FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD AUGUST 12, 2020 THROUGH DECEMBER 31, 2020

(Audited, in US Dollars)

Flagship Communities Real Estate Investment Trust
Consolidated Statements of Financial Position
(In thousands of US dollars)

	Note		**December 31, 2021**		December 31, 2020
Current Assets					
Cash and cash equivalents		**$**	**15,451**	$	11,499
Tenant and other receivables, net	5		**753**		638
Prepaids and other assets	6		**1,843**		1,226
Lender escrow deposits	7		**1,575**		1,825
Total current assets			**19,622**		15,188
Investment properties	8, 24		**670,523**		428,391
Property and equipment, net	9		**2,520**		1,800
Note receivable - related party	15		**2,460**		-
			675,503		430,191
Total Assets		**$**	**695,125**	$	445,379
Current Liabilities					
Trade and other payables		**$**	**978**	$	598
Other liabilities	10		**7,486**		5,140
Mortgages payable, net	12		**637**		514
Total current liabilities			**9,101**		6,252
Mortgages payable, net	12		**258,474**		219,344
Class B Units	13, 24		**104,856**		73,399
			363,330		292,743
Total Liabilities			**372,431**		298,995
Unitholders' Equity					
Unitholder's equity	14		**322,694**		146,384
Total Liabilities and Unitholders' Equity		**$**	**695,125**	$	445,379

See accompanying notes to the consolidated financial statements.

Flagship Communities Real Estate Investment Trust
Consolidated Statements of Net Income and Comprehensive Income
(In thousands of US dollars)

	Note	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Rental revenue and related income	16	$ 43,075	$ 8,304
Property operating expenses	17	14,414	2,807
Net operating income		28,661	5,497
Other Expenses/(Income)			
General and administrative	18	5,783	1,258
Finance costs from operations	19	8,130	1,812
Accretion of mark-to-market adjustment on mortgages payable	4,12	(1,029)	(257)
Depreciation	9	174	24
Other (income)		(92)	(13)
Fair value adjustment - Class B units	13	31,457	(1,195)
Distributions on Class B units		2,794	641
Fair value adjustment - investment properties	8	(78,813)	(2,958)
Fair value adjustment - unit based compensation	26	13	-
Transaction costs	14	236	5,306
Bargain purchase (gain)		-	(46,459)
Net Income and Comprehensive Income		$ 60,008	$ 47,338

See accompanying notes to the consolidated financial statements.

Flagship Communities Real Estate Investment Trust
Consolidated Statements of Changes in Unitholders' Equity
(In thousands of US dollars)

	Note	Units	Units	Distributions	Cumulative Net Income	Total Unitholders' Equity
Balance, August 12, 2020		-	$ -	$ -	$ -	$ -
Units issued, net of issuance costs	14	7,226,185	99,898			99,898
Net income and comprehensive income		-	-		47,338	47,338
Distributions	14	-	-	(852)		(852)
Balance, December 31, 2020		**7,226,185**	**$ 99,898**	**$ (852)**	**$ 47,338**	**$ 146,384**
Units issued, net of issuance costs	14	6,915,000	121,591	-	-	121,591
Net income and comprehensive income		-	-	-	60,008	60,008
Distributions	14	-	-	(5,289)	-	(5,289)
Balance, December 31, 2021		**14,141,185**	**$ 221,489**	**$ (6,141)**	**$ 107,346**	**$ 322,694**

See accompanying notes to the consolidated financial statements.

Flagship Communities Real Estate Investment Trust
Consolidated Statements of Cash Flows
(In thousands of US dollars)

	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Cash flow provided by operating activities		
Net Income and Comprehensive Income	$ 60,008	$ 47,338
Add (deduct):		
Depreciation	174	24
Gain on sale of property and equipment	(7)	-
Fair value adjustment - Class B units	31,457	(1,195)
Distributions declared on Class B units	2,794	641
Accretion of mark-to-market adjustment on mortgages payable, net	(1,029)	(257)
Fair value adjustment - investment properties	(78,813)	(2,958)
Transaction costs associated with issuance of Units	236	5,306
Finance costs from operations	8,130	1,812
Interest received	(39)	-
Bargain purchase (gain)	-	(46,459)
Change in non-cash working capital		
Tenant and other receivables, net	(115)	379
Prepaids and other assets	(617)	(161)
Lender escrow deposits	250	882
Trade and other payables	380	558
Other liabilities	2,014	(2,067)
	24,823	3,843
Cash flow provided by financing activities		
Proceeds from issuance of Units, net of costs	121,591	99,317
Transaction costs associated with issuance of Units	(236)	(5,306)
Distributions paid to Unitholders	(4,965)	(545)
Distributions paid to Class B Unitholders	(2,783)	(410)
Proceeds from mortgages payable	41,400	-
Issuance costs associated with financing activities	(648)	(201)
Repayment of mortgages payable	(479)	(13,418)
Interest paid	(8,124)	(1,165)
	145,756	78,272
Cash flow (used in) investing activities		
Cash balances transferred on October 7, 2020 acquisition	-	914
Cash paid for investment property acquisitions	(158,107)	(12,945)
Cash paid for October 7, 2020 acquisition	-	(57,694)
Cash received for investment property disposal	1,460	-
Capital expenditures on investment properties	(6,672)	(889)
Cash received for property and equipment disposal	8	-
Cash paid for property and equipment	(895)	(2)
Issuance of note receivable - related party	(2,460)	-
Interest received	39	-
	(166,627)	(70,616)
Increase in cash and cash equivalents	3,952	11,499
Cash and cash equivalents, beginning of period	11,499	-
Cash and cash equivalents, ending of period	$ 15,451	$ 11,499

See accompanying notes to the consolidated financial statements.

1. Nature of Operations

Flagship Communities Real Estate Investment Trust (the "REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. The registered office of the REIT is located at 199 Bay Street, Suite 4000, Toronto, ON, M5L 1A9. The head office of the REIT is located at 467 Erlanger Road, Erlanger, Kentucky 41018, United States.

The REIT was formed for the purpose of owning and operating a portfolio of income-producing manufactured housing communities ("MHCs") located in the United States.

The REIT was formed on August 12, 2020 and the operations of the REIT commenced on October 7, 2020, when it completed an initial public offering ("IPO") of 6,250,000 trust units ("Units") for gross proceeds of $93,750 or approximately $85,255 net of underwriters' fees and other issuance costs. In connection with the IPO, the REIT indirectly acquired a 100% interest in a portfolio of 45 MHCs with 8,255 lots located in Kentucky, Indiana, Ohio, and Tennessee (the "Initial Communities"), together with a fleet of approximately 600 manufactured homes for lease to residents of the Initial Communities and the REIT's head office property in Erlanger, Kentucky (collectively, the "Initial Portfolio").

