

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024
(In US Dollars)

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

			(Audited)
	Note	March 31, 2025	December 31, 2024
Current Assets			
Cash and cash equivalents		\$ 5,622	\$ 7,264
Tenant and other receivables, net	4	1,396	1,984
Prepays and other assets	5	3,725	3,344
Lender escrow deposits	6	4,197	3,206
Total current assets		14,940	15,798
Other non-current assets	7	445	615
Investment properties	8	1,107,284	1,087,348
Property and equipment, net	9	3,189	3,274
Note receivable - related party	16	2,460	2,460
		1,113,378	1,093,697
Total Assets		\$ 1,128,318	\$ 1,109,495
Current Liabilities			
Trade and other payables		\$ 811	\$ 1,925
Line of credit	10	-	3,000
Other liabilities	11	16,572	15,647
Mortgages and note payable, net	12	300	45,271
Class B Units	13, 23	93,979	83,159
Total current liabilities		111,662	149,002
Mortgages and note payable, net	12	422,980	374,552
Other non-current liabilities	14	575	290
		423,555	374,842
Total Liabilities		535,217	523,844
Unitholders' Equity			
Unitholders' equity	15	593,101	585,651
Total Liabilities and Unitholders' Equity		\$ 1,128,318	\$ 1,109,495

See accompanying notes to the condensed consolidated interim financial statements.

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

	Note	For the three months ended March 31,	
		2025	2024
Rental revenue and related income	17	\$ 24,781	\$ 19,920
Property operating expenses	18	8,378	6,583
Net Operating Income		16,403	13,337
Other Expenses/(Income)			
General and administrative expenses	19	2,852	2,672
Finance costs from operations	20	5,394	6,727
Accretion of mark-to-market adjustment on mortgages payable	12	(56)	(257)
Depreciation	9	127	111
Other (income)		(189)	(159)
Fair value adjustment - Class B Units	13	10,820	7,090
Distributions on Class B Units		865	824
Fair value adjustment - investment properties	8	(14,207)	(14,829)
Fair value adjustment - unit based compensation	22	338	34
Net Income and Comprehensive Income		\$ 10,459	\$ 11,124

See accompanying notes to the condensed consolidated interim financial statements.

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

	Note	Units	Units	Distributions	Cumulative Net Income	Unitholders' Equity
Balance, December 31, 2023		15,492,056	\$ 243,352	\$ (22,404)	\$ 215,126	\$ 436,074
Net income and comprehensive income		-	-	-	11,124	11,124
Distributions	15	-	-	(2,287)	-	(2,287)
Balance, March 31, 2024		15,492,056	\$ 243,352	\$ (24,691)	\$ 226,250	\$ 444,911
Balance, December 31, 2024		19,402,056	\$ 300,434	\$ (33,427)	\$ 318,644	\$ 585,651
Net income and comprehensive income		-	-	-	10,459	10,459
Distributions	15	-	-	(3,009)	-	(3,009)
Balance, March 31, 2025		19,402,056	\$ 300,434	\$ (36,436)	\$ 329,103	\$ 593,101

See accompanying notes to the condensed consolidated interim financial statements.

