Consolidated Financial Statements
(In United States dollars)

TERRA FIRMA CAPITAL CORPORATION

And Independent Auditors' Report thereon

Years ended December 31, 2020 and 2019

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Terra Firma Capital Corporation

Opinion

We have audited the consolidated financial statements of Terra Firma Capital Corporation (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019
- the consolidated statements of income and comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

© 2020 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commission.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commission as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Saqib Jawed.

Toronto, Canada

April 14, 2021

TERRA FIRMA CAPITAL CORPORATION

Consolidated Statements of Financial Position
(In United States Dollars)

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 3,780,824	$ 1,931,451
Funds held in trust	5,862,799	1,805,229
Amounts receivable and prepaid expenses (note 4)	596,864	1,520,698
Loan and mortgage investments (note 5)	93,043,813	116,212,642
Investment in finance leases (note 6)	20,489,655	17,959,374
Portfolio investments (note 7)	2,292,991	2,042,937
Investment in associates (note 8)	3,112,395	3,097,947
Investment property held in joint operations (note 9(b))	1,735,712	1,700,303
Convertible note receivable (note 10)	1,080,536	800,531
Right-of-use asset (note 14)	1,056,879	912,436
Income taxes recoverable (note 21)	–	247,719
	$ 133,052,468	$ 148,231,267
Liabilities and Equity		
Liabilities:		
Unearned income	$ 391,112	$ 692,264
Loan and mortgage syndications (note 5)	71,374,100	88,249,414
Mortgages payable (note 9(c))	1,055,379	1,067,440
Accounts payable and accrued liabilities (note 11)	8,670,756	5,344,792
Credit facilities (note 12)	6,700,964	8,878,839
Unsecured note payable (note 13)	1,794,150	3,000,000
Lease obligations (note 14)	1,074,518	913,129
Deferred income taxes payable (note 21)	219,337	450,017
Income taxes payable (note 21)	609,499	–
	91,889,815	108,595,895
Equity:		
Share capital (note 16(b))	25,283,343	25,283,343
Contributed surplus (note 17)	3,618,440	3,440,695
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	19,146,268	17,796,732
Shareholders' equity	41,162,653	39,635,372
Commitments and contingencies (note 15)		
Subsequent events (notes 10 and 26)		
Related party transactions (notes 16 and 19)		
	$ 133,052,468	$ 148,231,267

See accompanying notes to consolidated financial statements.

The consolidated financial statements were approved by the Board on April 14, 2021 and signed on its behalf by:

"Seymour Temkin" Director

"Dov Meyer" Director

TERRA FIRMA CAPITAL CORPORATION

Consolidated Statements of Income and Comprehensive Income
(In United States dollars)

Years ended December 31, 2020 and 2019

	2020	2019
Revenue:		
Interest and fees	$ 12,662,997	$ 15,003,292
Finance income	2,646,216	1,497,294
Rental (note 9(a))	152,571	155,720
	15,461,784	16,656,306
Expenses (income):		
Interest and financing costs (note 20)	8,176,246	9,161,259
General and administrative	3,305,565	3,375,989
Property operating costs (note 9(a))	53,896	53,427
Share-based compensation (note 16(e))	279,224	474,168
Provision for uncollectible receivables (note 4)	161,428	–
Provision for loan and mortgage investments loss (note 5)	899,204	74,208
Provision for investment in finance lease loss	41,061	–
Realized and unrealized foreign exchange gain	(118,268)	(156,901)
Fair value adjustment - portfolio investments (note 7)	(149,120)	(56,124)
Share of loss (income) from investment in associates (note 8)	115,494	(356,435)
	12,764,730	12,569,591
Income from operations before income taxes	2,697,054	4,086,715
Income taxes (note 21)	527,816	1,008,958
Net income and comprehensive income	$ 2,169,238	$ 3,077,757
Earnings per share (note 18):		
Basic	$ 0.39	$ 0.54
Diluted	0.39	0.54

See accompanying notes to consolidated financial statements.

TERRA FIRMA CAPITAL CORPORATION

Consolidated Statements of Changes in Equity
(In United States dollars)

Years ended December 31, 2020 and 2019

	Share capital		Foreign currency translation reserve	Contributed surplus	Retained earnings	Total shareholders' equity
	Number of shares	Amount				
		(note 16(b) and (c))	(note 3)	(note 17)		
Balance, December 31, 2018 (recast note 25)	5,863,584	$ 26,533,950	$ (6,885,398)	$ 3,264,388	$ 15,140,086	$ 38,053,026
Repurchase of shares pursuant to normal course issuer bid	(298,550)	(1,250,607)	–	–	–	(1,250,607)
Share-based compensation	–	–	–	176,307	–	176,307
Dividends on common shares (note 16(d))	–	–	–	–	(421,111)	(421,111)
Common share consolidation	(66)	–	–	–	–	–
Net income and comprehensive income	–	–	–	–	3,077,757	3,077,757
Balance, December 31, 2019	5,564,968	25,283,343	(6,885,398)	3,440,695	17,796,732	39,635,372
Share-based compensation	–	–	–	177,745	–	177,745
Dividends on common shares (note 16(d))	–	–	–	–	(819,702)	(819,702)
Net income and comprehensive income	–	–	–	–	2,169,238	2,169,238
Balance, December 31, 2020	5,564,968	$ 25,283,343	$ (6,885,398)	$ 3,618,440	$ 19,146,268	$ 41,162,653

See accompanying notes to consolidated financial statements.

TERRA FIRMA CAPITAL CORPORATION

Consolidated Statements of Cash Flows
(In United States dollars)

Years ended December 31, 2020 and 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net income and comprehensive income	$ 2,169,238	$ 3,077,757
Interest and fees earned	(12,662,997)	(15,003,292)
Finance income	(2,646,216)	(1,497,294)
Interest expense and financing costs	8,176,246	9,161,259
Unrealized foreign exchange gain	57,037	(106,007)
Income from associates	115,494	(356,435)
Non-cash items:		
Share-based compensation (note 16(e))	279,224	474,168
Amortization of right-of-use asset	171,670	173,313
Provision for loan and mortgage investments loss	899,204	74,208
Provision for investment in finance lease loss	41,061	–
Provision for uncollectible receivables	161,428	–
Fair value adjustment - portfolio investments	(149,120)	(56,124)
Income tax provision	527,816	1,008,958
Change in non-cash operating items:		
Increase in other receivables	(42,312)	(65,542)
Decrease (increase) in prepaid expenses and deposits	(20,609)	12,666
Decrease in accounts payable and accrued liabilities	(151,856)	(12,698)
Interest and fees received	16,950,110	11,718,953
Interest paid	(6,430,014)	(7,022,118)
Distributions from investment in associates	37,921	375,662
Income taxes received (paid)	98,722	(1,455,996)
	7,582,047	501,438
Financing activities:		
Proceeds from loan and mortgage syndications	27,444,035	49,602,355
Repayments of loan and mortgage syndications	(46,137,649)	(39,327,209)
Proceeds from unsecured note payable	–	3,000,000
Repayment of unsecured note payable	(1,205,850)	–
Repayments of mortgages payable	(34,920)	(34,175)
Payment of lease obligations	(172,282)	(172,620)
Proceeds from credit facilities	22,770,423	14,102,487
Repayments of credit facilities	(25,041,103)	(25,389,941)
Dividends paid	(830,212)	(210,700)
Repurchase of shares pursuant to normal course issuer bid	–	(1,250,607)
	(23,207,558)	319,590
Investing activities:		
Funding of loan and mortgage investments	(33,371,925)	(46,709,551)
Repayments of loan and mortgage investments	53,910,395	57,605,930
Funding of investment in finance leases	(27,883,462)	(23,518,262)
Proceeds from sale of finance leases	24,966,422	8,282,149
Recovery of loan and mortgage investments previously written-off	238,824	–
Funding of investment in convertible note receivable	(189,480)	(752,349)
Increase in funds held in trust	–	(683,520)
Proceeds from sale of investment in associates	–	4,298,600
Funding of investment in associates	(136,647)	(5,143,953)
Funding of portfolio investment	(59,243)	–
	17,474,884	(6,620,956)
Increase (decrease) in cash and cash equivalents	1,849,373	(5,799,928)
Cash and cash equivalents, beginning of year	1,931,451	7,731,379
Cash and cash equivalents, end of year	$ 3,780,824	$ 1,931,451

See accompanying notes to consolidated financial statements.

1. Reporting entity:

Terra Firma Capital Corporation (the "Company") was incorporated under the Ontario Business Corporations Act on July 26, 2007. The common shares of the Company ("Shares") trade on the TSX Venture Exchange (the "TSX-V") under the symbol TII. The registered office of the Company is located at 22 St. Clair Avenue East, Suite 200, Toronto, Ontario M4T 2S5.

The principal business of the Company is to provide real estate financings secured by investment properties and real estate developments throughout Canada and the United States. These financings are made to real estate developers and owners who require shorter-term loans to bridge a transitional period of one to five years where they require capital at various stages of development or redevelopment properties, for such development or redevelopment, properties repairs or the purchase of investment properties.

Effective September 20, 2019, the Company completed a share consolidation of its share capital on the basis of one post-consolidation Share for each ten pre-consolidation Shares. As a result of the share consolidation, the Company's 55,650,336 Shares issued and outstanding were consolidated to 5,565,033 Shares. The number of shares, warrants, options, deferred share units (the "DSUs") and earnings per share data presented in these condensed consolidated financial statements have all been adjusted retroactively to reflect the impact of this share consolidation.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), as well as Interpretations of the International Financial Reporting Interpretations Committee (the "IFRIC").

(In United States dollars unless otherwise stated)

2. Basis of presentation (continued):

(b) Basis of consolidation:

The Company holds interests in certain loan and mortgage investments, investment in finance leases, investment in associates, and portfolio investments in its wholly-owned subsidiaries, which the Company controls. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of these subsidiaries and the Company's proportionate share in joint operations are consolidated with those of the Company, and all intercompany transactions and balances between the Company and its subsidiary entities and joint operations have been eliminated upon consolidation.

The consolidated financial statements include the financial statements of the Company and the following significant entities as at December 31, 2020 and 2019:

	Country of incorporation	Interest % 2020	2019
TFCC International Ltd.	Canada	100	100
Terra Firma MA Ltd.	Canada	100	100
Terra Firma Queen Developments Inc.	Canada	100	100
TFCC LanQueen Ltd.	Canada	100	100
Terra Firma (Valermo) Corporation (the "TFVC")	Canada	100	100
TFCC USA LLC	U.S.A.	100	100
TFCC Kempston Place LLC	U.S.A.	100	100
TFCC USA II Corporation	U.S.A.	100	100
TFCC Saul's Ranch LLC	U.S.A.	100	100
TFCC Wilson Trace LLC	U.S.A.	100	100
TFCC Delray Inc. (the "TF Delray")	U.S.A.	100	100
TFCC San Pablo LLC	U.S.A.	100	100
TFCC USA III Corporation	U.S.A.	100	–
TFCC Stafford LLC	U.S.A.	100	–
TFCC Sterling 5A LLC	U.S.A.	100	–
TFCC Sterling LLC	U.S.A.	100	–
TFCC Coburn LLC	U.S.A.	100	–
TFCC Dunn's Crossing LLC	U.S.A.	100	–
TFCC Jacksonville LLC	U.S.A.	100	–

2. Basis of presentation (continued):

(c) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis, except for investment property held in joint operations, portfolio investments, investment in associates, financial instruments classified at fair value through profit or loss ("FVTPL") and non-controlling interest, which are stated at their fair values.

(d) Functional and presentation currency:

These consolidated financial statements are presented in United States dollars ("USD"), which is also the Company's functional currency.

