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

INVESQUE INC.

September 30, 2022
(Unaudited)

INVESQUE INC.

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

		September 30, 2022		December 31, 2021
Assets				
Current assets:				
Cash and cash equivalents	$	28,468	$	19,369
Tenant and other receivables (note 2)		5,176		5,593
Property tax receivables		18,304		12,892
Derivative instruments (note 10)		148		—
Loans receivable (note 3)		1,195		1,635
Assets held for sale (notes 5, 6 and 15)		28,260		21,307
Other (note 4)		9,544		15,753
		91,095		76,549
Non-current assets:				
Loans receivable (note 3)		13,834		20,060
Derivative instruments (note 10)		15,929		3,388
Investment in joint ventures (note 7)		47,403		50,440
Investment properties (note 5)		549,750		716,344
Property, plant and equipment, net (note 6)		404,079		432,001
Other non-current assets (note 4)		2,363		2,229
		1,033,358		1,224,462
Total assets	$	1,124,453	$	1,301,011
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	13,946	$	17,356
Accrued real estate taxes		19,689		13,671
Credit facilities (note 8)		2,640		795
Mortgages payable (note 9)		60,681		34,876
Convertible debentures (note 11)		49,148		19,678
Derivative instruments (note 10)		—		895
Other current liabilities (note 13)		2,376		3,787
Liabilities related to assets held for sale (note 15)		854		—
		149,334		91,058
Non-current liabilities:				
Credit facilities (note 8)		519,626		596,471
Mortgages payable (note 9)		112,035		178,947
Convertible debentures (note 11)		15,918		62,979
Commonwealth preferred unit liability (note 12)		57,795		66,239
Derivative instruments (note 10)		—		10,439
Other non-current liabilities (note 13)		5,892		8,328
Non-controlling interest liability		351		293
		711,617		923,696
Total liabilities		860,951		1,014,754
Shareholders' equity:				
Common share capital (note 16)		513,099		512,004
Equity settled deferred shares		969		1,781
Preferred share capital (note 16)		85,389		85,389
Contributed surplus		400		400
Equity component of convertible instruments		5,243		6,370
Cumulative deficit		(339,112)		(321,267)
Accumulated other comprehensive income (loss)		(2,486)		1,580
Total shareholders' equity		263,502		286,257
Commitments and contingencies (note 25)				
Subsequent events (note 28)				
Total liabilities and shareholders' equity	$	1,124,453	$	1,301,011

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue:				
Rental (note 18)	$ 14,501	$ 17,514	$ 44,144	$ 54,980
Resident rental and related revenue (note 18)	33,482	30,279	98,805	88,620
Lease revenue from joint ventures (note 7)	876	878	2,676	2,651
Other revenue	806	702	2,366	2,045
	49,665	49,373	147,991	148,296
Other income (note 1)	393	—	584	2,130
Expenses (income):				
Direct property operating expenses (note 19)	25,481	24,553	76,195	70,418
Depreciation and amortization expense (note 6)	3,873	4,722	11,397	18,135
Finance costs from operations (note 20)	11,037	11,637	32,947	37,343
Interest income from loans receivable	(378)	(461)	(1,097)	(1,082)
Real estate tax expense	—	2,403	11,417	14,192
General and administrative expenses (note 21)	4,679	3,038	16,005	14,638
Diligence costs for transactions not pursued	39	—	39	—
Allowance for credit losses on loans and interest receivable (note 20)	6,752	(19)	7,222	666
Change in non-controlling interest liability	72	(225)	448	(271)
Change in fair value of investment properties - IFRIC 21	2,827	2,253	(2,824)	(3,951)
Change in fair value of investment properties (note 5)	11,139	9,374	38,257	13,501
Change in fair value of financial instruments (note 20)	(6,463)	(1,921)	(23,150)	(7,581)
Change in fair value of contingent consideration (note 25)	—	(192)	—	1,005
Loss (gain) on sale of property, plant and equipment	3,670	(40)	3,009	(54)
	62,728	55,122	169,865	156,959
Share of income (loss) from joint ventures (note 7)	221	1,569	4,146	(100)
Loss before income taxes	(12,449)	(4,180)	(17,144)	(6,633)
Income tax recovery:				
Deferred (note 24)	—	—	1,127	—
Net loss from continuing operations	$ (12,449)	$ (4,180)	$ (16,017)	$ (6,633)
Net income (loss) from discontinued operations (note 15)	(1,054)	(902)	(1,828)	(149)
Net loss	(13,503)	(5,082)	(17,845)	(6,782)
Other comprehensive income (loss):				
Items to be reclassified to net income in subsequent periods				
Unrealized gain (loss) on translation of foreign operations	(3,150)	(1,283)	(4,066)	216
Total comprehensive loss	$ (16,653)	$ (6,365)	$ (21,911)	$ (6,566)
Loss from continuing operations per share (note 17):				
Basic	$ (0.22)	$ (0.07)	$ (0.28)	$ (0.12)
Diluted	$ (0.22)	$ (0.07)	$ (0.28)	$ (0.12)
Loss per share (note 17):				
Basic	$ (0.24)	$ (0.09)	$ (0.31)	$ (0.12)
Diluted	$ (0.24)	$ (0.09)	$ (0.31)	$ (0.12)

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars)
Nine months ended September 30, 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 loss	—	—	—	—	—	(17,845)	—	(17,845)
Other comprehensive loss	—	—	—	—	—	—	(4,066)	(4,066)
Common shares purchased under NCIB (note 16)	(683)	—	—	—	—	—	—	(683)
Common shares issued on settlement of deferred share incentive plan (note 16)	383	—	—	—	—	—	—	383
Amortization of equity settled deferred shares (note 22)	—	458	—	—	—	—	—	458
Deferred tax impact on equity component of convertible debentures	—	—	—	—	(1,127)	—	—	(1,127)
Common shares issued for equity settled deferred shares (note 16 and 22)	1,270	(1,270)	—	—	—	—	—	—
Common shares issued through conversion of convertible debentures (notes 11 and 16)	125	—	—	—	—	—	—	125
Balance, September 30, 2022	$ 513,099	$ 969	$ 85,389	$ 400	$ 5,243	$ (339,112)	$ (2,486)	$ 263,502

	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 loss	—	—	—	—	—	(6,782)	—	(6,782)
Other comprehensive income	—	—	—	—	—	—	216	216
Common shares issued (note 16)	637	—	—	—	—	—	—	637
Amortization of equity settled deferred shares (note 22)	—	(64)	—	—	—	—	—	(64)
Common shares issued for equity settled deferred shares (notes 16 and 25)	516	(516)	—	—	—	—	—	—
Balance, September 30, 2021	$ 510,356	$ 1,748	$ 85,389	$ 400	$ 3,764	$ (315,814)	$ 1,493	$ 287,336

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Nine months ended September 30, 2022 and 2021

