INVESQUE INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020

November 11, 2020

Basis of presentation

Financial data in this Management's Discussion and Analysis of Results of Operations and Financial Condition ("MD&A") is for the three and nine months ended September 30, 2020. Financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

This MD&A is intended to provide readers with an assessment of the performance of Invesque Inc. (the "Company") for the three and nine months ended September 30, 2020. This MD&A should be read in conjunction with the audited consolidated financial statements and notes of the Company for the years ended December 31, 2019 and 2018 and the unaudited condensed consolidated interim financial statements and note of the Company for the three and nine months ended September 30, 2020 and 2019.

Additional information relating to the Company, including the Company's annual information form for the year ended December 31, 2019 (the "2019 AIF"), can be found on SEDAR at www.sedar.com.

All financial information is in thousands of U.S. dollars unless otherwise noted.

Forward-looking disclaimer

Certain information in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements (which involve significant risks and uncertainties and should not be read as guarantees of future performance or results) include statements related to, among other things, the impact of COVID-19 on the business, operations and financial performance of the Company. the expected seniors housing and care industry and demographic trends, acquisitions, development activities, future maintenance and leasing expenditures, financing, the availability of financing sources and income taxes. Management of the Company ("Management") believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, Management can give no assurance that actual results will be consistent with these forward-looking statements.

Without limiting the foregoing, the words "believe", "expect", "anticipate", "should", "may", "will", "intend", "estimate" and similar expressions identify forward-looking statements.

Factors that could cause actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, general economic conditions, competitive uncertainties and contingencies, demographic and industry trends, legislative and regulatory changes, tax laws and those factors set forth under the heading "Risks and Uncertainties" in this MD&A and 2019 AIF, including risks relating to the effect of COVID-19 on the business, operations and financial performance of the Company. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on forward-looking statements to make decisions, with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events.

These forward-looking statements are made as of November 11, 2020 and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as required by law.

Financial Measures not Defined Under IFRS

Certain terms used in this MD&A are performance measures that are not defined by IFRS such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), fixed charge coverage ratio, payout ratio, effective payout ratio, earnings before interest, income taxes, depreciation, amortization and rent ("EBITDAR"), earnings before interest, income taxes, depreciation, amortization, rent and management fees ("EBITDARM"), revenue per occupied room and any related per share amounts used by the Company to measure, compare and explain the operating results and financial performance of the Company. Such performance measures do not have standardized meanings under IFRS and therefore may not be comparable to similar measures presented by other issuers. Such performance measures should not be construed as alternatives to income (loss) and comprehensive income (loss) or cash flows from operating activities calculated in accordance with IFRS. Further, the supplemental measures used by management may not be comparable to similar measures presented by other real estate enterprises. Management believes that these terms are relevant measures in comparing the Company's performance to industry data and assessing its ability to meet its ongoing obligations. Please refer to the "Financial Measures" section of this MD&A for a more detailed description of FFO and AFFO and a reconciliation to IFRS measures.

Business Overview

Invesque Inc. is a corporation continued under the *Business Corporations Act* (British Columbia). The registered office of the Company is located at 700 W Georgia Street, 25th Floor, Vancouver, British Columbia V7Y 1B3 and the head office of the Company is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7.

The Company is a North American health care real estate company with an investment thesis focused on the premise that an aging demographic in North America will continue to utilize health care services in growing proportion to the overall economy. The Company currently capitalizes on this opportunity by investing in a highly diversified portfolio of 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 and joint venture arrangements with industry leading operating partners. The Company's portfolio also includes investments in owner occupied seniors housing properties in which it owns the real estate and provides management services through its subsidiary management company ("Commonwealth").

Description of the Company's asset types are as follows:

- **Independent Living ("IL") Communities:** IL communities are the least medically-intensive type of seniors housing and care properties. Unlike AL (defined below) communities and SNFs/LTCs (defined below), IL communities generally do not offer nursing, rehabilitative care or therapy services and typically do not provide assistance with daily living activities. Rather, IL communities are designed as a seniors housing and care option for those who are able to perform their own basic activities of daily living and need little or no medical assistance. IL communities come in many forms ranging from age-restricted apartment communities to villa homes which are on a retirement village campus or part of a continuing care retirement community. IL communities in North America are generally unregulated and unlicensed, with some exceptions for IL communities providing more extensive care services. Most IL communities receive revenue through private pay sources, such as residents paying directly out of pocket and private insurance, rather than government sources.

- **Assisted Living ("AL") and Memory Care ("MC") Communities**: AL and MC communities play a key role in the continuum of seniors housing and care, as they bridge the gap between IL communities and SNFs/LTCs (defined below). AL communities provide relatively independent elderly persons with typical amenities associated with less medically-intensive seniors housing and care as well as assistance with activities of daily living and some healthcare services. Services provided at AL communities typically include 24-hour care for resident protection, an emergency response system, supervision for persons with disabilities, housekeeping, maintenance and transportation. MC communities are substantially similar to AL communities because they also focus on elderly persons who need assistance with activities of daily living and healthcare services but differ from AL communities because MC residents need to be cared for in a secured environment to prevent seniors from leaving the community in a confused state. AL and MC communities in the United States are typically licensed and regulated by state and local governments rather than the federal government. In Canada, AL communities are licensed or certified and regulated in most jurisdictions but are typically less regulated than LTCs (defined below). Licensure for MC communities is generally identical to AL licensure except for specific building requirements including locked exterior doors secured by keys or an access code. AL communities receive most of their revenues through private pay sources and may also receive revenue from third-party pay sources, including federal, state and provincial governments.

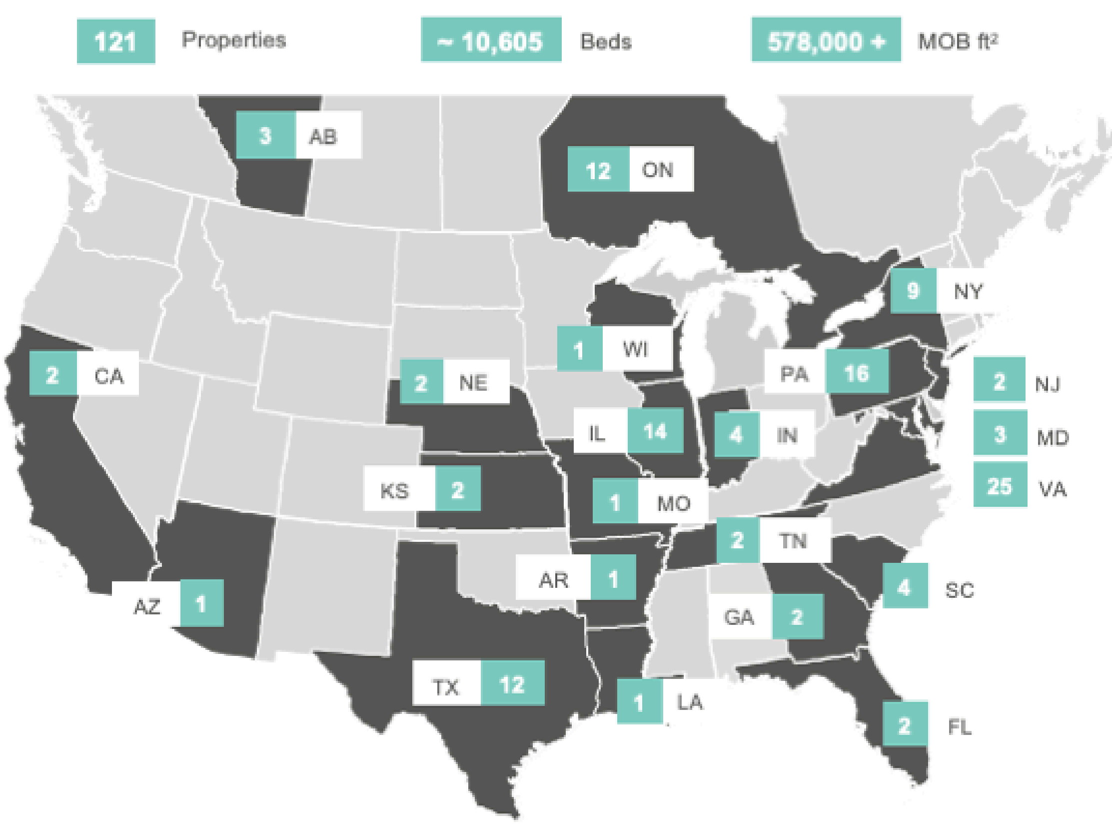
- **Skilled Nursing Facilities ("SNFs") and Long-Term Care Facilities ("LTCs"):** SNFs, as referred to in the United States, and LTCs, as referred to in Canada, are senior care facilities that provide a room, meals and assistance with daily life activities and have licensed nursing staff on duty 24 hours per day. These facilities provide the most intensive level of medical and nursing care in a residential setting for seniors, typically treating residents with physical or mental impairments that prevent them from living in IL or AL communities. In many cases, these facilities supplement hospital care by providing care to patients who require medical and therapeutic services but are stable enough to have these services provided in a facility that is less expensive than a hospital or other post-acute care setting. The SNF and LTC segment includes services to patients requiring medical and/or nursing care and rehabilitation services for post-operative procedures including hip or knee replacements and cardiac surgeries, among others. SNFs and LTCs also provide transitional care services, and facilities that specialize in this type of care are often referred to as Transitional Care Centers ("TCCs"). TCCs are designed for patients transitioning from the hospital to their home after a surgery or an acute health episode. TCCs, a sub-segment of SNFs and LTCs, are the most common destination for post-acute care patients requiring short-term, physician-ordered intense rehabilitation for post-operative procedures. They are staffed by registered nurses, therapists, pharmacists and social workers. SNFs and LTCs in North America are subject to extensive federal, state and provincial regulation, including licensing requirements and regulations relating to government funding. SNFs and LTCs receive revenue from private pay sources and third-party pay sources, including federal, state and provincial governments and insurance companies.

For the Company's SNF and TCC properties, it generally owns the land and buildings and leases them to third party operators on a long-term, triple-net lease basis. For its IL and AL properties, it either owns the land and buildings and leases them to third party operators on a long-term, triple-net basis, has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility, or wholly owns and operates the property. For the triple-net lease structured assets, the tenant operators assume the operational risks and expenses associated with operating a seniors housing and care facility on the leased premises. The tenant operators provide and manage the service offerings available at the facilities, deliver all care services, and maintain the buildings.

