

FLAGSHIP COMMUNITIES REAL ESTATE INVESTMENT TRUST
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In US Dollars)

Independent Auditor's Report

To the Unitholders and the Board of Trustees of
Flagship Communities Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Flagship Communities Real Estate Investment Trust (the "Trust"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of net income and comprehensive income, changes in unitholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. This matter was 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 this matter.

Fair Value of Investment Properties — Refer to Notes 3(A), 4 , and 10 of the Financial Statements

Key Audit Matter Description

After initial recognition, investment properties are carried at fair value. The Trust predominantly uses the direct capitalization (“DC”) method to estimate fair value. The critical assumptions relating to the Trust’s estimates of the fair value of its investment properties include the capitalization rate and stabilized net operating income.

While there are several assumptions that are required to determine the fair value of investment properties using the DC method, the critical assumption with the highest degree of subjectivity and impact on fair values is the capitalization rate. Auditing this critical assumption required a high degree of auditor judgment as the estimations made by management contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the capitalization rates used to determine the fair value of the investment properties included the following, among others:

- With the assistance of fair value specialists, evaluated the reasonableness of management’s capitalization rates by considering recent market transactions.

Other Matter

The financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 12, 2025.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to 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 in this auditor’s report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as

management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust'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 Trust or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Trust'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 Trust'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 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 Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Trust as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Craig Irwin.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 9, 2026

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

| | Note | December 31, 2025 | December 31, 2024 |
|--|--------|---------------------|---------------------|
| Current Assets | | | |
| Cash and cash equivalents | 5 | \$ 9,748 | \$ 7,264 |
| Tenant and other receivables, net | 6 | 1,603 | 1,984 |
| Prepays and other assets | 7 | 3,692 | 3,344 |
| Lender escrow deposits | 8 | 4,197 | 3,206 |
| | | 19,240 | 15,798 |
| Other non-current assets | 9 | 140 | 615 |
| Investment properties | 10 | 1,335,325 | 1,087,348 |
| Property and equipment, net | 11 | 3,780 | 3,274 |
| Note receivable - related party | 18 | 2,460 | 2,460 |
| | | 1,341,705 | 1,093,697 |
| Total Assets | | \$ 1,360,945 | \$ 1,109,495 |
| Current Liabilities | | | |
| Trade and other payables | | \$ 667 | \$ 1,925 |
| Line of credit | 12 | - | 3,000 |
| Other liabilities | 13 | 20,178 | 15,647 |
| Mortgages and note payable, net | 14 | 1,905 | 45,271 |
| Class B Units | 15, 25 | 111,548 | 83,159 |
| | | 134,298 | 149,002 |
| Mortgages and note payable, net | 14 | 531,723 | 374,552 |
| Other non-current liabilities | 16 | 6,198 | 290 |
| | | 537,921 | 374,842 |
| Total Liabilities | | 672,219 | 523,844 |
| Unitholders' Equity | | | |
| Unitholders' equity | 17 | 688,726 | 585,651 |
| Total Liabilities and Unitholders' Equity | | \$ 1,360,945 | \$ 1,109,495 |

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, | |
|--|------|---------------------------------|-------------------|
| | | 2025 | 2024 |
| Rental revenue and related income | 19 | \$ 103,385 | \$ 88,130 |
| Property operating expenses | 20 | 34,961 | 29,692 |
| Net Operating Income | | 68,424 | 58,438 |
| Other Expenses/(Income) | | | |
| General and administrative expenses | 21 | 11,683 | 10,951 |
| Finance costs from operations | 22 | 21,943 | 19,176 |
| Accretion of mark-to-market adjustment on mortgages payable | 14 | (222) | (290) |
| Depreciation | 11 | 533 | 485 |
| Other (income) | | (1,415) | (2,170) |
| Fair value adjustment - Class B Units | 15 | 28,389 | (5,805) |
| Distributions on Class B Units | | 3,507 | 3,336 |
| Fair value adjustment - investment properties | 10 | (112,822) | (70,641) |
| Fair value adjustment - unit based compensation | 24 | 1,161 | (122) |
| Net Income and Comprehensive Income | | \$ 115,667 | \$ 103,518 |

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 | Distributions | Cumulative Net Income | Unitholders' Equity |
|-------------------------------------|------|-------------------|--------------------|--------------------------|------------------------|
| Balance, December 31, 2023 | | \$ 243,352 | \$ (22,404) | \$ 215,126 | \$ 436,074 |
| Units issued, net of issuance costs | 17 | 57,082 | - | - | 57,082 |
| Net income and comprehensive income | | - | - | 103,518 | 103,518 |
| Distributions | 17 | - | (11,023) | - | (11,023) |
| Balance, December 31, 2024 | | \$ 300,434 | \$ (33,427) | \$ 318,644 | \$ 585,651 |
| Issuance costs | 17 | (392) | - | - | (392) |
| Net income and comprehensive income | | - | - | 115,667 | 115,667 |
| Distributions | 17 | - | (12,200) | - | (12,200) |
| Balance, December 31, 2025 | | \$ 300,042 | \$ (45,627) | \$ 434,311 | \$ 688,726 |

See accompanying notes to the consolidated financial statements.