		Nine months ended September 30, 2022		Nine months ended September 30, 2021
Cash flows from operating activities:				
Net loss	$	(17,845)	$	(6,782)
Items not involving cash:				
Fair value adjustment of investment properties (notes 5 and 15)		42,145		16,101
Fair value adjustment of financial instruments (notes 15 and 20)		(24,727)		(8,670)
Depreciation and amortization expense (note 6)		11,397		18,135
Allowance for credit losses on loans and interest receivable (note 20)		7,222		666
Straight-line rent (notes 15 and 18)		(3,058)		(4,970)
Amortization of tenant inducements (notes 15 and 18)		263		347
Finance costs from operations (notes 15 and 20)		35,530		39,084
Interest income on loans receivable		(1,097)		
Change in non-controlling interest liability		448		(271)
Change in fair value of contingent consideration (note 20)		—		1,005
Gain on sale of property, plant and equipment (note 6)		3,009		(54)
Share of (income) loss from joint ventures (note 7)		(4,146)		100
Deferred income tax recovery (note 24)		(1,127)		—
Interest paid		(31,483)		(36,007)
Interest income received		414		523
Debt extinguishment costs paid		(584)		(945)
Change in non-cash operating working capital:				
Tenant and other receivables		(5,773)		(3,557)
Accounts payable and accrued liabilities		(828)		(2,266)
Unearned revenue		(345)		(1,425)
Other assets		(1,440)		830
Other liabilities		16		(602)
Accrued real estate taxes		6,296		76
Net cash provided by operating activities	$	14,287	$	11,318
Cash flows (used in) from financing activities:				
Proceeds from credit facilities (note 14)	$	107,245	$	58,953
Payments on credit facilities (note 14)		(182,171)		(98,811)
Debt issuance costs paid		(836)		(206)
Proceeds from mortgages payable (note 14)		2,252		17,135
Payments of mortgages payable (note 14)		(40,611)		(102,363)
Redemption of convertible debentures		(20,000)		—
Repayment of preferred shares		(9,818)		—
Payments for settlement of interest rate swap		697		(619)
Payment for repurchase of common shares		(683)		—
Payment for repurchase of convertible debentures		(223)		
Cash used in financing activities	$	(144,148)	$	(125,911)
Cash flows from investing activities:				
Additions to investment properties (note 5)	$	(12,862)	$	(1,012)
Proceeds from dispositions of investment properties (note 5)		22,081		110,389
Additions to property, plant and equipment (note 6)		(4,691)		(5,201)
Proceeds from dispositions of property, plant and equipment (note 6)		13,239		—
Proceeds from dispositions of assets held for sale		101,957		—
Proceeds from sale of joint venture (note 7)		7,734		—
Distributions from joint ventures (note 7)		12,108		951
Contributions to joint ventures (note 7)		(286)		(3,979)
Distributions to non-controlling interest partners		(469)		(2,835)
Contributions from non-controlling interest partners		79		235
Collection of security deposits		—		682
Repayment of loans receivable		1,023		942
Earnout payment pursuant to Commonwealth purchase agreement		(953)		—
Payments for prepaid acquisition costs		—		(116)
Cash provided by investing activities	$	138,960	$	100,056
Increase (decrease) in cash and cash equivalents		9,099		(14,537)
Cash and cash equivalents, beginning of period		19,369		34,133
Cash and cash equivalents, end of period	$	28,468	$	19,596

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 September 30, 2022, the Company owns interests in a portfolio of 81 health care and senior living properties comprised of 37 consolidated investment properties, 33 consolidated owner occupied properties, interests in 7 properties held through joint arrangements and 4 investment properties held for sale.

1. Basis of preparation:

(a) Liquidity Assessment

The COVID-19 pandemic resulted in a significant economic downturn in the United States, Canada and globally, and also led to disruptions and volatility in capital markets. These trends are likely to continue throughout the remainder of 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 ultimate impact of the pandemic on the Company's results of operations, financial position and cash flows are still uncertain and continually evolving. This includes, among other factors, the duration and severity of negative economic conditions arising therefrom, including interest rates and inflation. The negative impact of the pandemic has been partially offset to date by certain government stimulus programs which have helped to offset increased 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 and nine months ended September 30, 2022, the Company recognized $393 and $584, respectively, of other income related to government grants funded through programs designed to assist seniors housing operators who have experienced both lost revenue and increased expenses during the COVID-19 pandemic (three and nine months ended September 30, 2021 - $— and $2,130, respectively). For the three and nine months ended September 30, 2022, the Company recognized $— and $289 of income from joint ventures related to the Company's share of government grants recognized at the joint venture properties for COVID-19 pandemic relief (three and nine months ended September 30, 2021 - $— and $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, interest rates and cost inflation 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 September 30, 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 flows 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 November 8, 2022.

(c) Discontinued operations:

The results of operations of the Company's medical office building segment are classified as discontinued operations in these financial statements (note 14). A discontinued operation is a component of the Company's business that either has been disposed of, or is classified as held for sale, and either 1) represents a separate major line of business or geographic area of operations, 2) is part of a coordinated single plan to dispose of a separate major line of business or geographic area of operations or 3) is a subsidiary acquired exclusively with a view to resale. Based on the Company's assessment, the segment has been classified as a discontinued operation. Accordingly, the comparative statement of earnings is re-presented as if the operations had been discontinued from the start of the comparative period.

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

2. Tenant and other receivables:

Tenant and other receivables and corresponding allowance balances are as follows:

	September 30, 2022	December 31, 2021
Tenant and other receivables, gross	$ 9,788	$ 9,950
Allowance for uncollectible receivables	(4,612)	(4,357)
Tenant and other receivables, net	$ 5,176	$ 5,593

The movement in the allowance in respect of tenant and other receivables during the nine months ended September 30, 2022 was as follows.

Balance, December 31, 2021	$ 4,357
Change in allowance	255
Balance September 30, 2022	$ 4,612

The Company determines estimated allowances on a tenant-by-tenant basis and considers tenant payment history, past default experiences, actual and expected insolvency filings, tenant abandonment and certain tenant disputes.

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

3. Loans receivable:

Loans receivable issued and outstanding as at September 30, 2022 and December 31, 2021 are detailed in the table below:

Debtor	Loan Type	September 30, 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	1,084	1,187	November 1, 2016	October 31, 2018 (3)	8.0 %	— %
Ellipsis Real Estate Partners	Loan receivable	264	951	May 4, 2018	May 4, 2028	— %	7.5 %
Ellipsis Real Estate Partners	Loan receivable	1,329	1,331	September 14, 2018	September 14, 2028	— %	7.5 %
Hillcrest Millard, LLC	Loan receivable	481	529	January 1, 2019	January 1, 2028	— %	5.0 %
Hillcrest Firethorn, LLC	Loan receivable	451	496	January 1, 2019	November 1, 2027	— %	5.0 %
HML-RE LLC	Loan receivable	1,463	—	August 30, 2022	August 29, 2025	8.0 %	— %
HFT-RE LLC	Loan receivable	1,386	—	August 30, 2022	August 29, 2025	8.0 %	— %
Bridgemoor Transitional Care Operations, LLC (1)	Loan receivable	1,872	1,872	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 (2)	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 (4)	5.9 %	— %
PSL Care GP, LLC	Loan receivable	450	450	May 6, 2020	(5)	3.5 %	— %
Symcare ML, LLC	Loan receivable	7,803	7,404	June 1, 2021	December 31, 2035	— %	1.0 %
Premier Senior Living, LLC	Loan receivable	—	862	October 24, 2021	October 1, 2023	8.0 %	— %
	Accrued current and long term interest	204	745				
	Allowance for expected credit losses on loans receivable	(13,514)	(6,329)				
	Carrying value of loans recorded at amortized cost	$ 12,695	$ 19,452				
Javelina Ventures, LLC	Loan receivable - FVTPL	2,334	2,243	December 31, 2018	(6)	— %	5.0 %
	Carrying value of loans receivable	15,029	21,695				
	Less current portion	1,195	1,635				
	Long term portion	$ 13,834	$ 20,060				

(1) 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.

(2) Mezzanine loan is due at the time of sale of the property if sale occurs earlier than the stated maturity date. This loan was funded for the development of a memory care facility in Wyoming, MI.

(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) 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.

(5) 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.

(6) 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.

$9,675 of the loans outstanding and $14 of the accrued current and long-term interest as at September 30, 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, $9,548 has been reserved as uncollectible since issuance of these loans ($2,065 - December 31, 2021).