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

		For the three months ended March 31,	
	Note	2025	2024
Cash flow provided by operating activities			
Net income and comprehensive income		\$ 10,459	\$ 11,124
Add (deduct):			
Unit based compensation		378	241
Finance costs from operations		5,394	6,727
Accretion of mark-to-market adjustment on mortgages payable		(56)	(257)
Depreciation		127	111
Non-cash (gain) loss on disposals		(50)	-
Interest received		(95)	(129)
Fair value adjustments		(3,049)	(7,705)
Distributions declared on Class B Units		865	824
Change in non-cash working capital	24	(1,724)	(1,199)
		12,249	9,737
Cash flow (used in) provided by financing activities			
Distributions paid to Unitholders		(3,009)	(2,287)
Distributions paid to Class B Unitholders		(865)	(824)
Change in line of credit		(3,000)	(10,000)
Proceeds from mortgages payable		49,807	73,894
Financing costs associated with financing activities		(1,532)	(1,503)
Repayment of mortgages payable and note payable		(45,067)	(48,841)
Interest paid		(4,769)	(4,032)
Mortgages payable settlement expense		-	(2,060)
		(8,435)	4,347
Cash flow (used in) investing activities			
Cash paid for investment property acquisitions		(1,133)	-
Change in other non-current assets		170	-
Cash received for investment property disposal		523	737
Capital expenditures on investment properties		(5,069)	(4,642)
Cash paid for property and equipment		(42)	(246)
Interest received		95	129
		(5,456)	(4,022)
(Decrease) Increase in cash and cash equivalents		(1,642)	10,062
Cash and cash equivalents, beginning of year		7,264	7,814
Cash and cash equivalents, end of year		\$ 5,622	\$ 17,876

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 Months Ended March 31, 2025 and 2024

(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 2220 Grandview Dr, Suite 280, Fort Mitchell, KY 41017, 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, for the purpose of owning and operating a portfolio of income-producing manufactured housing communities (“MHCs”) located in the United States.

The trust units (“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 March 31, 2025, the REIT owns 82 (December 31, 2024 - 82) MHCs located across Arkansas, Illinois, Indiana, Kentucky, Missouri, Ohio, Tennessee and West Virginia.

2. Basis of Presentation

(A) Statement of compliance

The condensed consolidated interim financial statements of the REIT have been prepared 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 May 13, 2025.

(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, 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 Months Ended March 31, 2025 and 2024

(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, 2024, which have been prepared in accordance with IFRS® Accounting Standards (“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, 2024.

4. Tenant and Other Receivables, Net

	As at March 31, 2025	As at December 31, 2024
Tenant receivables	\$ 853	\$ 985
Other receivables	583	1,044
Allowance for doubtful accounts	(40)	(45)
Total	\$ 1,396	\$ 1,984

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

	For the three months ended March 31, 2025	For the year ended December 31, 2024
Allowance for doubtful accounts, opening balance	\$ 45	\$ 47
Change in expected credit loss provision	(5)	(2)
Allowance for doubtful accounts, ending balance	\$ 40	\$ 45

Tenant receivables include lot rent, utilities, miscellaneous fees, and other recoverable charges. Other receivables primarily consist of a balance due from a related party debtor (See Note 16). 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. Prepays and Other Assets

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

	Note	As at March 31, 2025	As at December 31, 2024
Prepaid insurance		\$ 1,441	\$ 1,739
Deferred issuance costs	15	392	392
Other prepaids and deposits		1,892	1,213
Total		\$ 3,725	\$ 3,344

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

6. Lender Escrow Deposits

Escrows for real estate taxes, insurance, capital repairs, and interest are maintained under the control of the mortgagor for payment on behalf of the REIT. As at March 31, 2025 and December 31, 2024, the REIT had lender escrow deposits of \$4,197 and \$3,206, respectively.

7. Other Non-Current Assets

Other non-current assets include funds held in escrow for future investment property acquisitions, as well as funds held in escrow for future financing. As at March 31, 2025 and December 31, 2024, the REIT had other non-current assets of \$445 and \$615, 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 three months ended March 31, 2025	For the year ended December 31, 2024
Investment properties, opening balance	\$ 1,087,348	\$ 880,310
Capital expenditures (1)	5,069	38,919
Acquisition of investment properties	1,133	100,007
Disposal of investment properties (2)	(473)	(2,529)
Fair value adjustment - investment properties	14,207	70,641
Investment properties, ending balance	\$ 1,107,284	\$ 1,087,348

- (1) During the year ended December 31, 2024, \$1,156 of head office building and land was reclassified as investment property as the REIT moved to a new head office and began offering this now unused space for lease.
- (2) During the three months ended March 31, 2025 and the year ended December 31, 2024 the REIT disposed of 29 rental homes totaling \$473 and 117 rental homes totaling \$2,529, respectively. 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.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

