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

INVESQUE INC.

Periods ended March 31, 2022 and 2021
(Unaudited)

INVESQUE INC.

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

		March 31, 2022		December 31, 2021
Assets				
Current assets:				
Cash	$	27,088	$	19,369
Tenant and other receivables		5,341		5,593
Property tax receivables		14,199		12,892
Derivative instruments (note 9)		36		—
Loans receivable (note 2)		1,060		1,635
Assets held for sale (note 5)		19,600		21,307
Other (note 3)		15,831		15,753
		83,155		76,549
Non-current assets:				
Loans receivable (note 2)		18,842		20,060
Derivative instruments (note 9)		6,226		3,388
Investment in joint ventures (note 6)		50,184		50,440
Investment properties (note 4)		720,284		716,344
Property, plant and equipment, net (note 5)		424,130		432,001
Other non-current assets (note 3)		2,067		2,229
		1,221,733		1,224,462
Total assets	$	1,304,888	$	1,301,011
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	14,303	$	17,356
Accrued real estate taxes		15,388		13,671
Credit facilities (note 7)		1,401		795
Mortgages payable (note 8)		35,003		34,876
Convertible debentures (note 10)		—		19,678
Derivative instruments (note 9)		319		895
Other current liabilities (note 12)		3,742		3,787
		70,156		91,058
Non-current liabilities:				
Credit facilities (note 7)		664,391		596,471
Mortgages payable (note 8)		152,471		178,947
Convertible debentures (note 10)		63,544		62,979
Commonwealth preferred unit liability (note 11)		56,349		66,239
Derivative instruments (note 9)		183		10,439
Other non-current liabilities (note 12)		7,947		8,328
Non-controlling interest liability		439		293
		945,324		923,696
Total liabilities		1,015,480		1,014,754
Shareholders' equity:				
Common share capital (note 14)		513,342		512,004
Equity settled deferred shares		758		1,781
Preferred share capital (note 14)		85,389		85,389
Contributed surplus		400		400
Equity component of convertible instruments		5,243		6,370
Cumulative deficit		(317,930)		(321,267)
Accumulated other comprehensive income		2,206		1,580
Total shareholders' equity		289,408		286,257
Commitments and contingencies (note 23)				
Subsequent events (notes 5 and 6)				
Total liabilities and shareholders' equity	$	1,304,888	$	1,301,011

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

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

		Three months ended March 31, 2022		Three months ended March 31, 2021
Revenue:				
Rental (note 16)	$	18,005	$	22,762
Resident rental and related revenue (note 16)		32,176		29,089
Lease revenue from joint ventures (note 6)		903		873
Other revenue		966		947
		52,050		53,671
Other income (note 1)		150		107
Expenses (income):				
Direct property operating expenses (note 17)		27,621		25,063
Depreciation and amortization expense (note 5)		3,741		7,695
Finance costs from operations (note 18)		11,686		13,845
Real estate tax expense		12,469		13,417
General and administrative expenses (note 19)		5,991		7,134
Allowance for credit losses on loans and interest receivable (note 18)		(24)		1,165
Change in non-controlling interest liability (note 18)		236		(50)
Change in fair value of investment properties - IFRIC 21		(9,014)		(9,804)
Change in fair value of investment properties (note 4)		11,874		(2,111)
Change in fair value of financial instruments (note 18)		(13,705)		(3,617)
Gain on sale of property, plant and equipment		(1,333)		—
		49,542		52,737
Share of income (loss) from joint ventures (note 6)		(448)		759
Income before income taxes		2,210		1,800
Income tax recovery:				
Deferred (note 22)		1,127		—
Net income	$	3,337	$	1,800
Other comprehensive income:				
Items to be reclassified to net income in subsequent periods				
Unrealized gain on translation of foreign operations		626		752
Total comprehensive income	$	3,963	$	2,552
Income per share (note 15):				
Basic	$	0.06	$	0.03
Diluted	$	0.05	$	0.03

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, 2022 and 2021

	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, 2022	$ 512,004	$ 1,781	$ 85,389	$ 400	$ 6,370	$ (321,267)	$ 1,580	$ 286,257
Net income	—	—	—	—	—	3,337	—	3,337
Other comprehensive income	—	—	—	—	—	—	626	626
Common shares purchased under NCIB (note 14)	(312)	—	—	—	—	—	—	(312)
Common shares issued on settlement of deferred share incentive plan (note 14)	255	—	—	—	—	—	—	255
Amortization of equity settled deferred shares (note 20)	—	247	—	—	—	—	—	247
Equity component of convertible debentures	—	—	—	—	(1,127)	—	—	(1,127)
Common shares issued for equity settled deferred shares (note 14 and 20)	1,270	(1,270)	—	—	—	—	—	—
Common shares issued through conversion of convertible debentures (notes 10 and 14)	125	—	—	—	—	—	—	125
Balance, March 31, 2022	$ 513,342	$ 758	$ 85,389	$ 400	$ 5,243	$ (317,930)	$ 2,206	$ 289,408

	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, 2021	$ 509,203	$ 2,328	$ 85,389	$ 400	$ 3,764	$ (309,032)	$ 1,277	$ 293,329
Net income	—	—	—	—	—	1,800	—	1,800
Other comprehensive income	—	—	—	—	—	—	752	752
Common shares issued (note 14)	327	—	—	—	—	—	—	327
Amortization of equity settled deferred shares (note 20)	—	354	—	—	—	—	—	354
Common shares issued for equity settled deferred shares (note 14 and note 20	516	(516)	—	—	—	—	—	—
Balance, March 31, 2021	$ 510,046	$ 2,166	$ 85,389	$ 400	$ 3,764	$ (307,232)	$ 2,029	$ 296,562

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, 2022 and 2021

		Three months ended March 31, 2022		Three months ended March 31, 2021
Cash flows from operating activities:				
Net income	$	3,337	$	1,800
Items not involving cash:				
Fair value adjustment of investment properties (note 4)		11,874		(2,111)
Fair value adjustment of financial instruments (note 18)		(13,705)		(3,617)
Depreciation and amortization expense (note 5)		3,741		7,695
Allowance for credit losses on loans and interest receivable (note 18)		(24)		1,165
Straight-line rent (note 16)		(1,083)		(1,262)
Amortization of tenant inducements (note 16)		90		195
Finance costs from operations (note 18)		11,686		13,845
Change in non-controlling interest liability		236		(50)
Loss (gain) on sale of property, plant and equipment (note 5)		(1,333)		—
Loss from joint ventures (note 6)		448		(759)
Deferred income tax (note 22)		(1,127)		—
Interest paid		(10,491)		(12,993)
Interest income received		119		169
Debt extinguishment costs paid		(340)		(696)
Change in non-cash operating working capital:				
Prepaid expenses				
Tenant and other receivables		(1,059)		(592)
Accounts payable and accrued liabilities		(2,368)		(886)
Unearned revenue		411		(405)
Other assets		131		(744)
Other liabilities		(337)		766
Accrued real estate taxes		1,717		(1,218)
Net cash provided by operating activities	$	1,923	$	302
Cash flows from financing activities:				
Proceeds from credit facilities (note 13)	$	68,100	$	4,453
Debt issuance costs paid		(768)		(206)
Proceeds from mortgages payable (note 13)		494		17,135
Payments of mortgages payable (note 13)		(27,334)		(15,374)
Repayment of convertible debentures		(20,000)		—
Payment of preferred interest		(10,000)		—
Payment for repurchase of common shares		(313)		—
Cash (used in) provided by financing activities	$	10,179	$	6,008
Cash flows from investing activities:				
Additions to investment properties	$	(11,498)	$	—
Additions to property, plant and equipment		(1,523)		(2,155)
Dispositions of property, plant and equipment		5,374		—
Dispositions of assets held for sale		3,321		—
Distributions from joint ventures		105		164
Contributions to joint ventures		(286)		(36)
Distributions to non-controlling interest partners		(169)		(2,106)
Contributions from non-controlling interest partners		79		—
Payments to previous owner of Care		—		(126)
Repayment of loans receivable		214		119
Payments for prepaid acquisition costs		—		(116)
Cash used in investing activities	$	(4,383)	$	(4,256)
Increase (decrease) in cash and cash equivalents		7,719		2,054
Cash and cash equivalents, beginning of period		19,369		34,133
Cash and cash equivalents, end of period	$	27,088	$	36,187

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 currently owns a portfolio of North American income generating properties across the health care spectrum. The Company's portfolio includes investments in independent living, assisted living, memory care, skilled nursing, transitional care and medical office properties, which are operated primarily under long-term leases or joint venture arrangements with operating partners. The Company's portfolio also includes investments in owner occupied seniors housing properties in which Invesque owns the real estate and provides management services through its subsidiary management company, Commonwealth Senior Living.