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

| | | For the year ended December 31, | |
|---|------|---------------------------------|-----------------|
| | Note | 2025 | 2024 |
| Cash flow provided by operating activities | | | |
| Net income | | \$ 115,667 | \$ 103,518 |
| Add (deduct): | | | |
| Unit based compensation | 24 | 1,655 | 1,169 |
| Finance costs from operations | 22 | 21,943 | 19,176 |
| Accretion of mark-to-market adjustment on mortgages payable | 14 | (222) | (290) |
| Depreciation | 11 | 533 | 485 |
| (Gain) on disposal | 10 | (50) | - |
| Interest income | 18 | (304) | (510) |
| Fair value adjustments | | (83,272) | (76,568) |
| Distributions declared on Class B Units | | 3,507 | 3,336 |
| Change in non-cash working capital | 26 | (1,822) | 2,351 |
| | | \$ 57,635 | \$ 52,667 |
| Cash flow provided by financing activities | | | |
| Proceeds from issuance of Units, net of costs | | - | 57,082 |
| Distributions paid to Unitholders | 17 | (12,146) | (10,782) |
| Distributions paid to Class B Unitholders | | (3,491) | (3,323) |
| Cash paid for redemption of Class B Units | | - | (78) |
| Change in line of credit | | (3,000) | (7,000) |
| Proceeds from mortgages payable | 14 | 203,358 | 118,894 |
| Financing costs associated with financing activities | 14 | (4,929) | (1,734) |
| Repayment of mortgages payable and note payable | 14 | (110,919) | (49,035) |
| Interest paid | | (19,735) | (18,876) |
| Mortgages payable settlement expense | 14 | - | (2,059) |
| | | \$ 49,138 | \$ 83,089 |
| Cash flow (used in) investing activities | | | |
| Cash paid for investment property acquisitions | 10 | (79,876) | (100,007) |
| Change in other non-current assets | | 475 | (481) |
| Cash received for investment property disposal | 10 | 1,796 | 2,529 |
| Capital expenditures on investment properties | 10 | (25,948) | (37,762) |
| Cash paid for property and equipment | 11 | (1,039) | (1,077) |
| Interest received | 18 | 303 | 492 |
| | | \$ (104,289) | \$ (136,306) |
| Increase (decrease) in cash and cash equivalents | | \$ 2,484 | \$ (550) |
| Cash and cash equivalents, beginning of year | | 7,264 | 7,814 |
| Cash and cash equivalents, end of year | | \$ 9,748 | \$ 7,264 |

See accompanying notes to the consolidated financial statements.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 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 December 31, 2025, the REIT owns 85 MHCs, 2 recreational vehicle resort communities, and 2 commercial real estate buildings located across Arkansas, Illinois, Indiana, Kentucky, Missouri, Ohio, Tennessee, and West Virginia (December 31, 2024 – 80, 2 and 2, respectively).

2. Basis of Presentation

(A) Statement of compliance

The consolidated financial statements of the REIT have been prepared in accordance with IFRS® Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements were approved by the Board of Trustees on March 9, 2026.

(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 are 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, 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 Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

3. Material Accounting Policies

(A) Investment properties

Properties are determined to be investment properties when they are 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 carried 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 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 properties and the cost can be measured reliably. To the extent such costs exceed the fair value of such properties, the excess would be expensed. All repairs and maintenance costs are expensed as incurred.

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 net operating income to the total MHC value. The 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 estimated capital expenditures or management fees to reflect an as is value. The REIT intends to have approximately of 1/3 of the portfolio appraised annually, by an independent third-party appraiser, such that the majority of the portfolio is appraised every 3 years. The REIT uses these appraisals along with other market data as part of the internal valuation methodology when determining fair value.

Investment properties are derecognized when they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their disposal. Prior to their disposal, the carrying value of the investment properties are adjusted to reflect the 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 properties (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) Investment properties acquisitions

When investment properties are 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.

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

If the REIT chooses not to apply the concentration test, or the test is failed, then the assessment focuses on whether 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”); and
3. Measured at fair value through other comprehensive income.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows, the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the asset is not designated at FVTPL.

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 amortized cost using the effective interest method.

