Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

CHARTWELL RETIREMENT RESIDENCES

September 30, 2020
(Unaudited)

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Balance Sheets
(In thousands of Canadian dollars)
(Unaudited)

	Note	September 30, 2020	December 31, 2019
Assets			
Current assets:			
Cash and cash equivalents		$ 51,387	$ 22,890
Trade and other receivables	8	29,088	20,384
Capital funding receivable		6,696	6,672
Other assets	9	24,061	20,451
Loans receivable	10	–	6,753
Assets held for sale	17	41,363	10,476
Total current assets		152,595	87,626
Non-current assets:			
Other assets	9	2,230	2,642
Loans receivable	10	11,978	11,978
Capital funding receivable		30,548	35,542
Investment in joint ventures	11	17,600	19,323
Intangible assets	6	78,986	75,103
Property, plant and equipment ("PP&E")	5	3,236,874	3,262,180
Total non-current assets		3,378,216	3,406,768
Total assets		$ 3,530,811	$ 3,494,394
Liabilities and Unitholders' Equity			
Current liabilities:			
Lease obligations	7	$ 1,079	$ 1,022
Accounts payable and other liabilities	16	171,238	170,355
Distributions payable		11,072	10,808
Mortgages payable	12	315,910	206,617
Liabilities related to assets held for sale	17	22,544	2,529
Total current liabilities		521,843	391,331
Non-current liabilities:			
Lease obligations	7	11,616	11,665
Other liabilities	16	6,253	–
Mortgages payable	12	1,655,922	1,734,061
Credit facilities	13	80,762	–
Unsecured term loan	14	124,718	124,697
Senior unsecured debentures	15	348,584	348,294
Class B Units of Chartwell Master Care LP ("Class B Units")	18	15,457	22,210
Deferred tax liabilities	26	13,652	24,569
Total non-current liabilities		2,256,964	2,265,496
Total liabilities		2,778,807	2,656,827
Unitholders' equity	19	752,004	837,567
Total liabilities and unitholders' equity		$ 3,530,811	$ 3,494,394

See accompanying notes to condensed consolidated interim financial statements.

Approved by the Trustees:

“Ann Davis” Trustee “Lise Bastarache” Trustee

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars)
(Unaudited)

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue:					
Resident		$ 219,650	$ 215,802	$ 654,932	$ 639,534
Management and other fees		2,424	2,665	8,138	7,766
Lease revenue from joint ventures	11	10,358	9,861	30,743	29,583
Interest income		858	1,282	3,085	3,514
	22	233,290	229,610	696,898	680,397
Income (expenses):					
Direct property operating		(160,482)	(146,460)	(466,118)	(437,179)
Depreciation of PP&E	5	(41,763)	(41,579)	(132,999)	(132,161)
Amortization of intangible assets	6	(1,897)	(448)	(4,258)	(1,399)
Share of net income (loss) from joint ventures	11	(1,527)	1,797	(3,313)	2,498
General, administrative and trust		(9,719)	(9,194)	(35,221)	(34,402)
Other income (expense)	23	(2,928)	(17,046)	(1,220)	24,002
Finance costs	24	(23,409)	(21,633)	(70,191)	(63,756)
Change in fair values of financial instruments and foreign exchange gains (losses)	25	(617)	2,774	8,202	(6,350)
		(242,342)	(231,789)	(705,118)	(648,747)
Income (loss) before income taxes		(9,052)	(2,179)	(8,220)	31,650
Deferred income tax benefit (expense)	26	2,286	1,363	10,917	(19,098)
Net income (loss) and comprehensive income (loss)		$ (6,766)	$ (816)	$ 2,697	$ 12,552

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Nine months ended September 30, 2020	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2019	$ 2,316,036	$ 17,924	$ (12,251)	$ (121,840)	$ (1,368,799)	$ 6,497	$ 837,567
Net income	–	–	–	2,697	–	–	2,697
Distributions to unitholders	–	–	–	–	(98,297)	–	(98,297)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	8,518	–	–	–	–	–	8,518
Trust Units issued on exchange of Class B Units	553	–	–	–	–	–	553
Trust units issued under the Executive Unit Purchase Plan ("EUPP"), net of Trust Units released on settlement of EUPP receivable	292	2,561	(2,508)	–	–	(4)	341
Interest on EUPP receivable	–	–	(138)	–	–	–	(138)
Distributions applied against EUPP receivable	–	–	763	–	–	–	763
Unitholders' equity, September 30, 2020	$ 2,325,399	$ 20,485	$ (14,134)	$ (119,143)	$ (1,467,096)	$ 6,493	$ 752,004

Distributions were declared and paid at $0.050 per unit per month for the months of January, 2020 and February, 2020 and $0.051 per unit per month for the months of March, 2020 to September, 2020. In October 2020, distributions were declared at $0.051 per unit.

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Unitholders' Equity (continued)
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Nine months ended September 30, 2019	Trust Units issued in dollars, net	Trust Units issued under EUPP	EUPP receivable	Accumulated income (losses)	Distributions	Other equity components	Total
Unitholders' equity, December 31, 2018	$ 2,285,736	$ 17,519	$ (12,053)	$ (122,907)	$ (1,241,182)	$ 6,407	$ 933,520
Net income	–	–	–	12,552	–	–	12,552
Distributions to unitholders	–	–	–	–	(95,491)	–	(95,491)
Trust Units issued under the Distribution Reinvestment Program ("DRIP")	19,590	–	–	–	–	–	19,590
Trust Units issued on exchange of Class B Units	671	–	–	–	–	–	671
Trust units issued under the Executive Unit Purchase Plan ("EUPP"), net of Trust Units released on settlement of EUPP receivable	2,384	550	(1,051)	–	–	91	1,974
Interest on EUPP receivable	–	–	(93)	–	–	–	(93)
Distributions applied against EUPP receivable	–	–	692	–	–	–	692
Unitholders' equity, September 30, 2019	$ 2,308,381	$ 18,069	$ (12,505)	$ (110,355)	$ (1,336,673)	$ 6,498	$ 873,415

Distributions were declared and paid at $0.049 per unit per month for the months of January, 2019 and February, 2019 and $0.050 per unit per month for the months of March, 2019 to September, 2019.

See accompanying notes to condensed consolidated interim financial statements.

CHARTWELL RETIREMENT RESIDENCES

Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2020	2019	2020	2019
Cash provided by (used in):					
Operating activities:					
Net income (loss)		$ (6,766)	$ (816)	$ 2,697	$ 12,552
Items not affecting cash:					
Depreciation and amortization	5, 6	43,660	42,027	137,257	133,560
Finance costs	24	23,409	21,633	70,191	63,756
Transaction costs arising from acquisitions and dispositions	23	(99)	(310)	(690)	(1,273)
Other expense (income)	23	2,928	17,046	1,220	(24,002)
Interest income	22	(858)	(1,282)	(3,085)	(3,514)
Change in fair values of financial instruments and foreign exchange losses (gains)	25	617	(2,774)	(8,202)	6,350
Deferred income tax expense (benefit)	26	(2,286)	(1,363)	(10,917)	19,098
Share of net loss (income) from joint ventures	11	1,527	(1,797)	3,313	(2,498)
Other		85	808	355	1,883
Change in trade and other receivables		(651)	(1,002)	(8,075)	(8,222)
Change in other assets		5,581	3,038	(2,334)	(1,524)
Change in accounts payable and other liabilities		9,967	9,264	7,035	(6,047)
		77,114	84,472	188,765	190,119
Interest income and other income received		858	1,282	2,987	3,455
Interest paid		(20,234)	(18,664)	(67,514)	(62,545)
		57,738	67,090	124,238	131,029
Financing activities:					
Proceeds from mortgage financing		64,110	82,049	132,574	146,098
Mortgage repayments		(25,572)	(8,349)	(66,745)	(39,713)
Scheduled mortgage principal repayments		(19,745)	(17,868)	(57,783)	(52,422)
Changes to credit facilities	13	(11,000)	(54,000)	84,000	26,000
Additions to finance costs		(3,142)	(5,210)	(4,773)	(9,157)
Distributions paid		(32,983)	(25,142)	(89,651)	(75,706)
		(28,332)	(28,520)	(2,378)	(4,900)
Investing activities:					
Acquisition of assets, net of cash acquired	4	–	–	(21,623)	(9,519)
Additions to PP&E and intangible assets		(28,518)	(48,414)	(97,920)	(143,899)
Proceeds from disposal of PP&E and assets held for sale		40	10,931	22,606	14,216
Change in Capital funding receivable		1,680	1,589	4,970	4,704
Advances of loans receivable		–	–	–	(3,826)
Change in restricted cash		(76)	64	194	(29)
Distributions received from joint ventures	11	–	–	–	10
Contributions to joint ventures	11	–	–	(1,590)	(323)
		(26,874)	(35,830)	(93,363)	(138,666)
Increase (decrease) in cash and cash equivalents		2,532	2,740	28,497	(12,537)
Cash and cash equivalents, beginning of period		48,855	14,502	22,890	29,779
Cash and cash equivalents, end of period		$ 51,387	$ 17,242	$ 51,387	$ 17,242

See accompanying notes to condensed consolidated interim financial statements.