During the three months ended March 31, 2025 and the year ended December 31, 2024, the REIT had the following investment property activity:

Community	Acquisition Date	Assets		Liabilities	Consideration paid by the REIT
		Investment properties	All additional assets	Liabilities	Cash and cash equivalents
Madison 627	3/21/2025	\$ 1,133	\$ -	\$ -	\$ 1,133
		\$ 1,133	\$ -	\$ -	\$ 1,133
Expansion Acquisitions (1)	5/14/2024				\$ 93,041
Bluegrass Village		\$ 13,996	\$ -	\$ 172	
Blue Spruce		\$ 5,962	\$ -	\$ 86	
Cedar Park		\$ 18,553	\$ -	\$ 149	
Hummingbird Hills		\$ 2,197	\$ -	\$ 19	
Independence Hill		\$ 25,365	\$ 2	\$ 195	
Old Hickory		\$ 22,825	\$ -	\$ 172	
White Pines WV		\$ 5,000	\$ -	\$ 66	
Grandview MHO	8/30/2024	\$ 6,109	\$ 22	\$ -	\$ 6,131
		\$ 100,007	\$ 24	\$ 859	\$ 99,172

(1) The May 14, 2024 acquisitions were funded with proceeds from an equity offering (see Note 15) as well as a bridge note (see Note 12).

The REIT used a combination of internal valuation methodologies and external appraisals to value the investment properties as at March 31, 2025 and December 31, 2024.

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, or general economic slowdown, the fair value of investment properties may change materially.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

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

Capitalization Rates	As at March 31, 2025	As at December 31, 2024
High	9.00 %	8.75 %
Low	4.50 %	4.50 %
Weighted Average	5.11 %	5.11 %
 % Change		
+ 0.025	4.79 %	4.90 %
- 0.025	(5.10) %	(4.98) %
 \$ Change		
+ 0.025	\$49,220	\$49,591
- 0.025	(\$52,421)	(\$50,416)

9. Property and Equipment, Net

	Autos & Trucks	Equipment - Office and Maintenance	Furniture and Fixtures	Head Office Building and Land	Total
Cost					
As at December 31, 2023	\$ 155	\$ 3,018	\$ 296	\$ 1,235	\$ 4,704
Additions	55	825	185	12	1,077
Reclassification (1)	-	-	-	(1,247)	(1,247)
As at December 31, 2024	\$ 210	\$ 3,843	\$ 481	\$ -	\$ 4,534
Additions	-	26	16	-	42
As at March 31, 2025	\$ 210	\$ 3,869	\$ 497	-	\$ 4,576
Accumulated depreciation					
As at December 31, 2023	\$ 33	\$ 725	\$ 43	\$ 64	\$ 865
Additions	21	386	52	26	485
Reclassification (1)	-	-	-	(90)	(90)
As at December 31, 2024	\$ 54	\$ 1,111	\$ 95	\$ -	\$ 1,260
Additions	6	104	17	-	127
As at March 31, 2025	\$ 60	\$ 1,215	\$ 112	-	\$ 1,387
Net book value					
As at December 31, 2023	\$ 122	\$ 2,293	\$ 253	\$ 1,171	\$ 3,839
As at December 31, 2024	\$ 156	\$ 2,732	\$ 386	\$ -	\$ 3,274
As at March 31, 2025	\$ 150	\$ 2,654	\$ 385	\$ -	\$ 3,189

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

- (1) During the year ended December 31, 2024, \$1,156 of head office building and land, was reclassified as investment property as the REIT moved to a new head office and began offering this now unused space for lease.