At March 31, 2022, the Company owns interests in a portfolio of 102 health care and senior living properties comprised of 54 consolidated investment properties, 34 consolidated owner occupied properties, interests in 12 properties held through joint arrangements, and 2 properties held for sale.

1. Basis of preparation:

(a) Liquidity Assessment

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. These trends are likely to continue throughout 2022.

The pandemic has had an impact on results and operations of the Company, including decreased occupancy, delays in collections from tenants, and increased operating expenses. The Company announced on April 10, 2020 that it suspended the dividend for all common shares beginning from April 1, 2020 until further notice.

The Company expects that the pandemic could continue to have a negative effect on its results of operations, financial position and cash flows, particularly if negative economic and public health conditions in the United States and Canada persist for a continued and significant period of time. The ultimate impact of the pandemic on the Company's financial results will depend on future developments, which are uncertain. This includes, 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 the Company's communities, the volume of COVID-19 patients cared for across the portfolio, and the impact of government actions on the seniors housing industry and broader economy, including through existing and future stimulus efforts. The impact of COVID-19 has been partially offset to date by certain government stimulus programs which have helped to offset COVID-19 related expenses and compensate for lost revenues, but the Company is not able to provide assurance that such programs may continue to be available in the future. For the three months ended March 31, 2022, the Company recognized $150, of other income related to government grants funded through programs designed to assist seniors housing operators who have experienced both lost revenue and increased expenses during the COVID-19 pandemic (three months ended March 31, 2021 - $107). For the three months ended March 31, 2022, the Company did not recognize any income from joint ventures related to the Company's share of government grants recognized at the joint venture properties for COVID-19 pandemic relief (three months ended March 31, 2021 - $129).

Liquidity risk is the risk that an entity is unable to fund its assets or meet its obligations as they come due. Liquidity risk is managed in part through cash forecasting. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, the stressed conditions caused by COVID-19 have introduced increased uncertainties. 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 to ensure 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.

As a result of the events and conditions associated with COVID-19, the Company has amended certain terms of various financing arrangements having conducted an assessment of its liquidity. The Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in its credit facilities, as amended, for a period of at least 12 months from March 31, 2022. Further, the Company has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. In making this significant judgment, the Company has prepared a cash flow forecast with the most significant assumptions in the preparation of such forecast being the ability of its most significant tenant, Symcare, to meet its projected rental obligations to the Company and the continued availability of financing.

In response to a severe downside scenario, management has the ability to take the following mitigating actions to reduce costs, optimize the Company's cash flow and preserve liquidity:

(i) utilizing available cash to pay down debts,

(ii) continue with sales activity to dispose of certain properties and use the proceeds to pay down and reduce debts,

(iii) exercise the Company's right to convert its convertible debentures into common shares,

(iv) reducing non-essential capital expenditures.

(b) 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 a set of annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2021, which were issued on March 11, 2022.

The Company has applied the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2021.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company and authorized for issuance on May 11, 2022.

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

2. Loans receivable:

Loans receivable issued and outstanding as at March 31, 2022 and December 31, 2021 are detailed in the table below:

Debtor	Loan Type	March 31, 2022	December 31, 2021	Issued Date	Maturity Date	Current Interest Rate	PIK Interest Rate
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	1,199	1,187	November 1, 2016	October 31, 2018 (3)	8.0 %	— %
Ellipsis Real Estate Partners	Loan receivable	266	951	May 4, 2018	May 4, 2028	— %	7.5 %
Ellipsis Real Estate Partners	Loan receivable	1,330	1,331	September 14, 2018	September 14, 2028	— %	7.5 %
Hillcrest Millard, LLC	Loan receivable	507	529	January 1, 2019	January 1, 2028	— %	5.0 %
Hillcrest Firethorn, LLC	Loan receivable	484	496	January 1, 2019	November 1, 2027	— %	5.0 %
Bridgemoor Transitional Care Operations, LLC (5)	Loan receivable	1,872	1,872	June 5, 2019	June 5, 2035	— %	— %
MOC Webster, LLC	Loan receivable	—	—	June 5, 2019	June 5, 2035	— %	— %
RHS Propco Mooresville, LLC	Loan receivable	5,000	5,000	June 28, 2019	July 1, 2024	8.5 %	— %
Memory Care America, LLC	Loan receivable	—	57	July 31, 2019	January 1, 2024	8.5 %	— %
Ellipsis Real Estate Partners, LLC (1)(8)	Mezzanine loan	—	475	October 25, 2019	October 1, 2022	2.5 %	7.5 %
Blue Bell Senior Holdings, LLC	Loan receivable	490	490	February 21, 2020	March 1, 2024 (6)	5.9 %	— %
PSL Care GP, LLC	Loan receivable	450	450	May 6, 2020	(7)	3.5 %	— %
Symcare ML, LLC	Loan receivable	7,534	7,404	June 1, 2021	December 31, 2035	— %	1.0 %
Premier Senior Living, LLC	Loan receivable	752	862	October 24, 2021	October 1, 2023	8.0 %	— %
Accrued current and long term interest		121	745				
Allowance for expected credit losses on loans receivable		(6,308)	(6,329)				
Carrying value of loans recorded at amortized cost		$ 17,629	$ 19,452				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,273	2,243	December 31, 2018	(4)	— %	5.0 %
Carrying value of loans receivable		19,902	21,695				
Less current portion		1,060	1,635				
Long term portion		$ 18,842	$ 20,060				

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

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

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

(4) The repayment of this loan is pursuant to the Javelina Ventures Operating Agreement in which net available cash from operations will be used to repay the principal and accrued interest on this loan with no fixed maturity date.

(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) 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.

(7) No stated maturity date for loan receivable. Principal of loan is repaid when distributions are made from the joint venture operated by Phoenix Senior Living.

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

$10,397 of the loans outstanding and $15 of the accrued current and long-term interest as at March 31, 2022 included in the table above are made to current third party tenant operators ($10,358 and $15, respectively as at December 31, 2021). Of these amounts, $2,054 has been reserved as uncollectible since issuance of these loans ($2,065 - December 31, 2021).

(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, 2022 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 16,926	$ 1,207	$ 5,804	$ 23,937
Allowance for losses on loans receivable	(264)	(240)	(5,804)	(6,308)
Loans receivable, net of allowances	$ 16,662	$ 967	$ —	$ 17,629

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at December 31, 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 18,725	$ 1,195	$ 5,861	$ 25,781
Allowance for losses on loans receivable	(276)	(237)	(5,816)	(6,329)
Loans receivable, net of allowances	$ 18,449	$ 958	$ 45	$ 19,452

The changes in the gross loans receivable balance during the period ended March 31, 2022 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total loans receivable as at December 31, 2021	$ 18,725	$ 1,195	$ 5,861	$ 25,781
Loans receivable				
Transfer to/(from)				
Stage 1	—	—	—	—
Stage 2	—	—	—	—
Stage 3	—	—	—	—
	$ 18,725	$ 1,195	$ 5,861	$ 25,781
Issuances	85	—	—	85
Repayments	(1,972)	—	(58)	(2,030)
Currency translation	—	13	—	13
Fair value changes	88	—	—	88
Total loans receivable as at March 31, 2022	$ 16,926	$ 1,208	$ 5,803	$ 23,937

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

The changes in the allowance for credit losses during the period ended March 31, 2022 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total allowance for credit losses as at December 31, 2021	$ 276	$ 237	$ 5,816	$ 6,329
Allowance for credit losses				
Remeasurement	(12)	—	(12)	(24)
Transfer to/(from)				
Stage 1	—	—	—	—
Stage 2	—	—	—	—
Stage 3	—	—	—	—
	$ 264	$ 237	$ 5,804	$ 6,305
Issuances	—	—	—	—
Repayments	—	—	—	—
Currency translation	—	3	—	3
Total allowance for credit losses as at March 31, 2022	$ 264	$ 240	$ 5,804	$ 6,308

For the three months ended March 31, 2022, a recovery of $(24) (three months ended March 31, 2021 - $1,165 loss) was recorded as part of the change in allowance for credit losses on loans and interest receivable in the condensed consolidated interim statements of income and comprehensive income.