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at September 30, 2022 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 12,588	$ —	$ 13,621	$ 26,209
Allowance for losses on loans receivable	(124)	—	(13,390)	(13,514)
Loans receivable, net of allowances	$ 12,464	$ —	$ 231	$ 12,695

(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 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 September 30, 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	(6,726)	—	—	(6,726)
Stage 2	—	(1,091)	—	(1,091)
Stage 3	—	—	7,817	7,817
	$ 11,999	$ 104	$ 13,678	$ 25,781
Issuances	3,164	30	—	3,194
Repayments	(2,818)	(30)	(57)	(2,905)
Currency translation	—	(104)	—	(104)
Fair value changes	268	—	—	268
Write off of loans receivable	(25)	—		(25)
Total loans receivable as at September 30, 2022	$ 12,588	$ —	$ 13,621	$ 26,209

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

The changes in the allowance for credit losses during the period ended September 30, 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	290	—	6,907	7,197
Transfer to/(from)				
Stage 1	(434)	—	—	(434)
Stage 2	—	(233)	—	(233)
Stage 3	—	—	667	667
	$ 132	$ 4	$ 13,390	$ 13,526
Issuances	—	—	—	—
Repayments	—	—	—	—
Currency translation	(8)	(4)	—	(12)
Total allowance for credit losses as at September 30, 2022	$ 124	$ —	$ 13,390	$ 13,514

For the three and nine months ended September 30, 2022, a loss of $6,752 and $7,222 (three and nine months ended September 30, 2021 - $19 gain and $666 loss), respectively, was recorded as part of the change in allowance for credit losses on loans and interest receivable in the condensed consolidated interim statements of loss and comprehensive loss. The increase in allowance for credit losses is primarily due to the reserve against the Symcare loan, which was driven by increased risk associated with the collection of the loan, including the counterparty performance and financial strength.

4. Other assets:

Other assets are as follows:

	September 30, 2022	December 31, 2021
Prepaid expense	$ 2,605	$ 2,124
Security deposits and costs related to future transactions	6	125
Escrow deposits held by lenders	3,825	4,605
Right-of-use assets	1,734	1,470
Bond assets	629	760
Receivable from Jaguarundi Ventures, LP (note 7)	—	7,802
Other	3,108	1,096
	$ 11,907	$ 17,982
Current	$ 9,544	$ 15,753
Non-current	2,363	2,229
	$ 11,907	$ 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)

5. 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	—		2,101
Increase in straight-line rents	—		3,059
Fair value adjustment	—		(42,145)
Amortization of tenant inducements	—		(263)
Transferred to held for sale	(4)		(27,833)
Properties sold	(13)		(106,251)
Translation of foreign operations	—		(7,826)
Balance, September 30, 2022	37	$	549,750
Investment properties in use		$	537,386
Property under development			12,364
Balance, September 30, 2022		$	549,750
Property tax liability under IFRIC 21			2,824
Fair value adjustment to investment properties - IFRIC 21			(2,824)
		$	549,750

At September 30, 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 and interest rate and general economic environments. The carrying value for the Company’s investment properties reflects its best estimate for the highest and best use as at September 30, 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, interest rates 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 valued using the direct capitalization income approach as at September 30, 2022 and December 31, 2021 are set out in the following table:

	September 30, 2022	December 31, 2021
Capitalization rate - range	6.83% - 9.00%	7.00% - 10.25%
Capitalization rate - weighted average	7.66%	8.09%

The estimated fair value of investment properties is most sensitive to changes in capitalization rates and stabilized future cash flows for those assets valued using the direct capitalization income approach. 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:

	September 30, 2022		December 31, 2021	
Investment property valued using direct capitalization income approach	$	331,209	$	524,148
Capitalization rate:				
25-basis point increase	$	(10,567)	$	(15,880)
25-basis point decrease	$	11,294	$	16,917

As at September 30, 2022, a 1% increase in stabilized future cash flows would result in a portfolio fair value increase of $3,312. A 1% decrease in stabilized future cash flows would result in a portfolio fair value decrease of $3,312. 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 $14,719. 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 $13,773.

Investment property valued using discounted cash flow projection	$	60,123	$	59,449
Investment property valued using other methods	$	158,418	$	132,747

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

(b) Asset acquisitions - nine months ended September 30, 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.

(c) Asset dispositions - nine months ended September 30, 2022

		Nebraska
Properties sold:		2
Net assets disposed:		
Investment properties	$	24,931
	$	24,931
Consideration received:		
Cash		22,081
Note receivable		2,850
	$	24,931

On August, 30, 2022, the Company sold 2 properties in Nebraska for $25,000. Cash in excess of closing costs were used to partially pay down the Company's corporate credit facility.

For dispositions of discontinued operations investment properties, see note 15.

(d) Assets held for sale

The following table summarizes the significant investment properties held for sale on September 30, 2022 and December 31, 2021:

		September 30, 2022		December 31, 2021
Assets:				
Investment property	$	27,833	$	—
	$	27,833	$	—

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

6. Property, plant and equipment, net:

(a) Property, plant and equipment, net:

Property, plant and equipment consists of the following as at September 30, 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	—	2,432	2,157	607	5,196
Disposals	(100)	(5)	(30)	—	(135)
Transfers	—	231	—	(231)	—
Transfer Lansdale to joint venture	(600)	(16,096)	(759)	—	(17,455)
Sale of Harrisburg	(384)	(5,195)	(714)	(2)	(6,295)
Balance, September 30, 2022	$ 25,037	$ 455,861	$ 16,999	$ 774	$ 498,671
Accumulated depreciation					
Balance, December 31, 2021	$ —	$ 81,065	$ 4,294	$ —	$ 85,359
Depreciation and amortization	—	9,734	1,663	—	11,397
Disposals	—	—	(3)	—	(3)
Transfer Lansdale to joint venture	—	(1,272)	(249)	—	(1,521)
Sale of Harrisburg	—	(442)	(198)	—	(640)
Balance, September 30, 2022	$ —	$ 89,085	$ 5,507	$ —	$ 94,592
Property, plant and equipment, net balance, December 31, 2021	$ 26,121	$ 393,429	$ 12,051	$ 400	$ 432,001
Property, plant and equipment, net balance, September 30, 2022	$ 25,037	$ 366,776	$ 11,492	$ 774	$ 404,079

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

(b) Dispositions and transfers - nine months ended September 30, 2022

		Port Royal, SC (1)	Harrisburg, PA	New York (1)	Lansdale	Total
Properties		(1)	(1)	(2)	(1)	(4)
Land	$	(106) $	(384) $	(200) $	(600) $	(1,290)
Property, plant and equipment		(1,601)	(5,271)	(19,410)	(15,334)	(41,616)
	$	(1,707) $	(5,655) $	(19,610) $	(15,934) $	(42,906)
Consideration paid (received):						
Equity contributed to joint venture		—	—	—	(3,704)	(3,704)
Gain (loss) on sale of property		1,614	(281)	(629)	(3,369)	(2,665)
Working capital balances		(6)	11	(158)	(59)	(212)
Loss on extinguishment of debt		—	(347)	—	—	(347)
Mortgage/credit facility redemption		(3,315)	(5,026)	—	(8,273)	(16,614)
Cash proceeds received, net		—	(12)	(18,823)	(529)	(19,364)
	$	(1,707) $	(5,655) $	(19,610) $	(15,934) $	(42,906)

(1) Properties were held for sale as at December 31, 2021.

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.

On April 1, 2022, the Company sold two properties in New York for a total consideration of $19,650 before closing costs. Cash in excess of closing costs were used to partially pay down the Company's corporate credit facility.