Prior to January 1, 2019, the functional and presentation currency of the Company was the Canadian dollar ("CAD"). The exchange rates used in translation as at December 31, 2018 was $0.7332, and the average rate for the year ended December 31, 2018 was $0.7716.

(e) Critical judgments and estimates:

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the years. Actual results may differ from these estimates.

In making estimates, the Company relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with the prior year and there are no known trends, commitments, events or uncertainties that the Company believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed separately in notes 3(g),4, 5, and 6.

Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of these consolidated financial statements and the reported amounts of revenue and expenses during the years. Actual results could also differ from those estimates under different assumptions and conditions.

2. Basis of presentation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

(f) COVID-19 considerations:

Beginning March 2020, the outbreak of the novel strain of COVID-19 has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. The COVID-19 pandemic introduced unprecedented uncertainty in the economy, including the risk of a significant employment shock and recessionary conditions, with implications for the health and safety of the Company's employees, delinquency rates, origination volumes, the availability of financing, and the Company's overall operations. The Company not originating new loan investments and investment in finance leases during the first half of the year, due to the COVID-19 related disruptions, has adversely impacted the Company's operations for the year ended December 31, 2020.

As the impact of the pandemic continues to weigh on the U.S. and Canadian economies, the Company will continue to monitor the financial and other commitments by the borrowers.

The allowance for credit losses and carrying value for the Company's investments measured at FVTPL at December 31, 2020, reflects its best estimate. Actual results may differ materially from the Company's current estimates as the scope of COVID-19 evolves or if the duration of business disruptions is longer than initially anticipated. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with the Company's future operating assumptions and expectations as compared to prior periods, and 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 estimate of ACL and investments measured at FVTPL, both in the short term and in the long term.

3. Significant accounting policies:

The Company's accounting policies and its standards of financial disclosure set out below are in accordance with IFRS and have been applied consistently to all years presented in these consolidated financial statements, unless otherwise stated.

(a) Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash and short-term investments. Short-term investments, comprising money market instruments, have a maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

(b) Funds held in trust:

Funds held in trust comprise cash balances that are deposited and held in trust within a wholly owned subsidiary of the Company that administers loan and mortgage investments. The restricted deposits are subject to future loan and mortgage contractual obligations and are, therefore, restricted in access until all the contractual payout conditions are met. Funds held in trust are carried at amortized cost, which approximates their fair value. The corresponding liability is included in accounts payable and accrued liabilities.

(c) Loan and mortgage investments:

The loan and mortgage investments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, the loan and mortgage investments are measured at amortized cost using the effective interest rate (the "EIR") method. Under the EIR method, interest income and expense are calculated and recorded using the EIR, which is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument to the fair value at initial recognition. The loan and mortgage investments are derecognized when the contractual rights to receive cash flows and benefits expire, or where they have been transferred and the Company also transfers the control or substantially all the risks and rewards of ownership.

3. Significant accounting policies (continued):

The loan and mortgage investments are assessed each reporting year to determine whether there is any objective evidence of impairment at both a specific asset and collective level. All individually significant loan and mortgage investments are assessed for specific impairment and are considered to be impaired if one or more loss events that have occurred after its initial recognition have a negative effect on the estimated future cash flows of the financial asset and the loss can be reliably measured.

Loan and mortgage investments that have been assessed individually and found not to be impaired and all individually insignificant loan and mortgage investments are then assessed collectively, in a group of loan and mortgage investments with similar risk characteristics, to determine whether a collective allowance should be recorded due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes into account: (i) data from the loan and mortgage investments (such as the composition of the loan and mortgage investments, borrower's ability to repay, loan defaults and arrears, the estimated value of the underlying collateral (loan to value ratios), average term to maturity, etc.), (ii) general economic and real estate market conditions (including current real estate prices for various real estate types, any near-term real estate development fundamentals), and (iii) actual historical loan losses and other relevant factors.

An impairment loss in respect of loan and mortgage investments is calculated as the difference between its carrying amount, including accrued interest and the present value of the estimated future cash flows discounted at the loan and mortgage investment's original EIR. Losses are recognized in profit or loss and reflected in an allowance account against the loan and mortgage investments. When a subsequent event causes the amount of an impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(d) Investment in associates:

Associates are those entities over which the Company is able to exert significant influence, but which are neither subsidiaries nor interests in a joint venture. Investments in associates are entities with no control or joint control, over the financial and operating policies. The Company's investments in associates are accounted for using the equity method of accounting. Investments in associates are recognized initially at cost. The cost of the investment includes transaction costs. The Company's share of its associates' post acquisition net income or loss is recognized as share of income from investment in associates in the consolidated statements of income and comprehensive income. Dividends received are recorded as a reduction in the investment.

3. Significant accounting policies (continued):

The consolidated financial statements include the Company's share of the income or loss and other comprehensive income or loss from the date that significant influence commences until the date that significant influence ceases. The accounting policies of the Company's associates are consistent with the policies adopted by the Company.

The Company assesses at each reporting year whether there is any objective evidence that the interest in the associates is impaired. If impaired, the carrying value of the Company's share of the underlying assets in the associates are written down to its estimated recoverable amount.

(e) Joint arrangements:

A joint arrangement is a contractual arrangement pursuant to which the Company and other parties undertake an economic activity that is subject to joint control, whereby the strategic financial and operating policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control. Joint arrangements are of two types - joint ventures and joint operations.

The Company's significant joint arrangements consist of joint operations, which are structured through a direct interest in the joint venture's assets, rather than through the establishment of a separate entity; the arrangement is referred to as joint operations and the Company's proportionate share of joint venture assets, liabilities, revenue and expenses are recognized in the consolidated financial statements and classified according to their nature. When the Company transacts with its joint operations, unrealized profits and losses are eliminated to the extent of the Company's interest in the joint operations. Balances outstanding between the Company and joint operations in which it has an interest are eliminated in the consolidated statements of financial position.

(f) Investment properties:

Investment properties include properties held to earn rental income or for capital appreciation, or for both, and properties that are being constructed or developed for future use as investment properties. On acquisition, investment properties are initially recorded at cost. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair values are recognized in the consolidated statements of income and comprehensive income during the year in which they arise.

3. Significant accounting policies (continued):

(g) Financial instruments:

The Company accounts for its financial assets and liabilities in accordance with IFRS 9 - Financial Instruments ("IFRS 9"). The Company recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, except for financial assets classified at FVTPL, are measured at fair value plus transaction costs on initial recognition. Financial assets classified at FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at FVTPL, fair value through other comprehensive income ("FVOCI") or amortized cost based on the Company's business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

Debt instruments are measured at amortized cost and the asset is not designated as FVTPL, if both of the following conditions are met: (i) When the asset is held within a business model that is held-to-collect ("HTC") as described below, and (ii) when the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

All other debt instruments are measured at FVTPL.

3. Significant accounting policies (continued):

The Company classifies its financial assets and financial liabilities as either amortized cost or at FVTPL as summarized below:

Assets	
Cash and cash equivalents	Amortized cost
Loan and mortgage investments	Amortized cost
Investment in finance leases	Amortized cost
Funds held in trust	Amortized cost
Amounts receivable and prepaid expenses	Amortized cost
Portfolio investments	FVTPL
Convertible note receivable	FVTPL
Income taxes recoverable	Amortized cost
Liabilities	
Accounts payable and accrued liabilities	Amortized cost
Unearned income	Amortized cost
Deferred income taxes payable	Amortized cost
Unsecured note payable	Amortized cost
Credit facilities	Amortized cost
Loan and mortgage syndications	Amortized cost
Mortgages payable	Amortized cost

Business model assessment:

The Company determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Company's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence, including:

- how the economic activities of the Company's businesses generate benefits, for example, through enhancing yields, trading revenue, or other costs and how such economic activities are evaluated and reported to key management personnel;

- the significant risks affecting the performance of the Company's businesses, for example, market risk, credit risk, or other risks and the activities are undertaken to manage those risks; and

- historical and future expectations of sales of the loan and mortgage investments or securities portfolios managed as part of a business model.

3. Significant accounting policies (continued):

The Company's business models fall into two categories, which are indicative of the key strategies used to generate returns:

- HTC - The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

- Fair value business model - The business model is neither HTC nor hold-to-collect-and-sell, and assets in this business model are managed on a fair value basis.

SPPI assessment:

Instruments held within an HTC business model are assessed to evaluate if their contractual cash flows are comprised of SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing, or administrative costs) associated with holding the financial asset for a period of time and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

3. Significant accounting policies (continued):

Loan and mortgage investments are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loan and mortgage investments carried at amortized cost are measured using the EIR method and are presented net of any allowance for credit losses ("ACL"), calculated in accordance with the Company's policy for ACL, as described below. Interest on loan and mortgage investments is recognized in interest income using the EIR method. The estimated future cash flows used in this calculation include those determined by the contractual term of the loan and mortgage investment and all fees that are considered to be integral to the EIR. Fees that relate to activities such as originating, restructuring, or renegotiating loans are deferred and recognized as interest income over the expected term of such loan and mortgage investments using the EIR method. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the consolidated statements of income and comprehensive income. Impairment gains or losses recognized on the amortized cost of loan and mortgage investments are recognized at each date of the consolidated statements of financial position in accordance with the three-stage impairment model outlined below.

The Company currently has no financial assets measured at FVOCI.

Equity instruments:

Equity instruments are measured at FVTPL unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of non-interest income in the consolidated statements of income and comprehensive income.

ACL:

An ACL is established for all financial instruments, except for financial instruments and equity instruments classified or designated as FVTPL, which are not subject to impairment assessment. Financial instruments subject to impairment assessment are carried at amortized cost and presented net of ACL in the consolidated statements of financial position. ACL on loan and mortgage investments is presented in provision for loan and mortgage investment loss.

3. Significant accounting policies (continued):

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments.

The Company measures the ACL on each consolidated statements of financial position date according to a three-stage expected credit loss impairment model:

(i) Performing financial instrument:

- Stage 1 - From initial recognition of a financial instrument to the reporting date, where the instrument has not experienced a significant increase in credit risk ("SIR") relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date.

- Stage 2 - When a financial instrument experiences a SIR subsequent to initial recognition but is not considered to be in default, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset.

(ii) Impaired financial instrument:

- Stage 3 - When a financial instrument is considered to be credit-impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the instrument. Interest is calculated based on the carrying amount of the instrument, net of the loss allowance, rather than on its gross carrying amount.

ACL for investment in finance leases is always measured at an amount equal to credit losses expected over the remaining lifetime of the finance lease.

Measurement of expected credit losses:

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information, including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") and discounted to the reporting date.

3. Significant accounting policies (continued):

Details of the statistical parameters used in the measurement of expected credit losses are as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life if the instrument has not been previously derecognized and is still in the portfolio.

- EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.

- LGD - The loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modeled on a collective basis using portfolio segmentation that allows for the appropriate incorporation of forward-looking information. Expected credit losses are discounted to the reporting period date using the EIR.

Assessment of SIR:

The assessment of SIR requires significant judgment. Movements between Stage 1 and Stage 2 are based on whether an instrument's credit assessment risk at the reporting date has increased significantly relative to the date it was initially recognized.

3. Significant accounting policies (continued):

At each reporting date, the Company assesses whether there has been a SIR for exposures since initial recognition by comparing the risk of a default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral and the impact of forward-looking macro-economic factors, management judgment, and delinquency monitoring.

The common assessments for SIR on loan and mortgage investments include macroeconomic outlook, management judgment, and delinquency monitoring. Forward-looking macro-economic factors are a key component of the macro-economic outlook. The importance and relevance of each specific macro-economic factor depend on the type of product, characteristics of the financial instruments and the borrower, and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a SIR. Qualitative factors may be assessed to supplement the gap. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Use of forward-looking information:

The measurement of expected credit losses for each stage and the assessment of SIR considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information require significant judgment.

