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

INVESQUE INC.

June 30, 2021
(Unaudited)

INVESQUE INC.

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

		June 30, 2021		December 31, 2020
Assets				
Current assets:				
Cash	$	29,176	$	34,133
Tenant and other receivables		6,891		14,934
Property tax receivables		7,569		12,754
Loans receivable (note 2)		1,066		1,799
Assets held for sale		40,679		2,144
Other (note 3)		9,384		9,069
		94,765		74,833
Non-current assets:				
Loans receivable (note 2)		20,116		16,904
Derivative instruments (note 9)		3,748		4,814
Investment in joint ventures (note 6)		68,978		65,258
Investment properties (note 4)		771,817		882,019
Property, plant and equipment, net (note 5)		437,936		451,825
Other non-current assets (note 3)		2,517		2,771
		1,305,112		1,423,591
Total assets	$	1,399,877	$	1,498,424
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	16,310	$	17,715
Accrued real estate taxes		9,135		14,518
Credit facilities (note 7)		—		10,000
Mortgages payable (note 8)		52,272		30,622
Convertible debentures (note 10)		44,516		—
Derivative instruments (note 9)		—		491
Other current liabilities (note 12)		3,843		4,975
		126,076		78,321
Non-current liabilities:				
Credit facilities (note 7)		643,838		650,596
Mortgages payable (note 8)		187,916		268,842
Convertible debentures (note 10)		48,587		92,411
Commonwealth preferred unit liability (note 11)		66,018		65,797
Derivative instruments (note 9)		20,403		28,478
Other non-current liabilities (note 12)		10,757		16,241
Non-controlling interest liability		2,115		4,409
		979,634		1,126,774
Total liabilities		1,105,710		1,205,095
Shareholders' equity:				
Common share capital (note 14)		510,046		509,203
Equity settled deferred shares		2,524		2,328
Preferred share capital (note 14)		85,389		85,389
Contributed surplus		400		400
Equity component of convertible instruments		3,764		3,764
Cumulative deficit		(310,732)		(309,032)
Accumulated other comprehensive income		2,776		1,277
Total shareholders' equity		294,167		293,329
Commitments and contingencies (note 23)				
Subsequent events (notes 8 and 26)				
Total liabilities and shareholders' equity	$	1,399,877	$	1,498,424

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

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

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Revenue:				
Rental (note 16)	$ 21,050	$ 22,761	$ 43,812	$ 45,799
Resident rental and related revenue (note 16)	29,252	29,495	58,341	58,398
Lease revenue from joint ventures (note 6)	900	749	1,773	1,522
Other revenue	1,025	747	1,972	1,924
	52,227	53,752	105,898	107,643
Other income (note 1)	2,023	—	2,130	—
Expenses (income):				
Direct property operating expenses (note 17)	23,871	23,191	48,934	45,814
Depreciation and amortization expense (note 5)	5,718	11,537	13,413	24,025
Finance costs from operations (note 18)	13,119	12,504	26,964	24,688
Real estate tax expense	(189)	383	13,228	13,707
General and administrative expenses (note 19)	4,515	6,244	11,649	10,725
Transaction costs for business combination	—	—	—	407
Allowance for credit losses on loans and interest receivable (note 18)	(480)	5,560	685	7,095
Change in non-controlling interest liability (note 18)	4	119	(46)	168
Change in fair value of investment properties - IFRIC 21	3,271	3,215	(6,533)	(6,484)
Change in fair value of investment properties (note 4)	7,167	13,739	5,056	32,388
Change in fair value of financial instruments (note 18)	(2,857)	346	(6,474)	23,887
Change in fair value of contingent consideration (note 18)	1,197	—	1,197	—
Gain on sale of property, plant and equipment	(14)	23	(14)	141
	55,322	76,861	108,059	176,561
Loss from joint ventures (note 6)	(2,428)	(6,900)	(1,669)	(24,966)
Loss before income taxes	(3,500)	(30,009)	(1,700)	(93,884)
Income tax recovery:				
Deferred (note 22)	—	—	—	6,944
Net loss	$ (3,500)	$ (30,009)	$ (1,700)	$ (86,940)
Other comprehensive income :				
Items to be reclassified to net income in subsequent periods				
Unrealized gain (loss) on translation of foreign operations	747	2,029	1,499	(2,936)
Total comprehensive loss	$ (2,753)	$ (27,980)	$ (201)	$ (89,876)
Loss per share (note 15):				
Basic and diluted	$ (0.06)	$ (0.54)	$ (0.03)	$ (1.57)

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Expressed in thousands of U.S. dollars)
Six months ended June 30, 2021 and 2020

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2021	$ 509,203	$ 2,328	$ 85,389	$ 400	$ 3,764	$ (309,032)	$ 1,277	$ 293,329
Net loss	—	—	—	—	—	(1,700)	—	(1,700)
Other comprehensive income	—	—	—	—	—	—	1,499	1,499
Common shares issued (note 14)	327	—	—	—	—	—	—	327
Amortization of equity settled deferred shares (note 20)	—	712	—	—	—	—	—	712
Common shares issued for equity settled deferred share (note 14 and 20)	516	(516)	—	—	—	—	—	—
Balance, June 30, 2021	$ 510,046	$ 2,524	$ 85,389	$ 400	$ 3,764	$ (310,732)	$ 2,776	$ 294,167

	Common share capital	Equity settled deferred shares	Preferred share capital	Contributed surplus	Equity component of convertible instruments	Cumulative deficit	Accumulated other comprehensive income (loss)	Total
Balance, January 1, 2020	$ 504,561	$ 733	$ 85,389	$ 400	$ 3,764	$ (114,908)	$ 205	$ 480,144
Net loss	—	—	—	—	—	(86,940)	—	(86,940)
Other comprehensive loss	—	—	—	—	—	—	(2,936)	(2,936)
Common shares issued, net of issuance costs	995	—	—	—	—	—	—	995
Common shares issued under the Company's dividend reinvestment plan	3,498	—	—	—	—	—	—	3,498
Dividends declared on common shares	—	—	—	—	—	(10,120)	—	(10,120)
Common Shares purchased under NCIB	(148)	—	—	—	—	—	—	(148)
Amortization of equity settled deferred shares	—	869	—	—	—	—	—	869
Common shares issued through conversion of convertible debentures	214	(214)	—	—	—	—	—	—
Balance, June 30, 2020	$ 509,120	$ 1,388	$ 85,389	$ 400	$ 3,764	$ (211,968)	$ (2,731)	$ 385,362

See accompanying notes to condensed consolidated interim financial statements.

INVESQUE INC.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in thousands of U.S. dollars)
Six months ended June 30, 2021 and 2020

		Six months ended June 30, 2021		Six months ended June 30, 2020
Cash flows from operating activities:				
Net loss	$	(1,700)	$	(86,940)
Items not involving cash:				
Fair value adjustment of investment properties (note 4)		5,056		32,388
Fair value adjustment of financial instruments (note 18)		(6,474)		23,887
Depreciation and amortization expense (note 5)		13,413		24,025
Allowance for credit losses on loans and interest receivable (note 18)		685		7,095
Straight-line rent (note 16)		(3,041)		(3,474)
Amortization of tenant inducements (note 16)		246		190
Finance costs from operations (note 18)		26,964		24,688
Change in non-controlling interest liability (note 18)		(46)		168
Change in fair value of contingent consideration (note 18)		1,197		—
Loss on sale of property, plant and equipment		(14)		141
Loss from joint ventures (note 6)		1,669		24,966
Deferred income tax (note 22)		—		(6,944)
Interest paid		(24,814)		(23,878)
Interest income received		370		273
Debt extinguishment costs paid		(732)		—
Change in non-cash operating working capital:				
Tenant and other receivables		(952)		(7,920)
Accounts payable and accrued liabilities		(865)		(3,066)
Unearned revenue		(1,261)		120
Other assets		156		(1,180)
Other liabilities		1,160		512
Accrued real estate taxes		(3,085)		4,220
Net cash provided by operating activities	$	7,932	$	9,271
Cash flows from financing activities:				
Proceeds from credit facilities (note 13)	$	58,953	$	33,000
Payments on credit facilities (note 13)		(78,311)		(21,250)
Debt issuance costs paid (note 13)		(206)		(382)
Proceeds from mortgages payable (note 13)		17,135		6,024
Payments of mortgages payable (note 13)		(78,020)		(10,457)
Payments for settlement of interest rate swap		(619)		—
Dividends paid to common shareholders		—		(9,976)
Payment for repurchase of common shares		—		(148)
Cash used in financing activities	$	(81,068)	$	(3,189)
Cash flows from investing activities:				
Additions to investment properties	$	(183)	$	(3,794)
Dispositions of investment properties		75,315		—
Additions to property, plant and equipment		(3,823)		(4,252)
Dispositions of property, plant and equipment		—		15,563
Acquisition of interest in joint venture		—		(476)
Disposition of interest in joint venture		—		1,447
Cash balance acquired in business combination		—		2,081
Distributions from joint ventures		826		2,020
Contributions to joint ventures		(2,879)		(1,688)
Distributions to non-controlling interest partners		(2,391)		(131)
Contributions from non-controlling interest partners		142		—
Collection of security deposits		569		—
Proceeds from income support agreement		—		63
Payments to previous owner of Care		(126)		—
Payment for prepaid acquisition costs		(116)		—
Repayment of loans receivable		845		625
Cash provided by investing activities	$	68,179	$	11,458
Increase in cash and cash equivalents		(4,957)		17,540
Cash and cash equivalents, beginning of period		34,133		11,838
Cash and cash equivalents, end of period	$	29,176	$	29,378

See accompanying notes to condensed consolidated interim financial statements.