As at December 31, 2021, the REIT owns 63 (December 31, 2020 - 52) MHCs located across Arkansas, Kentucky, Illinois, Indiana, Missouri, Ohio, and Tennessee.

2. Basis of Presentation

(a) Statement of compliance

The consolidated financial statements of the REIT have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). These consolidated financial statements were approved by the Board of Trustees on March 16th, 2021.

(b) Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for investment properties, class B units ("Class B Units") of the REIT's subsidiary, Flagship Operating, LLC, and deferred trust units ("DTUs") which have been measured at fair value.

The consolidated financial statements are presented in thousands of U.S. dollars, which is the REIT's functional currency.

The consolidated financial statements have been prepared considering the impact that the spread of COVID-19 has and continues to have on local, national and worldwide economies. The impacts of COVID-19 are continually evolving, and the REIT continues to evaluate and adapt to the new realities brought on by the global pandemic. As at December 31, 2021 the REIT used the best possible information in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities. Actual results could differ from those estimates. The REIT considers the estimates that could be most significantly impacted by COVID-19 to include those underlying the valuation of investment properties and the estimated credit losses on tenant and other receivables, net.

(c) Principles of consolidation

The REIT consolidates its interest in entities in which it has control. Control is defined by the power to govern an entity's financial and operating policies so as to be able to obtain benefits from its activities. These consolidated financial statements comprise the financial statements of the REIT and its subsidiaries, including, Flagship Operating GP, LLC, which owns Legacy Properties GP, LLC and Flagship Properties, LLC. Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized (gains) and losses arising from intercompany transactions are eliminated upon consolidation.

(d) Use of estimates, judgments and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates, judgements and assumptions include the fair values assigned to investment properties, Class B Units, DTUs, and business combinations. Actual results may differ from these estimates.

(1) Estimates

Investment properties - The fair value of investment properties is dependent on available comparable transactions, future cash flows over the holding period, discount rates and capitalization rates applicable to those assets. The review of anticipated cash flows involves assumptions relating to occupancy and rental rates. In addition to reviewing anticipated cash flows, management assesses changes in the business climate and other factors which may affect the ultimate value of the property. These assumptions may not ultimately be achieved.

Class B Units - The Class B units have been classified as financial liabilities and are measured at fair value through profit or loss ("FVTPL"). The fair value of the Class B Units is measured every period by reference to the traded value of a Unit, with changes in measurement recorded in the consolidated statements of net income and comprehensive income.

DTUs - The DTUs have been classified as puttable instruments, required to be accounted for as financial liabilities, and are measured at FVTPL. The fair value of the outstanding DTUs is measured every period by reference to the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the last day of the period, with changes in measurement recorded in the consolidated statement of net income and comprehensive income.

(2) Judgements

Business combinations - When the REIT acquires new investment properties, the REIT reviews each acquisition in accordance with IFRS to determine if it qualifies as an asset acquisition or business combination. It reviews each acquisition to determine if inputs, processes and outputs have been acquired to ensure each such acquisition is accounted for appropriately.

3. Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include all short-term investments with an original maturity of three months or less and excludes cash subject to restrictions that prevent its use for current purposes.

Investment properties

A property is determined to be an investment property when it is held either to earn rental income, for capital appreciation or both. Investment properties include land, buildings, land improvements, building improvements, and a fleet of rental homes for lease to residents. Investment properties are initially valued at cost, and subsequently are measured at fair value. Unrealized (gains) and losses arising from changes in fair value are included in the consolidated statements of net income and comprehensive income in the applicable period.

The REIT records investment property net of any additional liabilities or assets acquired. The investment property is initially measured at cost including directly attributable acquisition costs, except when acquired through a business combination, where such costs are expensed as incurred. Costs incurred for the acquisition, development, and construction of properties are capitalized to the investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. To the extent such costs exceed the estimated fair value of such property, the excess would be expensed. All repairs and maintenance costs are expensed as incurred

The REIT engages third party appraisers to prepare valuations such that the entire portfolio of MHCs is appraised at least once every year. The estimated fair value of the MHCs is determined using the direct capitalization method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to total MHC value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in MHC value over an investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

Business combinations

At the time of acquisition of property, whether through a controlling share investment or directly, the REIT considers whether the acquisition represents the acquisition of a business. The REIT accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired. If no significant processes, or only insignificant processes, are acquired, the acquisition is treated as an asset acquisition rather than a business combination.

The cost of a business combination is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the date of acquisition. The REIT recognizes assets or liabilities, if any, resulting from a contingent consideration arrangement at their acquisition date fair value and such amounts form part of the cost of the business combination. Subsequent changes in the fair value of contingent consideration arrangements are recognized in net income on the consolidated statements of net income and comprehensive income. The difference between the purchase price and the REIT's net fair value of the acquired identifiable net assets and liabilities is goodwill. On the date of acquisition, positive goodwill is recorded as an asset. Negative goodwill is immediately recognized in the consolidated statement of net income and comprehensive income. The REIT expenses transaction costs associated with business combinations in the period incurred.

When an acquisition does not meet the criteria for business combination accounting treatment, it is accounted for as an acquisition of a group of assets and liabilities, the cost of which includes transaction costs that are allocated to the assets and liabilities acquired based upon their relative fair values. No goodwill is recognized for asset acquisitions.

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definition of a business and of outputs, and introduced an optional fair value concentration test.

The optional fair value concentration test is a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3.

Property and equipment, net

Property and equipment are recorded at cost less accumulated depreciation. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Property and equipment consist of autos and trucks, office and maintenance equipment, furniture and fixtures, as well as the REITs head office and building and farm land, including land improvements thereon. Costs of maintenance and repairs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset as follows:

Autos and Trucks	– 8 to 10 years
Equipment - Office and Maintenance	– 5 to 20 years
Furniture and Fixtures	– 7 years
Head Office Building	– 5 to 39 years
Farmland Improvements	– 15 years

Impairment of non-financial assets

Intangible assets with a finite useful life are tested for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The REIT evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Lender escrow deposits

Escrows for real estate taxes, insurance and capital improvements are maintained under the control of the mortgagee for the payment of taxes and insurance on behalf of the REIT.

Deferred finance charges

The REIT measures its debt at amortized cost using the effective interest method. All interest-related charges are reported in the statements of net income and comprehensive income and are included within finance costs from operations, except for those interest-related charges capitalized to qualifying investment properties under development. Mortgages payable are netted against the transaction costs, and the effective interest method of amortization is applied to the premiums, discounts and transaction costs.

