FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022 AND 2021

(Audited, in US Dollars)

Independent Auditor's Report

To the Unitholders of Flagship Communities Real Estate Investment Trust:

Opinion

We have audited the consolidated financial statements of Flagship Communities Real Estate Investment Trust and its subsidiaries (the "REIT"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of net income and comprehensive income, changes in unitholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the REIT as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the REIT in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter Description</th><th>Audit Response</th></tr>
<tr><td>Valuation of Investment Properties

The REIT holds 100% interests in a portfolio of 69 income-producing manufactured housing communities ("MHCs") that are held for generating rental revenue as well as for capital appreciation and are required to be classified as an investment property under IAS 40 Investment Property. These investment properties are measured at fair value and as at December 31, 2022, totaled USD $770 million, which represented approximately 96% of total assets.

The valuation of REIT's investment property portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. Management has used a qualified external expert ("the Valuer") to assist with the valuations.</td><td>We responded to this matter by performing procedures over the valuation of investment properties. Our audit work in relation to this included, but was not restricted to, the following:

• We assessed the Valuer's qualifications and expertise in the preparation and review of the valuations and assessed the appropriateness of the valuation methodology used;
• We engaged an external qualified property valuation specialist as our auditor expert to independently test the appropriateness of the methodology used by management's expert in measuring the properties at fair value. We also verified the appropriateness of the key inputs and assumptions used in the above model including the appropriateness of the capitalization rate used and projected cash flows;</td></tr>
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Key Audit Matter Description	Audit Response
In determining a property's valuation, the Valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. For valuation, the income capitalization approach is used, by analyzing a property's capacity to generate future benefits and capitalizing income into an indication of present value. These estimates are subject to significant judgement and accordingly we consider the valuation of investment properties as a key audit matter. The REIT's accounting policy for investment properties is included within Note 3. Details of the REIT's valuation methodology, resulting valuation and sensitivity of the fair value of investment properties to a change in capitalization rate is disclosed in Note 9. Details of significant estimates involved in the valuation of the investment properties are disclosed in Note 4.	• We evaluated the reasonableness of stabilized net operating income used in the income approach by benchmarking them to the underlying accounting records and market information, as applicable; and • We assessed the appropriateness of the disclosures relating to the assumptions used in the valuations, in the notes to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis as of the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the REIT to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahlan Veerasamy.

MNP LLP

Toronto, Ontario
March 16, 2023

Chartered Professional Accountants
Licensed Public Accountants

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

	Note	December 31, 2022	December 31, 2021
Current Assets			
Cash and cash equivalents		$ **16,926**	$ 15,451
Tenant and other receivables, net	5	**873**	753
Prepaids and other assets	6	**2,844**	1,843
Lender escrow deposits	7	**2,295**	1,575
Total current assets		**22,938**	19,622
Other non-current assets	8	**100**	-
Investment properties	9, 24	**770,043**	670,523
Property and equipment, net	10	**3,727**	2,520
Note receivable - related party	17	**2,460**	2,460
		776,330	675,503
Total Assets		$ **799,268**	$ 695,125
Current Liabilities			
Trade and other payables		$ **409**	$ 978
Line of credit	11	**10,000**	-
Other liabilities	12	**9,711**	7,486
Mortgages payable, net	13	**732**	637
Total current liabilities		**20,852**	9,101
Mortgages payable, net	13	**331,830**	258,474
Class B Units	14, 24	**88,785**	104,856
Other non-current liabilities	15	**56**	-
		420,671	363,330
Total Liabilities		**441,523**	372,431
Unitholders' Equity			
Unitholder's equity	16	**357,745**	322,694
Total Liabilities and Unitholders' Equity		$ **799,268**	$ 695,125

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, 2022		2021
Rental revenue and related income	18	$	**58,798**	$	43,075
Property operating expenses	19		**19,865**		14,414
Net operating income			**38,933**		28,661
Other Expenses/(Income)					
General and administrative	20		**7,819**		5,783
Finance costs from operations	21		**11,161**		8,130
Accretion of mark-to-market adjustment on mortgages payable	13		**(1,029)**		(1,029)
Depreciation	10		**290**		174
Other (income)			**(219)**		(92)
Fair value adjustment - Class B Units	14		**(16,714)**		31,457
Distributions on Class B Units			**2,950**		2,794
Fair value adjustment - investment properties	9		**(7,952)**		(78,813)
Fair value adjustment - unit based compensation	23		**(55)**		13
Transaction costs	16		**-**		236
Net Income and Comprehensive Income		$	**42,682**	$	60,008