1. Organization:

Chartwell Retirement Residences ("Chartwell") is an unincorporated open-ended real estate trust governed by the laws of the Province of Ontario and created as of July 7, 2003 and subsisting under the Declaration of Trust. Chartwell's head office is located at 7070 Derrycrest Drive, Mississauga, ON L5W 0G5. Chartwell's main business is ownership, operations and management of retirement residences and long-term care homes in Canada.

2. Basis of preparation:

Statement of compliance:

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 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 annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on November 5, 2020.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2019 with the exception of the impact of adopting the following accounting standards:

(i) On October 22, 2018, the IASB issued amendments to IFRS 3, Business Combinations ("IFRS 3"), that seek to clarify whether a transaction is to be accounted for as an asset acquisition or a business acquisition. The amendments apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process.

2. Basis of preparation (continued):

Chartwell adopted the amendments to IFRS 3 beginning on January 1, 2020, the mandatory effective date, with no impact on the financial statements upon transition.

(ii) Chartwell recognizes government income grants that become receivable as compensation for expenses incurred in profit or loss on a systematic basis in the periods in which the expenses are recognized. The grants are recorded as a reduction to the related expense.

3. COVID-19 risks:

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and full impact of the pandemic on Chartwell is unknown at this time. During Q3 2020, the spread of the COVID-19 adversely affected Chartwell's business and it is expected to continue to do so. The future adverse impact to Chartwell's business, results of operations, liquidity and financial condition will depend on the scope, severity and duration of the pandemic which currently cannot be estimated.

Revenues and expenses:

Chartwell's revenue and operating results depend significantly on the occupancy levels at Chartwell's retirement residences and long term care ("LTC") homes (collectively, the "Residences"). Restrictions have been implemented on visits by or on behalf of prospective residents during the pandemic as a precautionary measure to avoid the spread of COVID-19, and such restrictions have resulted in decreased occupancy levels due to reduced move-in activity. The COVID-19 pandemic will also result in: decreases in the occupancy at the residences due to shorter lengths of stay; direct impacts at residences that experience an outbreak; delays in accepting new residents due to quarantine; negative perceptions of congregate living or otherwise; or government directives prohibiting or limiting admissions to the Residences.

3. COVID-19 risks (continued):

The COVID-19 pandemic has caused and may continue to cause a material increase in direct operating expenses and may cause an increase in general, administrative and trust expenses and development costs. Enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure of residents and staff to the virus or to address outbreaks at the Residences (including enhanced screening, personal protective equipment and other health and safety precautions) resulted in increased costs. Further, COVID-19 adversely impacted Chartwell's operations by causing staffing and supply shortages in the early stages of the pandemic and it may continue to do so. In addition, management and residence staff are spending considerable time addressing the pandemic, which diverts attention from other business concerns. Although various funding programs have been introduced and/or implemented and Chartwell has been and may continue to have access to the programs there is no certainty as to the extent to which these programs may mitigate adverse effects.

Litigation risks:

There is an increased risk of litigation which, even if not meritorious, and even if covered by Chartwell's insurance, could result in increased operating costs to Chartwell to defend. As of November 5, 2020, Chartwell has been named as a defendant in three separate proposed class actions related to the pandemic. Chartwell’s insurers are handling the defense of these actions. See commitments and contingencies (note 27) for more detail.

Financial risks:

The COVID-19 pandemic has impacted both the global and Canadian economy overall and credit markets were and may continue to be adversely affected. This, in combination with both reduced revenues and increased operating costs, may make it more difficult to access the credit markets or, if able to do so, it may be at a higher cost or less advantageous terms than previously, potentially impacting, among other things, re-financing of outstanding debt when due and development plans and timelines.

The COVID-19 pandemic has resulted in and will continue to result in some or all of these negative outcomes and could materially and adversely impact Chartwell's business, results from operations, liquidity, and financial condition. The extent to which the pandemic will impact Chartwell's business and results of operations is uncertain and will depend on future developments that cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions taken by governments and private sector participants to contain the pandemic or address its impacts, among others.

3. COVID-19 risks (continued):

Liquidity risks:

Liquidity risk is managed through cash flow forecasting. Management monitors forecasts of Chartwell's liquidity requirements to ensure it has sufficient cash to meet operational needs through maintaining sufficient cash and/or availability on the undrawn credit facilities and ensuring that it meets its financial covenants related to debt agreements. Such forecasting involves a significant degree of judgment, takes into consideration current and projected macroeconomic conditions, Chartwell's cash collection efforts, debt financing 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 Chartwell at terms and conditions that are favorable to Chartwell, or at all.

The available borrowing capacity of the secured credit facility, as disclosed in note 13, may be reduced due to the impact of the pandemic on Chartwell. The available capacity is determined in accordance with a formula defined in the credit agreement that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula include property valuations, the mortgageability amount determined on the basis of net operating income (as defined in the secured credit agreement) for the previous four quarters, the secured collateral, and the occupancy rate of the property.

The available borrowing capacity of the unsecured credit facility, as disclosed in note 13, may also be reduced due to the impact of the pandemic on Chartwell. The unsecured credit facility capacity may be reduced if the ratio of unencumbered property asset value to unsecured indebtedness (as defined in the unsecured credit agreement) falls below a threshold defined in the unsecured credit agreement. The value is based on third party appraisals that are dated no longer than two years from the applicable determination date.

Insurance risks:

Participants in the seniors housing sector have recently experienced difficulty obtaining liability and other insurance at a reasonable cost, and, in some cases, industry participants have had difficulty renewing insurance policies at the same coverage as the expiring policies. There is a risk that Chartwell will incur additional costs renewing its insurance coverage and/or that such coverage may be reduced on renewal.

4. Acquisitions:

Acquisitions during the nine months ended September 30, 2020:

On March 2, 2020, Chartwell purchased a 42.5% interest in Chartwell Le St-Gabriel résidence pour retraités ("Chartwell Le St-Gabriel"), a 345 suite Retirement Residence located in Longueuil, Quebec. Under the terms of the purchase and sale agreement, Chartwell directly holds its 42.5% interest in the real estate ("Chartwell Le St-Gabriel Landlord") and related mortgage which is accounted for as a joint operation (proportionately consolidated) while its 42.5% interest in operations ("Chartwell Le St-Gabriel Operator") is held through a separate legal entity which is accounted for as a joint venture (equity accounted).

The purchase price for Chartwell Le St-Gabriel Landlord was $36,731, before transaction costs, and was settled through the assumption of a variable mortgage of $23,907, settlement of a $3,569 outstanding mezzanine loan with the balance, net of working capital adjustments, paid in cash. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of $2,062 have been capitalized to the building in the condensed consolidated interim balance sheet. The net assets acquired and consideration transferred in relation to the purchase of the Chartwell Le St-Gabriel Operator was $1,500.