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

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

At June 30, 2021, the Company owns interests in a portfolio of 118 health care and senior living properties comprised of 65 consolidated investment properties, 35 consolidated owner occupied properties, interests in 16 properties held through joint arrangements, and 2 properties held for sale.

1. Basis of preparation:

(a) Liquidity Assessment

A novel strain of coronavirus causing the disease known as COVID-19 has spread throughout the world, including across the United States and Canada, causing the World Health Organization to declare the COVID-19 outbreak a pandemic in March 2020. In an attempt to contain the spread and impact of the pandemic, authorities throughout the United States and Canada have implemented measures such as travel bans and restrictions, stay-at-home orders, social distancing guidelines and limitations on other business activity. The pandemic has resulted in a significant economic downturn in the United States, Canada and globally, and has also led to disruptions and volatility in capital markets. These trends are likely to continue for the remainder of 2021 and potentially beyond.

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

The Company expects that the pandemic could continue to have a negative effect on its results of operations, financial position and cash flows, particularly if negative economic and public health conditions in the United States and Canada persist for a significant period of time. The ultimate impact of the pandemic on the Company's financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. This includes, among other factors, the duration and severity of the pandemic as well as negative economic conditions arising therefrom, the impact of the pandemic on occupancy rates in the Company's communities, the volume of COVID-19 patients cared for across the portfolio, and the impact of government actions on the seniors housing industry and broader economy, including through existing and future stimulus efforts. The impact of COVID-19 has been partially offset to date by certain government stimulus programs which have helped to offset COVID-19 related expenses and compensate for lost revenues, but the Company is not able to provide assurance that such programs may continue to be available in the future. For the three and six months ended June 30, 2021, the Company recognized \$2,023 and \$2,130, respectively, of other income related to government grants funded through programs designed to assist seniors housing operators who have experienced both lost revenue and increased expenses during the COVID-19 pandemic (three and six months ended June 30, 2020 - NIL). For the three and six months ended June 30, 2021, the Company recognized \$0 and \$129, respectively, included in loss from joint ventures related to the Company's share of government grants recognized at the joint venture properties for COVID-19 pandemic relief (three and six months ended June 30, 2020 - \$432 and \$432, respectively).

Liquidity risk is the risk that an entity is unable to fund its assets or meet its obligations as they come due. Liquidity risk is managed in part through cash forecasting. While there are uncertainties in assessing future liquidity requirements under normal operating conditions, the stressed conditions caused by COVID-19 have introduced increased uncertainties. The Company monitors forecasts of liquidity requirements to ensure it has the ability to meet operational needs by maintaining sufficient availability of the combination of cash and credit facility capacity, and to ensure the Company will meet its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment which takes into consideration current and projected macroeconomic conditions, the Company's cash collection efforts, debt financing and refinancing plans, and covenant compliance required under the terms of debt agreements. There is a risk that such liquidity forecasts may not be achieved and that currently available debt financing may no longer be available to the Company at terms and conditions that are favorable, or at all.

As a result of the events and conditions associated with COVID-19, the Company has amended certain terms of various financing arrangements having conducted an assessment of its liquidity. The Company believes that it has sufficient available liquidity to meet its minimum obligations as they come due and to comply with financial covenants in its credit facilities, as amended, for a period of at least 12 months from June 30, 2021. Further, the Company has assessed that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. In making this significant judgment, the Company has prepared a cash flow forecast with the most significant assumptions in the preparation of such forecast being the ability of its tenants to meet their projected rental obligations to the Company, the continued availability of financing and occupancy levels at owner occupied properties.

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

(i) utilizing available cash to pay down debts,

(ii) sell certain properties and use the proceeds to buy down debt,

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

(iv) reducing non-essential capital expenditures.

(b) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2020 issued on March 11, 2021, and which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company and authorized for issuance on August 11, 2021.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2020. The following IFRS amendments were adopted in 2021:

In August 2020, the IASB issued Interest Rate Benchmark Reform ("IBOR") Reform and the Effects on Financial Reporting – Phase II (amendments to IFRS 9, IFRS 7, IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), IFRS 4 – Insurance Contracts ("IFRS 4") and IFRS 16 – Leases ("IFRS 16")). The objective of the second phase of the IASB's project was to assist entities in providing useful information about the effects of the transition to alternative benchmark rates and support preparers in applying the requirements of the IFRS Standards when changes are made to contractual cash flows or hedging relationships as a result of the transition to an alternative benchmark interest rate. The amendments affect the basis for determining the contractual cash flows as a result of benchmark interest rate reform, hedge accounting and disclosures.

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

On March 5, 2021, the Financial Conduct Authority announced that panel bank submissions for certain LIBOR settings will cease as at December 31, 2021 and the remainder on June 30, 2023, after which representative LIBOR rates will no longer be available. The Company holds debt and derivative instruments that will be impacted by any potential changes to the June 30, 2023 LIBOR cessation date. To the extent not already completed, the Company plans to amend in-place agreements to a new benchmark or implement appropriate fallback provisions as applicable in response to the IBOR reform prior to or by the June 30, 2023 effective date.

2. Loans receivable:

Loans receivable issued as at June 30, 2021 and December 31, 2020 are detailed in the table below:

Debtor	Loan Type	June 30, 2021	December 31, 2020	Issued Date	Maturity Date (1)	Current Interest Rate	PIK Interest Rate
Mainstreet Investment Company, LLC	Interest-only loan	$ 3,932	$ 3,932	December 22, 2016	December 22, 2018	8.5 %	1.5 %
Autumnwood Lifestyles Inc.	Revolving credit facility	1,210	1,178	November 1, 2016	October 31, 2018 (3)	8.0 %	— %
Symcare ML, LLC	Loan receivable	—	7,295	October 20, 2017	December 31, 2033	5.0 %	— %
Premier Senior Living, LLC (6)	Loan receivable	722	725	August 16, 2013 (2)	August 16, 2025	9.4 %	— %
Ellipsis Real Estate Partners	Loan receivable	951	951	May 4, 2018	May 4, 2028	— %	10.0 %
Ellipsis Real Estate Partners	Loan receivable	1,334	1,338	September 14, 2018	September 14, 2028	— %	10.0 %
Symcare ML, LLC	Loan receivable	—	15,000	December 26, 2018	December 31, 2033	5.0 %	5.0 %
Hillcrest Millard, LLC	Loan receivable	515	503	January 1, 2019	January 1, 2028	— %	5.0 %
Hillcrest Firethorn, LLC	Loan receivable	483	472	January 1, 2019	November 1, 2027	— %	5.0 %
Bridgemoor Transitional Care Operations, LLC (5)	Loan receivable	1,872	1,872	June 5, 2019	June 5, 2035	— %	— %
MOC Webster, LLC	Loan receivable	842	576	June 5, 2019	June 5, 2035	— %	— %
RHS Propco Mooresville, LLC	Loan receivable	5,000	5,000	June 28, 2019	July 1, 2024	8.5 %	— %
Memory Care America LLC	Loan receivable	352	1,198	July 31, 2019	January 1, 2024	8.5 %	— %
Ellipsis Real Estate Partners LLC (9)	Mezzanine loan	476	474	October 25, 2019	October 1, 2022	2.5 %	7.5 %
Blue Bell Senior Holdings, LLC (7)	Loan receivable	490	490	February 21, 2020	March 1, 2024	5.9 %	— %
PSL Care GP LLC	Loan receivable	450	450	May 6, 2020	(8)	3.5 %	— %
Symcare ML, LLC	Loan receivable	7,122	—	June 1, 2021	December 31, 2035	— %	1.0 %
	Accrued current and long term interest	902	3,122				
	Allowance for losses on loans receivable	(7,365)	(28,241)				
	Carrying value of loans recorded at amortized cost	$ 19,288	$ 16,335				
Javelina Ventures, LLC	Loan receivable - FVTPL	1,894	2,368	December 31, 2018	(4)	— %	5.0 %
	Carrying value of loans receivable	21,182	18,703				
	Less current portion	1,066	1,799				
	Long term portion	$ 20,116	$ 16,904				

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

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

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

(4) The repayment of this loan is pursuant to Javelina Ventures Operating Agreement in which net available cash from operations will be used to repay the principal and accrued interest on this loan.

(5) This loan was issued to MOC Fort Worth, LLC; MOC Round Rock, LLC; MOC San Antonio II, LLC; MOC Webster, LLC; and Bridgemoor Transitional Care Operations, LLC.

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

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

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

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

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

$11,908 of the loans outstanding and $26 of the accrued current and long term interest as at June 30, 2021 in the table above are made to current tenant operators. Of these amounts, $3,104 has been reserved as uncollectible.