3. Other assets:

Other assets are as follows:

	March 31, 2022	December 31, 2021
Prepaid expense	$ 2,147	$ 2,124
Security deposits and costs related to future transactions	209	125
Escrow deposits held by lenders	3,933	4,605
Right-of-use assets	1,375	1,470
Bond assets	692	760
Receivable from Jaguarundi Ventures, LP (note 6)	7,734	7,802
Other	1,808	1,096
	$ 17,898	$ 17,982
Current	$ 15,831	$ 15,753
Non-current	2,067	2,229
	$ 17,898	$ 17,982

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:

(a) Investment properties:

	Number of Properties		Amount
Balance, December 31, 2021	53	$	716,344
Acquisitions of income properties	1		12,564
Capital expenditures	—		737
Increase in straight-line rents	—		1,083
Fair value adjustment	—		(11,874)
Amortization of tenant inducements	—		(90)
Translation of foreign operations	—		1,520
Balance, March 31, 2022	54	$	720,284
Investment properties in use		$	701,554
Property under development			18,730
Balance, March 31, 2022		$	720,284
Property tax liability under IFRIC 21			(9,014)
Fair value adjustment to investment properties - IFRIC 21			9,014
		$	720,284

At March 31, 2022, the Company used an internal valuation process to value its investment properties. Third party appraisers are engaged to prepare valuations on a portion of the portfolio annually such that one third of the portfolio is valued externally each year, and every property in the portfolio is valued externally at least once every five years. Management considers the external valuations for a cross-section of properties that represent different geographical locations across the Company's portfolio and updates, as deemed necessary, the valuation models to reflect current market data.

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

Capital expenditures include costs related to expansion projects at two buildings in Canada that are jointly owned in addition to capital expenditures incurred at the Company's medical office building portfolio.

The Company continues 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, 2022. 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 following table summarizes the significant unobservable inputs in determining fair value:

Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Capitalization rates	There is an inverse relationship between the capitalization rates and the fair value; in other words, the higher the capitalization rate, the lower the estimated fair value.
Stabilized future cash flows	There is a direct relationship between the stabilized future cash flows and the fair value; in other words, the higher the stabilized future cash flows, the higher the estimated fair value.

The capitalization rates used in determining fair value of investment properties measured as at March 31, 2022 and December 31, 2021 are set out in the following table:

	March 31, 2022	December 31, 2021
Capitalization rate - range	7.00% - 10.50%	7.00% - 10.25%
Capitalization rate - weighted average	8.42%	8.09%

The estimated fair value of investment properties is most sensitive to changes in capitalization rates and stabilized future cash flows. Changes in the capitalization rates and stabilized future cash flows would result in the following changes in the fair value of the Company's investment properties:

	March 31, 2022	December 31, 2021
Investment property valued using direct capitalization income approach	$ 529,486	$ 524,148
Investment property valued using discounted cash flow projection	$ 81,442	$ 59,449
Investment property valued using other methods	$ 109,356	$ 132,747
Capitalization rate:		
25-basis point increase	$ (15,460)	$ (15,880)
25-basis point decrease	$ 16,433	$ 16,917

As at March 31, 2022, a 1% increase in stabilized future cash flows would result in a portfolio fair value increase of $5,295. A 1% decrease in stabilized future cash flows would result in a portfolio fair value decrease of $5,295. A 1% increase in stabilized future cash flows coupled with a 0.25% decrease in capitalization rates would result in a portfolio fair value increase of $21,892. A 1% decrease in stabilized future cash flows coupled with a 0.25% increase in capitalization rates would result in a portfolio fair value decrease of $20,601.

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

(b) Asset acquisitions - three months ended March 31, 2022

		Grand Rapids, MI
Number of consolidated properties acquired:		1
Net assets acquired:		
Investment properties	$	12,564
	$	12,564
Consideration paid/funded:		
Cash		10,765
Repayment of mezzanine and loans receivable principal and accrued interest		1,799
	$	12,564

On February 1, 2022, The Company purchased a memory care facility located in Grand Rapids, MI for a contractual purchase price of $12,470 plus transaction costs. The transaction was funded by the repayment of $1,799 of outstanding mezzanine and loans receivable principal and accrued interest and cash on hand.

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

5. Property, plant and equipment, net:

(a) Property, plant and equipment, net:

Property, plant and equipment consists of the following as at March 31, 2022:

		Land		Buildings		Furniture, fixtures and equipment		Properties under development		Total
Cost										
Balance, December 31, 2021	$	26,121	$	474,494	$	16,345	$	400	$	517,360
Additions		—		693		596		246		1,535
Disposals		—		(5)		(5)		—		(10)
Transfers		—		27		—		(27)		—
Sale of Harrisburg		(384)		(5,195)		(714)		(2)		(6,295)
Balance, March 31, 2022	$	25,737	$	470,014	$	16,222	$	617	$	512,590
Accumulated depreciation										
Balance, December 31, 2021	$	—	$	81,065	$	4,294	$	—	$	85,359
Depreciation and amortization		—		3,208		533		—		3,741
Disposals		—		(442)		(198)		—		(640)
Balance, March 31, 2022	$	—	$	83,831	$	4,629	$	—	$	88,460
Property, plant and equipment, net balance, December 31, 2021	$	26,121	$	393,429	$	12,051	$	400	$	432,001
Property, plant and equipment, net balance, March 31, 2022	$	25,737	$	386,183	$	11,593	$	617	$	424,130

(b) Dispositions - three months ended March 31, 2022

		Port Royal, SC		Harrisburg, PA		Total
Properties		(1)		(1)		(2)
Land	$	(106)	$	(384)	$	(490)
Property, plant and equipment		(1,601)		(5,271)		(6,872)
	$	(1,707)	$	(5,655)	$	(7,362)
Consideration paid (received):						
Gain (loss) on sale of property		1,614		(281)		1,333
Working capital balances		(6)		11		5
Loss on extinguishment of debt		—		(347)		(347)
Mortgage redemption		(3,315)		(5,026)		(8,341)
Cash proceeds received, net		—		(12)		(12)
	$	(1,707)	$	(5,655)	$	(7,362)

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

In June 2021 the Company ceased operations in and listed for sale a property located in Port Royal, SC. The Company transitioned all residents from this property into new locations in order to prepare the building for sale and classified the property as held for sale. On March 31, 2022, the Company sold the property for total consideration of $3,525 before closing costs. Cash in excess of closing costs was used to repay mortgage debt.

On March 1, 2022, the Company sold a property in Harrisburg, PA for total consideration of $5,500 before closing costs. Cash in excess of closing costs was primarily used to repay $5,026 of mortgage debt and a $347 prepayment penalty.

(c) Assets held for sale

The following table summarizes the significant assets held for sale on March 31, 2022 and December 31, 2021:

		March 31, 2022		December 31, 2021
Assets:				
Property, plant and equipment, net	$	19,600	$	21,307
	$	19,600	$	21,307

In June 2021 the Company ceased operations in and listed for sale a property located in Port Royal, SC. The Company transitioned all residents from this property into new locations in order to prepare the building for sale. As noted above, the property was classified as held for sale on the consolidated statement of financial position at December 31, 2021 and was sold on March 31, 2022.

On November 15, 2021, the Company entered into a purchase and sale agreement to sell two properties in New York. These properties were previously transferred to property, plant and equipment on October 24, 2021. The assets are classified as held for sale on the condensed consolidated interim statement of financial position at March 31, 2022. The assets were sold on April 1, 2022 for net cash consideration of $19,571.

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

6. Joint arrangements:

As at March 31, 2022, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Investment
Invesque-Autumnwood Landlord	4	Canada	50 %	Joint operation (1)
Invesque-Autumnwood Operator	—	Canada	50 %	Joint venture (2)
Calamar	2	United States	75 %	Joint venture (3)
Heritage JV	3	United States	80 %	Joint venture (3)
Heritage Newtown	1	United States	80 %	Joint venture (3)
Heritage Harleysville	1	United States	90 %	Joint venture (3)
Heritage Glassboro	1	United States	90 %	Joint venture (3)
Jaguarundi	4	United States	66 %	Joint venture (4)
Terra Bluffs	1	United States	72 %	Joint venture (3)

(1) The Company directly holds its interest in the assets and liabilities of the real estate joint operation.

