

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023 AND 2022
(in US Dollars)

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

	Note	June 30, 2023	December 31, 2022 (Audited)
Current Assets			
Cash and cash equivalents		\$ 5,828	\$ 16,926
Tenant and other receivables, net	4	1,293	873
Prepays and other assets	5	2,135	2,844
Lender escrow deposits	6	3,961	2,295
Total current assets		13,217	22,938
Other non-current assets	7	345	100
Investment properties	8, 23	829,530	770,043
Property and equipment, net	9	4,156	3,727
Note receivable - related party	16	2,460	2,460
		836,491	776,330
Total Assets		\$ 849,708	\$ 799,268
Current Liabilities			
Trade and other payables		\$ 148	\$ 409
Line of credit	10	2,000	10,000
Other liabilities	11	11,867	9,711
Mortgages payable, net	12	748	732
Total current liabilities		14,763	20,852
Mortgages payable, net	12	331,003	331,830
Class B Units	13, 23	90,799	88,785
Other non-current liabilities	14	132	56
		421,934	420,671
Total Liabilities		436,697	441,523
Unitholders' Equity			
Unitholder's equity	15	413,011	357,745
Total Liabilities and Unitholders' Equity		\$ 849,708	\$ 799,268

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	For the three months ended June 30,			For the six months ended June 30,		
		2023	2022		2023	2022	
Rental revenue and related income	17	\$ 17,379	\$ 14,363	\$	\$ 34,137	\$ 28,056	
Property operating expenses	18	5,801	4,903		11,441	9,338	
Net Operating Income		11,578	9,460		22,696	18,718	
Other Expenses/(Income)							
General and administrative	19	2,206	1,745		4,353	3,494	
Finance costs from operations	20	3,484	2,570		6,873	4,804	
Accretion of mark-to-market adjustment on mortgages payable	12	(258)	(258)		(515)	(515)	
Depreciation	9	97	66		185	133	
Other (income)		(87)	(31)		(151)	(64)	
Fair value adjustment - Class B Units	13	(4,191)	(24,821)		(241)	(21,637)	
Distributions on Class B Units		784	732		1,552	1,462	
Fair value adjustment - investment properties	8	(11,791)	3,512		(26,954)	2,662	
Fair value adjustment - unit based compensation	22	(57)	(79)		(12)	(77)	
Net Income and Comprehensive Income		\$ 21,391	\$ 26,024	\$	\$ 37,606	\$ 28,456	

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, 2021		14,141,185	\$	221,489	\$ (6,141)	\$ 107,346	\$ 322,694
Net income and comprehensive income		-		-	-	28,456	28,456
Distributions	15	-		-	(3,784)	-	(3,784)
Balance, June 30, 2022		14,141,185	\$	221,489	\$ (9,925)	\$ 135,802	\$ 347,366
Balance, December 31, 2022		14,141,185	\$	221,489	\$ (13,772)	\$ 150,028	\$ 357,745
Units issued, net of issuance costs	15	1,350,871		21,867	-	-	21,867
Net income and comprehensive income		-		-	-	37,606	37,606
Distributions	15	-		-	(4,207)	-	(4,207)
Balance, June 30, 2023		15,492,056	\$	243,356	\$ (17,979)	\$ 187,634	\$ 413,011

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)

		For the six months ended June 30,	
	Note	2023	2022
Cash flow provided by operating activities			
Net income and comprehensive income		\$ 37,606	\$ 28,456
Add (deduct):			
Unit based compensation		293	169
Finance costs from operations		6,873	4,804
Accretion of mark-to-market adjustment on mortgages payable		(515)	(515)
Depreciation		185	133
Loss on sale of property and equipment		16	14
Interest received		(97)	(44)
Fair value adjustments		(27,207)	(19,052)
Distributions declared on Class B Units		1,552	1,462
Change in non-cash working capital	24	(14)	(867)
		18,692	14,560
Cash flow provided by financing activities			
Proceeds from issuance of Units, net of costs		21,867	-
Distributions paid to Unitholders		(4,144)	(3,784)
Distributions paid to Class B Unitholders		(1,546)	(1,461)
Change in line of credit		(8,000)	1,000
Proceeds from mortgages payable		-	41,470
Issuance costs associated with financing activities		-	(604)
Repayment of mortgages payable		(363)	(247)
Interest paid		(6,548)	(4,798)
		1,266	31,576
Cash flow (used in) investing activities			
Cash paid for investment property acquisitions		(21,122)	(36,561)
Cash paid for other non-current assets		(245)	(400)
Cash received for investment property disposal		1,439	874
Capital expenditures on investment properties		(10,595)	(5,076)
Cash paid for property and equipment		(636)	(1,032)
Cash received for property and equipment disposal		6	10
Interest received		97	44
		(31,056)	(42,141)
Increase in cash and cash equivalents		(11,098)	3,995
Cash and cash equivalents, beginning of period		16,926	15,451
Cash and cash equivalents, ending of period		\$ 5,828	\$ 19,446

