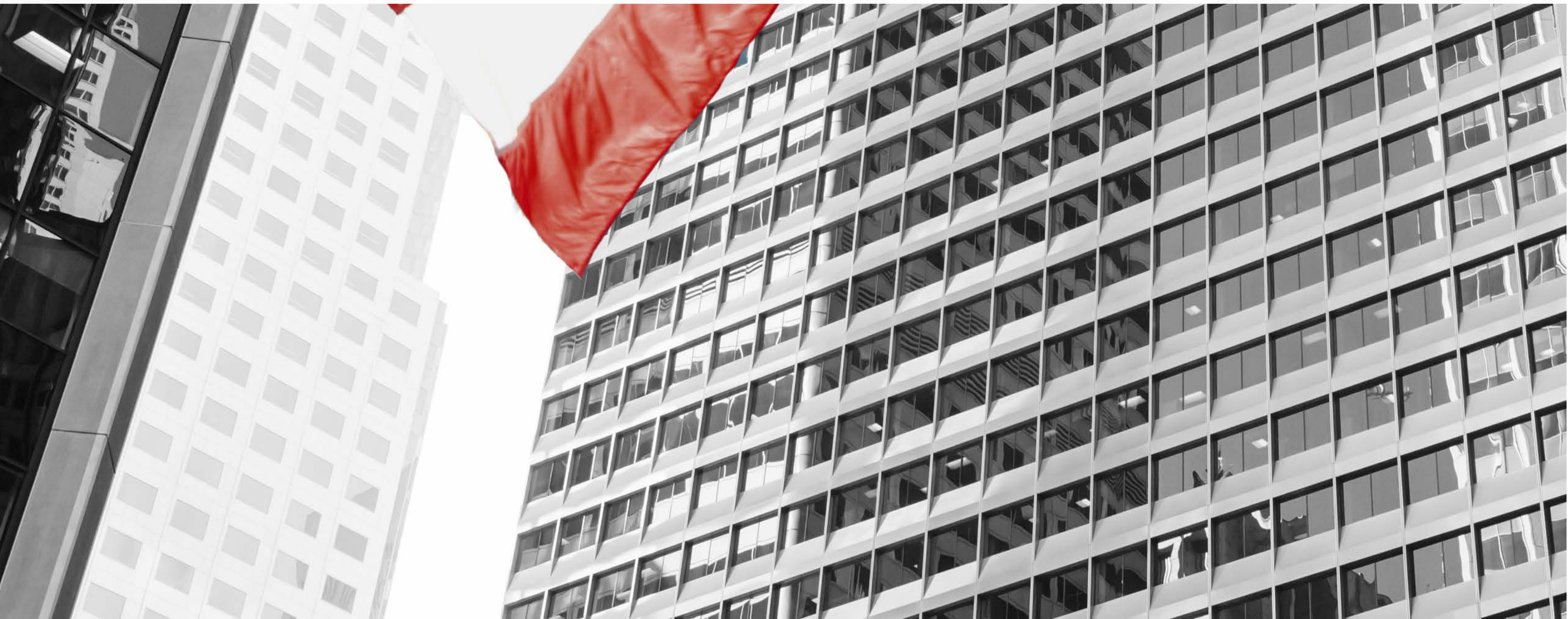
FIRM CAPITAL REAL ESTATE INVESTMENT TRUST

CAPITAL PRESERVATION • DISCIPLINED INVESTING

FINANCIAL STATEMENTS

FOURTH QUARTER 2020
DECEMBER 31, 2020



Consolidated Financial Statements of

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

For the Years Ended December 31, 2020 and 2019

(Expressed in US Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Firm Capital Apartment Real Estate Investment Trust

Opinion

We have audited the consolidated financial statements of Firm Capital Apartment Real Estate Investment Trust (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2020 and December 31, 2019;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in unitholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated balance sheet of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions; and
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2020."

Our opinion on the financial statements does not cover the other information and we do not and will 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 the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2020" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

We also:

- Identify and assess the risks of material misstatement of the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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;
- 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;
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kunal Verma.