Revenue recognition

The REIT has retained substantially all of the risks and benefits of ownership of its investment properties and as such accounts for its leases with tenants as operating leases. Revenue from investment properties include rents and other fees from tenants under leases, operating cost recoveries, and lease cancellation fees. Payments made in advance of scheduled due dates are included in unearned revenue.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") introduced a single model for recognizing revenue from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

(a) Rental income

Revenue from rental properties represents the majority of the REIT's revenue and includes rents from tenants under leases with terms generally one year or less, and other miscellaneous fee income paid by the tenants under the terms of their existing leases. Rental payments are due from tenants at the beginning of the month. The operating leases entered into with tenants create a legally enforceable right to control the use of an identified asset by the tenant for a period of time and also require the REIT to provide additional services.

IFRS 16, Leases ("IFRS 16"), provides guidance on "lease components" such as base rent, realty tax and insurance recoveries, which therefore are outside of the scope of IFRS 15. Other income (such as utilities, parking, and miscellaneous fees) are considered non-lease components and are within the scope of IFRS 15.

The REIT applies the practical expedient in IFRS 15 for leases that have original expected durations of one year or less and does not disclose information about remaining performance obligations.

For leases greater than one year rental income is recorded on a straight-line basis over the life of the lease agreement (Note 16).

(b) Operating cost recoveries from tenants

Income arising from expenses recovered from tenants is recognized gross of the related expenses in the period in which the expense can be contractually recovered.

(c) Lease cancellation fees

Amounts payable by tenants to terminate a lease prior to the contractual expiry date are included in rental revenue as lease cancellation fees at the effective date of the lease termination. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectability is reasonably assured.

Class B Units

On October 7, 2020, in conjunction with the IPO, and as partial consideration for the Initial Communities, the REIT, through the Flagship Operating, LLC issued Class B Units to certain retained interest holders with a fair value of $74,594 (Note 4). Retained interest holders refer to former owners of certain properties acquired by the REIT. The holders of Class B Units will be entitled to receive distributions from Flagship Operating, LLC proportionately to the distributions made by the REIT to holders of Units. The Class B Units will be redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Flagship Operating, LLC and as directed by the REIT in its sole discretion, subject to certain limitations and restrictions, and therefore are considered a puttable instrument in accordance with IAS 32, Financial Instruments: Presentation ("IAS 32"). As a result, the Class B Units have been classified as financial liabilities and are measured at FVTPL.

These Class B Units carried a 12-month selling restriction from issue date which was deemed to be an attribute of the units. This attribute required that, as part of the fair value calculation, the unit value be discounted at the end of each reporting period until this selling restriction expired.

Distributions on Class B Units are recorded as finance cost in the consolidated statements of net income and comprehensive income in the period in which they become payable.

Trust Units

The REIT is authorized to issue an unlimited number of trust units (“Units”). Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the Unitholders. No Unit has any preference or priority over another. Each Unit represents a Unitholder’s proportionate undivided beneficial ownership interest in the REIT and confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the REIT, whether of net income, net capital gain or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units are fully paid and non-assessable when issued and are transferable. Fractional Units may be issued as a result of an act of the Trustees, but fractional Units do not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

Units are redeemable at the holder's option and therefore are considered to be a puttable instrument in accordance with IAS 32. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Units meet the exemption conditions of IAS 32 and are presented as equity. The REIT has elected to not report an earnings per unit calculation, as per IAS 33, Earnings Per Share, as the Units meet the definition of a financial liability under IAS 32.

Financial instruments

(a) Classification

On initial recognition, in accordance with IFRS 9 - Financial Instrument ("IFRS 9"), the REIT determines the measurement of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income

Financial assets are measured at amortized cost if both of the following criteria are met and is not designated as at FVTPL:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at FVTPL or at amortized cost. A financial liability is measured at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities that are not measured at FVTPL are measured at amortised cost using the effective interest method.

The REIT has assessed the measurement of its financial instruments under IFRS 9 as follows:

Financial Instrument	***Measurement under IFRS 9***
Cash and cash equivalents	Amortized cost
Tenant and other receivables, net	Amortized cost
Note receivable	Amortized cost
Trade and other payables	Amortized cost
Other liabilities	Amortized cost
Mortgages payable, net	Amortized cost
Class B Units	FVTPL
DTU	FVTPL

(b) Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a (gain) or loss at the time of initial recognition.

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the consolidated statements of net income and comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net income and comprehensive income when the right to receive payment is established, the economic benefits will flow to the REIT, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the consolidated statements of net income and comprehensive income when the right to receive payment is established, the economic benefits will flow to the REIT, and the amount can be measured reliably.

(c) Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss (“ECL”) model in evaluating the credit loss for financial assets measured at amortized cost. The ECL on account receivables was computed using a provision matrix based on historical credit loss experiences to estimate lifetime ECL. The ECL models applied to other financial assets also required judgment, assumptions and estimations on changes in credit risks, forecasts of future economic conditions and historical information on the credit quality of the financial asset.

Impairment losses, if incurred, would be recorded in general and administrative expenses in the consolidated statements of net income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss would be reversed through the consolidated statements of net income and comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

(d) Derecognition

Financial assets – The REIT derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. (Gains) and losses from the derecognition are recognized in the consolidated statements of net income and comprehensive income.

Financial liabilities – The REIT derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expires. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of net income and comprehensive income.

Fair Value Measurement

The REIT measures financial instruments, such as Class B Units and DTUs, and non-financial assets, such as investment properties, at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

1. In the principal market for the asset or liability, or
2. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the REIT. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interests. A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

To measure fair value the REIT uses valuation techniques that are appropriate in the circumstances, for which sufficient data are available and maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data

Level 3 – inputs for assets and liabilities not based upon observable market data

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the REIT determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the REIT has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Finance costs

Finance costs consist of interest expense on loans and borrowings, amortization of deferred financing costs and amortization of premiums and discounts on loans and borrowing. Finance costs also includes fair value adjustments to Class B Units and accretion of mark-to-market adjustments on mortgages payable, net. Finance costs associated with financial liabilities presented at amortized costs are recognized in the consolidated statements of net income and comprehensive income using the effective interest method.

Employee benefits

(a) Defined contribution plan

Obligations for contributions to defined contribution plans are recognized as a payroll and benefit expense in the consolidated statements of net income and comprehensive income during period in which related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Unit Based Compensation

The REIT maintains an Omnibus Equity Incentive Plan (“Equity Incentive Plan”) for its employees and trustees. The Equity Incentive Plan provides for awards of Restricted Units (“RU”), Performance Units (“PU”), DTUs, and Options, each as defined therein. Awards under the Equity Incentive Plan may be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board of Trustees, cash measured by the value of the DTUs on the settlement date. Awards earn additional DTUs for distributions that would otherwise have been payable in cash. These additional DTUs vest on the same basis as the initial DTUs to which they relate.

Awards are redeemable at the holder's option and therefore are a puttable instrument in accordance with IAS 32. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. Awards do not meet the exemption conditions of IAS 32 and are presented as a liability.