Macro-economic factors:

The PD, EAD, and LGD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modeled based on the macro-economic factors (or changes in macro-economic factors) that are most closely correlated with credit losses in the relevant loan and mortgage investment. In its models, the Company relies on forward-looking information as economic inputs. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the dates of the consolidated financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using credit judgment.

3. Significant accounting policies (continued):

Definition of default:

The definition of default used in the measurement of expected credit losses is consistent with the definition of default used for the Company's internal credit risk management purposes. The Company considers that default occurs when the borrower is more than 90 days past due on any material obligation to the Company, and/or the Company considers the borrower unlikely to make their payments in full without recourse action on the Company's part, such as taking formal possession of any collateral held. The Company also considers certain events such as the probability of the borrower entering a phase of bankruptcy or a financial reorganization and a measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan, which may result in default. The definition of default used is applied consistently from period to period and to all financial instruments unless it can be demonstrated that circumstances have changed such that another definition of default is more appropriate.

Credit-impaired financial assets (Stage 3):

Financial assets are assessed for credit-impairment at each consolidated statements of financial position date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at the reporting date, it is no longer considered to be credit-impaired as described above. The asset will migrate back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, which could occur during the same reporting period as the migration from Stage 3 to Stage 2 as described above.

3. Significant accounting policies (continued):

Modified financial assets:

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual terms of the financial asset that affect the contractual cash flows. The treatment of such modifications is primarily based on the process undertaken to execute the renegotiation and the nature and extent of changes expected to result. Modifications that are performed for credit reasons, primarily related to troubled debt restructurings, are generally treated as modifications of the original financial asset. Modifications which are performed for other than credit reasons are generally considered to be an expiry of the original cash flows; accordingly, such renegotiations are treated as a de-recognition of the original financial asset and recognition of a new financial asset.

If a modification of terms does not result in de-recognition of the financial asset, the carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows, discounted at the original EIR, and a gain or loss is recognized. The financial asset continues to be subject to the same assessments for SIR relative to initial recognition and credit impairment, as described above. A modified financial asset will migrate out of Stage 3 if the conditions that led to it being identified as credit-impaired are no longer present and relate objectively to an event occurring after the original credit-impairment was recognized. A modified financial asset will migrate out of Stage 2 when it no longer satisfies the relative thresholds set to identify SIR, which are based on changes in its lifetime PD, days past due, and other qualitative considerations.

If a modification of terms results in de-recognition of the original financial asset and recognition of the new financial asset, the new financial asset will generally be recorded in Stage 1 unless it is determined to be credit-impaired at the time of the renegotiation. For the purposes of assessing for SIR, the date of initial recognition for the new financial asset is the date of the modification.

3. Significant accounting policies (continued):

Write-off policy:

The Company writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no reasonable expectation of further recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the consolidated statements of income and comprehensive income.

(h) Derecognition of financial instruments:

A financial asset is derecognized if substantially all risks and rewards of ownership and, in certain circumstances, control of the financial asset is transferred. A financial liability is derecognized when it is extinguished, with any gain or loss on extinguishment to be recognized in other items in the consolidated statements of income and comprehensive income.

(i) Unearned income:

Unearned income includes commitment fees received from borrowers, which are amortized over the contractual terms of the respective loan and mortgage investments.

(j) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity.

3. Significant accounting policies (continued):

(k) Revenue recognition:

(i) Interest and fees earned:

Interest and fees earned is recognized in the consolidated statements of income and comprehensive income using the EIR method. The EIR method discounts the estimated contractual future cash receipts through the expected life of the loan and mortgage to its carrying amount. When estimating future cash flows, the contractual terms of the mortgage are considered, including origination revenue, interest receipts, principal receipts and contractual end-of-term participation receipts, where applicable.

Participation receipts that are contingent upon future events, such as the profitability of the underlying security, are not included in the estimated cash flows. Such amounts are recorded in income when management is reasonably assured of their collection.

(ii) Finance income:

Finance income on the net investment in the finance leases is recognized in the consolidated statements of income and comprehensive income using the interest rate implicit in the respective leases.

(iii) Rental income:

The Company has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases. Rental income from these leases is recognized in the consolidated statements of income and comprehensive income on a straight-line basis over the term of the relevant leases.

(l) Share-based compensation:

The Company has a share option plan (the "Plan") for grants to eligible directors, officers, senior management and consultants under its Plan. The expense of the equity-settled incentive option plan is measured based on the fair value of the options granted of each tranche at the grant date. The expense is recognized in proportion to the vesting features of each tranche of the grant and is reflected in equity. When share options are exercised, any consideration paid, together with the amount recorded in equity, are recorded in share capital.

3. Significant accounting policies (continued):

(m) Deferred share unit plan:

The Company has a cash-settled Deferred Share Unit Plan (the "DSU Plan") for employees and directors, whereby the Board of Directors of the Company (the "Board") may award DSUs as compensation for services rendered.

The fair value of DSUs granted is measured at the grant date based on the five-day volume weighted average trading price of the Company's Shares, and compensation expense is recognized in proportion to the vesting features over the vesting period with the recognition of a corresponding liability that is included in accounts payable and accrued liabilities. The liability is remeasured at each reporting date at fair value with changes in fair value recognized in the consolidated statements of income and comprehensive income.

The DSU Plan provides holders of DSUs to receive additional DSUs in respect of dividends payable on Shares. The number of the additional DSUs granted as of a dividend payment date is determined by dividing the aggregate amount obtained by multiplying the dividends paid on each Share by the number of DSUs in each participant's account on the dividend record date by the market value of the Shares on the dividend payment date

(n) Provisions:

Provisions for legal claims, where applicable, are recognized in accounts payable and accrued liabilities when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expense required to settle the obligation at the end of the reporting years and are discounted to present value where the effect is material.

(o) Income taxes:

Income tax comprises current and deferred taxes. Income tax is recognized in the consolidated statements of income and comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case, the income tax is also recognized directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the reporting years, using tax rates enacted, or substantively enacted, at the end of the reporting years and any adjustments to tax payable in respect of previous years.

3. Significant accounting policies (continued):

Deferred tax is determined based on the temporary differences between the carrying value and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in income. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to the Company's taxable income for the years in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(p) Foreign currency translation, non-USD functional currency entities:

Transaction amounts denominated in foreign currencies are translated into the presentation currency of USD equivalents at the rates of exchange prevailing at the time of the transactions. Carrying values of monetary assets and liabilities are translated at exchange rates prevailing at the dates of the consolidated statements of financial position. Foreign exchange gains and losses on the receipts of payments from translations are included in realized gain/loss on foreign exchange in the consolidated statements of income and comprehensive income. All unrealized foreign exchange gains and losses on monetary assets and liabilities are included in unrealized foreign exchange gain/loss in the consolidated statements of income and comprehensive income.

(q) Earnings per share:

Basic earnings per share is calculated by dividing the net income attributable to shareholders of the Company by the weighted average number of Shares outstanding during the year.

Diluted earnings per share is calculated using the "if converted method" and is determined by adjusting the net income attributable to shareholders and the weighted average number of Shares outstanding, adjusted for the dilutive effects of all convertible debentures and granted share options and warrants (the "Warrants").

3. Significant accounting policies (continued):

(r) Leases:

At the inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a Lessee:

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Company as a Lessor:

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the investment in finance leases.

3. Significant accounting policies (continued):

(s) New standards recently adopted:

Amendments to References to the Conceptual Framework in IFRS:

On March 29, 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the "Framework") that underpins IFRS. The IASB also issued Amendments to References to the Conceptual Framework in IFRS to update references in IFRS to previous versions of the Framework. Both documents are effective from January 1, 2020 with earlier application permitted.

The Company has adopted the amendments in its consolidated financial statements for the period beginning January 1, 2020. The implementation of the amendments did not have a material impact on the Company's consolidated financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8):

On October 31, 2018, the IASB refined its definition of material and removed the definition of material omissions or misstatements from IAS 8. The amendments are effective for annual periods beginning on or after January 1, 2020. Early adoption is permitted.

The definition of material has been aligned across IFRS and the Framework. The amendments provide a definition and explanatory paragraphs in one place.

Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company has adopted the amendments to IAS 1 and IAS 8 in its consolidated financial statements for the period beginning January 1, 2020. The implementation of the amendments did not have a material impact on the Company's consolidated financial statements.

(In United States dollars unless otherwise stated)

3. Significant accounting policies (continued):

(t) New standards not yet adopted:

Application of Interest Rate Benchmark Reform ("LBOR"):

In August 2020, the IASB issued 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.

The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted and include retrospective application with reinstatement of hedge relationships. The Company is currently in the process of assessing the impact of adopting the amendments in Phase II on its consolidated financial statements.

4. Amounts receivable and prepaid expenses:

The following table presents details of the amounts receivable and prepaid expenses as at December 31, 2020:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	$ 246,784	$ –	$ 246,784
Other receivables	275,088	–	275,088
Prepaid expenses and deposits	74,992	–	74,992
Amounts receivable and prepaid expenses	$ 596,864	$ –	$ 596,864

(In United States dollars unless otherwise stated)

4. Amounts receivable and prepaid expenses (continued):

During the year ended December 31, 2020, a first mortgage loan investment to a project located in the U.S. (the "U.S. Project") is in arrears. Interest receivable and other receivables relating to legal fees incurred on collecting the loan totaling $99,290 is in arrears, of which the syndicated investors' share is $77,968.

The following table presents details of the amount receivable, prepaid expenses and ACL as at December 31, 2019:

	Gross carrying amount	ACL	Net carrying amount
Interest receivable	$ 608,049	$ –	$ 608,049
Other receivables	1,064,556	(202,684)	861,872
Prepaid expenses and deposits	50,777	–	50,777
Amounts receivable and prepaid expenses	$ 1,723,382	$ (202,684)	$ 1,520,698

At December 31, 2019, a second mortgage loan investment to a project located in Canada (the "Canada Project") was in arrears.

The changes in the ACL on amounts receivable during the year ended December 31, 2020 were as follows:

	Balance at December 31, 2019	Provision for credit losses/ recovery	Net write offs	Foreign exchange	Balance at December 31, 2020
Other receivables	$ 202,684	$ 161,428	$ (351,403)	$ (12,709)	$ –

During the year ended December 31, 2020, the Company determined that the other receivables relating to loan investments to be uncollectible and recorded an additional provision for uncollectible receivable of $161,428 and after recognizing a foreign exchange loss of $12,709, wrote-off $351,403 of other receivables.

Interest receivable at December 31, 2020 of $194,186, including the $46,808 of interest receivable from the U.S. Project (2019 - $28,552), is not contractually due in the next 12 months in accordance with their respective contract terms.

5. Loan and mortgage investments and loan and mortgage syndications:

As at December 31, 2020 and 2019, the Company had a principal balance of loan and mortgage investments of $93,808,332 and $116,820,582, respectively. The loan and mortgage investments carry an EIR of 13.0% (2019 - 13.2%) and a weighted average term to maturity of 1.64 years (2019 - 1.37 years).

The Company syndicates certain of its loan and mortgage investments to investors, each participating in a prescribed manner and is governed by loan servicing agreements and administered by Terra Firma MA Ltd., a wholly-owned subsidiary of the Company. In these investments, the investors assume the same risks associated with the specific investment transaction as the Company. Each syndicated loan and mortgage investment has a designated rate of return that the syndicated investors expect to earn from that loan and mortgage investment. The interest income earned, and related interest expense on the syndicate investors are recognized in the consolidated statements of income and comprehensive income.

The principal balance of loan and mortgage syndications at December 31, 2020 and 2019 was $71,374,100 and $88,249,414, respectively. The loan and mortgage syndications carry a weighted average EIR of 10.1% (2019 - 9.6%) and a weighted average term to maturity of 1.72 years (2019 - 1.46 years).