On May 1, 2020, Chartwell purchased an 85% interest in L'Unique Complexe Pour Retraites Inc. ("Chartwell L'Unique III"), a 163 suite Retirement Residence located in Saint-Eustache, Quebec. Under the terms of the purchase and sale agreement, Chartwell directly holds its 85% interest in the real estate and related mortgage, and operations which is accounted for as a joint operation (proportionately consolidated).

The purchase price for Chartwell's 85% interest in Chartwell L'Unique III was $32,566, before transaction costs, and was settled through the assumption of a variable rate mortgage of $16,925, the settlement of a $3,184 outstanding mezzanine loan with the balance, net of working capital adjustments, paid in cash. Chartwell applied the optional concentration test in accordance with IFRS 3 and accounted for the acquisition as an asset acquisition. Acquisition related costs of $1,042 have been capitalized to the building in the condensed consolidated interim balance sheet.

(In thousands of Canadian dollars, except per unit amounts)

4. Acquisitions (continued):

The following table summarizes the allocation of the purchase price to each major category of assets acquired and liabilities assumed at the date of acquisition for Chartwell Le St-Gabriel Landlord and Chartwell L'Unique III, which are classified as joint operations (note 11).

Date of acquisition	March 2, 2020	May 1, 2020	Total
Segment	Retirement Operations		
Location	Province of Quebec	Province of Quebec	
Number of properties (suites)	1 (345 suites)	1 (163 suites)	
PP&E	$ 38,726	$ 33,525	$ 72,251
Income guarantee receivable	67	83	150
Working capital adjustments	(4)	(85)	(89)
Acquired cash	–	501	501
Net assets acquired	$ 38,789	$ 34,024	$ 72,813
Cash consideration	$ 9,251	$ 12,873	$ 22,124
Discharge of mezzanine loans receivable	3,569	3,184	6,753
Mortgage assumed	23,907	16,925	40,832
Acquisition related costs incurred	2,062	1,042	3,104
Total consideration	$ 38,789	$ 34,024	$ 72,813

The following table summarizes the allocation of the purchase price excluding transaction costs to each major category of assets acquired and liabilities assumed at the date of acquisition for Chartwell Le St-Gabriel Operator, which is classified as a joint venture (note 11).

Date of acquisition	March 2, 2020
Furniture, fixtures and equipment	$ 1,136
Acquired cash	527
Working capital adjustments	(163)
Net assets acquired	$ 1,500
Cash transferred to the seller	$ 1,500
Total consideration	$ 1,500

(In thousands of Canadian dollars, except per unit amounts)

5. Property, plant and equipment:

	Land	Buildings	Furniture, fixtures and equipment	Properties under development	Land held for development	Total
Cost						
Balance, December 31, 2018	$ 310,390	$ 3,082,413	$ 142,968	$ 193,548	$ 20,027	$ 3,749,346
Recognition of right-of-use assets upon adoption of IFRS 16	7,840	898	–	–	2,450	11,188
Additions	–	81,507	9,859	92,470	3,500	187,336
Additions through acquisitions	15,765	205,097	4,620	–	–	225,482
Disposals	(1,789)	(16,803)	(547)	–	–	(19,139)
Derecognition	–	(63,555)	(522)	–	–	(64,077)
Transfers	14,293	117,510	5,098	(133,401)	(3,500)	–
Transfers to assets held for sale	(2,951)	(17,249)	(2,737)	–	(253)	(23,190)
Balance, December 31, 2019	343,548	3,389,818	158,739	152,617	22,224	4,066,946
Additions	–	37,939	5,963	41,619	–	85,521
Additions through acquisitions	3,931	67,669	651	–	–	72,251
Disposals	(1,202)	(11,093)	(1,084)	–	–	(13,379)
Derecognition	–	(50,929)	(7,973)	–	–	(58,902)
Transfers	6,748	72,784	5,727	(85,259)	–	–
Transfers to assets held for sale	(4,730)	(48,117)	(2,379)	–	–	(55,226)
Balance, September 30, 2020	$ 348,295	$ 3,458,071	$ 159,644	$ 108,977	$ 22,224	$ 4,097,211
Accumulated depreciation and impairment losses						
Balance, December 31, 2018	$ –	$ 563,576	$ 92,024	$ –	$ –	$ 655,600
Depreciation of right-of-use assets	172	115	–	–	83	370
Depreciation	–	157,185	20,895	–	–	178,080
Disposals	–	(6,439)	(422)	–	–	(6,861)
Derecognition	–	(63,555)	(522)	–	–	(64,077)
Impairment	–	46,974	–	–	–	46,974
Loss due to water damage	–	2,803	98	–	–	2,901
Transfers to assets held for sale	–	(6,296)	(1,925)	–	–	(8,221)
Balance, December 31, 2019	172	694,363	110,148	–	83	804,766
Depreciation of right-of-use assets	128	257	570	–	63	1,018
Depreciation	–	116,597	15,384	–	–	131,981
Disposals	–	(5,722)	(888)	–	–	(6,610)
Derecognition	–	(50,929)	(7,973)	–	–	(58,902)
Impairment	–	3,200	–	–	–	3,200
Transfers to assets held for sale	–	(13,435)	(1,681)	–	–	(15,116)
Balance, September 30, 2020	$ 300	$ 744,331	$ 115,560	$ –	$ 146	$ 860,337
Carrying amounts						
Balance, December 31, 2019	$ 343,376	$ 2,695,455	$ 48,591	$ 152,617	$ 22,141	$ 3,262,180
Balance, September 30, 2020	347,995	2,713,740	44,084	108,977	22,078	3,236,874

(In thousands of Canadian dollars, except per unit amounts)

5. Property, plant and equipment (continued):

The following table lists the balance of Chartwell's right-of-use assets included in the table above as at December 31, 2019 and September 30, 2020:

Right-of-use assets	Land(1)	Buildings(2)	Furniture, fixtures and equipment(3)	Land held for development	Total
Balance, December 31, 2019	$ 7,668	$ 6,472	$ 1,416	$ 2,367	$ 17,923
Balance, September 30, 2020	$ 7,540	$ 6,215	$ 1,589	$ 2,304	$ 17,648

(1) Relates to land leases
(2) Relates to office leases
(3) Includes additions of $743

During the nine months ended September 30, 2020, Chartwell completed the construction of its head office and transferred the related costs from properties under development to other components of PP&E.

During the nine months ended September 30, 2020, Chartwell capitalized $2,566 (September 30, 2019 - $3,643) of borrowing costs related to development projects under construction at an average capitalization rate of 3.64% (September 30, 2019 - 3.81%).

On April 8, 2020, Chartwell completed the sale of a retirement residence located in Quebec for an aggregate selling price of $6,700.

On April 24, 2020, Chartwell entered into an agreement relating to the sale of three retirement residences located in Alberta for an aggregate sale price of $30,750 and the sale closed on November 2, 2020. These properties are classified as Assets Held for Sale as at September 30, 2020.

On August 31, 2020, Chartwell entered into a definitive agreement relating to the sale of three retirement residences located in Ontario for an aggregate sale price of $33,800. The sale is expected to be completed before December 31, 2020. These properties have been classified as Assets Held for Sale as at September 30, 2020.

5. Property, plant and equipment (continued):

Since January 1, 2010, the cost and accumulated depreciation of PP&E has been reduced by $250,750 (December 31, 2019 - $234,009) to remove fully amortized value of resident contracts.

During the three and nine months ended September 30, 2019, Chartwell recorded write downs of nil and $19,500 in the carrying value of properties due to decline in the operating performance resulting from competitive pressures. During the three and nine month ended September 30, 2020, additional impairment charges of nil and $3,200 were recorded to certain of these properties.

Chartwell is continuing to review significant assumptions which may impact the valuation of its properties in light of the COVID-19 pandemic. 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 may have on Chartwell's business and operations, both in the short term and in the long term. Certain aspects of Chartwell's business and operations that could potentially be impacted include resident revenue, occupancy, turnover, future demand, direct operating expenses and market rents, which all ultimately impact the underlying valuation of property, plant and equipment.