Loans receivable and associated allowance for losses on loans receivable accounted for at amortized cost as at June 30, 2021 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 17,704	$ 1,951	$ 6,998	$ 26,653
Allowance for losses on loans receivable	(267)	(382)	(6,716)	(7,365)
Loans receivable, net of allowances	$ 17,437	$ 1,569	$ 282	$ 19,288

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

	Stage 1	Stage 2	Stage 3	Total
Loans receivable, net of loan fees	$ 11,079	$ 1,186	$ 32,311	$ 44,576
Allowance for losses on loans receivable	(127)	(236)	(27,878)	(28,241)
Loans receivable, net of allowances	$ 10,952	$ 950	$ 4,433	$ 16,335

The changes in the gross loans receivable balance during the period ended June 30, 2021 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total loans receivable as at December 31, 2020	$ 11,079	$ 1,186	$ 32,311	$ 44,576
Loans receivable				
Transfer to/(from)				
Stage 1	(733)	733	—	—
Stage 2	—	—	—	—
Stage 3	—	—	—	—
	$ 10,346	$ 1,919	$ 32,311	$ 44,576
Issuances	236	—	265	501
Repayments	—	—	(845)	(845)
Currency translation	—	32	—	32
Non-cash settlement	7,122	—	(24,733)	(17,611)
Total loans receivable as at June 30, 2021	$ 17,704	$ 1,951	$ 6,998	$ 26,653

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

The changes in the allowance for credit losses during the period ended June 30, 2021 are shown in the following table:

	Stage 1	Stage 2	Stage 3	Total
Total allowance for credit losses as at December 31, 2020	$ 127	$ 236	$ 27,878	$ 28,241
Allowance for credit losses				
Remeasurement	—	133	263	396
Transfer to/(from)				
Stage 1	(7)	7	—	—
Stage 2	—	—	—	—
Stage 3	—	—	—	—
	$ 120	$ 376	$ 28,141	$ 28,637
Issuances	—	—	265	265
Repayments	—	—	(135)	(135)
Currency translation	—	6	—	6
Non-cash settlement	147	—	(21,555)	(21,408)
Total allowance for credit losses as at June 30, 2021	$ 267	$ 382	$ 6,716	$ 7,365

For the three and six months ended June 30, 2021, a gain of $480 and a loss of $685, respectively (three and six months ended June 30, 2020 - $5,560 loss and $7,095 loss, respectively) was recorded as change in allowance for credit losses on loans and interest receivable in the condensed consolidated interim statements of loss and comprehensive loss. For the three and six months ended June 30, 2021 a loss of $474 and $474, respectively (three and six months ended June 30, 2020 - NIL) was recorded as a change in fair value of financial instruments in the condensed consolidated interim statements of loss and comprehensive loss for the change in fair value of the loan to Javelina Ventures, LLC.

On June 1, 2021, a subsidiary of the Company entered into a loan agreement with the tenant operator of the Symphony Portfolio ("Symcare") for a principal amount of $17,000 in satisfaction of all remaining balances owed by Symcare including the $7,295 loan entered into on October 20, 2017 and accrued interest thereon, the $15,000 loan entered into on December 26, 2018 and accrued interest thereon, and $10,969 of outstanding rent receivable offset by the release of the $7,000 security deposit on the previous master lease with Symcare. The new loan matures on December 31, 2035 and earns interest at an annual rate of 1.0% which accrues to the balance of the loan until maturity ("PIK Interest"). The loan was discounted using a market rate and recorded at a net loan balance of $7,122.

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

3. Other assets:

Other assets are as follows:

	June 30, 2021	December 31, 2020
Prepaid expense	$ 3,848	$ 2,330
Security deposits and costs related to future acquisitions	—	682
Escrow deposits held by lenders	4,693	5,251
Right-of-use assets	1,696	1,889
Bond assets	821	881
Other	843	807
	$ 11,901	$ 11,840
Current	$ 9,384	$ 9,069
Non-current	2,517	2,771
	$ 11,901	$ 11,840

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

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

4. Investment properties:

(a) Investment properties:

	Number of Properties		Amount
Balance, December 31, 2020	69	$	882,019
Capital expenditures	—		182
Sale of income properties	(4)		(75,265)
Held for sale properties	(4)		(36,822)
Increase in straight-line rents	—		3,041
Fair value adjustment	—		(5,056)
Amortization of tenant inducements	—		(246)
Translation of foreign operations	—		3,964
Balance, June 30, 2021	61	$	771,817
Investment properties in use		$	752,955
Property under development			18,862
Balance, June 30, 2021		$	771,817
Property tax liability under IFRIC 21			(5,595)
Fair value adjustment to investment properties - IFRIC 21			5,595
		$	771,817

At June 30, 2021, the Company used an internal valuation process to value its investment properties. Third party appraisers are engaged to prepare valuations on a portion of the portfolio annually such that one third of the portfolio is valued externally each year, and every property in the portfolio is valued externally at least once every five years. Management considers the external valuations for a cross-section of properties that represent different geographical locations across the Company's portfolio and updates, as deemed necessary, the valuation models to reflect current market data.

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

Capital expenditures include costs related to expansion projects at two buildings in Canada that are jointly owned. The Company has committed to fund its share of the projects as the expansions are completed.

The Company continues to review market capitalization, discount and terminal capitalization rates as well as its future cash flow projections and the valuation of its properties in light of the COVID-19 pandemic. The carrying value for the Company’s investment properties reflects its best estimate for the highest and best use as at June 30, 2021. It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company’s business and operations, both in the short term and in the long term. In a long term scenario, certain aspects of the Company’s business and operations that could potentially be impacted include rental income, occupancy, turnover, future demand, and market rents, which all ultimately impact the underlying valuation of investment properties.

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

On May 7, 2021, the Company entered into a purchase and sale agreement for the sale of the Company's interest in four triple-net properties operated by Inspirit Senior Living for total cash consideration of $35,500 and the sale was completed on July 1, 2021. The assets are classified as held for sale on the condensed consolidated interim statement of financial position at June 30, 2021.

The following table summarizes the significant unobservable inputs in determining fair value:

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

The capitalization rates used in determining fair value of investment properties measured as at June 30, 2021 and December 31, 2020 are set out in the following table:

	June 30, 2021	December 31, 2020
Capitalization rate - range	6.74% - 9.00%	5.85% - 9.00%
Capitalization rate - weighted average	8.02%	8.06%

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

		June 30, 2021		December 31, 2020
Investment property valued using direct capitalization income approach	$	554,219	$	617,931
Investment property valued using discounted cash flow projection	$	198,736	$	139,727
Investment property valued using other methods	$	55,684	$	124,361
Capitalization rate:				
25-basis point increase	$	(16,890)	$	(18,727)
25-basis point decrease	$	17,997	$	19,945

In addition, a 1% increase in stabilized future cash flows would result in a portfolio fair value increase of $5,542. A 1% decrease in stabilized future cash flows would result in a portfolio fair value decrease of $5,542. A 1% increase in stabilized future cash flows coupled with a 0.25% decrease in capitalization rates would result in a portfolio fair value increase of $23,719. A 1% decrease in stabilized future cash flows coupled with a 0.25% increase in capitalization rates would result in a portfolio fair value decrease of $22,263.

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

(b) Asset dispositions - six months ended June 30, 2021

	Chesterton, IN	Symcare	Total
Number of consolidated properties disposed:	(1)	(3)	(4)
Net assets disposed:			
Investment properties	$ (19,982)	$ (55,283)	(75,265)
Working capital balances	(50)	—	(50)
	$ (20,032)	$ (55,283)	$ (75,315)
Consideration received:			
Cash	(20,032)	(55,283)	(75,315)
	$ (20,032)	$ (55,283)	$ (75,315)

On April 30, 2021, the Company sold a property located in Chesterton, IN to the operator Symphony for a sale price of $20,000 before closing costs. The consideration was paid in the form of a $14,503 repayment of the mortgage secured by the property and $5,529 of cash.

On June 1, 2021, the Company sold three properties located in Chicago, IL to the operator Symphony for a sale price of $55,500 before closing costs. The consideration was paid in the form of $55,283 cash. The cash was used to pay down the Credit Facility.

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

5. Property, plant and equipment, net:

Property, plant and equipment consists of the following as at June 30, 2021:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Total
Cost					
Balance, December 31, 2020	$ 28,827	$ 465,288	$ 12,843	$ 7,406	$ 514,364
Additions	—	2,154	963	720	3,837
Transfers	—	4,453	—	(4,453)	—
Assets contributed to joint venture	(2,600)	—	—	—	(2,600)
Assets transferred to held for sale	(106)	(1,993)	(33)	—	(2,132)
Balance, June 30, 2021	$ 26,121	$ 469,902	$ 13,773	$ 3,673	$ 513,469
Accumulated depreciation					
Balance, December 31, 2020	$ —	$ 59,744	$ 2,795	$ —	$ 62,539
Depreciation and amortization	—	12,394	1,019	—	13,413
Assets transferred to held for sale	—	(395)	(24)	—	(419)
Balance, June 30, 2021	$ —	$ 71,743	$ 3,790	$ —	$ 75,533
Property, plant and equipment, net balance, December 31, 2020	$ 28,827	$ 405,544	$ 10,048	$ 7,406	$ 451,825
Property, plant and equipment, net balance, June 30, 2021	$ 26,121	$ 398,159	$ 9,983	$ 3,673	$ 437,936

In June 2021 the Company ceased operations in and listed for sale a property located in Port Royal, SC. The Company has successfully transitioned all residents from this property into new locations in order to prepare the building for sale. The assets are classified as held for sale on the condensed consolidated interim statement of financial position at June 30, 2021.