Toronto, Canada
March 10, 2021

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Balance Sheets

(Expressed in US Dollars)

	Notes	December 31, 2020	December 31, 2019
Assets			
Current Assets			
Cash and Cash Equivalents		$ 2,909,258	$ 6,408,509
Restricted Cash		657,148	632,011
Accounts Receivable		1,886,414	195,361
Prepaid Expenses and Other Assets		167,645	181,731
Total Current Assets		5,620,465	7,417,612
Non-Current Assets			
Investment Properties	4	49,585,840	48,167,177
Equity Accounted Investments	5	19,596,539	16,082,203
Preferred Investments	5	28,536,024	22,383,164
Preferred Capital Investments	6	5,528,968	5,373,377
Total Non-Current Assets		103,247,371	92,005,921
Total Assets		$ 108,867,836	$ 99,423,533
Liabilities and Unitholders' Equity			
Current Liabilities			
Accounts Payable and Accrued Liabilities	14	2,864,903	2,411,062
Mortgages Payable	9,10	373,540	355,899
Unit Based Liabilities	11(c),(d),(e),17	336,830	37,974
Total Current Liabilities		3,575,273	2,804,935
Non-Current Liabilities			
Mortgages Payable	9,10	17,199,635	17,456,453
Convertible Debentures Payable	8,10	12,169,023	14,039,421
Total Non-Current Liabilities		29,368,658	31,495,874
Total Liabilities		32,943,931	34,300,809
Unitholders' Equity	11	75,923,905	65,122,724
Total Liabilities and Unitholders' Equity		$ 108,867,836	$ 99,423,533

Subsequent Events 19

See accompanying Notes to Consolidated Financial Statements

(signed) "Geoffrey Bledin"
Geoffrey Bledin
Chairman & Trustee

(signed) "Sandy Poklar"
Sandy Poklar
President & CEO

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Income and Comprehensive Income
Years Ended December 31, 2020 and 2019
(Expressed in US Dollars)

	Notes	December 31, 2020	December 31, 2019
Net Rental Income			
Rental Revenue		$ 4,125,175	$ 4,296,303
Property Operating Expenses	15	(2,176,729)	(1,960,474)
		1,948,446	2,335,829
Income from Investments			
Income from Equity Accounted Investments	5	500,502	450,042
Income from Preferred Investments	5	2,375,548	1,745,183
Income from Preferred Capital Investments	6	468,127	292,527
Income from Mortgage Investments	7	110,403	-
		3,454,580	2,487,752
Expenses			
General and Administrative	15	(1,641,263)	(1,612,255)
Finance Costs	15	(1,817,716)	(1,648,304)
		(3,458,979)	(3,260,559)
Net Income Before Fair Value Adjustments		$ 1,944,048	$ 1,563,022
Fair Value Adjustments			
Investment Properties	4	1,088,831	3,086,342
Equity Accounted Investments	5	(240,268)	2,807,848
Convertible Debentures	8,10	1,996,546	-
Unit Based Recovery	11(c),(d),(e),17	681,035	2,858
Foreign Exchange Gain/(Loss)	16	134,162	(166,615)
		3,660,306	5,730,433
Net Income from Continuing Operations		$ 5,604,354	$ 7,293,455
Net Income/(Loss) from Discontinued Operations		-	(237,593)
Net Income and Comprehensive Income		$ 5,604,354	$ 7,055,862

See accompanying Notes to Consolidated Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Changes in Unitholders' Equity
Years Ended December 31, 2020 and 2019
(Expressed in US Dollars)

	Notes	Trust Units	Deficit	Balance
Unitholders' Equity, December 31, 2018		$ 82,938,306	$ (23,227,913)	$ 59,710,394
Normal Course Issuer Bid	11(a)(i)	(6,800)	-	(6,800)
Net Income and Comprehensive Income		-	7,055,862	7,055,862
Distributions	11(f)	-	(1,636,731)	(1,636,731)
Balance at December 31, 2019		82,931,506	(17,808,780)	65,122,724
Revaluation of Warrants and Options	11(d),(e)	-	(979,891)	(979,891)
Balance at January 1, 2020		82,931,506	(18,788,671)	64,142,833
Issuance of Units, Net of Issuance Costs	11(a)(ii)	11,523,781	-	11,523,781
Warrants Exercised	11(a)(iii)	8,500	-	8,500
Normal Course Issuer Bid	11(a)(iv)	(721,004)	-	(721,004)
Trust Unit Repurchase	11(a)(v)	(2,744,200)	-	(2,744,200)
Net Income and Comprehensive Income		-	5,604,354	5,604,354
Distributions	11(f)	-	(1,911,984)	(1,911,984)
Issuance of Units from Distribution Reinvestment Plan	11(b)	21,623	-	21,623
Unitholders' Equity, December 31, 2020		$ 91,020,205	$ (15,096,300)	$ 75,923,905
Trust Units Outstanding				7,714,675