The Company’s multi-tenant medical office building ("MOB") portfolio transitioned management to and is currently operated by Jones Lang LaSalle ("JLL"). JLL is an industry leader in property management services and will significantly expand the Company's capabilities in the medical office building portfolio. The portfolio was previously operated via third party property and asset management contracts with Mohawk Realty Advisors Ltd ("Mohawk").

As of November 11, 2020, the Company owns or has a majority interest in a portfolio of 106 properties in the United States, comprised of 71 assisted living and memory care facilities, 17 skilled nursing facilities, 13 transitional care properties, 4 medical office buildings, and 1 property held for sale. In Canada, the Company owns an interest in 15 properties comprised of 11 medical office buildings and 4 seniors housing and care facilities.

The Company's geographic footprint as of November 11, 2020:



Management believes that certain characteristics of the North American seniors housing and care industry, including favorable demographic trends, increasing demand with stagnant supply of new facilities and the shift from high cost hospitals for post-acute care to lower cost settings such as skilled nursing facilities, provide for a unique investment opportunity. The increased demand for health care facilities further enforces the growing demand for health care spending in medical office buildings as well. Management also believes that, as a result of the high quality of the Company's properties, its triple-net lease and joint venture structures and its relationships with reputable operators and industry participants, the Company is well-positioned to succeed in the industry by capitalizing on these market opportunities.

COVID-19 Pandemic

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

The safety of the residents, care-givers, nurses and medical staff in each of our communities remains our primary focus. We continue to work closely with each of our operating partners who are actively preparing for and responding to the COVID-19 pandemic. Certain of the measures taken in our communities to best serve our residents may adversely affect the financial results of the Company and/or its operating partners.

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

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

The Company announced on April 10, 2020 that it has suspended the dividend for all common shares beginning from April 1, 2020 until further notice. To further enhance its liquidity position, the Company is analyzing a variety of options to reduce or defer non-essential capital expenditures and to reduce corporate-level costs, some of which have already been implemented. The Company has already taken immediate cost reduction measures, including executive compensation changes and other personnel cost cutbacks. Additionally, the Company continues to encourage its employees to work from home and has eliminated non-essential travel which has reduced the utilization of office space, travel, and other corporate-level expenses.

Recent Activities

The Company sold one community, located in Arlington, TX, on February 28, 2020 for total consideration of $12,450 less transaction costs. The consideration was paid in the form of cash and an $8,000 repayment of the mortgage secured by the property.

On May 6, 2020 the Company acquired 100% of Royal Senior Living’s ("Royal") interests in five properties in which the Company already had a majority ownership interest. Simultaneous with this transaction, four of these properties were transitioned to Phoenix Senior Living (“Phoenix) and combined with two assets in the Company’s portfolio already managed by Phoenix. The Company owns a controlling 90% interest in the entity that owns and operates the six assets, and as a result they have been consolidated following this transaction. The Company received $650 from Phoenix as consideration for their buy-in to the entity, and issued a $476 note to Phoenix for the remaining portion of their 10% ownership in the entity.

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

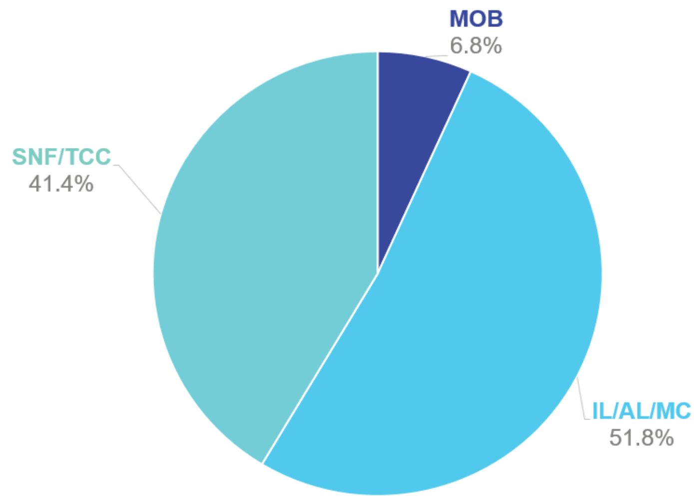
In addition to the five-asset Royal joint venture referenced above, the Company also had a single-asset joint venture with Royal for a seniors housing community in Eatonton, GA. As part of the agreed upon wind down of the Royal relationship, Royal purchased the Company's 65% ownership interest in the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

On November 2, 2020, the Company executed a non-binding, memorandum of understanding ("MOU") with Symcare and the tenant operator of one building in Chesterton, Indiana (collectively "Symphony"). Currently, Symphony operates 16 facilities for the Company under triple-net lease structures. Under the terms of the MOU, the Company has agreed to sell to Symphony, and/or transition to a new operator, approximately 50% of Invesque's existing assets operated by Symphony. Invesque and Symphony will enter into an amended and restated 15-year, triple-net master lease, with enhanced lease coverage, for the remaining properties to be operated by Symphony (collectively, the "Transaction"). The Transaction will substantially reduce Symphony's share of the Company's rental revenue going forward. Invesque anticipates closing the Transaction during the first quarter of 2021.

Properties operated by Bridgemoor have been significantly impacted by the COVID-19 pandemic which has resulted in decreases in occupancy and increases in operating expense. For the three and nine months ended September 30, 2020, the Company has recognized bad debt expense of $1,182 and $1,182, respectively, included in income from joint ventures in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) related to estimated uncollectible rent for properties operated by Bridgemoor and held in a joint venture. For the three and nine months ended September 30, 2020, the Company has recognized bad debt expense of $262 and $262, respectively, included in direct property operating expense in the condensed consolidated interim statements of income (loss) and comprehensive income (loss) related to estimated uncollectible rent for the consolidated property located in Webster, TX operated by Bridgemoor.

On November 4, 2020, the Company entered into an agreement to modify the Unsecured Facility, in which the facility will be permanently converted to a facility secured by pledges of equity in the special purposes entities which own the properties making up a borrowing base. The minimum fixed charge coverage ratio covenant will permanently decrease from 1.75 to 1.60. Per the agreement, the Company will be granted a surge period effective with the quarterly reporting period ended September 30, 2020 through June 30, 2021. During the surge period, the consolidated leverage ratio covenant will be increased from 60% to 65%, the advance rate will increase from 60% to 65% of the borrowing base, the applicable margin for LIBOR loans will increase 15 basis points, and the implied interest rate used to calculate the debt service coverage amount will decrease from 6.0% to 5.75%. Subsequent to the agreement, the availability on the facility increased to $9,500.

As of November 11, 2020, the Company's portfolio composition by asset type based on forward looking net operating income projections is as follows:



Selected Financial Information

(dollar amounts in thousands of U.S. Dollars, except per share amounts)

	As at September 30, 2020	As at September 30, 2019
Consolidated investment properties	68	76
Consolidated owner occupied properties	36	21
Property held for sale	1	—
Weighted average lease term to maturity (excludes renewal options)(1)	12.5 years	12.6 years
Average facility age	10.0 years	9.2 years
Total assets	$ 1,527,175	$ 1,550,029
Total indebtedness	$ 1,044,966	$ 947,271
Weighted average interest rate (2)	4.2 %	4.6 %
Joint venture properties	16	24
Joint venture total assets	$ 339,069	$ 429,933
Joint venture indebtedness	$ 213,127	$ 258,836
Joint venture weighted average interest rate (3)	4.0 %	4.5 %

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	$ 55,429	$ 38,550	$ 163,007	$ 96,598
Direct property operating expenses	$ 24,391	$ 9,934	$ 70,205	$ 12,479
Finance costs	$ 12,160	$ 10,702	$ 36,848	$ 29,609
General and administrative expenses	$ 4,858	$ 4,305	$ 15,583	$ 11,867
Loss from joint ventures	$ (7,420)	$ (1,093)	$ (32,386)	$ (12,144)
Net loss	$ (60,749)	$ (2,346)	$ (147,689)	$ (12,043)
Net loss per share	$ (1.09)	$ (0.04)	$ (2.66)	$ (0.22)
Diluted net loss per share	$ (1.09)	$ (0.04)	$ (2.66)	(0.22)
Funds from operations (FFO) (4)	$ 13,728	$ 12,507	$ 38,211	$ 35,575
FFO per share (4)	$ 0.25	$ 0.23	$ 0.69	$ 0.66
Diluted FFO per share (4)	$ 0.20	$ 0.20	$ 0.57	$ 0.57
Adjusted funds from operations (AFFO) (4)	$ 12,499	$ 10,711	$ 33,196	$ 31,606
AFFO per share (4)	$ 0.22	$ 0.20	$ 0.60	$ 0.59
Diluted AFFO per share (4)	$ 0.18	$ 0.17	$ 0.50	$ 0.50
Common share dividends declared	$ —	$ 9,998	$ 10,120	$ 29,718
Dividends declared per share	$ —	$ 0.18417	$ 0.18417	$ 0.55251
Payout ratio (5)	— %	93 %	30 %	94 %
Effective payout ratio (5)	— %	75 %	22 %	76 %

(1) The weighted average lease term to maturity does not include the medical office building portfolio nor owner occupied properties.

(2) The Company's weighted average interest rates at September 30, 2020 and 2019 included $582,173 and $542,371, respectively, of the Company's debt that is fixed with interest rate swaps.

(3) The Company's joint venture weighted average interest rate at September 30, 2020 and 2019 included $114,764 and $115,613, respectively, of the joint ventures debt that is fixed with interest rate swaps.

(4) FFO and AFFO, and related per share amounts, are financial measures not defined under IFRS. Please refer to the "Financial Measures not Defined Under IFRS" section of this MD&A.

(5) Payout ratio and effective payout ratio are financial measures not defined under IFRS. Payout ratio is calculated by dividing the common share dividends declared by AFFO. Effective payout ratio is calculated by dividing common share dividends payable in cash, as adjusted for DRIP participation, by AFFO.