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

6. Joint arrangements:

As at June 30, 2021, the following are the Company's joint arrangements:

Joint arrangement	Number of properties	Location	Company ownership	Consolidation type
Invesque-Autumnwood Landlord	4	Canada	50 %	Joint operation (1)
Invesque-Autumnwood Operator	—	Canada	50 %	Joint venture (2)
Calamar	2	United States	75 %	Joint venture (3)
Heritage JV	3	United States	80 %	Joint venture (3)
Heritage Newtown	1	United States	80 %	Joint venture (3)
Heritage Harleysville	1	United States	90 %	Joint venture (3)
Heritage Glassboro	1	United States	90 %	Joint venture (3)
Jaguarundi	8	United States	61 %	Joint venture (4)
Terra Bluffs	1	United States	74 %	Joint venture (3)

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

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

(3) These joint venture arrangements have been structured through separate legal entities. The joint venture owns an interest in separate legal entities which own the real estate and operations.

(4) The joint venture owns an interest in separate legal entities which own the real estate and leases the properties to third party operators.

The Company has entered into a number of joint arrangements for the purpose of jointly owning and operating certain of its seniors housing investments as detailed in the table above.

The Company and Autumnwood each owns a 50% direct beneficial interest in the real estate assets of the Invesque-Autumnwood Landlord entity and are jointly obligated for the related mortgages for a portfolio of four properties which are accounted for as joint operations and are accounted for under the proportionate consolidation method. The Company's 50% interest in the operations of these properties is held through separate legal entities (collectively referred to as "Invesque-Autumnwood Operators"), which under IFRS 11, Joint arrangements, are accounted for as joint ventures using the equity method. Invesque-Autumnwood Operators have leased the real estate from the landlords under their respective lease agreements. These leases are for three-year periods, with six automatic renewals every third anniversary for a total of 21 years. The Company's share of the landlords' lease receipts, $900 and $1,773 for the three and six months ended June 30, 2021, respectively (three and six months ended June 30, 2020 - $749 and $1,522, respectively), is reported as lease revenue from joint ventures. Invesque-Autumnwood Operators lease expense is included in the share of loss from joint ventures in the condensed consolidated interim statements of loss and comprehensive loss.

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

The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed. The Company earns an asset management fee of 25 basis points based on gross asset value. For the three and six months ended June 30, 2021, the Company has earned guaranty fees of $15 and $30, respectively (three and six months ended June 30, 2020 - $15 and $30, respectively) and management fees of $101 and $202, respectively (three and six months ended June 30, 2020 - $101 and $202, respectively) from Jaguarundi Ventures, LP included in other revenue in the condensed consolidated interim statements of loss and comprehensive loss.

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

On June 14, 2021, the Company entered into a joint venture for the development of a seniors housing property in Parker, Colorado ("Terra Bluffs"). The Company contributed land valued at $2,600 and $3,002 of cash to the joint venture in exchange for a 73.6% ownership interest. $702 of the cash contribution was spent on predevelopment costs prior to the formation of the joint venture. The project has property under development of $4,563 as of June 30, 2021. The remaining portion of the project will be funded through draws on construction loans at the joint venture.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash contributions to joint ventures	$ 2,843	$ —	$ 2,879	$ 1,688
Distributions received from joint ventures	$ 662	$ 1,291	$ 826	$ 2,020

	June 30, 2021		December 31, 2020	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 11,810	$ 8,923	$ 5,480	$ 4,152
Tenant and other receivables	2,450	1,317	3,204	1,765
Other	2,483	2,133	923	839
Current assets	16,743	12,373	9,607	6,756
Investment properties	294,050	205,421	292,526	204,399
Property, plant and equipment, net	26,058	18,798	26,317	19,044
Loans receivable	3,883	54	3,885	55
Other non-current assets	495	373	481	362
Total assets	$ 341,229	$ 237,019	$ 332,816	$ 230,616
Accounts payable and accrued liabilities	$ 9,731	$ 7,284	$ 6,753	$ 4,787
Unearned revenue	566	462	712	585
Mortgages payable - current	53,149	34,099	25,332	17,311
Current liabilities	63,446	41,845	32,797	22,683
Mortgages payable - non-current	157,743	117,520	187,120	135,298
Construction loan	4,198	3,094	—	—
Loan commitment liability	—	—	416	252
Derivative instruments	5,324	4,119	7,249	5,615
Other non-current liabilities	2,233	1,463	2,286	1,510
Total liabilities	$ 232,944	$ 168,041	$ 229,868	$ 165,358
Net assets	$ 108,285	$ 68,978	$ 102,948	$ 65,258

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

As at June 30, 2021, a joint arrangement with respect to one property currently undergoing renovations did not meet certain debt service coverage ratio requirements under the terms of a mortgage agreement secured by the property. As the joint arrangement did not have an unconditional right to defer settlement of the mortgage for at least twelve months as at June 30, 2021, the $9,364 outstanding loan balance has been classified as a current liability of the joint arrangement as at June 30, 2021.

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

	Three months ended June 30, 2021		Three months ended June 30, 2020	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 14,561	$ 8,422	$ 16,227	$ 10,122
Other income	—	—	531	432
Property operating expense	(10,041)	(5,502)	(10,966)	(6,563)
Depreciation expense	(181)	(136)	(181)	(136)
Finance costs	(2,308)	(1,662)	(2,139)	(1,495)
Real estate tax expense	(408)	(247)	(417)	(253)
General and administrative expenses	(1,176)	(711)	(117)	(70)
Allowance for credit losses on loans and interest receivable	(255)	(154)	(5,367)	(4,313)
Change in fair value of financial instruments	523	402	(431)	(342)
Change in fair value of investment properties	(3,747)	(2,840)	(5,890)	(4,282)
Net loss, prior to distributions to owners	$ (3,032)	$ (2,428)	$ (8,750)	$ (6,900)

	Six months ended June 30, 2021		Six months ended June 30, 2020	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 28,963	$ 17,035	$ 35,731	$ 22,924
Other income	144	129	531	432
Property operating expense	(19,736)	(11,049)	(23,530)	(14,585)
Depreciation expense	(362)	(272)	(362)	(272)
Finance costs	(4,601)	(3,305)	(4,543)	(3,185)
Real estate tax expense	(816)	(494)	(835)	(506)
General and administrative expenses	(2,301)	(1,392)	(187)	(104)
Allowance for credit losses on loans and interest receivable	(954)	(577)	(9,232)	(7,432)
Change in fair value of financial instruments	1,925	1,496	(5,922)	(4,603)
Change in fair value of investment properties	(3,960)	(3,240)	(24,296)	(17,635)
Net loss, prior to distributions to owners	$ (1,698)	$ (1,669)	$ (32,645)	$ (24,966)

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

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

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

	June 30, 2021	December 31, 2020
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 169,923	$ 170,814
Interest rates	3.99% to 4.98%	3.99% to 4.98%
Weighted average interest rate	4.30 %	4.30 %
Mortgages at variable rates:		
Mortgages (principal)	$ 41,915	$ 42,635
Interest rates	LIBOR plus 2.40% to LIBOR plus 3.00% with a 4.50% floor	LIBOR plus 2.40% to LIBOR plus 3.00%
Weighted average interest rate	3.88 %	3.88 %
Blended weighted average rate	4.22 %	4.22 %

(1) Includes $114,202 of variable rate mortgages that are fixed with interest rate swaps.

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

The following tables summarize the information about the Company's investment in Jaguarundi Ventures, LP, which have been accounted for under the equity method and included in tables above. Jaguarundi Ventures, LP is shown separately below due to significance of the interest in the joint venture. The joint venture was formed on June 5, 2019. During the three and six months ended June 30, 2021, the Company has not made cash contributions to Jaguarundi Ventures, LP (three and six months ended June 30, 2020 - $0 and $1,428, respectively). During the three and six months ended June 30, 2021, the Company has not received any distributions from Jaguarundi Ventures, LP (three and six months ended June 30, 2020 - NIL).

	June 30, 2021		December 31, 2020	
	Net assets	Company share of net assets	Net assets	Company share of net assets
Cash	$ 915	$ 554	$ 1,658	$ 1,003
Tenant and other receivables	833	504	1,602	969
Other	258	156	110	68
Current assets	2,006	1,214	3,370	2,040
Investment properties	141,516	85,626	143,785	86,999
Total assets	$ 143,522	$ 86,840	$ 147,155	$ 89,039
Accounts payable and accrued liabilities	$ 1,154	$ 698	$ 1,918	$ 1,160
Mortgages payable - current	43,258	26,174	15,227	9,214
Current liabilities	44,412	26,872	17,145	10,374
Mortgages payable - non-current	54,753	33,129	84,149	50,916
Loan commitment liability	—	—	416	252
Derivative instruments	1,198	724	1,602	969
Other non-current liabilities	1,700	1,029	1,700	1,029
Total liabilities	$ 102,063	$ 61,754	$ 105,012	$ 63,540
Net assets	$ 41,459	$ 25,086	$ 42,143	$ 25,499

The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed. As of June 30, 2021, the outstanding mortgages balance of Jaguarundi Ventures, LP is $98,011. As of June 30, 2021, the value of the properties that collateralize the mortgages is $141,516 and is sufficient to support the mortgage values.