Chartwell expects near-term delays to on-going projects in terms of expected completion dates, as well as delays to the commencement of construction for new development projects as Chartwell is undertaking technical and administrative activities to re-evaluate returns and models.

(In thousands of Canadian dollars, except per unit amounts)

6. Intangibles:

	Goodwill	Licenses	Software[1]	Total
Cost				
Balance, December 31, 2018	$ 9,233	$ 44,334	$ 23,111	$ 76,678
Additions	–	–	14,720	14,720
Disposals	–	–	(15)	(15)
Derecognition	–	–	(149)	(149)
Transfers to assets held for sale	–	(2,990)	(114)	(3,104)
Balance, December 31, 2019	9,233	41,344	37,553	88,130
Additions	–	–	8,905	8,905
Disposals	–	–	(19)	(19)
Transfers to assets held for sale	–	–	(904)	(904)
Balance, September 30, 2020	$ 9,233	$ 41,344	$ 45,535	$ 96,112
Accumulated amortization				
Balance, December 31, 2018	$ –	$ –	$ 11,171	$ 11,171
Disposals	–	–	(6)	(6)
Derecognition	–	–	(149)	(149)
Amortization	–	–	2,072	2,072
Transfers to assets held for sale	–	–	(61)	(61)
Balance, December 31, 2019	–	–	13,027	13,027
Disposals	–	–	(13)	(13)
Amortization	–	–	4,258	4,258
Transfers to assets held for sale	–	–	(146)	(146)
Balance, September 30, 2020	$ –	$ –	$ 17,126	$ 17,126
Carrying amounts				
Balance, December 31, 2019	$ 9,233	$ 41,344	$ 24,526	$ 75,103
Balance, September 30, 2020	9,233	41,344	28,409	78,986

[1] The September 30, 2020 balance includes $2,634 (December 31, 2019 - $20,937) in software under development.

(In thousands of Canadian dollars, except per unit amounts)

7. Leases:

As at September 30, 2020, Chartwell has right-of-use assets in respect of leases totalling $17,648 (December 31, 2019 - $17,923) with remaining lease terms ranging from 2 to 58 years. Lease obligations related to these right-of-use assets totalled $12,695 (December 31, 2019 - $12,687) of which $1,079 (December 31, 2019 - $1,022) was classified current and $11,616 (December 31, 2019 - $11,665) was classified non-current as at September 30, 2020. Chartwell generally does not include purchase, extension or termination options in its leases, other than extension options for land leases that support properties with lengthy useful lives.

The following table details the contractual undiscounted cash flow on the lease payments for the right-of-use assets:

Less than one year	$ 1,089
One to five years	4,104
More than five years	21,800
Total [1]	$ 26,993

[1] Includes three land leases with cumulative required undiscounted cash payments of $24,285 (December 31, 2019 - $24,567) which mature between 2044 and 2079.

8. Trade and other receivables:

	September 30, 2020	December 31, 2019
Residents[1]	$ 1,618	$ 1,785
Related party[2]	4,107	1,841
Insurance recoverables	3,582	4,866
Pandemic-related receivable[3]	4,037	–
Other	15,744	11,892
	$ 29,088	$ 20,384

[1] Resident receivables balance at September 30, 2020 is net of an allowance for expected credit losses of $1,780 (December 31, 2019 - $1,229)

[2] Related party receivables are management fees and other receivables outstanding from joint ventures and properties managed by Chartwell.

[3] Represents the amount for pandemic pay not received at September 30, 2020. Chartwell's direct operating expenses include government income funding of $149 and $3,182 netted against related expenses of $3,139 and $9,202 for the three and nine months ended September 30, 2020.

(In thousands of Canadian dollars, except per unit amounts)

9. Other assets:

	September 30, 2020	December 31, 2019
Prepaid expenses and deposits	$ 13,683	$ 7,701
Restricted cash	1,362	1,168
Income guarantees	4,343	7,184
Other assets	6,903	7,040
	$ 26,291	$ 23,093
Current	$ 24,061	$ 20,451
Non-current	2,230	2,642
	$ 26,291	$ 23,093

Income guarantees were provided by vendors upon acquisition of certain properties. Income guarantees are considered Level 3 in the fair value hierarchy. Fair value is determined by discounting the applicable expected future income from these properties. During the nine months ended September 30, 2020, $3,934 (September 30, 2019 - $2,142) of income guarantees were collected.

10. Loans receivable:

Loans are due from Batimo, mature between 2023 and 2024, bear interest rate of 10%, and are secured by first and second charges on Batimo's interests in certain operating and development seniors' housing projects and vacant land, as well as by Batimo's corporate guarantee and contain certain cross-collateralization and cross-default provisions. Loans receivable are measured at FVTPL and are considered Level 3 in the fair value hierarchy.

Mezzanine loans of $3,569 and $3,184 were settled upon the acquisitions of Chartwell Le St-Gabriel Landlord on March 2, 2020 and Chartwell L'Unique III on May 1, 2020 respectively (note 4).

(In thousands of Canadian dollars, except per unit amounts)

11. Joint arrangements:

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The following are Chartwell's joint arrangements as at September 30, 2020:

Joint arrangements	Number of properties	Chartwell ownership	Joint arrangement type	Consolidation method
Chartwell-Welltower Landlord[1]	37	50%	Joint operation	Proportionate
Chartwell-Welltower Operator[1]	37	50%	Joint venture[2]	Equity
Chartwell Le St-Gabriel Landlord[1]	1	42.5%	Joint operation	Proportionate
Chartwell Le St-Gabriel Operator[1]	1	42.5%	Joint venture[2]	Equity
Batimo	4	85%	Joint operation	Proportionate
Chartwell Oakville Retirement Residence	1	50%	Joint venture[2]	Equity
Chartwell Constantia Retirement Residence	1	50%	Joint venture[2]	Equity
Chartwell Riverside Retirement Residence	1	50%	Joint operation	Proportionate
Chartwell Churchill House Retirement Residence	1	50%	Joint operation	Proportionate
The Sumach by Chartwell	1	45%	Joint operation	Proportionate
Kingsbridge Retirement Community	1	60%	Joint venture[2]	Equity
Pickering Project[3]	1	90%	Joint operation	Proportionate

(1) Chartwell directly holds its interest in real estate while its interest in operations is held through separate legal entities.
(2) These joint arrangements have been structured through separate legal vehicles.
(3) Property under development.

The following tables summarize certain information about Chartwell's investment in joint ventures:

	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Contributions to joint ventures	$ 1,590	$ 323
Distributions received from joint ventures[1]	–	(16,010)

(1) Includes a non-cash distribution

There were no contributions and distributions for the three months ended September 30, 2020 and September 30, 2019.

(In thousands of Canadian dollars, except per unit amounts)

11. Joint arrangements (continued):

	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 7,631	$ 4,964
Trade and other receivables	14,830	13,144
Other assets	2,204	2,230
Current assets	24,665	20,338
PP&E and intangible assets	58,435	58,500
Total assets	$ 83,100	$ 78,838
Accounts payable and other liabilities	$ 12,457	$ 10,761
Mortgages payable - current	26,806	341
Current liabilities	39,263	11,102
Mortgages payable - non-current	26,237	48,413
Total liabilities	$ 65,500	$ 59,515
Net investment in joint ventures	$ 17,600	$ 19,323

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue	$ 28,758	$ 29,142	$ 87,774	$ 87,293
Direct property operating expense	(18,637)	(16,700)	(55,627)	(51,912)
Lease expense	(10,358)	(9,861)	(30,743)	(29,583)
Finance costs	(449)	(374)	(1,447)	(1,119)
Depreciation and amortization	(964)	(529)	(2,867)	(1,966)
Change in fair value of financial instruments and foreign exchange gains (losses)	123	118	(403)	(218)
Other income (expense)	–	1	–	3
Chartwell's share of net income (loss) from joint ventures	$ (1,527)	$ 1,797	$ (3,313)	$ 2,498

11. Joint arrangements (continued):

Related party transactions occur between Chartwell 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 related parties. Except as disclosed elsewhere in these condensed consolidated interim financial statements, the related party balances are included in accounts receivable and payable, lease revenue and lease expense and in management fee revenue, as applicable. As of September 30, 2020, $2,897 (December 31, 2019 - $526) of Chartwell's accounts receivable and $12,827 (December 31, 2019 - $13,005) of Chartwell's accounts payable relate to its investments in joint ventures. For the three months and nine months ended September 30, 2020, $1,454 and $4,760 (September 30, 2019 - $1,724 and $5,047) of Chartwell's management fees related to its investment in joint ventures.