At December 31, 2020, the Company has a loan and mortgage investment totaling $18,382,915 (2019 - $11,757,000) with a participation arrangement with a priority syndicate investor, whereby the priority syndicate investor holds a senior position for $10,289,536 (2019 - $7,000,000) and the remainder of the investment is in a subordinated position of $8,093,379 (2019 - $4,757,000). The Company syndicated this position on a pari-passu basis with certain syndicate investors for $6,625,000 (2019 - $4,350,000) and retains a residual portion of $1,468,379 (2019 - $407,000).

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the loan and mortgage investments and loan and mortgage syndications as at December 31, 2020:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	$ 29,391,302	$ (12,999)	$ 29,378,303	$ 20,590,945	$ 8,787,358	40.6
Land and lot inventory	59,662,030	(397,757)	59,264,273	46,733,155	12,531,118	57.8
	89,053,332	(410,756)	88,642,576	67,324,100	21,318,476	98.4
Impaired loans:						
Commercial retail development	4,755,000	(353,763)	4,401,237	4,050,000	351,237	1.6
	$ 93,808,332	$ (764,519)	$ 93,043,813	$ 71,374,100	$ 21,669,713	100.0

The following table presents details of the loan and mortgage investments and loan and mortgage syndications as at December 31, 2019:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Performing loans:						
Residential housing developments	$ 37,965,218	$ (117,776)	$ 37,847,442	$ 21,238,552	$ 16,608,890	59.4
Land and lot inventory	71,996,517	(259,435)	71,737,082	62,960,862	8,776,220	31.4
Commercial retail development	4,755,000	(4,621)	4,750,379	4,050,000	700,379	2.5
	114,716,735	(381,832)	114,334,903	88,249,414	26,085,489	93.3
Impaired loans:						
Residential housing developments	2,103,847	(226,108)	1,877,739	–	1,877,739	6.7
	$ 116,820,582	$ (607,940)	$ 116,212,642	$ 88,249,414	$ 27,963,228	100.0

5. Loan and mortgage investments and loan and mortgage syndications (continued):

As at December 31, 2020, there are loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 26.4%, 20.1% and 19.6% of the principal balance of loan and mortgage investments. For the year ended December 31, 2020, the Company has loan and mortgage investments in two separate projects in the U.S, before syndication, that account for 22.5% and 15.0% of the Company's total interest and fees revenue, respectively. As at December 31, 2019, there are loan and mortgage investments to three separate projects in the U.S., before syndication, that account for 19.1%, 13.9% and 10.1% of the principal balance of loan and mortgage investments. For the year ended December 31, 2019, the Company has loan and mortgage investments in two separate projects in the U.S., before syndication, that account for 13.5% and 16.9% of the Company's total interest and fees revenue, respectively.

Certain of the loan and mortgage investments have early repayment rights and, if exercised, would result in repayments in advance of their contractual maturity dates.

During the years ended December 31, 2020 and 2019, the Company capitalized interest income of $4,035,865 and $4,981,911, respectively, which is included in the loan and mortgage investments.

Pursuant to certain lending agreements, the Company is committed to funding additional loan advances, subject to borrowers meeting certain funding conditions. The unfunded loan commitments under the existing loan and mortgage investments at December 31, 2020 were $7,204,207 (2019 - $34,355,724, including $651,602 of capitalization of future interest relating to existing loan and mortgage investments). As at December 31, 2020, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S., before syndication, that account for 82.8% and 15.8% of the total unfunded commitments. As at December 31, 2019, the unfunded commitments relating to loan and mortgage investments in two separate projects in the U.S., before syndication, that account for 39.3% and 36.6% of the total unfunded commitments.

Mortgages are loans that are secured by real estate assets and may include other forms of securities. Unregistered loans are not secured by real estate assets, but are secured by other forms of securities, such as personal guarantees, or pledge of shares of the borrowing entity.

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at December 31, 2020:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1st mortgage loans	$ 88,208,729	$ (753,210)	$ 87,455,519	$ 67,697,691	$ 19,757,828	91.2
2nd mortgage loans	4,108,367	(501)	4,107,866	3,676,409	431,457	2.0
Unregistered loans	1,491,236	(10,808)	1,480,428	–	1,480,428	6.8
	$ 93,808,332	$ (764,519)	$ 93,043,813	$ 71,374,100	$ 21,669,713	100.0

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by geography as at December 31, 2020:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	$ 4,108,369	$ (501)	$ 4,107,868	$ 3,676,409	$ 431,459	2.0
United States	89,699,963	(764,018)	88,935,945	67,697,691	21,238,254	98.0
	$ 93,808,332	$ (764,519)	$ 93,043,813	$ 71,374,100	$ 21,669,713	100.0

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by risk as at December 31, 2019:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
1st mortgage loans	$ 102,493,573	$ (325,450)	$ 102,168,123	$ 79,285,569	$ 22,882,554	81.8
2nd mortgage loans	12,083,100	(56,382)	12,026,718	8,963,845	3,062,873	11.0
Unregistered loans	2,243,909	(226,108)	2,017,801	–	2,017,801	7.2
	$ 116,820,582	$ (607,940)	$ 116,212,642	$ 88,249,414	$ 27,963,228	100.0

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's principal balances of loan and mortgage investments segmented by geography as at December 31, 2019:

	Loan and mortgage investments	ACL	Net loan and mortgage investments	Loan and mortgage syndications	Net investments	% of net investments
Canada	$ 14,186,947	$ (282,490)	$ 13,904,457	$ 8,963,845	$ 4,940,612	17.7
United States	102,633,635	(325,450)	102,308,185	79,285,569	23,022,616	82.3
	$ 116,820,582	$ (607,940)	$ 116,212,642	$ 88,249,414	$ 27,963,228	100.0

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 29,391,302	$ –	$ –	$ 29,391,302
Land and lot inventory	59,662,030	–	–	59,662,030
Commercial retail development	–	–	4,755,000	4,755,000
	$ 89,053,332	$ –	$ 4,755,000	$ 93,808,332

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments, net of loan syndication, for which ACL is recognized as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 8,800,357	$ –	$ –	$ 8,800,357
Land and lot inventory	12,928,875	–	–	12,928,875
Commercial retail development	–	–	705,000	705,000
	$ 21,729,232	$ –	$ 705,000	$ 22,434,232

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging as at December 31, 2019:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 37,965,218	$ –	$ 2,103,847	$ 40,069,065
Land and lot inventory	71,996,517	–	–	71,996,517
Commercial retail development	4,755,000	–	–	4,755,000
	$ 114,716,735	$ –	$ 2,103,847	$ 116,820,582

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments segmented by geography, for which ACL is recognized as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 4,108,369	$ –	$ –	$ 4,108,369
U.S.	84,944,963	–	4,755,000	89,699,963
	$ 89,053,332	$ –	$ 4,755,000	$ 93,808,332

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents details of the Company's credit exposure on the gross carrying amount of loan and mortgage investments by staging, segmented by geography, as at December 31, 2019:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 12,083,100	$ –	$ 2,103,847	$ 14,186,947
U.S.	102,633,635	–	–	102,633,635
	$ 114,716,735	$ –	$ 2,103,847	$ 116,820,582

The following table presents details of the Company's credit exposure on the carrying amount of loan and mortgage investments net of syndication, segmented by geography, for which ACL is recognized as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 431,960	$ –	$ –	$ 431,960
U.S.	21,297,272	–	705,000	22,002,272
	$ 21,729,232	$ –	$ 705,000	$ 22,434,232

Scheduled principal repayments and loan and mortgage investments maturing in the next four years are as follows:

	Scheduled principal payments	Investments maturing during the year	Total loan and mortgage investments
2021	$ –	$ 22,323,555	$ 22,323,555
2022	–	47,871,881	47,871,881
2023	–	22,121,660	22,121,660
2024	–	1,491,236	1,491,236
	$ –	$ 93,808,332	$ 93,808,332

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

Scheduled principal repayments and maturity amounts of loan and mortgage syndications maturing in the next three years are as follows:

	Scheduled principal payments	Loans maturing during the year	Total loan and mortgage syndications
2021	$ –	$ 11,882,806	$ 11,882,806
2022	–	39,920,637	39,920,637
2023	–	19,570,657	19,570,657
	$ –	$ 71,374,100	$ 71,374,100

Allowance for loan and mortgage investments loss:

At December 31, 2020, a first mortgage loan investment to the U.S. Project, totaling $4,854,290, including interest receivable of $46,808 on this loan and mortgage investment and fees incurred relating to collecting this loan and mortgage investment of $52,482, are in arrears. The syndicate investors' share of this loan investment and interest and other receivable is $4,127,968. The Company's share of loan investment and interest and other receivables, net of syndication, is $726,322. The Company has commenced the foreclosure process to enforce the security and liquidate this loan investment and related receivables. During the year ended December 31, 2020, the Company recorded a net provision for loan losses of $349,142 relating to this loan investment. As at December 31, 2020, based on the most recent valuations of the underlying assets and management's estimates, the Company carries a net ACL balance of $353,763 relating to this loan investment.

At December 31, 2019, a second mortgage loan investment to the Canada Project totaling $2,478,759, including interest receivable on this loan and mortgage investment and fees incurred relating to collecting this loan and mortgage investment totaling $374,911, was in arrears. As at December 31, 2019, the Company carried an ACL balance totaling $226,108 against this loan investment and $202,684 against the other receivables relating to this loan and mortgage investment. During the year ended December 31, 2020, the Company received repayment of $1,030,397 of loan and mortgage investment, determined that the remainder of the loan and mortgage investment be uncollectible and recorded an additional provision for loan losses of $755,698, recognized a foreign exchange loss of $91,644 and wrote-off the loan investment balance of $981,806. Subsequently, the Company received $238, 824 of loan and mortgage investment repayment previously written off and adjusted the provision for loan losses by $238,824.

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents the changes to the loan and mortgage investment to the Canada Project during the year ended December 31, 2020:

	Loan and mortgage investments	Other receivables	Total amount in arrears	ACL - loan and mortgage investments	ACL - other receivables	ACL total	Net amounts in arrears
Balance, December 31, 2019	$ 2,103,847	$ 374,911	$ 2,478,758	$ 226,108	$ 202,684	$ 428,792	$ 2,049,966
Foreign exchange loss recognized	(91,644)	(23,508)	(115,152)	–	(12,709)	(12,709)	(102,443)
Repayment of loan investment	(1,030,397)	–	(1,030,397)	–	–	–	(1,030,397)
Provision for losses	–	–	–	755,698	161,428	917,126	(917,126)
Amount written off	(981,806)	(351,403)	(1,333,209)	(981,806)	(351,403)	(1,333,209)	–
Repayment of loan investment	–	–	–	238,824	–	238,824	(238,824)
Provision for (recovery of) loan investment loss	–	–	–	(238,824)	–	(238,824)	238,824
Balance, December 31, 2020	$ –	$ –	$ –	$ –	$ –	$ –	$ –

The changes in the ACL on loan and mortgage investments during the year ended December 31, 2020 were as follows:

	IFRS 9			
	Balance at January 1, 2020	Provision for credit losses/ recovery	Net write offs	Balance at December 31, 2020
Residential housing developments	$ 343,884	$ 411,740	$ (742,625)	$ 12,999
Land and lot inventory	259,435	138,322	–	397,757
Commercial retail - development	4,621	349,142	–	353,763
	$ 607,940	$ 899,204	$ (742,625)	$ 764,519

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The following table presents the changes in the Company's ACL between the beginning and the end of the year:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Balance, beginning of year	$ 381,832	$ –	$ 226,108	$ 607,940
Provision for credit losses:	33,545	–	865,659	899,204
Remeasurement	–	–	–	–
Transfer to (from):				
Stage 1	(4,621)	–	4,621	–
Stage 2	–	–	–	–
Stage 3	–	–	–	–
Net write-offs	–	–	–	–
Gross write-offs	–	–	(981,449)	(981,449)
Recoveries	–	–	238,824	238,824
Balance, end of year	$ 410,756	$ –	$ 353,763	$ 764,519

The following table presents details of the Company's ACL on loan and mortgage investments as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Residential housing developments	$ 12,999	$ –	$ –	$ 12,999
Land and lot inventory	397,757	–	–	397,757
Commercial retail development	–	–	353,763	353,763
	$ 410,756	$ –	$ 353,763	$ 764,519

The following table presents the Company's ACL on loan and mortgage investments segmented by geography as at December 31, 2020:

IFRS 9	Stage 1	Stage 2	Stage 3	Total
Canada	$ 501	$ –	$ –	$ 501
United States	410,255	–	353,763	764,018
	$ 410,756	$ –	$ 353,763	$ 764,519

(In United States dollars unless otherwise stated)

5. Loan and mortgage investments and loan and mortgage syndications (continued):

The principal amount of the loan and mortgage investments are subject to the Company's internal risk ratings for credit risk purposes.