Results of Operations - Three and Nine Months Ended September 30, 2020
(unless otherwise stated, amounts are in thousands of U.S. dollars)

Revenue

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Contractual rental revenue	$ 17,068	$ 17,717	$ 51,202	$ 59,163
Straight-line rent adjustments	1,616	2,147	5,090	6,795
Amortization of tenant inducements	(97)	(57)	(287)	(57)
Property tax recoveries	3,437	3,660	10,328	11,534
CAM recoveries	711	773	2,201	2,352
Total rental revenue	22,735	24,240	68,534	79,787
Resident rental and related revenue	31,106	12,639	89,439	12,639
Lease revenue from joint ventures	779	756	2,301	2,253
Other revenue	809	915	2,733	1,919
Total revenue	$ 55,429	$ 38,550	$ 163,007	$ 96,598

Contractual rentals received and straight-line rent adjustments relate to lease agreements under which the Company leases its investment properties to its tenants. Property tax recoveries represent the revenue recognized for the real estate taxes for which the tenants are primarily responsible to pay. CAM recoveries represent the recovery of common area maintenance expenses in investment properties that are not triple-net leased, primarily within the Company's medical office building portfolio. The decrease in rental revenue for the three and nine months ended September 30, 2020 as compared to the prior year period is attributed to 10 properties that were previously triple-net leased investment properties in which the Company now owns operations. The decrease in rental revenue for the nine month ended September 30, 2020 compared to the prior year period was driven primarily by eight properties that were contributed to a joint venture on June 5, 2019 and are no longer consolidated.

Resident rental and related revenue relates to operating revenue at the wholly owned properties that are managed by Commonwealth, Heritage, and Phoenix, in which the Company owns the operations as well as the real estate. This revenue consists of rental revenue and service revenue paid by residents in the Company's owner occupied properties. The increase in resident rental and related revenue is due to the acquisition of Commonwealth on August 1, 2019 and the consolidation of the assets operated by Phoenix on May 6, 2020.

Lease revenue from joint ventures represents revenue earned under lease arrangements with four operating entities, which are jointly owned by the Company.

Other revenue for the three and nine months ended September 30, 2020 includes management fee income earned from communities managed by Commonwealth but that are not owned by the Company. Commonwealth currently manages four properties that are not owned by the Company. Other revenue also includes parking revenue earned in the Company's medical office building portfolio.

Other income

Other income for the three and nine months ended September 30, 2020 relates to government grants received related to COVID-19 relief of $2,594 and $2,594, respectively (three and nine months ended September 30, 2019 - NIL).

Direct Property Operating Expenses

Direct property operating expenses consist of the following:

	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 634	$ 338	$ 972	$ 211	$ 345	$ 556
Utilities	918	361	1,279	371	362	733
Property management fees	—	143	143	—	144	144
Compensation and benefits	15,343	—	15,343	6,003	—	6,003
Other services and supplies	1,640	244	1,884	854	247	1,101
Real estate taxes	604	—	604	181	—	181
Other	3,970	196	4,166	1,030	186	1,216
	$ 23,109	$ 1,282	$ 24,391	$ 8,650	$ 1,284	$ 9,934

	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 1,802	$ 1,227	$ 3,029	$ 211	$ 1,101	$ 1,312
Utilities	2,744	950	3,694	371	984	1,355
Property management fees	—	425	425	—	430	430
Compensation and benefits	43,746	—	43,746	6,003	—	6,003
Other services and supplies	5,096	730	5,826	854	735	1,589
Real estate taxes	1,733	—	1,733	181	—	181
Other	11,170	582	11,752	1,030	579	1,609
	$ 66,291	$ 3,914	$ 70,205	$ 8,650	$ 3,829	$ 12,479

The direct property operating expenses relate to expenses at the 15 multi-tenant medical office buildings and the Company's 36 owner occupied properties. As of September 30, 2020, the owner occupied properties include the 17 Commonwealth properties acquired on August 1, 2019, three Commonwealth properties acquired on December 23, 2019, nine properties that were previously triple-net leased and were transitioned to wholly owned and occupied at various dates during the third and fourth quarter of 2019, one property that was previously held in a joint venture and was transitioned to wholly owned and occupied during the third quarter of 2019, five properties that were previously held in joint ventures and transitioned to consolidated majority owned on May 4, 2020, and one property that was previously held as a triple-net leased property and transitioned on May 4, 2020 to owner occupied in which the Company has ownership in the operations of the building. Increases in the three and nine months ended September 30, 2020 are primarily due to the timing of these acquisitions and transitions. For the three and nine months ended September 30, 2020, the Company incurred $415 and $1,043, respectively (three and nine months ended September 30, 2019 - NIL), of additional direct property operating costs incurred due to the COVID-19 pandemic as a result of increased supplies and personal protective equipment.

Depreciation and Amortization Expense

For the three and nine months ended September 30, 2020, depreciation and amortization expense was $12,581 and $36,606, respectively (three and nine months ended September 30, 2019 - $5,365 and $5,408, respectively), which relates to the straight-line depreciation over the useful life of the Company's property, plant and equipment relating to the owner occupied properties. The Company amortizes the value of in place leases over the average lease life.

Finance Costs from Operations

Finance costs from operations consist of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest expense on credit facilities	$ 4,427	$ 6,645	$ 15,968	$ 15,718
Interest expense on mortgages payable	2,754	2,439	8,385	9,239
Interest expense on convertible debentures	1,312	1,312	3,936	3,936
Distributions on exchangeable units	—	20	62	20
Dividends on Commonwealth preferred units	1,082	573	3,236	573
Amortization and accretion expense	947	810	3,057	2,860
Interest rate swap payments (receipts)	2,616	(142)	5,081	(304)
Write-off of deferred financing costs from refinancing	67	13	67	82
Amortization of mark-to-market debt adjustments	(168)	22	(301)	66
Interest income from loans receivable	(877)	(990)	(2,643)	(2,581)
	$ 12,160	$ 10,702	$ 36,848	$ 29,609

Finance costs are primarily related to interest and amortization on the Company's credit facilities and mortgages payable. Interest expense on credit facilities decreased in the three months ended September 30, 2020 as compared to the prior year period due to the decrease in LIBOR rate. The increase in interest expense on credit facilities for the nine months ended September 30, 2020 as compared to the prior year period due to due to additional borrowings used to fund new property acquisitions and to repay individual property mortgage debt, including the Commonwealth Facility and the Commonwealth preferred units. Interest expense on mortgages payable increased for the three months ended September 30, 2020 as compared to the prior year period due to mortgages assumed during Q4 of 2019 with the purchase of the of Commonwealth communities. Interest expense on mortgages payable decreased for the nine months ended September 30, 2020 as compared to the prior year period due to the impact of repaying individual property mortgage debt with funds from the credit facilities, as well as the impact of eight properties contributed to a joint venture which are no longer consolidated effective June 5, 2019. The Commonwealth preferred units issued to fund the Commonwealth transactions earn an initial dividend rate of 6.50% per annum.

Real Estate Tax Expense & Change in Fair Value of Investment Properties - IFRIC 21

For the three and nine months ended September 30, 2020, real estate tax expense was $407 and $14,114, respectively (three and nine months ended September 30, 2019 - $527 and $15,505, respectively), which represents property tax expensed for the year for properties owned on the tax assessment date (generally January 1), in accordance with the provisions of *IFRIC 21, Levies*. Real estate taxes are recovered from the Company's tenants under the provisions of their triple-net leases. The decrease in real estate tax expense as compared to the prior year period is primarily due to the impact of eight properties contributed to a joint venture which are no longer consolidated effective June 5, 2019. Real estate tax expense on the Company's owner occupied properties is included in direct property operating expense in the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

The following table presents real estate tax expense and change in fair value of investment properties - IFRIC 21 together with property tax recoveries to show the net effect of real estate taxes on the Company's condensed consolidated interim statements of income (loss) and comprehensive income (loss) for the periods presented. The expense in excess of property tax revenue is primarily due to properties that are not fully occupied, generally within the medical office building portfolio.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Property tax recoveries	$ 3,437	$ 3,660	$ 10,328	$ 11,534
Real estate tax expense	(407)	(527)	(14,114)	(15,505)
Change in fair value of investment properties - IFRIC 21	(3,206)	(3,285)	3,278	3,522
	$ (176)	$ (152)	$ (508)	$ (449)

General and Administrative Expense

General and administrative expense consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Compensation and benefits	$ 2,573	$ 2,158	$ 8,421	$ 5,356
Asset management and administrative fees	41	125	231	374
Professional fees	625	566	2,601	2,300
Deferred share compensation	484	671	519	1,804
Bad debt expense	262	—	1,726	—
Other	873	785	2,085	2,033
	$ 4,858	$ 4,305	$ 15,583	$ 11,867

Compensation and benefits expense includes the cost of salaries, bonuses, and benefits during the period. The increase in compensation and benefits expense for the three and nine months ended September 30, 2020 as compared to the prior year period is primarily due to the compensation related to employees of the Commonwealth management company, which totaled $1,527 and $4,370, respectively (three and nine months ended September 30, 2019 - $817 and $817, respectively). For the three and nine months ended September 30, 2020, the Company has incurred severance expense of $0 and $393, respectively (2019 - NIL), related to personnel cost cutbacks which is included in compensation and benefits expense.

Asset management fees relate to the contractual fee due under a asset management agreements with respect to the medical office building portfolio.

Professional fees is comprised of costs incurred for external legal counsel, accounting fees and other professional services. The increase in professional fees for the three and nine months ended September 30, 2020 as compared to prior year periods is primarily due to an increase in accounting fees as the Company increases in number of assets.

The decrease in deferred share compensation expense for the three and nine months months ended September 30, 2020 is primarily due to the decrease in the fair value of deferred share liability, which is valued based on the Company's share price.

Bad debt expense is due to a reserve recorded against aged rents receivable. The Company has recorded a reserve based on an estimated probability of collection.

Other general and administrative expense primarily includes cost of insurance, fees earned by directors of the Company, travel and entertainment expense, franchise and licensure taxes, investor relations, marketing, and foreign exchange loss (gain).

For the three and nine months ended September 30, 2020, the Company's general and administrative expense as a percentage of total assets was 0.32% and 1.02% (three and nine months ended September 30, 2019 - 0.28% and 0.77%). In response to the COVID-19 pandemic, the Company has taken cost reduction measures including executive compensation changes and other personnel cost cutbacks.