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

	Three months ended June 30, 2021		Three months ended June 30, 2020	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 3,635	$ 2,177	$ 3,614	$ 2,164
Finance costs	(1,051)	(636)	(765)	(385)
Real estate tax expense	(408)	(247)	(417)	(253)
General and administrative expenses	(1,177)	(712)	(116)	(71)
Allowance for credit losses on loans and interest receivable	(255)	(154)	(5,367)	(4,313)
Change in fair value of financial instruments	126	76	(65)	(39)
Change in fair value of investment properties	(2,620)	(1,563)	(4,546)	(2,728)
Net loss, prior to distributions to owners	$ (1,750)	$ (1,059)	$ (7,662)	$ (5,625)

	Six months ended June 30, 2021		Six months ended June 30, 2020	
	Net income (loss)	Company share of net income (loss)	Net income (loss)	Company share of net income (loss)
Revenue	$ 7,265	$ 4,351	$ 7,222	$ 4,325
Finance costs	(2,135)	(1,292)	(1,622)	(828)
Real estate tax expense	(816)	(494)	(835)	(506)
General and administrative expenses	(2,303)	(1,393)	(233)	(141)
Allowance for credit losses on loans and interest receivable	(954)	(577)	(9,232)	(7,432)
Change in fair value of financial instruments	404	244	(1,235)	(747)
Change in fair value of investment properties	(2,145)	(1,253)	(10,433)	(6,268)
Net loss, prior to distributions to owners	$ (684)	$ (414)	$ (16,368)	$ (11,597)

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

7. Credit facilities:

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

	June 30, 2021	Borrowing rate at June 30, 2021	December 31, 2020	Borrowing rate at December 31, 2020
Credit Facility Term (1)	$ 200,000	4.51 %	$ 200,000	4.66 %
Credit Facility Revolver (3)	176,689	3.47 %	190,500	3.58 %
MOB Facility USD denominated portion	21,286	2.30 %	21,286	2.34 %
MOB Facility CAD denominated portion (1) (2)	68,724	4.32 %	66,904	4.32 %
Magnetar Facility	—	— %	10,000	9.00 %
Commonwealth Facility (4)	180,453	3.80 %	176,000	3.84 %
Finance costs, net	(3,314)	—	(4,094)	—
Carrying value	$ 643,838	3.93 %	$ 660,596	4.09 %
Less current portion	—		10,000	
Long-term portion	$ 643,838		$ 650,596	

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

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

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

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

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

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

On November 4, 2020, the Company entered into an agreement to modify the Credit Facility, in which the facility will be permanently converted to a facility secured by pledges of equity in the special purposes entities which own the properties making up a borrowing base. The minimum fixed charge coverage ratio covenant will permanently decrease from 1.75 to 1.60. Per the agreement, the Company 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%. Per the agreement, the surge period ended June 30, 2021.

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

The table below shows the applicable margins at each leverage ratio during the surge period, which includes a 15 basis point increase:

Level	Consolidated Leverage Ratio	Applicable Margin for Revolving Credit LIBOR Loans	Applicable Margin for LIBOR Loans that are Term Loans
1	Less than 40%	1.75 %	1.70 %
2	Equal to or greater than 40% but less than 45%	1.90 %	1.85 %
3	Equal to or greater than 45% but less than 50%	2.05 %	2.00 %
4	Equal to or greater than 50% but less than 55%	2.20 %	2.15 %
5	Equal to or greater than 55% but less than 60%	2.35 %	2.30 %
6	Equal to or greater than 60% but less than 65%	2.60 %	2.55 %

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

On 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 ("Magnetar Facility"). 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 Magnetar Facility credit agreement the interest rate increased to 9.0%. On June 16, 2020, the Company repaid $5,000 on the Magnetar Facility. On June 22, 2021, the company used cash on hand to repay the $10,000 Magnetar Facility.

On August 1, 2019, a wholly owned subsidiary of the Company entered into a secured credit facility ("Commonwealth Facility") for the purpose of funding the acquisition of Commonwealth Tranche I. The $176,000 new debt secured by 16 properties has a maturity date of August 1, 2024, with 2 available extension options. It bears interest at a rate of LIBOR plus 215 basis points. The agreement also provides for an accordion feature that would extend the capacity of the loan by an additional $50,000 subject to certain terms and conditions provided for in the agreement. Pursuant to the terms of the Commonwealth Facility, the Company is required to maintain a debt yield of 8.0% (which increases to 8.75% at September 30, 2021) as well as a Debt Service Coverage Ratio of 1.25.

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

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

Future principal repayments of the credit facilities are as follows:

	Aggregate principal payments
2021	$ —
2022	176,689
2023	290,010
2024	180,453
2025	—
Thereafter	—
Total	$ 647,152

8. Mortgages payable:

Mortgages payable consist of the following as at June 30, 2021:

	June 30, 2021	December 31, 2020
Mortgages payable	$ 237,028	$ 296,881
Mark-to-market adjustment, net	4,881	4,958
Finance costs, net	(1,721)	(2,375)
Carrying value	$ 240,188	$ 299,464
Less current portion	52,272	30,622
Long-term portion	$ 187,916	$ 268,842

Mortgages payable are collateralized by investment properties and property, plant and equipment with a value of $364,957 at June 30, 2021. Maturity dates on mortgages payable range from 2021 to 2054, and the weighted average years to maturity is 6.93 years at June 30, 2021.

As at June 30, 2021, the Company did not meet certain lease coverage ratio requirements under the terms of a mortgage agreement secured by two properties. As the Company did not have an unconditional right to defer settlement of the mortgage for at least twelve months as at June 30, the $9,569 outstanding loan balance has been classified as a current liability in the condensed consolidated interim statement of financial position as at June 30, 2021. On July 1, 2021, the two properties were sold in conjunction with two additional properties to the operator Inspirit Senior Living ("Inspirit") for total cash consideration of $35,500, which was used, in part, to repay the related outstanding mortgages (note 26).

Future principal payments on the mortgages payable as at June 30, 2021 are as follows:

	Regular principal payments	Principal due on maturity	Total principal payments	% of total principal payments
2021	$ 2,332	$ 20,485	$ 22,817	10 %
2022	4,279	27,346	31,625	13 %
2023	3,776	48,830	52,606	22 %
2024	3,006	37,765	40,771	17 %
2025	1,672	23,438	25,110	11 %
Thereafter	34,379	29,720	64,099	27 %
	$ 49,444	$ 187,584	$ 237,028	100 %

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

	June 30, 2021	December 31, 2020
Mortgages at fixed rates:		
Mortgages (principal) (1)	$ 180,850	$ 240,429
Interest rates	2.16% to 6.15%	2.55% to 6.15%
Weighted average interest rate	4.05 %	4.33 %
Mortgages at variable rates:		
Mortgages (principal)	$ 56,178	$ 56,452
Interest rates	LIBOR plus 2.45% to LIBOR plus 2.75% with a 1% LIBOR Floor	LIBOR plus 2.45% to LIBOR plus 2.75% with a 1% LIBOR Floor
Weighted average interest rate	3.52 %	3.53 %
Blended weighted average rate	3.93 %	4.18 %

(1) Includes $35,403 of variable rate mortgages that are fixed with interest rate swaps.

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

9. Derivative financial instruments:

(a) Derivative swaps:

Derivative swaps as at June 30, 2021 are detailed in the table below:

				Asset (liability) balance		Income (loss) for the three months ended		Income (loss) for the six months ended	
Swap	Maturity date	Fixed rate	Notional amount	June 30, 2021	December 31, 2020	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Credit Facility Term	December 19, 2023	LIBOR fixed at 2.11%	$ 200,000	$ (9,085)	$ (11,945)	$ 863	$ (861)	$ 2,860	$ (9,683)
Credit Facility Revolver	January 2, 2024	LIBOR fixed at 2.57%	25,000	(1,442)	(1,860)	136	(82)	418	(1,176)
Credit Facility Revolver	December 1, 2022	LIBOR fixed at 2.11%	50,000	(1,487)	(1,996)	239	(65)	509	(1,654)
Red Oak Swap (1)	January 18, 2023	Interest rate fixed at 2.17%	4,145	(1)	(13)	7	39	12	(20)
Winchester Swap	November 1, 2021	Interest rate fixed at 4.54%	—	—	(76)	11	8	34	(119)
MOB Facility Swap (2)	May 1, 2023	Banker's Acceptance fixed at 2.12%	68,724	(1,813)	(2,561)	434	(236)	813	(2,517)
Grand Brook Swap	October 2, 2021	Interest rate fixed at 5.98%	—	—	(402)	146	67	265	(169)
Commonwealth Swap	August 1, 2024	LIBOR fixed at 1.69%	176,000	(6,457)	(9,375)	548	(965)	2,918	(10,170)
Constant Care Swap	October 1, 2022	Interest rate fixed at 4.21%	—	—	(641)	105	(56)	203	(895)
Oak Ridge Swap	April 1, 2022	LIBOR fixed at 0.66%	14,123	(64)	(100)	17	(35)	36	(139)
Charlottesville Swap	March 31, 2024	LIBOR fixed at 0.56%	17,135	(54)	—	(54)	—	(54)	—
			Carrying value	$ (20,403)	$ (28,969)	$ 2,452	$ (2,186)	$ 8,014	$ (26,542)
			Less current liability portion	—	(491)				
			Long term liability portion	$ (20,403)	$ (28,478)				

1) The swap has a notional amount of CAD$5,138.