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

| <i>Financial Instrument</i> | <i>Measurement under IFRS 9</i> |
|---|---------------------------------|
| Cash and cash equivalents | Amortized cost |
| Tenant and other receivables, net | Amortized cost |
| Prepays 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 (excluding DTUs) | Amortized cost |
| Mortgages payable and note payable, net | Amortized cost |
| Class B Units | FVTPL |
| Other non-current liabilities (excluding RUs) | Amortized cost |
| RUs | FVTPL |
| DTUs | FVTPL |

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

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

(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, except for a financial asset or financial liability at FVTPL, whereby the transaction costs are expensed. 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, along with 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 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

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

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 in the principal market for the asset or liability or, 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 is available, and maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

All assets and liabilities that are measured or disclosed at fair value 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

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

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, 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 consist of autos and trucks, office and maintenance equipment, as well as furniture and fixtures. 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. 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 |

(G) Lender escrow deposits

Escrows for real estate taxes, insurance, and capital repairs are held in trust by the mortgagor for payment on behalf of the REIT.

(H) Mortgages and Note Payable, net

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

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

(1) Deferred financing costs

Directly attributable financing costs are capitalized and amortized over the term of the related mortgages and note payable using the effective interest method. Amortization of deferred financing costs is included in finance costs in the consolidated statements of net income and comprehensive income.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

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

(2) Mark-to-market adjustment

The REIT recognized a mark-to-market adjustment upon assuming some mortgages payable at acquisition, which was the principal amounts discounted using expected market interest rates. This adjustment is accreted over the course of the remaining life of these mortgages and included in accretion of mark-to-market adjustment on mortgages payable in the consolidated statements of net income and comprehensive income. If a mortgage payable is settled prior to maturity, any remaining mark-to-market adjustment will be recorded as a (gain) loss on mortgage payable settlement recorded in finance costs from operations 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 are payable.

(J) Trust Units

The REIT is authorized to issue an unlimited number of 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 not to 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.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

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If an equity offering is considered probable, professional, consulting, regulatory, and other costs directly attributable to the offering are recorded as deferred issuance costs until the equity offering is completed. Upon completion of the offering, the related deferred issuance costs are recorded as a reduction of the proceeds from the offering. Deferred issuance costs related to an equity offering that is not completed are expensed as transaction costs in the period in which the offering is abandoned. Amounts associated with an equity offering expected within 12 months of the reporting period are presented as current assets on the consolidated statement of financial position, while amounts associated with equity offerings beyond 12 months are classified as non-current assets.

(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. Operating leases entered into with tenants provide the tenant with the right to control the use of an identified asset for a period of time and may also require the REIT to provide additional services. Revenue from investment properties include rents, and fees from tenants under leases, including amenity fees, operating cost recoveries, including utilities reimbursements or common area maintenance ("CAM"), and other revenue. 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 revenue and fee income

Revenue from investment properties represents the majority of the REIT's revenue and includes rental income from tenants under short-term non-cancellable leases, generally with terms of one year or less, which typically convert to month-to-month arrangements at the end of the initial term, as well as other miscellaneous fee income charged to tenants under the terms of their leases. Leases with terms in excess of one year are considered long-term. Rental revenue from long-term leases, including the effects of any free rent periods and contractual rental increases over the lease term, is recognized on a straight-line basis over the full term of the lease. Rental payments are generally due from tenants at the beginning of each month.

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IFRS 16, *Leases* (“IFRS 16”), provides guidance on lease components, including base rent and recoveries of realty taxes and insurance, which are accounted for within the scope of IFRS 16 and are not within the scope of IFRS 15. Other income, such as utilities recoveries, parking revenue, and miscellaneous tenant fees, represents non-lease components and is accounted for within the scope of IFRS 15.

For leases with original expected terms of one year or less, the REIT applies the practical expedient available under IFRS 15 and does not disclose information about remaining performance obligations.

(2) Utilities reimbursements or CAM

Revenue 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) Other

Revenue arising from contracts with telecommunications operators either as a one-time flat fee, made in consideration for the exclusive equipment and marketing rights at a MHC, or as a percentage of monthly gross billings paid to the operator. All other revenue is recognized as earned.

(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 mortgages and note payable, mortgages payable settlement expense, (gain) on mortgages payable settlement, and amortization of deferred financing costs. Mortgages payable settlement expense is comprised of prepayment penalties, defeasance, amortization of financing costs, and other costs associated with the refinance and payoff of certain mortgages payable prior to maturity. (Gain) on mortgages payable settlement includes any mark-to-market adjustment remaining at the time of refinance and payoff of associated mortgages payable prior to maturity. 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.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

(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 on a straight-line basis over the vesting period at their grant-date fair value within payroll and benefits, which are included in general and administrative expenses on the consolidated statements of net income and comprehensive income, with a corresponding increase in the related liability. As the respective RUs vest, the liability is reclassified to a current liability. Grant-date fair value represents the total value of the award. The liability is remeasured each reporting 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 within trustee fees, which are included in general and administrative expenses on the consolidated statements of net income and comprehensive income, with a corresponding increase in the related liability. Grant-date fair value represents the value of trustee fees that the non-employee trustee elects to receive in the form of DTUs. The liability is remeasured each reporting 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.

