

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

## **INVESQUE INC.**

Three and six months ended June 30, 2020 and 2019  
(Unaudited)

# INVESQUE INC.

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

	June 30, 2020	December 31, 2019
<b>Assets</b>		
Current assets:		
Cash	\$ 29,378	\$ 11,838
Tenant and other receivables	8,250	6,937
Property tax receivables	14,886	11,020
Loans receivable (note 2)	4,161	4,249
Assets held for sale (note 5)	2,144	12,201
Other (note 3)	8,577	6,184
	<u>67,396</u>	<u>52,429</u>
Non-current assets:		
Loans receivable (note 2)	43,560	46,078
Derivative instruments (note 9)	5,647	64
Investment in joint ventures (note 6)	66,611	99,321
Investment properties (note 4)	927,738	969,634
Property, plant and equipment, net (note 5)	469,385	459,942
Other non-current assets (note 3)	3,059	3,270
	<u>1,516,000</u>	<u>1,578,309</u>
Total assets	<u>\$ 1,583,396</u>	<u>\$ 1,630,738</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,024	\$ 18,885
Accrued real estate taxes	17,376	13,066
Dividends payable	—	3,354
Credit facilities (note 7)	—	14,569
Mortgages payable (note 8)	34,983	43,024
Other current liabilities (note 12)	3,729	3,015
	<u>73,112</u>	<u>95,913</u>
Non-current liabilities:		
Credit facilities (note 7)	656,717	632,390
Mortgages payable (note 8)	258,909	232,443
Convertible debentures (note 10)	91,733	91,049
Commonwealth preferred unit liability (note 11)	63,875	63,654
Derivative instruments (note 9)	34,433	7,966
Deferred tax liability (note 22)	—	6,944
Other non-current liabilities (note 12)	14,586	16,736
Non-controlling interest liability	4,669	3,499
	<u>1,124,922</u>	<u>1,054,681</u>
Total liabilities	<u>1,198,034</u>	<u>1,150,594</u>
Shareholders' equity:		
Common share capital (note 14)	509,120	504,561
Equity settled deferred shares	1,388	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	(211,968)	(114,908)
Accumulated other comprehensive income	(2,731)	205
Total shareholders' equity	<u>385,362</u>	<u>480,144</u>
Commitments and contingencies (note 23)		
Total liabilities and shareholders' equity	<u>\$ 1,583,396</u>	<u>\$ 1,630,738</u>

See accompanying notes to condensed consolidated interim financial statements.

# INVESQUE INC.

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue:				
Rental (note 16)	\$ 22,761	\$ 27,530	\$ 45,799	\$ 55,547
Resident rental and related revenue (note 16)	29,495	—	58,398	—
Lease revenue from joint ventures (note 6)	749	746	1,522	1,497
Other income	747	548	1,924	1,004
	53,752	28,824	107,643	58,048
Expenses (income):				
Direct property operating expenses (note 17)	23,191	1,243	45,814	2,545
Depreciation and amortization expense	11,537	22	24,025	43
Finance costs from operations (note 18)	12,226	9,837	24,154	18,907
Real estate tax expense	383	550	13,707	14,978
General and administrative expenses (note 19)	6,244	4,102	10,725	7,562
Transaction costs for business combination	—	1,696	407	1,696
Diligence costs for transactions not pursued	—	633	—	633
Allowance for credit losses on loans and interest receivable (note 18)	5,560	673	7,095	1,164
Change in non-controlling interest liability (note 18)	119	99	168	155
Change in fair value of investment properties - IFRIC 21	3,215	3,617	(6,484)	(6,807)
Change in fair value of investment properties (note 4)	13,739	14,578	32,388	9,721
Change in fair value of financial instruments (note 18)	346	7,524	23,887	9,335
Loss on sale of property, plant and equipment	23	—	141	—
	76,583	44,574	176,027	59,932
Loss from joint ventures (note 6)	(7,178)	(7,238)	(25,500)	(11,051)
Loss before income taxes	(30,009)	(22,988)	(93,884)	(12,935)
Income tax recovery:				
Deferred (note 22)	—	(6,086)	(6,944)	(3,238)
Net loss	\$ (30,009)	\$ (16,902)	\$ (86,940)	\$ (9,697)
Other comprehensive income (loss):				
Items to be reclassified to net income (loss) in subsequent periods				
Unrealized gain (loss) on translation of foreign operations	2,029	1,357	(2,936)	2,812
Total comprehensive loss	\$ (27,980)	\$ (15,545)	\$ (89,876)	\$ (6,885)
Loss per share (note 15):				
Basic and diluted	\$ (0.54)	\$ (0.31)	\$ (1.57)	\$ (0.18)

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 and six months ended June 30, 2020 and 2019

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2020	\$ 504,561	\$ 733	\$ 85,389	\$ 400	\$ 3,764	\$ (114,908)	\$ 205	\$ 480,144
Net loss	—	—	—	—	—	(86,940)	—	(86,940)
Other comprehensive income	—	—	—	—	—	—	(2,936)	(2,936)
Common shares issued, net of issuance costs (note 14)	995	—	—	—	—	—	—	995
Common shares issued under the Company's dividend reinvestment plan (note 14)	3,498	—	—	—	—	—	—	3,498
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)	—	869	—	—	—	—	—	869
Common shares issued for equity settled deferred share (note 14 and 20)	214	(214)	—	—	—	—	—	—
<b>Balance, June 30, 2020</b>	<b>\$ 509,120</b>	<b>\$ 1,388</b>	<b>\$ 85,389</b>	<b>\$ 400</b>	<b>\$ 3,764</b>	<b>\$ (211,968)</b>	<b>\$ (2,731)</b>	<b>\$ 385,362</b>

  

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2019	\$ 493,165	\$ —	\$ 71,106	\$ 400	\$ 1,671	\$ (69,785)	\$ (3,089)	\$ 493,468
Net income	—	—	—	—	—	(9,697)	—	(9,697)
Other comprehensive loss	—	—	—	—	—	—	2,812	2,812
Common shares issued, net of issuance costs	4,878	—	—	—	—	—	—	4,878
Common shares issued under the Company's dividend reinvestment plan	3,277	—	—	—	—	—	—	3,277
Dividends declared on common shares	—	—	—	—	—	(19,720)	—	(19,720)
Common Shares purchased under NCIB	(2)	—	—	—	—	—	—	(2)
Amortization of equity settled deferred shares	—	142	—	—	—	—	—	142
Common shares issued through conversion of convertible debentures	25	—	—	—	—	—	—	25
<b>Balance, June 30, 2019</b>	<b>\$ 501,343</b>	<b>\$ 142</b>	<b>\$ 71,106</b>	<b>\$ 400</b>	<b>\$ 1,671</b>	<b>\$ (99,202)</b>	<b>\$ (277)</b>	<b>\$ 475,183</b>

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 six months ended June 30, 2020 and 2019