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

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

(b) Prepayment embedded derivatives:

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

The fair value of the prepayment embedded derivatives has been determined using a LIBOR based interest rate swap options ("swaptions") as a proxy. The swaptions were structured to mirror the financial conventions of the respective loans, including payment periods, accrual basis, principal amortization, prepayment dates and prepayment premiums. The swaptions were structured as fixed receiver with a strike rate set on market as of the date of the loan agreement with exercise premiums to match the underlying loans plus a cost of refinancing upon exercise. The resulting swaption price would represent a proxy for the value of the prepayment rights embedded in the underlying loans. The fair values determined are based on significant other observable inputs (Level 2). As at June 30, 2021, the prepayment embedded derivative assets have a fair value of $3,748 (2020 - $4,814). For the three and six months ended June 30, 2021, a fair value gain of $879 and $1,066 loss, respectively (three and six months ended June 30, 2020 - $1,840 gain and $2,655 gain, respectively), was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

10. Convertible debentures:

As at June 30, 2021, the convertible debentures are comprised of the following:

		June 30, 2021		December 31, 2020
Issued	$	94,975	$	94,975
Issue costs, net of amortization and accretion of equity component		512		(180)
Equity component, excluding issue costs and taxes		(2,384)		(2,384)
Carrying value convertible debentures	$	93,103	$	92,411
Less current portion		44,516		—
Long term portion	$	48,587	$	92,411

Interest costs related to the convertible debentures are recorded in financing costs using the effective interest rate method.

11. Commonwealth preferred unit liability:

As at June 30, 2021 the Commonwealth preferred unit liability is comprised of the following:

		June 30, 2021		December 31, 2020
Issued	$	67,381	$	67,381
Equity component, net of accretion		(1,363)		(1,584)
Commonwealth preferred unit liability	$	66,018	$	65,797

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

12. Other liabilities:

Other liabilities are as follows:

	June 30, 2021	December 31, 2020
Deferred shares liability (note 20)	$ 1,213	$ 875
Security deposits received from tenants	2,168	8,576
Escrows collected from tenant	2,026	1,816
Unearned revenue	1,412	2,674
Liability to previous owner of Care	—	126
Lease liability	1,696	1,890
Loan commitment liability (note 23)	—	115
Exchangeable units liability	2,049	2,049
Earnout payable (note 23)	3,451	2,254
Other	585	841
	$ 14,600	$ 21,216
Current	$ 3,843	$ 4,975
Non-current	10,757	16,241
	$ 14,600	$ 21,216

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

On June 1, 2021, in conjunction with the sale of three properties to the tenant operator Symphony and a new loan agreement with the operator, the Company entered into an agreement to extinguish the $7,000 security deposit liability in settlement of past rents due from Symphony.

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

	Credit facilities	Mortgages payable	Convertible debentures	Commonwealth preferred unit liability	Total
Balance, December 31, 2020	$ 660,596	$ 299,464	$ 92,411	$ 65,797	$ 1,118,268
Proceeds from financing	58,953	17,135	—	—	76,088
Repayments	(78,311)	(75,132)	—	—	(153,443)
Scheduled principal payments	—	(2,888)	—	—	(2,888)
Financing costs paid	—	(206)	—	—	(206)
Amortizing of financing costs, mark to market adjustments, and accretion of equity components	788	858	692	221	2,559
Changes in foreign currency rates	1,812	957	—	—	2,769
Balance, June 30, 2021	$ 643,838	$ 240,188	$ 93,103	$ 66,018	$ 1,043,147

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

14. Share capital:

(a) Common shares:

The following number and value of common shares were issued and outstanding as at June 30, 2021:

	Common shares		Carrying value
Balance, December 31, 2020	55,877,496	$	509,203
Issued on settlement of Deferred Share Incentive Plan	118,902		327
Issued on settlement of equity settled Deferred Shares	76,596		516
Balance, June 30, 2021	56,072,994	$	510,046

On April 10, 2020, the Company announced the suspension of its dividend for all common shareholders from April 1, 2020 until further notice.

(b) Preferred shares:

The following number and value of preferred shares were issued and outstanding as at June 30, 2021:

	Preferred shares		Carrying value
Balance, December 31, 2020 and March 31, 2021	9,098,598	$	85,389

As at June 30, 2021, the preferred shares are convertible into 10,994,431 common shares of the Company.

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

15. Earnings (loss) per share:

Basic income per share is calculated using the weighted average number of shares outstanding during the period. The calculation of diluted income per share, is calculated using the "if-converted" method and to the extent the conversion is dilutive, assumes all convertible securities have been converted at the beginning of the period, or at the time of issuance, if later, and any charges or returns on the convertible securities, on an after-tax basis, are removed from net earnings. The outstanding convertible debentures, unvested deferred shares and Commonwealth preferred units, if exercised, would be anti-dilutive to net income per share. Accordingly their potential exercise has been ignored in calculating the diluted net income per share.

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

Net loss:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net loss for basic and diluted net loss per share	$ (3,500)	$ (30,009)	$ (1,700)	$ (86,940)

Denominator for basic and diluted net loss per share:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Weighted average number of shares, including fully vested deferred shares: Basic and diluted	56,308,810	55,804,958	56,235,874	55,384,185

Net loss per share:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Basic and diluted	$ (0.06)	$ (0.54)	$ (0.03)	$ (1.57)

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

16. Revenue:

(a) Rental Revenue:

Rental revenue consists of the following:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Contractual rental revenue	$ 15,670	$ 16,979	$ 33,242	$ 34,134
Straight-line rent adjustments	1,779	1,758	3,041	3,474
Amortization of tenant inducements	(51)	(97)	(246)	(190)
Property tax recoveries	2,876	3,434	6,289	6,891
Revenue from services - CAM recoveries (1)	776	687	1,486	1,490
	$ 21,050	$ 22,761	$ 43,812	$ 45,799

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

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

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

The tenant Symcare operated a portfolio of 15 properties and paid rent pursuant to a master lease. During the three and six months ended June 30, 2021, three properties included in the master lease were sold and four were transitioned to a new operator. On June 1, 2021, a subsidiary of the Company entered into a new master lease with the remaining eight properties. For the three and six months ended June 30, 2021, rental revenue from this tenant comprised approximately 34% and 39%, respectively (three and six months ended June 30, 2020 - 44% and 43%, respectively), of the Company's consolidated rental revenue for the period.

Future minimum rentals to be received as of June 30, 2021 are as follows:

Less than 1 year	$ 56,213
Between 1 and 5 years	224,874
More than 5 years	396,476
	$ 677,563

Future minimum rentals in the above table attributable to Symcare represent approximately 35% of the total.

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

(b) Resident rental and related revenue:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Resident revenue	$ 15,234	$ 13,485	$ 30,205	$ 26,252
Service revenue (1)	14,018	16,010	28,136	32,146
	$ 29,252	$ 29,495	$ 58,341	$ 58,398

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

17. Direct property operating expenses:

Direct property operating expenses consist of the following:

	Three months ended June 30, 2021			Three months ended June 30, 2020		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 707	$ 324	$ 1,031	$ 563	$ 407	$ 970
Utilities	896	334	1,230	830	260	1,090
Property management fees	—	148	148	—	139	139
Compensation and benefits	14,394	—	14,394	14,334	—	14,334
Other services and supplies	1,626	258	1,884	1,628	233	1,861
Real estate taxes	618	—	618	596	—	596
Other	4,219	347	4,566	4,008	193	4,201
	$ 22,460	$ 1,411	$ 23,871	$ 21,959	$ 1,232	$ 23,191

	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Owner occupied properties	Medical office buildings	Total	Owner occupied properties	Medical office buildings	Total
Repairs and maintenance	$ 1,346	$ 830	$ 2,176	$ 1,168	$ 890	$ 2,058
Utilities	1,963	709	2,672	1,826	589	2,415
Property management fees	—	296	296	—	281	281
Compensation and benefits	28,935	—	28,935	28,403	—	28,403
Other services and supplies	3,146	497	3,643	3,456	485	3,941
Real estate taxes	1,251	—	1,251	1,130	—	1,130
Other	9,223	738	9,961	7,199	387	7,586
	$ 45,864	$ 3,070	$ 48,934	$ 43,182	$ 2,632	$ 45,814