The following table represents the internal risk ratings on the carrying amount of loan and mortgage investments as at December 31, 2020:

Categories of PD grades	Stage 1	Stage 2	Stage 3	Total
Low	$ 36,182,659	$ –	$ –	$ 36,182,659
Medium	28,136,707	–	–	28,136,707
High	24,733,966	–	–	24,733,966
High - Default	–	–	4,755,000	4,755,000
	$ 89,053,332	$ –	4,755,000	$ 93,808,332

6. Investment in finance leases:

The Company is a party to fixed-term contractual arrangements with builders whereby the Company acquires land for residential housing development from a third party and provides builders with the exclusive right to use and develop the land. The Company is also a party to a fixed-price contract with builders to complete all required land development based upon a fixed construction budget. The Company is committed to making additional investments in developing the land, subject to builders meeting certain funding conditions. Under this arrangement, builders have the option to acquire the developed land in the form of divided lots, at a pre-determined price and in accordance with the scheduled closing dates to build residential units. Builders provide the Company with a non-refundable deposit at each time of the closing of each acquisition. The builders' deposits are applied on a lot-by-lot basis based on the lots by the builders.

(In United States dollars unless otherwise stated)

6. Investment in finance lease (continued):

At December 31, 2020, the Company had nine (2019 - four) such arrangements with builders. The Company determined that the arrangements contain a lease and that all the risks or rewards of ownership of the asset have been transferred to the builders and accounts for these arrangements as finance leases.

The investment in finance leases is the aggregate of gross lease payments and unearned finance income discounted at the interest rate implicit in the leases. The unearned finance income at December 31, 2020 was $345,725 (2019 - $96,454). The weighted average implicit rate of the leases is 14.5% per annum (2019 - 13.4% per annum). At December 31, 2020, the weighted average remaining term of all investment in finance leases was 2.08 years (2019 - 2.04 years)

The finance income recognized from finance leases for the years ended December 31, 2020 and 2019 of $2,646,216 and $1,497,294, respectively, were included in the finance income in the consolidated statements of income and comprehensive income.

The following table summarizes the changes in the investment in finance lease for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 17,959,374	$ 2,819,915
Investments made	27,883,462	23,518,262
Investments sold	(24,966,422)	(8,282,149)
Lease payments received	(2,991,914)	(1,593,948)
Finance income recognized	2,646,216	1,497,294
	20,530,716	17,959,374
Provision for investment in finance lease loss	(41,061)	–
	$ 20,489,655	$ 17,959,374

The Company's entire investments in finance leases are situated in the U.S. Based on the ACL assessment, all of the investments in finance leases are classified into Stage 1. As at December 31, 2020, the Company carries an ACL balance of $41,061 relating to investments in finance leases.

(In United States dollars unless otherwise stated)

6. Investment in finance lease (continued):

The following is a reconciliation of the undiscounted future minimum lease payments receivable and the present value of minimum lease payments receivable thereof:

	Future minimum lease receipts	Finance income	Present value of minimum lease receipts
Less than one year	$ 3,275,054	$ 2,733,520	$ 541,534
Greater than one year but less than 5 years	23,357,740	3,368,558	19,989,182
	$ 26,632,794	$ 6,102,078	$ 20,530,716

The investment in finance leases are subject to internal risk ratings used by the Company for credit risk purposes.

The following table represents the internal risk ratings on the carrying amount of investment in finance leases as at December 31, 2020:

Categories of PD grades	Stage 1	Stage 2	Stage 3	Total
Low	$ 3,591,502	$ –	$ –	$ 3,591,502
Medium	16,939,214	–	–	16,939,214
High	–	–	–	–
High - Default	–	–	–	–
	$ 20,530,716	$ –	$ –	$ 20,530,716

At December 31, 2020 and 2019, the unfunded commitments to make additional investments for the development of the lands under the finance lease arrangements, subject to builders meeting certain funding conditions, were $33,762,912 and $9,143,864, respectively.

(In United States dollars unless otherwise stated)

7. Portfolio investments:

The following table presents details of the portfolio investments as at December 31, 2020 and 2019:

	2020	2019
Investment in the LanQueen Partnership	$ 2,192,747	$ 2,001,936
Investment in the Savannah Partnership	100,243	41,000
Investment in the Valermo Partnership	1	1
	$ 2,292,991	$ 2,042,937

(a) The Company, through TFCC LanQueen Ltd. entered into a partnership agreement (the "Queen Agreement"), whereby TFCC LanQueen Ltd. is committed to investing in a redevelopment project located in Toronto, Ontario. The Queen Agreement allows TFCC LanQueen Ltd. to receive a 3% fee at the time of commitment and an amount by way of a preferred return equal to 10% per annum calculated and compounded annually on the amount of its investment in the partnership. TFCC LanQueen Ltd. does not have significant influence in the partnership and is accounting for this investment as a financial asset at FVTPL. As at December 31, 2020 and 2019, TFCC LanQueen Ltd. contributed $1,264,208 in the partnership. At December 31, 2020, the fair value of the investment was determined by management, using the direct comparison method. The fair value of the investment at December 31, 2020 was $2,192,747 (2019 - $2,001,936).

(b) The Company, through TFCC International Ltd., entered into a partnership agreement (the "Savannah Agreement"), whereby TFCC International Ltd. is committed to investing $2,000,000 through a partnership interest (the "Savannah Partnership") in a development project (the "Savannah Project") located in Savannah, Georgia. The Savannah Agreement allows TFCC International Ltd. to receive a preferred return equal to 11% per annum calculated and compounded monthly on the amount of its investment in the Savannah Partnership. TFCC International Ltd. is also entitled to receive 50% of the net profit after the Savannah Partnership makes distributions to other partners at a rate equal to 11% per annum calculated and compounded monthly. TFCC International Ltd. does not have significant influence in the Savannah Partnership and is accounting for this investment as a financial asset at FVTPL. As at December 31, 2019, the cost of the investment in the Savannah Partnership is $41,000. During the year ended December 31, 2020, TFCC International Ltd. contributed $59,243 to the Savannah Partnership. At December 31, 2020 and 2019, the fair value of the investment in the Savannah Partnership was determined by management, using the direct comparison method. The fair value of the remaining investment in the Savannah Partnership at December 31, 2020 and 2019 was $100,243 and $41,000, respectively.

(In United States dollars unless otherwise stated)

7. Portfolio investments (continued):

TFCC International Ltd. also committed to advance a principal amount of first mortgage loan up to $18,000,000 to the Savannah Project, subject to the Savannah Project meeting certain funding conditions. The loan carries interest at 11.0% per annum calculated and compounded monthly. As at December 31, 2020 and 2019, TFCC International Ltd. funded a loan and mortgage investment of $18,000,000 and, as at December 31, 2020 and 2019, syndicated the loan and mortgage investment funded to investors of $14,309,755 and $14,523,664, respectively.

(c) The Company, through TFVC has a limited partnership interest in a partnership that developed 98 residential dwelling units in Toronto. TFVC does not have a significant influence in the Valermo Partnership and is accounting for this investment as a financial asset at FVTPL. During the year ended December 31, 2019, the Company received a return of capital in the Valermo Partnership of $7,821,269. The fair value of the investment was determined by management using the direct comparison method. The fair value of the investment at December 31, 2020 was $1 (2019 - $1).

The following table summarizes the changes in the portfolio investments for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 2,042,937	$ 1,911,574
Investment funded	59,243	–
Sale of investment	–	(18,000)
Fair value adjustment	149,120	56,124
Foreign exchange	41,691	93,239
Balance, end of year	$ 2,292,991	$ 2,042,937

(In United States dollars unless otherwise stated)

8. Investment in associates:

The following table presents details of the investment in associates as at December 31, 2020 and 2019:

	2020	2019
Investment in the Lan Partnership	$ 1,945,963	$ 2,227,442
Investment in the TFCC Royal Palm Beach Inc.	1,166,432	870,505
	$ 3,112,395	$ 3,097,947

(a) The Company and certain syndicate investors invested in a 668-unit high-rise condominium development project located in Toronto, Ontario, through a partnership interest (the "Lan Partnership"). At December 31, 2020 and 2019, the Company's share of investment in the Lan Partnership was CAD $2,315,514.

During the year ended December 31, 2020, the Lan Partnership reduced the value of its investment in the high-rise condominium development project and the Company recorded a reduction of income earned (loss from investment in associates) of $312,695 and recorded an unrealized foreign exchange gain of $31,216.

At December 31, 2020 and 2019, the fair value of the investment in the Lan Partnership was determined by management, using the direct comparison method. The fair value of the investment in the Lan Partnership at December 31, 2020 was $1,945,963 (2019 - $2,227,442).

(b) The Company, through TFCC International Ltd, the Company and third party investors incorporated an entity (the "TFCC Royal Palm Beach Inc.") to invest up to $7,000,000 in an assisted living development project located in Royal Palm Beach, Florida. The arrangement allows TFCC International Ltd. to receive a 2% fee at the time of commitment, an annual project management fee of $70,000, and a preferred return on the amount of its investment in the TFCC Royal Palm Beach Inc. The Company accounts for its investment in TFCC Royal Palm Beach Inc. as an investment in associates using the equity method of accounting. During the year ended December 31, 2020, the Company recorded income of $197,201 and received distributions of $37,921 from the TFCC Royal Palm Beach Inc. At December 31, 2020 and 2019, the fair value of investment is $1,166,432 (2019 - $870,505).

During the year ended December 31, 2020, the Company incurred a net loss from investments in associates of $115,494 (2019 - nil).

(In United States dollars unless otherwise stated)

8. Investment in associates (continued):

The following table summarizes the changes to the carrying value of investment in associates for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 3,097,947	$ 2,146,984
Investment funded	136,647	5,143,953
Sale of investment to investors	–	(4,280,600)
Income earned (loss incurred)	(115,494)	356,435
Distributions received	(37,921)	(375,662)
Foreign exchange	31,216	106,837
Balance, end of year	$ 3,112,395	$ 3,097,947

9. Joint arrangements:

(a) Interests in joint operations:

The Company's interests in the following properties are subject to joint control, and, accordingly, the Company records its proportionate share of the related assets, liabilities, revenue and expenses of the properties using the proportionate consolidation method.

Montreal Street JV:

In July 2009, the Company entered into a co-tenancy agreement (the "Montreal Street JV") with a development partner and developed a retail property in Ottawa, Ontario. The land on which the store was developed is subject to a 20-year land lease, with five renewal options of five years each. The Company's ownership interest in the Montreal Street JV is 55.0%.