See accompanying Notes to Consolidated Financial Statements

FIRM CAPITAL APARTMENT REAL ESTATE INVESTMENT TRUST

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(Expressed in US Dollars)

Year Ended	Notes	December 31, 2020	December 31, 2019
Cash Flow from (used in) Operating Activities			
Net Income		$ 5,604,354	$ 7,055,862
Add (Deduct):			
Fair Value Adjustments			
Investment Properties	4	(1,088,831)	(2,914,393)
Equity Accounted Investments	5	240,268	(2,807,848)
Convertible Debentures	8,10	(1,996,546)	446,714
Unit Based Recovery	11(c),(d),(e),17	(681,035)	(2,858)
Finance Cost Amortization	9,10,15	118,086	-
Deferred Tax Liability		-	(525,358)
Foreign Exchange Loss on Convertible Debentures	8,10,16	161,916	-
Equity Accounted Investments	5	(401,253)	(185,584)
Preferred Investments	5	(560,452)	(506,061)
Preferred Capital Investments	6	(56,519)	(68,749)
Changes in Non-Cash Operating Working Capital:			
Accounts Receivable		(1,691,053)	(35,974)
Prepaid Expenses and Other Assets		14,086	49,428
Accounts Payable and Accrued Liabilities	14	453,842	161,959
Total Operating Activities		116,862	667,138
Cash Flows from (used in) Investing Activities			
Equity Accounted Investments	5	(5,025,630)	(2,959,335)
Proceeds from Sale of Equity Investments	5	1,672,279	-
Preferred Investments	5	(8,287,177)	(3,308,359)
Preferred Capital Investments	6	(99,072)	(3,304,274)
Redemption of Preferred Equity	5	2,694,769	-
Capital Expenditures on Investment Properties	4	(329,832)	(297,240)
Proceeds from Disposition of Assets Held for Sale		-	2,913,890
Total Investing Activities		(9,374,663)	(6,955,317)
Cash Flows from (used in) Financing Activities			
Issuance of Units, Net of Issuance Costs	11(a)(ii)	11,523,781	-
Issuance of Convertible Debentures	8(b)	-	13,724,465
Issuance of Units, Warrant Exercise	11(a)(iii)	8,500	-
Issuance of Units from Distribution Reinvestment Plan	11(b)	21,623	-
Normal Course Issuer Bid ("NCIB")	11(a)(iv)	(721,004)	(6,800)
Trust Unit Repurchase	11(a)(v)	(2,744,200)	-
Distributions Paid	11(f)	(1,911,984)	(1,617,717)
NCIB - Convertible Debentures	8,10	(35,768)	(1,428,950)
Advances of Mortgages	9,10	-	1,060,000
Repayment of Mortgages	9,10	(357,263)	(1,407,905)
Total Financing Activities		5,783,685	10,323,093
Increase in Cash, Cash Equivalents and Restricted Cash		(3,474,115)	4,034,914
Cash and Cash Equivalents, Beginning of Year		7,040,520	3,005,606
Cash and Cash Equivalents, End of Year		3,566,405	7,040,520
Consisting of:			
Cash and Cash Equivalents		2,909,258	6,408,509
Restricted Cash		657,148	632,011

See accompanying Notes to Consolidated Financial Statements

1. Nature of operations

The predecessor entity, Firm Capital American Realty Partners Corp. (the “Corporation”) was incorporated under the Business Corporations Act (Ontario) on March 19, 2007. On January 1, 2020 (the “Arrangement date”), the Corporation completed its plan of arrangement (the “Arrangement”) to convert the Corporation into a Real Estate Investment Trust (the “Trust”) and began trading under symbols FCA.U and FCA.UN. Under the terms of the Arrangement, each outstanding common share of the Corporation was exchanged for one unit of the Trust. The address of the Trust’s registered office is 163 Cartwright Avenue, Toronto, Ontario, M6A 1V5. On September 21, 2020, the Trust completed a name change to “Firm Capital Apartment Real Estate Investment Trust”.

The consolidated financial statements of the Trust as of January 1, 2020 were not materially changed on completion of the Arrangement.