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, December 31, 2020		**7,226,185**	**$**	**99,898**	**$**	**(852)**	**$**	**47,338**	**$**	**146,384**
Units issued, net of issuance costs	16	6,915,000		121,591		-		-		121,591
Net income and comprehensive income		-		-		-		60,008		60,008
Distributions	16	-		-		(5,289)		-		(5,289)
Balance, December 31, 2021		**14,141,185**	**$**	**221,489**	**$**	**(6,141)**	**$**	**107,346**	**$**	**322,694**
Net income and comprehensive income		-		-		-		42,682		42,682
Distributions	16	-		-		(7,631)		-		(7,631)
Balance, December 31, 2022		**14,141,185**	**$**	**221,489**	**$**	**(13,772)**	**$**	**150,028**	**$**	**357,745**

See accompanying notes to the consolidated financial statements.

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

	Note		For the year ended December 31, 2022		2021
Cash flow provided by operating activities					
Net income and comprehensive income		**$**	**42,682**	$	60,008
Add (deduct):					
Unit based compensation			**428**		270
Finance costs from operations			**11,161**		8,130
Accretion of mark-to-market adjustment on mortgages payable			**(1,029)**		(1,029)
Depreciation			**290**		174
Loss (Gain) on sale of property and equipment			**14**		(7)
Interest received			**(124)**		(39)
Fair value adjustments			**(24,721)**		(47,441)
Distributions declared on Class B Units			**2,950**		2,794
Transaction costs associated with issuance of Units			**-**		236
Change in non-cash working capital	25		**(618)**		1,727
			31,033		24,823
Cash flow provided by financing activities					
Proceeds from issuance of Units, net of costs			**-**		121,591
Transaction costs associated with issuance of Units			**-**		(236)
Distributions paid to Unitholders			**(7,599)**		(4,965)
Distributions paid to Class B Unitholders			**(2,936)**		(2,783)
Cash paid for redemption of Class B Units			**(54)**		-
Proceeds from line of credit			**10,000**		-
Proceeds from mortgages payable			**59,460**		41,400
Issuance costs associated with financing activities			**(1,355)**		(648)
Repayment of mortgages payable			**(594)**		(479)
Interest paid			**(11,031)**		(8,124)
			45,891		145,756
Cash flow (used in) investing activities					
Cash paid for investment property acquisitions			**(59,694)**		(158,107)
Cash paid for other non-current assets			**(100)**		-
Cash received for investment property disposal			**1,827**		1,460
Capital expenditures on investment properties			**(16,095)**		(6,672)
Cash paid for property and equipment			**(1,521)**		(895)
Cash received for property and equipment disposal			**10**		8
Issuance of note receivable - related party			**-**		(2,460)
Interest received			**124**		39
			(75,449)		(166,627)
Increase in cash and cash equivalents			**1,475**		3,952
Cash and cash equivalents, beginning of period			**15,451**		11,499
Cash and cash equivalents, ending of period		**$**	**16,926**	$	15,451

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.

As at December 31, 2022, the REIT owns 69 (December 31, 2021 - 63) 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 Standards Board ("IASB"). These consolidated financial statements were approved by the Board of Trustees on March 16, 2023.

(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, restricted units ("RUs") 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.

(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) losses arising from intercompany transactions are eliminated upon consolidation.

(D) Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.

3. Significant Accounting Policies

(A) Investment properties

A property is determined to be an investment property when it is held 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 recorded at cost, and subsequently caried at fair value. Unrealized (gains) losses arising from changes in fair value are included in the consolidated statements of net income and comprehensive income in the applicable period.

Investment properties are initially recorded at cost, net of any additional liabilities or assets acquired, 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 properties only when it is probable that future economic benefits will flow to the properties and the cost can be measured reliably. Subsequent capital expenditures are added to the carrying value of the properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably. All repairs and maintenance costs are expensed as incurred. To the extent such costs exceed the fair value of such properties, the excess would be expensed.

After initial recognition, investment properties are carried at fair value. The fair value of the properties is determined using the direct capitalization method. The direct capitalization method analyzes the relationship of one year's stabilized net operating income to the total MHC value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in MHCs 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. The REIT engages third party appraisers to prepare valuations such that the entire portfolio of MHCs is appraised at least once every year. On a quarterly basis, the REIT reviews, and updates, as deemed necessary, the valuation models to reflect current market data.