(In United States dollars unless otherwise stated)

9. Joint arrangements (continued):

The financial information in respect of the Company's proportionate share of investments in joint operations is as follows:

	2020	2019
Assets		
Cash and cash equivalents	$ 96,799	$ 54,031
Amounts receivable and prepaid expenses	85,045	83,965
Investment property	1,735,712	1,700,303
Right of use asset	695,363	739,123
	2,612,919	2,577,422
Liabilities		
Accounts payable and prepaid expenses	36,619	35,772
Mortgages payable	1,055,379	1,067,440
Lease obligations	713,001	739,123
	1,804,999	1,842,335
Net assets	$ 807,920	$ 735,087

The table below details the results of operations for the years ended December 31, 2020 and 2019, attributable to the Company from its joint operations activities:

	2020	2019
Rental revenue	$ 152,571	$ 155,720
Property operating costs	53,896	53,427
General and administrative expenses (income)	(1,508)	2,315
Interest expense	45,513	32,652
Fair value adjustment - investment property	–	–
	97,901	88,394
Net income	$ 54,670	$ 67,326

(In United States dollars unless otherwise stated)

9. Joint arrangements (continued):

(b) Investment property:

The Company has interests in the investment property that is subject to joint control and accordingly, the Company has recorded its proportionate share of the related assets, liabilities, revenue and expenses of the properties.

At December 31, 2020 and 2019, the fair value was determined by the Company's management. The Company determined the fair value of investment property in the Montreal Street JV using the direct capitalization method. Under the direct capitalization method, fair value was determined by capitalizing the estimated future normalized net operating income at the market capitalization rate. The capitalization rate used in the valuation of the property was 6.25% (2019 - 6.25%). At December 31, 2020 and 2019, the fair value of the Company's proportionate share of investment property in the Montreal Street JV is $1,735,712 (CAD $2,208,694) and $1,700,303 (CAD $2,208,694), respectively.

As at December 31, 2020 and 2019, a 25-basis-point decrease in the overall capitalization rate would increase the Company's proportionate share of the value of investment property in the Montreal Street JV by CAD $92,400 and a 25-basis-point increase in the overall capitalization rate would decrease the Company's proportionate share of the value of investment property in the Montreal Street JV by CAD $85,250.

(c) Mortgages payable:

The Company's share of the principal balance of mortgages payable held in joint operations through the Montreal Street JV, at December 31, 2020 and 2019 was $1,056,723 and $1,070,973, respectively. The mortgages bear interest at 3.0% per annum and are amortized over 25 years and mature on July 1, 2021.

The details of the mortgages payable in respect of the Company's proportionate share of the joint operations at December 31, 2020 and 2019 are as follows:

	2020	2019
Mortgage principal	$ 1,056,723	$ 1,070,973
Unamortized financing costs	(1,344)	(3,533)
	$ 1,055,379	$ 1,067,440

(In United States dollars unless otherwise stated)

9. Joint arrangements (continued):

The following table summarizes the changes in the principal balance of mortgages payable for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 1,070,973	$ 1,053,274
Repayments made	(34,920)	(34,175)
Foreign exchange	20,670	51,874
Balance, end of year	$ 1,056,723	$ 1,070,973

Scheduled principal repayments and maturity amounts of mortgages payable at December 31, 2020 are as follows:

	Loans scheduled principal payments	Total maturing during the year	Loans and mortgages payable
2021	$ 18,677	$ 1,038,046	$ 1,056,723

(In United States dollars unless otherwise stated)

10. Convertible note receivable:

On January 29, 2019, the Company entered into a loan agreement with an unrelated Ontario corporation that provides web-based crowdfunding services and holds an Exempt Market Dealer license. The loan was provided to assist in expanding its operations. The loan was made in exchange for a convertible promissory note receivable (the "Convertible Note") with a face value of CAD $2,000,000. At signing, the Company advanced $752,349 (CAD $1,000,000) of the CAD $2,000,000 commitment and $189,480 (CAD $250,000) was advanced in 2020. The remaining CAD $750,000 will be advanced in tranches upon the achievement of certain key performance indicators. The Convertible Note bears interest at the rate of 8.0% per annum, calculated and compounded semi-annually. No payments are required prior to maturity. The Company has the option to convert the principal and accrued interest into an equity interest. The Convertible Note was receivable by demand any time after January 29, 2021, unless extended for a further twelve months, under certain conditions. The option to settle payments in common shares represents an embedded derivative in the form of a call option to the Company. The Convertible Note in its entirety is classified as a financial asset at FVTPL. During the year ended December 31, 2020, the Company capitalized interest income of $63,887 (2019 - $29,998). The fair value of the investment was determined by management. The fair value of the Convertible Note at December 31, 2020 was $1,080,536 (2019 - $800,531), being the principal amount and capitalized interest.

The following table summarizes the changes in the Convertible Note receivable for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 800,531	$ –
Funding of investment	189,480	752,349
Interest capitalized	63,887	29,998
Foreign exchange	26,638	18,184
Balance, end of year	$ 1,080,536	$ 800,531

On January 29, 2021, the Company extended the Convertible Note for a further 12 months.

(In United States dollars unless otherwise stated)

11. Accounts payable and accrued liabilities:

The following table presents details of the accounts payable and accrued liabilities as at December 31, 2020 and 2019:

	2020	2019
Interest payable	$ 513,803	$ 721,087
Interest reserve	2,474,686	1,590,814
Accounts payable, accrued liabilities and provisions	942,876	1,083,270
Funds held in trust	3,388,113	658,461
Share-based compensation payable (note 16(e)(ii))	1,351,278	1,291,160
Accounts payable and accrued liabilities	$ 8,670,756	$ 5,344,792

Accounts payable and accrued liabilities are current and payable in the 2021 fiscal year.

Interest reserve held for the borrowers and trust liabilities payable to syndicate investors are contractual obligations of the Company's wholly owned subsidiary that administers loan and mortgage investments. The subsidiary holds cash balances in trust.

12. Credit facilities:

The Company's credit facilities (the "Credit Facilities") consist of a $40,000,000 secured line of credit (the "LOC") at December 31, 2020, and a $35,000,000 master credit facility (the "Master Facility") at December 31, 2019.

The following table presents details of the Credit Facilities as at December 31, 2020 and 2019:

	2020	2019
Face value	$ 7,000,000	$ 9,221,447
Unamortized financing costs	(299,036)	(342,608)
	$ 6,700,964	$ 8,878,839

12. Credit facilities (continued):

(a) Line of credit:

The Company had a revolving guidance facility agreement (the "Master Facility Agreement") with a lending institution in the U.S. for a $35,000,000 Master Facility to finance the loan and mortgage investments funded by the Company. The Master Facility was available on a project-by-project basis as a project loan. The Master Facility carried an interest rate of three-month LIBOR plus three percent (3.00%) per annum, with a floor rate of five percent (5.00%) per annum. On January 14, 2020, the Company entered into a $40,000,000 secured LOC with the same lending institution, replacing the Master Facility Agreement. The LOC provides an increase in the borrowing limit to $50,000,000 over time, subject to the lending institution's approval. The LOC carries an interest rate of three-month LIBOR plus three and one-quarter of one percent (3.25%) per annum, with a floor rate of five percent (5.00%) per annum and matures on January 9, 2025. At December 31, 2020, the borrowing limit remained at $40,000,000.

During the years ended December 31, 2020 and 2019, the Company borrowed an aggregate of $22,770,423 and $1,871,678, respectively and repaid $25,041,103 and $13,169,985, respectively, against the LOC and the Master Facility.

In connection with the LOC, the Company incurred lender and other third-party costs of $244,264. The costs associated with the LOC have been deferred and are being amortized over the term of the LOC as interest expense using the effective-interest amortization method.

(b) Revolving operating facility:

The Company had a revolving operating facility credit agreement (the "Facility Agreement") with a lending institution for a CAD $20,000,000 secured revolving operating facility (the "Facility"). The Facility carried an interest rate of 9.5% per annum until one month prior to the maturity date and any unpaid balance one month prior to the maturity date would have carried an interest rate of 12% per annum, until repaid. On December 2, 2019, the Company repaid the Facility plus all accrued and unpaid interest in full and terminated the Facility Agreement.

(In United States dollars unless otherwise stated)

12. Credit facilities (continued):

The following table summarizes the changes in the principal balance of the Credit Facilities for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 9,221,447	$ 19,803,967
Proceeds from Facilities	22,770,423	14,102,487
Repayment of Facilities	(25,041,103)	(25,389,941)
Interest capitalized	49,233	406,114
Foreign exchange	–	298,820
Balance, end of year	$ 7,000,000	$ 9,221,447

For the years ended December 31, 2020 and 2019, amortization of deferred financing costs reported as interest expense and financing costs relating to the credit facilities totaled $287,832 and $248,038, respectively.

The terms of the Credit Facilities require the Company to comply with certain covenants. If the Company fails to comply with these covenants, the lenders may declare an event of default. At December 31, 2020 and 2019, the Company was in compliance with these covenants.

13. Unsecured note payable:

During the year ended December 31, 2019, the Company issued an unsecured promissory note payable (the "Unsecured Note") to a syndicate investor for $3,000,000. The Unsecured Note provides the holder to receive a percentage of return on the Company's certain investments, up to a return equivalent to the interest of 15% per annum compounded annually, payable monthly. The Unsecured Note matures on December 31, 2022. Proceeds from the Unsecured Note were used to fund certain loan and mortgage investments.

For the years ended December 31, 2020 and 2019, interest and financing costs relating to the Unsecured Note, reported as interest expense and financing costs totaled $368,865 and $138,750, respectively. During the year, the Company made repayments totaling $1,205,850. The fair value of the Unsecured Note at December 31, 2020 was $1,794,150 (December 31, 2019 - $3,000,000).

(In United States dollars unless otherwise stated)

14. Lease obligations:

The Company has a lease commitment on its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario, and a land lease on the Montreal Street JV located in Ottawa, Ontario, with a lease term greater than 12 months resulted in the recognition of a right-of-use asset and a corresponding lease liability.

On September 30, 2020, the Company entered into a new lease agreement (the "New Lease") to lease its head office premises located at 22 St. Clair Avenue East, Toronto, Ontario. The New Lease provides the Company to lease the premises for two years and four months commencing on January 1, 2021, under similar terms as the existing lease.

The right-of-use asset represents the Company's right to control the use of the head office premises and the land lease on the Montreal Street JV for the lease term. The right-of-use asset at December 31, 2020 and 2019 was $1,056,879 and $912,436, respectively. The lease obligations represent the present value of the Company's future lease payments on its head office premises over the expected lease term. The lease obligations at December 31, 2020 and 2019 was $1,074,518 and $913,129, respectively. The New Lease resulted in the Company recognizing an additional right-of-use asset of $345,394 and a corresponding lease obligation of $345,394 at December 31, 2020.

The future minimum lease payments, which includes estimated operating costs for the next five years and thereafter, are as follows:

2021	$ 261,173
2022	264,950
2023	129,601
2024	66,994
2025 and thereafter	615,409
	$ 1,338,127

15. Commitments and contingencies:

Pursuant to certain lending agreements, the Company is committed to fund additional loan advances, subject to borrowers meeting certain funding conditions. The unfunded loan commitments under the existing lending agreements at December 31, 2020 were $7,204,207 (2019 - $33,095,786).

At December 31, 2020 and 2019, the unfunded commitments to make additional investments for the development of the lands under the finance lease arrangements, subject to builders meeting certain funding conditions, were $33,762,912 and $9,143,864, respectively.

The Company is also committed to provide additional capital to joint operations in accordance with contractual agreements.

The Company, from time to time, may be involved in various claims, legal and tax proceedings and complaints arising in the ordinary course of business. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the financial condition or future results of the Company.