On July 8, 2022, the Company entered into a joint venture agreement with an affiliate of the operator Heritage Senior Living ("Heritage") for a property in Lansdale, PA. As part of the joint venture agreement, the Company sold 10% of its equity interest in the property and operations for a cash payment of $529. In this joint arrangement, 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 with Heritage to provide for the day to day operations, resulting in joint control of the interests.

(c) Assets held for sale

The following table summarizes the significant property, plant and equipment held for sale on September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
Assets:		
Property, plant and equipment, net	$ —	$ 21,307
	$ —	$ 21,307

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

7. Joint arrangements:

As at September 30, 2022, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Investment
Invesque-Autumnwood Landlord	4	Canada	28 %	Joint operation (1)(2)
Invesque-Autumnwood Operator	—	Canada	28 %	Joint venture (2)(3)
Heritage JV	3	United States	80 %	Joint venture (4)
Heritage Newtown	1	United States	80 %	Joint venture (4)
Heritage Harleysville	1	United States	90 %	Joint venture (4)
Heritage Glassboro	1	United States	90 %	Joint venture (4)
Heritage Lansdale	1	United States	90 %	Joint venture (4)
Jaguarundi	—	United States	66 %	Joint venture (5)
Terra Bluffs	1	United States	72 %	Joint venture (4)

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

(2) The Company has contractual preferred interest in the buildings based on the equity contributed to the buildings.

(3) These joint venture arrangements have been structured through separate legal entities and the operators lease the properties from the joint operation landlord.

(4) 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.

(5) The joint venture has sold all if its interests in investment properties. Remaining assets include cash, escrows and receivables resulting from the sale of Bridgemoor properties.

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, $876 and $2,676 for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 - $878 and $2,651), 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 loss and comprehensive loss.

The Company has an interest in seven 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 (loss) is included in income (loss) from joint ventures in the condensed consolidated interim statements of loss and comprehensive loss.

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 $37,300 in existing mortgage debt on three of the properties sold. An additional $7,734 of proceeds was used to partially 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)

On June 15, 2022, the Company sold its interests in two Calamar properties in Wheatfield, New York for cash consideration of $10,000.

On July 8, 2022, the Company entered into a joint venture agreement with the operator Heritage Senior Living ("Heritage") for a property in Lansdale, PA. Heritage operates the property pursuant to a management agreement. The Company sold 10% of its interest in in the property and operations for $529, satisfied through a cash payment.

The following table summarizes the transition of properties to interests in joint ventures for the nine months ended September 30, 2022.

	Lansdale
Properties	1
Investment property	$ 12,604
	$ 12,604
Consideration paid (received):	
Equity contributed to joint venture	4,233
Working capital balances	98
Mortgage issuance	8,273
	$ 12,604

The following table summarizes the dispositions of properties and interests in joint ventures for the nine months ended September 30, 2022 at 100% value.

	Bridgemoor	Calamar	Total
Properties	(4)	(2)	(6)
Land	$ —	$ (840)	$ (840)
Property, plant and equipment	—	(22,921)	(22,921)
Investment property	(50,732)	—	(50,732)
	$ (50,732)	$ (23,761)	$ (74,493)
Consideration paid (received):			
Gain on sale of property	—	4,294	4,294
Working capital balances	(4,858)	(2,048)	(6,906)
Loss on extinguishment of debt	(218)	—	(218)
Mortgage redemption	(37,300)	(16,007)	(53,307)
Credit facility redemption	(7,734)	—	(7,734)
Cash proceeds received, net	(622)	(10,000)	(10,622)
	$ (50,732)	$ (23,761)	$ (74,493)

(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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Cash contributions to joint ventures	$ —	$ 1,100	$ 286	$ 3,979
Distributions received from joint ventures	$ 1,747	$ 125	$ 12,108	$ 951

	September 30, 2022 Net assets	September 30, 2022 Company share of net assets	December 31, 2021 Net assets	December 31, 2021 Company share of net assets
Cash and cash equivalents	$ 8,525	$ 6,405	$ 14,833	$ 10,893
Tenant and other receivables	2,982	2,064	3,015	1,749
Other	2,109	2,374	693	927
Current assets	13,616	10,843	18,541	13,569
Investment properties	181,982	140,068	211,320	156,135
Property, plant and equipment, net	1,392	696	25,706	18,549
Loans receivable	—	—	3,882	55
Derivative instruments	3,030	2,500	—	—
Other non-current assets	9	8	495	373
Total assets	$ 200,029	$ 154,115	$ 259,944	$ 188,681
Accounts payable and accrued liabilities	$ 11,419	$ 9,149	$ 11,575	$ 8,881
Unearned revenue	623	518	655	532
Mortgages payable - current	9,916	7,960	32,804	22,532
Current liabilities	21,958	17,627	45,034	31,945
Mortgages payable - non-current	93,197	78,081	117,542	94,416
Construction loan	13,379	9,628	4,805	3,458
Derivative instruments	—	—	2,426	1,996
Related party payable to Invesque	—	—	7,802	5,136
Other non-current liabilities	1,923	1,376	1,821	1,290
Total liabilities	$ 130,457	$ 106,712	$ 179,430	$ 138,241
Net assets	$ 69,572	$ 47,403	$ 80,514	$ 50,440

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

	Three months ended September 30, 2022		Three months ended September 30, 2021	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 12,667	$ 8,126	$ 14,427	$ 8,578
Other income	(10)	—	—	—
Property operating expense	(11,178)	(6,965)	(9,924)	(5,610)
Depreciation expense	—	—	(182)	(135)
Finance costs	(1,067)	(894)	(2,252)	(1,613)
Real estate tax expense	—	—	(408)	(247)
General and administrative expenses	(500)	(328)	(2,023)	(1,224)
Allowance for credit losses on loans and interest receivable	—	—	—	—
Change in fair value of financial instruments	1,504	1,240	549	424
Change in fair value of investment properties	(1,356)	(958)	3,807	1,396
Gain on sale of interest in joint venture	—	—	—	—
Net income prior to distributions to owners	$ 60	$ 221	$ 3,994	$ 1,569

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 39,330	$ 23,998	$ 43,390	$ 25,613
Other income	322	289	144	129
Property operating expense	(32,705)	(19,219)	(29,660)	(16,659)
Depreciation expense	(332)	(249)	(544)	(407)
Finance costs	(4,447)	(3,524)	(6,853)	(4,918)
Real estate tax expense	(300)	(197)	(1,224)	(741)
General and administrative expenses	(2,924)	(1,923)	(4,324)	(2,616)
Allowance for credit losses on loans and interest receivable	—	—	(954)	(577)
Change in fair value of financial instruments	3,996	3,534	2,474	1,920
Change in fair value of investment properties	(3,497)	(2,857)	(153)	(1,844)
Gain on sale of interest in joint venture	4,294	$ 4,294	—	—
Net income (loss), prior to distributions to owners	$ 3,737	$ 4,146	$ 2,296	$ (100)

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.

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

The following table summarizes information about the 100% balance of mortgages payable at the joint ventures:

	September 30, 2022	December 31, 2021
Mortgages at fixed rates:		
Mortgages (principal) [(1)]	$ 95,517	$ 150,900
Interest rates	3.99% to 5.23%	3.99% to 5.23%
Weighted average interest rate	4.13 %	4.30 %
Mortgages at variable rates:		
Mortgages (principal)	$ 8,766	$ 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	6.45 %	3.75 %
Blended weighted average rate	4.32 %	4.30 %

(1) Includes $87,759 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. The remaining 4 investment properties were sold on April 1, 2022. During the three and nine months ended September 30, 2022 and 2021, the Company did not make cash contributions to Jaguarundi Ventures, LP. During the three and nine months ended September 30, 2022 and 2021, the Company received $1,747 of distributions from Jaguarundi Ventures, LP.