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Prior to its disposal, the carrying value of the properties are adjusted to reflect its fair value. This adjustment is recorded as a fair value gain (loss), included in the consolidated statements of net income and comprehensive income, with any remaining gain (loss) arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the properties) included in the consolidated statements of net income and comprehensive income in the period when derecognized.

(B) Business combinations

When a property is acquired, whether through a controlling share investment or directly, the REIT considers whether the acquisition represents the acquisition of a business. IFRS 3, *Business Combinations* ("IFRS 3") is only applicable if it is considered that a business has been acquired. Under IFRS 3 a concentration test, which is a simplified assessment that determines if substantially all the fair value of the gross assets are concentrated in a single identifiable asset or a group of similar identifiable assets, may be used. If the test is satisfied and substantially all the fair value of the gross assets are concentrated in a single identifiable asset or a group of similar identifiable assets the acquisition is determined not to be a business and no further assessment is needed. If the REIT chooses not to apply the concentration test, or the test is failed, then the assessment focuses on whether or not an integrated set of activities is acquired in addition to the property. If no significant set of activities, or only an insignificant set of activities, are acquired, the acquisition is treated as an asset acquisition rather than a business combination. Since formation, all acquisitions of the REIT have been classified as asset acquisitions.

(C) Financial instruments

(1) Classification

On initial recognition, in accordance with IFRS 9 - *Financial Instruments* ("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 the asset 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
Prepaids and other assets	Amortized cost
Lender Escrow Deposits	Amortized cost
Other non-current assets	Amortized cost
Note receivable – related party	Amortized cost
Trade and other payables	Amortized cost
Line of credit	Amortized cost
Other liabilities	Amortized cost
Mortgages payable, net	Amortized cost
Class B Units	FVTPL
RUs	FVTPL
DTUs	FVTPL

(2) 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) 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.

(3) 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 tenant and other receivables, net 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.

(4) 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) 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.

(D) Fair value measurement

The REIT measures financial instruments, such as Class B Units, RUs 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 willing and knowledgeable 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.

(E) 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.

(F) 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 repairs and maintenance 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
Farm land Improvements	– 15 years

(G) 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.

(H) Mortgages payable, net

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

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

(1) Deferred issuance costs

Directly attributable issuance costs are capitalized and amortized over the term of the mortgage payable to which they relate using the effective interest method. Amortization of deferred issuance costs is included in finance costs from operations in the consolidated statements of net income and comprehensive income.

(2) Mark-to-market adjustment

The REIT recognized a mark-to-market adjustment upon assuming the mortgages payables at 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 accretion of mark-to-market adjustment on mortgages payable in the consolidated statements of net income and comprehensive income.

(I) Class B Units

The REIT is authorized to issue an unlimited number of Class B Units in connection with the acquisition of investment properties. Class B Units are redeemable by the holder 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"). 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 Class B Units do not meet the exemption conditions of IAS 32 and are classified as financial liabilities, measured at FVTPL.

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

(J) 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.

If an equity offering is considered likely, professional, consulting, regulatory, and other costs directly attributable to the offering are recorded as deferred issuance costs until the equity offering is completed. When the offering is completed, any related deferred issuance costs are recorded against the proceeds from the offering. Deferred issuance costs related to an equity offering that is not completed are charged directly to transaction expense.

(K) Distributions

Distributions represent the monthly cash distributions on outstanding Units.

(L) 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.

(1) 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.

(2) 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.

(3) 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.

(M) Expenses

Property operating expenses and general and administrative expenses are recognized in the consolidated statements of net income and comprehensive income in the period in which they are incurred.

(N) Finance costs from operations

Finance costs from operations consist of floor plan interest, interest expense on loans and borrowings and amortization of deferred issuance costs. 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.

(O) Employee benefits

(1) Defined contribution plan

Obligations for contributions to defined contribution plans are recognized in payroll and benefits, included in general and administrative expenses on the consolidated statements of net income and comprehensive income, during the 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.

(2) 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 RUs, 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 awards on the settlement date. Awards earn additional awards for distributions that would otherwise have been payable in cash. These additional awards vest on the same basis as the initial award 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 classified as a financial liability, measured at FVTPL.