	Six months ended June 30, 2020		Six months ended June 30, 2019	
Cash flows from operating activities:				
Net (loss) income	\$	(86,940)	\$	(9,697)
Items not involving cash:				
Fair value adjustment of investment properties		32,388		9,721
Fair value adjustment of financial instruments		23,887		9,335
Depreciation and amortization expense		24,025		—
Allowance for credit losses on loans and interest receivable		7,095		1,164
Straight-line rent		(3,474)		(4,648)
Amortization of tenant inducements		190		—
Finance costs from operations		24,154		18,907
Change in non-controlling interest liability		168		155
Loss on sale of property, plant and equipment		141		—
Loss from joint ventures		25,500		11,051
Deferred income tax		(6,944)		(3,238)
Interest paid		(23,878)		(18,332)
Interest income received		273		165
Change in non-cash operating working capital:				
Tenant and other receivables		(7,920)		(9,932)
Accounts payable and accrued liabilities		(3,066)		(1,718)
Unearned revenue		120		(339)
Other assets		(1,180)		(4,221)
Other liabilities		512		2,748
Accrued real estate taxes		4,220		(180)
Net cash provided by operating activities	\$	9,271	\$	941
Cash flows from financing activities:				
Proceeds from credit facilities (note 13)	\$	33,000	\$	84,800
Payments on credit facilities (note 13)		(21,250)		(20,740)
Debt issuance costs paid (note 13)		(382)		(382)
Proceeds from mortgages payable (note 13)		6,024		7,777
Payments of mortgages payable (note 13)		(10,457)		(27,930)
Proceeds from settlement of interest rate swap		—		104
Dividends paid to common shareholders		(9,976)		(16,374)
Payment for repurchase of common shares		(148)		(2)
Cash provided by (used in) financing activities	\$	(3,189)	\$	27,253
Cash flows from investing activities:				
Additions to investment properties	\$	(3,794)	\$	(58,154)
Dispositions of investment properties		—		9,887
Additions to property, plant and equipment		(4,252)		—
Dispositions of property, plant and equipment		15,563		—
Acquisition of interest in joint venture		(476)		—
Disposition of interest in joint venture		1,447		—
Cash balance acquired in business combination (note 5)		2,081		—
Distributions from joint ventures		2,020		3,042
Contributions to joint ventures		(260)		(2,178)
Distributions to non-controlling interest partners		(131)		(40)
Proceeds from income support agreement		63		190
Payments to previous owner of Care		—		(9,676)
Issuance of loans receivable		(1,428)		(3,150)
Repayment of loans receivable		625		2,458
Proceeds from sale of interest in assets to joint venture partner		—		23,000
Cash provided by (used in) investing activities	\$	11,458	\$	(34,621)
Increase (decrease) in cash and cash equivalents		17,540		(6,427)
Cash and cash equivalents, beginning of period		11,838		26,978
Cash and cash equivalents, end of period	\$	29,378	\$	20,551

See accompanying notes to condensed consolidated interim financial statements.

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2020 and 2019

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

## COVID-19 Risks

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

The Company is not able to fully quantify the impact that the COVID-19 pandemic will have on its future financial results, but expect that the pandemic could have a material adverse effect 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

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2020 and 2019

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 August 12, 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.

# INVESQUE INC.

## Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2020 and 2019

### 2. Loans receivable:

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

Debtor	Loan Type	June 30, 2020	December 31, 2019	Issued Date	Maturity Date <sup>(1)</sup>	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	1,105	1,155	November 1, 2016	October 31, 2018 <sup>(3)</sup>	8.0 %	— %
Symcare ML, LLC	Loan receivable	7,295	7,295	October 20, 2017	December 31, 2033	5.0 %	— %
Premier Senior Living, LLC <sup>(6)</sup>	Loan receivable	700	700	August 16, 2013 <sup>(2)</sup>	August 16, 2025	9.2 %	— %
Ellipsis Real Estate Partners	Loan receivable	951	951	May 4, 2018	May 4, 2028	— %	10.0 %
Ellipsis Real Estate Partners	Loan receivable	1,338	1,341	September 14, 2018	September 14, 2028	— %	10.0 %
Symcare ML, LLC	Loan receivable	15,000	13,530	December 26, 2018	December 31, 2033	5.0 %	5.0 %
YAL Borrower LLC	Interest-only loan	500	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	492	480	January 1, 2019	January 1, 2028	— %	5.0 %
Hillcrest Firethorn, LLC	Loan receivable	460	449	January 1, 2019	November 1, 2027	— %	5.0 %
Bridgemoor Transitional Care Operations, LLC <sup>(5)</sup>	Loan receivable	1,826	1,738	June 5, 2019	June 5, 2035	— %	— %
MOC Webster, LLC	Loan receivable	373	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 <sup>(7)</sup>	Loan receivable	9,968	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 <sup>(10)</sup>	Mezzanine loan	1,228	1,223	October 25, 2019	October 1, 2022	7.5 %	7.5 %
Blue Bell Senior Holdings, LLC <sup>(8)</sup>	Loan receivable	490	—	February 21, 2020	March 1, 2024	5.9 %	— %
PSL Care GP LLC	Loan receivable	450	—	May 6, 2020	<sup>(9)</sup>	3.5 %	— %
Accrued current and long term interest		2,571	1,425				
Allowance for losses on loans receivable		(13,017)	(5,915)				
Carrying value of loans recorded at amortized cost		\$ 45,353	\$ 47,959				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,368	2,368	December 31, 2018	<sup>(4)</sup>	— %	5.0 %
Carrying value of loans receivable		47,721	50,327				
Less current portion		4,161	4,249				
Long-term portion		\$ 43,560	\$ 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) Maturity date is the earlier of March 1, 2024, the date that the existing debt secured by the property is refinanced, or upon termination of the management agreement.

(9) No stated maturity date for loan receivable. Principal of loan is repaid when distributions are made from the Phoenix JV(note 6).

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

\$27,573 of the loans outstanding as at June 30, 2020 in the table above are made to current tenant operators.



# INVESQUE INC.

## Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2020 and 2019

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

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

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

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	\$ 14,107	\$ 25,473	\$ 18,790	\$ 58,370
Allowance for losses on loans receivable	(159)	(5,151)	(7,707)	(13,017)
Loans receivable, net of allowances	\$ 13,948	\$ 20,322	\$ 11,083	\$ 45,353

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

	Stage 1	Stage 2	Stage 3	Total
Total loans receivable as at December 31, 2019	\$ 47,149	\$ —	\$ 6,725	\$ 53,874
Loans receivable				
Transfer to/(from)				
Stage 1	(33,725)	33,725	—	—
Stage 2	—	(12,167)	12,167	—
Stage 3	—	—	—	—
	\$ 13,424	\$ 21,558	\$ 18,892	\$ 53,874
Issuances	1,208	3,915	—	5,123
Repayments	(525)	—	(102)	(627)
Total loans receivable as at June 30, 2020	\$ 14,107	\$ 25,473	\$ 18,790	\$ 58,370

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2020 and 2019

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

	Stage 1	Stage 2	Stage 3	Total
Total allowance for credit losses as at December 31, 2019	\$ 421	\$ —	\$ 5,494	\$ 5,915
Allowance for credit losses				
Remeasurement	—	5,955	1,140	7,095
Transfer to/(from)				
Stage 1	(269)	269	—	—
Stage 2	—	(1,073)	1,073	—
Stage 3	—	—	—	—
	\$ 152	\$ 5,151	\$ 7,707	\$ 13,010
Issuances	12	—	—	12
Repayments	(5)	—	—	(5)
Total allowance for credit losses as at June 30, 2020	\$ 159	\$ 5,151	\$ 7,707	\$ 13,017

