FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2022 AND 2021

(in US Dollars)

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

	Note		**March 31, 2022**		December 31, 2021 (Audited)
Current Assets					
Cash and cash equivalents		**$**	**15,137**	$	15,451
Tenant and other receivables, net	4		**1,017**		753
Prepaids and other assets	5		**1,969**		1,843
Lender escrow deposits	6		**2,567**		1,575
Total current assets			**20,690**		19,622
Other non-current assets	7		**905**		-
Investment properties	8, 24		**681,330**		670,523
Property and equipment, net	9		**2,640**		2,520
Note receivable - related party	15		**2,460**		2,460
			687,335		675,503
Total Assets		**$**	**708,025**	$	695,125
Current Liabilities					
Trade and other payables		**$**	**256**	$	978
Other liabilities	10		**8,147**		7,486
Mortgages payable, net	12		**697**		637
Total current liabilities			**9,100**		9,101
Mortgages payable, net	12		**266,953**		258,474
Class B Units	13, 24		**108,737**		104,856
			375,690		363,330
Total Liabilities			**384,790**		372,431
Unitholders' Equity					
Unitholder's equity	14		**323,235**		322,694
Total Liabilities and Unitholders' Equity		**$**	**708,025**	$	695,125

See accompanying notes to the condensed consolidated interim financial statements.

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

	Note	**Three months ended March 31, 2022**	Three months ended March 31, 2021
Rental revenue and related income	16	**$ 13,693**	$ 9,649
Property operating expenses	17	**4,435**	3,209
Net operating income		**9,258**	6,440
Other Expenses/(Income)			
General and administrative	18	**1,749**	1,291
Finance costs from operations	19	**2,234**	1,917
Accretion of mark-to-market adjustment on mortgages payable	12	**(257)**	(257)
Depreciation	9	**67**	33
Other (income)		**(33)**	(9)
Fair value adjustment - Class B units	13	**3,184**	2,282
Distributions on Class B units		**730**	693
Fair value adjustment - investment properties	8	**(851)**	(6,193)
Fair value adjustment - unit based compensation	26	**2**	-
Transaction costs	14	**-**	52
Net Income and Comprehensive Income		**$ 2,433**	$ 6,631

See accompanying notes to the condensed consolidated interim financial statements.

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

	Note	Units		Units		Distributions		Cumulative Net Income		Total Unitholders' Equity
Balance, December 31, 2020		**7,226,185**	**$**	**99,898**	**$**	**(852)**	**$**	**47,338**	**$**	**146,384**
Net income and comprehensive income		-		-		-		6,631		6,631
Distributions	14	-		-		(920)		-		(920)
Balance, March 31, 2021		**7,226,185**	**$**	**99,898**	**$**	**(1,772)**	**$**	**53,969**	**$**	**152,095**
Balance, December 31, 2021		**14,141,185**	**$**	**221,489**	**$**	**(6,141)**	**$**	**107,346**	**$**	**322,694**
Net income and comprehensive income		-		-		-		2,433		2,433
Distributions	14	-		-		(1,892)		-		(1,892)
Balance, March 31, 2022		**14,141,185**	**$**	**221,489**	**$**	**(8,033)**	**$**	**109,779**	**$**	**323,235**

See accompanying notes to the condensed consolidated interim financial statements.