	September 30, 2022		December 31, 2021	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 4,693	$ 3,089	$ 8,054	$ 5,365
Tenant and other receivables	1,999	1,316	1,175	773
Current assets	6,692	4,405	9,229	6,138
Investment properties	—	—	52,000	34,232
Loans receivable	—	—	24	16
Total assets	$ 6,692	$ 4,405	$ 61,253	$ 40,386
Accounts payable and accrued liabilities	$ 44	$ 29	$ 1,317	$ 867
Mortgages payable - held for sale	—	—	23,086	15,198
Current liabilities	44	29	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	$ 1,294	$ 852	$ 47,952	$ 31,567
Net assets	$ 5,398	$ 3,553	$ 13,301	$ 8,819

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

	Three months ended September 30, 2022		Three months ended September 30, 2021	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ —	$ —	$ 3,653	$ 2,188
Finance costs	—	—	(1,073)	(649)
Real estate tax expense	—	—	(408)	(247)
General and administrative expenses	(500)	(328)	(2,029)	(1,228)
Change in fair value of financial instruments	(944)	(622)	124	76
Change in fair value of investment properties	—	—	7,208	4,383
Net income (loss), prior to distributions to owners	$ (1,444)	$ (950)	$ 7,475	$ 4,523

	Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 2,396	$ 1,558	$ 10,918	$ 6,539
Finance costs	(802)	(528)	(3,208)	(1,941)
Real estate tax expense	(300)	(197)	(1,224)	(741)
General and administrative expenses	(2,924)	(1,924)	(4,332)	(2,621)
Allowance for credit losses on loans and interest receivable	—	—	(954)	(577)
Change in fair value of financial instruments	(2,404)	(1,583)	528	320
Change in fair value of investment properties	(1,216)	(782)	5,063	3,130
Net income (loss), prior to distributions to owners	$ (5,250)	$ (3,456)	$ 6,791	$ 4,109

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

8. Credit facilities:

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

	September 30, 2022	Borrowing rate at September 30, 2022	December 31, 2021	Borrowing rate at December 31, 2021
Credit Facility Term [1] [4]	$ 200,000	4.26 %	$ 200,000	4.26 %
Credit Facility Revolver [2] [4]	143,837	4.88 %	130,688	3.54 %
MOB Facility USD denominated portion	—	—	21,286	2.30 %
MOB Facility CAD denominated portion [1]	—	—	67,404	4.32 %
Commonwealth Facility [3] [4]	180,260	3.87 %	180,453	3.80 %
Finance costs, net	(1,831)	—	(2,565)	—
Carrying value	$ 522,266	4.30 %	$ 597,266	3.90 %
Less current portion	2,640		795	
Long-term portion	$ 519,626		$ 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) The interest rate on $176,000 of this facility is fixed with interest rate swaps.

(4) 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.

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2022	$ 598
2023	346,312
2024	177,187
2025	—
2026	—
Thereafter	—
Total	$ 524,097

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

9. Mortgages payable:

Mortgages payable consist of the following as at:

	September 30, 2022	December 31, 2021
Mortgages payable	$ 168,966	$ 210,410
Mark-to-market adjustment, net	4,776	4,847
Finance costs, net	(1,026)	(1,434)
Carrying value	$ 172,716	$ 213,823
Less current portion	60,681	34,876
Long-term portion	$ 112,035	$ 178,947

Mortgages payable are collateralized by investment properties and property, plant and equipment with a carrying value of $265,150 at September 30, 2022. Maturity dates on mortgages payable range from 2022 to 2054, and the weighted average years to maturity is 7.41 years at September 30, 2022.

Future principal payments on the mortgages payable as at September 30, 2022 are as follows:

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2022	$ 828	$ 13,793	$ 14,621	9 %
2023	3,038	43,834	$ 46,872	28 %
2024	2,498	27,018	29,516	17 %
2025	1,507	18,865	20,372	12 %
2026	1,355	—	1,355	1 %
Thereafter	26,857	29,373	56,230	33 %
	$ 36,083	$ 132,883	$ 168,966	100 %

	September 30, 2022	December 31, 2021
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 118,081	$ 155,297
Interest rates	2.16% to 6.15%	2.16% to 6.15%
Weighted average interest rate	3.83 %	4.04 %
Mortgages at variable rates:		
Mortgages (principal)	$ 50,885	$ 55,113
Interest rates	LIBOR plus 2.75% with a 1% LIBOR Floor to CAD Prime plus 1.25%	LIBOR plus 2.45% to LIBOR plus 2.75% with a 1% LIBOR Floor
Weighted average interest rate	5.82 %	3.52 %
Blended weighted average rate	4.43 %	3.91 %

(1) Includes $34,514 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 $17,379 of variable rate mortgage fixed through an interest rate swap will not be impacted by the LIBOR transition.

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

10. Derivative financial instruments:

(a) Derivative swaps:

Derivative swaps as at September 30, 2022 are detailed in the table below:

				Asset (liability) balance		Income (loss) for the three months ended		Income (loss) for the nine months ended	
Swap	Maturity date	Fixed rate	Notional amount	September 30, 2022	December 31, 2021	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Credit Facility Term [2]	December 19, 2023	LIBOR fixed at 2.11%	$ 200,000	$ 5,433	$ (5,475)	$ 2,668	$ 962	$ 10,908	$ 3,822
Credit Facility Revolver [2]	January 2, 2024	LIBOR fixed at 2.57%	25,000	545	(927)	371	151	1,472	569
Credit Facility Revolver	December 1, 2022	LIBOR fixed at 2.11%	50,000	122	(870)	81	240	992	749
Red Oak Swap [1]	January 18, 2023	Interest rate fixed at 2.17%	3,544	26	14	(18)	—	12	12
Winchester Swap	November 1, 2021	Interest rate fixed at 4.54%	—	—	—	—	—	—	34
MOB Facility Swap	May 1, 2023	Banker's Acceptance fixed at 2.12%	—	—	(876)	59	275	1,580	1,088
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	—	—	—	—	—	—	265
Commonwealth Swap [2]	August 1, 2024	LIBOR fixed at 1.69%	175,807	8,035	(3,302)	3,268	556	11,337	3,474
Constant Care Swap	October 1, 2022	Interest rate fixed at 4.21%	—	—	—	—	—	—	203
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	—	—	(25)	—	18	25	54
Charlottesville Swap [2]	March 31, 2024	LIBOR fixed at 0.56%	17,135	970	127	221	9	843	(45)
			Net carrying value	$ 15,131	$ (11,334)	$ 6,650	$ 2,211	$ 27,169	$ 10,225
			Less current portion	148	(895)				
			Long term portion	$ 14,983	$ (10,439)				
			Derivative instruments Asset	$ 15,131	$ 141				
			Derivative instruments (Liability)	—	(11,475)				
				$ 15,131	$ (11,334)				

(1) The swap has a notional amount of CAD$4,902

(2) 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 loss and comprehensive loss.

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2). As at September 30, 2022, the prepayment embedded derivative assets have a fair value of $946 (December 31, 2021 - $3,388). For the three and nine months ended September 30, 2022, a fair value loss of $131 and $2,442 respectively (three and nine months ended September 30, 2021 - $15 and $1,081 respectively), was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

11. Convertible debentures:

(a) 2016 Convertible Debentures

		September 30, 2022		December 31, 2021
Issued	$	24,850	$	44,975
Issue costs, net of amortization and accretion of equity component		433		(409)
Mark to market adjustment, net		(5,111)		(6,552)
Equity component, excluding issue costs and taxes		(4,254)		(4,254)
2016 Convertible Debentures	$	15,918	$	33,760
Current	$	—	$	19,678
Non-current		15,918	$	14,082
2016 Convertible Debentures	$	15,918	$	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:

	September 30, 2022	December 31, 2021
Issued	$ 50,000	$ 50,000
NCIB purchases	(227)	—
Issue costs, net of amortization and accretion of equity component	111	(367)
Equity component, excluding issue costs and taxes	(736)	(736)
2018 Convertible Debentures	$ 49,148	$ 48,897

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

12. 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 loss and comprehensive loss. 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 25).