(2) These joint venture arrangements have been structured through separate legal entities and the operators 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, $903 for the three months ended March 31, 2022 (three months ended March 31, 2021 - $873), is reported as lease revenue from joint ventures. Invesque-Autumnwood Operators lease expense is included in the share of loss from joint ventures in the condensed consolidated interim statements of income and comprehensive income.

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 in both the real estate and operations. 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 loss from joint ventures in the condensed consolidated interim statements of income and comprehensive income.

On April 1, 2022 Jaguarundi Ventures, LP sold the remaining four properties held in the joint venture for a total sale price of $51,534. Proceeds from the sale were used in part to repay $37,310 in existing mortgage debt on three of the properties sold. An additional $7,734 of proceeds was used to repay the Company's Credit Facility, to which the property located in Webster, TX was pledged.

(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, 2022	Three months ended March 31, 2021
Cash contributions to joint ventures	$ 286	$ 36
Distributions received from joint ventures	$ 105	$ 164

	March 31, 2022		December 31, 2021	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 9,272	$ 7,126	$ 14,833	$ 10,893
Tenant and other receivables	5,244	3,225	3,015	1,749
Assets held for sale	51,534	33,925	—	—
Other	2,114	2,054	693	927
Current assets	68,164	46,330	18,541	13,569
Investment properties	162,364	123,735	211,320	156,135
Property, plant and equipment, net	25,570	18,437	25,706	18,549
Loans receivable	3,881	54	3,882	55
Other non-current assets	507	382	495	373
Total assets	$ 260,486	$ 188,938	$ 259,944	$ 188,681
Accounts payable and accrued liabilities	$ 12,768	$ 9,950	$ 11,575	$ 8,881
Unearned revenue	671	549	655	532
Related party payable to Invesque	7,734	5,091	—	—
Mortgages payable - held for sale	37,300	24,554	—	—
Mortgages payable - current	19,421	15,099	32,804	22,532
Current liabilities	77,894	55,243	45,034	31,945
Mortgages payable - non-current	92,754	76,623	117,542	94,416
Construction loan	6,967	5,014	4,805	3,458
Derivative instruments	674	554	2,426	1,996
Related party payable to Invesque	—	—	7,802	5,136
Other non-current liabilities	1,856	1,320	1,821	1,290
Total liabilities	$ 180,145	$ 138,754	$ 179,430	$ 138,241
Net assets	$ 80,341	$ 50,184	$ 80,514	$ 50,440

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

	Three months ended March 31, 2022		Three months ended March 31, 2021	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 14,455	$ 8,647	$ 14,402	$ 8,613
Other income	—	—	144	129
Property operating expense	(10,791)	(6,157)	(9,695)	(5,547)
Depreciation expense	(181)	(136)	(181)	(136)
Finance costs	(1,796)	(1,380)	(2,293)	(1,643)
Real estate tax expense	(300)	(197)	(408)	(247)
General and administrative expenses	(2,385)	(1,569)	(1,125)	(681)
Allowance for credit losses on loans and interest receivable	—	—	(699)	(423)
Change in fair value of financial instruments	1,752	1,441	1,402	1,094
Change in fair value of investment properties	(1,052)	(1,097)	(213)	(400)
Net income (loss), prior to distributions to owners	$ (298)	$ (448)	$ 1,334	$ 759

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 other receivables, loans receivable, accounts payable, loan commitment liabilities, and lease revenue from joint ventures.

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

	March 31, 2022	December 31, 2021
Mortgages at fixed rates:		
Mortgages (principal) [(1)]	$ 150,013	$ 150,900
Interest rates	3.99% to 5.23%	3.99% to 5.23%
Weighted average interest rate	4.30 %	4.30 %
Mortgages at variable rates:		
Mortgages (principal)	$ 498	$ 500
Interest rates	LIBOR plus 2.75% with a 3.75% floor	LIBOR plus 2.75% with a 3.75% floor
Weighted average interest rate	3.75 %	3.75 %
Blended weighted average rate	4.30 %	4.30 %

(1) Includes $88,758 of variable rate mortgages that are fixed with interest rate swaps (December 31, 2021 - $89,231).

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

The following tables summarize the information about the Company's investment in Jaguarundi Ventures, LP, which have been accounted for under the equity method and included in tables above. Jaguarundi Ventures, LP is shown separately below due to the significance of the Company's interest in the joint venture. The joint venture was formed on June 5, 2019. During the three months ended March 31, 2022 and 2021, the Company did not make cash contributions to Jaguarundi Ventures, LP. During the three months ended March 31, 2022 and 2021, the Company did not receive any distributions from Jaguarundi Ventures, LP.

	March 31, 2022		December 31, 2021	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 3,748	$ 2,529	$ 8,054	$ 5,365
Tenant and other receivables	3,487	2,296	1,175	773
Assets held for sale	51,534	33,924	—	—
Other	1	1	—	—
Current assets	58,770	38,750	9,229	6,138
Investment properties	—	—	52,000	34,232
Loans receivable	23	15	24	16
Total assets	$ 58,793	$ 38,765	$ 61,253	$ 40,386
Accounts payable and accrued liabilities	$ 459	$ 302	$ 1,317	$ 867
Related party payable to Invesque	7,734	5,091	—	—
Mortgages payable - held for sale	37,300	24,554	23,086	15,198
Current liabilities	45,493	29,947	24,403	16,065
Mortgages payable - non-current	—	—	14,497	9,543
Related party payable to Invesque	—	—	7,802	5,136
Other non-current liabilities	1,250	823	1,250	823
Total liabilities	$ 46,743	$ 30,770	$ 47,952	$ 31,567
Net assets	$ 12,050	$ 7,995	$ 13,301	$ 8,819

The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for an annual fee equal to 15 basis points on the amount guaranteed. As of March 31, 2022, the outstanding mortgages balance of Jaguarundi Ventures, LP is $37,300 (December 31, 2021 - $37,586). As of March 31, 2022, the value of the properties that collateralize the mortgages is $51,534 (December 31, 2021 - $52,000) and is sufficient to support the mortgage values. The mortgage balances were repaid in full on April 1, 2022 when Jaguarundi Ventures, LP sold the properties collateralizing the mortgage debt, which were classified as assets held for sale as of March 31, 2022.

As at March 31, 2022, a joint arrangement with respect to one property held in Jaguarundi Ventures, LP did not meet certain debt covenant requirements under the terms of a mortgage agreement secured by the property. As the joint arrangement did not have an unconditional right to defer settlement of the mortgage for at least twelve months as at March 31, 2022, the $13,418 outstanding loan balance has been classified as a current liability of the joint arrangement as at March 31, 2022 and was repaid in full in the April 1, 2022 transaction described above.

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

	Three months ended March 31, 2022		Three months ended March 31, 2021	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 2,396	$ 1,558	$ 3,630	$ 2,174
Finance costs	(547)	(360)	(1,084)	(656)
Real estate tax expense	(300)	(197)	(408)	(247)
General and administrative expenses	(2,385)	(1,570)	(1,126)	(681)
Allowance for credit losses on loans and interest receivable	—	—	(699)	(423)
Change in fair value of financial instruments	—	—	278	168
Change in fair value of investment properties	(415)	(254)	475	310
Net income (loss), prior to distributions to owners	$ (1,251)	$ (823)	$ 1,066	$ 645

(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, 2022	Borrowing rate at March 31, 2022	December 31, 2021	Borrowing rate at December 31, 2021
Credit Facility Term (1) (5)	$ 200,000	4.26 %	$ 200,000	4.26 %
Credit Facility Revolver (2) (5)	198,789	3.33 %	130,688	3.54 %
MOB Facility USD denominated portion	21,286	2.65 %	21,286	2.30 %
MOB Facility CAD denominated portion (1) (3)	68,128	4.32 %	67,404	4.32 %
Commonwealth Facility (4) (5)	180,453	3.81 %	180,453	3.80 %
Finance costs, net	(2,864)	—	(2,565)	—
Carrying value	$ 665,792	3.82 %	$ 597,266	3.90 %
Less current portion	1,401		795	
Long-term portion	$ 664,391		$ 596,471	

(1) The interest rate on this facility is fixed with an interest rate swap.

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

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

(4) The interest rate on $176,000 of this facility is fixed with interest rate swaps.