For the three and six months ended June 30, 2020, a loss of \$5,560 and \$7,095, respectively (three and six months ended June 30, 2019 - \$673 and \$1,164, respectively) was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

### 3. Other assets:

Other assets are as follows:

	June 30, 2020	December 31, 2019
Prepaid expense	\$ 3,549	\$ 1,906
Prepaid management fees	—	160
Security deposits and costs related to future acquisitions	715	159
Income support receivable	—	63
Escrow deposits held by lenders	3,248	3,038
Right-of-use assets	2,040	2,199
Bond assets	1,015	1,071
Other	1,069	858
	\$ 11,636	\$ 9,454
Current	\$ 8,577	\$ 6,184
Non-current	3,059	3,270
	\$ 11,636	\$ 9,454

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

# INVESQUE INC.

Notes to Condensed Consolidated Interim Financial Statements

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

Three and six months ended June 30, 2020 and 2019

## 4. Investment properties:

	Number of Properties	Amount
Balance, December 31, 2019	69	\$ 969,634
Contribution of investment property to joint venture (note 6)	(1)	(9,869)
Capital expenditures	—	3,794
Increase in straight-line rents	—	3,474
Fair value adjustment	—	(32,388)
Amortization of tenant inducements	—	(190)
Translation of foreign operations	—	(6,717)
Balance, June 30, 2020	68	\$ 927,738
Property tax liability under IFRIC 21		(6,418)
Fair value adjustment to investment properties - IFRIC 21		6,418
		\$ 927,738

At June 30, 2020, the Company used an internal valuation process to value its investment properties. Third party appraisers are engaged to prepare valuations on a portion of the portfolio annually such that one third of the portfolio is valued externally each year, and every property in the portfolio is valued externally at least once every five years.

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 June 30, 2020. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company's business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Company's business and operations that could potentially be impacted include rental income, occupancy, turnover, future demand, and market rents, which all ultimately impact the underlying valuation of investment properties.

On May 6, 2020, the Company contributed a previously triple-net leased property to a subsidiary partially owned by Phoenix Senior Living (note 5).

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

	June 30, 2020	December 31, 2019
Capitalization rate - range	6.75% - 9.00%	6.50% - 8.75%
Capitalization rate - weighted average	8.27%	7.89%
Terminal capitalization rate - range	5.70% - 8.40%	5.70% - 9.25%
Terminal capitalization rate - weighted average	6.63%	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:

	June 30, 2020	December 31, 2019
Investment property valued using direct capitalization income approach	\$ 753,113	\$ 793,724
Investment property valued using discounted cash flow projection	\$ 158,250	\$ 162,501
Investment property valued using other methods	\$ 16,375	\$ 13,409
Capitalization rate:		
25-basis point increase	\$ (22,251)	\$ (24,519)
25-basis point decrease	\$ 23,662	\$ 26,146
Terminal capitalization rate:		
25-basis point increase	\$ (4,148)	\$ (4,252)
25-basis point decrease	\$ 4,488	\$ 4,601
Discount rate:		
25-basis point increase	\$ (1,920)	\$ (1,968)
25-basis point decrease	\$ 1,955	\$ 2,005

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## 5. Property, plant and equipment, net:

(a) *Property, plant and equipment, net:*

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

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Total
<b>Cost</b>					
Balance, December 31, 2019	\$ 28,002	\$ 435,958	\$ 9,563	\$ 937	\$ 474,460
Additions	—	591	1,446	2,215	4,252
Disposals	—	—	(30)	—	(30)
Transfers to joint venture	(316)	(11,336)	(226)	—	(11,878)
Transfer from investment property	488	9,182	199	—	9,869
Acquisition of Albany operations	—	—	259	—	259
Acquisition of Royal JV	1,232	23,184	607	—	25,023
Acquisition of Fayetteville	524	9,843	505	—	10,872
Sale of Tampa	(143)	(2,707)	(29)	—	(2,879)
Asset transferred to held for sale	(960)	(1,420)	(188)	—	(2,568)
<b>Balance, June 30, 2020</b>	<b>\$ 28,827</b>	<b>\$ 463,295</b>	<b>\$ 12,106</b>	<b>\$ 3,152</b>	<b>\$ 507,380</b>
<b>Accumulated depreciation</b>					
Balance, December 31, 2019	—	13,930	588	—	14,518
Depreciation and amortization	—	22,910	1,115	—	24,025
Disposals	—	—	(3)	—	(3)
Transfers to joint venture	—	(111)	(10)	—	(121)
Asset transferred to held for sale	—	(397)	(27)	—	(424)
<b>Balance, June 30, 2020</b>	<b>\$ —</b>	<b>\$ 36,332</b>	<b>\$ 1,663</b>	<b>\$ —</b>	<b>\$ 37,995</b>
Property, plant and equipment, net balance, December 31, 2019	\$ 28,002	\$ 422,028	\$ 8,975	\$ 937	\$ 459,942
Property, plant and equipment, net balance, June 30, 2020	\$ 28,827	\$ 426,963	\$ 10,443	\$ 3,152	\$ 469,385

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

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*(b) Acquisitions - three and six months ended June 30, 2020*

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

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

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

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*(c) Dispositions and transfers - three and six months ended June 30, 2020*

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

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

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

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

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

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

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



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## 6. Joint arrangements:

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

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

(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, \$749 and \$1,522 for the three and six months ended June 30, 2020, respectively (three and six months ended June 30, 2019 - \$746 and \$1,497, respectively), is reported as lease revenue from joint ventures. Invesque-Autumnwood Operators lease expense is included in the share of income from joint ventures in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

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

On June 5, 2019, the Company contributed eight investment properties to a newly formed joint venture, Jaguarundi Ventures, LP. The Company received \$23,000 from its joint venture partner in the arrangement in exchange for a 39.49% interest in the joint venture. The properties contributed had an investment property value of \$161,047 and total mortgage indebtedness of \$102,692. The Company provides a guarantee on the outstanding mortgage balances of the joint venture in exchange for a fee equal to 15 basis points on the amount guaranteed. The Company earns an asset management fee of 25 basis points based on gross asset value. For the three and six months ended June 30, 2020, the Company has earned guaranty fees of \$15 and \$30 and management fees of \$101 and \$202 from Jaguarundi Ventures included in other income in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

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On May 6, 2020 the Company acquired 100% of Royal Senior Living's ("Royal") interest in five joint venture properties in which the Company already had a majority ownership interest ("Royal JV") (Note 5).