DTUs are recorded in trustee fees, included in general and administrative expenses on the consolidated statements of net income and comprehensive income, at the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. The liability is measured every period, and upon settlement, with changes in measurement recorded in Fair value adjustment - Unit Based Compensation on the consolidated statements of net income and comprehensive income.

Income taxes

(a) Canadian status:

The REIT is a mutual fund trust pursuant to the Income Tax Act (Canada). Under current tax legislation, a mutual fund trust that is not a Specified Investment Flow-Through Trust (“SIFT”) pursuant to the Income Tax Act (Canada) is entitled to deduct distributions from taxable income such that it is not liable to pay income taxes provided that its taxable income is fully distributed to unitholders. The REIT intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(b) U.S. REIT status:

The REIT is classified as a U.S. corporation for U.S. federal income tax purposes under current Treasury Regulations. Further, pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the "Code") the REIT is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity. In general, a company that elects real estate investment trust status, distributes at least 90% of its real estate investment trust taxable income to its shareholders in any taxable year and complies with certain other requirements is not subject to U.S. federal income taxation to the extent of the income it distributes. If it fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal income tax at regular corporate income tax rates on its taxable income. Even if it qualifies for taxation as a real estate investment trust, it may be subject to certain state and local taxes on its income and property and to federal income and excise taxes on its undistributed income. The REIT has reviewed the real estate investment trust requirements and has determined that it qualifies as a real estate investment trust under the Code. Accordingly, no provision for U.S. federal income or excise taxes has been made with respect to the income of the REIT.

Certain of the REIT's operations or a portion thereof are conducted through taxable real estate investment trust subsidiaries ("TRS"). A TRS is a corporation that has not elected REIT status and has made a joint election with a real estate investment trust to be treated as a TRS. As such, it is subject to U.S. federal and state corporate income tax.

Mortgages payable

Mortgages payable, net are initially recognized at fair value less directly attributable transaction costs. After initial recognition, mortgages and loans payable are subsequently measured at amortized cost using the effective interest method.

Mortgage maturities and repayments due more than 12 months after the consolidated statements of financial position date are classified as non-current.

Distributions

Distributions represent the monthly cash distributions on outstanding Units.

Mark-to-market adjustment

The REIT recognized a mark-to-market adjustment upon assuming the mortgages payables balances upon acquisition, which was the principal amounts discounted using average expected interest rates. This adjustment is accreted over the course of the remaining life of the mortgages and included in finance costs in the consolidated statements of net income and comprehensive income.

Standards issued but not yet effective for the year ended December 31, 2021:

IAS 1 - Presentation of Financial Statements ("IAS 1"), was amended in January 2020. The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or noncurrent. The amendments clarify the definition of a right to defer settlement and specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments must be applied retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Earlier application is permitted. The REIT is currently assessing the impact of this standard.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

4. Business Combination

The Initial Communities were indirectly owned by Flagship Communities LLC ("FC LLC") and by Legacy SSK Portfolio ("SSK Entities"). Following certain reorganization transactions, upon closing of the IPO, FC LLC merged with and into a limited liability company subsidiary of the REIT, and the SSK Entities were contributed to Flagship Operating, LLC. As a result, upon completion of the merger and contribution, and certain related transactions on October 7, 2020, all of the Initial Communities and the remaining assets comprising the Initial Portfolio are indirectly held by the REIT through its indirect ownership of Flagship Operating, LLC.

The acquisition was determined to be accounted for as a business combination. The identifiable net assets acquired were as follows:

Investment properties	$	411,599
Cash and cash equivalents		914
Accounts receivable		1,017
Prepaid and other assets		10,152
Property and equipment		1,822
Escrows		2,707
Mortgages payable		(233,734)
Trade and other payables		(40)
Other liabilities		(6,023)
		188,414
Excess of fair value of net assets acquired over consideration paid		(46,459)
Net assets acquired	**$**	**141,955**
Consideration paid by the REIT consisted of the following:		
Class B Units	$	74,594
Trust Units		580
Cash		57,694
Cash held in escrow		9,087
Total consideration	**$**	**141,955**

The mortgages payable acquired include a mark-to-market adjustment of $7,115 using the expected interest rates of all existing loans from the Initial Communities (Note 12).

Flagship Operating, LLC issued 5,432,940 Class B Units at a price of $15.00 per Unit, discounted to $13.73 at IPO, for total proceeds of $74,594. The Class B Units carried a 12-month selling restriction from issue date which was deemed to be an attribute of the Units. This attribute required that the Unit value be fair valued at IPO (Note 13). The REIT issued 38,685 Units at a price of $15.00 per Unit, which was the price at IPO, as part of the consideration for total proceeds of $580. The cash held in escrow of $9,087 was a cash reserve held by the lender that was released upon transfer of ownership.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

5. Tenant and Other Receivables, Net

	As at December 31, 2021	As at December 31, 2020
Tenant receivables	**$ 602**	$ 526
Other receivables	**187**	199
Allowance for doubtful accounts	**(36)**	(87)
Total	**$ 753**	$ 638

The movement in the provision for impairment of tenant and other receivables was as follows:

Allowance for Doubtful Accounts, August 12, 2020	**$ -**
Change in expected credit loss provision	87
Allowance for Doubtful Accounts, December 31, 2020	**$ 87**
Change in expected credit loss provision	(51)
Allowance for Doubtful Accounts, December 31, 2021	**$ 36**

Tenant receivables include lot rent, utilities, miscellaneous fees, and other recoverable charges. An allowance for credit losses is maintained for estimated losses resulting from the inability of tenants to meet obligations under lease agreements. The REIT actively reviews receivables and determines the potentially uncollectible accounts on a per-tenant basis. A tenant receivable is written down to its estimated realizable value when the REIT has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

6. Prepaids and Other Assets

The REIT's prepaids and other assets consist of the following:

	As at December 31, 2021	As at December 31, 2020
Prepaid insurance	**$ 1,328**	$ 424
Lender reserves	**-**	421
Other prepaids and deposits	**515**	381
Total	**$ 1,843**	$ 1,226

7. Lender Escrow Deposits

Escrows for real estate taxes, insurance, and capital repairs are maintained under the control of the mortgagor for payment on behalf of the REIT. As at December 31, 2021 and 2020, the REIT had lender escrow balances of $1,575 and $1,825, respectively.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

8. Investment Properties

A reconciliation of the carrying value for investment properties at the beginning and end of the financial period is set out below:

	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Investment properties, opening balance	$ 428,391	$ -
Acquisitions - Oct 7, 2020 (a)	-	411,599
Capital expenditures	6,672	889
Acquisitions of investment properties (b)	158,107	12,945
Disposal of investment properties (c)	(1,460)	-
Fair value adjustment - investment properties	78,813	2,958
Ending balance	**$ 670,523**	$ 428,391

Asset Acquisitions

During the year ended December 31, 2021, the REIT acquired the following:

(b) On January 4, 2021, the REIT expanded an existing MHC with the acquisition of 8 new lots for $59, bringing the entire community to 149 home sites. Investment property acquired totaled $58.