(5) Upon the upcoming transition from LIBOR in 2023, this credit facility will migrate to an elective alternative benchmark of either Term SOFR and a related benchmark adjustment, Daily Simple SOFR and a related benchmark adjustment or an alternative benchmark based on future legislative or then-market benchmark replacement determinations.

On December 20, 2018, the Company entered into an agreement for an unsecured credit facility (the "Credit Facility") with a $400,000 capacity. The Credit Facility is comprised of a $200,000 term loan and a $200,000 revolving line of credit. The term loan has a maturity date of December 20, 2023, while the revolving line of credit had a maturity date of December 20, 2022, with a one year extension option, subject to lender approval. On December 31, 2021, the maturity date of the revolving line of credit was extended to December 20, 2023. The Credit Facility bears interest at a rate of LIBOR plus an applicable margin based on the Company's consolidated leverage ratio, with an option to use a rate based on Base Rate, as defined in the agreement, plus an applicable margin.

The borrowing capacity of the Credit Facility is based on the undepreciated book value of an unencumbered pool of assets. Per the agreement, the Company's leverage could not exceed 62.5% through December 31, 2019, reducing to 60% thereafter. The agreement also provides for the Company's leverage to increase to 65% for two quarters following any material acquisition (the "surge period"). Per the agreement, the fixed charge ratio shall not be less than 1.75 to 1.0. On November 7, 2019, the Company amended the terms of the Credit Facility to extend the surge provision period following a material acquisition for both the maximum consolidated total leverage ratio covenant and unencumbered pool leverage covenant. The maximum consolidated total leverage ratio covenant can increase to 65% for four quarters starting with the third quarter of 2019. The unencumbered pool leverage ratio may increase to 65% for two quarters starting with the third quarter of 2019, reducing to 62.5% for two quarters after that, and reducing back to 60% thereafter. The Company's acquisition of Commonwealth is considered a material acquisition under the terms of the Credit Facility.

On November 4, 2020, the Company entered into an agreement to modify the Credit Facility, in which the facility will be permanently converted to a facility secured by pledges of equity in the special purposes entities which own the properties making up a borrowing base. The minimum fixed charge coverage ratio covenant will permanently decrease from 1.75 to 1.60. Per the agreement, the Company was granted a surge period effective with the quarterly reporting period ended September 30, 2020 through June 30, 2021. During the surge period, the consolidated leverage ratio covenant was increased from 60% to 65%, the advance rate increased from 60% to 65% of the borrowing base, the applicable margin for LIBOR loans increased 15 basis points, and the implied interest rate used to calculate the debt service coverage amount decreased from 6.0% to 5.75%. Per the agreement, the surge period ended June 30, 2021. On December 31, 2021, the

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

Company entered into an agreement to modify the Credit Facility, in which the maturity date for the revolving line of credit was permanently extended from December 20, 2022 to December 20, 2023. The minimum fixed charge coverage ratio covenant was permanently decreased from 1.60x to 1.50x. Per the agreement, the Company also agreed to an ongoing $25,000 liquidity requirement as well as a limitation on gross dividends that can be declared during 2022 and 2023. These changes are effective with the reporting period ended December 31, 2021.

On May 1, 2018, a wholly owned subsidiary of the Company entered into a secured credit facility ("MOB Facility") for the purpose of funding the acquisition of 14 medical office buildings. The facility has maximum commitment amounts of CAD$90,060, with a borrowing rate of the BA Rate plus 220 basis points, and a US Dollar commitment of $22,515, with a borrowing rate of LIBOR plus 220 basis points. The facility provides for interest-only payments through its maturity date of May 1, 2023. Per the terms of the agreement, CAD$4,858 and USD$1,228 are reserved for the construction of tenant improvements and the payment of leasing commissions for leases entered into after the closing of the transaction. On May 1, 2018, in conjunction with the acquisition, the Company drew CAD$85,202 and USD$16,647. The facility also included an allocation of USD$4,460 for the acquisition of an additional medical office property in Williamsville, New York. On June 28, 2018, the Company amended the terms of the agreement to increase the borrowing capacity for the Williamsville, New York property to USD$6,572. The company drew a total of USD$6,572 in conjunction with the closing of the Williamsville asset on July 9, 2018. On December 31, 2018, the Company repaid USD$1,933 on the facility. On September 21, 2020, the Company entered into an amendment to the MOB Facility that reset certain loan covenant levels. Pursuant to the terms of the amendment, during a test period beginning June 30, 2020, the Company's debt yield covenant level was reduced to 5.75% (which increases to 8.00% at December 31, 2021).

On August 1, 2019, a wholly owned subsidiary of the Company entered into a secured credit facility ("Commonwealth Facility") for the purpose of funding the acquisition of Commonwealth Tranche I. The $176,000 new debt secured by 16 properties has a maturity date of August 1, 2024, with 2 available extension options. It bears interest at a rate of LIBOR plus 215 basis points. The agreement also provides for an accordion feature that would extend the capacity of the loan by an additional $50,000 subject to certain terms and conditions provided for in the agreement. Pursuant to the terms of the Commonwealth Facility, the Company is required to maintain a debt yield of 8.0% (which increases to 8.75% at September 30, 2021) as well as a Debt Service Coverage Ratio of 1.25. On August 11, 2021, the Company entered into an amendment of the Commonwealth Facility whereby the required debt yield was modified to be 8.0% for the trailing six month period ended December 31, 2021; 8.0% for the trailing nine month period ending March 31, 2022; 8.25% for the trailing twelve month period ending June 30, 2022; 8.5% for the trailing twelve month period ending September 30, 2022; 8.75% for the trailing twelve month period ending December 31, 2022; and 9.0% for each trailing twelve month test period thereafter.

On January 17, 2020, the Company entered into an amendment to the Commonwealth Facility that established a $10,000 capital improvements holdback ("Holdback"). The Holdback provides funding to the Company for reimbursement of capital improvements made to the properties encumbered by the Commonwealth Facility. The amendment allows the Company to be reimbursed for 65% of capital improvement costs incurred. On January 26, 2021, the Company drew $4,453 from the Holdback for reimbursement of expenses incurred for adding additional units to the Abingdon, South Boston and Front Royal properties.

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2022	$ 795
2023	490,679
2024	177,182
2025	—
2026	—
Thereafter	—
Total	$ 668,656

(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, 2022	December 31, 2021
Mortgages payable	$ 183,940	$ 210,410
Mark-to-market adjustment, net	4,823	4,847
Finance costs, net	(1,289)	(1,434)
Carrying value	$ 187,474	$ 213,823
Less current portion	35,003	34,876
Long-term portion	$ 152,471	$ 178,947

Mortgages payable are collateralized by investment properties and property, plant and equipment with a carrying value of $290,967 at March 31, 2022. Maturity dates on mortgages payable range from 2022 to 2054, and the weighted average years to maturity is 7.07 years at March 31, 2022.

Future principal payments on the mortgages payable as at March 31, 2022 are as follows:

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2022	$ 2,963	$ 13,611	$ 16,574	9 %
2023	3,444	45,276	48,720	26 %
2024	2,639	37,631	40,270	22 %
2025	1,520	18,865	20,385	11 %
2026	1,368	—	1,368	1 %
Thereafter	26,891	29,732	56,623	31 %
	$ 38,825	$ 145,115	$ 183,940	100 %

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

	March 31, 2022	December 31, 2021
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 131,610	$ 155,297
Interest rates	2.16% to 6.15%	2.16% to 6.15%
Weighted average interest rate	3.92 %	4.04 %
Mortgages at variable rates:		
Mortgages (principal)	$ 52,330	$ 55,113
Interest rates	LIBOR plus 2.45% to LIBOR plus 2.75% with a 1% LIBOR Floor	LIBOR plus 2.45% to LIBOR plus 2.75% with a 1% LIBOR Floor
Weighted average interest rate	3.64 %	3.52 %
Blended weighted average rate	3.84 %	3.91 %

(1) Includes $35,087 of variable rate mortgages that are fixed with interest rate swaps (December 31, 2021 - $35,142).

Upon the upcoming transition from LIBOR in 2023, $17,135 of the Company's variable rate mortgages fixed through an interest rate swap will see the underlying variable rate migrate to an elective alternative benchmark of either Term SOFR and a related benchmark adjustment, Daily Simple SOFR and a related benchmark adjustment or an alternative benchmark based on future legislative or then-market benchmark replacement determinations. The remaining $17,952 of variable rate mortgage fixed through an interest rate swap will not be impacted by the LIBOR transition.