Transaction Costs for Business Combination

For the three and nine months ended September 30, 2020, the Company incurred transaction costs (recoveries) for business combination of $(237) and $170, respectively (three and nine months ended September 30, 2019 - $2,564 and $4,260, respectively), related to the acquisition of Commonwealth and the acquisition of 100% of Greenfield's interests in 13 properties in which the Company previously had either a joint ownership interest or was triple-net leased. The recovery in the three months ended September 30, 2020 related to a refund received upon true up of services provided related to the Commonwealth transaction.

Allowance for Credit Losses on Loans and Interest Receivable

Allowance for credit losses on loans and interest receivable for the three and nine months ended September 30, 2020 was $13,056 and $20,151, respectively (three and nine months ended September 30, 2019 - $(152) and $1,012, respectively). The losses are related to a change in estimates with respect to loans receivable and related interest receivables. The Company applies a three-stage approach to measure allowance for credit losses. Loss allowance is measured at an amount equal to 12 months of expected losses for performing loans (Stage 1) and at an amount equal to lifetime expected credit losses on performing loans that have seen a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected credit losses for loans considered to be credit impaired (Stage 3). Certain borrowers have experienced negative impacts to operations due in part to the COVID-19 pandemic, and the Company has accordingly ascribed a higher risk rating to these outstanding loans. The increase in allowance for credit losses on loans and interest receivable compared to prior year periods is also due to losses on the Symcare loans due to elements of the Transaction as outlined in the MOU entered into on November 2, 2020, which were taken into consideration when valuing the loans receivable.

Change in Non-controlling Interest Liability

The change in non-controlling interest liability was an increase of $41 and $209 for the three and nine months ended September 30, 2020, respectively (three and nine months ended September 30, 2019 - $189 and $344, respectively). These costs are the result of the portion of net income attributed to the non-controlling interest partners of the consolidated properties, and the increase from the prior year periods is primarily due to non-cash fair value adjustments.

Change in Fair Value of Investment Properties

The change in fair value of investment properties for the three and nine months ended September 30, 2020 was a decrease of $39,699 and $72,087, respectively (three and nine months ended September 30, 2019 - $970 decrease and $8,751 decrease, respectively). The change in fair value of investment properties was primarily driven by an adjustment to record investment properties at fair value based on the Company's estimate of fair value using level 3 inputs as of September 30, 2020. The adjustment for the current period is primarily driven by changes in estimated cap rates in response to the ongoing COVID-19 pandemic and its impact on both the seniors housing industry and global financial markets. We are not able to fully quantify the impact that the COVID-19 pandemic will have on the Company's financial results during 2020 and 2021, but expect that the pandemic could have a material adverse affect on our results of operations, financial position and/or cash flows, particularly if negative economic and public health conditions in the United States and Canada persist for a significant period of time. The Company will continue to evaluate estimated cap rates used in its fair value calculations as new information becomes available and transaction volume in the market increases. The adjustment for the current period is also driven by elements of the Transaction as outlined in the MOU entered into on November 2, 2020, which were taken into consideration when valuing the related investment property.

Change in Fair Value of Financial Instruments

Change in fair value of financial instruments consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Change in fair value of interest rate swaps	$ (2,537)	$ 4,754	$ 24,005	$ 14,089
Change in fair value of prepayment embedded derivatives	406	—	(2,249)	—
Total loss (income) from change in fair value of financial instruments	$ (2,131)	$ 4,754	$ 21,756	$ 14,089

The change in fair value of financial instruments for the three and nine months ended September 30, 2020 and 2019 was due primarily to the change in fair value of interest rate swaps due to changes in variable interest rates that underlie the corresponding interest rate swaps. Interest rate swaps are used to manage interest costs on debt. The Company does not designate its interest rate swaps as hedges, and they are marked to fair value each reporting period through finance costs in the condensed consolidated interim statements of income and other comprehensive income. The change in fair value of financial instruments is also due to the change in fair value of prepayment embedded derivatives due to changes in market interest rates.

Change in Fair Value of Contingent Consideration

Change in fair value of contingent consideration for the three and nine months ended September 30, 2020 was $3,256 and $3,256, respectively (three and nine months ended September 30, 2019 - NIL). 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 earn-out payment obligation will cease to exist. The earnout payments, when funded, will consist of a combination of cash and additional preferred interests. At this time, given the performance of one of the six communities, the Company has recorded an expense related to the increase in the fair value of contingent consideration in the amount of $3,256, which will be paid through the issuance of $1,701 of Commonwealth preferred units and $1,555 of cash on hand. The Company has not recorded any balance in the financial statements associated with this commitment relating to the remaining five communities but is monitoring the financial performance trends and will begin accruing if it is determined that the thresholds are likely to be satisfied.

Loss on Sale of Property, Plant and Equipment

Loss on sale of property, plant and equipment for three and nine months ended September 30, 2020 was $0 and $141, respectively (three and nine months ended September 30, 2019 - NIL).

Loss from Joint Ventures

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	$ 8,852	$ 13,686	$ 31,590	$ 39,235
Other income	527	—	959	—
Property operating expense	(6,978)	(8,806)	(21,987)	(27,738)
Finance costs	(1,720)	(2,079)	(4,905)	(5,668)
Depreciation expense	(135)	(684)	(407)	(1,333)
Allowance for credit losses on loans and interest receivable	(4,326)	—	(11,758)	—
Change in fair value of financial instruments	454	(1,486)	(4,149)	(3,944)
Change in fair value of investment properties	(4,094)	(1,724)	(21,729)	(12,696)
Loss from joint ventures	$ (7,420)	$ (1,093)	$ (32,386)	$ (12,144)

Income (loss) from joint ventures represents the Company's share of net income from unconsolidated entities. On June 5, 2019, the Company contributed its interest in eight properties to a joint venture and as a result the Company unconsolidated the properties. The Company has additionally obtained control of eight of the Care portfolio properties and consolidated their results. The loss from joint ventures during the three and nine months ended September 30, 2020 is primarily related to the change in fair value of investment properties and allowance for credit losses on loans and interest receivable offset by income from operations. The increase in allowance for credit losses on loans and interest receivable compared to prior year periods was primarily due to loans made that moved from Stage 1 to Stage 3. The borrower has experienced negative impacts to operations due to the COVID-19 pandemic, and the Company has accordingly ascribed a higher risk rating to these outstanding loans.

Income Tax Expense/Recovery

For the Canadian and U.S. corporate subsidiaries of the Company, income tax expense/recovery is comprised of current and deferred tax. Certain of the Company's subsidiaries are limited partnerships and, accordingly, are not subject to income tax. Taxable income or loss of the partnerships is allocated to their partners.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The Company anticipates that future current income tax expense will result from distributions from its U.S. subsidiaries to the Canadian corporation, which will be subject to a 5% withholding tax. No such distributions were made during the periods presented.

Other Comprehensive Income (Loss): Unrealized Gain (Loss) on Translation of Foreign Operations

Unrealized gain (loss) on translation of foreign operations for the three and nine months ended September 30, 2020 of $1,163 and $(1,773), respectively (three and nine months ended September 30, 2019 - $(799) and $2,013), was due to the change in value of the Canadian dollar as compared to the U.S. dollar during the period.

Cash Flow Analysis

	Nine months ended September 30,	
	2020	2019
Cash provided by operating activities	$ 17,561	$ 2,891
Cash provided by (used in) financing activities	(3,116)	272,295
Cash provided by (used in) investing activities	8,229	(289,468)
Increase (decrease) in cash and cash equivalents	$ 22,674	$ (14,282)

Cash Provided by Operating Activities

Cash provided by operating activities increased during the nine month period ended September 30, 2020 as compared to the prior year. The changes were primarily due to the expansion of the portfolio through the acquisition of Commonwealth in the third quarter of 2019 offset by a portion of accounts receivable from tenants which were satisfied by issuing loans receivable. During the nine months ended September 30, 2020, the Company issued $2,138 of loans receivable under the terms of existing loan agreements in satisfaction of rents due as part of its efforts to support the tenants with operating capital needs. During the nine months ended September 30, 2019, the Company issued $13,072 of loans receivable in satisfaction of rents due from tenants.

Cash Provided by (Used in) Financing Activities

Cash used in financing activities for the nine month period ended September 30, 2020 was $3,116 as compared to cash provided by financing activities of $272,295 in the prior year period. The current period cash used in financing activities was primarily driven by payments of cash dividends of $9,976 during the period, offset by net proceeds from the credit facilities and mortgage activity of $7,856. The Company suspended the dividend for all common shares beginning from April 1, 2020 in order to conserve cash during the COVID-19 pandemic.

Cash provided by financing activities in the nine month period ended September 30, 2019 included net proceeds from credit facilities and mortgages payable of $286,127 offset by debt issuance costs incurred in association with new and refinanced mortgages of $3,863 and cash dividends paid of $24,410.

Cash Provided by (Used in) Investing Activities

Cash provided by investing activities for the nine months ended September 30, 2020 was $8,229. This was primarily due to the proceeds from the sale of property, plant and equipment of $15,563, proceeds from sale of interest in joint venture of $1,447, cash balance acquired in business combination of $2,081, and $2,831 of distributions made from joint ventures offset by $7,602 used for additions of property, plant and equipment and $5,323 used for capital expenditures of investment property during the six month period. The Company also received $1,738 as repayment of loans receivable.

Cash used in investing activities for the nine months ended September 30, 2019 included $89,381 used for the acquisition of properties and capital expenditures. In addition, the Company made a payment of $9,676 to the previous owner of Care for its portion of sale proceeds. These uses of cash in investing activities were offset by the receipt of $23,000 for the sale of an interest in net assets contributed to a joint venture, proceeds from sale of investment property of $9,887, and $4,085 as repayment of loans receivable.

Financial Position

Total assets of $1,527,175 are comprised primarily of $894,077 of investment properties, which represents the estimated fair market value of the Company's portfolio of properties, including capital expenditures, and $460,105 of property, plant and equipment, net of $50,625 of accumulated depreciation as at September 30, 2020. Cash on hand at September 30, 2020 was $34,512, total loans receivable were $24,184, investments in joint ventures were $68,531, total derivative assets were $5,241, and other assets were $11,823. Total loans receivable includes $22,295 of gross loans receivable to the tenant operator Symcare. Other assets primarily consisted of $696 of costs related to potential acquisitions, $4,679 of escrows held by lenders, $2,774 of prepaid expense, $1,940 of right-of-use asset, $948 of bond assets and $786 of other costs. In addition, current assets include tenant and other receivables of $13,291, real estate tax receivables of $13,267, and assets held for sale of $2,144. The loans receivable balance related mainly to the issuance of loans for the development and operation of seniors housing and care properties in the United States and Canada.