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

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Cash contributions to joint ventures	\$ —	\$ 1,116	\$ 260	\$ 2,178
Distributions received from joint ventures	\$ 1,291	\$ 2,579	\$ 2,020	\$ 3,042

	June 30, 2020		December 31, 2019	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	\$ 4,172	\$ 2,935	\$ 8,288	\$ 5,959
Tenant and other receivables	7,119	4,875	5,192	3,374
Other	1,557	1,149	1,032	793
Current assets	12,848	8,959	14,512	10,126
Investment properties	301,500	211,807	361,970	256,945
Property, plant and equipment, net	26,432	19,207	26,878	19,567
Loans receivable	8,806	4,187	13,978	9,010
Other non-current assets	423	317	1,107	927
Total assets	\$ 350,009	\$ 244,477	\$ 418,445	\$ 296,575
Accounts payable and accrued liabilities	\$ 6,916	\$ 4,992	\$ 7,578	\$ 5,441
Unearned revenue	661	549	724	560
Mortgages payable - current	15,825	9,666	29,424	21,207
Current liabilities	23,402	15,207	37,726	27,208
Mortgages payable - non-current	197,897	143,951	217,627	156,853
Loan payable to Invesque (note 2)	11,444	9,966	9,559	8,673
Loan commitment liability	1,372	830	2,359	1,478
Derivative instruments	8,549	6,620	2,627	2,012
Other non-current liabilities	2,013	1,292	1,702	1,030
Total liabilities	\$ 244,677	\$ 177,866	\$ 271,600	\$ 197,254
Net assets	\$ 105,332	\$ 66,611	\$ 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.

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	Three months ended June 30, 2020		Three months ended June 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	\$ 16,392	\$ 10,268	\$ 19,099	\$ 12,856
Property operating expense	(11,134)	(6,600)	(14,318)	(9,269)
Finance costs	(2,469)	(1,773)	(2,433)	(1,875)
Depreciation expense	(181)	(136)	(433)	(325)
Allowance for credit losses on loans and interest receivable	(5,367)	(4,313)	—	—
Change in fair value of financial instruments	(431)	(342)	(2,261)	(1,797)
Change in fair value of investment properties	(5,890)	(4,282)	(11,048)	(6,828)
Net loss, prior to distributions to owners	\$ (9,080)	\$ (7,178)	\$ (11,394)	\$ (7,238)

	Six months ended June 30, 2020		Six months ended June 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	\$ 35,897	\$ 23,070	\$ 37,637	\$ 25,549
Property operating expense	(24,187)	(14,909)	(28,985)	(18,932)
Finance costs	(5,172)	(3,719)	(4,582)	(3,589)
Depreciation expense	(362)	(272)	(865)	(649)
Allowance for credit losses on loans and interest receivable	(9,232)	(7,432)	—	—
Change in fair value of financial instruments	(5,922)	(4,603)	(3,052)	(2,458)
Change in fair value of investment properties	(24,296)	(17,635)	(15,672)	(10,972)
Net loss, prior to distributions to owners	\$ (33,274)	\$ (25,500)	\$ (15,519)	\$ (11,051)

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.

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

	June 30, 2020	December 31, 2019
Mortgages at fixed rates:		
Mortgages (principal) <sup>(1)</sup>	\$ 171,429	\$ 163,307
Interest rates	3.99% to 4.98%	3.99% to 4.98%
Weighted average interest rate	4.30 %	4.33 %
Mortgages at variable rates:		
Mortgages (principal)	\$ 43,338	\$ 84,745
Interest rates	LIBOR plus 2.40% to LIBOR plus 3.00%	LIBOR plus 2.40% to LIBOR plus 3.00%
Weighted average interest rate	2.97 %	4.56 %
Blended weighted average rate	4.03 %	4.41 %

(1) Includes \$114,938 of variable rate mortgages that are fixed with interest rate swaps.

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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. During the three and six months ended June 30, 2020, the Company has not made any cash contributions to or received any distributions from Jaguarundi Ventures (three and six months ended June 30, 2019 - NIL).

	June 30, 2020		December 31, 2019	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	\$ 2,097	\$ 1,269	\$ 3,936	\$ 2,382
Tenant and other receivables	2,536	1,535	1,620	980
Other	85	52	—	—
Current assets	4,718	2,856	5,556	3,362
Investment properties	152,729	92,411	162,660	98,420
Loans receivable	4,948	4,149	10,120	8,972
<b>Total assets</b>	<b>\$ 162,395</b>	<b>\$ 99,416</b>	<b>\$ 178,336</b>	<b>\$ 110,754</b>
Accounts payable and accrued liabilities	\$ 1,688	\$ 1,022	\$ 2,154	\$ 1,303
Unearned revenue	—	—	82	50
Mortgages payable - current	15,497	9,377	2,122	1,284
Current liabilities	17,185	10,399	4,358	2,637
Mortgages payable - non-current	85,070	51,473	99,542	60,229
Loan payable to Invesque (note 2)	11,444	9,967	9,559	8,673
Loan commitment liability	1,372	830	2,359	1,428
Derivative instruments	1,894	1,146	659	399
Other non-current liabilities	1,700	1,029	1,700	1,029
<b>Total liabilities</b>	<b>\$ 118,665</b>	<b>\$ 74,844</b>	<b>\$ 118,177</b>	<b>\$ 74,395</b>
<b>Net assets</b>	<b>\$ 43,730</b>	<b>\$ 24,572</b>	<b>\$ 60,159</b>	<b>\$ 36,359</b>

The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed. As of June 30, 2020, the outstanding mortgages balance of Jaguarundi Ventures, LP is \$100,567. As of June 30, 2020, the value of the properties that collateralize the mortgages is \$152,729 and is sufficient to support the mortgage values.

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	Three months ended June 30, 2020		Three months ended June 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	\$ 3,614	\$ 2,164	\$ 1,084	\$ 656
Property operating expense	(534)	(324)	(178)	(108)
Finance costs	(1,096)	(663)	(339)	(200)
Allowance for credit losses on loans and interest receivable	(5,366)	(4,313)	—	—
Change in fair value of financial instruments	(65)	(39)	(133)	(80)
Change in fair value of investment properties	(4,546)	(2,728)	(5,761)	(4,348)
Net loss, prior to distributions to owners	\$ (7,993)	\$ (5,903)	\$ (5,327)	\$ (4,080)
	Six months ended June 30, 2020		Six months ended June 30, 2019	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	\$ 7,222	\$ 4,325	\$ 1,084	\$ 656
Property operating expense	(1,069)	(647)	(178)	(108)
Finance costs	(2,251)	(1,362)	(339)	(200)
Allowance for credit losses on loans and interest receivable	(9,231)	(7,432)	—	—
Change in fair value of financial instruments	(1,235)	(747)	(133)	(80)
Change in fair value of investment properties	(10,433)	(6,268)	(5,761)	(4,348)
Net loss, prior to distributions to owners	\$ (16,997)	\$ (12,131)	\$ (5,327)	\$ (4,080)

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## 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.