Upon the upcoming transition from LIBOR in 2023, $10,197 of the Company's variable rate mortgages will see the underlying variable rate migrate to an elective alternative benchmark of either Term SOFR and a related benchmark adjustment, Daily Simple SOFR and a related benchmark adjustment or an alternative benchmark based on future legislative or then-market benchmark replacement determinations. The remaining $42,133 of variable rate mortgage will not be impacted by the LIBOR transition.

(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, 2022 are detailed in the table below:

				Asset (liability) balance		Income for the three months ended	
Swap	Maturity date	Fixed rate	Notional amount	March 31, 2022	December 31, 2021	March 31, 2022	March 31, 2021
Credit Facility Term (3)	December 19, 2023	LIBOR fixed at 2.11%	$ 200,000	$ 234	$ (5,475)	$ 5,709	$ 1,997
Credit Facility Revolver (3)	January 2, 2024	LIBOR fixed at 2.57%	25,000	(174)	(927)	753	282
Credit Facility Revolver	December 1, 2022	LIBOR fixed at 2.11%	50,000	(313)	(870)	557	270
Red Oak Swap (1)	January 18, 2023	Interest rate fixed at 2.17%	3,990	36	14	22	5
Winchester Swap	November 1, 2021	Interest rate fixed at 4.54%	—	—	—	—	23
MOB Facility Swap (2)	May 1, 2023	Banker's Acceptance fixed at 2.12%	68,128	(10)	(876)	865	380
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	—	—	—	—	118
Commonwealth Swap (3)	August 1, 2024	LIBOR fixed at 1.69%	176,000	2,892	(3,302)	6,194	2,370
Constant Care Swap	October 1, 2022	Interest rate fixed at 4.21%	—	—	—	—	98
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	13,950	(5)	(25)	20	19
Charlottesville Swap (3)	March 31, 2024	LIBOR fixed at 0.56%	17,135	617	127	490	—
			Net carrying value	$ 3,277	$ (11,334)	$ 14,610	$ 5,562
			Less current portion	(282)	(895)		
			Long term portion	$ 3,559	$ (10,439)		
			Derivative instruments Asset	$ 3,779	$ 141		
			Derivative instruments (Liability)	(502)	(11,475)		
				$ 3,277	$ (11,334)		

(1) The swap has a notional amount of CAD$4,994

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

(3) Upon the upcoming transition from LIBOR in 2023, this interest rate swap agreement will migrate to an elective alternative benchmark of either Term SOFR and a related benchmark adjustment, Daily Simple SOFR and a related benchmark adjustment or an alternative benchmark based on future legislative or then-market benchmark replacement determinations.

(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 and comprehensive income.

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 March 31, 2022, the prepayment embedded derivative assets have a fair value of $2,483 (2021 - $3,388). For the three months ended March 31, 2022, a fair value loss of $905 (three months ended March 31, 2021 - $1,945), was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

10. Convertible debentures:

(a) 2016 Convertible Debentures

	March 31, 2022	December 31, 2021
Issued	$ 24,850	$ 44,975
Issue costs, net of amortization and accretion of equity component	(175)	(409)
Mark to market adjustment, net	(5,883)	(6,552)
Equity component, excluding issue costs and taxes	(4,254)	(4,254)
2016 Convertible Debentures	$ 14,538	$ 33,760
Current	$ —	$ 19,678
Non-current	14,538	$ 14,082
2016 Convertible Debentures	$ 14,538	$ 33,760

Interest costs related to the 2016 Convertible Debentures are recorded in financing costs using the effective interest rate method.

In January 2022, $125 of 2016 Convertible Debentures were converted into 25,000 common shares.

On January 31, 2022 (the "Redemption Date"), the Company redeemed $20,000 of the principal amount of the 2016 Convertible Debentures outstanding plus accrued and unpaid interest (at 5.00%) thereon. In accordance with the Debenture Amendments, the interest rate on the remaining 2016 Convertible Debentures was increased to 7.00% effective January 31, 2022.

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

(b) 2018 Convertible Debentures

The 2018 Convertible Debentures are comprised of the following as at:

		March 31, 2022		December 31, 2021
Issued	$	50,000	$	50,000
Issue costs, net of amortization and accretion of equity component		(258)		(367)
Equity component, excluding issue costs and taxes		(736)		(736)
2018 Convertible Debentures	$	49,006	$	48,897

Interest costs related to the 2018 Convertible Debentures are recorded in financing costs using the effective interest rate method.

11. Commonwealth preferred unit liability:

On August 1, 2019, the Company issued $53,587 in preferred interests of the acquiring subsidiary to fund the purchase of Commonwealth Tranche I. The preferred interests are exchangeable by holders into common shares of the Company at a fixed exchange price of $9.75 per common share. The preferred interests have an initial dividend rate of 6.50% per annum, with annual escalators beginning August 1, 2023, and a liquidation value equal to their unreturned initial capital contribution and any accrued and unpaid dividends. These dividends are included in finance costs from operations in the consolidated statements of income and comprehensive income. Under certain circumstances, the Company will have the right to redeem the preferred interests at its discretion for an amount specified in the operating agreement.

On December 23, 2019, the Company issued $12,093 in preferred interests of the acquiring subsidiary to fund the purchase of the Commonwealth Tranche II.

On October 1, 2020, the Company issued $1,701 in preferred interests to fund the earnout payment pursuant to the Commonwealth purchase agreement (note 23).

On January 4, 2022 the Company redeemed $10,000 of the outstanding Commonwealth preferred interest.

The Commonwealth preferred unit liability is comprised of the following as at:

		March 31, 2022		December 31, 2021
Issued	$	67,381	$	67,381
Redemptions		(10,000)		—
Equity component, net of accretion		(1,032)		(1,142)
Commonwealth preferred unit liability	$	56,349	$	66,239

(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, 2022		December 31, 2021
Deferred shares liability (note 20)	$	542	$	903
Security deposits received from tenants		1,916		1,796
Escrows collected from tenant		1,132		1,519
Unearned revenue		2,463		2,051
Lease liability		1,375		1,470
Exchangeable units liability		2,049		2,049
Earnout payable (note 23)		1,996		1,996
Other		216		331
	$	11,689	$	12,115
Current	$	3,742	$	3,787
Non-current		7,947		8,328
	$	11,689	$	12,115

(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, 2020	$ 660,596	$ 299,464	$ 92,411	$ 65,797	$ 1,118,268
Proceeds from financing	58,953	17,135	—	—	76,088
Repayments	(124,311)	(98,738)	—	—	(223,049)
Scheduled principal payments	—	(5,023)	—	—	(5,023)
Financing costs paid	—	(206)	(442)	—	(648)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	1,531	1,052	(5,058)	442	(2,033)
Equity component of convertible debentures	—	—	(4,254)	—	(4,254)
Changes in foreign currency rates	497	139	—	—	636
Balance, December 31, 2021	$ 597,266	$ 213,823	$ 82,657	$ 66,239	$ 959,985
Proceeds from financing	68,100	494	—	—	68,594
Repayments	—	(26,346)	(20,000)	(10,000)	(56,346)
Scheduled principal payments	—	(989)	—	—	(989)
Financing costs paid	(706)	—	(61)	—	(767)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	401	115	676	110	1,302
Conversion of convertible debentures into common shares	—	—	(125)	—	(125)
Equity component of convertible debentures	—	—	397	—	397
Changes in foreign currency rates	731	377	—	—	1,108
Balance, March 31, 2022	$ 665,792	$ 187,474	$ 63,544	$ 56,349	$ 973,159

(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, 2022:

	Common shares		Carrying value
Balance, December 31, 2020	55,877,496	$	509,203
Issued on settlement of Deferred Share Incentive Plan	282,200		637
Issued on settlement of equity settled Deferred Shares	76,596		516
Transfer of 2016 Convertible Debenture Equity Component	—		1,648
Balance, December 31, 2021	56,236,292	$	512,004
Issued on settlement of Deferred Share Incentive Plan	221,652		255
Issued on settlement of equity settled Deferred Shares	186,359		1,270
Shares acquired under NCIB	(193,300)		(312)
Issued through conversion of convertible debentures	25,000		125
Balance, March 31, 2022	56,476,003	$	513,342

(i) On December 15, 2021 the Toronto Stock Exchange ("TSX") approved the Company's notice of intention to make a normal course issuer bid ("NCIB") for a portion of its common shares. Pursuant to the notice, the Company is authorized to acquire up to a maximum of 2,811,814 of its common shares, or approximately 5% of the Company’s 56,236,292 outstanding common shares as of December 15, 2021, 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 6,584 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.