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

18. Finance costs:

Finance costs consist of the following:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest expense on credit facilities	$ 4,332	$ 5,006	$ 8,744	$ 11,541
Interest expense on mortgages payable	2,613	2,810	5,532	5,631
Interest expense on convertible debentures	1,312	1,312	2,624	2,624
Distributions on exchangeable units	—	—	—	62
Dividends on Commonwealth preferred units	1,096	1,070	2,176	2,154
Amortization and accretion expense	1,387	1,083	2,591	2,110
Interest rate swap payments (receipts)	2,673	2,065	5,264	2,465
Debt extinguishment costs	36	—	732	—
Amortization of mark-to-market debt adjustments	(16)	60	(78)	(133)
Interest income from loans receivable (note 2)	(314)	(902)	(621)	(1,766)
Finance costs from operations	$ 13,119	$ 12,504	$ 26,964	$ 24,688
Allowance for credit losses on loans and interest receivable (note 2)	(480)	5,560	685	7,095
Change in non-controlling interest liability	4	119	(46)	168
Change in fair value of financial instruments (note 9)	(2,857)	346	(6,474)	23,887
Change in fair value of contingent consideration (note 23)	1,197	—	1,197	—
Total finance costs	$ 10,983	$ 18,529	$ 22,326	$ 55,838

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

19. General and administrative:

General and administrative costs consist of the following:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Compensation and benefits	$ 3,025	$ 2,776	$ 5,991	$ 5,848
Asset management and administrative fees	—	66	—	190
Professional fees	1,150	745	2,059	1,976
Deferred share compensation expense	517	711	1,538	35
Bad debt expense	(1,094)	1,464	529	1,464
Other	917	482	1,532	1,212
	$ 4,515	$ 6,244	$ 11,649	$ 10,725

For the three and six months ended June 30, 2021, $1,875 and $3,573, respectively (three and six months ended June 30, 2020 - $1,584 and $3,198, respectively) of general and administrative costs were incurred at the Commonwealth management company.

20. Deferred share incentive plan:

At June 30, 2021, the number of deferred shares granted and outstanding and vested are as follows:

	Granted/ Outstanding	Fully Vested
As at December 31, 2020	1,317,543	210,978
Discretionary Deferred Shares	129,119	177,921
Equity Settled Deferred Shares	—	76,596
Individual Contributed Deferred Shares (vested immediately)	25,365	25,365
Company Contributed Deferred Shares	25,365	17,692
Shares forfeited	(1,342)	—
Shares issued upon vesting of deferred shares	(195,498)	(195,498)
Shares settled for cash pursuant to the plan terms	(59,019)	(59,019)
As at June 30, 2021	1,241,533	254,035

For the three and six months ended June 30, 2021, the expense recognized in the condensed consolidated interim statements of loss and comprehensive loss related to deferred shares was $517 and $1,538, respectively (three and six months ended June 30, 2020 - $711 and $35, respectively). A deferred share liability of $1,213 (2020 - $875) is included in other non-current liabilities in the condensed consolidated interim statements of financial position as at June 30, 2021.

On January 24, 2020, the Company granted 344,310 deferred shares that are considered to be equity settled, as the participants of this grant have waived their rights to receive settlement in cash pursuant to the plan. During the three and six months ended June 30, 2021, the Company amortized $358 and $712, respectively (three and six months ended June 30, 2020 - $486 and $869, respectively) of equity settled deferred shares.

During the six months ended June 30, 2021, the Company did not grant dividends on deferred shares (six months ended June 30, 2020 - 64,266 shares).

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

21. Related party transactions:

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

On July 26, 2019, the Company entered into a credit agreement with Magnetar for a principal amount of $30,000, annual interest rate of 8.5%, and an initial maturity of one year with a one year extension option. On December 5, 2019, the Company repaid $15,000 on the facility. On June 5, 2020, the Company gave notice of intent to exercise the one year extension option and per the credit agreement the interest rate will increase to 9.0%. On June 16, 2020, the Company repaid $5,000 on the facility. On June 22, 2021, the company repaid the remaining $10,000 on the facility. For the three and six months ended June 30, 2021, the Company expensed $205 and $430, respectively, of interest related to this credit facility in the condensed consolidated interim statements of loss and comprehensive loss (three and six months ended June 30, 2020 - $302 and $621, respectively).

22. Income taxes:

The income tax recovery in the condensed consolidated interim statements of loss and comprehensive loss differs from that expected by applying the combined federal, provincial and state income tax rates of 26.5% (2020 - 26.5%). The differences for the three and six months ended June 30, 2021 and 2020 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net loss before income taxes	$ (3,500)	$ (30,009)	$ (1,700)	$ (93,884)
Income tax expense (recovery) at Canadian tax rate	(928)	(7,953)	(451)	(24,879)
Non-deductible expenses	536	333	949	208
Difference in tax rate in foreign jurisdiction	(17)	(333)	31	(1,055)
Unrecognized tax losses	409	7,953	(529)	18,782
Income tax recovery	$ —	$ —	$ —	$ (6,944)

The gross movement in deferred tax is as follows:

	Six months ended June 30,	
	2021	2020
Deferred tax asset (liability), beginning balance	$ —	$ (6,944)
Deferred tax recovery	—	6,944
Deferred tax asset (liability), ending balance	$ —	$ —

23. Commitments and contingencies:

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

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

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

On June 5, 2019, the Company entered into agreements to fund future loans to tenants of the Jaguarundi Ventures, LP joint venture. On October 1, 2019, the Company amended the agreements to increase the future loan commitments to the tenants. On February 18, 2020, the Company amended the agreements to further increase the future loan commitments to the tenants. As at June 30, 2021, the loans are fully extended and the Company no longer has a commitment to fund pursuant to these agreements. The Company provides a guarantee on the outstanding mortgage balances of the Jaguarundi Ventures, LP in exchange for a fee equal to 15 basis points on the amount guaranteed (note 6). As of June 30, 2021, the value of the properties that collateralize the mortgages is $141,516 and is sufficient to support the mortgage values.

Pursuant to the Commonwealth purchase agreement, the Company may be required to fund one or more earnout payments relating to six communities that had not yet reached stabilization at the time of acquisition by the Company. These earnout payments are only payable in the event specific occupancy and EBITDAR thresholds have been satisfied, and must be met prior to the third anniversary of closing at which time the earnout payment obligation will cease to exist. The earnout payments, when funded, will consist of a combination of cash and additional preferred interests. During the year ended December 31, 2020, given the performance of one of the six communities, the Company recorded an expense related to the increase in the fair value of contingent consideration in the amount of $3,256, which was paid through the issuance of $1,701 of Commonwealth preferred units and $1,555 of cash on hand. As at June 30, 2021, the Company has recorded a liability of $3,451 in the financial statements associated with this commitment relating to the remaining five communities based on the weighted average probably of earnout payments owed using estimated future results at the properties.

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

24. Fair value measurement:

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

	June 30, 2021			December 31, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset	$ —	$ 3,748	$ —	$ —	$ 4,814	$ —
Investment properties	—	—	771,817	—	—	882,019
Loans receivable	—	—	1,894	—	—	2,368
Loan commitment liability	—	—	—	—	115	—
Derivative liability	—	20,403	—	—	28,969	—
Deferred share liability	—	1,213	—	—	875	—

For the assets and liabilities measured at fair value as at June 30, 2021, there were no transfers between Level 1, Level 2 and Level 3 levels during the period. For changes in fair value measurements of investment properties included in Level 3 of the fair value hierarchy, refer to note 4 for details. The fair values of the derivative instruments represents estimates at a specific point in time using financial models, based on interest rates that reflect current market conditions, the credit quality of counterparties and interest rate curves. Fair value measurements of derivative instruments were estimated using Level 2 inputs. Fair value of deferred share liability represents the value of the units if converted using the market price of the Company's common shares.

Fair value of financial instruments:

The carrying amounts and fair values of financial instruments as shown in the consolidated statements of financial position are shown in the table below. The table below excludes cash, restricted cash, tenant and other receivables, security deposits and costs related to future acquisitions, income support receivable, escrow deposits held by lenders, accounts payable and accrued liabilities, accrued real estate taxes, construction payable, liabilities to previous owner of Care, escrows collected from tenant, and dividend payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value due to their short term nature. The table also excludes security deposits received from tenants as the carrying amount is a reasonable approximation of fair value.

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

	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Loans receivable	$ 21,182	$ 21,241	$ 18,703	$ 18,768
Derivative instruments	3,748	3,748	4,814	4,814
Bond assets	821	821	881	881
Financial liabilities:				
Mortgages payable	240,188	241,909	299,464	301,839
Credit facilities	643,838	647,152	660,596	664,690
Derivative instruments	20,403	20,403	28,969	28,969
Convertible debentures	93,103	80,579	92,411	58,784
Commonwealth preferred unit liability	66,018	66,018	65,797	65,797
Loan commitment liability	—	—	115	115
Exchangeable Units liability	2,049	924	2,049	600

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

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

25. Segments:

The Company’s current portfolio includes investments in assisted living, independent living, memory care, transitional care, long-term care, and medical office properties. The Company's senior housing and care investments in assisted living, independent living, memory care, transitional care and long-term care share similar characteristics and are generally leased to operators on a long-term, triple-net lease basis. In some instances the Company has an interest in both the property and operations in joint ventures and joint arrangements with the operating partner at the facility. The Company considers these investments to be one reportable operating segment. The Company has investments in 15 medical office buildings ("Medical office buildings"). This multi-tenant medical office portfolio has different characteristics that are evaluated by management, and is considered to be a separate reportable operating segment. Through the acquisition of Commonwealth and the transition of the Greenfield assets, the Company has investments in 36 properties and a management company that operates 29 of those properties ("owner occupied property"). Management considers this another reportable operating segment.