The Trust is focused on the following investment platforms:

Real Estate Investments:

- Core Markets Wholly Owned Investments: The Trust is focused on growing its wholly owned multi-residential property portfolio in large core markets with attention to cities located in Texas, Florida, New Jersey, North and South Carolina, Colorado, Georgia and New York.
- Core and Non-Core Markets: Joint Venture Investments: The Trust will also purchase in both core and non-core markets where it lacks knowledge or experience, partial ownership interests in multi-residential properties with industry leaders as partners. These partners bring both expertise in operations and knowledge, especially in non-core markets. The Trust strives to have a minimum 50% ownership interest and will fund the equity in a combined preferred/common equity investment structure. The preferred equity provides a fixed rate of return for investors in the Trust, resulting in a secured structure ahead of the partner’s ownership interest, while the common equity provides an upside return for investors as the investment meets its targeted objectives.

Mortgage Debt Investments: The Trust, provides bridge lending of mortgage and preferred capital secured by residential/multi-residential properties.

The consolidated financial statements were approved and authorized for issue by the Board of Trustees on March 10, 2021.

2. Basis of preparation

The consolidated financial statements are prepared on a going concern basis and have been presented in US dollars which is the Trust's reporting currency. Standards and guidelines implemented and effective for the current accounting period are described in note 3.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of measurement

The consolidated financial statements have been prepared on the cost basis except as otherwise noted.

Basis of consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are consolidated from the date control commences until control ceases.

Functional currency

As at December 31, 2020, the functional currency of the Trust and all of its subsidiaries is the US Dollar ("USD").

Investment properties

The Trust uses the fair value method to account for real estate classified as investment properties. The Trust's investment properties are principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

The Trust determines the fair value of the investment properties based on an overall capitalization method which is a generally accepted appraisal methodology. Under the overall capitalization method, year one net operating income is stabilized, incorporates allowances for vacancy, management fees and other operating expenses.

Subsequent capital expenditures are charged to the investment property only when it is probable that the future economic benefits of the expenditure will flow to the Trust and the cost can be measured reliably.

Equity Investments

Investments in entities where the Trust exercises significant influence are accounted for using the equity method and are recorded initially at cost plus the Trust's share of income or loss to date including the fair value adjustments to the underlying investment properties less dividends or distributions received.

Preferred Investments and Preferred Capital Investments

Preferred investments and preferred capital investments are debt and/or equity investments provided to sponsors or borrowers to acquire real estate. These investments are typically ranked above common equity and generate a fixed rate of return over the life of the investment. The investments are recorded at amortized cost.

Assets held for sale and discontinued operations

Non-current assets and groups of assets and liabilities which are comprised of disposal groups are presented as assets held for sale where the asset or disposal group is available for sale in its present condition, and the sale is highly probable. For this purpose, a sale is highly probable if management is committed to a plan to achieve the sale; there is an active program to find a buyer; the non-current asset or disposal group is being actively marketed at a reasonable price; the sale is anticipated to be completed within one year from the date of classification; and it is unlikely there will be changes to the plan. Where an asset or disposal group is acquired with a view to resale, it is classified as a current asset held for sale if the disposal is expected to take place within one year of the acquisition. Non-current assets held for sale and disposal groups are carried at fair value less costs to sell. When a component of an entity has been disposed of, or is reclassified as held for sale, and it represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, the related results of operations and gain or loss on reclassification or disposition are presented in discontinued operations. The profit or loss arising on disposition of assets or disposal groups that do not represent discontinued operations are presented in gains (losses) on disposition of investment properties.

Accounting for acquisitions

The Trust assesses whether an acquisition transaction should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). Accounting for business combinations under IFRS 3 is only applicable if it is determined that a business has been acquired. Under IFRS 3, a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to the Trust. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. In the absence of such criteria, a group of assets is deemed to have been acquired. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand to fund acquisition and other operating requirements. Cash and cash equivalents consists of cash on deposit and liquid money market funds, which are held at major Canadian and American banking institutions.

Financial instruments - recognition and measurement

The Trust recognizes a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Such financial assets or financial liabilities are initially recognized at fair value plus or minus directly attributable transaction costs when a financial asset or financial liability is not recognized at fair value through profit or loss. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Subsequent measurement depends on the initial classification of the financial asset or financial liability.