Flagship Communities Real Estate Investment Trust

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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, 2025

(1) IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*, which will replace IAS 1 and aims to enhance comparability and transparency in financial reporting.

The standard introduces new requirements for the presentation and disclosure of financial information, including the separation of income and expenses into categories for operating, investing, and financing activities, with subtotals for each. It also mandates the disclosure and reconciliation of management-defined performance measures in a dedicated note to the financial statements and strengthens the requirements for aggregation and disaggregation of financial data.

The new standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The REIT is currently assessing the impact of the new standard.

(2) IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 that clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities with an exception for derecognition of financial liabilities settled via an electronic transfer.

Under the amendments, a financial liability is extinguished when the entity transfers cash or other financial assets to the counterparty and no longer has the practical ability to withdraw or cancel the payment. Entities applying this policy choice are subject to additional disclosures under IFRS 7.

The amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted. The REIT is currently assessing the impact of the amendments but does not anticipate any material effects on its consolidated financial statements.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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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, judgments and assumptions include the fair values assigned to investment properties, Class B Units, RUs, and DTUs. Actual results may differ from these estimates.

(1) Estimates

The fair value of investment properties is dependent on available comparable transactions, cash flows, discount rates and capitalization rates applicable to those assets.

In addition to reviewing 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.

(2) Judgments

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. Cash and cash equivalents

| | As at | |
|--------------------------|-------------------|-------------------|
| | December 31, 2025 | December 31, 2024 |
| Operating accounts | \$ 2,476 | \$ 5,003 |
| Tenant security deposits | 2,169 | 2,168 |
| Money market | 5,103 | 93 |
| Total | \$ 9,748 | \$ 7,264 |

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

6. Tenant and Other Receivables, Net

| | As at December 31, 2025 | As at December 31, 2024 |
|---------------------------------|----------------------------|----------------------------|
| Tenant receivables | \$ 952 | \$ 985 |
| Other receivables | 701 | 1,044 |
| Allowance for doubtful accounts | (50) | (45) |
| Total | \$ 1,603 | \$ 1,984 |

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

| | For the year ended December 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 | \$ 50 | \$ 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 18). 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 an estimate recoverable amount when the REIT has reason to believe that the tenant will not be able to fulfill its obligations under the lease agreement.

7. Prepays and Other Assets

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

| | As at December 31, 2025 | As at December 31, 2024 |
|-----------------------------|----------------------------|----------------------------|
| Prepaid insurance | \$ 1,854 | \$ 1,739 |
| Deferred issuance costs | 17 | 392 |
| Other prepaids and deposits | 1,811 | 1,213 |
| Total | \$ 3,692 | \$ 3,344 |

8. Lender Escrow Deposits

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

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

9. Other Non-Current Assets

Other non-current assets include funds held in escrow for future investment property acquisitions, funds held in escrow for future financing, as well as deferred issuance costs related to the re-establishment of the base shelf prospectus dated August 8, 2025. As at December 31, 2025 and 2024, the REIT had other non-current assets of \$140 and \$615, respectively.

10. 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 | | For the year ended | |
|---|--------------------|------------------|--------------------|-----------|
| | December 31, 2025 | | December 31, 2024 | |
| Investment properties, opening balance | \$ | 1,087,348 | \$ | 880,310 |
| Capital expenditures (1) | | 25,948 | | 38,919 |
| Acquisition of investment properties | | 110,953 | | 100,007 |
| Disposal of investment properties (2) | | (1,746) | | (2,529) |
| Fair value adjustment - investment properties | | 112,822 | | 70,641 |
| Investment properties, ending balance | \$ | 1,335,325 | \$ | 1,087,348 |

(1) During the years ended December 31, 2025 and 2024 the REIT purchased 156 and 312 rental homes, respectively, and incurred additional capital expenditure necessary to bring the homes to a condition suitable for leasing. The total cost of the 156 and 312 rental home additions was \$9,316 and \$16,354, respectively. Rental homes are primarily sourced from a related party, Empower (see Note 18).