See accompanying notes to the condensed consolidated interim financial statements.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

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.

The Units of the REIT trade on the Toronto Stock Exchange in U.S. dollars under the symbol “MHC.U” and in Canadian dollars under the symbol “MHC.UN”.

As at June 30, 2023, the REIT owns 73 (December 31, 2022 - 69) MHCs located across Arkansas, Illinois, Indiana, Kentucky, 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 Accounting Standard 34 (“IAS 34”), Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements were approved by the Board of Trustees on August 8, 2023.

(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, restricted units (“RUs”) 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.

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

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

3. Material 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 consolidated financial statements for the year ended December 31, 2022, 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, 2022. There have been no changes to significant accounting policies.

4. Tenant and Other Receivables, Net

	As at June 30, 2023	As at December 31, 2022
Tenant receivables	\$ 674	\$ 717
Other receivables	795	266
Allowance for doubtful accounts	(176)	(110)
Total	\$ 1,293	\$ 873

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

	For the six months ended June 30, 2023	For the year ended December 31, 2022
Allowance for doubtful accounts, opening balance	\$ 110	\$ 36
Change in expected credit loss provision	66	74
Allowance for doubtful accounts, ending balance	\$ 176	\$ 110

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 June 30, 2023	As at December 31, 2022
Prepaid insurance	\$ 684	\$ 1,336
Deferred issuance costs	123	475
Other prepaids and deposits	1,328	1,033
Total	\$ 2,135	\$ 2,844

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 June 30, 2023 and December 31, 2022, the REIT had lender escrow deposits of \$3,961 and \$2,295, respectively.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

7. Other Non-Current Assets

Other non-current assets include funds held in escrow for future investment property acquisitions, as well as deferred issuance costs related to the re-establishment of the base shelf prospectus dated June 7, 2023. As at June 30, 2023 and December 31, 2022, the REIT had other non-current assets of \$345 and \$100, respectively.

8. 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 six months ended June 30, 2023	For the year ended December 31, 2022
Investment properties, opening balance	\$ 770,043	\$ 670,523
Capital expenditures	10,595	16,095
Acquisition of investment properties (1)	23,377	77,300
Disposal of investment properties (2)	(1,439)	(1,827)
Fair value adjustment - investment properties	26,954	7,952
Investment properties, ending balance	\$ 829,530	\$ 770,043

During the six months ended June 30, 2023, the REIT had the following investment property activity:

- (1) On February 28, 2023, the REIT acquired a 20-acre manufactured housing resort community from a related party, Empower Park, LLC ("Empower"), for \$16 and 120,598 Class B Units. Investment property acquired totaled \$2,309.
- (1) On May 4, 2023, the REIT acquired three MHCs, located in the REITs existing markets in Arkansas, Indiana and Tennessee, comprising 660 lots for \$20,841. Investment property acquired totaled \$21,068.
- (2) During the six months ended June 30, 2023 the REIT disposed of 74 rental homes totaling \$1,439. 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 six months ended June 30, 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, for \$7,533 and 37,448 Class B Units. 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.
- (2) During the six months ended June 30, 2022 the REIT disposed of 60 rental homes totaling \$874. 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 June 30, 2023 and December 31, 2022.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

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.