	June 30, 2020	Borrowing rate at June 30, 2020	December 31, 2019	Borrowing rate at December 31, 2019
Unsecured Facility Term <sup>(1)</sup>	\$ 200,000	4.51 %	\$ 200,000	4.51 %
Unsecured Facility Revolver <sup>(3)</sup>	190,500	3.45 %	173,750	4.43 %
Mohawk Facility USD denominated portion	21,286	2.38 %	21,286	3.96 %
Mohawk Facility CAD denominated portion <sup>(1)(2)</sup>	62,760	4.32 %	65,589	4.32 %
Magnetar Facility	10,000	9.00 %	15,000	8.50 %
Commonwealth Facility <sup>(1)</sup>	176,000	3.84 %	176,000	3.84 %
Finance costs, net	(3,829)	—	(4,666)	—
Carrying value	\$ 656,717	4.01 %	\$ 646,959	4.36 %
Less current portion	—		14,569	
Long-term portion	\$ 656,717		\$ 632,390	

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

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

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

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

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2020	\$ —
2021	10,000
2022	190,500
2023	284,046
2024	176,000
Thereafter	—
Total	\$ 660,546

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## 8. Mortgages payable:

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

	June 30, 2020	December 31, 2019
Mortgages payable	\$ 291,071	\$ 275,083
Mark-to-market adjustment, net	5,155	2,297
Finance costs, net	(2,334)	(1,913)
Carrying value	\$ 293,892	\$ 275,467
Less current portion	34,983	43,024
Long-term portion	\$ 258,909	\$ 232,443

Mortgages payable are collateralized by investment properties and property, plant and equipment with a value of \$449,021 at June 30, 2020. Maturity dates on mortgages payable range from 2020 to 2054, and the weighted average years to maturity is 8.24 years at June 30, 2020.

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

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2020	\$ 2,686	\$ 12,039	\$ 14,725	5.06 %
2021	5,879	17,232	23,111	7.94 %
2022	5,981	27,362	33,343	11.46 %
2023	5,554	54,838	60,392	20.75 %
2024	3,597	51,121	54,718	18.80 %
Thereafter	49,075	55,707	104,782	35.99 %
	\$ 72,772	\$ 218,299	\$ 291,071	100.00 %

	June 30, 2020	December 31, 2019
Mortgages at fixed rates:		
Mortgages (principal) <sup>(1)</sup>	\$ 244,050	\$ 241,451
Interest rates	2.55% to 6.47%	2.55% to 6.96%
Weighted average interest rate	4.43 %	4.76 %
Mortgages at variable rates:		
Mortgages (principal)	\$ 47,021	\$ 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	3.72 %	5.02 %
Blended weighted average rate	4.31 %	4.79 %

(1) Includes \$67,407 of variable rate mortgages that are fixed with interest rate swaps.



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## 9. Derivative financial instruments:

(a) Derivative swaps:

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

Swap	Maturity date	Fixed rate	Notional amount	Asset (liability) balance		Income (loss) for the three months ended		Income (loss) for the six months ended	
				June 30, 2020	December 31, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
The Unsecured Term	December 19, 2023	LIBOR fixed at 2.11%	200,000	(14,149)	(4,466)	(861)	(4,694)	(9,683)	(5,489)
The Unsecured Revolver	January 2, 2024	LIBOR fixed at 2.57%	25,000	(2,195)	(1,019)	(82)	(578)	(1,176)	(887)
The Unsecured Revolver	December 1, 2022	LIBOR fixed at 2.11%	50,000	(2,515)	(861)	(65)	(846)	(1,654)	(846)
Leawood Swap <sup>(3)</sup>	March 15, 2024	Interest rate fixed at 4.55%	13,136	—	—	—	(231)	—	(407)
Topeka Swap <sup>(3)</sup>	March 15, 2024	Interest rate fixed at 4.55%	12,477	—	—	—	(220)	—	(387)
Red Oak Swap <sup>(1)</sup>	January 18, 2021	Interest rate fixed at 3.77%	3,912	(47)	(27)	39	(6)	(20)	(26)
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%	6,411	(121)	(2)	8	(92)	(119)	(146)
Calhoun Swap	May 31, 2019	LIBOR fixed at 1.75%	—	—	—	—	—	—	(3)
Mohawk Credit Facility Swap <sup>(2)</sup>	May 1, 2023	Banker's Acceptance fixed at 2.12%	62,760	(2,782)	(276)	(236)	(702)	(2,517)	(917)
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	15,582	(644)	(475)	67	(155)	(169)	(219)
Commonwealth Swap	August 1, 2024	LIBOR fixed at 1.69%	176,000	(11,010)	(840)	(965)	—	(10,170)	—
Constant Care Swap	October 1, 2022	Interest rate fixed at 4.21%	27,158	(831)	64	(56)	—	(895)	—
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	14,344	(139)	—	(35)	—	(139)	—
Carrying value \$				(34,433)	\$ (7,902)	\$ (2,186)	\$ (7,524)	\$ (26,542)	\$ (9,335)
Derivative instruments (Asset) \$				—	\$ 64				
Derivative instruments (Liability)				34,433	(7,966)				
				\$ 34,433	\$ (7,902)				

1) The swap has a notional amount of CAD\$5,305.

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.

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*(b) Prepayment embedded derivatives:*

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

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2). As at June 30, 2020, the prepayment embedded derivative assets have a fair value of \$5,647. For the three and six months ended June 30, 2020, a fair value gain of \$1,840 and \$2,655, respectively, was recorded in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

## 10. Convertible debentures:

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

	June 30, 2020	December 31, 2019
Issued	\$ 94,975	\$ 94,975
Issue costs, net of amortization and accretion of equity component	(858)	(1,542)
Equity component, excluding issue costs and taxes	(2,384)	(2,384)
Convertible debentures	\$ 91,733	\$ 91,049

## 11. Commonwealth preferred unit liability:

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

	June 30, 2020	December 31, 2019
Issued	\$ 65,680	\$ 65,680
Equity component, net of accretion	(1,805)	(2,026)
Commonwealth preferred unit liability	\$ 63,875	\$ 63,654

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## 12. Other liabilities:

Other liabilities are as follows:

	June 30, 2020	December 31, 2019
Deferred shares liability (note 20)	\$ 871	\$ 2,597
Security deposits received from tenants	8,555	8,573
Escrows collected from tenant	1,496	944
Unearned revenue	1,537	1,426
Liability to previous owner of Care	379	632
Lease liability	2,040	2,199
Loan commitment liability (note 23)	380	979
Exchangeable units liability	2,049	2,049
Other	1,008	352
	<u>\$ 18,315</u>	<u>\$ 19,751</u>
Current	\$ 3,729	\$ 3,015
Non-current	14,586	16,736
	<u>\$ 18,315</u>	<u>\$ 19,751</u>

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

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## 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	33,000	6,024	—	—	39,024
Repayments	(21,250)	(8,000)	—	—	(29,250)
Scheduled principal payments	—	(2,457)	—	—	(2,457)
Mortgage contributed to joint venture	—	(8,411)	—	—	(8,411)
Mortgages assumed from joint venture	—	29,670	—	—	29,670
Mark to market adjustments made to mortgages assumed through acquisition of property, plant and equipment (note 5)	—	2,991	—	—	2,991
Financing costs paid	(130)	(252)	—	—	(382)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	944	128	684	221	1,977
Changes in foreign currency rates	(2,806)	(1,268)	—	—	(4,074)
Balance, June 30, 2020	\$ 656,717	\$ 293,892	\$ 91,733	\$ 63,875	\$ 1,106,217

	Credit facilities	Mortgages payable	Convertible debentures	Total
Balance, December 31, 2018	\$ 338,140	\$ 303,330	\$ 89,745	\$ 731,215
Proceeds from financing	84,800	7,777	—	92,577
Repayments	(20,740)	(25,182)	—	(45,922)
Scheduled principal payments	—	(2,748)	—	(2,748)
Mortgages contributed to joint venture	—	(102,692)	—	(102,692)
Mortgages assumed on acquisition of control over a property previously owned through a joint venture	—	9,743	—	9,743
Financing costs paid	(14)	(368)	—	(382)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	475	1,017	658	2,150
Changes in foreign currency rates	2,588	976	—	3,564
Conversion of convertible debentures into common shares	—	—	(25)	(25)
Balance, June 30, 2019	\$ 405,249	\$ 191,853	\$ 90,378	\$ 687,480