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

		Three months ended March 31, 2022		Three months ended March 31, 2021
Cash flow provided by operating activities				
Net Income and Comprehensive Income	**$**	**2,433**	$	6,631
Add (deduct):				
Depreciation		**67**		33
Fair value adjustment - Class B units		**3,184**		2,282
Distributions declared on Class B units		**730**		693
Accretion of mark-to-market adjustment on mortgages payable, net		**(257)**		(257)
Fair value adjustment - investment properties		**(851)**		(6,193)
Transaction costs associated with issuance of Units		**-**		52
Finance costs from operations		**2,234**		1,917
Interest received		**(18)**		-
Change in non-cash working capital				
Tenant and other receivables, net		**(264)**		47
Prepaids and other assets		**(126)**		106
Lender escrow deposits		**(992)**		(553)
Trade and other payables		**(721)**		(27)
Other liabilities		**661**		456
		6,080		5,187
Cash flow provided by (used in) financing activities				
Transaction costs associated with issuance of Units		**-**		(52)
Distributions paid to Unitholders		**(1,892)**		(920)
Distributions paid to Class B Unitholders		**(728)**		(693)
Proceeds from mortgages payable		**9,049**		-
Issuance costs associated with financing activities		**(131)**		-
Repayment of mortgages payable		**(125)**		(122)
Interest paid		**(2,234)**		(1,917)
		3,939		(3,704)
Cash flow (used in) investing activities				
Cash paid for investment property acquisitions		**(7,535)**		(6,181)
Cash paid for other non-current assets		**(905)**		-
Cash received for investment property disposal		**409**		224
Capital expenditures on investment properties		**(2,133)**		(526)
Cash paid for property and equipment		**(187)**		(45)
Interest received		**18**		-
		(10,333)		(6,528)
Increase in cash and cash equivalents		**(314)**		(5,045)
Cash and cash equivalents, beginning of period		**15,451**		11,499
Cash and cash equivalents, ending of period	**$**	**15,137**	$	6,454

See accompanying notes to the condensed consolidated interim 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.

As at March 31, 2022, the REIT owns 64 (December 31, 2021 - 63) MHCs located across Arkansas, Kentucky, Illinois, Indiana, Missouri, Ohio, and Tennessee.

2. Basis of Presentation

(a) Statement of compliance

The condensed consolidated interim 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 condensed consolidated interim financial statements were approved by the Board of Trustees on May 9, 2022.

(b) Basis of presentation

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

The condensed consolidated interim 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 March 31, 2022 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 condensed consolidated interim 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.

3. Significant Accounting Policies

The condensed consolidated interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2021, which have been prepared in accordance with IFRS, as issued by the IASB. The condensed consolidated interim financial statements follow the same accounting policies as described in the consolidated financial statements for the year ended December 31, 2021. Changes to significant accounting policies are described below (as applicable).

(a) Standards issued but not yet effective for the three months ended March 31, 2022:

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. Tenant and Other Receivables, Net

		As at March 31, 2022		As at December 31, 2021
Tenant receivables	**$**	**857**	$	602
Other receivables		**190**		187
Allowance for doubtful accounts		**(30)**		(36)
Total	**$**	**1,017**	$	753

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

Allowance for Doubtful Accounts, December 31, 2020	**$**	**87**
Change in expected credit loss provision		(51)
Allowance for Doubtful Accounts, December 31, 2021	**$**	**36**
Change in expected credit loss provision		(6)
Allowance for Doubtful Accounts, March 31, 2022	**$**	**30**

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.

5. Prepaids and Other Assets

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

		As at March 31, 2022		As at December 31, 2021
Prepaid insurance	**$**	**954**	$	1,328
Other prepaids and deposits		**1,015**		515
Total	**$**	**1,969**	$	1,843

6. 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 March 31, 2022 and December 31, 2021, the REIT had lender escrow balances of $2,567 and $1,575, respectively.

7. Other Non-Current Assets

Other non-current assets are funds held in escrow for future investment property acquisitions. As at March 31, 2022 and December 31, 2021, the REIT had other non-current assets of $905 and $Nil, 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 three months ended March 31, 2022		For the year ended December 31, 2021
Investment properties, opening balance	$	**670,523**	$	428,391
Capital expenditures		**2,133**		6,672
Acquisitions of investment properties (a)		**8,232**		158,107
Disposal of investment properties (b)		**(409)**		(1,460)
Fair value adjustment - investment properties		**851**		78,813
Ending balance	$	**681,330**	$	670,523

Asset Acquisitions

During the three months ended March 31, 2022, the REIT had the following investment property activity:

(a) On February 15, 2022 the REIT acquired a 13-acre manufactured housing resort community from a related party, Empower Park, for $7,533 and 37,448 Class B Units (measured by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing). Total consideration paid was $8,230. Investment property acquired totaled $8,232.