RUs are recognized at their grant date fair value in payroll and benefits, included in general and administrative expenses on the consolidated statements of net income and comprehensive income, with a corresponding increase in the liability as the respective RUs vest. Grant date fair value is the value of the award. 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.

DTUs are recognized at their grant date fair value in trustee fees, included in general and administrative expenses on the consolidated statements of net income and comprehensive income, with a corresponding increase in the liability. Grant date fair value is the value of the trustee fees that the non-employee trustee elects to receive in the form of DTUs. 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.

(P) Income taxes

(1) 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 and to make distributions not less than the amount necessary to ensure that the REIT will not be liable to pay income taxes.

(2) 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.

(Q) Standards issued but not yet effective for the year ended December 31, 2022

(1) Classification of liabilities as current or non-current (Amendments to IAS 1)

On January 23, 2020, and subsequently through the most recent amendment on October 31, 2022, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), providing a more general approach to the classification of liabilities based on the contractual agreements in place at the reporting date.

The amendments affect only the presentation of liabilities on the balance sheet and seek to clarify that the classification of liabilities as current or non-current should be based on the rights that are in existence at the end of the reporting period and not by expectations about whether an entity will exercise its right to defer settlement of a liability.

The amendments apply to annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted. The REIT is assessing the potential impact of the amendments, however does not expect them to have a material impact on the REIT's consolidated financial statements.

(2) Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued amendments to IAS 1 to assist entities in determining which accounting policies to disclose in the financial statements.

The amendments to IAS 1 require that an entity disclose its material accounting policies, instead of its significant accounting policies, and explain how an entity can identify a material accounting policy to produce financial statement disclosures for the benefit of the primary users of the financial statements.

The amendments apply to annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted. The REIT is assessing the potential impact of the amendments, however does not expect them to have a material impact on the REIT's consolidated financial statements.

(3) Definition of accounting estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to assist entities to distinguish between accounting policies and accounting estimates.

The amendments introduce a definition of "accounting estimates" and confirm that a change in an accounting estimate that results from new information or new developments is not the correction of an error, while also helping entities distinguish a change in an accounting estimate from a change in accounting policy.

The amendments apply to annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted. The REIT is assessing the potential impact of the amendments, however does not expect them to have a material impact on the REIT's consolidated financial statements.

4. Critical Accounting Judgments, Estimates 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, RUs, 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 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.

RUs - The RUs 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 RUs 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 statements of net income and comprehensive income

RUs recognized at their grant date fair value in payroll and benefits, included in general and administrative expenses on the consolidated statements of net income and comprehensive income, are based on the amount awarded. The number of RUs to vest and settle is subject to uncertainty.

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 statements of net income and comprehensive income

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

(2) Judgements

Business combinations - When the REIT acquires new 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 an integrated set of activities is acquired in addition to the property to ensure each such acquisition is accounted for appropriately.

5. Tenant and Other Receivables, Net

		As at December 31, 2022		As at December 31, 2021
Tenant receivables	$	**717**	$	602
Other receivables		**266**		187
Allowance for doubtful accounts		**(110)**		(36)
Total	$	**873**	$	753

The change in expected credit loss provision of tenant and other receivables was as follows:

		For the year ended December 31, 2022		2021
Allowance for doubtful accounts, opening balance	$	**36**	$	87
Change in expected credit loss provision		**74**		(51)
Allowance for doubtful accounts, ending balance	$	**110**	$	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:

	Note		As at December 31, 2022		As at December 31, 2021
Prepaid insurance		$	**1,336**	$	1,328
Deferred issuance costs	16		**475**		-
Other prepaids and deposits			**1,033**		515
Total		$	**2,844**	$	1,843

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, 2022 and 2021, the REIT had lender escrow deposits of $2,295 and $1,575, respectively.

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

8. Other Non-Current Assets

Other non-current assets are funds held in escrow for future investment property acquisitions. As at December 31, 2022 and 2021, the REIT had other non-current assets of $100 and $Nil, respectively.

9. Investment Properties

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

	For the year ended December 31,			
		2022		2021
Investment properties, opening balance	**$**	**670,523**	$	428,391
Capital expenditures		**16,095**		6,672
Acquisition of investment properties *(1)*		**77,300**		158,107
Disposal of investment properties *(2)*		**(1,827)**		(1,460)
Fair value adjustment - investment properties		**7,952**		78,813
Investment properties, ending balance	**$**	**770,043**	$	670,523

During the year ended December 31, 2022, the REIT had the following investment property activity:

(1) 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 $8,238.