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## 14. Share capital:

### (a) Common shares:

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

	Common shares	Carrying value
Balance, December 31, 2019	54,633,482	\$ 504,561
Issued on settlement of Deferred Share Incentive Plan	291,772	995
Issued on settlement of equity settled Deferred Shares	31,203	214
Issued pursuant to the Company's dividend reinvestment plan	931,602	3,498
Shares acquired under NCIB	(54,500)	(148)
Balance, June 30, 2020	55,833,559	\$ 509,120

- (i) On November 15, 2019 the Toronto Stock Exchange ("TSX") approved the Company's notice of intention to renew its normal course issuer bid ("NCIB") for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,723,835 of its common shares, or approximately 5% of the Company's 54,476,694 outstanding common shares as of November 1, 2019, for cancellation over the following 12 months. Purchases under the NCIB will be made through the facilities of the TSX or through a Canadian alternative trading system and in accordance with applicable regulatory requirements at a price per share equal to the market at the time of acquisition. The number of shares that can be purchased pursuant to the NCIB is subject to a daily maximum of 10,927 shares, subject to the Company's ability to make one block purchase of shares per calendar week that exceeds such limits. Any shares purchased under the NCIB will be canceled upon purchase. During the six months ended June 30, 2020, the Company acquired 54,500 shares.
- (ii) For the six months ended June 30, 2020, the Company declared dividends payable on common shares of \$10,120 (2019 - \$19,720). Of the \$10,120 dividends declared in the six month ended June 30, 2020, \$2,868 was satisfied in the form of shares issued through the dividend reinvestment plan (2019 - \$3,831).
- (iii) On April 10, 2020, the Company announced the suspension of its dividend for all common shareholders from April 1, 2020 until further notice.

### (b) Preferred shares:

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

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

As at June 30, 2020, the preferred shares are convertible into 10,325,196 common shares of the Company.

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

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

*Net loss:*

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net loss for basic and diluted net loss per share	\$ (30,009)	\$ (16,902)	\$ (86,940)	\$ (9,697)

*Denominator for basic and diluted net loss per share:*

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	55,804,958	53,864,540	55,384,185	53,501,681

*Net loss per share:*

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Basic and diluted	\$ (0.54)	\$ (0.31)	\$ (1.57)	\$ (0.18)

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## 16. Revenue:

### (a) Rental Revenue:

Rental revenue consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Contractual rental revenue	\$ 16,979	\$ 20,414	\$ 34,134	\$ 41,446
Straight-line rent adjustments	1,758	2,294	3,474	4,648
Amortization of tenant inducements	(97)	—	(190)	—
Property tax recoveries	3,434	4,036	6,891	7,874
Revenue from services - CAM recoveries <sup>(1)</sup>	687	786	1,490	1,579
	\$ 22,761	\$ 27,530	\$ 45,799	\$ 55,547

(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 and six months ended June 30, 2020, rental revenue from this tenant comprised approximately 44% and 43%, respectively (three and six months ended June 30, 2019 - 36% and 34%), of the Company's consolidated rental revenue for the period.

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

Less than 1 year	\$ 68,064
Between 1 and 5 years	270,651
More than 5 years	538,395
	\$ 877,110

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

### (b) Resident rental and related revenue:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Resident revenue	\$ 13,485	\$ —	\$ 26,252	\$ —
Service revenue <sup>(1)</sup>	16,010	—	32,146	—
	\$ 29,495	\$ —	\$ 58,398	\$ —

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

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## 17. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended June 30, 2020			Three months ended June 30, 2019		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	\$ 563	\$ 407	\$ 970	\$ —	\$ 373	\$ 373
Utilities	830	260	1,090	—	265	265
Property management fees	—	139	139	—	143	143
Compensation and benefits	14,334	—	14,334	—	—	—
Other services and supplies	1,628	233	1,861	—	253	253
Real estate taxes	596	—	596	—	—	—
Other	4,008	193	4,201	—	209	209
	<b>\$ 21,959</b>	<b>\$ 1,232</b>	<b>\$ 23,191</b>	<b>\$ —</b>	<b>\$ 1,243</b>	<b>\$ 1,243</b>

	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	\$ 1,168	\$ 890	\$ 2,058	\$ —	\$ 756	\$ 756
Utilities	1,826	589	2,415	—	622	622
Property management fees	—	281	281	—	286	286
Compensation and benefits	28,403	—	28,403	—	—	—
Other services and supplies	3,456	485	3,941	—	488	488
Real estate taxes	1,130	—	1,130	—	—	—
Other	7,199	387	7,586	—	393	393
	<b>\$ 43,182</b>	<b>\$ 2,632</b>	<b>\$ 45,814</b>	<b>\$ —</b>	<b>\$ 2,545</b>	<b>\$ 2,545</b>



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## 18. Finance costs:

Finance costs consist of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Interest expense on credit facilities	\$ 5,006	\$ 4,838	\$ 11,541	\$ 9,073
Interest expense on mortgages payable	2,810	3,150	5,631	6,800
Interest expense on convertible debentures	1,312	1,312	2,624	2,624
Distributions on exchangeable units	—	—	62	—
Dividends on Commonwealth preferred units	1,070	—	2,154	—
Amortization and accretion expense	1,083	1,339	2,110	2,050
Interest rate swap payments (receipts)	2,065	(47)	2,465	(162)
Write-off of deferred financing costs from refinancing	—	69	—	69
Amortization of mark-to-market debt adjustments	60	22	(133)	44
Interest income from loans receivable (note 2)	(1,180)	(846)	(2,300)	(1,591)
<b>Finance costs from operations</b>	<b>\$ 12,226</b>	<b>\$ 9,837</b>	<b>\$ 24,154</b>	<b>\$ 18,907</b>
Allowance for credit losses on loans and interest receivable (note 2)	5,560	673	7,095	1,164
Change in non-controlling interest liability	119	99	168	155
Change in fair value of financial instruments (note 9)	346	7,524	23,887	9,335
<b>Total finance costs</b>	<b>\$ 18,251</b>	<b>\$ 18,133</b>	<b>\$ 55,304</b>	<b>\$ 29,561</b>

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## 19. General and administrative:

General and administrative costs consist of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Compensation and benefits	\$ 2,776	\$ 1,448	\$ 5,848	\$ 3,198
Asset management and administrative fees	66	124	190	249
Professional fees	745	965	1,976	1,734
Deferred share compensation expense	711	784	35	1,133
Bad debt expense	1,464	—	1,464	—
Other	482	781	1,212	1,248
	\$ 6,244	\$ 4,102	\$ 10,725	\$ 7,562

For the three and six months ended June 30, 2020, \$1,584 and \$3,198, respectively (2019 - NIL) of general and administrative costs were incurred at the Commonwealth management company. For the three and six months ended June 30, 2020, the Company has incurred severance expense of \$223 and \$393, respectively (2019 - NIL).