Chartwell and Welltower each own a 50% direct beneficial interest in the real estate assets and are obligated for the related mortgages for a portfolio of 37 properties (collectively referred to as "Chartwell-Welltower Landlord"). Chartwell and Welltower each own a 42.5% beneficial interest and Batimo owns 15% beneficial interest in the real estate and are obligated for the related mortgages for Chartwell Le St-Gabriel Landlord. Chartwell's interests in these properties are accounted for as joint operations under IFRS 11. Chartwell's interest in the operations of the 37 properties (collectively referred to as "Chartwell-Welltower Operator") and Chartwell's interest in Chartwell-Le St Gabriel Operator are held through separate legal entities which are accounted for as joint ventures using the equity method under IFRS 11.

Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator have leased the real estate from Chartwell-Welltower Landlord and Chartwell Le St-Gabriel Landlord respectively. The terms of these leases are for three-year periods, with automatic renewal terms as long as the joint arrangement between respective parties is still in effect. As a result, Chartwell's share of the landlords' lease receipts, $10,358 and $30,743 for the three months and nine months ended September 30, 2020 (three months and nine months ended September 30, 2019 - $9,861 and $29,583) is reported as lease revenue and is included in lease revenue from joint ventures. The lease expenses for Chartwell-Welltower Operator and Chartwell Le St-Gabriel Operator are included in the share of net income from joint ventures.

(In thousands of Canadian dollars, except per unit amounts)

12. Mortgages payable:

	September 30, 2020	December 31, 2019
Mortgages principal balance	$ 2,005,699	$ 1,975,089
Mark-to-market adjustments on assumed mortgages	7,682	9,389
Financing costs[1]	(41,549)	(43,800)
	$ 1,971,832	$ 1,940,678
Current	$ 315,910	$ 206,617
Non-current	1,655,922	1,734,061
	$ 1,971,832	$ 1,940,678

[1] 2019 balance includes credit facility financing costs of $3,251.

Mortgages payable are secured by first and second charges on specific properties and are measured at amortized cost. The mortgages payable as at September 30, 2020 are as follows:

	Regular Principal payments	Principal due on maturity	Total debt	% of total debt
Remainder 2020	$ 19,853	$ 40,572	$ 60,425	3
2021	78,570	202,888	281,458	14
2022	73,428	271,430	344,858	17
2023	66,962	74,504	141,466	7
2024	57,232	174,647	231,879	12
2025	50,654	74,012	124,666	6
2026	48,419	37,235	85,654	4
2027	45,895	63,176	109,071	5
2028	48,753	180,955	229,708	12
2029	32,642	85,729	118,371	6
2030	25,454	70,721	96,175	5
2031	21,504	9,490	30,994	2
2032	20,335	14,978	35,313	2
2033	17,763	31,221	48,984	2
2034	10,157	1,621	11,778	1
Thereafter	29,921	24,978	54,899	2
Total	$ 647,542	$ 1,358,157	$ 2,005,699	100

(In thousands of Canadian dollars, except per unit amounts)

12. Mortgages payable (continued):

	September 30, 2020	December 31, 2019
Mortgages at fixed rates:		
Mortgages (principal)	$1,868,129	$1,920,778
Interest rates	1.31% to 7.85%	1.90% to 7.85%
Weighted average interest rate	3.51%	3.68%
Mortgages at variable rates:		
Mortgages (principal)	$137,570	$54,311
Interest rates	Bankers' acceptance plus 0.975% to prime plus 0.8%	Bankers' acceptance plus 0.975% to Bankers' acceptance plus 1.65%
Weighted average interest rate	2.64%	3.52%
Blended weighted average rate	3.45%	3.68%

Included in mortgages at fixed rates above, are mortgages totaling $134,685 (December 31, 2019 - $126,818) with interest rates fixed through interest rate swap contracts with an equivalent notional value, maturing in 2021 and 2022. The swaps have a fair value of $891 (December 31, 2019 - $509) included in accounts payable and other accrued liabilities and fair value asset of nil (December 31, 2019 - $328) included in trade and other receivables. The swaps are considered level 2 in the fair value hierarchy.

(In thousands of Canadian dollars, except per unit amounts)

13. Credit facilities:

Financing costs, which have been recorded as a reduction of the amounts outstanding under the credit facilities, as at September 30, 2020 were $3,238 (December 31, 2019 - $3,251).

The following tables summarize certain details of Chartwell's credit facility as at September 30, 2020 and December 31, 2019:

September 30, 2020	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for Letters of credit	Available to be drawn	Maturity date
Secured credit facility[1]	$ 300,000	$ 300,000	$ (84,000)	$ (9,609)	$ 206,391	May 29, 2024
Unsecured credit facility[2]	100,000	100,000	–	–	100,000	May 29, 2024
Total	$ 400,000	$ 400,000	$ (84,000)	$ (9,609)	$ 306,391	

(1) Available capacity is determined based on a formula that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula include property valuations, the mortgageability amount determined on the basis of net operating income (as defined in the credit agreement) for the previous four quarters, the secured collateral, and the occupancy rate of the property.

(2) Available capacity is determined by a minimum ratio of the unencumbered property asset value to unsecured indebtedness (as defined in the credit agreement) of 1.3:1. The value is based on third party appraisals that are dated no longer than two years from the applicable determination date.

December 31, 2019	Maximum capacity	Available capacity	Principal amounts outstanding	Utilized for Letters of credit	Available to be drawn	Maturity date
Secured credit facility[1]	$ 300,000	$ 300,000	$ –	$ (8,219)	$ 291,781	May 29, 2024
Unsecured credit facility[2]	100,000	100,000	–	–	100,000	May 29, 2024
Total	$ 400,000	$ 400,000	$ –	$ (8,219)	$ 391,781	

(1) Available capacity is determined based on a formula that considers the lending value of the properties included in the secured asset pool. The factors impacting the lending value formula include property valuations, the mortgageability amount determined on the basis of net operating income (as defined in the credit agreement) for the previous four quarters, the secured collateral, and the occupancy rate of the property.

(2) Available capacity is reduced if ratio of the unencumbered property asset value to unsecured indebtedness (as defined in the credit agreement) falls below 1.3:1. The value is based on third party appraisals that are dated no longer than two years from the applicable determination date.

The amounts outstanding on the secured credit facility bear interest at the bank's prime rate plus 0.65% or banker's acceptance rate plus 1.65% based on Chartwell's current credit rating. The secured credit facility is secured by second-ranked charges on specific properties and is subject to various financial covenants including among others, minimum equity requirements and limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders.

(In thousands of Canadian dollars, except per unit amounts)

13. Credit facilities (continued):

The amounts outstanding on the unsecured credit facility bear interest at the bank's prime rate plus 0.70% or banker's acceptance rate plus 1.70% based on Chartwell's current credit rating. The unsecured credit facility is subject to various financial covenants including among others, minimum equity requirements, minimum unencumbered asset ratio, limitations on entering into certain investments and on the amount of cash distributions that can be paid to unitholders and limitation on the amount of secured indebtedness.

14. Unsecured term loan:

On December 10, 2019, Chartwell entered into a $125,000 unsecured term loan agreement with a Canadian chartered bank. The loan matures on May 31, 2024 and through an interest rate swap the interest rate was fixed at 3.523%. On June 26, 2020, Chartwell entered into a revised swap agreement. Terms of the revised agreement include a rate floor of zero percent with a fixed effective interest rate of 3.703% as at September 30, 2020.