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

Capitalization Rates	As at June 30, 2023	As at December 31, 2022
High	7.00 %	7.00 %
Low	4.50 %	4.50 %
Weighted Average	4.81 %	4.80 %
% Change		
+ 0.025	4.97 %	4.99 %
- 0.025	(5.53) %	(5.54) %
\$ Change		
+ 0.025	\$38,882	\$36,499
- 0.025	(\$43,207)	(\$40,569)

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

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						
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
Additions	61	464	65	-	46	636
Disposals	(25)	-	-	-	-	(25)
As at June 30, 2023	\$ 155	\$ 2,674	\$ 226	\$ 1,193	\$ 576	\$ 4,824
Accumulated depreciation						
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
Additions	\$ 8	146	14	13	4	185
Disposals	(3)	-	-	-	-	(3)
As at June 30, 2023	\$ 23	\$ 556	\$ 26	\$ 51	\$ 12	\$ 668
Net book value						
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
As at June 30, 2023	\$ 132	\$ 2,118	\$ 200	\$ 1,142	\$ 564	\$ 4,156

10. 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 June 30, 2023 and December 31, 2022 there was \$2,000 and \$10,000 outstanding on the Line of Credit and unamortized deferred issuance costs were \$53 and \$57, respectively. The Line of Credit requires the REIT to comply with various covenants all of which the REIT was in compliance with as at June 30, 2023.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

11. Other Liabilities

	As at June 30, 2023	As at December 31, 2022
Property related accruals	\$ 3,434	\$ 2,816
Finance costs payable	988	601
Tenant security deposits	3,221	2,903
Distributions payable	987	918
Unearned revenue	2,577	2,018
Unit based compensation payable	660	455
Total	\$ 11,867	\$ 9,711

12. 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 June 30, 2023	As at December 31, 2022
Mortgages payable	\$ 329,333	\$ 329,696
Unamortized mark-to market adjustment	4,285	4,800
Unamortized deferred issuance costs	(1,867)	(1,934)
Total mortgages payable	331,751	332,562
Less: current portion	(748)	(732)
Amount classified as non-current portion	\$ 331,003	\$ 331,830

The REIT's weighted average contractual annual interest rate on its mortgages payable as at both June 30, 2023 and December 31, 2022 was approximately 3.78%, 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 June 30, 2023, excluding unamortized mark-to-market adjustments and unamortized deferred issuance costs, are due as follows:

For the year ended December 31,	Principal payments
2023	\$ 427
2024	772
2025	820
2026	867
2027	1,334
Thereafter	325,113
Total	\$ 329,333

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 June 30, 2023, the REIT was in compliance with all financial covenants relating to its mortgages payable.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

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

	For the six months ended June 30, 2023	For the year ended December 31, 2022
Mortgages payable, net, opening balance	\$ 332,562	\$ 259,111
<i>Cash Flows</i>		
Proceeds from mortgages payable	-	59,460
Issuance costs associated with financing activities	-	(1,355)
Repayment of mortgages payable	(363)	(594)
	332,199	316,622
<i>Non-Cash Changes</i>		
Acquisition of investment property (Note 8)	-	16,909
Accretion of mark-to-market adjustment on mortgages payable	(515)	(1,029)
Amortization of deferred issuance costs	67	60
Mortgages payable, net, ending balance	\$ 331,751	\$ 332,562

13. Class B Units

The fair value as at June 30, 2023 and December 31, 2022 was calculated using the Unit closing price.

As at June 30, 2023 and December 31, 2022, distributions payable on Class B Units was \$262 and \$256, 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, 2021	5,432,940	\$ 104,856
Class B units issued (Note 8)	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
Class B units issued (Note 8)	120,598	2,255
Fair value adjustment	-	(241)
Class B Units, June 30, 2023	5,587,629	\$ 90,799

14. 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 June 30, 2023 and December 31, 2022, the REIT had other non-current liabilities of \$132 and \$56, respectively.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

15. 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, 2021	14,141,185	\$ 221,489
Units outstanding, December 31, 2022	14,141,185	221,489
Units issued on ATM offering closed March 22, 2023 (3)	1,176,471	20,000
Units issued on ATM offering closed May 23, 2023 (4)	174,400	2,965
Less: issuance costs (5)		(1,098)
Units outstanding, June 30, 2023	15,492,056	\$ 243,356

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

- (1) 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.

Following the lapsing of the REIT's previous short form base shelf prospectus dated May 7, 2021, the REIT filed a new base shelf prospectus dated June 7, 2023. Subsequently, the REIT re-established the ATM Offering pursuant to a new prospectus supplement dated June 28, 2023.

As at June 30, 2023 and December 31, 2022 the REIT has issued 1,350,871 and Nil Units under the ATM Offering and related deferred issuance costs, including those related to re-establishment of the base shelf prospectus, were \$238 and \$475.