(b) During the three months ended March 31, 2022 the REIT disposed of 29 rental homes totaling $409. Disposal of these rental homes was at fair value resulting in no (gain) loss recognized in the condensed consolidated interim statements of net income and comprehensive income.

During the three months ended March 31, 2021, the REIT had the following investment property activity:

(a) 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.

(a) 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.

(a) 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) During the three months ended March 31, 2021 the REIT disposed of 12 rental homes totalling $224. 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.

The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties as at March 31, 2022 and December 31, 2021.

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.

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

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

Capitalization Rates	**As at March 31, 2022**	As at December 31, 2021
High	**6.95 %**	7.00 %
Low	**4.45 %**	4.50 %
Weighted Average	**4.68 %**	4.73 %
% Change		
+ 0.025	**5.09 %**	5.05 %
- 0.025	**(5.67) %**	(5.61) %
$ Change		
+ 0.025	**$33,264**	$32,439
- 0.025	**($37,055)**	($36,097)

9. Property and Equipment, Net

	Autos & Trucks	Equipment - Office and Maintenance	Furniture and Fixtures	Head Office Building and Land	Farm Land and Improvements	Total
Cost						
At December 31, 2020	**$ -**	**$ 803**	**$ -**	**$ 750**	**$ 271**	**$1,824**
Additions	144	632	19	32	68	895
Disposals	-	(1)	-	-	-	(1)
At December 31, 2021	**$ 144**	**$ 1,434**	**$ 19**	**$ 782**	**$ 339**	**$2,718**
Additions	1	145	28	9	4	187
Disposals	-	-	-	-	-	-
At March 31, 2022	**$ 145**	**$ 1,579**	**$ 47**	**$ 791**	**$ 343**	**$2,905**
Accumulated depreciation						
At December 31, 2020	**$ -**	**$ 20**	**$ -**	**$ 4**	**$ -**	**$ 24**
Additions	4	160	-	7	3	174
At December 31, 2021	**$ 4**	**$ 180**	**$ -**	**$ 11**	**$ 3**	**$ 198**
Additions	5	50	1	10	1	67
At March 31, 2022	**$ 9**	**$ 230**	**$ 1**	**$ 21**	**$ 4**	**$ 265**
Net book value						
At December 31, 2020	$ -	$ 783	$ -	$ 746	$ 271	$1,800
At December 31, 2021	$ 140	$ 1,254	$ 19	$ 771	$ 336	$2,520
At March 31, 2022	**$ 136**	**$ 1,349**	**$ 46**	**$ 770**	**$ 339**	**$2,640**

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

10. Other Liabilities

		As at March 31, 2022		As at December 31, 2021
Property related accruals	**$**	**2,363**	$	1,974
Finance costs payable		**533**		445
Tenant security deposits		**2,449**		2,358
Distributions payable		**875**		873
Unearned revenue		**1,643**		1,622
DTUs		**284**		214
Total	**$**	**8,147**	$	7,486

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 March 31, 2022 and December 31, 2021 there was no outstanding balance on the Line of Credit and unamortized deferred issuance costs were $16 and $18, respectively.

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 March 31, 2022		As at December 31, 2021
Mortgages payable	**$**	**262,845**	$	253,921
Unamortized mark-to market adjustment		**5,572**		5,829
Unamortized deferred issuance costs		**(767)**		(639)
Total mortgages payable		**267,650**		259,111
Less: current portion		**(512)**		(637)
Amount classified as non-current portion	**$**	**267,138**	$	258,474

The REIT’s weighted average contractual annual interest rate on its mortgages payable as at March 31, 2022 and December 31, 2021 was approximately 3.46% and 3.43%, 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 March 31, 2022, excluding unamortized mark-to-market adjustment and unamortized deferred issuance costs, are due as follows:

Period ending December 31,		**Principal payments**
2022	$	512
2023		735
2024		772
2025		820
2026		866
Thereafter		259,140
Total	**$**	**262,845**

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

The REIT's mortgages payable contains customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. As at March 31, 2022, the REIT was in compliance with all financial covenants relating to its mortgages payable.