16. Shareholders' equity:

(a) Share consolidation:

On September 20, 2019, the Company consolidated its share capital on the basis of one post-consolidation Share for each ten pre-consolidation Shares. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

(In United States dollars unless otherwise stated)

16. Shareholders' equity (continued):

(b) Shares issued and outstanding:

The following table summarizes the changes in Shares for the years ended December 31, 2020 and 2019:

	Shares	Amount
Outstanding, December 31, 2018	5,863,584	$ 26,533,950
Repurchase of Shares pursuant to normal course issuer bid	(298,550)	(1,250,607)
Share consolidation adjustment	(66)	–
Outstanding, December 31, 2019	5,564,968	25,283,343
Outstanding, December 31, 2020	5,564,968	$ 25,283,343

(c) Normal course issuer bid:

On November 23, 2018, the Company renewed the Normal Course Issuer Bid (the "NCIB") to acquire up to 418,631 Shares, being 10% of the public float of Shares issued and outstanding as of November 27, 2018, as defined by the policies of the TSX-V. The NCIB expired on November 26, 2019.

During the years ended December 31, 2020 and 2019, the Company purchased nil and 298,550 Shares, respectively on the TSX-V for nil and $1,250,607, respectively.

(In United States dollars unless otherwise stated)

16. Shareholders' equity (continued):

(d) Dividends:

The Board determines the level of dividend payments. Although the Company does not have a formal dividend policy, it started dividend payments, and it plans to maintain regular quarterly dividends. Dividends are recognized in the period in which they are formally declared by the Board. The Company's dividends are eligible dividends for Canada Revenue Agency purposes.

Quarterly dividends declared to common shareholders during the years ended December 31, 2020 and 2019 were as follows:

	December 31, 2020		December 31, 2019	
	Per Share in CAD	Amount in CAD	Per Share Amount	Amount Declared
March	$ 0.05	$ 199,418	$ –	$ –
June	0.05	200,771	–	–
September	0.05	208,958	0.05	210,698
December	0.05	210,555	0.05	210,413
	$ 0.20	$ 819,702	$ 0.10	$ 421,111

(e) Share-based payments:

The share-based payments that have been recognized in these consolidated financial statements are as follows:

	2020	2019
Share option Plan	$ 177,745	$ 176,307
DSU Plan	101,479	297,861
	$ 279,224	$ 474,168

16. Shareholders' equity (continued):

(i) Share option plan:

The Company has a Plan to grant eligible directors, officers, senior management and consultants to grant options to purchase Shares. The exercise price of an option shall be determined by the Board and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the Board may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist, provided that no option shall be exercisable after seven years from the date on which it is granted.

On June 26, 2020, the Company granted options to one of its employees to purchase up to 25,000 Shares at a price of CAD $4.05 per Share with the expiry date of June 26, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

On April 6, 2020, the Company granted options to its officers and employees to purchase up to 285,000 Shares at a price of CAD $4.28 per Share with the expiry date of April 6, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

On January 6, 2020, the Company granted options to one of its employees to purchase up to 25,000 Shares at a price of CAD $5.70 per Share with the expiry date of January 6, 2027. The options shall vest in equal installments on a quarterly basis over a three-year period.

On June 12, 2019, the Company granted options to its Ex-Chairman of the Board (the "Ex-Chairman") to purchase up to 20,000 Shares at a price of CAD $5.60 per Share with the expiry date of June 11, 2026. 10,000 options vested immediately, and the remaining 10,000 options shall vest in equal instalments on a quarterly basis over a six-month period.

On June 12, 2019, the Company granted options to its President and Chief Executive Officer to purchase up to 24,000 Shares at a price of CAD $5.60 per Share with the expiry date of June 11, 2026. The options shall vest in equal installments on a quarterly basis over a three-year period.

(In United States dollars unless otherwise stated)

16. Shareholders' equity (continued):

The fair value of the share options granted was estimated on each of the dates of grant, using the Black-Scholes option pricing model, with the following assumptions:

	June 26, 2020	April 6, 2020	January 6, 2020	June 12, 2019
Average expected life	7.00 years	7.00 years	7.00 years	7.00 years
Average risk-free interest rate	0.41%	0.65%	1.58%	1.41%
Average expected volatility	27.54%	25.76%	25.95%	74.56%
Dividend yield	4.94%	4.67%	3.09%	0.00%

The fair value of options granted on June 26, 2020, April 6, 2020, January 6, 2020 and June 12, 2019, was $12,940, $151,585, $26,522 and $128,293, respectively.

The following is the summary of changes in share options for the years ended December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	Number of options	Weighted average exercise price in CAD	Number of options	Weighted average exercise price in CAD
Outstanding, beginning of year	351,089	$ 6.95	528,500	$ 7.00
Granted	335,000	4.37	44,000	5.60
Cancelled	(90,000)	6.70	–	–
Expired	(97,089)	8.50	(221,411)	6.86
Outstanding, end of year	499,000	4.96	351,089	6.95
Number of options exercisable	217,916	$ 5.71	315,073	$ 7.05

(In United States dollars unless otherwise stated)

16. Shareholders' equity (continued):

The following summarizes the Company's outstanding share options as at December 31, 2020:

Number of options outstanding	Expiry date	Number of options exercisable	Exercise price CAD	Market price at date of grant CAD
50,000	June 28, 2023	50,000	5.70	5.20
56,000	December 27, 2023	56,000	6.50	6.50
34,000	December 21, 2024	34,000	6.70	6.70
24,000	June 11, 2026	20,000	5.60	5.60
25,000	January 06, 2020	6,249	5.70	5.70
285,000	April 06, 2020	47,500	4.28	4.28
25,000	June 26, 2020	4,167	4.05	4.28
499,000		217,916		

(ii) Deferred share unit plan:

The Company has a cash-settled DSU Plan to promote a greater alignment of interests between directors, officers, and employees and the shareholders of the Company by linking a portion of the annual director retainer and annual bonus to the future value of the Shares.

Effective September 30, 2019, the Board modified the DSU Plan. Employees or directors no longer can elect to receive their annual bonus or retainer, respectively, in DSUs. The Company will no longer grant additional DSUs to employees or directors. At the beginning of each year, the Board will determine which board members or employees will be eligible to participate in the DSU Plan and the dollar amount that can be contributed to the DSU Plan. Unless authorized by the Board, the directors and employees will continue to receive their annual retainer and bonus, respectively, in cash.

16. Shareholders' equity (continued):

Prior to the amendment, the Board determined the amount, timing, and vesting conditions associated with each award of DSUs. Except for the Ex-Chairman, the directors were obligated to contribute, on the last day of each quarter, a minimum of 50% of their annual retainer in DSUs. The directors had an option to elect to receive up to 100% of their annual retainer in DSUs. Employees were able to elect to receive up to 25% of their annual bonus in DSUs. DSUs granted pursuant to such an election were fully vested on the date of grant. In addition, when the directors elect to receive more than 50% of their fees in DSUs, the Company granted additional DSUs equal to 50% of the value of the DSUs that were over the 50% minimum received by them. When the employees elected to receive their bonus in DSUs, the Company granted additional DSUs of up to 20% of the value of DSUs granted to them. Of the additional DSUs granted by the Company to the directors, 50% vested in six months from the date of grant and 50% of the additional DSUs vested in 12 months from the date of grant. The additional DSUs granted to the employees vested 33.33% annually.

Each DSU has the same value as one Share (based on the five-day volume-weighted average trading price) and, in the event, dividends are paid on the Shares, accrues dividend equivalents in the form of additional DSUs based on the amount of the dividend paid on a Share.

DSUs must be retained until the director leaves the Board or termination of employment of officers or employees, at which time, the redemption payment equal to the value of the DSUs, calculated as the volume-weighted average closing price of the Shares for the last five days preceding the redemption date, net of applicable taxes are paid out.

(In United States dollars unless otherwise stated)

16. Shareholders' equity (continued):

The following is the summary of changes in DSUs for the years ended December 31, 2020 and 2019:

	2020	2019
DSUs outstanding, beginning of year	302,371	286,220
Granted	14,978	18,115
Settled	(13,005)	(1,964)
DSUs outstanding, end of year	304,344	302,371
Number of DSUs vested	304,344	299,511

During the year ended December 31, 2020, the Company granted 14,978 of DSUs based on the dividend paid on Shares.

The total cost recognized with respect to DSUs, including the change in fair value of DSUs during the years ended December 31, 2020 and 2019, were $101,479 and $297,861, respectively.

Each DSU has the same value as one Share (based on the five-day volume weighted average trading price) and, in the event dividends are paid on the Shares, accrues dividend equivalents in the form of additional DSUs based on the amount of the dividend paid on a Share. The carrying amount of the liability, included in accounts payable and accrued liabilities, relating to the DSUs at December 31, 2020 and 2019 is $1,351,278 and $1,291,160, respectively.

(f) Warrants:

At December 31, 2020 and 2019, the Company had nil and 500,000 Warrants outstanding. Each Warrant entitled the holder to acquire one Share at an exercise price of $8.50 per Share. The Warrants expired on August 15, 2020.

(In United States dollars unless otherwise stated)

17. Contributed surplus:

The following table presents the details of the contributed surplus balances as at December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 3,440,695	$ 3,264,388
Share options	177,745	176,307
Balance, end of year	$ 3,618,440	$ 3,440,695

18. Earnings per share:

The calculation of earnings per share for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Numerator for basic and diluted earnings per share:		
Income attributable to common shareholders	$ 2,169,238	$ 3,077,757
Diluted income attributable to common shareholders	$ 2,169,238	$ 3,077,757
Denominator for basic and diluted earnings per share:		
Weighted average number of Shares outstanding	5,564,968	5,675,671
Dilutive effect of share-based payments	53,554	–
Weighted average number of diluted Shares outstanding	5,618,522	5,675,671
Earnings per share:		
Basic	$ 0.39	$ 0.54
Diluted	0.39	0.54

(In United States dollars unless otherwise stated)

19. Transactions with related parties:

Except as disclosed elsewhere in the consolidated financial statements, the following are the related party transactions:

Related party transactions are measured at the exchange amount, which is the amount of consideration established and offered by related parties.

(a) Key management personnel compensation:

Aggregate compensation for key management personnel was as follows:

	2020	2019
Short-term employee benefits	$ 1,616,608	$ 1,404,828
Share-based compensation	129,598	449,335
	$ 1,746,206	$ 1,854,163

The key management personnel of the Company includes the President and Chief Executive Officer, Chief Financial Officer, Managing Directors, and the Board.

(b) Loan and mortgages syndications:

Certain of the Company's loan and mortgage investments are syndicated with other investors of the Company, which may include officers or directors of the Company. The Company ranks equally with other members of the syndicate as to payment of principal and interest.

At December 31, 2020 and 2019, the loan and mortgage investments syndicated by officers and directors were $668,752 and $556,466, respectively.