- (2) 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.
- (3) On March 22, 2023, pursuant to the ATM Offering, the REIT raised gross proceeds of \$20,000 through the issuance of 1,176,471 Units at a price of \$17.00 per Unit.
- (4) On May 23, 2023, pursuant to the ATM Offering, the REIT raised gross proceeds of \$2,965 through the issuance of 174,400 Units at a price of \$17.00 per Unit.
- (5) Issuance costs relating to the ATM Offering, including underwriters' fees and other costs directly associated, were approximately \$1,098 and were charged directly to unitholders' equity.

For the six months ended June 30, 2023 and the year ended December 31, 2022 the REIT declared distributions to unitholders of record in the amount of \$4,207 (\$0.0468 per Unit per month) and \$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, respectively. Total distributions payable as at June 30, 2023 and December 31, 2022 was \$725 and \$662, respectively.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three and Six Months Ended June 30, 2023 and 2022

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

16. 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 condensed consolidated interim 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. The Note Receivable-Related Party includes monthly interest only payments and matures 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 and six months ended June 30, 2023, interest revenue, included in other (income) on the consolidated statements of net income and comprehensive income, was \$50 and \$97 (\$26 and \$45 for the three and six months ended June 30, 2022).
- (2) On February 15, 2022 the REIT acquired a 13-acre manufactured housing resort community from a related party, Empower, for \$7,533 and 37,448 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was \$16.70. Total consideration paid was \$8,230.
- (3) On February 28, 2023 the REIT acquired a 20-acre manufactured housing resort community from a related party, Empower, for \$16 and 120,598 Class B Units. The number of Class B Units issued was calculated by reference to the volume-weighted average closing price of a Unit for the 10 trading days prior to the date of closing which was \$18.60. Total consideration paid was \$2,271.
- (4) Payroll and benefits include \$436 and \$1,163 incurred to key management personnel during the three and six months ended June 30, 2023, respectively, which includes short-term employee payroll and benefits, and RUs (\$286 and \$924 for the three and six months ended June 30, 2022).
- (5) For the three and six months ended June 30, 2023, the REIT billed Empower a total of \$552 and \$977, of which \$514 and \$895 was payroll and benefits, \$33 and \$67 was management fees, and \$5 and \$15 was other miscellaneous items, respectively (\$382 and \$638, \$352 and \$582; \$20 and \$34; \$10 and \$22 for the three and six months ended June 30, 2022, respectively). 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 June 30, 2023 and December 31, 2022, the REIT had a receivable, included in tenant and other receivables, net, from Empower of \$347 and \$224, respectively.
- (6) For the three and six months ended June 30, 2023 and 2022, the REIT was billed for services provided by related parties that included HVAC, paving/concrete repair and landscape services. As at June 30, 2023 and December 31, 2022, the REIT had total accounts payable and accrued liabilities due to related parties of \$420 and \$148, respectively.

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The following table breaks out billings for each related party.

Company Name	Ownership & Control	Description of Services	For the three months ended June 30,		For the six months ended June 30,	
			2023	2022	2023	2022
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.	\$ 194	\$ 107	\$ 243	\$ 198
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping services to properties.	\$ 179	\$ 65	\$ 284	\$ 173
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.	\$ 4,080	\$ 744	\$ 5,308	\$ 1,095
Total			\$ 4,453	\$ 916	\$ 5,835	\$ 1,466

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17. 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 short term non-cancellable leases that convert to month-to-month leases after one year. No tenant accounted for more than 10% of the REIT's total rental revenue for the three and six months ended June 30, 2023 or 2022, respectively.