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

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**
Cash Flows		
Proceeds from mortgages payable		9,049
Issuance costs associated with financing activities		(131)
Repayment of mortgages payable		(125)
		267,904
Non-Cash Changes		
Accretion of mark-to-market adjustment on mortgages payable		(257)
Amortization of deferred issuance costs		3
Mortgages payable, net, March 31, 2022	**$**	**267,650**

13. Class B Units

The fair value as at March 31, 2022 and December 31, 2021 the fair value was calculated using the unit closing price.

As at March 31, 2022 and December 31, 2021, distributions payable on Class B Units were $244 and $242, 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, December 31, 2020	**5,432,940**	**$**	**73,399**
Fair value adjustments	-		31,457
Class B Units, December 31, 2021	**5,432,940**	**$**	**104,856**
Class B units issued (Note 8)	37,448		697
Fair value adjustment	-		3,184
Class B Units, March 31, 2022	**5,470,388**	**$**	**108,737**

(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, December 31, 2020	**7,226,185**	**$**	**99,898**
Units issued on equity offering closing June 14, 2021, including exercise of an overallotment option	4,500,000		81,000
Units issued on equity offering closing November 18, 2021, including exercise of an overallotment option	2,415,000		46,489
Less: issue costs	-		(5,898)
Units outstanding, December 31, 2021	**14,141,185**		**221,489**
Units outstanding, March 31, 2022	**14,141,185**	**$**	**221,489**

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 $1,892 ($0.0446 per Unit) and $5,289 ($0.0425 per Unit until the December 15, 2021 distribution at which time the amount increased to $0.0446 per Unit), respectively. Total distributions payable as at both March 31, 2022 and December 31, 2021 were $631.

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 condensed consolidated interim financial statements include the following related party transactions:

(a) Payroll and benefits include $639 and $391 incurred to key management personnel during the three months ended March 31, 2022 and 2021, respectively, which includes short-term employee payroll and benefits.

(b) For the three months ended March 31, 2022 and 2021, the REIT billed Empower Park a total of $256 and $260, of which $230 and $235 was payroll and benefits, $13 and $10 was management fees, and $13 and $15 was other miscellaneous items, respectively. As at March 31, 2022 and December 31, 2021, the REIT had a receivable, included in tenant and other receivables, net, from Empower Park of $185 and $149, 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 three months ended March 31, 2022 and 2021, interest revenue was $19 and $Nil , respectively.

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

(d) For the three months ended March 31, 2022 and 2021, the REIT incurred expenses for services provided by related parties that included HVAC, paving/concrete repair, legal, IT and landscape services. As at March 31,2022 and December 31, 2021, the REIT had total accounts payable and accrued liabilities due to related parties of $162 and $11, respectively.

The following table breaks out spending for each related party.

Company Name	**Ownership & Control**	**Description of Services**	**Three months ended March 31, 2022**	Three months ended March 31, 2021
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.	**$ 90**	$ 62
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services for various investment properties.	**$ 108**	$ 76
JDK	100% owned by the brother of the REIT's CEO.	IT and desktop support	**$ 18**	$ 10
Empower Park	Wholly 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.	**$ 43**	$ 33
Total			**$ 259**	$ 181

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 three months ended March 31, 2021 or 2022.

