC 21 | 9,950 | — | 474 | — | 10,424 |
| Change in fair value of investment properties | 5,168 | — | (311) | — | 4,857 |
| Change in fair value of financial instruments | (1,596) | — | (215) | — | (1,811) |
| Change in value of contingent consideration | — | — | — | — | — |
| Loss from joint ventures | (3,813) | — | — | — | (3,813) |
| Income tax recovery (expense) | — | — | 357 | (3,205) | (2,848) |
| Net income (loss) | $ 14,420 | $ — | $ 703 | $ (7,918) | $ 7,205 |
| Expenditures for non-current assets: | | | | | |
| Acquisition of properties | $ 30,249 | $ — | $ — | $ — | $ 30,249 |
| Capital additions | 860 | — | 379 | — | 1,239 |

(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 March 31, 2020 and December 31, 2019:

| | As at March 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Seniors housing and care investment properties | Owner occupied properties | Medical office buildings | Corporate/ other | Total |
| Investment properties | $ 809,043 | $ — | $ 133,509 | $ — | $ 942,552 |
| Property, plant and equipment, net | — | 434,190 | — | 2,983 | 437,173 |
| Investment in joint ventures | 83,816 | — | — | — | 83,816 |
| Loans receivable | 7,960 | — | — | 44,084 | 52,044 |
| Other assets | 21,398 | 16,846 | 129 | 13,467 | 51,840 |
| Total assets | $ 922,217 | $ 451,036 | $ 133,638 | $ 60,534 | $ 1,567,425 |
| Mortgages payable | $ 153,640 | $ 106,815 | $ — | $ — | $ 260,455 |
| Credit facilities | 399,080 | 174,201 | 81,047 | — | 654,328 |
| Convertible debentures | — | — | — | 91,398 | 91,398 |
| Commonwealth preferred unit liability | — | 63,764 | — | — | 63,764 |
| Non-controlling interest liability | 3,283 | 219 | — | — | 3,502 |
| Other liabilities | 24,219 | 24,811 | 3,695 | 30,187 | 82,912 |
| Total liabilities | $ 580,222 | $ 369,810 | $ 84,742 | $ 121,585 | $ 1,156,359 |

| | As at December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Seniors housing and care investment properties | Owner occupied properties | Medical office buildings | Corporate/ other | Total |
| Investment properties | $ 828,150 | $ — | $ 141,484 | $ — | $ 969,634 |
| Property, plant and equipment, net | — | 456,936 | — | 3,006 | 459,942 |
| Investment in joint ventures | 83,816 | — | — | — | 83,816 |
| Loans receivable | 8,247 | — | — | 42,080 | 50,327 |
| Other assets | 35,158 | 24,381 | 1,726 | 5,754 | 67,019 |
| Total assets | $ 955,371 | $ 481,317 | $ 143,210 | $ 50,840 | $ 1,630,738 |
| Mortgages payable | $ 151,279 | $ 124,188 | $ — | $ — | $ 275,467 |
| Credit facilities | 386,778 | 174,230 | 85,951 | — | 646,959 |
| Convertible debentures | — | — | — | 91,398 | 91,398 |
| Commonwealth preferred unit liability | — | 63,764 | — | — | 63,764 |
| Non-controlling interest liability | 3,376 | 123 | — | — | 3,499 |
| Other liabilities | 25,875 | 12,729 | 2,465 | 28,438 | 69,507 |
| Total liabilities | $ 567,308 | $ 375,034 | $ 88,416 | $ 119,836 | $ 1,150,594 |

In measuring performance, the Company does not distinguish or group its properties on a geographical basis. Management has applied judgment by aggregating its properties into 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 March 31, 2020, $1,315,803 of the Company's non-current assets, excluding financial instruments, are located in the United States (2019 - $1,371,173) and $150,873 are located in Canada (2019 - $162,283). During the three months ended March 31, 2020, the Company generated $49,881 (2019 - $25,764), of its revenues, excluding other income, from properties located in the United States and $2,833 (2019 - $3,004) of its revenues from properties located in Canada.

**26. Subsequent events:**

On May 6, 2020 the Company acquired 100% of Royal Senior Living’s ("Royal") interests in five joint venture properties in which the Company already had a majority ownership interest ("Royal JV"). Simultaneous with this transaction, four of these properties were transitioned to Phoenix Senior Living (“Phoenix") and combined with two assets in the Company’s portfolio already managed by Phoenix into a new joint venture between the Company and Phoenix. The Company received $650 from Phoenix as consideration for their buy-in to the joint venture, and issued a $476 note to an affiliate of Phoenix for the remaining portion of their 10% ownership in the joint venture.

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

In addition to the five-asset Royal joint venture referenced above, the Company also had a single-asset joint venture with Royal for a seniors housing community in Eatonton, GA ("Royal Eatonton"). As part of the agreed upon wind down of the Royal relationship, Royal purchased the Company’s 65% ownership interest in the community on May 6, 2020. Cash proceeds to the Company for this sale were $1,447.