(b) On January 5, 2021, the REIT acquired an MHC having 77 lots and 49 rental homes in the Louisville, Kentucky market for $3,105. Investment property acquired totaled $3,120.

(b) On February 9, 2021, the REIT acquired an MHC having 74 lots and 52 rental homes in the Bowling Green, Kentucky market for $2,989. Investment property acquired totaled $3,011.

(b) On May 12, 2021, the REIT acquired an MHC having 167 lots and 112 rental homes in the Little Rock, Arkansas market for $5,366. Investment property acquired totaled $5,356.

(b) On May 27, 2021, the REIT expanded an existing MHC with the acquisition of 3 adjacent acres containing 10,000 square feet of self-storage for $282. Investment property acquired totaled $285.

(b) On July 2, 2021, the REIT acquired two MHCs having a combined 677 lots and 267 rental homes in the Evansville, Indiana and St Louis, Missouri markets for $63,778. Investment property acquired totaled $65,124.

(b) On Aug 23, 2021, the REIT acquired an MHC having 231 lots and 27 rental homes in the Springfield, Illinois market for $15,401. Investment property acquired totaled $15,435.

(b) On October 25, 2021, the REIT acquired two RV resort communities having a combined 467 lots in Wapakoneta, Ohio and Walton, Kentucky for $8,218. Investment property acquired totaled $8,515.

(b) On November 11, 2021, the REIT acquired three MHCs from two separate vendor groups comprising 957 lots for $57,167. Two of the acquisitions are located in Arkansas and contained a combined 29 rental homes, with the third located in Lexington, Kentucky. Investment property acquired totaled $57,203.

(c) During the year ended December 31, 2021 the REIT disposed of 86 rental homes totalling $1,460. Disposal of these rental homes was at fair value resulting in no (gain) loss recognized in the consolidated statements of net income and comprehensive income.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

During the period August 12, 2020 through December 31, 2020, the REIT acquired the following:

(a) On October 7, 2020, and in connection with the IPO, the REIT acquired investment properties of $411,599 (Note 4).

(b) On December 17, 2020, the REIT announced the acquisition of seven MHCs consisting of 379 lots and 91 rental homes for $12,831. Investment property acquired totaled $12,945. The acquisitions were all within the REITs initial footprint with three MHCs (197 lots) in Evansville, Indiana, two MHCs (101 lots) in Northern Kentucky, and two MHCs (81 lots) in Paducah, Kentucky. The transactions were funded using gross proceeds from IPO (Note 4).

The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties as at December 31, 2021 and 2020.

A significant change in occupancy rates, rents or capitalization rates per annum would result in a significant change in the fair value of the MHCs.

Key metrics of the capitalization rates applicable to the REIT's MHCs were as follows:

Capitalization Rates	**As at December 31, 2021**	As at December 31, 2020
High	**7.00 %**	6.25 %
Low	**4.50 %**	5.35 %
Weighted Average	**4.73 %**	5.52 %
% Change		
+ 0.025	**5.05 %**	4.45 %
- 0.025	**(5.61) %**	(4.88) %
$ Change		
+ 0.025	**$32,439**	$19,079
- 0.025	**($36,097)**	($20,920)

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

9. Property and Equipment, Net

	Autos and Trucks	Equipment - Office and Maintenance	Furniture and Fixtures	Head Office Building and Land	Farmland and Improvements	Total
Cost						
As at August 12, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
October 7, 2020 acquisition (Note 4)	-	802	-	750	271	1,823
Additions	-	1	-	-	-	1
As at December 31, 2020	**$ -**	**$ 803**	**$ -**	**$ 750**	**$ 271**	**$ 1,824**
Additions	144	632	19	32	68	895
Disposals	-	(1)	-	-	-	(1)
As at December 31, 2021	**$ 144**	**$ 1,434**	**$ 19**	**$ 782**	**$ 339**	**$ 2,718**
Accumulated depreciation						
As at August 12, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
October 7, 2020 acquisition (Note 4)	-	-	-	-	-	-
Additions	-	20	-	4	-	24
As at December 31, 2020	**$ -**	**$ 20**	**$ -**	**$ 4**	**$ -**	**$ 24**
Additions	4	160	-	7	3	174
As at December 31, 2021	**$ 4**	**$ 180**	**$ -**	**$ 11**	**$ 3**	**$ 198**
Net book value						
As at August 12, 2020	$ -	$ -	$ -	$ -	$ -	$ -
As at December 31, 2020	$ -	$ 783	$ -	$ 746	$ 271	$ 1,800
As at December 31, 2021	**$ 140**	**$ 1,254**	**$ 19**	**$ 771**	**$ 336**	**$ 2,520**

10. Other Liabilities

	As at December 31, 2021	As at December 31, 2020
Property related accruals	**$ 1,974**	$ 1,562
Finance costs payable	**445**	448
Tenant security deposits	**2,358**	1,722
Distributions payable	**873**	538
Unearned revenue	**1,622**	870
DTUs	**214**	-
Total	**$ 7,486**	$ 5,140

11. Line of Credit

On May 12, 2021 the REIT entered into a revolving line of credit ("Line of Credit"), secured by the investment property of two MHCs, for $5,000. The Line of Credit matures on May 12, 2024 and incurs interest at Prime plus 0.50%. As at both December 31, 2021 and 2020 there was no outstanding balance on the Line of Credit and unamortized deferred issuance costs were $18 and $Nil, respectively.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

12. Mortgages Payable, Net

Mortgages payable are shown net of unamortized mark-to-market adjustment and unamortized deferred issuance costs. The balances are as follows:

		As at December 31, 2021		As at December 31, 2020
Mortgages payable	**$**	**253,921**	$	213,000
Unamortized mark-to market adjustment		**5,829**		6,858
Unamortized deferred issuance costs		**(639)**		-
Total mortgages payable		**259,111**		219,858
Less: current portion		**(637)**		(514)
Amount classified as non-current portion	**$**	**258,474**	$	219,344

The REIT's weighted average contractual annual interest rate on its mortgages payable as at December 31, 2021 and 2020 was approximately 3.43% and 3.57%, respectively, which excludes the impact of the amortization of the mark-to-market adjustment and amortization of deferred issuance costs.