The following tables show net loss by reportable segment for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30, 2021				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 17,768	$ —	$ 3,282	$ —	$ 21,050
Resident rental and related revenue	—	29,252	—	—	29,252
Lease revenue from joint ventures	900	—	—	—	900
Other revenue	—	485	353	187	1,025
Other income	—	2,023	—	—	2,023
Direct property operating expenses	—	(22,460)	(1,411)	—	(23,871)
Depreciation and amortization expense	—	(5,696)	—	(22)	(5,718)
Finance cost from operations	(6,088)	(4,386)	(956)	(1,689)	(13,119)
Real estate tax expense	577	—	(388)	—	189
General and administrative expenses	1,032	(1,875)	(16)	(3,656)	(4,515)
Allowance for credit losses on loans and interest receivable	(204)	—	—	684	480
Changes in non-controlling interest liability	(36)	32	—	—	(4)
Change in fair value of investment properties - IFRIC 21	(3,098)	—	(173)	—	(3,271)
Change in fair value of investment properties	(4,991)	—	(2,176)	—	(7,167)
Change in fair value of financial instruments	267	1,373	434	783	2,857
Change in fair value of contingent consideration	—	—	—	(1,197)	(1,197)
Gain on sale of property, plant and equipment	—	—	—	14	14
Loss from joint ventures	(2,428)	—	—	—	(2,428)
Net income (loss)	$ 3,699	$ (1,252)	$ (1,051)	$ (4,896)	$ (3,500)
Expenditures for non-current assets:					
Capital additions	—	1,682	182	—	1,864

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

	Six months ended June 30, 2021				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 37,466	$ —	$ 6,346	$ —	$ 43,812
Resident rental and related revenue	—	58,341	—	—	58,341
Lease revenue from joint ventures	1,773	—	—	—	1,773
Other revenue	—	984	629	359	1,972
Other income	—	2,130	—	—	2,130
Direct property operating expenses	—	(45,864)	(3,070)	—	(48,934)
Depreciation and amortization expense	—	(13,368)	—	(45)	(13,413)
Finance cost from operations	(12,050)	(9,634)	(1,879)	(3,401)	(26,964)
Real estate tax expense	(11,791)	—	(1,437)	—	(13,228)
General and administrative expenses	(613)	(3,573)	(49)	(7,414)	(11,649)
Allowance for credit losses on loans and interest receivable	(399)	—	—	(286)	(685)
Changes in non-controlling interest liability	(12)	58	—	—	46
Change in fair value of investment properties - IFRIC 21	6,204	—	329	—	6,533
Change in fair value of investment properties	(4,127)	—	(929)	—	(5,056)
Change in fair value of financial instruments	515	1,796	813	3,350	6,474
Change in fair value of contingent consideration	—	—	—	(1,197)	(1,197)
Gain on sale of property, plant and equipment	—	—	—	14	14
Loss from joint ventures	(1,669)	—	—	—	(1,669)
Net income (loss)	$ 15,297	$ (9,130)	$ 753	$ (8,620)	$ (1,700)
Expenditures for non-current assets:					
Capital additions	—	3,837	182	—	4,019

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

	Three months ended June 30, 2020				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 19,642	$ —	$ 3,119	$ —	$ 22,761
Resident rental and related revenue	—	29,495	—	—	29,495
Lease revenue from joint ventures	749	—	—	—	749
Other revenue	—	433	144	170	747
Direct property operating expenses	—	(21,959)	(1,232)	—	(23,191)
Depreciation and amortization expense	—	(11,514)	—	(23)	(11,537)
Finance cost from operations	(1,784)	(4,540)	(876)	(5,304)	(12,504)
Real estate tax expense	—	—	(383)	—	(383)
General and administrative expenses	(1,499)	(1,584)	(66)	(3,095)	(6,244)
Allowance for credit losses on loans and interest receivable	(225)	—	—	(5,335)	(5,560)
Changes in non-controlling interest liability	(64)	(55)	—	—	(119)
Change in fair value of investment properties - IFRIC 21	(3,048)	—	(167)	—	(3,215)
Change in fair value of investment properties	(13,145)	—	(594)	—	(13,739)
Change in fair value of financial instruments	31	875	(210)	(1,042)	(346)
Loss on sale of property, plant and equipment	—	(23)	—	—	(23)
Loss from joint ventures	(6,900)	—	—	—	(6,900)
Net loss	$ (6,243)	$ (8,872)	$ (265)	$ (14,629)	$ (30,009)
Expenditures for non-current assets:					
Capital additions	1,535	2,776	—	—	4,311

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

	Six months ended June 30, 2020				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Rental revenue	$ 39,421	$ —	$ 6,378	$ —	$ 45,799
Resident rental and related revenue	—	58,398	—	—	58,398
Lease revenue from joint ventures	1,522	—	—	—	1,522
Other revenue	—	851	555	518	1,924
Direct property operating expenses	—	(43,182)	(2,632)	—	(45,814)
Depreciation and amortization expense	—	(23,978)	—	(47)	(24,025)
Finance cost from operations	(3,564)	(8,609)	(1,827)	(10,688)	(24,688)
Real estate tax expense	(12,255)	—	(1,452)	—	(13,707)
General and administrative expenses	(1,552)	(3,198)	(189)	(5,786)	(10,725)
Transaction costs for business combination	—	(34)	—	(373)	(407)
Allowance for credit losses on loans and interest receivable	(363)	—	—	(6,732)	(7,095)
Changes in non-controlling interest liability	(17)	(151)	—	—	(168)
Change in fair value of investment properties - IFRIC 21	6,144	—	340	—	6,484
Change in fair value of investment properties	(31,419)	—	(969)	—	(32,388)
Change in fair value of financial instruments	(1,203)	(7,515)	(2,518)	(12,651)	(23,887)
Loss on sale of property, plant and equipment	—	79	—	(220)	(141)
Loss from joint ventures	(24,966)		—	—	(24,966)
Income tax recovery	1,099	—	—	5,845	6,944
Net loss	$ (27,153)	$ (27,339)	$ (2,314)	$ (30,134)	$ (86,940)
Expenditures for non-current assets:					
Capital additions	3,439	4,252	355	—	8,046

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

The following tables show assets and liabilities by reportable segment as at June 30, 2021 and December 31, 2020:

	As at June 30, 2021				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	$ 648,143	$ —	$ 123,674	$ —	$ 771,817
Property, plant and equipment, net	—	437,936	—	—	437,936
Investment in joint ventures	68,978	—	—	—	68,978
Loans receivable	7,422	—	—	13,760	21,182
Other assets	49,922	26,719	4,588	18,735	99,964
Total assets	$ 774,465	$ 464,655	$ 128,262	$ 32,495	$ 1,399,877
Mortgages payable	$ 97,271	$ 142,917	$ —	$ —	$ 240,188
Credit facilities	375,278	179,165	89,395	—	643,838
Convertible debentures	—	—	—	$ 93,103	93,103
Commonwealth preferred unit liability	—	66,018	—	—	66,018
Non-controlling interest liability	1,377	738	—	—	2,115
Other liabilities	11,619	20,809	3,129	24,891	60,448
Total liabilities	$ 485,545	$ 409,647	$ 92,524	$ 117,994	$ 1,105,710

	As at December 31, 2020				
	Seniors housing and care investment properties	Owner occupied properties	Medical office buildings	Corporate/ other	Total
Investment properties	$ 759,628	$ —	$ 122,391	$ —	$ 882,019
Property, plant and equipment, net	—	448,912	—	2,913	451,825
Investment in joint ventures	65,258	—	—	—	65,258
Loans receivable	6,669	—	—	12,034	18,703
Other assets	24,014	27,464	6,712	22,429	80,619
Total assets	$ 855,569	$ 476,376	$ 129,103	$ 37,376	$ 1,498,424
Mortgages payable	$ 158,715	$ 140,749	$ —	$ —	$ 299,464
Credit facilities	388,715	174,465	87,416	10,000	660,596
Convertible debentures	—	—	—	92,411	92,411
Commonwealth preferred unit liability	—	65,797	—	—	65,797
Non-controlling interest liability	3,373	1,036	—	—	4,409
Other liabilities	25,897	24,302	4,964	27,255	82,418
Total liabilities	$ 576,700	$ 406,349	$ 92,380	$ 129,666	$ 1,205,095

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

At June 30, 2021, $1,122,162 of the Company's non-current assets, excluding financial instruments, are located in the United States (2020 - $1,246,928) and $159,086 are located in Canada (2020 - $154,945). During the three and six months ended June 30, 2021, the Company generated $48,262 and $98,162, respectively (three and six months ended June 30, 2020 - $50,307 and $100,188, respectively), of its revenues, excluding other revenue, from properties located in the United States and $2,940 and $5,764, respectively (three and six months ended June 30, 2020 - $2,698 and $5,531, respectively) of its revenues from properties located in Canada.

26. Subsequent events:

On July 1, 2021, the Company sold its interest in four investment properties to the operator Inspirit for total consideration of $35,500, $23,626 of which paid off outstanding mortgages, and the remaining was received in cash.