10. Line of Credit

The REIT's revolving line of credit (the "Line of Credit") is secured by two MHCs and two resort communities and has a total available capacity of \$10,000. The Line of Credit matures on December 23, 2025 and incurs interest at Prime plus 0.50%. As at March 31, 2025 and December 31, 2024 there was \$Nil and \$3,000 outstanding on the Line of Credit and unamortized deferred financing costs were \$14 and \$22, respectively. The Line of Credit requires the REIT to comply with various covenants all of which the REIT was in compliance with as at March 31, 2025 and December 31, 2024.

11. Other Liabilities

	As at March 31, 2025	As at December 31, 2024
Property related accruals	\$ 3,912	\$ 4,149
Finance costs payable	1,447	1,095
Tenant security deposits	4,422	4,322
Distributions payable	1,291	1,291
Unearned revenue	3,096	2,816
Unit based compensation payable	2,404	1,974
Total	\$ 16,572	\$ 15,647

12. Mortgages and Note Payable, Net

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

	As at March 31, 2025	As at December 31, 2024
Mortgages and note payable	\$ 426,253	\$ 421,513
Unamortized mark-to market adjustment	1,148	1,204
Unamortized deferred financing costs	(4,121)	(2,894)
Total mortgages and note payable	423,280	419,823
Less: current portion	(300)	(45,271)
Amount classified as non-current portion	\$ 422,980	\$ 374,552

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

The REIT's weighted average contractual annual interest rate on its mortgages and note payable as at March 31, 2025 and December 31, 2024 was approximately 4.26% and 4.41%, respectively, which excludes the impact of the amortization of the mark-to-market adjustment and amortization of deferred financing costs.

The REIT's mortgages and note payable consists of both fixed rate and variable rate mortgages and note's.

The mortgages and note payable balances as at March 31, 2025, excluding unamortized mark-to-market adjustments and unamortized deferred financing costs, are due as follows:

For the year ending December 31,	Principal payments
2025	\$ 232
2026	\$ 288
2027	\$ 613
2028	\$ 2,012
2029	\$ 16,624
Thereafter	\$ 406,484
Total	\$ 426,253

The REIT's mortgages and note payable contains customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. As at March 31, 2025 and December 31, 2024, the REIT was in compliance with all financial covenants relating to its mortgages and note payable.

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

	For the year ended December 31,	
	2025	2024
Mortgages and note payable, net, opening balance	\$ 419,823	\$ 353,369
<i>Cash Flows</i>		
Proceeds from mortgages payable	49,807	118,894
Financing costs associated with financing activities	(1,532)	(1,734)
Repayment of mortgages payable	(45,067)	(49,035)
	423,031	421,494
<i>Non-Cash Changes</i>		
(Gain) from mortgages payable settlement	-	(2,277)
Mortgages payable settlement expense	228	463
Accretion of mark-to-market adjustment on mortgages payable	(56)	(290)
Amortization of deferred financing costs	77	433
Mortgages and note payable, net, ending balance	\$ 423,280	\$ 419,823

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

13. Class B Units

The fair value was calculated using the Unit closing price as at March 31, 2025 and December 31, 2024.

As at both March 31, 2025 and December 31, 2024, distributions payable on Class B Units was \$288.

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, 2023	5,582,594	\$	89,042
Class B units redeemed	(5,183)		(78)
Fair value adjustment			(5,805)
Class B Units, December 31, 2024	5,577,411	\$	83,159
Fair value adjustment			10,820
Class B Units, March 31, 2025	5,577,411	\$	93,979

14. Other Non-Current Liabilities

Other non-current liabilities consist of unvested RUs. As at March 31, 2025 and December 31, 2024, the REIT had other non-current liabilities of \$575 and \$290, respectively.

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, 2023	15,492,056		243,352
Units issued on equity offering closed April 24, 2024 (1)	3,910,000		60,019
Less: issuance costs (2)			(2,937)
Units outstanding, December 31, 2024	19,402,056		300,434
Units outstanding, March 31, 2025	19,402,056	\$	300,434

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

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.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

As at March 31, 2025 and December 31, 2024 the REIT has issued a total of 1,350,871 Units under the ATM Offering and related deferred issuance costs, including those related to re-establishment of the base shelf prospectus, were \$392.