Total liabilities of $1,200,883 includes current liabilities of $74,270 (see "Liquidity and Capital Resources" for additional information) and non-current liabilities of $1,126,613. The current liabilities included $15,899 of real estate taxes payable. Of the real estate taxes payable, $863 related to the period prior to the Company's ownership of the respective properties, and the seller provided cash consideration at closing for this amount. Accounts payable and accrued liabilities represented $18,163 of the balance in current liabilities. In addition, current liabilities included $23,071 representing the current portion of mortgages payable, net of loan fees. Non-current liabilities included $271,716 representing the non-current portion of mortgages payable, net of loan fees; $648,107 representing the non-current balance outstanding on the credit facilities, net of loan fees; $92,072 of the convertible debentures, net of fees; $63,985 of Commonwealth preferred unit liability; $31,951 of derivative liability; and $4,597 of non-controlling interest liability. Other non-current liabilities of $14,185 primarily consisted of security deposits received from tenants, lease liability, loan commitment liability, earn-out payable, and a liability related to deferred shares granted under the Company's deferred share incentive plan.

Summary of Quarterly Results

The following table summarizes the Company's quarterly unaudited financial information from October 1, 2018 through September 30, 2020:

	Three months ended September 30, 2020	Three months ended June 30, 2020	Three months ended March 31, 2020	Three months ended December 31, 2019	Three months ended September 30, 2019	Three months ended June 30, 2019	Three months ended March 31, 2019	Three months ended December 31, 2018
Revenue	$ 55,429	$ 53,752	$ 53,891	$ 51,809	$ 38,550	$ 28,824	$ 29,224	$ 29,953
Other income	2,529	65	—	—	—	—	—	—
Direct property operating expenses	24,391	23,191	22,623	21,054	9,934	1,243	1,302	1,184
Depreciation and amortization expense	12,581	11,537	12,488	9,032	5,365	—	—	—
Finance costs	12,160	12,504	12,184	12,024	10,702	9,837	9,070	13,537
Real estate tax expense	407	383	13,324	339	527	550	14,428	535
General and administrative expenses	4,858	6,244	4,481	6,225	4,305	4,124	3,481	3,786
Transaction costs for business combination	(237)	—	407	1,638	2,564	1,696	—	—
Diligence costs for transactions not pursued	—	—	—	—	—	633	—	—
Allowance for credit losses on loans and interest receivable	13,056	5,560	1,535	(9)	(152)	673	491	8,807
Changes in non-controlling interest liability	41	119	49	160	189	99	56	120
Change in fair value of investment properties - IFRIC 21	3,206	3,215	(9,699)	3,551	3,285	3,617	(10,424)	3,186
Change in fair value of investment properties	39,699	13,739	18,649	(2,705)	(970)	14,578	(4,857)	43,256
Change in fair value of financial instruments	(2,131)	346	23,541	(4,710)	4,754	7,524	1,811	4,150
Change in fair value of contingent consideration	3,256	—	—	—	—	—	—	(495)
Loss on sale of property, plant and equipment	—	23	118	—	—	—	—	—
Income (loss) from joint ventures	(7,420)	(6,900)	(18,066)	5,345	(1,093)	(7,238)	(3,813)	2,077
Deferred income tax expense (recovery)	—	—	(6,944)	3,871	(700)	(6,086)	2,848	(12,243)
Current income tax expense	—	—	—	—	—	—	—	(18)
Net income (loss)	(60,749)	(30,009)	(56,931)	6,684	(2,346)	(16,902)	7,205	(33,775)
Income (loss) per share: Basic	$ (1.09)	$ (0.54)	$ (1.04)	$ 0.12	$ (0.04)	$ (0.31)	$ 0.14	$ (0.64)
Income (loss) per share: Diluted	$ (1.09)	$ (0.54)	$ (1.04)	$ 0.12	$ (0.04)	$ (0.31)	$ 0.12	$ (0.64)
Funds from operations (1)	13,728	10,453	14,007	10,547	12,507	10,445	12,623	8,596
Funds from operations per share: Basic (1)	$ 0.25	$ 0.19	$ 0.25	$ 0.19	$ 0.23	$ 0.19	$ 0.24	$ 0.16
Funds from operations per share: Diluted (1)	$ 0.20	$ 0.16	$ 0.21	$ 0.17	$ 0.20	$ 0.17	$ 0.20	$ 0.15
Adjusted funds from operations (1)	12,499	9,380	11,317	9,603	10,711	9,918	10,976	10,300
Adjusted funds from operations per share: Basic (1)	$ 0.22	$ 0.17	$ 0.21	$ 0.18	$ 0.20	$ 0.18	$ 0.21	$ 0.19
Adjusted funds from operations per share: Diluted (1)	$ 0.18	$ 0.14	$ 0.17	$ 0.15	$ 0.17	$ 0.16	$ 0.18	$ 0.17

(1) Funds from operations and adjusted funds from operations, and related per share amounts, are supplemental measures which are not defined by IFRS. See "*Financial Measures not Defined Under IFRS*".

The Company's results for the past eight quarters have primarily been affected by the timing of additional property acquisitions, business combinations, dispositions, transfers, changes in the fair value of investment properties and financial instruments and change in non-controlling interest liability. Refer to the "Recent Activities" section of this MD&A for details of the timing of property acquisitions.

Liquidity and Capital Resources

The Company's objectives when managing capital are to ensure sufficient liquidity to pursue its organic growth combined with strategic acquisitions and to maintain a flexible capital structure that optimizes the cost of capital at acceptable levels of risk while preserving the ability to meet financial obligations.

The capital of the Company consists of mortgages payable, credit facilities, convertible debentures, and shareholders' equity.

The Company expects to meet its working capital requirements with respect to accounts payable and accrued liabilities through cash on hand and operating cash flows. As at September 30, 2020, current assets totaled $76,115, exceeding current liabilities of $74,270, resulting in a working capital surplus of $1,845. The Company expects to be able to meet all of its obligations as they become due utilizing some or all of the following sources of liquidity: (i) cash on hand of $34,512, (ii) cash flow generated from operations, (iii) credit facilities, under which $192 was available as at September 30, 2020 and $9,500 was available subsequent to the Unsecured Facility Amendment as of November 4, 2020, (iv) property specific mortgages and refinancings, (v) strategic sale of assets, (vi) issuance of preferred shares, (vii) issuance of convertible debentures, (viii) issuance of common shares, subject to market conditions, and (ix) alternative financing sources.

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

The Company announced on April 10, 2020 that it has suspended the dividend for all common shares beginning from April 1, 2020 until further notice. To further enhance its liquidity position, the Company is analyzing a variety of options to reduce or defer non-essential capital expenditures and to reduce corporate-level costs, some of which have already been implemented. The Company has already taken immediate cost reduction measures, including executive compensation changes and other personnel cost cutbacks. Additionally, the Company continues to encourage its employees to work from home and has eliminated non-essential travel which has reduced the utilization of office space, travel, and other corporate-level expenses.

The Company, while considering externally imposed capital requirements, sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In managing its capital structure, the Company monitors performance throughout the period to ensure working capital requirements are funded from operations, available cash on deposit, and available financing. The Company may make changes to its capital structure in order to support the broader corporate strategy or in response to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue equity or new debt, issue new debt with different characteristics to replace existing debt, or reduce the amount of existing debt.

The real estate industry is capital-intensive by nature. As a result, debt capital is an important aspect in managing the business. In addition, financial leverage is used to enhance terms from purchased real estate. The Company actively monitors debt maturities and available debt financing options to best adhere to its corporate strategy.

Preferred Equity

The Company entered into subscription agreements in prior periods with respect to the issuance of class A convertible preferred shares to affiliates of Magnetar for aggregate gross proceeds of $86,050, funded in multiple series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 9,098,598 preferred shares.

As at September 30, 2020, the Preferred Shares are convertible into 10,488,362 common shares of the Company. The weighted average accretion rate of the four series of preferred shares is 6.32%.

Debt Strategy and Indebtedness

Debt Strategy

The Company, taking into account availability of financing, market conditions, and the financial characteristics of the properties, seeks to maintain a combination of short, medium, and long-term debt maturities that are appropriate for the overall debt level of its portfolio. The Company utilizes conventional property-specific or portfolio-specific secured mortgages, as well as unsecured and non-recourse financing. Management's objectives are to access the lowest cost debt with flexible terms, to diversify the Company's lender base, to have a large portion of debt with a fixed rate, and to have a debt maturity schedule spread over a time horizon which allows the Company to effectively manage refinancing risk and to be in a position to finance within the Company's target debt levels when investment opportunities become available. Management monitors the Company's debt by reviewing the debt to total assets ratio, interest coverage ratio, debt maturity schedule, and ratio of fixed versus floating rate debt. Over the long-term, the Company strives to have a portfolio with an average years to maturity of 5-8 years. The Company targets a long-term debt level of 50-55% of total assets, although from time to time it may carry a higher leverage ratio if market conditions present an opportunity to maximize shareholder value. The Company also targets a fixed rate debt level of 70-85% of its total debt.

On November 4, 2020, the Company entered into an agreement to modify the Unsecured Facility, in which the facility will be permanently converted to a facility secured by pledges of equity in properties making up a borrowing base. The minimum fixed charge coverage ratio covenant will permanently decrease from 1.75 to 1.60. Per the agreement, the Company will be granted a surge period effective with the quarterly reporting period ended September 30, 2020 through June 30, 2021. During the surge period, the consolidated leverage ratio covenant will be increased from 60% to 65%, the advance rate will increase from 60% to 65% of the borrowing base, the applicable margin for LIBOR loans will increase 15 basis points, and the implied interest rate used to calculate the debt service coverage amount will decrease from 6.0% to 5.75%. Subsequent to the agreement, the availability on the facility increased to $9,500.

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. Management's objectives are to source the lowest cost fixed rate debt within its targeted levels while laddering its fixed rate maturity schedule to effectively manage repricing risk. The Company does not designate its interest rate swaps as hedges, and they are marked to fair value each reporting period through change in fair value of financial instruments in the condensed consolidated interim statements of income and other comprehensive income.

Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity [2]
Fixed Rate Indebtedness			
Unsecured Term loan	$ 200,000	4.5 % [1]	3.2
Unsecured Revolver	25,000	5.0 % [1]	2.2
Unsecured Revolver	50,000	4.6 % [1]	2.2
Mohawk Facility	63,955	4.3 % [1]	2.6
Magnetar Facility	10,000	9.0 %	0.8
Commonwealth Facility	176,000	3.8 % [1]	3.8
Mortgages payable	236,493	4.3 % [1]	9.4
2016 Convertible Debentures	44,975	5.0 %	1.3
2018 Convertible Debentures	50,000	6.0 %	3.0
	856,423	4.5 %	4.8
Variable Rate Indebtedness			
Unsecured Revolver	$ 115,500	2.6 %	2.2
Mohawk Facility	21,286	2.4 %	2.6
Mortgages payable	55,769	3.5 %	3.3
	192,555	2.8 %	2.6
Total indebtedness	$ 1,048,978	4.2 %	4.4
Less loan fees and issue costs, net of amortization and accretion	(6,615)		
Equity component of convertible debentures, excluding issue costs and taxes	(2,384)		
Mark-to-market adjustment, net	4,987		
Carrying amount	$ 1,044,966		

(1) Weighted average interest rates as at June 30, 2020 included debt that is fixed with interest rate swaps.

(2) Years to maturity does not include the exercise of extension options, where available.

Joint Venture Indebtedness

	Principal Amount	Weighted Average Interest Rate	Years to Maturity
Fixed rate mortgages payable	$ 171,124	4.3 % [1]	4.4
Variable rate mortgages payable	42,989	3.0 %	1.3
Total Indebtedness	$ 214,113	4.0 %	3.8
Less loan fees, net of amortization	(986)		
Carrying amount	$ 213,127		
Company's share of carrying amount	$ 153,249		

(1) Weighted average interest rates as at September 30, 2020 included debt that is fixed with interest rate swaps.

Weighted Average Interest Rate

During the period from September 30, 2019 to September 30, 2020, the Company has decreased its weighted average interest rate for the consolidated portfolio from 4.6% to 4.2%, or 40 basis points. During the period from September 30, 2019 to September 30, 2020 the Company has decreased its weighted average interest rate for the joint venture portfolio from 4.5% to 4.0%, or 50 basis points. The Company has been able to capitalize on a decreasing interest rate environment to reduce interest costs for its shareholders.

2016 Convertible Debentures

On December 16, 2016, the Company issued an aggregate principal amount of $45,000 of convertible unsecured subordinated debentures (the "2016 Convertible Debentures"). The 2016 Convertible Debentures are due on January 31, 2022 and bear interest at an annual rate of 5.00%, payable semi-annually in arrears on July 31 and January 31 of each year and commencing on July 31, 2017. On May 6, 2019, $25 of the 2016 Convertible Debentures were converted into 2,272 common shares.

2018 Convertible Debentures

On August 24, 2018, the Company issued an aggregate principal amount of $50,000 of convertible unsecured subordinated debentures ("2018 Convertible Debentures"). The 2018 Convertible Debentures are due on September 30, 2023 and bear interest at an annual rate of 6.00% payable semi-annually in arrears on March 31 and September 30 of each year commencing on March 31, 2019.

Debt to Total Assets

Debt to total assets is calculated by dividing the total consolidated indebtedness, net of loan costs, by the total consolidated assets of the Company. The Company’s debt to total assets, after adding back accumulated depreciation is 66.2%. It is important to note that this metric includes changes in fair value of the Company’s investment properties. The Company also tracks and monitors a similar metric for its Unsecured Credit Facility, where consolidated assets is calculated using the total undepreciated purchase price of the Company's real estate, as defined in the agreement. At September 30, 2020, the Company's consolidated debt is 61.0% of total assets under the terms of the Unsecured Credit Facility agreement. This is the pertinent metric for the Company’s Unsecured Credit Facility.

Fixed rate debt represented approximately 81.6% of the Company's gross total indebtedness.

Fixed Charge Coverage Ratio

The Company's fixed charge coverage ratio is calculated by dividing earnings before interest, taxes, depreciation and amortization by certain fixed charges, which are comprised of interest expense payable in cash, regularly scheduled principal payments, and preferred dividends paid. For the twelve month period ended September 30, 2020, the fixed charge coverage ratio of the Company was 1.76.

Repayment Summary

Management attempts to stagger the maturity of the Company's fixed rate debt in order to achieve a distribution of maturities over a time horizon. This strategy reduces the Company's exposure to interest rate fluctuations on its fixed rate debt in any one period and reduces liquidity risk. From time to time, the Company will assume existing debt upon the acquisition of income properties, and the maturity of such debt may not fit within the overall target debt maturity profile of the Company.

Contractual Commitments

A summary of future contractual commitments as at September 30, 2020, including expected interest payments, is as follows:

	Total	2020	2021	2022	2023	2024	Thereafter
Credit facilities principal	$ 661,741	$ —	$ 10,000	$190,500	$285,241	$176,000	$ —
Mortgages payable principal	292,262	14,598	16,919	33,544	88,690	23,824	114,687
Convertible debentures principal	94,975	—	—	44,975	50,000	—	—
Commonwealth preferred unit liability principal (1)	65,680	—	—	—	—	65,680	—
Total principal	1,114,658	14,598	26,919	269,019	423,931	265,504	114,687
Percentage of total	100.0 %	1.4 %	2.4 %	24.1 %	38.0 %	23.8 %	10.3 %
Credit facilities interest	81,646	6,643	26,419	25,244	16,563	6,777	—
Mortgages payable interest	67,931	2,840	11,031	9,697	7,484	5,069	31,810
Convertible debentures interest	12,373	—	5,249	4,124	3,000	—	—
Commonwealth preferred unit liability interest	19,958	3,233	4,293	4,293	4,459	3,680	—
Accounts payable and accrued liabilities	18,163	18,163	—	—	—	—	—
Accrued real estate taxes	15,899	15,899	—	—	—	—	—
Other current liabilities	7,137	7,137	—	—	—	—	—
Other non-current liabilities	14,185	1,015	899	617	529	386	10,739
Loan commitments	603	223	380	—	—	—	—
Total other commitments	237,895	55,153	48,271	43,975	32,035	15,912	42,549
Total commitments	$ 1,352,553	$ 69,751	$ 75,190	$312,994	$455,966	$281,416	$157,236

(1) The liability has no stated maturity date. It is the Company's expectation that the liability will be repaid in 2024.

The credit facilities have an outstanding balance of $658,107 as of September 30, 2020.

Mortgages payable are comprised of mortgages secured by individual investment properties or small portfolios of investment properties.

Accounts payable consisted primarily of professional fees, other general and administrative costs payable, accrued interest, and other accrued costs.

Other non-current liabilities primarily relate to the issuance of deferred shares under the Company's deferred share incentive plan, lease liability and security deposits received from tenant operators.

On June 5, 2019, the Company entered into agreements to fund future loans to tenants of the property located in Webster, TX operated by Bridgemoor. As at March 31, 2020, the Company is committed to fund an additional $603 pursuant to these agreements. The Company has recorded an associated loan commitment liability representing the fair value of these commitments, which were made at interest rates below market value.

Financial Instruments and Other Instruments

To manage interest rate risk, the Company may enter into interest rate swap agreements from time to time. Please refer to the "Debt Strategy and Indebtedness" section of this MD&A.

Off-Balance Sheet Items

There were no off-balance sheet items as of September 30, 2020.

Transactions Between Related Parties

The Company entered into subscription agreements in 2017, 2018 and 2019 in respect of the issuance of class A convertible preferred shares to certain funds managed by Magnetar Financial LLC (collectively, "Magnetar"), a significant shareholder of the Company, funded in multiple series. The purpose of the transaction was to raise proceeds to be used for the repayment of debt, general working capital purposes and to fund future acquisitions. The Company issued 9,098,598 preferred shares for aggregate gross proceeds of $85,389.

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

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

Critical Accounting Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses throughout the period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment within the next financial year are as follows:

Change in fair value of investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates, stabilized future cash flows, terminal capitalization rates and discount rates. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases.

Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts. As part of Management's internal valuation program, the Company also considers external valuations performed by independent national real estate valuation firms 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.

Impairment of loans receivable:

The Company reviews loans receivable on an ongoing basis to assess whether any loans should be classified as impaired and whether an allowance or write-off should be recorded. Allowances for impaired loans are recorded for individually identified impaired loans to reduce their carrying value to the expected recoverable amount. To determine the amount, the Company expects to recover from an individually significant impaired loan, the Company uses the value of the estimated future cash flows discounted at the loan's original effective interest rate. The determination of estimated future cash flows of a collateralized impaired loan reflects the expected realization of the underlying security, net of expected costs and any amounts legally required to be paid to the borrower. Refer to note 3 of the condensed consolidated interim financial statements of the Company for the period ended September 30, 2020 for further information on estimates and assumptions made in determination of the impairment recorded on loans receivable.

Significant Accounting Policies and Changes in Accounting Policies

A summary of significant accounting policies and changes in accounting policies is set forth in notes 1 and 2, respectively, of the consolidated financial statements for the year ended December 31, 2019.

The following IFRS Amendment was adopted in 2020:

The Company adopted the IASB issued amendments to IFRS 3, Business Combinations ("IFRS 3") effective January 1, 2020 with no material impact on the Company's condensed consolidated interim financial statements.

Also during 2020, the Company adopted a new accounting policy with respect to government grants. Government grants that become receivable as compensation for lost revenue and increased expenses are recognized when there is reasonable assurance that the entity will comply with the conditions attached to them and the grants will be received.

Changes in accounting policies are further described in note 1 of the condensed consolidated interim financial statements for the period ended September 30, 2020.

Risks and Uncertainties

See "Risk Factors" in the Company's 2019 AIF for a discussion of risks that could materially affect the Company, which risk factors are incorporated herein by reference. The Company has identified the following additional risk factors that exist in its business subsequent to issuing the 2019 AIF.