During the year ended December 31, 2024, \$1,157 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 years ended December 31, 2025 and 2024 the REIT disposed of 111 rental homes totaling \$1,746 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 Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

During the year ended December 31, 2025, the REIT had the following investment property activity:

| Community | Acquisition Date | Assets | | Liabilities | Consideration from the REIT | |
|----------------------------|------------------|-----------------------|-----------------------|-------------|-----------------------------|------------------------------------|
| | | Investment properties | All additional assets | Liabilities | Cash and cash equivalents | Assumed Mortgages and Note Payable |
| Madison 627 (1) | 3/21/2025 | \$ 1,133 | \$ - | \$ - | \$ 1,133 | \$ - |
| Sawyer Pointe (1) | 8/22/2025 | 30,692 | - | 5,970 | 13,270 | 11,452 |
| Village Green | 10/31/2025 | 45,539 | 141 | 94 | 45,586 | - |
| Lebanon | 11/21/2025 | 7,918 | 121 | 38 | 4,682 | 3,318 |
| Miami View | 11/21/2025 | 11,636 | 97 | 8 | 7,666 | 4,060 |
| New Richmond | 11/21/2025 | 14,035 | 167 | 45 | 7,539 | 6,618 |
| | | \$ 110,953 | \$ 526 | \$ 6,155 | \$ 79,876 | \$ 25,448 |
| Expansion Acquisitions (2) | 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) Both the March 21, 2025 and August 22, 2025 acquisitions were purchased from a related party (see Note 18)

(2) The May 14, 2024 acquisitions were funded with proceeds from an equity offering (see Note 17) as well as a bridge note.

As at December 31, 2025 the REIT had Investment properties with fair value of \$1,111,242 pledged as collateral against mortgages payable (see note 14).

The REIT used an internal valuation methodology, with inputs from external appraisals and other market data, to value the investment properties as at both December 31, 2025 and 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 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 changes in inflation, interest rates, or general economic conditions, the fair value of investment properties may change materially.

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(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, 2025 | As at December 31, 2024 |
|-------------------------|----------------------------|----------------------------|
| High | 9.00 % | 8.75 % |
| Low | 4.50 % | 4.50 % |
| Weighted Average | 4.95 % | 5.11 % |
| % Change | | |
| + 0.25% | (4.85) % | (4.90) % |
| - 0.25% | 5.37 % | 4.98 % |
| \$ Change | | |
| + 0.25% | (\$60,017) | (\$49,591) |
| - 0.25% | \$66,507 | \$50,416 |

11. 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 | 76 | 853 | 110 | - | 1,039 |
| As at December 31, 2025 | \$ 286 | \$ 4,696 | \$ 591 | \$ - | \$ 5,573 |
| Accumulated depreciation | | | | | |
| As at December 31, 2023 | \$ 33 | \$ 725 | \$ 43 | \$ 64 | \$ 865 |
| Depreciation | 21 | 386 | 52 | 26 | 485 |
| Reclassification (1) | - | - | - | (90) | (90) |
| As at December 31, 2024 | \$ 54 | \$ 1,111 | \$ 95 | \$ - | \$ 1,260 |
| Depreciation | 26 | 433 | 74 | - | 533 |
| As at December 31, 2025 | \$ 80 | \$ 1,544 | \$ 169 | \$ - | \$ 1,793 |
| 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 December 31, 2025 | \$ 206 | \$ 3,152 | \$ 422 | \$ - | \$ 3,780 |

(1) During the year ended December 31, 2024, \$1,157 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.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

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

12. 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 January 15, 2027 and incurs interest at Prime plus 0.50%. As at December 31, 2025 and 2024 there was \$NIL and \$3,000 outstanding on the Line of Credit and unamortized deferred financing costs were \$NIL 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 both December 31, 2025 and 2024.

13. Other Liabilities

| | As at December 31, 2025 | As at December 31, 2024 |
|---------------------------------|----------------------------|----------------------------|
| Property related accruals | \$ 3,592 | \$ 4,149 |
| Finance costs payable | 2,220 | 1,095 |
| Tenant security deposits | 4,926 | 4,322 |
| Distributions payable | 1,361 | 1,291 |
| Unearned revenue | 3,538 | 2,816 |
| Unit based compensation payable | 4,541 | 1,974 |
| Total | \$ 20,178 | \$ 15,647 |

14. 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 December 31, 2025 | As at December 31, 2024 |
|---|----------------------------|----------------------------|
| Mortgages and note payable | \$ 539,400 | \$ 421,513 |
| Unamortized mark-to market adjustment | 982 | 1,204 |
| Unamortized deferred financing costs | (6,754) | (2,894) |
| Total mortgages and note payable | \$ 533,628 | \$ 419,823 |
| Less: current portion | (1,905) | (45,271) |
| Amount classified as non-current portion | \$ 531,723 | \$ 374,552 |

The REIT's weighted average contractual annual interest rate on its mortgages and note payable as at December 31, 2025 and 2024 was approximately 4.54% 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 mortgages and a variable rate note.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