The classification of financial assets depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified and measured based on the following categories:

- amortized cost
- fair value through other comprehensive income ("FVOCI")
- fair value through profit or loss ("FVTPL")

The following summarizes the Trust's classification of financial assets and liabilities:

	Notes	Classification
Assets		
Preferred Investments	5	Amortized cost
Preferred Capital Investments	6	Amortized cost
Accounts Receivable		Amortized cost
Deposits and Other Assets		Amortized cost
Restricted Cash		Amortized cost
Cash and Cash Equivalents		Amortized cost
Liabilities		
Mortgages Payable	9,10	Amortized cost
Convertible Debentures Payable	8,10	FVTPL
Accounts Payable and Accrued Liabilities	14	Amortized cost
Unit Based Liabilities	11(c),(d),17	FVTPL

Financial Instruments - Impairment

The Trust uses the "expected credit loss" ("ECL") model to assess impairment for financial assets carried at amortized cost.

Accounts receivable

The Trust applies the simplified approach and measures loss allowances at an amount equal to lifetime ECLs. The Trust adopted the practical expedient to determine ECL on accounts receivable based on historical credit loss experiences to estimate lifetime ECLs.

Preferred investments and preferred capital investments

For the preferred investments and preferred capital investments with low credit risk (Stage 1), the Trust determines its credit loss using 12-month ECL approach, and where the credit risk has increased (Stage 2) or in default (Stage 3) the Trust uses a life time ECL approach.

The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual customer/borrower and underlying asset, based on judgement.

When determining the ECL provision, the Trust considers reasonable and supportable information that is relevant and available without undue cost or effort. Management considers past events, current market conditions, and reasonable forecasts of future economic events based on mutually agreed assumptions. In assessing potential economic outcomes, the Trust assess multiple scenarios and evaluates the most probable outcome based on facts and management's expertise.

In the calculation of ECLs, management has considered key macroeconomic variables that are relevant to each investment type. The estimation of future cash flows also includes assumptions about local market for the real estate, availability of future financing and the underlying value of the asset. These assumptions are limited to the availability of comparable market data and the uncertainty of future events. Accordingly, the estimates of impairment are subjective and may not be comparable to the actual outcome. Should the underlying assumptions change, the estimated future cashflows could vary. The Trust exercises judgement to incorporate multiple economic models in the determination of the final ECL.

Revenue recognition

The Trust has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Non- rental revenue is recorded as the services are provided over the term of the rental contract.

Finance costs

Finance costs comprise interest expense on borrowings and impairment losses, if any, recognized on financial assets.

Income taxes

The Trust is a mutual fund that is not a specified investment flow-through trust ("SIFT") for income tax purposes. Accordingly, the Trust is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year. The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2019 - 26%).

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income (loss) except for items recognized directly in equity or in other comprehensive income/ (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax basis, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in net income (loss) in the year of change.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Trust reassesses unrecognized deferred tax assets. The Trust recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Consolidated statement of cash flows

The Trust prepares its consolidated statement of cash flows using the indirect method. The Trust classifies interest received and paid as part of operating activities in the consolidated statement of cash flows.

Significant estimates and judgements

The preparation of the consolidated financial statements requires management to make estimates and judgements that affect the classification and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and judgements. In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required.

The estimates and judgements used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, which has resulted in the federal and provincial governments, as well as U.S. federal and state governments. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines and a general reduction in consumer activity and the institution of government programs to assist in addressing the economic impact of COVID-19. While these affects are expected to be temporary, the duration of the business disruption and related financial impact cannot be reasonably estimated at this time and may be instituted, terminated and re-instituted from time to time as the COVID-19 outbreak worsens or waves of the COVID-19 outbreak occur from time to time.

The extent of the effect of the ongoing COVID-19 pandemic on the Trust's operational and financial performance will depend numerous factors, including the duration, spread and intensity of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, all of which are uncertain and difficult to predict considering that the situation continues to evolve rapidly. As a result, it is not currently possible to ascertain the long term impact of COVID-19 on the Trust's business and operations. The Trust is continuously monitoring the impact of COVID-19. In the preparation of the consolidated financial statements, the Trust has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the carrying amounts of its assets. Refer to note 4.

Equity accounted investments

Judgement is used to determine that the Trust exercises significant influence over the operating and financing activities of the associate instead of joint control.

Impairment of Preferred Investments and Preferred Capital Investments

Management uses judgement in assessing factors discussed above in assessing ECL.

Impairment of Trade receivables

Management uses judgement in assessing factors discussed above in assessing ECL.