The interest rate on the unsecured term loan has been fixed through interest rate swap contracts with an equivalent notional value. The fair value of the swaps included in other liabilities at September 30, 2020 was $5,953 (December 31, 2019 - fair value asset of $332). The swap is considered Level 2 in the fair value hierarchy.

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's unsecured term loan at September 30, 2020 and at December 31, 2019:

September 30, 2020	Outstanding principal	Financing costs, net	Carrying value	Maturity date
Unsecured term loan	$ 125,000	$ (282)	$ 124,718	May 31, 2024

December 31, 2019	Outstanding principal	Financing costs, net	Carrying value	Maturity date
Unsecured term loan	$ 125,000	$ (303)	$ 124,697	May 31, 2024

(In thousands of Canadian dollars, except per unit amounts)

15. Senior unsecured debentures:

The following tables detail the outstanding principal amounts and the carrying value of Chartwell's senior unsecured debentures at September 30, 2020 and at December 31, 2019:

September 30, 2020	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date[1]	Due date
3.786% Series A	June 9, 2017	$ 200,000	$ (769)	$ 199,231	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(647)	149,353	February 25, 2025	April 28, 2025
Total		$ 350,000	$ (1,416)	$ 348,584		

[1] The debentures are redeemable at the option of Chartwell, at any time, subject to a yield maintenance payment if such redemption is prior to the redemption date.

December 31, 2019	Date issued	Outstanding principal	Financing costs, net	Carrying value	Redemption date[1]	Due date
3.786% Series A	June 9, 2017	$ 200,000	$ (952)	$ 199,048	October 11, 2023	December 11, 2023
4.211% Series B	April 27, 2018	150,000	(754)	149,246	February 25, 2025	April 28, 2025
Total		$ 350,000	$ (1,706)	$ 348,294		

[1] The debentures are redeemable at the option of Chartwell, at any time, subject to a yield maintenance payment if such redemption is prior to the redemption date.

16. Accounts payable and other liabilities:

	Note	September 30, 2020	December 31, 2019
Accounts payable and accrued liabilities		$ 152,444	$ 137,171
Resident deposits		3,661	3,751
Deferred revenue		233	693
Deferred Trust Units ("DTU")	(a)	11,994	15,038
Restricted Trust Units ("RTU")	(b)	2,814	3,710
EUPP option component	(c)	6,345	9,992
		$ 177,491	$ 170,355
Current		$ 171,238	$ 170,355
Non-current[1]		6,253	–
		$ 177,491	$ 170,355

[1] Non-current balance includes the non-current portion of swaps on mortgages and the swap on unsecured term loan.

(In thousands of Canadian dollars, except per unit amounts)

16. Accounts payable and other liabilities (continued):

(a) DTU Plan:

The DTU fair value is determined using the market price for listed Trust Units since there is a one-for-one conversion feature. The market price of Trust Units as at September 30, 2020 was $10.10 (December 31, 2019 - $13.90). DTU plan is considered Level 2 in the fair value hierarchy. The following table summarizes the DTU activity:

	Units outstanding	Amount
Balance, December 31, 2018	974,063	$ 13,313
Units granted	66,632	986
Change in fair value and distributions	41,172	739
Balance, December 31, 2019	1,081,867	15,038
Units granted	56,119	523
Change in fair value and distributions	49,525	(3,567)
Balance, September 30, 2020	1,187,511	$ 11,994

(b) RTU Plan:

During the nine months ended September 30, 2020, 274,490 notional Trust Units were granted (December 31, 2019 - 271,678), 3,777 notional Trust units were cancelled (December 31, 2019 - 14,961), 28,559 notional Trust units were issued in regard to distributions (December 31, 2019 - 28,366), and 290,173 notional Trust units vested and were paid out (December 31, 2019 - 206,618). At September 30, 2020, 663,749 notional Trust Units remained outstanding (December 31, 2019 - 654,650). The liability is measured at fair value based on the market price for Trust Units at each reporting period until settlement. RTU plan is considered Level 1 in the fair value hierarchy.

(c) EUPP option component:

The fair value of the EUPP option component is recognized as an expense with a corresponding increase in liability over the employee service period. The liability is remeasured at each reporting date and at settlement date. Any change in liability is recognized in profit and loss.

(In thousands of Canadian dollars, except per unit amounts)

16. Accounts payable and other liabilities (continued):

Fair value is measured using the Monte Carlo simulation method. EUPP is considered Level 2 in the fair value hierarchy. The following table summarizes the assumptions used to determine the fair value of the EUPP option component:

	September 30, 2020	December 31, 2019
Expected volatility	24.08% - 29.08%	13.53% - 18.53%
Risk-free rate	0.71% - 1.23%	2.05% - 2.25%
Distribution yield	6.95% - 10.72%	4.60% - 5.28%

17. Assets held for sale and related liabilities:

On April 1, 2020, Chartwell completed the sale of four LTC homes in Ontario that were classified as assets held for sale at March 31, 2020 for an aggregate sale price of $13,593. Chartwell has retained the obligation to remediate the lands at one of these LTC homes. While the land is being remediated, Chartwell will retain the ownership of the land and will receive cash in the amount of $707 in aggregate. The arrangement qualifies as a finance lease and the related lease receivable is recorded in accounts receivable.

At September 30, 2020, management is committed to plans via two separate agreements to sell three retirement residences located in Alberta for an aggregate sale price of $30,750 and three retirement residences located in Ontario for an aggregate sale price of $33,800.

(In thousands of Canadian dollars, except per unit amounts)

17. Assets held for sale and related liabilities (continued):

The following table summarizes the significant assets held for sale at:

	September 30, 2020	December 31, 2019
Assets:		
Trade and other receivables	$ 138	$ 256
Other assets	357	80
PP&E and intangibles, net	40,868	10,140
	$ 41,363	$ 10,476
Liabilities:		
Accounts payable and other liabilities	$ 1,358	$ 2,529
Mortgages payable	21,186	–
	$ 22,544	$ 2,529

The movement of PP&E and intangibles classified as assets held for sale is as follows:

Balance, December 31, 2018	$ –
Carrying value of assets transferred from PP&E and intangibles	17,754
Additions	258
Disposals	(7,872)
Balance, December 31, 2019	10,140
Carrying value of assets transferred from PP&E and intangibles	40,540
Additions	328
Land reclassified as lease receivable	(707)
Disposals	(9,433)
Balance, September 30, 2020	$ 40,868

(In thousands of Canadian dollars, except per unit amounts)

18. Class B Units:

Class B Units are exchangeable, at the option of the holder, into Trust Units. Such exchangeable instruments are presented as a liability and are measured at fair value. Distributions on Class B Units are reported as a finance cost on the statement of comprehensive income. Fair value is determined by using the market price for listed Trust Units since there is a one-for-one exchange feature for each Class B Unit into a Trust Unit. Class B Units are considered Level 2 in the fair value hierarchy. The market price of Trust Units at September 30, 2020 was $10.10 per unit (December 31, 2019 - $13.90 per unit). At September 30, 2020, 1,530,360 Class B Units were outstanding (December 31, 2019 - 1,597,860).

19. Trust Units and EUPP:

The following Trust Units are issued and outstanding:

	Number of Trust Units	Amount
Balance, December 31, 2018	210,991,550	$ 2,285,736
Trust Units issued under DRIP	1,880,295	26,937
Trust Units issued in exchange of Class B Units	44,878	671
Trust Units released on settlement of EUPP receivable	138,305	2,736
Other equity related costs	–	(94)
Deferred tax asset	–	50
Balance, December 31, 2019	213,055,028	2,316,036
Trust Units issued under DRIP	684,812	8,518
Trust Units issued in exchange of Class B Units	67,500	553
Trust Units released on settlement of EUPP receivable	17,645	292
Balance, September 30, 2020	213,824,985	$ 2,325,399

On March 16, 2020, Chartwell announced temporary suspension of its DRIP program commencing after the distribution payable to unit holders of record at March 31, 2020. The unitholders enrolled in the DRIP program will receive distribution payments in cash until further notice.