The mortgages payable balances as at December 31, 2021, excluding unamortized mark-to-market adjustment and unamortized deferred issuance costs, are due as follows:

Period ending December 31,	**Principal payments**	
2022	$	637
2023		735
2024		772
2025		820
2026		866
Thereafter		250,091
Total	**$**	**253,921**

The REIT's mortgages payable contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. As at December 31, 2021, the REIT was in compliance with all financial covenants relating to its mortgages payable.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

Cash flows and non-cash changes related to the mortgages payable, net are as follows:

Mortgages payable, net, August 12, 2020	**$**	**-**
Cash Flows		
Proceeds from mortgages payable (Note 4)		233,734
Issuance costs associated with financing activities		(201)
Repayment of mortgages payable		(13,418)
		220,115
Non-Cash Changes		
Accretion of mark-to-market adjustment on mortgages payable		(257)
Amortization of deferred issuance costs		-
Mortgages payable, net, December 31, 2020	**$**	**219,858**
Cash Flows		
Proceeds from mortgages payable		41,400
Issuance costs associated with financing activities		(648)
Repayment of mortgages payable		(479)
		260,131
Non-Cash Changes		
Accretion of mark-to-market adjustment on mortgages payable		(1,029)
Amortization of deferred issuance costs		9
Mortgages payable, net, December 31, 2021	**$**	**259,111**

13. Class B Units

The fair value at December 31, 2021 the fair value was calculated using the unit closing price. As at December 31, 2020 fair value was calculated using the REIT Unit's closing price as of the end of the reporting period and applying a discount rate that took into consideration the remaining hold period along with the volatility of comparable publicly traded REIT units. The average volatility and discount rate used as at December 31, 2020 was 38.77%.

As at December 31, 2021 and 2020, distributions payable on Class B Units were $242 and $231, respectively.

For the periods presented, the following table presents the outstanding Class B Units and the change in fair value of the Class B Units.

	Class B Units		**Value**
Class B Units, August 12, 2020	**-**	**$**	**-**
Class B units issued, October 7, 2020 (Note 4)	5,432,940		74,594
Fair value adjustments	-		(1,195)
Class B Units, December 31, 2020	**5,432,940**	**$**	**73,399**
Fair value adjustment	-		31,457
Class B Units, December 31, 2021	**5,432,940**	$	104,856

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

14. Unitholders' Equity

The REIT is authorized to issue an unlimited number of Units. Units are ordinary trust units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

	Number of Units		Value
Units outstanding, August 12, 2020	-	$	-
Units issued on IPO closing, October 7, 2020 (a)	6,250,000		93,750
Units issue for acquisition consideration, October 7, 2020 (b)	38,685		580
Units issued - overallotment, October 22, 2020 (c)	937,500		14,063
Less: issue costs (d)	-		(8,495)
Units outstanding, December 31, 2020	**7,226,185**		**99,898**
Units issued on equity offering closing June 14, 2021, including exercise of an overallotment option (f)	4,500,000		81,000
Units issued on equity offering closing November 18, 2021, including exercise of an overallotment option (i)	2,415,000		46,489
Less: issue costs (j)	-		(5,898)
Units outstanding, December 31, 2021	**14,141,185**	**$**	**221,489**

(a) The REIT entered into an underwriting agreement and filed a long-form prospectus for the purpose of completing the IPO, which closed on October 7, 2020. The REIT raised gross proceeds of $93,750 (excluding any exercise of the over-allotment option) pursuant to the IPO through the issuance of 6,250,000 Units at a price of $15.00 per Unit.

(b) The REIT issued 38,685 Units at a price of $15.00 per Unit for gross proceeds of $580 as part of the consideration for the acquisition on October 7, 2020 (Note 4).

(c) On October 22, 2020, pursuant to the exercise of the over-allotment option granted to the underwriters in connection with the IPO, the REIT issued an additional 937,500 Units at $15.00 per Unit, resulting in gross proceeds of $14,063.

(d) Issuance costs relating to the IPO and over-allotment including underwriters' fees and other costs directly associated was approximately $8,495 and were charged directly to unitholders' equity.

(e) The REIT adopted the Omnibus Equity Incentive Plan on December 1, 2020. On May 10, 2021 Unitholders passed an ordinary resolution at the REIT's unitholder meeting to approve the Omnibus Equity Incentive Plan, including any previous grants of award and all unallocated awards issuable thereunder (Note 25).

(f) On June 9, 2021, the REIT filed a supplement to a base shelf prospectus and entered into an underwriting agreement for the purpose of completing an equity offering, which closed on June 14, 2021. The REIT raised gross proceeds of $81,000 (including from the exercise, in part, of an over-allotment option granted to the underwriters of the offering) pursuant to the equity offering through the issuance of 4,500,000 Units at a price of $18.00 per Unit.

(g) Issuance costs relating to the equity offering and over-allotment including underwriters' fees and other costs directly associated was approximately $3,697 and were charged directly to unitholders' equity.

(h) On October 22, 2021 the REIT announced that the Board of Trustees approved a 5% increase to its monthly cash distribution to unitholders to $0.0446 per REIT unit or $0.5355 per REIT unit on an annual basis. The new monthly cash distribution commenced with the November 2021 distribution when declared, and was paid in December 2021.

(i) On November 11, 2021, the REIT filed a supplement to its base shelf prospectus dated May 7, 2021, and entered into an underwriting agreement for the purpose of completing an equity offering, which closed on November 18, 2021. The REIT raised gross proceeds of $46,489 (including from the exercise, in part, of an over-allotment option by the underwriters of the offering) through the issuance of 2,415,000 Units at a price of $19.25 per Unit.

(j) Issuance costs relating to the equity offering and over-allotment including underwriters' fees and other costs directly associated was approximately $2,201 and were charged directly to unitholders' equity.

Transaction costs relating to the equity offering and over-allotment were charged directly to transaction expense.

The REIT declared distributions to unitholders of record in the amount of $5,289 ($0.0425 per Unit until the December 15, 2021 distribution at which time the amount increased to $0.0446 per Unit) and $921 ($0.0425 per Unit) for the year ended December 31, 2021 and for the period October 7, 2020 through December 31, 2020, respectively. Total distributions payable as at December 31, 2021 and 2020 were $631 and $307, respectively.

15. Related Party Transactions

In connection with the IPO, the REIT indirectly acquired the Initial Communities from entities owned and managed by certain executive officers of the REIT, as a result of which the REIT's Chief Executive Officer and Chief Investment Officer acquired beneficial ownership, or control or direction over, directly or indirectly, 17,408 Units and 5,396,687 Class B Units.

On closing of the IPO, the REIT and Empower, an entity majority-owned by the REIT's Chief Executive Officer and Chief Investment Officer, entered into certain agreements that govern the relationships between such parties and their affiliates. Empower will acquire and develop MHCs that do not meet the REIT's investment criteria and conduct home sales, including sales of manufactured homes located on investment properties, under the ''You Got it Homes'' brand.