- (1) On April 19, 2024, the REIT filed a supplement to its base shelf prospectus dated June 7, 2023 and entered into an underwriting agreement for the purpose of completing an equity offering (the "April 2024 Offering") that closed on April 24, 2024. Pursuant to the April 2024 Offering, the REIT raised gross proceeds of \$60,019 through the issuance of 3,910,000 Units at a price of \$15.35 per Unit.
- (2) Issuance costs relating to the April 2024 Offering, including underwriters' fees and other costs directly associated, were approximately \$2,937 and were charged directly to unitholders' equity.

On October 1, 2024 the REIT announced that the Board of Trustees approved a 5% increase to its cash distribution to unitholders to \$0.0517 per Unit per month or \$0.6204 per Unit per year. The new monthly cash distribution commenced with the October 2024 distribution, paid in November 2024.

For the three months ended March 31, 2025 and the year ended December 31, 2024 the REIT declared distributions to unitholders of record in the amount of \$3,009 (\$0.0517 per Unit per month) and \$11,023 (\$0.0492 per Unit per month until the November 15, 2024 distribution at which time the amount increased to \$0.0517 per Unit per month), respectively. Total distributions payable as at both March 31, 2025 and December 31, 2024 was \$1,003.

16. Related Party Transactions

The REIT and Empower, an entity majority-owned by the REIT's Chief Executive Officer and Chief Investment Officer, are party to 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 "Services Agreement" in the Annual Information Form) 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 months ended March 31, 2025, interest revenue, included in other (income) in the consolidated statements of net income and comprehensive income, was \$52 (\$53 for the three months ended March 31, 2024).
- (2) On March 21, 2025 the REIT acquired a 6-acre parcel of land adjoining an existing manufactured housing community from a related party, Empower, for \$1,133. This parcel of land is fully developed and shares the infrastructure of the adjoining community.

Flagship Communities Real Estate Investment Trust

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the Three Months Ended March 31, 2025 and 2024

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

- (3) Payroll and benefits include \$1,062 incurred to key management personnel during the three months ended March 31, 2025, which includes short-term employee payroll and benefits, and RUs (\$941 for the three months ended March 31, 2024).
- (4) For the three months ended March 31, 2025, the REIT billed Empower a total of \$612, of which, \$568 was payroll and benefits, \$39 was management fees, and \$5 was other miscellaneous items, respectively (\$502; \$469; \$28; \$5, respectively, for the three months ended March 31, 2024). These amounts are recorded as an offset to the expense in which they relate, or in the case of management fees, in other (income), in the consolidated statements of net income and comprehensive income. As at March 31, 2025 and December 31, 2024, the REIT had a receivable, included in tenant and other receivables, net, from Empower of \$375 and \$906, respectively.
- (5) For the three months ended March 31, 2025 and 2024, the REIT was billed for services provided by related parties that included HVAC, paving/concrete repair and landscape services. These amounts are capitalized to investment property on the consolidated statements of financial position or expensed to the appropriate expense account, including property operating expense, general and administrative expense, or finance costs from operations, on the consolidated statements of net income and comprehensive income. As at March 31, 2025 and December 31, 2024, the REIT had total accounts payable and accrued liabilities due to related parties of \$586 and \$493, respectively.

The following table breaks out billings for each related party.

Company Name	Ownership & Control	Description of Services	For the three months ended March 31,	
			2025	2024
Call Now HVAC	50% owned by the REIT's Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO"). 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.	\$ 234	\$ 151
BG3	100% owned by the brother of the REIT's CEO.	Provides landscaping and construction services to properties.	\$ 91	\$ 204
Empower Park	Wholly owned by the REIT's CEO and CIO.	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.	\$ 3,121	\$ 1,161
Total			\$ 3,446	\$ 1,516

Flagship Communities Real Estate Investment Trust

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

17. Rental Revenue and Related Income

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. Long term leases may be recognized on a straight line basis over the non-cancellable lease term.