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Rental revenue	\$ 14,948	\$ 12,300	\$ 29,432	\$ 24,103
Utilities reimbursement	1,828	1,581	3,572	2,989
Fee income	544	429	1,024	828
Other	59	53	109	136
Total	\$ 17,379	\$ 14,363	\$ 34,137	\$ 28,056

18. Property Operating Expenses

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Utility costs	\$ 1,945	\$ 1,579	\$ 4,030	\$ 3,295
Payroll and benefits	1,378	1,012	2,632	1,935
Taxes and insurance	1,428	1,313	2,779	2,409
Repairs and maintenance	406	421	764	722
Other property-based costs	644	578	1,236	977
Total	\$ 5,801	\$ 4,903	\$ 11,441	\$ 9,338

19. General and Administrative Expenses

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Payroll and benefits	\$ 1,082	\$ 1,000	\$ 2,281	\$ 2,066
Legal / Consulting	183	124	379	256
Audit and tax fees	176	117	332	189
Taxes and insurance	209	115	343	227
Trustee fees	121	102	239	202
Travel	179	126	285	241
Other	256	161	494	313
Total	\$ 2,206	\$ 1,745	\$ 4,353	\$ 3,494

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20. Finance Costs

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

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest expense	\$ 279	\$ 153	\$ 536	\$ 280
Interest - mortgages	3,177	2,414	6,270	4,518
Amortization of deferred issuance costs	28	3	67	6
Total	\$ 3,484	\$ 2,570	\$ 6,873	\$ 4,804

21. 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 \$91 and \$163 during the three and six months ended June 30, 2023 (\$45 and \$68 during the three months ended June 30, 2022).

22. 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, 2021	-
Restricted Unit issuance (1)	62,346
Distribution reinvestment	734
Units forfeited	(622)
Units outstanding, December 31, 2022	62,458
Distribution reinvestment	1,015
Units Forfeited	(2,195)
Units outstanding, June 30, 2023	61,278

(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.

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

	As at June 30, 2023	As at December 31, 2022
Restricted Units, opening balance	\$ 56	\$ -
Payroll and benefits	81	56
Fair value adjustment - unit based compensation	(5)	-
Restricted Units, ending balance	\$ 132	\$ 56

As at June 30, 2023 and December 31, 2022, 8,270 and 3,470 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, 2021	11,210	\$ 214
Trustee fees	21,375	359
Distribution reinvestment	740	13
Settlement (3)	(4,760)	(76)
Fair value adjustment - unit based compensation	-	(55)
Units outstanding, December 31, 2022	28,565	\$ 455
Trustee fees (1)	12,164	201
Distribution reinvestment (2)	635	11
Fair value adjustment - unit based compensation	-	(7)
Units outstanding, June 30, 2023	41,364	\$ 660

(1) Trustee fees related to the issuance of DTU for the three and six months ended June 30, 2023 were \$103 and \$201, resulting in 6,078 and 12,164 DTUs being issued, respectively (\$93 and \$164, resulting in 3,474 and 8,515 DTUs being issued for the three and six months ended June 30, 2022, respectively).

(2) Distributions, that would otherwise be payable in cash, resulted in additional DTUs of 349 and 635 being issued for the three and six months ended June 30, 2023, respectively (DTUs of 147 and 253 for the three and six months ended June 30, 2022).

(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.

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23. 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 June 30, 2023 and December 31, 2022 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 June 30, 2023 and December 31, 2022 was estimated by discounting expected cash flows using a rate of 5.70% and 5.89%, 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 June 30, 2023			
	Level 1	Level 2	Level 3
Financial Assets and Liabilities			
Investment properties	-	-	\$ 829,530
RUs	\$ (132)	-	-
DTUs	\$ (660)	-	-
Class B Units	\$ (90,799)	-	-
Mortgages payable	-	\$ (266,285)	-

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)	-

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24. Changes in Non-cash Working Capital

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

	For the six months ended June 30,	
	2023	2022
Tenant and other receivables, net	\$ (420)	\$ (64)
Prepays and other assets	709	(304)
Lender escrow deposits	(1,666)	(1,544)
Trade and other payables	(261)	(178)
Other liabilities	1,624	1,223
Change in non-cash working capital	\$ (14)	\$ (867)

25. 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.

26. 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.

27. 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.

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28. 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 June 30, 2023 and December 31, 2022 was a related party debtor (See Note 16). Additionally, the Note Receivable – Related Party accounted for 25.68% and 12.14% 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. All of the REIT's financial liabilities are due within one year except for mortgages payable.

As at June 30, 2023	Carrying Amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	\$ 148	\$ 148	\$ 148	\$ -	\$ -	\$ -
Other liabilities	11,867	11,867	11,867	-	-	-
Mortgages payable	331,751	463,925	13,316	26,589	66,599	357,421
Total	\$ 343,766	\$ 475,940	\$ 25,331	\$ 26,589	\$ 66,599	\$ 357,421

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

(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.