Investment properties

The Trust uses significant estimates in the calculations for capitalization rates, inflation rates, vacancy rates, and net rental income.

Accounting for acquisitions

Judgement is used by management in determining whether the acquisition of an individual property, or group of properties, qualifies as a business combination in accordance with IFRS 3 or as an asset acquisition.

Unitholders' Equity

As part of the Arrangement completed on January 1, 2020 the common shares of the predecessor Corporation were converted into trust units. The Trust Units are redeemable at the option of the holder and, therefore, are considered puttable instruments in accordance with International Accounting Standard 32 (IAS 32) and as further described in note 11(a). 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, puttable instruments may be presented as equity. To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption". The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings.

Unit-based compensation

Estimating fair value for unit-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including expected life of the unit-based payment, volatility and dividend yield.

The Trust has issued options, warrants and deferred trust units (collectively the "Units") as outlined in notes 8, 11(c),(d) and 17 of these consolidated financial statements. These Units were granted to senior management, the Board of Trustees of the Trust, investors in the convertible debenture offering (note 8) and the unit issuance (note 11(a)(ii)). These Units provide holders with the right to receive Trust Units, which are puttable. The Trust measures these Units at fair value at the grant date, a compensation recovery/ expense is recognized over the vesting period. The fair values of the units are determined at both the Arrangement date and each reporting period and the change in fair value is recognized as a fair value adjustment to financial instruments. Unit-based compensation is classified as a liability.

On the Arrangement date, the Trust measured the options and warrants at fair value using the Black-Scholes model resulting in a decrease of $979,891. This reduction for the options and warrants was adjusted through opening retained earnings (note 11(d)).

3. New Changes in Accounting Policies

(i) Amendments to IFRS 3. The IASB published amendments to IFRS 3 in relation to whether a transaction meets the definition of a business combination. The amendments clarify the definition of a business, as well as provide additional illustrative examples, including those relevant to the real estate industry. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, and to asset acquisitions that occur on or after the beginning of that period. The Trust adopted the amendments on January 1, 2020 and the adoption did not result in a material impact to these consolidated financial statements.

(Expressed in US Dollars unless otherwise noted)

(ii) Amendments to References to the Conceptual Framework in IFRS Standards. On March 29, 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the Framework), that underpins IFRS Standards. The IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. Both documents are effective from January 1, 2020 with earlier application permitted. The Trust adopted the amendments on January 1, 2020 and the adoption did not result in a material impact to these consolidated financial statements.

(iii) Definition of Material (Amendments to IAS 1 and IAS 8). On October 31, 2018, the IASB refined its definition of material and removed the definition of material omission or misstatements from IAS 8. The definition of material has been aligned across IFRS Standards and the Framework. The amendments provide a definition and explanatory paragraphs in one place. Pursuant to the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective for annual periods beginning on or after January 1, 2020.The Trust adopted the amendments on January 1, 2020 and the adoption did not result in a material impact to these consolidated financial statements.

4. Investment properties

	December 31, 2020	December 31, 2019
Balance, beginning of year	$ 48,167,177	$ 44,783,595
Building improvements	329,832	297,240
Fair value adjustments to investment properties	1,088,831	3,086,342
Balance, end of year	$ 49,585,840	$ 48,167,177

The investment properties as at December 31, 2020 consist of 311 multi-family apartment units in three buildings located in Florida and Texas.

The Trust determined the fair value of the investment properties using a combination of an internally managed valuation model and property appraisals. The key valuation assumptions for the properties are set out in the following table:

	December 31, 2020	December 31, 2019
Capitalization rate	4.50%	4.75%

In light of the COVID-19 pandemic, the Trust has updated its assumptions used in determining the fair value of investment properties. Capitalization rates used in the valuation of investment properties, equity accounted and preferred investments as at December 31, 2020 are based on current market data available.

The Trust continues to review its cash flow projections and the fair value of its real estate portfolio in these challenging times. Capitalization rates could change materially as additional market data becomes available. As such, significant changes in assumptions concerning rental income, occupancy rates, tenant inducements and future market rents could negatively impact future real estate valuations and the Trust's overall operations as COVID-19 continues.

The fair values of the Trust's investment properties are sensitive to changes in key valuation assumptions. Changes in capitalization rates would result in a change in fair value of the Trust's investment properties as set out in the following table:

	December 31, 2020
	$
Capitalization rate increase by 25 basis points	(2,610,000)
Capitalization rate decrease by 25 basis points	2,917,000

5. Equity accounted and preferred investments

The Trust has invested in the following equity accounted and preferred investments.