(In thousands of Canadian dollars, except per unit amounts)

19. Trust Units and EUPP (continued):

The following table summarizes Trust Units issued under the EUPP:

	Number of Trust Units issued under EUPP		Amount
Balance, December 31, 2018	1,523,482	$	17,519
Trust Units issued under EUPP	115,768		1,727
Trust Units released on settlement of EUPP receivable	(138,305)		(1,322)
Balance, December 31, 2019	1,500,945		17,924
Trust Units issued under EUPP	266,685		2,769
Trust Units released on settlement of EUPP receivable	(17,645)		(208)
Balance, September 30, 2020	1,749,985	$	20,485

20. Segmented information:

The accounting policies of each of the segments are the same as those for Chartwell, except these segments include Chartwell's proportionate share of its joint ventures. The "Reconciliation" column shows the adjustments to account for these joint ventures using the equity method, as applied in these condensed consolidated interim financial statements. Certain general, administrative and trust expenses are managed centrally by Chartwell and are not allocable to reportable operating segments. Chartwell has no material inter-segment revenue, transfers or expenses.

The measure of segment profit or loss is adjusted net operating income which is resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' revenue and direct property operating expenses, respectively.

(In thousands of Canadian dollars, except per unit amounts)

20. Segmented information (continued):

	Retirement Operations	Long Term Care Operations	Segment Total	Other[2]	Subtotal	Reconciliation	Total
	Three months ended September 30, 2020						
Revenue:							
Resident	$ 183,541	$ 64,809	$ 248,350	$ –	$ 248,350	$ (28,700)	$ 219,650
Management and other fees	–	–	–	2,424	2,424	–	2,424
Lease revenue from joint ventures	–	–	–	–	–	10,358	10,358
Interest income	–	–	–	916	916	(58)	858
	183,541	64,809	248,350	3,340	251,690	(18,400)	233,290
Expenses:							
Direct property operating	(121,066)	(58,053)	(179,119)	–	(179,119)	18,637	(160,482)
Adjusted net operating income[1]	62,475	6,756	69,231				
Depreciation of PP&E							(41,763)
Amortization of intangible assets							(1,897)
Share of net income from joint ventures							(1,527)
General, administrative and trust							(9,719)
Other income							(2,928)
Finance costs							(23,409)
Change in fair values of financial instruments and foreign exchange gains (losses)							(617)
							(81,860)
Loss before income taxes							(9,052)
Income tax benefit (expense):							
Current							–
Deferred							2,286
Net loss							$ (6,766)
Expenditures for non-current assets:							
Acquisition of properties	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Capital additions	40,773	10,102	50,875	(22,827)	28,048	(241)	27,807

[1]Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell's proportionate share of its joint ventures' resident revenue and direct property operating expenses.
[2]Items included under 'other' are not monitored at the segment level.

(In thousands of Canadian dollars, except per unit amounts)

20. Segmented information (continued):

	Three months ended September 30, 2019						
	Retirement Operations	Long Term Care Operations	Segment Total	Other[2]	Subtotal	Reconciliation	Total
Revenue:							
Resident	$ 184,759	$ 59,818	$ 244,577	$ –	$ 244,577	$ (28,775)	$ 215,802
Management and other fees	–	–	–	2,665	2,665	–	2,665
Lease revenue from joint ventures	–	–	–	–	–	9,861	9,861
Interest income	–	–	–	1,649	1,649	(367)	1,282
	184,759	59,818	244,577	4,314	248,891	(19,281)	229,610
Expenses:							
Direct property operating	(111,556)	(51,604)	(163,160)	–	(163,160)	16,700	(146,460)
Adjusted net operating income[1]	73,203	8,214	81,417				
Depreciation of PP&E							(41,579)
Amortization of intangible assets							(448)
Share of net income from joint ventures							1,797
General, administrative and trust							(9,194)
Other income							(17,046)
Finance costs							(21,633)
Change in fair values of financial instruments and foreign exchange gains (losses)							2,774
							(85,329)
Loss before income taxes							(2,179)
Income tax benefit (expense):							
Current							–
Deferred							1,363
							1,363
Net loss							$ (816)
Expenditures for non-current assets:							
Acquisition of properties	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Capital additions	31,923	1,712	33,635	14,500	48,135	(6,145)	41,990

[1] Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell`s proportionate share of its joint ventures` resident revenue and direct property operating expenses.

[2] Items included under 'other' are not monitored at the segment level.

(In thousands of Canadian dollars, except per unit amounts)

20. Segmented information (continued):

	Nine months ended September 30, 2020						
	Retirement Operations	Long Term Care Operations	Segment Total	Other[(2)]	Subtotal	Recon- ciliation	Total
Revenue:							
Resident	$ 556,943	$ 185,522	$ 742,465	$ –	$ 742,465	$ (87,533)	$ 654,932
Management and other fees	–	–	–	8,138	8,138	–	8,138
Lease revenue from joint ventures	–	–	–	–	–	30,743	30,743
Interest income	–	–	–	3,326	3,326	(241)	3,085
	556,943	185,522	742,465	11,464	753,929	(57,031)	696,898
Expenses:							
Direct property operating	(356,034)	(165,711)	(521,745)	–	(521,745)	55,627	(466,118)
Adjusted net operating income[(1)]	200,909	19,811	220,720				
Depreciation of PP&E							(132,999)
Amortization of intangible assets							(4,258)
Share of net income from joint ventures							(3,313)
General, administrative and trust							(35,221)
Other income							(1,220)
Finance costs							(70,191)
Change in fair values of financial instruments and foreign exchange losses							8,202
							(239,000)
Loss before income taxes							(8,220)
Income tax benefit (expense):							
Current							–
Deferred							10,917
Net income							$ 2,697
Expenditures for non-current assets:							
Acquisition of properties	$ 73,387	$ –	$ 73,387	$ –	$ 73,387	$ (1,136)	$ 72,251
Capital additions	92,500	12,596	105,096	(9,046)	96,050	(1,624)	94,426

(1) Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell`s proportionate share of its joint ventures` resident revenue and direct property operating expenses.

(2) Items included under 'other' are not monitored at the segment level.

(In thousands of Canadian dollars, except per unit amounts)

20. Segmented information (continued):

	Nine months ended September 30, 2019						
	Retirement Operations	Long Term Care Operations	Segment Total	Other[2]	Subtotal	Recon-ciliation	Total
Revenue:							
Resident	$ 549,409	$ 176,834	$ 726,243	$ –	$ 726,243	$ (86,709)	$ 639,534
Management and other fees	–	–	–	7,766	7,766	–	7,766
Lease revenue from joint ventures	–	–	–	–	–	29,583	29,583
Interest income	–	–	–	4,098	4,098	(584)	3,514
	549,409	176,834	726,243	11,864	738,107	(57,710)	680,397
Expenses:							
Direct property operating	(336,045)	(153,046)	(489,091)	–	(489,091)	51,912	(437,179)
Adjusted net operating income[1]	213,364	23,788	237,152				
Depreciation of PP&E							(132,161)
Amortization of intangible assets							(1,399)
Share of net income from joint ventures							2,498
General, administrative and trust							(34,402)
Other income							24,002
Finance costs							(63,756)
Change in fair values of financial instruments and foreign exchange losses							(6,350)
							(211,568)
Income before income taxes							31,650
Income tax benefit (expense):							
Current							–
Deferred							(19,098)
							(19,098)
Net income							$ 12,552
Expenditures for non-current assets:							
Acquisition of properties	$ 111,000	$ –	$ 111,000	$ –	$ 111,000	$ –	$ 111,000
Capital additions	105,081	5,999	111,080	40,571	151,651	(10,140)	141,511

[1] Adjusted net operating income represents resident revenue less direct property operating expenses, including Chartwell`s proportionate share of its joint ventures` resident revenue and direct property operating expenses.

[2] Items included under 'other' are not monitored at the segment level.