On January 4, 2022, the Company redeemed $9,818 of the outstanding Commonwealth preferred interest.

On April 19, 2022, the Company issued $1,043 in preferred interests to fund the earnout payment pursuant to the Commonwealth purchase agreement (note 25).

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

	September 30, 2022	December 31, 2021
Issued	$ 68,424	$ 67,381
Redemptions	(9,818)	—
Equity component, net of accretion	(811)	(1,142)
Commonwealth preferred unit liability	$ 57,795	$ 66,239

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

13. Other liabilities:

Other liabilities are as follows:

	September 30, 2022	December 31, 2021
Deferred shares liability (note 22)	$ 440	$ 903
Security deposits received from tenants	1,526	1,796
Escrows collected from tenant	723	1,519
Unearned revenue	1,566	2,051
Lease liability	1,734	1,470
Exchangeable units liability	2,049	2,049
Earnout payable (note 25)	—	1,996
Other	230	331
	$ 8,268	$ 12,115
Current	$ 2,376	$ 3,787
Non-current	5,892	8,328
	$ 8,268	$ 12,115

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

	Credit facilities	Mortgages payable	Convertible debentures	Commonwealth preferred unit liability	Total
Balance, December 31, 2021	$ 597,266	$ 213,823	$ 82,657	$ 66,239	$ 959,985
Proceeds from financing	107,245	2,252	—	1,043	110,540
Repayments and refinancings	(182,171)	(37,884)	(20,223)	(9,818)	(250,096)
Scheduled principal payments	—	(2,706)	—	—	(2,706)
Financing costs paid	(778)	(584)	(57)	—	(1,419)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	1,542	891	2,807	331	5,571
Transferred to held for sale		—	—	—	—
Conversion of convertible debentures into common shares	—	—	(125)	—	(125)
Equity component of convertible debentures	—	—	—	—	—
Changes in foreign currency rates	(838)	(3,076)	7	—	(3,907)
Balance, September 30, 2022	$ 522,266	$ 172,716	$ 65,066	$ 57,795	$ 817,843

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

15. Discontinued operations:

On July 26, 2022, the Company sold a medical office building in Orlando, Florida, and on July 28, 2022, it sold ten medical office buildings in Canada. As of September 30, 2022, the Company owns three medical office buildings in the United States and one in Canada. A strategic decision has been made to exit the medical office building segment, and the sale of the remaining four buildings is expected to be completed in the next twelve months.

The assets and liabilities of the discontinued operations as at September 30, 2022 are as follows:

	September 30, 2022	
Investment properties	$	27,833
Other assets		427
Total assets held for sale	$	28,260
Other liabilities	$	854
Total liabilities related to assets held for sale	$	854

The following is as summary of the results of discontinued operations:

	Three months ended September 30,				Nine months ended September 30,			
		2022		2021		2022		2021
Rental revenue	$	1,543	$	3,279	$	7,875	$	9,625
Other revenue		115		297		726		926
Direct property operating expense		(1,054)		(1,571)		(4,211)		(4,641)
Finance costs from operations		(673)		(944)		(2,583)		(2,823)
Real estate tax expense		149		(325)		(1,432)		(1,762)
General and administrative expense		(74)		(77)		(78)		(126)
Change in fair value of investment properties - IFRIC 21		(148)		(165)		185		164
Change in fair value of investment properties		(971)		(1,671)		(3,887)		(2,600)
Change in fair value of financial instruments		59		275		1,577		1,088
Net loss from discontinued operations	$	(1,054)	$	(902)	$	(1,828)	$	(149)

Cash flows from discontinued operations:

	Nine months ended September 30,			
		2022		2021
Net cash provided by operating activities	$	3,885	$	1,814
Net cash used in financing activities		(87,299)		—
Net cash (used in) provided by investing activities		81,078		(540)

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

Asset dispositions for the nine months ended September 30, 2022:

	Orlando, FL	Canada
Properties sold:	1	10
Investment properties	$ 9,258	$ 72,062
Working capital balances	(81)	1,116
	$ 9,177	$ 73,178
Consideration received (paid):		
Repayment of MOB facility	9,177	66,526
Cash proceeds	—	8,417
Currency translation adjustment	—	(1,765)
	$ 9,177	$ 73,178

On July 26, 2022, the Company sold a medical office building in Orlando, Florida to a tenant for cash consideration of $9,850, $9,177 of which was used to partially pay off the US dollar-denominated portion of the MOB Facility.

On July 28, 2022, the Company sold ten medical office buildings in Canada for $94,300 CAD. Proceeds were used to fully pay off the Canadian dollar-denominated portion of the MOB Facility and the remainder was held in cash.

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

16. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at September 30, 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	251,097		383
Issued on settlement of equity settled Deferred Shares	186,359		1,270
Shares acquired under NCIB	(489,700)		(681)
Issued through conversion of convertible debentures	25,000		125
Balance, September 30, 2022	56,209,048	$	513,101

(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 September 30, 2022:

	Preferred shares		Carrying value
Balance, December 31, 2021 and September 30, 2022	9,098,598	$	85,389

As at September 30, 2022, the preferred shares are convertible into 11,709,747 (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)

17. 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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net loss from continuing operations for basic and diluted net loss per share	$ (12,449)	$ (4,180)	$ (16,017)	$ (6,633)
Net loss for basic and diluted net loss per share	$ (13,503)	$ (5,082)	$ (17,845)	$ (6,782)

Denominator for basic and diluted net loss per share:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	56,626,021	56,363,180	56,684,212	56,278,776

Net loss per share:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net loss per share from continuing operations:				
Basic	$ (0.22)	$ (0.07)	$ (0.28)	$ (0.12)
Diluted	$ (0.22)	$ (0.07)	$ (0.28)	$ (0.12)
Net loss per share:				
Basic	$ (0.24)	$ (0.09)	$ (0.31)	$ (0.12)
Diluted	$ (0.24)	$ (0.06)	$ (0.31)	$ (0.12)

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

18. Revenue:

(a) Rental Revenue:

Rental revenue consists of the following:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Contractual rental revenue	$ 10,793	$ 11,033	$ 32,699	$ 40,043
Straight-line rent adjustments	946	1,925	3,050	4,944
Amortization of tenant inducements	(61)	(76)	(182)	(226)
Amortization of leasing commission	(4)	—	(14)	—
Property tax recoveries	2,827	4,632	8,591	10,219
	$ 14,501	$ 17,514	$ 44,144	$ 54,980

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 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 and nine months ended September 30, 2022, rental revenue from this tenant comprised approximately 32% and 30% respectively (three and nine months ended September 30, 2021 - 30% and 36% respectively), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of September 30, 2022 and December 31, 2021 are as follows:

	As of September 30, 2022	As of December 31, 2021
Less than 1 year	$ 41,862	$ 50,267
Between 1 and 5 years	176,288	196,945
More than 5 years	338,238	350,597
	$ 556,388	$ 597,809

Future minimum rentals as of September 30, 2022 in the above table attributable to Symcare represent approximately 39% (December 31, 2021 - 38%) of the total.