(In $millions unless otherwise stated).

Location	Units	Investment Properties	Ownership %	Pro- Rata Ownership of Investment Properties	Equity Accounted Investment	Preferred Investment	Total Investment	Preferred Yield
New York City	129	$ 34.3	22.8%	$ 7.8	$ -	$ 5.8	$ 5.8	8%
Brentwood, MD	118	19.1	25.0%	4.8	2.2	0.1	2.3	8%
Irvington, NJ	189	21.2	50.0%	10.6	2.4	2.7	5.1	9%
Houston, TX	235	24.2	50.0%	12.1	4.8	3.6	8.4	9%
Bronx, NY	132	25.7	50.0%	12.8	2.4	5.2	7.6	8%
Hartford, CT	109	13.4	50.0%	6.7	1.2	1.1	2.3	8%
Canton, GA	138	19.5	50.0%	9.7	1.7	2.5	4.2	8%
Houston, TX	250	25.5	50.0%	12.8	1.3	3.5	4.8	9%
Hyattsville, MD	235	38.5	50.0%	19.3	3.6	4.0	7.7	8%
Total/ Weighted	**1,535**	**$ 221.4**	**43.6%**	**$ 96.6**	**$ 19.6**	**$ 28.5**	**$ 48.1**	**8.3%**

The Trust has significant influence over these equity accounted and preferred investments as further outlined below:

New York City: Certain officers and trustees of the Trust have an indirect interest or management oversight of approximately 14.6% of the preferred equity and 7.3% of the common equity;

Brentwood, Maryland: Certain officers and trustees of the Trust have an indirect interest or management oversight of approximately 20.0% of the common equity; and

Outlined below are the details of the Trust's net investment in the equity accounted investment comprised of common equity, accounted for using the equity method and preferred equity, accounted as preferred investment loans carried at amortized cost, along with the balance sheet and statement of income (each at 100% of the underlying property) and income allocation from the equity accounted and preferred investments for the years ended December 31, 2020 and December 31, 2019:

(Expressed in US Dollars unless otherwise noted)

	December 31, 2020	December 31, 2019
Equity Accounted and Preferred Investments, Beginning of Year	$ 38,465,367	$ 28,698,180
Investments		
- Preferred Investments	8,287,177	3,308,359
- Equity Accounted Investments	5,025,630	2,959,335
- Common Equity Disposition	(1,672,279)	-
- Redemption of Preferred Equity	(2,694,769)	-
Income Earned		
- Equity Accounted Investments	500,502	450,040
- Fair Value Adjustments	(240,268)	2,807,848
- Interest on Preferred Investments	2,375,548	1,745,183
Less: Distributions and interest received	(1,914,345)	(1,503,580)
Equity Accounted and Preferred Investments, End of Year	**$ 48,132,563**	**$ 38,465,367**

	December 31, 2020	December 31, 2019
Assets		
Cash	$ 709,568	$ 883,977
Restricted Cash	3,036,713	2,843,411
Accounts Receivable	962,889	531,860
Other Assets	816,782	719,398
Investment Properties	221,398,580	189,714,434
	$ 226,924,532	**$ 194,693,081**
Liabilities		
Accounts Payable	2,754,339	2,213,869
Security Deposits	826,920	1,085,447
Mortgages	145,514,689	124,648,326
	$ 149,095,949	**$ 127,947,642**
Equity		
Retained Earnings	$ 11,665,219	$ 11,263,777
Preferred Equity	35,935,735	30,229,177
Common Equity	30,227,629	25,252,485
	$ 77,828,583	**$ 66,745,438**
	$ 226,924,532	**$ 194,693,081**
Investment Allocation for the Trust		
Equity Accounted Investments	$ 19,596,539	$ 16,082,204
Preferred Investments	28,536,024	22,383,163
	$ 48,132,563	**$ 38,465,367**

(Expressed in US Dollars unless otherwise noted)