The mortgages and note payable balances as at December 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 |
|----------------------------------|--------------------|
| 2026 | \$ 1,905 |
| 2027 | 12,904 |
| 2028 | 3,321 |
| 2029 | 18,000 |
| 2030 | 172,885 |
| Thereafter | 330,385 |
| Total | \$ 539,400 |

The REIT's mortgages payable are collateralized by investment properties. The 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 both December 31, 2025 and 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 | For the year ended December 31, 2024 |
|--|---|---|
| Mortgages and note payable, net, opening balance | \$ 419,823 | \$ 353,369 |
| <i>Cash Flows</i> | | |
| Proceeds from mortgages payable | 203,358 | 118,894 |
| Financing costs associated with financing activities | (4,929) | (1,734) |
| Repayment of mortgages payable | (110,919) | (49,035) |
| | \$ 507,333 | \$ 421,494 |
| <i>Non-Cash Changes</i> | | |
| Acquisitions of investment property (Note 10) | \$ 25,448 | \$ - |
| (Gain) from mortgages payable settlement | - | (2,277) |
| Mortgages payable settlement expense | 567 | 463 |
| Accretion of mark-to-market adjustment on mortgages payable | (222) | (290) |
| Amortization of deferred financing costs | 502 | 433 |
| Mortgages and note payable, net, ending balance | \$ 533,628 | \$ 419,823 |

15. Class B Units

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

As at December 31, 2025 and 2024, distributions payable on Class B Units was \$304 and \$288, respectively.

Flagship Communities Real Estate Investment Trust

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

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 | | | 28,389 |
| Class B Units, December 31, 2025 | 5,577,411 | \$ | 111,548 |

16. Other Non-Current Liabilities

Other non-current liabilities consist of unvested RUs and a contractual obligation assumed during the year ended December 31, 2025. This obligation is expected to convert to a note payable upon completion of an infrastructure project. As at December 31, 2025 and 2024, the REIT had other non-current liabilities of \$6,198 and \$290, respectively.

17. 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 unitholder's 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 |
| Less: issuance costs (2) | | | (392) |
| Units outstanding, December 31, 2025 | 19,402,056 | \$ | 300,042 |

Transaction costs relating to equity offerings and over-allotment options are charged directly to transaction expense, as applicable.

The short form base shelf prospectus and ATM Offering prospectus supplement, filed on June 7, 2023 and June 28, 2023, respectively, lapsed on July 8, 2025.

(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.

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(2) Issuance costs relating to the April 2024 Offering, including underwriters' fees and other costs directly associated, were approximately \$3,329 and were charged directly to unitholders' equity. Of this amount, \$392 resulted from deferred issuance costs that were subsequently charged directly to unitholders' equity.

Following the lapsing of the REIT's previous short form base shelf prospectus dated June 7, 2023, the REIT filed a new base shelf prospectus dated August 8, 2025.

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.

On October 15, 2025 the REIT announced that the Board of Trustees approved a 5.4% increase to its cash distribution to unitholders to \$0.0545 per Unit per month or \$0.654 per Unit per year. The new monthly cash distribution commenced with the October 2025 distribution, paid in November 2025.

For the years ended December 31, 2025 and 2024 the REIT declared distributions to unitholders of record in the amount of \$12,200 (\$0.0517 per Unit per month until the November 15, 2025 distribution at which time the amount increased to \$0.0545 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 December 31, 2025 and 2024 was \$1,057 and \$1,003, respectively.

18. Related Party Transactions

The REIT and Empower, an entity majority-owned by the REIT's Chief Executive Officer ("CEO") and Chief Investment Officer ("CIO"), 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 or agreements relating directly to the specific transaction. Under the Services Agreement, Empower conducts all manufactured home sales for homes located on the REIT's investment properties, including home sales to the REIT for use in its rental fleet. The REIT has agreed to pay floor plan interest on homes located on its investment properties and reimburse Empower for any losses incurred from home sales within those properties.

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. 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 year ended December 31, 2025, interest income, included in other (income) in the consolidated statements of net income and comprehensive income, was \$304 (\$212 for the year ended December 31, 2024).