(In United States dollars unless otherwise stated)

20. Interest and financing costs:

The following table presents the interest incurred for the years ended December 31, 2020 and 2019:

	2020	2019
Interest on loan and mortgage syndications	$ 7,440,033	$ 7,568,285
Interest on Credit Facilities	689,977	1,558,228
Interest on Montreal Street JV	45,513	32,652
Interest on lease obligations	723	2,094
	$ 8,176,246	$ 9,161,259

21. Income taxes:

The following table specifies the current and deferred tax components of income taxes in the consolidated statements of income and comprehensive income:

	2020	2019
Current income tax provision	$ 758,496	$ 1,320,411
Deferred income tax	(230,680)	(311,453)
Total tax provision	$ 527,816	$ 1,008,958

(In United States dollars unless otherwise stated)

21. Income taxes (continued):

Income tax expense is different from the amount that would result from applying the combined federal and provincial income tax rates to income from operations before income taxes. These differences result from the following items:

	2020	2019
Income from operations before income taxes	$ 2,697,054	$ 4,086,715
Combined federal and provincial statutory income taxes	26.50%	26.50%
Income tax provision based on statutory income taxes	$ 714,719	$ 1,082,979
Increase (decrease) in income tax due to:		
Non-taxable items	1,205	3,200
Non-deductible stock-based compensation	47,102	46,721
Effect of changes in foreign exchange rates	(235,210)	(123,942)
Total tax provision	$ 527,816	$ 1,008,958

The following table summarizes the changes to the current income tax recoverable and payable for the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ (247,719)	$ (130,741)
Current income tax provision	758,496	1,320,411
Income taxes received (paid)	98,722	(1,455,996)
Foreign exchange	–	18,607
Balance, end of year	$ 609,499	$ (247,719)

(In United States dollars unless otherwise stated)

21. Income taxes (continued):

The composition of the Company's recognized deferred income tax assets and liabilities for the year ended December 31, 2020 is as follows:

	Opening balance	Recognized in income	Foreign exchange	Closing balance
Investment property	$ 167,534	$ 11,232	$ –	$ 178,766
Portfolio investment	286,776	(49,940)	–	236,836
Incorporation costs	(384)	24	–	(360)
DSUs	(194,349)	(26,892)	–	(221,241)
Allowance for loan and mortgage investment loss	(293,363)	(1,936)	–	(295,299)
Unrealized foreign exchange loss	591,129	(204,357)	–	386,772
Debentures, Shares and revolving operating facility issue costs	(152,876)	17,969	–	(134,907)
Deferred revenue	45,550	23,220	–	68,770
	$ 450,017	$ (230,680)	$ –	$ 219,337

The composition of the Company's recognized deferred income tax assets and liabilities for the year ended December 31, 2019 is as follows:

	Opening balance	Recognized in income	Foreign exchange	Closing balance
Investment property	$ 178,684	$ (11,150)	$ –	$ 167,534
Portfolio investment	262,668	7,814	16,294	286,776
Incorporation costs	(358)	(26)	–	(384)
DSUs	(273,282)	78,933	–	(194,349)
Allowance for loan and mortgage investment loss	(192,603)	(100,760)	–	(293,363)
Unrealized foreign exchange loss	892,106	(293,064)	(7,913)	591,129
Debentures, Shares and revolving operating facility issue costs	(114,126)	(38,750)	–	(152,876)
Deferred revenue	–	45,550	–	45,550
	$ 753,089	$ (311,453)	$ 8,381	$ 450,017

(In United States dollars unless otherwise stated)

22. Capital management:

The Company defines its capital as the aggregate of shareholders' equity, non-controlling interest, convertible debentures, loan and mortgage syndications, short-term notes payable, revolving operating facility, due to joint operations partner and mortgages payable. The Company's capital management is designed to ensure that the Company has sufficient financial flexibility, short-term and long-term, and to grow cash flow and solidify the Company's long-term creditworthiness, as well as a good return for the shareholders.

The following table presents the capital of the Company as at December 31, 2020 and 2019:

	2020	2019
Loan and mortgage syndications	$ 71,374,100	$ 88,249,414
Credit facilities	6,700,964	8,878,839
Unsecured note payable	1,794,150	3,000,000
Mortgages payable	1,055,379	1,067,440
Equity	41,162,653	39,635,372
	$ 122,087,246	$ 140,831,065

The Company is free to determine the appropriate level of capital in context with the cash flow requirements, overall business risks and potential opportunities. As a result, the Company will make adjustments to its capital structure in response to lending opportunities, the availability of capital and anticipated changes in general economic conditions. The Company's overall strategy with respect to capital remained unchanged during the years ended December 31, 2020 and 2019.

During the years ended December 31, 2020 and 2019, except for the covenant requirements under the Credit Facilities (note 12), the Company had no externally-imposed capital requirements.

23. Fair value measurement:

The Company, as part of its operations, carries a number of financial instruments. The Company's financial instruments consist of cash and cash equivalents, funds held in trust, amounts receivable, loan and mortgage investments, portfolio investments, accounts payable and accrued liabilities, loan and mortgage syndications, unsecured note payable, mortgages payable, and Credit Facilities.

23. Fair value measurement (continued):

The fair values of amounts receivable, funds held in trust and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities.

The fair values of loan and mortgage investments, loan and mortgage syndications and unsecured note payable approximate their carrying values as they are short-term in nature. There is no quoted price in an active market for the loans and mortgage investments, mortgage syndications, unsecured note payable, mortgages payable or Credit Facilities. The Company makes its determination of fair value based on its assessment of the current lending market for these instruments of same or similar terms. As a result, the fair values are based on Level 3 of the fair value hierarchy.

The Company uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation techniques for which significant inputs are not based on observable market data.

The fair value of the Company's investment properties, portfolio investments, investment in associates and non-controlling interest are determined using Level 3 inputs at December 31, 2020 and 2019 and no amounts were transferred between fair value levels during 2020 or 2019. Notes 9(b), 7 and 8 outline the key assumptions used by the Company in determining fair value of its investment property, portfolio investments and investment in associates.

24. Risk management:

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(a) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market price whether the changes are caused by factors specific to the investment or factors affecting all securities in the market.

The Company's objective of managing this risk is to minimize the volatility of earnings. The Company mitigates this risk by charging interest rates which are significantly above normal banking rates.

(b) Credit risk:

The Company syndicates its loan and mortgage investments with investors on a pari-passu basis. The syndicated portion of the loan and mortgage investments are owned by syndicate investors. The Company neither has beneficial ownership in the syndicated assets nor has any obligation with regards to the syndicated loans. The Company assesses its credit risk and its ACL on loan and mortgage investments, net of syndication.

As at December 31, 2020, a loan investment to the U.S. Project is in arrears since February 29, 2020 (note 5). Based on the most recent valuations of the underlying asset and management's estimates, the Company carries a net ACL balance of $353,763 against this loan investment.

If the ACL relating to the loan and mortgage investments are presented on a gross basis, the loan and mortgage investments and the corresponding loan and mortgage syndications balances would be lower by $3,258,447 on the consolidated statement of financial position with no impact to the consolidated statements of income and comprehensive income.

(In United States dollars unless otherwise stated)

24. Risk management (continued):

(c) Interest rate risk:

Interest rate risk arises due to exposure to the effects of future changes in the prevailing level of interest rates.

The Company is exposed to interest rate risk arising from fluctuations in interest rates primarily on its loan and mortgage investments, loan and mortgage syndications, revolving operating facility and mortgages payable.

The Company mitigates its exposure to this risk by entering into contracts having either fixed interest rates or interest rates pegged to prime for its loan and mortgage investments and loans and mortgage syndications and asset liability matching. Such risk is further mitigated by the general short-term nature of loan and mortgage investments.

At December 31, 2020, if interest rates had been 100-basis-points lower or higher, with all other variables held constant, net income and comprehensive income and equity for the year would be affected as follows:

	Lower 100- basis-points	Higher 100- basis-points
Interest and fees	$ (938,083)	$ 938,083

The Company has no floating rate financial liabilities. At December 31, 2019, if interest rates had been 100-basis-points lower or higher, with all other variables held constant, net income and comprehensive income and equity for the year would be affected as follows:

	Lower 100- basis-points	Higher 100- basis-points
Interest and fees	$ (2,049,299)	$ 2,049,299

(In United States dollars unless otherwise stated)

24. Risk management (continued):

(d) Currency risk:

Currency risk is the risk that the fair value or future cash flows of the Company's foreign currency denominated loan portfolio, loan syndications and cash and cash equivalents will fluctuate based on changes in foreign currency exchange rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk. Consequently, the Company is subject to currency fluctuations that may impact its financial position and results. The Company manages its currency risk on the loan portfolio by syndicating and or borrowing in the same currency.

(e) Liquidity risk:

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it always has sufficient liquidity to meet its liabilities when they come due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's creditworthiness.

The Company manages liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

If the Company is unable to continue to have access to its loans and mortgage syndications, revolving operating facility and convertible debentures, the size of the Company's loan and mortgage investments will decrease and the income historically generated through holding larger investments by utilizing leverage will not be earned.

Contractual obligations as at December 31, 2020 are due as follows:

	Less than 1 year	Over 2 years	Total
Accounts payable and accrued liabilities	$ 8,670,756	$ –	$ 8,670,756
Credit Facilities	–	7,000,000	7,000,000
Mortgages payable	1,056,723	–	1,056,723
Total liabilities and contractual obligations	$ 9,727,479	$ 7,000,000	$ 16,727,479

24. Risk management (continued):

(f) General business risk:

The Company is subject to general business risks and to risks inherent in the commercial and residential real estate lending, including both the making of loans secured by real estate and the development and ownership of real property. Income and gains from the Company's investments may be adversely affected by:

(i) civil unrest, acts of God, including earthquakes and other natural disasters, acts of terrorism or war and public health crises such as the current outbreak of the novel coronavirus, specifically identified as "COVID-19" (note 2(f)),

(ii) changes in national or local economic conditions,

(iii) changes in real estate assessed values and taxes payable on such values and other operating expenses,

(iv) the inability of developers to sell development land,

(v) changes in demand for newly constructed residential units,

(vi) changes in real estate assessed values and taxes payable on such values and other operating expenses, or

(vii) changes in interest rates and in the availability, cost and terms of any mortgage or other development financing.

Any of the foregoing events could impact the ability of borrowers to timely repay (if at all) loans made by the Company, negatively impact the value or viability of a development project in which the Company has invested or negatively impact the value of portfolio properties of the Company or their ability to generate positive cash flow.

In addition, the Company may be unable to identify and complete investments that fit within its investment criteria. The failure to make a sufficient number of these investments would impair the future growth of the Company.

The COVID-19 pandemic has further increased the risk factors described above.

25. Effect of change in presentation currency:

As set out in note 2(d), the Company elected to change its presentation currency to USD, effective January 1, 2019.

For information purposes, the consolidated statements of financial position as at January 1, 2018 and December 31, 2018 includes adjustments to reflect the change in the accounting policy resulting from the change in presentation to the USD. The amounts previously reported in CAD as shown below have been translated into USD at January 1, 2018 and December 31, 2018 exchange rates (note 2(d)). The effect of the translation is as follows:

December 31, 2018	USD	CAD
Assets		
Cash and cash equivalents	$ 7,731,379	$ 10,543,289
Funds held in trust	1,095,669	1,494,940
Amounts receivable and prepaid expenses	1,013,935	1,347,626
Loan and mortgage investments	121,675,979	165,929,535
Investment in finance leases	2,819,915	3,845,519
Investment properties	1,619,633	2,208,694
Portfolio investment	1,911,574	2,591,586
Interest in associates	2,146,984	2,927,842
Income taxes recoverable	130,741	178,292
	$ 140,145,809	$ 191,067,323
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 3,618,067	$ 4,933,963
Unearned income	1,303,162	1,777,129
Deferred income tax liabilities	753,089	1,026,987
Credit facilities	19,464,106	26,560,237
Loan and mortgage syndication	75,906,550	103,513,760
Mortgages payable	1,047,809	1,428,897
	102,092,783	139,240,973
Equity:		
Share capital	26,533,950	29,801,466
Contributed surplus	3,264,388	3,893,731
Cumulative translation adjustment	(6,885,398)	–
Retained earnings	15,140,086	18,131,153
	38,053,026	51,826,350
	$ 140,145,809	$ 191,067,323

26. Subsequent event:

In January 2021, the Company launched its first fund (the "Fund") totaling $32.5 million, whereby the Company's syndicate investors committed to advance total capital of $29.1 million into limited partnerships. The Company co-invests $3.4 million of equity in the limited partnerships. The Fund also secured $5.0 million of credit facility with a U.S. bank. As at April 14, 2021, the investors contributed $7.2 million of the committed capital to finance the Company's certain investments in finance leases.