(1) On April 29, 2022, the REIT acquired a manufacturing housing community in Riverton, Illinois which included 103 lots and 74 rental homes for $6,318. Investment property acquired totaled $6,361

(1) On May 18, 2022, the REIT acquired and combined two manufacturing housing communities in Florence, Kentucky which included 345 lots for $22,522. Investment property acquired totaled $22,659

(1) On September 22, 2022, the REIT acquired two manufacturing housing communities in Louisville, Kentucky and Bloomington, Illinois which included 584 lots and 97 rental homes for $8,600 from a mortgage payable and $22,923 in cash. Total consideration paid was $31,523. Investment property acquired totaled $31,784

(1) On November 30, 2022, the REIT acquired a 20-acre manufactured housing resort community, consisting of 100 lots with each lot including a boat slip, for $8,309 from a mortgage payable and $150 in cash. Total consideration paid was $8,459. Investment property acquired totaled $8,258

(2) During the year ended December 31, 2022 the REIT disposed of 147 rental homes totaling $1,827. 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.

During the year ended December 31, 2021, the REIT had the following investment property activity:

(1) 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.

(1) 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.

(1) 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.

(1) 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.

(1) 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.

(1) 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.

(1) 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.

(1) 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.

(1) 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, with the third located in Lexington, Kentucky. Investment property acquired totaled $57,203.

(2) During the year ended December 31, 2021 the REIT disposed of 86 rental homes totaling $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.

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

Due to elevated estimation uncertainty as a result of the current economic environment the REIT monitors market trends and changes in the economic environment on the valuation of its investment properties. If there are changes in the critical and key assumptions used in valuing the investment properties, in regional, national or international economic conditions, including but not limited to heightened inflation, rising interest rates, general economic slowdown or significant residual effects of the COVID-19 pandemic, the fair value of investment properties may change materially.

(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 December 31, 2022**	As at December 31, 2021
High	**7.00 %**	7.00 %
Low	**4.50 %**	4.50 %
Weighted Average	**4.80 %**	4.73 %
% Change		
+ 0.025	**4.99 %**	5.05 %
- 0.025	**(5.54) %**	(5.61) %
$ Change		
+ 0.025	**$36,499**	$32,439
- 0.025	**($40,569)**	($36,097)

10. Property and Equipment, Net

	Autos & Trucks	**Equipment - Office and Maintenance**	**Furniture and Fixtures**	**Head Office Building and Land**	**Farm Land and Improvements**	**Total**
Cost						
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**
Additions	1	776	142	411	191	1,521
Disposals	(26)	-	-	-	-	(26)
As at December 31, 2022	**$ 119**	**$ 2,210**	**$ 161**	**$ 1,193**	**$ 530**	**$ 4,213**
Accumulated depreciation						
As at December 31, 2020	**$ -**	**$ 20**	**$ -**	**$ 4**	**$ -**	**$ 24**
Additions	4	160	-	7	3	174
As at December 31, 2021	**$ 4**	**$ 180**	**$ -**	**$ 11**	**$ 3**	**$ 198**
Additions	$ 16	230	12	27	5	290
Disposals	(2)	-	-	-	-	(2)
As at December 31, 2022	**$ 18**	**$ 410**	**$ 12**	**$ 38**	**$ 8**	**$ 486**
Net book value						
As at December 31, 2020	$ -	$ 783	$ -	$ 746	$ 271	$ 1,800
As at December 31, 2021	$ 140	$ 1,254	$ 19	$ 771	$ 336	$ 2,520
As at December 31, 2022	**$ 101**	**$ 1,800**	**$ 149**	**$ 1,155**	**$ 522**	**$ 3,727**

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

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.

On December 22, 2022 the REIT renewed the Line of Credit, increasing the Line of Credit by $5,000, and adding two additional resort communities as collateral, taking the total available capacity to $10,000.

The Line of Credit matures on December 23, 2025 and incurs interest at Prime plus 0.50%. As at December 31, 2022 and 2021 there was $10,000 and $Nil outstanding on the Line of Credit and unamortized deferred issuance costs were $57 and $18, respectively. The Line of Credit requires the REIT to comply with various covenants all of which the REIT was in compliance with as at December 31, 2022.