The consolidated financial statements include the following related party transactions:

(a) Payroll and benefits include $1,193 and $301 incurred to key management personnel during the year ended December 31, 2021 and for the period October 7, 2020 through December 31, 2020, respectively, which includes short-term employee payroll and benefits.

(b) For the year ended December 31, 2021 and the period October 7, 2020 through December 31, 2020, the REIT billed Empower Park a total of $1,308 and $216, of which $1,183 and $192 was payroll and benefits, $47 and $13 was management fees, and $79 and $11 was other miscellaneous items, respectively. As at December 31, 2021 and 2020, the REIT had a receivable, included in tenant and other receivables, net, from Empower Park of $149 and $203, respectively.

(c) On July 2, 2021 the REIT entered into a promissory note ("Note Receivable-Related Party") in the amount of $2,460 with Empower Park. The Note Receivable-Related Party includes monthly interest only payments, which began on August 2, 2021, through maturity on July 2, 2031 at which time the entire principal balance and any unpaid interest is due. The Note Receivable-Related Party incurs interest at the Prime rate. For the year ended December 31, 2021 and for the period October 7, 2020 through December 31, 2020, interest revenue was $39 and $Nil , respectively.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

(d) For the year ended December 31, 2021 and for the period October 7, 2020 through December 31, 2021, the REIT incurred expenses for services provided by related parties that included HVAC, paving/concrete repair, legal, IT and landscape services. As at December 31, 2021 and 2020, the REIT had total accounts payable and accrued liabilities due to related parties of $8 and $7, respectively. The following table breaks out spending for each related party.

Company Name	Ownership & Control	Description of Services	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Call Now HVAC	50% owned by the REIT's Chief Executive Officer ("CEO"), Chief Investment Officer ("CIO") and another holder of Class B Units. Managing member of the entity is a non-related party	Provides HVAC services for the communities including installing new air conditioning units as well as servicing existing units.	$ 504	$ 89
KOI	50% owned by the REIT's CEO and 50% by an immediate family member. Employees include other immediate family members of the CEO.	Provides blacktop and concrete services for the communities as well as a number of other maintenance services.	$ 78	$ 146
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services for various investment properties.	$ 161	$ 18
Adams Stepner Wolterman and Dusing (ASWD)	A holder of Class B Units with significant ownership of the REIT is a former partner and is currently compensated for any work that he completes on behalf of Adam Stepner Wolterman and Dusing	Law firm that helps the REIT with various legal matters such as loan closings, acquisition diligence, contract reviews, etc.	$ 14	$ 119
JDK	100% owned by the brother of the REIT's CEO.	IT and desktop support	$ 45	$ 12
Empower Park	50% owned by the REIT's CEO, CIO and another holder of Class B Units.	Empower acquires and develop MHCs that do not meet the REIT's investment criteria and conducts home sales, including sales of manufactured homes located on the REIT's investment properties. Per agreement with Empower Park, the REIT will pay floor plan interest on homes located on the REIT's investmnet properties as well as reimburse Empower for any gross profit losses on home sales within the REIT's investment properties.	$ 248	$ 46
Total			**$ 1,050**	**$ 430**

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

16. Revenues

The REIT's revenues consist of rental revenue and related income, including reimbursements of utility costs. Rental revenue and related income is generated from leasing investment properties to tenants under non-cancellable operating leases. No tenant accounted for more than 10% of the REIT's total rental revenue for the year ended December 31, 2021 or for the period October 7, 2020 through December 31, 2020, respectively.

	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Rental revenue	**$ 36,986**	$ 7,065
Utilities reimbursement	**4,585**	953
Fee income	**1,309**	241
Other	**195**	45
Total Revenues	**$ 43,075**	$ 8,304

Leases generally have terms of one year or less with most leases being month to month. There is one investment property that has lease terms more than one year. As at December 31, 2021, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

Year ending December 31,	**Base rent**
2022	$ 257
2023	138
2024	58
Total	**$ 453**

17. Property Operating Expenses

Property operating expenses incurred and charged to net income and comprehensive income are recorded as follows:

	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Utility costs	**$ 4,956**	$ 1,068
Payroll and benefits	**3,435**	704
Taxes and insurance	**3,388**	621
Repairs and maintenance	**1,209**	132
Other property-based costs	**1,426**	282
Total Operating Expenses	**$ 14,414**	$ 2,807

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

18. General and Administrative Expenses

General and administrative expenses incurred and charged to net income and comprehensive income are recorded as follows:

	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Payroll and benefits	**$ 3,071**	$ 684
Legal / Consulting	**557**	79
Audit and tax fees	**663**	235
Taxes and insurance	**473**	73
Trustee fees	**269**	66
Travel	**273**	31
Other	**477**	90
Total Operating Expenses	**$ 5,783**	$ 1,258

19. Finance Costs

Finance costs incurred and charged as part of net income and comprehensive income are as follows:

Finance costs from operations	For the year ended December 31, 2021	For the period October 7, 2020 through December 31, 2020
Interest expense	**$ 231**	$ 51
Interest - mortgages	**7,890**	1,761
Amortization of deferred issuance costs	**9**	-
Finance costs from operations	**$ 8,130**	$ 1,812

20. Employee Benefit Plan

Management of the REIT has adopted a defined contribution plan under Internal Revenue Service code section 401(k) for all eligible employees. A participant may elect to defer up to the maximum percentage of compensation permissible under Code Section 401(k). Management of the REIT elects to match employee deferrals under the Basic Safe Harbor Match: The REIT matches 100% of the first 3% of each employee’s contribution and 50% of the next 2%. Employer matching contributions to the Plan totalled $64 and $13 during the year ended December 31, 2021 and for the period October 7, 2020 through December 31, 2020, respectively.

21. Segment Reporting

The REIT owns, manages and operates multifamily properties located in the United States. Management, when measuring the REIT’s performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

22. Commitment and Contingencies

The REIT is subject to claims and litigation in the ordinary course of business. Management does not believe that any such claim or litigation will have a material adverse effect on the business, assets, or results of operations of the REIT.

23. Capital Management

The REIT's policy is to maintain an appropriate capital base to support ongoing operations, maintain creditor and market confidence and sustain future developments of the business. Capital consists of cash and cash equivalents, mortgages payable, net, Class B Units and unitholders' equity. The REIT monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also making appropriate distributions to the unitholders on a regular basis.

24. Fair Value Measurement

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's financial instruments and non-financial assets or the significant methods and assumptions related to financial instruments carried at amortized cost where carrying value approximates fair value:

The carrying values of the REIT's short-term financial assets and liabilities, except for DTUs which are carried at fair value, are carried at amortized cost which approximate their fair values due to their short periods to maturity.