No tenant accounted for more than 10% of the REIT's total rental revenue for the three months ended March 31, 2025 or 2024, respectively.

	For the three months ended March 31,	
	2025	2024
Rental revenue	\$ 20,374	\$ 16,820
Utilities reimbursement	3,704	2,529
Fee income	688	479
Other	15	92
Total	\$ 24,781	\$ 19,920

As at March 31, 2025, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

Year ending December 31,	Base rent
2025	\$ 694
2026	\$ 657
2027	\$ 518
2028	\$ 456
2029	\$ 311
Thereafter	\$ 7,724
Total	\$ 10,360

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 March 31,	
	2025	2024
Utility costs	\$ 3,248	\$ 2,451
Payroll and benefits	1,695	1,413
Taxes and insurance	1,980	1,710
Repairs and maintenance	578	304
Other property-based costs	877	705
Total	\$ 8,378	\$ 6,583

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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 March 31,	
	2025	2024
Payroll and benefits	\$ 1,497	\$ 1,403
Legal / Consulting	365	349
Audit and tax fees	181	156
Taxes and insurance	324	292
Trustee fees	144	127
Travel	116	94
Other	225	251
Total	\$ 2,852	\$ 2,672

20. Finance Costs from Operations

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

	For the three months ended March 31,	
	2025	2024
Interest expense	\$ 227	\$ 253
Interest - mortgages and note	4,862	3,878
Mortgages payable settlement expense	228	2,523
Amortization of deferred financing costs from mortgages and note payable	77	73
Total	\$ 5,394	\$ 6,727

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 totaled \$52 during the three months ended March 31, 2025 (\$47 during the three months ended March 31, 2024).

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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 closing price of a Unit on the TSX for the day immediately preceding the date of grant. RUs are granted at the discretion of the executive team, with approval from the Board of Trustees, 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, 2023	185,242
Restricted Unit issuance (1)	148,593
Distribution reinvestment	9,640
Settlement (2)	(63)
Units forfeited	(2,420)
Units outstanding, December 31, 2024	340,992
Distribution reinvestment	3,460
Settlement (3)	(267)
Units forfeited	(3,365)
Units outstanding, March 31, 2025	340,820

(1) On August 09, 2024 the REIT granted 148,593 RUs at a fair value of \$13.86 per RU for a total grant date fair value of \$2,060.

(2) During the year ended December 31, 2024 the REIT has settled 63 RUs at settlement date fair values ranging from \$13.94 to \$15.81.

(3) During the three months ended March 31, 2025 the REIT has settled 267 RUs at settlement date fair value of \$15.00.

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

	As at March 31, 2025	As at December 31, 2024
Restricted Units, opening balance	\$ 916	\$ 330
Payroll and benefits	219	638
Fair value adjustment - unit based compensation	143	(52)
Restricted Units, ending balance	\$ 1,278	\$ 916

As at March 31, 2025 and December 31, 2024, 41,706 and 42,026 RUs are fully vested and recorded in Other liabilities while 34,116 and 19,441 RUs are unvested and 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, which 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 closing price of a Unit on the TSX for the day 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, 2023	55,656	\$ 887
Trustee fees	31,793	486
Distribution reinvestment	2,948	45
Fair value adjustment - unit based compensation		(70)
Units outstanding, December 31, 2024	90,397	\$ 1,348
Trustee fees (1)	9,576	143
Distribution reinvestment (2)	1,021	15
Fair value adjustment - unit based compensation		195
Units outstanding, March 31, 2025	100,994	\$ 1,701

(1) Trustee fees related to the issuance of DTU for the three months ended March 31, 2025 were \$143, resulting in 9,576 DTUs being issued (\$104, resulting in 6,509 DTUs being issued for the three months ended March 31, 2024).