12. Other Liabilities

		As at December 31, 2022		As at December 31, 2021
Property related accruals	$	2,816	$	1,974
Finance costs payable		601		445
Tenant security deposits		2,903		2,358
Distributions payable		918		873
Unearned revenue		2,018		1,622
Unit based compensation payable		455		214
Total	$	9,711	$	7,486

13. Mortgages Payable, Net

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

		As at December 31, 2022		As at December 31, 2021
Mortgages payable	$	329,696	$	253,921
Unamortized mark-to market adjustment		4,800		5,829
Unamortized deferred issuance costs		(1,934)		(639)
Total mortgages payable		332,562		259,111
Less: current portion		(732)		(637)
Amount classified as non-current portion	$	331,830	$	258,474

The REIT's weighted average contractual annual interest rate on its mortgages payable as at December 31, 2022 and 2021 was approximately 3.78% and 3.43%, respectively, which excludes the impact of the amortization of the mark-to-market adjustment and amortization of deferred issuance costs

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

The mortgages payable balances as at December 31, 2022, excluding unamortized mark-to-market adjustments and unamortized deferred issuance costs, are due as follows:

For the year ended December 31,		**Principal payments**
2023	$	792
2024		772
2025		820
2026		867
2027		1,226
Thereafter		325,219
Total	**$**	**329,696**

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 December 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:

	For the year ended December 31,			
		2022		2021
Mortgages payable, net, opening balance	**$**	**259,111**	$	219,858
Cash Flows				
Proceeds from mortgages payable		**59,460**		41,400
Issuance costs associated with financing activities		**(1,355)**		(648)
Repayment of mortgages payable		**(594)**		(479)
		316,622		260,131
Non-Cash Changes				
Acquisition of investment property (Note 9)		**16,909**		-
Accretion of mark-to-market adjustment on mortgages payable		**(1,029)**		(1,029)
Amortization of deferred issuance costs		**60**		9
Mortgages payable, net, ending balance	**$**	**332,562**	$	259,111

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

14. Class B Units

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

As at December 31, 2022 and 2021, distributions payable on Class B Units were $256 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 9)	37,448		697
Class B units redeemed	(3,357)		(54)
Fair value adjustment	-		(16,714)
Class B Units, December 31, 2022	**5,467,031**	**$**	**88,785**

15. Other Non-Current Liabilities

Other non-current liabilities consists of unvested RUs. The REIT does not have any RUs settling in the next 12 months. As at December 31, 2022 and 2021, the REIT had other non-current liabilities of $56 and $Nil, respectively.

16. 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**	**$**	**99,898**
Units issued on equity offering closing June 14, 2021, including exercise of an overallotment option *(1)*	4,500,000		81,000
Units issued on equity offering closing November 18, 2021, including exercise of an overallotment option *(4)*	2,415,000		46,489
Less: issuance costs *(2)*	-		(5,898)
Units outstanding, December 31, 2021	**14,141,185**		**221,489**
Units outstanding, December 31, 2022	**14,141,185**	**$**	**221,489**

Transaction costs relating to equity offerings and over-allotment options were charged directly to transaction expense.

(1) 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.

(2) 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.

(3) On October 22, 2021 the REIT announced that the Board of Trustees approved a 5% increase to its cash distribution to unitholders to $0.0466 per Unit per month or $0.536 per Unit per year. The new monthly cash distribution commenced with the November 2021 distribution, paid in December 2021.

(4) 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.

(2) 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.

(5) On May 17, 2022, the REIT filed a supplement to its base shelf prospectus, dated May 7, 2021, and entered into an equity distribution agreement for the purpose of completing at-the-market equity offering(s) (the "ATM Offering"). Pursuant to the ATM Offering, the REIT may issue Units, from time to time, up to an aggregate amount of $50,000. As at December 31, 2022 the REIT has not issued any Units under the ATM Offering and related deferred issuance costs were $475.

(6) On November 14, 2022 the REIT announced that the Board of Trustees approved a 5% increase to its cash distribution to unitholders to $0.0468 per Unit per month or $0.562 per Unit per year. The new monthly cash distribution commenced with the November 2022 distribution , paid in December 2022.

For the year ended December 31, 2022 and 2021 the REIT declared distributions to unitholders of record in the amount of $7,631 ($0.0446 per Unit per month until the December 15, 2022 distribution at which time the amount increased to $0.0468 per Unit per month) and $5,289 ($0.0425 per Unit per month until the December 15, 2021 distribution at which time the amount increased to $0.0446 per Unit per month), respectively. Total distributions payable as at December 31, 2022 and 2021 was $662 and $631, respectively.