(b) Preferred shares:

The following number and value of preferred shares were issued and outstanding as at March 31, 2022:

	Preferred shares		Carrying value
Balance, December 31, 2021 and March 31, 2022	9,098,598	$	85,389

The Company entered into subscription agreements in 2017 and 2018 in respect of the issuance of class A convertible preferred shares ("Preferred Shares") to certain funds managed by Magnetar, a significant shareholder of the Company, funded in 3 series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 7,560,137 preferred shares for aggregate gross proceeds of $71,500.

The Preferred Shares issued during series 1, 2, and 3 are non-voting and are initially convertible into common shares of the Company on a one-for-one basis at the option of the holder based on an initial liquidation preference and a conversion price of $9.75. The Preferred Shares were issued at a price per share equal to the initial liquidation preference of $9.75, subject to a 3% discount. Following issuance, the liquidation preference of the Preferred Shares will accrete at a rate of 5.65% per annum, compounded quarterly, increasing the number of common shares into which each Preferred Share is convertible at the fixed rate, and is subject to further adjustments in certain circumstances. In certain circumstances, the Company may redeem the Preferred Shares for an amount equal to their liquidation preference and may also require the conversion of the Preferred Shares. If the Preferred Shares are redeemed or mandatorily converted in the first year following issuance, the liquidation preference of such shares will include a 4% premium to the initial liquidation preference. This premium will be reduced by 1% per year in respect of redemptions or mandatory conversions in the second, third or fourth years following issuance.

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

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

As at March 31, 2022, the preferred shares are convertible into 11,526,416 (December 31, 2021 - 11,346,122) common shares of the Company.

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

15. Earnings (loss) per share:

Basic income per share is calculated using the weighted average number of shares outstanding during the period. The calculation of diluted income per share, is calculated using the "if-converted" method and to the extent the conversion is dilutive, assumes all convertible securities have been converted at the beginning of the period, or at the time of issuance, if later, and any charges or returns on the convertible securities, on an after-tax basis, are removed from net earnings. The outstanding convertible debentures, unvested deferred shares 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 March 31, 2022	Three months ended March 31, 2021
Net loss for basic and diluted net loss per share	$ 3,337	$ 1,800

Denominator for basic and diluted net loss per share:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	56,706,423	56,162,127
Weighted average shares issued if all preferred shares were converted	11,348,125	10,656,131
Weighted average shares issued if all exchangeable units were converted	327,869	327,869
Weighted average number of shares: Diluted	68,382,417	67,146,127

Net loss per share:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Basic	$ 0.06	$ 0.03
Diluted	$ 0.05	$ 0.03

(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, 2022	Three months ended March 31, 2021
Contractual rental revenue	$ 12,895	$ 17,572
Straight-line rent adjustments	1,083	1,262
Amortization of tenant inducements	(90)	(195)
Property tax recoveries	3,386	3,413
Revenue from services - CAM recoveries (1)	731	710
	$ 18,005	$ 22,762

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

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

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

The tenant Symcare previously operated a portfolio of 15 properties and paid rent to the Company pursuant to a master lease. During the year ended December 31, 2021, three properties included in the master lease were sold and four were transitioned to a new operator. On June 1, 2021, a subsidiary of the Company entered into a new master lease with the remaining eight properties. For the three months ended March 31, 2022, rental revenue from this tenant comprised approximately 29% (three months ended March 31, 2021 - 43%), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of March 31, 2022 and December 31, 2021 are as follows:

	As of March 31, 2022	As of December 31, 2021
Less than 1 year	$ 51,672	$ 50,267
Between 1 and 5 years	202,579	196,945
More than 5 years	365,576	350,597
	$ 619,827	$ 597,809

Future minimum rentals as of March 31, 2022 in the above table attributable to Symcare represent approximately 36% (December 31, 2021 - 38%) of the total.

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

(b) Resident rental and related revenue:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Resident revenue	$ 17,610	$ 14,969
Service revenue [(1)]	14,566	14,120
	$ 32,176	$ 29,089

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

17. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended March 31, 2022			Three months ended March 31, 2021		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 805	$ 439	$ 1,244	$ 639	$ 506	$ 1,145
Utilities	1,175	394	1,569	1,067	375	1,442
Property management fees	—	133	133	—	148	148
Compensation and benefits	16,321	—	16,321	14,541	—	14,541
Other services and supplies	1,642	309	1,951	1,520	239	1,759
Real estate taxes	667	—	667	633	—	633
Other	5,243	493	5,736	5,004	391	5,395
	$ 25,853	$ 1,768	$ 27,621	$ 23,404	$ 1,659	$ 25,063

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

18. Finance costs:

Finance costs consist of the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest expense on credit facilities	$ 3,672	$ 4,412
Interest expense on mortgages payable	1,777	2,919
Interest expense on convertible debentures	1,228	1,312
Dividends on Commonwealth preferred units	928	1,080
Amortization and accretion expense	1,105	1,204
Net interest rate swap payments	2,342	2,591
Debt extinguishment costs	340	696
Amortization of mark-to-market debt adjustments	646	(62)
Interest income from loans receivable (note 2)	(352)	(307)
Finance costs from operations	$ 11,686	$ 13,845
Allowance for credit losses on loans and interest receivable (note 2)	(24)	1,165
Change in fair value of financial instruments (notes 2, 9 and 10)	(13,705)	(3,617)
Change in non-controlling interest liability in respect of the above	(34)	(50)
Total finance costs	$ (2,077)	$ 11,343

(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, 2022	Three months ended March 31, 2021
Compensation and benefits	$ 4,061	$ 2,966
Professional fees	928	909
Deferred share compensation expense	140	1,021
Bad debt expense	—	1,623
Other	862	615
	$ 5,991	$ 7,134

For the three months ended March 31, 2022, $1,772 (three months ended March 31, 2021 - $1,699) of general and administrative costs were incurred at the Commonwealth management company.

20. Deferred share incentive plan:

At March 31, 2022, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
As at December 31, 2021	1,023,080	212,140
Discretionary Deferred Shares	—	177,028
Equity Settled Deferred Shares	—	186,359
Individual Contributed Deferred Shares (vested immediately)	126,436	126,436
Company Contributed Deferred Shares	—	4,848
Shares issued upon vesting of deferred shares	(408,011)	(408,011)
Shares forfeited	(1,339)	—
As at March 31, 2022	740,166	298,800

For the three months ended March 31, 2022, the Company recognized $140 of expense related to deferred shares in the consolidated statements of income and comprehensive income (three months ended March 31, 2021 - $1,021 expense). A deferred share liability of $542 is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at March 31, 2022 (December 31, 2021 - $903).

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

21. Related party transactions:

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

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 October 29, 2021, the Company contributed an additional investment property located in Webster, Texas to the joint venture resulting in a decrease in Magnetar's joint venture ownership interest to 34.17%.

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. On June 22, 2021, the company repaid the remaining $10,000 on the facility. For the three months ended March 31, 2022, the Company expensed NIL (three months ended March 31, 2021 - $225) of interest related to this credit facility in the consolidated statements of loss and comprehensive loss.

22. Income taxes:

The income tax recovery in the consolidated statements of loss and comprehensive loss differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2021 - 26.5%). The differences for the three months ended March 31, 2022 and 2021 are as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income before income taxes	$ 2,210	$ 1,800
Income tax expense at Canadian tax rate	586	477
Non-deductible expenses	780	413
Difference in tax rate in foreign jurisdiction	212	48
Unrecognized tax losses	(2,705)	(938)
Income tax recovery	$ (1,127)	$ —

23. Commitments and contingencies:

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.

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 March 31, 2022, the value of the properties that collateralize the mortgages is $51,534 (December 31, 2021 - $52,000) and is sufficient to support the mortgage values.