(2) Distributions, that would otherwise be payable in cash, resulted in additional DTUs of 1,021 being issued for the three months ended March 31, 2025 (DTUs of 576 for the three months ended March 31, 2024, respectively).

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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 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.

As at March 31, 2025 and December 31, 2024 the RUs, DTUs, and Class B Units are carried at fair value which is based on the market trading price of a Unit (Level 1).

The mortgages and note payable, net are carried at amortized cost. For disclosure purposes, the fair value of the mortgages and note payable as at March 31, 2025 and December 31, 2024 was estimated by discounting expected cash flows using a rate of 5.86% and 6.00%, respectively, which is the expected rate available for debt of similar terms at the end of each respective period (Level 2).

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

	Fair value as at March 31, 2025		
	Level 1	Level 2	Level 3
Financial Assets and Liabilities			
RUs	\$ (1,278)	-	-
DTUs	\$ (1,701)	-	-
Class B Units	\$ (93,979)	-	-
Mortgages and note payable	-	\$ (369,100)	-

	Fair value as at December 31, 2024		
	Level 1	Level 2	Level 3
Financial Assets and Liabilities			
RUs	\$ (916)	-	-
DTUs	\$ (1,348)	-	-
Class B Units	\$ (83,159)	-	-
Mortgages and note payable	-	\$ (356,007)	-

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24. Changes in Non-cash Working Capital

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

	For the three months ended March 31,	
	2025	2024
Tenant and other receivables, net	\$ 588	\$ (172)
Prepays and other assets	(381)	\$ (623)
Lender escrow deposits	(991)	\$ (118)
Trade and other payables	(1,114)	\$ (1,092)
Other liabilities	174	\$ 806
Change in non-cash working capital	\$ (1,724)	\$ (1,199)

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, Line of Credit, mortgages and note 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.

The REIT's mortgages and note payable contains customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. As at March 31, 2025 and December 31, 2024, the REIT was in compliance with all financial covenants relating to its mortgages and note payable.

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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) Credit 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 March 31, 2025 and December 31, 2024 was a related party debtor (See Note 16). Additionally, the Note Receivable – Related Party accounted for 25.95% and 21.02% 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 and cash equivalents carry 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, as well as the variable rate note 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; unsecured notes payable, 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 a portion of the mortgages and note payable.

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The following tables provide information on the carrying balance and the non-discounted contractual maturities of financial liabilities of the REIT as at March 31, 2025 and December 31, 2024, respectively.

As at March 31, 2025	Carrying	Contractual	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	\$ 811	\$ 811	\$ 811	\$ -	\$ -	\$ -
Other liabilities	16,572	16,572	16,572	-	-	-
Mortgages and note payable	423,280	589,891	18,754	35,100	170,123	365,914
Total	\$ 440,663	\$ 607,274	\$ 36,137	\$ 35,100	\$ 170,123	\$ 365,914

As at December 31, 2024	Carrying	Contractual	Within 1 year	1 to 2 years	2 to 5 years	5+ years
Trade and other payables	\$ 1,925	\$ 1,925	\$ 1,925	\$ -	\$ -	\$ -
Line of credit	3,000	3,000	3,000	-	-	-
Other liabilities	15,647	15,647	15,647	-	-	-
Mortgages and note payable	419,823	573,768	63,379	31,602	165,123	313,664
Total	\$ 440,395	\$ 594,340	\$ 83,951	\$ 31,602	\$ 165,123	\$ 313,664

(C) Interest rate risk

The REIT is exposed to interest rate risk as a result of the Line of Credit and its mortgages and note payable; however, this risk is mitigated through management's strategy to primarily structure its mortgages and note payable in fixed-rate arrangements. The REIT will, from time to time, enter into mortgages and notes payable with variable rates as a way to quickly raise capital as opportunities arise.

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.