(In thousands of Canadian dollars, except per unit amounts)

20. Segmented information (continued):

September 30, 2020	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 3,194,834	$ 239,578	$ 3,434,412	$ 179,499	$ 3,613,911	$ (83,100)	$ 3,530,811
Total liabilities	$ 1,949,798	$ 211,889	$ 2,161,687	$ 682,620	$ 2,844,307	$ (65,500)	$ 2,778,807

December 31, 2019	Retirement Operations	Long Term Care Operations	Segment Total	Other	Subtotal	Recon-ciliation	Total
Total assets	$ 3,163,095	$ 247,388	$ 3,410,483	$ 162,749	$ 3,573,232	$ (78,838)	$ 3,494,394
Total liabilities	$ 1,928,290	$ 215,406	$ 2,143,696	$ 572,646	$ 2,716,342	$ (59,515)	$ 2,656,827

21. Financial instruments:

The carrying amounts and fair values of financial instruments, excluding loans receivable, interest rate swaps, liabilities related to Class B Units and income guarantees which are carried at fair value, are shown in the table below. The table below excludes cash and cash equivalents, restricted cash, trade and other receivables, accounts payable and other liabilities, and distributions payable, as the carrying amounts of these assets and liabilities are a reasonable approximation of fair value.

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Financial liabilities recorded at amortized cost:				
Mortgages payable	$ 1,971,832	$ 2,133,015	$ 1,940,678	$ 2,037,840
Credit facilities	80,762	84,000	–	–
Unsecured term loan	124,718	125,000	124,697	125,000
Senior unsecured debentures	348,584	363,020	348,294	353,787

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

(In thousands of Canadian dollars, except per unit amounts)

21. Financial instruments (continued):

The following summarizes the significant methods and assumptions used in estimating the fair values of financial instruments:

The fair value of mortgages payable is estimated by discounting the expected future cash outflows using the rates currently prevailing for similar instruments of similar maturities. At September 30, 2020, the mortgages payable were discounted using rates between 1.25% and 4.10% (December 31, 2019 - 2.58% and 3.86%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of mortgages is Level 2 in the fair value hierarchy.

The fair values of the credit facilities and term loan approximate the principal amount outstanding and are considered Level 2 in the fair value hierarchy as inputs are observable directly or indirectly.

The fair value of senior unsecured debentures is estimated by discounting the expected future cash outflows using the rates currently prevailing for similar instruments of similar maturities. At September 30, 2020, senior unsecured debentures were discounted using a rate of 2.90% (December 31, 2019 - 3.72%). As inputs are observable for the liability, either directly or indirectly through prevailing rates of similar items, the fair value of senior unsecured debentures is Level 2 in the fair value hierarchy.

22. Revenue:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Lease revenue[(1)]	$ 88,132	$ 88,977	$ 269,456	$ 262,511
Services revenue[(2)]	141,876	136,686	416,219	406,606
Interest income	858	1,282	3,085	3,514
Management and other fees	2,424	2,665	8,138	7,766
Total revenue	$ 233,290	$ 229,610	$ 696,898	$ 680,397

[(1)] Includes resident lease revenue from retirement residence residents and lease revenue from the joint venture partners.
[(2)] Includes property services element from retirement residence residents in accordance with IFRS 15 and long-term care services revenue.

(In thousands of Canadian dollars, except per unit amounts)

23. Other income (expense):

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Transaction costs arising on acquisitions and dispositions	$ (99)	$ (310)	$ (690)	$ (1,273)
Impairment losses	–	(19,500)	(3,200)	(19,500)
Other expense	(99)	(19,810)	(3,890)	(20,773)
Remeasurement gain	–	–	–	39,172
Net gain (loss) on disposal of assets	(3,101)	2,613	2,071	5,057
Other income	272	151	599	546
Other income (expense)	(2,829)	2,764	2,670	44,775
Other income (expense)	$ (2,928)	$ (17,046)	$ (1,220)	$ 24,002

During the three and nine months ended September 30, 2020, Chartwell recorded impairment provisions of nil and $3,200 (three and nine months ended September 30, 2019 - $19,500) on five of its properties in Ontario. The impairment losses resulted from a decline in the operating performance of these properties due to competitive pressures in the market. Chartwell has determined that each of its properties are Cash Generating Units ("CGU") for purposes of impairment assessments as each property independently generates cash flows. The impairment for each property was recorded on a valuation based on fair value less costs of disposal.

Fair value is measured using either the present value of future cash flows or using bona fide offers from market participants and are categorized within Level 3 of the fair value hierarchy. In calculating fair value, management estimates future cash flows using historical experience, budgets and forecasts for the following fiscal year, considers future opportunities and risks in determining growth rates for future periods. Management also applies adjustments to reflect the expectations of market participants. The discount rates applied to cash flows to determine the recoverable amount are based on recent transactions of similar assets within the market.

(In thousands of Canadian dollars, except per unit amounts)

24. Finance costs:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Contractual interest expense on mortgages	$ (17,898)	$ (17,975)	$ (53,425)	$ (53,139)
Interest expense on senior unsecured debentures	(3,463)	(3,500)	(10,388)	(10,387)
Interest expense on credit facility	(807)	(644)	(3,049)	(1,992)
Interest expense on unsecured term loan	(1,167)	–	(3,323)	–
	(23,335)	(22,119)	(70,185)	(65,518)
Interest capitalized to properties under development	896	1,155	2,566	3,643
Amortization of financing costs and mark-to-market adjustment on assumed mortgages	(736)	(429)	(1,863)	(1,159)
Distributions on Class B Units recorded as interest expense	(234)	(240)	(709)	(722)
Total finance costs	$ (23,409)	$ (21,633)	$ (70,191)	$ (63,756)

25. Change in fair values of financial instruments and foreign exchange gains (losses):

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Change in fair value of interest rate swaps	$ 1,265	$ 92	$ (6,995)	$ (1,293)
Change in fair value of EUPP option component	(423)	1,246	4,126	(1,608)
Change in fair value of Class B Units	(1,117)	796	6,201	(1,736)
Change in fair value of DTUs	(1,024)	364	3,567	(1,451)
Change in fair value - other	(25)	(266)	246	(671)
Change in fair value of income guarantees	787	487	943	534
Foreign exchange gains (losses)	(80)	55	114	(125)
Change in fair values of financial instruments and foreign exchange gains (losses)	$ (617)	$ 2,774	$ 8,202	$ (6,350)

26. Income taxes:

Chartwell recorded a deferred tax benefit of $2,286 and $10,917 for the three and nine months ended September 30, 2020 (September 30, 2019 - deferred tax benefit of $1,363 and deferred tax expense of $19,098). The deferred income tax benefit for the three months ended September 30, 2020 primarily relates to reversal of temporary differences on the accounting and tax basis of PP&E, and the deferred tax benefit for the nine months ended September 30, 2020 primarily relates to the impairment losses, fair value adjustment on interest rate swaps and reversal of temporary differences on the accounting and tax basis of PP&E.

27. Commitments and contingencies:

Chartwell has been named in three proposed class action lawsuits related to the pandemic, none of which has been certified. Chartwell's insurer has assigned defence counsel and will be responding to the claims in due course through the appropriate court process. On October 20, 2020, the Ontario government introduced the Supporting Ontario's Recovery Act, 2020 (Bill 218), that if passed, will provide liability protection for workers, volunteers and organizations that make an honest effort to follow public health guidelines and laws relating to exposure to the pandemic. If passed, proceedings will be barred and dismissed without costs if they allege injury by COVID-19 if the defendant had made good faith efforts and did not act with gross negligence. Chartwell did not record a provision with respect to these lawsuits as at September 30, 2020.

28. Comparative statements:

Certain comparative balances have been reclassified from the consolidated financial statements previously presented to conform to the presentation of the 2020 condensed consolidated interim financial statements.

29. Subsequent events:

On November 2, 2020, Chartwell completed the sale of three non-core retirement residences in Alberta for an aggregate sale price of $30,750. These properties have been classified as assets held for sale as at September 30, 2020. The mortgage related to one of these properties of $5,200 was discharged on closing.