Pursuant to the Commonwealth purchase agreement, the Company may be required to fund one or more earnout payments relating to six communities that had not yet reached stabilization at the time of acquisition by the Company. These earnout payments are only payable in the event specific occupancy and EBITDAR thresholds have been satisfied, and must be met prior to the third anniversary of closing at which time the earnout payment obligation will cease to exist. The earnout payments, when funded, will consist of a combination of cash and additional preferred interests. During the year ended December 31, 2020, given the performance of one of the six communities, the Company recorded an expense related to the increase in the fair value of contingent consideration in the amount of $3,256, which was paid through the issuance of $1,701 of Commonwealth preferred units and $1,555 of cash on hand. As at March 31, 2022, the Company has recorded a liability of $1,996 (December 31, 2021 - $1,996 liability) in the financial statements associated with this commitment relating to the remaining five communities based on the weighted average probability of earnout payments owed using estimated future results at the properties. For the three months ended March 31, 2022 and 2021, the Company has not recognized any adjustment related to the change in fair value of contingent consideration related to this liability in the consolidated statements of loss and comprehensive loss.

On May 6, 2020, the Company entered into a limited partnership agreement with the operator Phoenix Senior Living ("Phoenix"). Pursuant to this agreement, if the management agreement with Phoenix is terminated without cause, Phoenix has the right to cause the Company to purchase all of its interest in the partnership. The Company has not recorded a provision in these condensed consolidated interim financial statements associated with this commitment.

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

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, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	$ —	$ 6,262	$ —	$ —	$ 3,388	$ —
Investment properties	—	—	720,284	—	—	716,344
Loans receivable	—	—	2,273	—	—	2,243
Derivative liability	—	502	—	—	11,587	—
Deferred share liability	—	542	—	—	903	—
Earnout payable	—	—	1,996	—	—	1,996

For the assets and liabilities measured at fair value as at March 31, 2022, 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 statement 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, security deposits, 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, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 19,902	$ 19,933	$ 21,695	$ 21,728
Derivative instruments	6,262	6,262	3,388	3,388
Bond assets	692	692	760	760
Financial liabilities:				
Mortgages payable	187,474	188,763	213,823	215,257
Credit facilities	665,792	668,656	597,266	599,831
Derivative instruments	502	502	11,334	11,334
Convertible debentures	63,669	60,355	82,657	83,077
Commonwealth preferred unit liability	56,349	56,349	66,239	66,239
Earnout payable	1,996	1,996	1,996	1,996
Exchangeable Units liability	2,049	465	2,049	672

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

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

25. Segments:

The Company's current portfolio includes investments in assisted living, independent living, memory care, transitional care, long-term care, and medical office properties. The Company's senior housing and care investments in assisted living, independent living, memory care, transitional care and long-term care share similar characteristics and are generally leased to operators on a long-term, triple-net lease basis. In some instances the Company has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. The Company considers these investments to be one reportable operating segment. The Company has investments in 15 medical office buildings ("Medical office buildings"). This multi-tenant medical office portfolio has different characteristics that are evaluated by management, and is considered to be a separate reportable operating segment. Through the acquisition of Commonwealth and the transition of the Greenfield assets, the Company has investments in 35 properties and a management company that operates 29 of those properties ("owner occupied property"). Management considers this another reportable operating segment.

The following tables show net loss by reportable segment for the three months ended March 31, 2022 and 2021:

	Three months ended March 31, 2022				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 14,788	$ —	$ 3,217	$ —	$ 18,005
Resident rental and related revenue	—	32,176	—	—	32,176
Lease revenue from joint ventures	903	—	—	—	903
Other revenue	5	574	239	148	966
Other income	—	150	—	—	150
Direct property operating expenses	—	(25,853)	(1,768)	—	(27,621)
Depreciation and amortization expense	—	(3,718)	—	(23)	(3,741)
Finance cost from operations	(4,119)	(4,426)	(923)	(2,218)	(11,686)
Real estate tax expense	(11,409)	—	(1,060)	—	(12,469)
General and administrative expenses	266	(1,772)	—	(4,485)	(5,991)
Allowance for credit losses on loans and interest receivable	—	—	—	24	24
Changes in non-controlling interest liability	—	(236)	—	—	(236)
Change in fair value of investment properties - IFRIC 21	8,515	—	499	—	9,014
Change in fair value of investment properties	(8,474)	—	(3,400)	—	(11,874)
Change in fair value of financial instruments	21	5,779	866	7,039	13,705
Change in fair value of contingent consideration	—	—	—	—	—
Gain on sale of property, plant and equipment	—	1,324	—	9	1,333
Impairment of property, plant and equipment	—	—	—	—	—
Share of income (loss) from joint ventures	(448)	—	—	—	(448)
Income tax recovery	—	—	—	1,127	1,127
Net income (loss)	$ 48	$ 3,998	$ (2,330)	$ 1,621	$ 3,337
Expenditures for non-current assets:					
Capital additions	—	1,535	737	—	2,272

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

	Three months ended March 31, 2021				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 19,698	$ —	$ 3,064	$ —	$ 22,762
Resident rental and related revenue	—	29,089	—	—	29,089
Lease revenue from joint ventures	873	—	—	—	873
Other revenue	—	499	276	172	947
Other income	—	107	—	—	107
Direct property operating expenses	—	(23,404)	(1,659)	—	(25,063)
Depreciation and amortization expense	—	(7,672)	—	(23)	(7,695)
Finance cost from operations	(5,960)	(5,248)	(923)	(1,714)	(13,845)
Real estate tax expense	(12,369)	—	(1,048)	—	(13,417)
General and administrative expenses	(1,643)	(1,699)	(34)	(3,758)	(7,134)
Allowance for credit losses on loans and interest receivable	(195)	—	—	(970)	(1,165)
Changes in non-controlling interest liability	24	26	—	—	50
Change in fair value of investment properties - IFRIC 21	9,302	—	502	—	9,804
Change in fair value of investment properties	864	—	1,247	—	2,111
Change in fair value of financial instruments	245	425	379	2,568	3,617
Share of income (loss) from joint ventures	759	—	—	—	759
Net income (loss)	$ 11,598	$ (7,877)	$ 1,804	$ (3,725)	$ 1,800
Expenditures for non-current assets:					
Capital additions	—	2,155	—	—	2,155

(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, 2022 and December 31, 2021:

	As at March 31, 2022				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	$ 607,986	$ —	$ 112,298	$ —	$ 720,284
Property, plant and equipment, net	—	423,736	—	394	424,130
Investment in joint ventures	50,184	—	—	—	50,184
Loans receivable	1,446	—	—	18,456	19,902
Other assets	15,226	26,954	5,970	42,238	90,388
Total assets	$ 674,842	$ 450,690	$ 118,268	$ 61,088	$ 1,304,888
Mortgages payable	$ 73,019	$ 114,455	$ —	$ —	$ 187,474
Credit facilities	397,302	179,472	89,018	—	665,792
Convertible debentures	—	—	—	63,544	63,544
Commonwealth preferred unit liability	—	56,349	—	—	56,349
Non-controlling interest liability	—	439	—	—	439
Other liabilities	16,989	13,645	1,658	9,590	41,882
Total liabilities	$ 487,310	$ 364,360	$ 90,676	$ 73,134	$ 1,015,480

	As at December 31, 2021				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	$ 601,633	$ —	$ 114,711	$ —	$ 716,344
Property, plant and equipment, net	—	431,672	—	329	432,001
Investment in joint ventures	50,440	—	—	—	50,440
Loans receivable	2,074	—	—	19,621	21,695
Other assets	13,414	43,801	5,563	17,753	80,531
Total assets	$ 667,561	$ 475,473	$ 120,274	$ 37,703	$ 1,301,011
Mortgages payable	$ 72,587	$ 141,236	$ —	$ —	$ 213,823
Credit facilities	329,650	179,369	88,247	—	597,266
Convertible debentures	—	—	—	82,657	82,657
Commonwealth preferred unit liability	—	66,239	—	—	66,239
Non-controlling interest liability	—	293	—	—	293
Other liabilities	15,078	17,472	2,573	19,353	54,476
Total liabilities	$ 417,315	$ 404,609	$ 90,820	$ 102,010	$ 1,014,754

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

At March 31, 2022, $1,043,845 of the Company's non-current assets, excluding financial instruments, are located in the United States (2021 - $1,047,134) and $152,820 are located in Canada (2021 - $153,880). During the three months ended March 31, 2022, the Company generated $48,039 (three months ended March 31, 2021 - $49,900), of its revenues, excluding other revenue, from properties located in the United States and $3,045 (three months ended March 31, 2021 - $2,824) of its revenues from properties located in Canada.