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- (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 (see Note 10). This parcel of land is fully developed and shares the infrastructure of the adjoining community.
- (3) On August 22, 2025 the REIT acquired a 504 lot manufactured housing community from a related party, Empower, for \$30,590 which represented 95% of the appraised value (see Note 10). Total consideration exchanged was \$24,722 and consisted of \$13,270 of cash along with the assumption of \$11,452 of existing mortgages.
- (4) During the years ended December 31, 2025 and 2024 the REIT purchased 153 rental homes totaling \$8,448 and 287 rental homes totaling \$14,717, respectively, from a related party, Empower. Some of these rental homes required additional capital expenditure to bring them to a condition suitable for leasing (see Note 10).
- (5) For the year ended December 31, 2025, the REIT billed Empower a total of \$2,700, of which, \$2,538 was payroll and benefits, \$146 was management fees, and \$16 was other miscellaneous items, respectively (\$2,492; \$2,320; \$154; \$18, respectively, for the year ended December 31, 2024). These amounts are recorded within the same expense account to 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 December 31, 2025 and 2024, the REIT had a receivable, included in tenant and other receivables, net, from Empower of \$630 and \$906, respectively.
- (6) For the year ended December 31, 2025, 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 December 31, 2025 and 2024, the REIT had total accounts payable and accrued liabilities due to related parties of \$10 and \$493, respectively. The following table breaks out billings for each related party.

| Company Name | For the year ended December 31, | |
|----------------------------|---------------------------------|-----------------|
| | 2025 | 2024 |
| Call Now HVAC ¹ | \$ 1,026 | \$ 1,107 |
| BG3 ² | 593 | 941 |
| Empower Park ³ | 1,000 | 1,194 |
| Total | \$ 2,619 | \$ 3,242 |

¹ Entity is 50% owned by the REIT's CEO and CIO. The managing member is a non-related party. The entity provides HVAC services to various properties, including installation of new air conditioning units and maintenance of existing systems.

² Entity is 100% owned by the brother of the REIT's CEO. It provides landscaping and construction services to various properties.

³ Entity is wholly owned by the REIT's CEO and CIO. It acquires and develops MHCs that do not meet the REIT's investment criteria, sells manufactured homes located on the REIT's investment properties, including home sales to the REIT for use in its rental fleet. These transactions are quantified in Note 18 outside of this table. The REIT has agreed to pay floor plan interest on homes located on its investment properties and reimburse Empower for any losses incurred from home sales within those properties. These amounts are quantified in this table.

Payroll and benefits include \$2,765 incurred to key management personnel during the year ended December 31, 2025, which includes short-term employee payroll and benefits, and RUs (\$2,470 for the year ended December 31, 2024).

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19. 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 are 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 years ended December 31, 2025 and 2024, respectively.

| | For the year ended December 31, | |
|-------------------------|---------------------------------|------------------|
| | 2025 | 2024 |
| Rental revenue | \$ 84,912 | \$ 73,444 |
| Utilities reimbursement | 15,516 | 11,963 |
| Fee income | 2,903 | 2,402 |
| Other | 54 | 321 |
| Total | \$ 103,385 | \$ 88,130 |

As at December 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 |
|--------------------------|------------------|
| 2026 | \$ 804 |
| 2027 | 692 |
| 2028 | 671 |
| 2029 | 608 |
| 2030 | 462 |
| Thereafter | 10,070 |
| Total | \$ 13,307 |

20. 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, | |
|----------------------------|---------------------------------|------------------|
| | 2025 | 2024 |
| Utility costs | \$ 13,477 | \$ 11,236 |
| Payroll and benefits | 7,159 | 6,498 |
| Taxes and insurance | 8,371 | 7,220 |
| Repairs and maintenance | 2,395 | 1,899 |
| Other property-based costs | 3,559 | 2,839 |
| Total | \$ 34,961 | \$ 29,692 |

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21. 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, | |
|----------------------|---------------------------------|------------------|
| | 2025 | 2024 |
| Payroll and benefits | \$ 6,312 | \$ 5,660 |
| Legal / Consulting | 1,724 | 1,865 |
| Audit and tax fees | 779 | 640 |
| Taxes and insurance | 1,103 | 674 |
| Trustee fees | 573 | 580 |
| Travel | 478 | 520 |
| Other | 714 | 1,012 |
| Total | \$ 11,683 | \$ 10,951 |

22. Finance Costs from Operations

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

| | For the year ended December 31, | |
|--|---------------------------------|------------------|
| | 2025 | 2024 |
| Interest expense | \$ 675 | \$ 962 |
| Interest - mortgages and note payable | 20,199 | 17,535 |
| Mortgages payable settlement expense | 567 | 2,523 |
| (Gain) on mortgages payable settlement | - | (2,277) |
| Amortization of deferred financing costs from mortgages and note payable | 502 | 433 |
| Total | \$ 21,943 | \$ 19,176 |

23. 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 \$227 during the year ended December 31, 2025 (\$195 during the year ended December 31, 2024).

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24. 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 |
| Restricted Unit issuance (3) | 125,354 |
| Distribution reinvestment | 13,645 |
| Settlement (4) | (1,459) |
| Units forfeited | (13,322) |
| Units outstanding, December 31, 2025 | 465,210 |

(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) On August 08, 2025 the REIT granted 125,354 RUs at a fair value of \$17.65 per RU for a total grant date fair value of \$2,212.