(b) Resident rental and related revenue:

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Resident revenue	$ 16,504	$ 15,721	$ 51,417	$ 45,926
Service revenue [(1)]	16,978	14,558	47,388	42,694
	$ 33,482	$ 30,279	$ 98,805	$ 88,620

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

19. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Repairs and maintenance	$ 675	$ 684	$ 2,153	$ 2,030
Utilities	984	982	3,080	2,945
Compensation and benefits	16,882	15,320	49,008	44,255
Other services and supplies	1,863	1,688	5,337	4,834
Real estate taxes	563	576	1,820	1,827
Other	4,514	5,303	14,797	14,527
	$ 25,481	$ 24,553	$ 76,195	$ 70,418

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

20. Finance costs:

Finance costs consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest expense on credit facilities	$ 6,064	$ 3,210	$ 13,311	$ 10,817
Interest expense on mortgages payable	1,840	1,987	5,141	7,519
Interest expense on convertible debentures	1,181	1,313	3,593	3,937
Dividends on Commonwealth preferred units	965	1,104	2,852	3,280
Amortization and accretion expense	1,024	904	3,036	3,328
Net interest rate swap payments	(386)	2,207	3,059	6,896
Debt extinguishment costs	(10)	213	584	945
Amortization of mark-to-market debt adjustments	359	699	1,371	621
Finance costs from operations	$ 11,037	$ 11,637	$ 32,947	$ 37,343
Allowance (recovery) for credit losses on loans and interest receivable (note 3)	6,752	(19)	7,222	666
Change in fair value of financial instruments (notes 3, 10 and 11)	(6,463)	(1,921)	(23,150)	(7,581)
Change in non-controlling interest liability related to finance costs from operations	(163)	(225)	(227)	(271)
Change in fair value of contingent consideration	—	(192)	—	1,005
Total finance costs	$ 11,163	$ 9,280	$ 16,792	$ 31,162

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

21. General and administrative:

General and administrative costs consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Compensation and benefits	$ 3,145	$ 2,135	$ 10,343	$ 8,126
Professional fees	792	624	2,420	2,683
Deferred share compensation expense	63	(917)	376	621
Bad debt expense (recovery)	—	458	—	987
Other	679	738	2,866	2,221
	$ 4,679	$ 3,038	$ 16,005	$ 14,638

For the three and nine months ended September 30, 2022, $1,903 and $5,828 respectively (three and nine months ended September 30, 2021 - $1,806 and $5,379) of general and administrative costs were incurred at the Commonwealth Senior Living's management company.

22. Deferred share incentive plan:

At September 30, 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	—	206,472
Equity Settled Deferred Shares	—	186,359
Individual Contributed Deferred Shares (vested immediately)	126,436	126,436
Company Contributed Deferred Shares	—	14,405
Shares issued upon vesting of deferred shares	(437,455)	(437,455)
Shares forfeited	(1,339)	—
As at September 30, 2022	710,722	308,357

For the three and nine months ended September 30, 2022, the Company recognized $63 and $376, respectively of expense related to deferred shares in the consolidated statements of loss and comprehensive loss (three and nine months ended September 30, 2021 - $(917) loss and $621 loss, respectively). A deferred share liability of $440 is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at September 30, 2022 (December 31, 2021 - $903).

During 2021, the Board of Directors of the Company created a special, long-term incentive program for fiscal years 2021 and 2022, based upon the Company achieving defined levels of both share price and internally calculated net asset value per share. To be eligible to receive any such compensation, the Company's share price must be at least $3.00 per share and the Company's internally calculated net asset value per share must be at least $4.00. No accrual has been made under this program, based on the Company's calculation of probability of achieving the thresholds for eligibility.

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

23. 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.

24. 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 and nine months ended September 30, 2022 and 2021 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net loss from continuing operations before income taxes	$ (12,449)	$ (4,180)	$ (17,144)	$ (6,633)
Income tax recovery at Canadian tax rate	(3,299)	(1,108)	(4,543)	(1,758)
Non-deductible expenses	17	(244)	102	166
Difference in tax rate in foreign jurisdiction	(129)	(51)	(136)	(39)
Unrecognized tax losses	3,411	1,403	3,450	1,631
Income tax recovery	$ —	$ —	$ (1,127)	$ —

25. 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 due to the underlying value of the property exceeding the value of the mortgage.

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. During the nine months ended September 30, 2022, the Company satisfied the $1,996 liability recorded as of December 31, 2021 through the issuance of $1,043 of Commonwealth preferred units and $943 of cash on hand. As at September 30, 2022, the Company has recorded a liability of $— (December 31, 2021 - $1,996 liability) in the financial statements associated with this commitment relating to the remaining communities based on the weighted average probability of earnout payments owed using estimated future results at the properties. For the three and nine months ended September 30, 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 at fair market value. The Company has not recorded a provision in these condensed consolidated interim financial statements associated with this commitment.

Pursuant to the Lansdale sale of equity interest and issuance of debt on July 8, 2022, the Company entered into an agreement to provide a 100% recourse loan guarantee up to $14,273. The amount of the loan guarantee may be reduced upon the achievement of performance covenants by operations of the property.

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

26. Fair value measurement:

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

	September 30, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	$ —	$ 16,077	$ —	$ —	$ 3,388	$ —
Investment properties	—	—	549,750	—	—	716,344
Loans receivable	—	—	2,334	—	—	2,243
Derivative liability	—	—	—	—	11,587	—
Deferred share liability	—	440	—	—	903	—
Earnout payable	—	—	—	—	—	1,996

For the assets and liabilities measured at fair value as at September 30, 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.

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 15,029	$ 14,852	$ 21,695	$ 21,728
Derivative instruments	16,077	16,077	3,388	3,388
Bond assets	629	629	760	760
Financial liabilities:				
Mortgages payable	172,716	173,742	213,823	215,257
Credit facilities	522,266	524,097	597,266	599,831
Derivative instruments	—	—	11,334	11,334
Convertible debentures	65,066	62,369	82,657	83,077
Commonwealth preferred unit liability	57,795	57,795	66,239	66,239
Earnout payable	—	—	1,996	1,996
Exchangeable Units liability	2,049	367	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)

27. 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 4 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 33 properties and a management company that operates 28 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 and nine months ended September 30, 2022 and 2021:

	Three months ended September 30, 2022					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 14,501	$ —	$ —	$ 14,501	$ 1,543	$ 16,044
Resident rental and related revenue	—	33,482	—	33,482	—	33,482
Lease revenue from joint ventures	876	—	—	876	—	876
Other revenue	7	618	181	806	115	921
Other income	—	393	—	393	—	393
Direct property operating expenses	—	(25,481)	—	(25,481)	(1,053)	(26,534)
Depreciation and amortization expense	—	(3,838)	(35)	(3,873)	—	(3,873)
Finance cost from operations	(4,534)	(4,495)	(2,008)	(11,037)	(673)	(11,710)
Interest income from loans receivable	118	—	260	378	—	378
Real estate tax expense	—	—	—	—	149	149
General and administrative expenses	(48)	(1,903)	(2,728)	(4,679)	(75)	(4,754)
Diligence costs for transactions not pursued	—	—	(39)	(39)		(39)
Allowance for credit losses on loans and interest receivable	—	—	(6,752)	(6,752)	—	(6,752)
Changes in non-controlling interest liability	—	(72)	—	(72)	—	(72)
Change in fair value of investment properties - IFRIC 21	(2,827)	—	—	(2,827)	(148)	(2,975)
Change in fair value of investment properties	(11,139)	—	—	(11,139)	(971)	(12,110)
Change in fair value of financial instruments	(16)	3,358	3,121	6,463	59	6,522
Gain on sale of property, plant and equipment	—	(3,669)	(1)	(3,670)	—	(3,670)
Share of income (loss) from joint ventures	221	—	—	221	—	221
Net income (loss)	$ (2,841)	$ (1,607)	$ (8,001)	$ (12,449)	$ (1,054)	$ (13,503)
Expenditures for non-current assets:						
Capital additions	486	1,450	—	1,936	3	1,939