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

We are not able to fully quantify the impact that the COVID-19 pandemic will have on the Company's financial results during 2020, but expect that the pandemic could have a material adverse affect on our results of operations, financial position and cash flows, particularly if negative economic and public health conditions in the United States and Canada persist for a significant period of time. The ultimate impact of the pandemic on the Company's financial results will depend on, among other factors, the duration and severity of the pandemic as well as negative economic conditions arising therefrom, the impact of the pandemic on occupancy rates in our communities, the volume of COVID-19 patients cared for across our portfolio, and the impact of government actions on the seniors housing industry and broader economy, including through existing and future stimulus efforts.

Controls and Procedures

We are committed to maintaining effective disclosure controls and procedures and internal control over financial reporting. A control system, no matter how well conceived and operated, can provide only reasonable, and not absolute, assurance that its objectives are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, among other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances and (ii) the impact of isolated errors. Additionally, controls may be circumvented by the unauthorized acts of individuals, by the collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified under Canadian securities laws and to include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

The Company is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer assessed, or caused an assessment under their direct supervision of the design of our internal controls over financial reporting as at September 30, 2020, and based on that assessment, they determined that the Company's internal controls over financial reporting were appropriately designed in accordance with the 2013 COSO framework as published by the Committee of Sponsoring Organizations of the Treadway Commission.

There were no changes in internal controls over financial reporting that occurred during the six months ended September 30, 2020 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting. We have not experienced any material impact to our internal control over financial reporting to date as a result of most of the employees of the Company working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 pandemic on our internal controls to minimize the impact to their design and operating effectiveness.

Outstanding Shares

As of November 11, 2020, 55,855,481 common shares in the capital of the Company were issued and outstanding.

Each 2016 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder at any time prior to the earlier of January 31, 2022 and the last business day immediately preceding the date specified by the Company for redemption, at a conversion price of $11.00 per common share. If all outstanding 2016 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,088,637 additional common shares.

Each 2018 Convertible Debenture is convertible into freely tradable common shares of the Company at the option of the holder on or after September 30, 2021, and prior to September 30, 2022 at a conversion price of $10.70 per common share. If all outstanding 2018 Convertible Debenture were converted into common shares of the Company, it would result in the issuance of 4,672,897 additional common shares.

As of November 11, 2020, there were 2,802,009 Series 1 Preferred Shares outstanding, 3,172,086 Series 2 Preferred Shares outstanding, 1,586,042 Series 3 Preferred Shares and 1,538,461 Class A Series 4 Preferred Shares. The Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares are convertible into freely tradable common shares of the Company. As of November 11, 2020, assuming the voluntary conversion of all of the Series 1 Preferred Shares, Series 2 Preferred Shares, Series 3 Preferred Shares, and Series 4 Preferred Shares then outstanding, a total of 10,488,362 common shares would be issued.

As of November 11, 2020, assuming the voluntary conversion of all of the Exchangeable Units, a total of 327,869 common shares would be issued.

As of November 11, 2020, assuming the voluntary conversion of all of the Commonwealth preferred units, a total of 6,736,410 common shares would be issued.

Financial Measures

Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") are supplemental measures used by management to track the Company's performance. Management believes these terms reflect the operating performance and cash flow of the Company. The Company believes that AFFO and AFFO per share provide the most effective metric by which to evaluate the performance of the Company and to most accurately identify the cash flows available for distribution to shareholders.

Funds From Operations

FFO means net income in accordance with IFRS, (i) plus or minus fair value adjustments of investment properties; (ii) plus or minus gains or losses from sales of investment properties; (iii) plus or minus certain other fair value adjustments; (iv) plus transaction costs expensed as a result of the purchase of property being accounted for as a business combination; (v) plus property taxes accounted for under IFRIC 21; (vi) plus allowance for credit losses on loans and interest receivable; (vii) plus deferred income tax expense, after adjustments for equity accounted entities calculated to reflect FFO on the same basis as consolidated properties and adjustments for non-controlling interests. The use of FFO, a non-IFRS measure, combined with the required IFRS presentations, has been included for the purpose of improving the understanding of the operating results of the Company. FFO presents an operating performance measure that provides a perspective on the financial performance that is not immediately apparent from net income determined in accordance with IFRS.

FFO is a financial measure not defined under IFRS, and FFO, as presented herein, may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises.

To the extent the Company's 2016 Convertible Debentures and 2018 Convertible Debentures were dilutive to FFO per share, the related interest, amortization, and accretion expense has been added back to calculate a diluted FFO for purposes of calculating diluted FFO per share.

The Company's FFO is calculated as follows (in thousands of U.S. dollars):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income for the period	$ (60,749)	$ (2,346)	$ (147,689)	$ (12,043)
Add/(deduct):				
Change in fair value of investment properties	42,905	2,315	68,809	5,229
Property taxes accounted for under IFRIC 21	(3,206)	(3,285)	3,278	3,522
Depreciation and amortization expense	12,558	5,340	36,560	5,340
Amortization of tenant inducements	97	57	287	57
Change in fair value of financial instruments	(2,131)	4,754	21,756	14,089
Change in fair value of contingent consideration	3,256	—	3,256	—
Loss on sale of property, plant and equipment	—	—	141	—
Deferred income tax expense	—	(700)	(6,944)	(3,938)
Transaction costs for business combination	(237)	2,564	170	4,260
Allowance for credit losses on loans and interest receivable	13,056	(152)	20,151	1,012
Change in non-controlling interest liability in respect of the above	(107)	(3)	(190)	(17)
Adjustments for equity accounted entities	8,286	3,963	38,626	18,064
Funds from operations	$ 13,728	$ 12,507	$ 38,211	$ 35,575
Interest, amortization and accretion expense on convertible units (1)	2,735	2,240	8,254	5,524
Total diluted funds from operations	$ 16,463	$ 14,747	$ 46,465	$ 41,099
Weighted average number of shares, including fully vested deferred shares: Basic	55,987,283	54,333,436	55,586,685	53,781,980
Weighted average shares issued if all convertible units were converted (2)	26,152,783	21,289,729	25,993,742	18,289,497
Weighted average number of shares: Diluted	82,140,066	75,623,165	81,580,427	72,071,477
Funds from operations per share	$ 0.25	$ 0.23	$ 0.69	$ 0.66
Diluted funds from operations per share	$ 0.20	$ 0.20	$ 0.57	$ 0.57

(1) Interest, amortization and accretion on convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Commonwealth preferred interest, and Exchangeable Units.

(2) Convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Preferred Shares, Commonwealth preferred interest, and Exchangeable Units.

Adjusted Funds From Operations

The Company maintains the view that AFFO is an effective measure of cash generated from operations, after providing for certain adjustments. AFFO means cash provided by operating activities, subject to certain adjustments, which include: (i) adjustments for certain non-cash working capital items that are not considered indicative of sustainable economic cash flow available for distribution; (ii) adjustments for interest expense on the credit facilities and mortgages payable that is included in finance costs; (iii) adjustments for cash paid for interest; (iv) add backs for compensation expense related to the Company's deferred share incentive plan; (v) add backs for payments received under the Company's income support agreements and development lease arrangements; (vi) add backs for the write-off of deferred financing costs from refinancing; and (vii) other adjustments as determined by the directors of the Company in their sole discretion.

AFFO is a financial measure not defined under IFRS, and AFFO, as presented herein, may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises.

To the extent the Company's 2016 Convertible Debentures and 2018 Convertible Debentures were dilutive to AFFO per share, the related interest has been added back to calculate a diluted AFFO for purposes of calculating diluted AFFO per share.

The Company's AFFO is calculated as follows (in thousands of U.S. dollars):

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash flows provided by (used in) operating activities	$ 8,290	$ 1,950	$ 17,561	$ 2,891
Change in non-cash working capital	3,472	3,709	10,786	17,351
Less: interest expense (1)	(11,289)	(9,870)	(34,239)	(26,683)
Less: change in non-controlling interest liability	(41)	(189)	(209)	(344)
Plus: income (loss) from joint ventures	(7,420)	(1,093)	(32,386)	(12,144)
Plus: interest paid	12,270	10,526	36,148	28,858
Less: interest received	(218)	(297)	(491)	(462)
Plus: transaction costs for business combination	(237)	2,564	170	4,260
Plus: non-cash portion of non-controlling interest expense	(118)	(3)	(204)	(17)
Plus: adjustments for equity accounted entities	8,070	3,476	37,904	17,550
Plus: deferred share incentive plan compensation	484	671	519	1,804
Plus: income support and development lease payments received	—	46	63	236
Plus: write-off of deferred financing costs from refinancing	67	13	67	82
Less: capital maintenance reserve	(831)	(792)	(2,493)	(1,776)
Adjusted funds from operations	$ 12,499	$ 10,711	$ 33,196	$ 31,606
Interest expense on convertible units (3)	2,394	1,905	7,234	4,529
Total diluted adjusted funds from operations	$ 14,893	$ 12,616	$ 40,430	$ 36,135
Weighted average number of shares, including fully vested deferred shares: Basic	55,987,283	54,333,436	55,586,685	53,781,980
Weighted average shares issued if all convertible unites were converted (4)	26,152,783	21,289,729	25,993,742	18,289,497
Weighted average number of shares: Diluted	82,140,066	75,623,165	81,580,427	72,071,477
Adjusted funds from operations per share	$ 0.22	$ 0.20	$ 0.60	$ 0.59
Diluted adjusted funds from operations per share	$ 0.18	$ 0.17	$ 0.50	$ 0.50
Dividends declared	—	9,998	10,120	29,718
Payout ratio (2)	— %	93 %	30 %	94 %
Effective payout ratio (2)	— %	75 %	22 %	76 %

(1) Includes interest expense on the credit facilities, mortgages payable, convertible debentures, interest rate swaps, write off of deferred financing costs from refinancing and interest income earned on notes receivable included in finance costs.

(2) Payout ratio is calculated by dividing the common share dividends declared by AFFO. Effective payout ratio is calculated by dividing common share dividends payable in cash, as adjusted for Dividend Reinvestment Plan ("DRIP") participation, by AFFO.

(3) Interest on convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Commonwealth preferred interest, and Exchangeable Units.

(4) Convertible units include 2016 Convertible Debentures, 2018 Convertible Debentures, Preferred Shares, Commonwealth preferred interest, and Exchangeable Units.

The Company deducts a capital maintenance reserve in its calculation of AFFO based on estimated quarterly expenditures related to sustaining and maintaining existing space. Expenditures that are related to new development or revenue enhancing renovations are excluded from this calculation. In collaboration with our operating partners, the Company has implemented a plan to defer all non-essential capital expenditures until at least 2021. We anticipate the 2020 cash savings from these deferrals will be approximately $2,000 to $3,000.