The Note Receivable – Related Party is carried at amortized cost, which approximates fair value. The effective interest rate method exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount on initial recognition.

The investment properties are carried at fair value which is estimated using the direct capitalization method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to total MHC value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in MHC value over an investment horizon (Level 3).

As at December 31, 2021 the DTUs and Class B Units are carried at fair value which is estimated based on the market trading price of a Unit (Level 1). As at December 31, 2020 Class B Units were carried at fair value which was estimated based on the market trading price of a unit, discounted by a rate that took into consideration the remaining hold period along with the volatility of comparable publicly traded REIT units (Level 2).

The mortgages payable, net are carried at amortized cost. For disclosure purposes, the fair value of the mortgages payable as at December 31, 2021 and 2020 was estimated by discounting expected cash flows using a rate of 3.45% and 3.13%, respectively, which is the expected rate available for debt of similar terms at the end of each respective period (Level 2).

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

The following tables summarizes the categories and fair values of the REIT's financial instruments.

	Fair value as at December 31, 2021		
	Level 1	Level 2	Level 3
Financial Assets and Liabilities			
Investment properties	-	-	$ 670,523
DTUs	$ (214)	-	-
Class B Units	$ (104,856)	-	-
Mortgages payable	-	$ (252,755)	-

	Fair value as at December 31, 2020		
	Level 1	Level 2	Level 3
Financial Assets and Liabilities			
Investment properties	-	-	$ 428,391
Class B Units	-	$ (73,399)	-
Mortgages payable	-	$ (233,518)	-

25. Financial Risk Management

The REIT's risk exposure and the impact on the REIT's financial instruments are summarized below:

(a) Risk

Financial instruments that potentially subject the REIT to significant concentrations of credit risk consist principally of cash and cash equivalents, tenant and other receivables, net, and note receivable – related party. No single debtor comprised more than 10% of the REITs outstanding tenant and other receivables, net balance as at December 31, 2021 or 2020, respectively however the note receivable – related party does account for 13.18% of the aforementioned financial instruments. The REIT regularly monitors its credit risk exposure and takes steps to mitigate the likelihood of these exposures resulting in actual loss. Credit risk arises from the possibility that residents in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting residents of sound financial standing and by diversifying its mix of residents. It also monitors resident payment patterns and discusses potential resident issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with reputable financial institutions. The note receivable – related party also carries minimal credit risk due to the nature of the relationship of the debtor to the REIT. The carrying amount of financial assets represents the maximum credit exposure.

The REIT has considered the cash flow difficulties that may be experienced by the tenants due to the impact of COVID-19 and the probability of default. The REIT entered into rent deferral agreements with some tenants experiencing difficulties to minimize credit losses in the event of default. The REIT continues to assist tenants on a case-by-case basis dependent upon need. The maximum exposure to credit risk is the carrying amount of the financial assets.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

(b) Liquidity risk

The REIT is exposed to liquidity risk or the risk of not meeting its financial obligations as they come due. The REIT manages maturities of the fixed rate mortgages payable and monitors the repayment dates to ensure sufficient capital will be available to cover obligations. The REIT constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. The REIT expects to be able to meet all obligations as they become due using some or all of the following sources of liquidity - cash flow generated from property operations; property-specific mortgages; existing cash and cash equivalents on hand; and available capacity on lines of credit. As at December 31, 2021 and 2020, the REIT had working capital of $10,521 and $8,936, respectively. All of the REIT's financial liabilities are due within one year except for mortgages payable.

As at December 31, 2021	**Carrying Amount**	**Contractual cash flows**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**5+ years**
Trade and other payables	$ 978	$ 978	$ 978	$ -	$ -	$ -
Other liabilities	7,486	7,486	7,486	-	-	-
Mortgages payable	259,111	341,465	9,936	19,106	28,651	283,772
Total	**$ 267,575**	**$ 349,929**	**$ 18,400**	**$ 19,106**	**$ 28,651**	**$ 283,772**

As at December 31, 2020	**Carrying Amount**	**Contractual cash flows**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**5+ years**
Trade and other payables	$ 598	$ 598	$ 598	$ -	$ -	$ -
Other liabilities	5,140	5,140	5,140	-	-	-
Mortgages payable	219,858	284,579	8,508	16,328	24,649	235,094
Total	**$ 225,596**	**$ 290,317**	**$ 14,246**	**$ 16,328**	**$ 24,649**	**$ 235,094**

(c) Interest rate risk

The REIT is exposed to interest rate risk as a result of its mortgages; however, this risk is mitigated through management's strategy to structure its mortgages in fixed-term arrangements. The REIT also structures its financings so as to stagger the maturities of its debt, minimizing the exposure to interest rate volatility in any one year. The REIT does not have any mortgages maturing in the next 12 months.

26. Unit-based Compensation

Deferred Trust Units

Under the Equity Incentive Plan, non-employee trustee's have the option to elect to receive up to 100% of fees, that are otherwise payable in cash, in the form of DTUs. Accordingly, the number of DTUs to be awarded to a non-employee trustee is equal to (i) the value of the that the non-employee trustee elects to receive in the form of DTUs, (ii) divided by the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of grant. DTUs are granted on the first day of the month following the quarter in which they were earned. Once made, elections are irrevocable for the year in respect of which they are made and are effective for subsequent calendar years until terminated by the non-employee trustee. DTUs granted to non-employee trustee's vest immediately upon grant.

(Amounts in thousands of U.S. dollars, except for unit and per unit amounts)

For the periods presented, the following table summarizes DTU activity and the number of DTUs outstanding.

	Number of Units		Value
Units outstanding, December 31, 2020	-	$	-
Trustee fees (a)	11,089		199
Distribution reinvestment (b)	121		2
Fair value adjustment - Unit Based Compensation	-		13
Units outstanding, December 31, 2021	**11,210**	**$**	**214**

(1) Trustee fees related to the issuance of DTU for the year ended December 31, 2021 and for the period October 7, 2020 through December 31, 2020 were $199 and $Nil, resulting in 11,210 and Nil DTUs being issued, respectively.

(2) Distributions, that would otherwise be payable in cash, resulted in additional DTUs of 121 and Nil being issued for the year ended December 31, 2021 and for the period October 7, 2020 through December 31, 2020.

27. Subsequent Events

On February 15, 2022 the REIT acquired a 13-acre manufactured housing resort community from a related party, Empower Park, for approximately $8,200. This resort community consists of 100 lots, with a 99% occupancy rate, and a 141-boat slip marina.

On March 10, 2022 the REIT signed a commitment to borrow $9,250, for which one MHC was the collateral. The interest rate on the note is 4.37% fixed for 30 years with the first 180 monthly payments being interest only. These funds will be used to fund future acquisitions and for general business purposes.