(4) During the year ended December 31, 2025 the REIT has settled 1,459 RUs at settlement date fair values ranging from \$15.00 to \$19.40. For the periods presented, the following table summarizes the RUs activity.

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| | As at December 31, 2025 | As at December 31, 2024 |
|---|----------------------------|----------------------------|
| Restricted Units, opening balance | \$ 916 | \$ 330 |
| Payroll and benefits | 992 | 638 |
| Fair value adjustment - unit based compensation | 595 | (52) |
| Restricted Units, ending balance | \$ 2,503 | \$ 916 |

As at December 31, 2025 and 2024, 98,218 and 42,026 RUs are fully vested and recorded in Other liabilities while 26,973 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) | 34,446 | 593 |
| Distribution reinvestment (2) | 4,006 | 70 |
| Fair value adjustment - unit based compensation | | 566 |
| Units outstanding, December 31, 2025 | 128,849 | \$ 2,577 |

(1) Trustee fees related to the issuance of DTU for the year ended December 31, 2025 were \$593, resulting in 34,446 DTUs being issued (\$486 resulting in 31,793 DTUs being issued for the year ended December 31, 2024).

(2) Distributions, that would otherwise be payable in cash, resulted in additional DTUs of 4,006 being issued for the year ended December 31, 2025 (DTUs of 2,948 for the year ended December 31, 2024).

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25. Fair Value Measurement

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's financial instruments, or non-financial instruments including investment property:

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

The REIT used an internal valuation methodology, with inputs from appraisals and other market data, to value the investment properties. Such an internal valuation methodology uses significant unobservable inputs resulting in investment properties being classified as Level 3 fair value measurements.

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 both December 31, 2025 and 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 December 31, 2025 and 2024 was estimated by discounting expected cash flows using a rate of 5.64% 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 summarizes the categories and fair values of the REIT's financial, and non-financial, instruments.

| | Fair value as at December 31, 2025 | | |
|----------------------------|------------------------------------|--------------|-----------|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Investment properties | \$ - | - | 1,335,325 |
| Liabilities | | | |
| RUs | \$ (2,503) | - | - |
| DTUs | \$ (2,577) | - | - |
| Class B Units | \$ (111,548) | - | - |
| Mortgages and note payable | - | \$ (493,580) | - |

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| | Fair value as at December 31, 2024 | | |
|----------------------------|------------------------------------|--------------|-----------|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Investment properties | \$ - | - | 1,087,348 |
| Liabilities | | | |
| RUs | \$ (916) | - | - |
| DTUs | \$ (1,348) | - | - |
| Class B Units | \$ (83,159) | - | - |
| Mortgages and note payable | - | \$ (356,007) | - |

26. Changes in Non-cash Working Capital

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

| | For the year ended December 31, | |
|---|---------------------------------|-----------------|
| | 2025 | 2024 |
| Tenant and other receivables, net | \$ 382 | \$ (1,015) |
| Prepays and other assets | (740) | (240) |
| Lender escrow deposits | (962) | 783 |
| Trade and other payables | (1,258) | (252) |
| Other liabilities | 756 | 3,075 |
| Change in non-cash working capital | \$ (1,822) | \$ 2,351 |

27. 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.

28. Commitment and Contingencies

The REIT is subject to claims and litigation in the ordinary course of business. The impact of such claims and litigation can, at times, be difficult to estimate with certainty. Moreover, the REIT carries insurance to cover a broad spectrum of matters that may give rise to claims and litigation. As at December 31, 2025 management does not believe that any existing claim or litigation will have a material adverse effect on the business, assets, or results of operations of the REIT and no provision has been recorded as a result.

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29. 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 both December 31, 2025 and 2024, the REIT was in compliance with all financial covenants relating to its mortgages and note payable.

30. 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 REIT's outstanding tenant and other receivables, net balance as at both December 31, 2025 and 2024 was a related party debtor (see Note 18). Additionally, the Note Receivable – Related Party accounted for 17.81% 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 December 31, 2025 and 2024, respectively.

| As at December 31, 2025 | Carrying | Contractual | Within 1 year | 1 to 2 years | 2 to 5 years | 5+ years |
|----------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| Trade and other payables | \$ 667 | \$ 667 | \$ 667 | \$ - | \$ - | \$ - |
| Other liabilities | 20,178 | 20,178 | 20,178 | - | - | - |
| Mortgages and note payable | 533,628 | 734,726 | 28,726 | 64,636 | 254,705 | 386,660 |
| Total | \$ 554,473 | \$ 755,571 | \$ 49,571 | \$ 64,636 | \$ 254,705 | \$ 386,660 |

| 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 may, from time to time, enter into mortgages and notes payable with variable rates.

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.