17. Related Party Transactions

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.

Transactions between the REIT and Empower are governed by the Services Agreement (see "Arrangements with Empower — Services Agreement" in the Initial Public Offering Prospectus) or agreements relating directly to the specific transaction.

The consolidated financial statements include the following related party transactions:

(1) 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, 2022, interest revenue, included in other (income) on the consolidated statements of net income and comprehensive income, was $124 ($39 for the year ended December 31, 2021).

(2) 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. Total consideration paid was $8,230.

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

(3) Payroll and benefits include $1,576 incurred to key management personnel during the years ended December 31, 2022, respectively, which includes short-term employee payroll and benefits, and RUs ($1,193 for the year ended December 31, 2021).

(4) For the year ended December 31, 2022, the REIT billed Empower Park a total of $1,556, of which $1,413 was payroll and benefits, $103 was management fees, and $40 was other miscellaneous items ($1,308, $1,183; $47; $78 for the year ended December 31, 2021). These amounts are recorded as an offset to the expense in which they relate, or in the case of management fees, in other (income), on the consolidated statements of net income and comprehensive income. As at December 31, 2022 and 2021, the REIT had a receivable, included in tenant and other receivables, net, from Empower Park of $224 and $149, respectively.

(5) For the year ended December 31, 2022 and 2021, the REIT was billed for services provided by related parties that included HVAC, paving/concrete repair, IT and landscape services. As at December 31, 2022 and 2021, the REIT had total accounts payable and accrued liabilities due to related parties of $148 and $11, respectively.

The following table breaks out billings for each related party.

Company Name	Ownership & Control	Description of Services	For the year ended December 31, 2022	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 to various properties including installing new air conditioning units as well as servicing existing units.	**$ 421**	$ 504
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services to properties.	**$ 444**	$ 161
JDK	100% owned by the brother of the REIT's CEO.	Provides IT and desktop support.	**$ 29**	$ 45
Empower Park	Wholly owned by the REIT's CEO, CIO and another holder of Class B Units.	Acquires and develops MHCs that do not meet the REIT's investment criteria, conducts sales of manufactured homes located on the REIT's investment properties and conducts sales of manufactured homes to the REIT for use in the REIT's rental fleet. The REIT has agreed to pay floor plan interest on homes located on the REIT's investment properties and reimburse Empower for any losses on home sales within the REIT's investment properties.	**$ 5,726**	$ 248
Total			**$ 6,620**	$ 958

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

18. 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 years ended December 31, 2022 or 2021, respectively.

	For the year ended December 31,			
		2022		2021
Rental revenue	**$**	**50,261**	$	36,986
Utilities reimbursement		**6,451**		4,585
Fee income		**1,836**		1,309
Other		**250**		195
Total Revenues	**$**	**58,798**	$	43,075

19. 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,			
		2022		2021
Utility costs	**$**	**6,912**	$	4,956
Payroll and benefits		**4,234**		3,435
Taxes and insurance		**5,051**		3,388
Repairs and maintenance		**1,440**		1,209
Other property-based costs		**2,228**		1,426
Total Operating Expenses	**$**	**19,865**	$	14,414

20. 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,			
		2022		2021
Payroll and benefits	**$**	**4,182**	$	3,071
Legal / Consulting		**510**		557
Audit and tax fees		**628**		663
Taxes and insurance		**578**		473
Trustee fees		**459**		269
Travel		**464**		273
Due diligence		**291**		40
Other		**707**		437
Total Operating Expenses	**$**	**7,819**	$	5,783

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

21. Finance Costs

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

	For the year ended December 31, 2022	2021
Interest expense	**$ 747**	$ 231
Interest - mortgages	**10,354**	7,890
Amortization of deferred issuance costs	**60**	9
Finance costs from operations	**$ 11,161**	$ 8,130

22. Employee Benefit Plan

Management of the REIT has adopted a defined contribution plan ("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 contributions and 50% of the next 2%. Employer matching contributions to the Plan totalled $125 during the year ended December 31, 2022 ($64 during the year ended December 31, 2021).

23. Unit-based Compensation

(A) Restricted Units

Under the Equity Incentive Plan, RUs can be issued to better align the interests of the recipient with the interests of Unitholders and to facilitate the retention of key employees through long term ownership of Units. The number of RUs to be awarded to a recipient is equal to (i) the monetary value of the award, (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. RUs are granted at the discretion of the executive team and vest over six years in equal installments.