	Three months ended March 31, 2022	Three months ended March 31, 2021
Rental revenue	**$ 11,803**	$ 8,221
Utilities reimbursement	**1,408**	1,083
Fee income	**399**	300
Other	**83**	45
Total Revenues	**$ 13,693**	$ 9,649

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

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 March 31, 2022, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

Year ending March 31,		**Base rent**
2022	$	238
2023		107
2024		24
Total	**$**	**369**

17. Property Operating Expenses

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

		Three months ended March 31, 2022		Three months ended March 31, 2021
Utility costs	**$**	**1,716**	$	1,224
Payroll and benefits		**923**		733
Taxes and insurance		**1,096**		736
Repairs and maintenance		**301**		209
Other property-based costs		**399**		307
Total Operating Expenses	**$**	**4,435**	$	3,209

18. General and Administrative Expenses

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

		Three months ended March 31, 2022		Three months ended March 31, 2021
Payroll and benefits	**$**	**1,066**	$	652
Legal / Consulting		**132**		223
Audit and tax fees		**72**		111
Taxes and insurance		**112**		97
Trustee fees		**100**		64
Travel		**115**		55
Other		**152**		89
Total Operating Expenses	**$**	**1,749**	$	1,291

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

19. Finance Costs

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

Finance costs from operations	Three months ended March 31, 2022	Three months ended March 31, 2021
Interest expense	**$ 127**	$ 55
Interest - mortgages	**2,104**	1,861
Amortization of deferred issuance costs	**3**	1
Finance costs from operations	**$ 2,234**	$ 1,917

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 $23 and $16 during the three months ended March 31, 2022 and 2021, 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.

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

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 March 31, 2022 and 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).

The mortgages payable, net are carried at amortized cost. For disclosure purposes, the fair value of the mortgages payable as at March 31, 2022 and December 31, 2021 was estimated by discounting expected cash flows using a rate of 3.92% and 3.45%, respectively, which is the expected rate available for debt of similar terms at the end of each respective period (Level 2).

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

	Fair value as at March 31, 2022		
	Level 1	**Level 2**	**Level 3**
Financial Assets and Liabilities			
Investment properties	-	-	$ 681,330
DTUs	$ (284)	-	-
Class B Units	$ (108,737)	-	-
Mortgages payable	-	$ (249,431)	-

	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)	-

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 March 31, 2022 or December 31, 2021, respectively however the note receivable – related party does account for 13.32% and 13.18% of the aforementioned financial instruments, respectively. 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.

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

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.

(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 March 31, 2022 and December 31, 2021, the REIT had working capital of $11,590 and $10,521, respectively. All of the REIT’s financial liabilities are due within one year except for mortgages payable.

As at March 31, 2022	**Carrying Amount**	**Contractual cash flows**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**5+ years**
Trade and other payables	$ 256	$ 256	$ 256	$ -	$ -	$ -
Other liabilities	8,147	8,147	8,147	-	-	-
Mortgages payable	267,650	358,165	10,183	19,712	29,561	298,709
Total	**$ 276,053**	**$ 366,568**	**$ 18,586**	**$ 19,712**	**$ 29,561**	**$ 298,709**

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**

(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.

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

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 trustee 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 trustee fees 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.

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	**-**	**$**	**-**
Trustee fees	11,089		199
Distribution reinvestment	121		2
Fair value adjustment - Unit Based Compensation	-		13
Units outstanding, December 31, 2021	**11,210**	**$**	**214**
Trustee fees (a)	3,474		66
Distribution reinvestment (b)	105		2
Fair value adjustment - Unit Based Compensation	-		2
Units outstanding, March 31, 2022	**3,579**	**$**	**284**

(a) Trustee fees related to the issuance of DTU for the three months ended March 31, 2022 and 2021 were $66 and $Nil, resulting in 3,474 and Nil DTUs being issued, respectively.

(b) Distributions, that would otherwise be payable in cash, resulted in additional DTUs of 105 and Nil being issued for the three months ended March 31, 2022 and 2021, respectively.

27. Subsequent Events

On April 13, 2022 the REIT borrowed $18,000, for which one MHC was the collateral. The interest rate on the note is 3.80% fixed for 20 years with the first 60 monthly payments being interest only.

On April 29, 2022, the REIT closed an acquisition for a MHC community in Riverton Illinois which included 103 lots and 74 rental homes for $6,250.