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

	Nine months ended September 30, 2022					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 44,144	$ —	$ —	$ 44,144	$ 7,875	$ 52,019
Resident rental and related revenue	—	98,805	—	98,805	—	98,805
Lease revenue from joint ventures	2,676	—	—	2,676	—	2,676
Other revenue	25	1,945	396	2,366	726	3,092
Other income	—	584	—	584	—	584
Direct property operating expenses	—	(76,195)	—	(76,195)	(4,209)	(80,404)
Depreciation and amortization expense	—	(11,313)	(84)	(11,397)	—	(11,397)
Finance cost from operations	(13,511)	(13,051)	(6,385)	(32,947)	(2,583)	(35,530)
Interest income from loans receivable	354	—	743	1,097	—	1,097
Real estate tax expense	(11,417)	—	—	(11,417)	(1,432)	(12,849)
General and administrative expenses	205	(5,827)	(10,383)	(16,005)	(78)	(16,083)
Diligence costs for transactions not pursued	—	—	(39)	(39)	—	(39)
Allowance for credit losses on loans and interest receivable	—	—	(7,222)	(7,222)	—	(7,222)
Changes in non-controlling interest liability	—	(448)	—	(448)	—	(448)
Change in fair value of investment properties - IFRIC 21	2,824	—	—	2,824	184	3,008
Change in fair value of investment properties	(38,257)	—	—	(38,257)	(3,888)	(42,145)
Change in fair value of financial instruments	14	9,738	13,398	23,150	1,577	24,727
Gain on sale of property, plant and equipment	—	(3,013)	4	(3,009)	—	(3,009)
Share of income (loss) from joint ventures	4,146	—	—	4,146	—	4,146
Income tax recovery	—	—	1,127	1,127	—	1,127
Net income (loss)	$ (8,797)	$ 1,225	$ (8,445)	$ (16,017)	$ (1,828)	$ (17,845)
Expenditures for non-current assets:						
Capital additions	1,938	5,196	—	7,134	163	7,297

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

	Three months ended September 30, 2021					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 17,514	$ —	$ —	$ 17,514	$ 3,279	$ 20,793
Resident rental and related revenue	—	30,279	—	30,279	—	30,279
Lease revenue from joint ventures	878	—	—	878	—	878
Other revenue	3	527	172	702	297	999
Other income	—	—	—	—	—	—
Direct property operating expenses	—	(24,553)	—	(24,553)	(1,571)	(26,124)
Depreciation and amortization expense	—	(4,699)	(23)	(4,722)	—	(4,722)
Finance cost from operations	(5,358)	(4,615)	(1,664)	(11,637)	(944)	(12,581)
Interest income from loans receivable	160	—	301	461	—	461
Real estate tax expense	(2,403)	—	—	(2,403)	(325)	(2,728)
General and administrative expenses	(482)	(1,806)	(750)	(3,038)	(77)	(3,115)
Allowance for credit losses on loans and interest receivable	—	—	19	19	—	19
Changes in non-controlling interest liability	129	96	—	225	—	225
Change in fair value of investment properties - IFRIC 21	(2,253)	—	—	(2,253)	(165)	(2,418)
Change in fair value of investment properties	(9,374)	—	—	(9,374)	(1,671)	(11,045)
Change in fair value of financial instruments	—	551	1,370	1,921	275	2,196
Change in fair value of contingent consideration	—	—	192	192	—	192
Gain on sale of property, plant and equipment	—	40	—	40	—	40
Share of income (loss) from joint ventures	1,569	—	—	1,569	—	1,569
Net income (loss)	$ 383	$ (4,180)	$ (383)	$ (4,180)	$ (902)	$ (5,082)
Expenditures for non-current assets:						
Capital additions	—	1,422	—	1,422	830	2,252

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

	Nine months ended September 30, 2021					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings (discontinued operations)	Total
Rental revenue	$ 54,980	$ —	$ —	$ 54,980	$ 9,625	$ 64,605
Resident rental and related revenue	—	88,620	—	88,620	—	88,620
Lease revenue from joint ventures	2,651	—	—	2,651	—	2,651
Other revenue	3	1,511	531	2,045	926	2,971
Other income	—	2,130	—	2,130	—	2,130
Direct property operating expenses	—	(70,417)	—	(70,417)	(4,641)	(75,058)
Depreciation and amortization expense	—	(18,067)	(68)	(18,135)	—	(18,135)
Finance cost from operations	(17,677)	(14,249)	(5,417)	(37,343)	(2,823)	(40,166)
Interest income from loans receivable	429	—	653	1,082	—	1,082
Real estate tax expense	(14,194)	—	—	(14,194)	(1,762)	(15,956)
General and administrative expenses	(1,095)	(5,379)	(8,164)	(14,638)	(126)	(14,764)
Allowance for credit losses on loans and interest receivable	(399)	—	(267)	(666)	—	(666)
Changes in non-controlling interest liability	117	154	—	271	—	271
Change in fair value of investment properties - IFRIC 21	3,951	—	—	3,951	164	4,115
Change in fair value of investment properties	(13,501)	—	—	(13,501)	(2,600)	(16,101)
Change in fair value of financial instruments	515	2,347	4,720	7,582	1,088	8,670
Change in fair value of contingent consideration	—	—	(1,005)	(1,005)	—	(1,005)
Gain on sale of property, plant and equipment	—	40	14	54	—	54
Share of income (loss) from joint ventures	(100)	—	—	(100)	—	(100)
Net income (loss)	$ 15,680	$ (13,310)	$ (9,003)	$ (6,633)	$ (149)	$ (6,782)
Expenditures for non-current assets:						
Capital additions	—	5,259	—	5,259	1,012	6,271

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

The following tables show assets and liabilities by reportable segment as at September 30, 2022 and December 31, 2021:

	As at September 30, 2022					
	Seniors housing and care investment properties	Owner occupied properties	Corporate/ other	Total continuing operations	Medical office buildings	Total
Investment properties	$ 549,750	$ —	$ —	$ 549,750	$ —	$ 549,750
Property, plant and equipment, net	—	403,536	543	404,079	—	404,079
Investment in joint ventures	47,403	—	—	47,403	—	47,403
Loans receivable	1,531	—	13,498	15,029	—	15,029
Assets held for sale	—	—	—	—	28,260	28,260
Other assets	6,551	26,929	46,452	79,932	—	79,932
Total assets	$ 605,235	$ 430,465	$ 60,493	$1,096,193	$ 28,260	$1,124,453
Mortgages payable	$ 60,375	$ 112,341	$ —	$ 172,716	$ —	$ 172,716
Credit facilities	328,149	194,117	—	522,266	—	522,266
Convertible debentures	—	—	65,066	65,066	—	65,066
Commonwealth preferred unit liability	—	57,795	—	57,795	—	57,795
Non-controlling interest liability	—	351	—	351	—	351
Other liabilities	21,117	13,178	7,608	41,903	—	41,903
Liabilities related to assets held for sale	—	—	—	—	854	854
Total liabilities	$ 409,641	$ 377,782	$ 72,674	$ 860,097	$ 854	$ 860,951

	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 September 30, 2022, $936,137 of the Company's non-current assets, excluding financial instruments, are located in the United States (2021 - $1,108,472) and $67,458 are located in Canada (2021 - $157,626). During the three and nine months ended September 30, 2022, the Company generated $47,983 and $142,949 respectively (three and nine months ended September 30, 2021 - $47,793 and $143,559), of its revenues, excluding other revenue, from properties located in the United States and $876 and $2,676 and respectively (three and nine months ended September 30, 2021 - $877 and $2,651) of its revenues from properties located in Canada.