For the periods presented, the following table summarizes the number of RUs outstanding.

	Number of Units
Units outstanding, December 31, 2020	-
Units outstanding, December 31, 2021	-
Restricted Unit issuance (1)	62,346
Distribution reinvestment	734
Units forfeited	(622)
Units outstanding, December 31, 2022	**62,458**

(1) On August 19, 2022 the REIT granted 62,346 RUs at a fair value of $16.07 per RU for a total grant date fair value of $1,002.

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

For the periods presented, the following table summarizes the RUs activity.

	As at December 31, 2022		As at December 31, 2021	
Restricted Units, opening balance	**$**	**-**	$	-
Payroll and benefits		**56**		-
Fair value adjustment - unit based compensation		**-**		-
Restricted Units, ending balance	**$**	**56**	$	-

As at December 31, 2022 and 2021, 3,470 and Nil unvested RUs are recorded in Other non-current liabilities, respectively.

(B) Deferred Trust Units

Under the Equity Incentive Plan, non-employee trustees 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 trustees 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 (1)	21,375		359
Distribution reinvestment (2)	740		13
Settlement (3)	(4,760)		(76)
Fair value adjustment - unit based compensation	-		(55)
Units outstanding, December 31, 2022	**28,565**	**$**	**455**

(1) Trustee fees related to the issuance of DTU for the year ended December 31, 2022 were $359, resulting in 21,375 DTUs being issued ($199, resulting in 11,089 DTUs being issued for the year ended December 31, 2021).

(2) Distributions, that would otherwise be payable in cash, resulted in additional DTUs of 740 being issued for the year ended December 31, 2022 (DTUs of 121 for the year ended December 31, 2021).

(3) On December 19, 2022, in connection with the resignation of one non-employee trustee, 4,760 DTUs were settled at $15.96, the volume-weighted average closing price of a Unit on the TSX for the five trading days immediately preceding the date of settlement.

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

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, 2022 and 2021 the RUs, 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 December 31, 2022 and 2021 was estimated by discounting expected cash flows using a rate of 5.89% 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 December 31, 2022		
	Level 1	**Level 2**	**Level 3**
Financial Assets and Liabilities			
Investment properties	-	-	$ 770,043
RUs	$ (56)	-	-
DTUs	$ (455)	-	-
Class B Units	$ (88,785)	-	-
Mortgages payable	-	$ (254,440)	-

	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)	-

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

25. Changes in Non-cash Working Capital

Changes in non-cash working capital are recorded as follows:

	For the year ended December 31,	
	2022	2021
Tenant and other receivables, net	**$ (120)**	$ (115)
Prepaids and other assets	**(1,001)**	$ (617)
Lender escrow deposits	**(720)**	$ 250
Trade and other payables	**(653)**	$ 380
Other liabilities	**1,876**	$ 1,829
Change in non-cash working capital	**$ (618)**	$ 1,727

26. 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.

27. 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.

28. 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.

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

29. 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. The only debtor to comprise more than 10% of the REITs outstanding tenant and other receivables, net balance as at both December 31, 2022 and 2021 was a related party debtor (See Note 17). Additionally, the Note Receivable – Related Party accounted for 12.14% 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 related party receivable, included in tenant and other receivables, net, and 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.

(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, 2022 and 2021, the REIT had working capital of $2,086 and $10,521, respectively. All of the REIT's financial liabilities are due within one year except for mortgages payable.

As at December 31, 2022	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	$ 409	$ 409	$ 409	$ -	$ -	$ -
Other liabilities	9,711	9,711	9,711	-	-	-
Mortgages payable	332,562	444,539	13,384	24,778	61,464	344,913
Total	**$ 342,682**	**$ 454,659**	**$ 23,504**	**$ 24,778**	**$ 61,464**	**$ 344,913**

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-rate 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.

30. Subsequent Events

On January 11, 2023 the REIT paid $10,000 of the outstanding balance on the Line of Credit.

On February 28, 2023, the REIT acquired a 20 acre MHC in Austin, Indiana for $2,000 from a related party, Empower Park. The acquisition includes 120 MHC homesites, which include 94 developed lots and 26 lots for additional expansion. The purchase price for the acquisition was satisfied by the issuance of 120,598 Class B Units by Flagship Operating, LLC.