## 20. Deferred share incentive plan:

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

	Granted/ Outstanding	Fully Vested
As at December 31, 2019	897,726	108,186
Discretionary Deferred Shares	257,955	291,659
Equity Settled Deferred Shares	375,733	34,998
Individual Contributed Deferred Shares (vested immediately)	34,454	34,454
Company Contributed Deferred Shares	34,454	12,573
Shares issued upon vesting of deferred shares	(322,974)	(322,974)
Shares settled for cash pursuant to the plan terms	(4,255)	(4,255)
As at June 30, 2020	1,273,093	154,641

For the three and six months ended June 30, 2020, the expense recognized in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) related to deferred shares was \$711 and \$35, respectively (three and six months ended June 30, 2019 - \$784 and \$1,133). A deferred share liability of \$871 (2019 - \$2,597) is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at June 30, 2020.

On January 24, 2020, the Company granted 344,310 deferred shares that are considered to be equity settled, as the participants of this grant have waived their rights to receive settlement in cash pursuant to the plan. During the three and six months ended June 30, 2020, the Company amortized \$486 and \$869, respectively (three and six months ended June 30, 2019 - \$142 and \$142) of equity settled deferred shares.

The table above includes dividends granted during the six months ended June 30, 2020 of 64,266 shares (2019 - 25,527 shares).

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## 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.

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

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

## 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 and six months ended June 30, 2020 and 2019 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net loss before income taxes	\$ (30,009)	\$ (22,988)	\$ (93,884)	\$ (12,935)
Income tax recovery at Canadian tax rate	(7,953)	(6,091)	(24,879)	(3,427)
Non-deductible expenses	333	287	208	342
Difference in tax rate in foreign jurisdiction	(333)	(229)	(1,055)	(100)
Unrecognized tax losses	7,953	(53)	18,782	(53)
Income tax recovery	\$ —	\$ (6,086)	\$ (6,944)	\$ (3,238)

The gross movement in deferred tax is as follows:

	Six months ended June 30,	
	2020	2019
Deferred tax liability, beginning balance	\$ (6,944)	\$ (7,011)
Deferred tax recovery (expense)	6,944	(3,238)
Deferred tax liability, ending balance	\$ —	\$ (10,249)

## 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

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value of the rent increase using a pre-determined capitalization rate. If such option is exercised, the tenant's rent is also increased by an amount equal to the consideration paid multiplied by the capitalization rate. The Company has not recorded any balance in the consolidated financial statements associated with this commitment.

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

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

On June 5, 2019, the Company entered into agreements to fund future loans to tenants of the Jaguarundi Ventures, LP joint venture. On October 1, 2019, the Company amended the agreements to increase the future loan commitments to the tenants. On February 18, 2020, the Company amended the agreements to further increase the future loan commitments to the tenants. As at June 30, 2020, the Company is committed to fund an additional \$826 pursuant to these agreements. The Company has recorded an associated loan commitment liability representing the fair value of these commitments, which were made at interest rates below market value. The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed (note 6). As of June 30, 2020, the value of the properties that collateralize the mortgages is \$152,729 and is sufficient to support the mortgage values.

#### 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:

	June 30, 2020			December 31, 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	\$ —	\$ 5,647	\$ —	\$ —	\$ 64	\$ —
Investment properties	—	—	927,738	—	—	969,634
Loans receivable	—	—	2,368	—	—	2,368
Loan commitment liability	—	380	—	—	979	—
Derivative liability	—	34,433	—	—	7,966	—
Deferred share liability	—	871	—	—	2,597	—

For the assets and liabilities measured at fair value as at June 30, 2020, there were no transfers between Level 1, Level 2 and Level 3 levels during the period. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 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.

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## *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.

	June 30, 2020		December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	\$ 47,721	\$ 47,766	\$ 48,902	\$ 48,947
Derivative instruments	5,647	5,647	64	64
Bond assets	1,015	1,015	1,071	1,071
Financial liabilities:				
Mortgages payable	293,892	296,226	275,467	275,083
Credit facilities	656,717	660,546	646,959	651,625
Derivative instruments	34,433	34,433	7,966	7,966
Convertible debentures	91,733	66,201	91,049	86,441
Commonwealth preferred unit liability	63,875	63,875	63,654	63,654
Loan commitment liability	380	380	979	979
Exchangeable Units liability	2,049	816	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 36 properties and a management company that operates 29 of those properties ("owner occupied property"). Management considers this another reportable operating segment.

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

	Three months ended June 30, 2020					Total
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other		
Rental revenue	\$ 19,642	\$ —	\$ 3,119	\$ —	\$	22,761
Resident rental and related revenue	—	29,495	—	—		29,495
Lease revenue from joint ventures	749	—	—	—		749
Other income	—	433	144	170		747
Direct property operating expenses	—	(21,959)	(1,232)	—		(23,191)
Depreciation and amortization expense	—	(11,514)	—	(23)		(11,537)
Finance cost from operations	(1,506)	(4,540)	(876)	(5,304)		(12,226)
Real estate tax expense	—	—	(383)	—		(383)
General and administrative expenses	(1,499)	(1,584)	(66)	(3,095)		(6,244)
Allowance for credit losses on loans and interest receivable	(225)	—	—	(5,335)		(5,560)
Changes in non-controlling interest liability	(64)	(55)	—	—		(119)
Change in fair value of investment properties - IFRIC 21	(3,048)	—	(167)	—		(3,215)
Change in fair value of investment properties	(13,145)	—	(594)	—		(13,739)
Change in fair value of financial instruments	31	875	(210)	(1,042)		(346)
Loss on sale of property, plant and equipment	—	(23)	—	—		(23)
Loss from joint ventures	(7,178)	—	—	—		(7,178)
<b>Net loss</b>	<b>\$ (6,243)</b>	<b>\$ (8,872)</b>	<b>\$ (265)</b>	<b>\$ (14,629)</b>	<b>\$</b>	<b>(30,009)</b>
Expenditures for non-current assets:						
Capital additions	1,535	2,776	—	—		4,311

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Three and six months ended June 30, 2020 and 2019

	Six months ended June 30, 2020					
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other		Total
Rental revenue	\$ 39,421	\$ —	\$ 6,378	\$ —	\$	45,799
Resident rental and related revenue	—	58,398	—	—		58,398
Lease revenue from joint ventures	1,522	—	—	—		1,522
Other income	—	851	555	518		1,924
Direct property operating expenses	—	(43,182)	(2,632)	—		(45,814)
Depreciation and amortization expense	—	(23,978)	—	(47)		(24,025)
Finance cost from operations	(3,030)	(8,609)	(1,827)	(10,688)		(24,154)
Real estate tax expense	(12,255)	—	(1,452)	—		(13,707)
General and administrative expenses	(1,552)	(3,198)	(189)	(5,786)		(10,725)
Transaction costs for business combination	—	(34)	—	(373)		(407)
Allowance for credit losses on loans and interest receivable	(363)	—	—	(6,732)		(7,095)
Changes in non-controlling interest liability	(17)	(151)	—	—		(168)
Change in fair value of investment properties - IFRIC 21	6,144	—	340	—		6,484
Change in fair value of investment properties	(31,419)	—	(969)	—		(32,388)
Change in fair value of financial instruments	(1,203)	(7,515)	(2,518)	(12,651)		(23,887)
Loss on sale of property, plant and equipment	—	79	—	(220)		(141)
Loss from joint ventures	(25,500)	—	—	—		(25,500)
Income tax recovery	1,099	—	—	5,845		6,944
<b>Net loss</b>	<b>\$ (27,153)</b>	<b>\$ (27,339)</b>	<b>\$ (2,314)</b>	<b>\$ (30,134)</b>	<b>\$</b>	<b>(86,940)</b>
Expenditures for non-current assets:						
Capital additions	3,439	4,252	355	—		8,046