Presented below are performance metrics adjusted to exclude expenses incurred due to the COVID-19 pandemic and severance costs incurred due to personnel reductions in response to COVID-19. These measures are not financial measures defined under IFRS and, as presented herein, may not be comparable to similar measures presented by other real estate investment trusts or real estate enterprises. The Company believes this provides a more comparable basis to evaluate performance period over period, and an indication of future operations.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
FFO, per above	$ 13,728	$ 12,507	$ 38,211	$ 35,575
COVID-19 government grant revenue from consolidated properties	(2,529)	—	(2,594)	—
COVID-19 expense adjustments from consolidated properties	415	—	1,043	—
COVID-19 government grant revenue from equity accounted entities	(527)	—	(959)	—
COVID-19 expense adjustments from equity accounted entities	276	—	735	—
Severance costs	—	—	393	—
FFO, as adjusted	$ 11,363	$ 12,507	$ 36,829	$ 35,575
Interest, amortization and accretion expense on convertible units	2,735	2,240	8,254	5,524
Total diluted FFO, as adjusted	$ 14,098	$ 14,747	$ 45,083	$ 41,099
FFO per share, as adjusted	$ 0.20	$ 0.23	$ 0.66	$ 0.66
Diluted FFO per share, as adjusted	$ 0.17	$ 0.20	$ 0.55	$ 0.57
AFFO, per above	$ 12,499	$ 10,711	$ 33,196	$ 31,606
COVID-19 government grant revenue from consolidated properties	(2,529)	—	(2,594)	—
COVID-19 expense adjustments from consolidated properties	415	—	1,043	—
COVID-19 government grant revenue from equity accounted entities	(527)	—	(959)	—
COVID-19 expense adjustments from equity accounted entities	276	—	735	—
Severance costs	—	—	393	—
AFFO, as adjusted	$ 10,134	$ 10,711	$ 31,814	$ 31,606
Interest expense on convertible units	2,394	1,905	7,234	4,529
Total diluted AFFO, as adjusted	$ 12,528	$ 12,616	$ 39,048	$ 36,135
AFFO per share, as adjusted	$ 0.18	$ 0.20	$ 0.57	$ 0.59
Diluted AFFO per share, as adjusted	$ 0.15	$ 0.17	$ 0.48	$ 0.50

Cash Dividends

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash flows provided by (used in) operating activities	$ 8,290	$ 1,950	$ 17,561	$ 2,891
Net loss	(60,749)	(2,346)	(147,689)	(12,043)
Total dividends declared	—	9,998	10,120	29,718
Excess (shortfall) of cash provided by operating activities over total dividends	8,290	(8,048)	7,441	(26,827)
Shortfall of net income over total dividends	(60,749)	(12,344)	(157,809)	(41,761)

The Company announced on April 10, 2020 that it has suspended the dividend for all common shares beginning from April 1, 2020 until further notice. The suspension was announced in response to the COVID-19 pandemic in an effort to further enhance its liquidity position as it evaluates the impact of the pandemic. Total dividends for the nine months ended September 30, 2020 exceeded net income primarily due to non-cash items, including fair value. Of the $10,120 dividends declared in the nine months ended September 30, 2020, $2,868 was satisfied in the form of shares issued through the Dividend Reinvestment Plan ("DRIP").

Operational Measures

The Company reports on certain metrics related to the underlying operations in its stabilized income properties. The Company has defined stabilized income properties as follows:

Long-term care facilities and transitional care properties - stabilized upon the earlier of 80% occupancy at the underlying operating level for two consecutive quarters and 24 months after opening.

Assisted living facilities - stabilized upon the earlier of 90% occupancy for two consecutive quarters and 36 months after opening.

Medical office buildings - stabilized upon the earlier of 90% occupancy, measured in physical occupancy of greater than 90% of the rentable square footage in the building, for two consecutive quarters and 36 months after opening.

Stabilized properties generally include any property unless it is:

1. A new development that is not yet complete,
2. Not yet stabilized and within 12 months of the above criteria,
3. Newly acquired and/or undergoing a major renovation or otherwise being repositioned or in transition to a new operator, or
4. Held for sale.

The Company believes relevant metrics for evaluating the performance of the underlying operations in stable, triple-net leased assets include operator lease coverage and occupancy. The Company's operator performance metrics are calculated utilizing data that is one quarter in arrears (i.e. as of and through June 30, 2020 for this reporting period), and, where master leases are in place for portfolios of multiple asset types, using allocated rents pursuant to consistent methodologies.

All third party operator data is made available solely from information as provided by the operators and has not been independently verified by the Company.

Triple-Net Lease Portfolio

The Company's triple-net lease portfolio consists of 53 consolidated seniors housing and care properties and 4 seniors housing and care properties held in joint arrangements which are leased to operators on a long-term, triple-net basis. Under a triple-net lease structure, the tenant operators assume the operational risks and expenses associated with operating the facility. The Company's triple-net leased portfolio has an average lease term to maturity, excluding renewal options, of 12.5 years.

Approximately 91% of the Company's forward 12 month rent from unaffiliated tenants in the triple-net lease portfolio is currently subject to a master-lease or is subject to a lease where the Company has the right to consolidate multiple leases into a single master-lease.

Operator Lease Coverage

Operator lease coverage is a measure of a tenant's ability to meet their cash rent and other obligations during its normal course of business. The Company believes that both EBITDAR and EBITDARM (as defined below) provide insight to the core operations at the facility level. Metrics provided below are for the trailing 12 month ("TTM") period for all stabilized assets. The stabilized triple-net lease portfolio through June 30, 2020 includes 40 properties.

For purposes of the TTM calculations, the Company has included only the period for which the stabilized properties have been owned by the Company and, therefore, the TTM metrics shown may include less than 12 months in the calculations. The metrics presented below represent all stabilized income properties, which includes assisted living, independent living, long-term care, and transitional care properties.

EBITDAR (earnings before interest, income taxes, depreciation, amortization, and rent) lease coverage is calculated by dividing the TTM EBITDAR generated by corresponding cash rent due over the same period. The Company's stabilized portfolio generated EBITDAR lease coverage excluding COVID-19 revenue and expense of 1.1x (2019 - 1.2x). The Company's stabilized portfolio generated EBITDAR lease coverage including COVID-19 revenue and expenses of 1.2x.

EBITDARM (earnings before interest, income taxes, depreciation, amortization, rent, and management fees) lease coverage is also used by the Company. Together with EBITDAR lease coverage, EBITDARM lease coverage allows the Company to evaluate operations at each property by eliminating management fees, which can vary based on the operator/tenant and its negotiated structure with the Company. The Company believes EBITDARM is valuable because it isolates operational performance to the results of the direct operations within the facility. The Company's stabilized portfolio generated EBITDARM lease coverage excluding COVID-19 revenue and expense of 1.3x (2019 - 1.5x). The Company's stabilized portfolio generated EBITDARM lease coverage including COVID-19 revenue and expenses of 1.5x.

Through certain of its leases with operators, the Company has the ability to claw back the management fees that the operator is able to pay. This provision in the leases is enforceable when certain performance metrics are not met, as defined within the lease agreements. This mechanism further enhances the Company's position relative to the performance and risk mitigation within the portfolio. The impact of such, where applicable, are included above.

Operator Occupancy

The Company also utilizes operator occupancy percentage to evaluate underlying operations within the portfolio. Occupancy percentage is calculated by dividing the actual number of revenue generated days occupied during the period by the maximum available revenue days available for the period. Metrics provided below are for the TTM period for all stabilized assets based on the Company's definition of stabilization.

For the TTM period ended June 30, 2020, the Company's stabilized portfolio had an occupancy percentage of 83%.

Seniors Housing Operating Properties ("SHOP")

The Company's SHOP portfolio consists of 31 consolidated properties in which the Company wholly owns both the operations and the real estate of each community. The SHOP portfolio also includes 18 properties the Company owns an interest in both the operations and real estate through joint arrangements and where management services are provided to each community by a third party management company.

Based upon the Company's ownership structure in these assets, the Company believes the most relevant operational metrics include occupancy and year over year revenue and EBITDAR growth metrics. For the trailing twelve month period ended June 30, 2020, the occupancy in the SHOP portfolio was 80.5% and the occupancy in the stabilized SHOP portfolio was 87.4%. For the twelve months ended June 30, 2020, the average revenue per occupied room for the SHOP portfolio is $4,979 (twelve months ended December 31, 2019 - $4,896, twelve months ended June 30, 2019 - $4,833).

Given the ownership structure of the Company's SHOP portfolio, the Company receives financial results from SHOP operators more timely, and is able to highlight more recent trends. The following table summarizes same-store stabilized SHOP metrics for the three months ended September 30, 2020 and 2019:

	Three months ended September 30, 2020 including COVID-19 impact	Three months ended September 30, 2020 excluding COVID-19 impact	Three months ended September 30, 2019
EBITDAR	$ 8,676	$ 7,592	$ 7,694
EBITDAR margin	33.0 %	30.6 %	30.0 %
Occupancy	82.7 %	82.7 %	87.9 %
Revenue per occupied room (in whole U.S. dollars)	$ 4,881	$ 4,881	$ 4,805

The table above includes all stabilized assets that were owned at the respective reporting periods. For the Commonwealth assets purchased on August 1, 2019, we have included an average of August and September as a proxy for July 2019, in order to provide full comparative figures. Also included in the above metrics are the operating results of assets that were previously owned as triple-net leased assets, but have since been transitioned to owner operated communities.

Medical Office Building Portfolio

The Company's medical office building portfolio consists of 15 multi-tenant medical office buildings in which the Company has full ownership of the property. The Company's stabilized medical office building portfolio consists of 11 properties through June 30, 2020 in the United States and Canada.

The Company utilizes occupancy as a percentage of gross leasable area in addition to other financial metrics when evaluating performance in its medical office building portfolio. For the period ended June 30, 2020, occupancy in the stabilized medical office building portfolio was 86%. For the period ended June 30, 2020, occupancy in the entire medical office building portfolio was 80.3%. As comparative periods become available in the Company's ownership period, the Company anticipates that additional metrics will be included in future filings.