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Three and six months ended June 30, 2020 and 2019

	Three months ended June 30, 2019					
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other		Total
Rental revenue	\$ 24,288	\$ —	\$ 3,242	\$ —	\$	27,530
Lease revenue from joint ventures	746	—	—	—		746
Other income	4	—	444	100		548
Direct property operating expenses	—	—	(1,243)	—		(1,243)
Depreciation and amortization expense	—	—	—	(22)		(22)
Finance cost from operations	(7,945)	—	(1,028)	(864)		(9,837)
Real estate tax expense	(205)	—	(345)	—		(550)
General and administrative expenses	(119)	—	(124)	(3,859)		(4,102)
Transaction costs for business combination	—	—	—	(1,696)		(1,696)
Diligence costs for transactions not pursued	—	—	—	(633)		(633)
Allowance for credit losses on loans and interest receivable	(52)	—	—	(621)		(673)
Changes in non-controlling interest liability	(99)	—	—	—		(99)
Change in fair value of investment properties - IFRIC 21	(3,460)	—	(157)	—		(3,617)
Change in fair value of investment properties	(13,888)	—	(690)	—		(14,578)
Change in fair value of financial instruments	(6,820)	—	(704)	—		(7,524)
Loss from joint ventures	(7,238)	—	—	—		(7,238)
Income tax recovery	—	—	193	5,893		6,086
<b>Net income loss</b>	<b>\$ (14,788)</b>	<b>\$ —</b>	<b>\$ (412)</b>	<b>\$ (1,702)</b>	<b>\$</b>	<b>(16,902)</b>
Expenditures for non-current assets:						
Acquisition of properties	\$ 29,300	\$ —	\$ —	\$ —	\$	29,300
Capital additions	1,805	—	88	—		1,893



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Three and six months ended June 30, 2020 and 2019

	Six months ended June 30, 2019					
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other		Total
Rental revenue	\$ 48,861	\$ —	\$ 6,686	\$ —	\$	55,547
Lease revenue from joint ventures	1,497	—	—	—		1,497
Other income	14	—	835	155		1,004
Direct property operating expenses	—	—	(2,545)	—		(2,545)
Depreciation and amortization expense	—	—	—	(43)		(43)
Finance cost from operations	(15,033)	—	(2,052)	(1,822)		(18,907)
Real estate tax expense	(13,647)	—	(1,331)	—		(14,978)
General and administrative expenses	(154)	—	(249)	(7,159)		(7,562)
Transaction costs for business combination	—	—	—	(1,696)		(1,696)
Diligence costs for transactions not pursued	—	—	—	(633)		(633)
Allowance for credit losses on loans and interest receivable	(55)	—	—	(1,109)		(1,164)
Changes in non-controlling interest liability	(155)	—	—	—		(155)
Change in fair value of investment properties - IFRIC 21	6,490	—	317	—		6,807
Change in fair value of investment properties	(8,720)	—	(1,001)	—		(9,721)
Change in fair value of financial instruments	(8,418)	—	(917)	—		(9,335)
Loss from joint ventures	(11,051)	—	—	—		(11,051)
Income tax recovery	—	—	164	3,074		3,238
<b>Net loss</b>	<b>\$ (371)</b>	<b>\$ —</b>	<b>\$ (93)</b>	<b>\$ (9,233)</b>	<b>\$</b>	<b>(9,697)</b>
Expenditures for non-current assets:						
Acquisition of properties	\$ 59,459	\$ —	\$ —	\$ —	\$	59,459
Capital additions	2,665	—	467	—		3,132

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Three and six months ended June 30, 2020 and 2019

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

	As at June 30, 2020				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	\$ 791,222	\$ —	\$ 136,516	\$ —	\$ 927,738
Property, plant and equipment, net	—	466,425	—	2,960	469,385
Investment in joint ventures	66,611	—	—	—	66,611
Loans receivable	11,632	—	—	36,089	47,721
Other assets	20,262	21,197	1,970	28,512	71,941
<b>Total assets</b>	<b>\$ 889,727</b>	<b>\$ 487,622</b>	<b>\$ 138,486</b>	<b>\$ 67,561</b>	<b>\$ 1,583,396</b>
Mortgages payable	\$ 152,600	\$ 141,292	\$ —	\$ —	\$ 293,892
Credit facilities	399,133	174,304	83,280	—	656,717
Convertible debentures	—	—	—	91,733	91,733
Commonwealth preferred unit liability	—	63,875	—	—	63,875
Non-controlling interest liability	3,324	1,340	—	—	4,664
Other liabilities	28,770	25,679	5,178	27,526	87,153
<b>Total liabilities</b>	<b>\$ 583,827</b>	<b>\$ 406,490</b>	<b>\$ 88,458</b>	<b>\$ 119,259</b>	<b>\$ 1,198,034</b>
	As at December 31, 2019				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	\$ 828,150	\$ —	\$ 141,484	\$ —	\$ 969,634
Property, plant and equipment, net	—	456,936	—	3,006	459,942
Investment in joint ventures	99,321	—	—	—	99,321
Loans receivable	8,247	—	—	42,080	50,327
Other assets	19,653	24,381	1,726	5,754	51,514
<b>Total assets</b>	<b>\$ 955,371</b>	<b>\$ 481,317</b>	<b>\$ 143,210</b>	<b>\$ 50,840</b>	<b>\$ 1,630,738</b>
Mortgages payable	\$ 151,279	\$ 124,188	\$ —	\$ —	\$ 275,467
Credit facilities	386,778	174,230	85,951	—	646,959
Convertible debentures	—	—	—	91,049	91,049
Commonwealth preferred unit liability	—	63,654	—	—	63,654
Non-controlling interest liability	3,376	123	—	—	3,499
Other liabilities	25,875	12,839	2,465	28,787	69,966
<b>Total liabilities</b>	<b>\$ 567,308</b>	<b>\$ 375,034</b>	<b>\$ 88,416</b>	<b>\$ 119,836</b>	<b>\$ 1,150,594</b>

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.

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At June 30, 2020, \$1,309,235 of the Company's non-current assets, excluding financial instruments, are located in the United States (2019 - \$1,371,173) and \$157,558 are located in Canada (2019 - \$162,283). During the three and six months ended June 30, 2020, the Company generated \$50,307 and \$100,188, respectively (three and six months ended June 30, 2019 - \$25,764 and \$51,300, respectively), of its revenues, excluding other income, from properties located in the United States and \$2,698 and \$5,531, respectively (three and six months ended June 30, 2019 - \$2,740 and \$5,744, respectively) of its revenues from properties located in Canada.