	Years Ended			
		December 31, 2020		December 30, 2019
Net Income				
Rental Revenue	$	21,573,542	$	16,517,038
Property Operating Expenses		(11,135,627)		(7,960,708)
Net Rental Income	**$**	**10,437,914**	**$**	**8,556,330**
General & Administrative		(80,900)		(289,466)
Interest Expense		(6,850,585)		(4,929,246)
Fair Value Adjustments		(1,965,009)		3,886,118
Net Income Before Interest from Preferred Investments	**$**	**1,541,421**	**$**	**7,223,737**
Less: Interest from Preferred Investments		(3,392,057)		(2,358,936)
Net Income	**$**	**(1,850,636)**	**$**	**4,864,800**
Income Earned by the Trust				
Common Equity	$	500,502	$	450,042
Fair Value Adjustments		(240,268)		2,807,848
Preferred Equity		2,375,548		1,745,183
	$	**2,635,782**	**$**	**5,003,073**

On April 4, 2019, the Trust closed an equity accounted and preferred investment to acquire a 109 unit multi-family residential portfolio comprised of two buildings located in Hartford, CT (the “Hartford Portfolio”). The purchase price of the Hartford Portfolio was $13.0 million (including transaction costs). The acquisition was financed with a $10.0 million 4.81% first mortgage due April 3, 2039 and $3.0 million of equity. The Trust contributed $0.6 million (100% ownership) of preferred equity yielding 8% and $1.2 million of common equity, representing a 50% ownership stake in the investment.

On September 27, 2019, the Trust closed an equity accounted and preferred investment to acquire a 138 unit multi-family residential building located in Canton, GA (the “Canton Acquistion”). The purchase price for 100% of the Canton Acquisiton was $19.3 million (including transaction costs). The Canton Acquistion was financed, in part with a $14.0 million, 4.0% first mortgage due on September 26, 2029. The Trust contributed $2.1 million (100% ownership) of preferred equity yielding 8% and $1.6 million of common equity representing a 50% ownership interest in the investment.

On Janaury 31, 2020, the Trust closed an equity accounted and preferred investment to acquire a 250 unit multi-family residential building located in Houston, TX (the “Woodglen Acquisition”). The purchase price for 100% of the Woodglen Acquisiton was $27.9 million (including transaction costs). The Woodglen Acquistion was financed, in part with a $22.1 million, 4.6% first mortgage due on February 9, 2023. The Trust contributed $3.4 million (100% ownership) of preferred equity yielding 8% and $1.2 million of common equity representing a 50% ownership interest in the investment.

On September 22, 2020, the Trust closed an equity accounted and preferred investment to acquire a 235 unit multi-family residential portfolio located in Hyattsvile, MD (the “North Pointe Acquistion”). The purchase price for 100% of the North Point Acquistion was $40.5 million (including transaction costs). The North Point Acquistion was financed, in part with a $29.7 million, 3.0% first mortgage due on September 22, 2032. The Trust contributed $4.0 million of preferred equity yielding 8% and $3.4 million of common equity representing a 50% ownership interest in the investment.

On December 23, 2020, the Trust completed a sale of its interest in fourteen multi-family buildings located in Bridgeport, Connecticut to its joint venture partner (the “Bridgeport Sale”). The Trust received net proceeds of approximately $4.5 million from the Bridgeport Sale consisting of a repayment of its preferred equity (inclusive of accrued interest) of $2.8 million and $1.7 million of common equity, respectively.

The Trust establishes its loss provisions applicable to its preferred investments using a 12 month ECL approach. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and where in default to stage 3. The determination of significant increase in credit risk considers different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual borrower and underlying asset, based on judgement.

(Expressed in US Dollars unless otherwise noted)

Preferred investments and associated allowance for losses on preferred investments accounted at amortised cost at December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020			December 31, 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred investments	$ 22,760,425	$ -	$5,979,670	$17,055,350	$5,327,814	$ -
Allowance for losses of preferred investments	-	-	(204,071)	-	-	-
Preferred Investments, net of allowances	**$ 22,760,425**	**$ -**	**$5,775,599**	**$17,055,350**	**$5,327,814**	**$ -**

6. Preferred capital investments

On December 18, 2017, the Trust closed a participation of $2.5 million in a $12.0 million preferred capital loan (the "New York Preferred Capital") to fund the acquisition of a portfolio of three apartment buildings located in New York, New York. The New York Preferred Capital earns an interest rate of 12% per annum during its initial term of three years and, if the term is extended for a further two years, at an interest rate thereafter that is the greater of 13% or London Interbank Offered Rate ("LIBOR") plus 10% per annum. The investment yield is interest only and the loan may be repaid by the borrower prior to maturity in whole or in part upon 30 days prior written notice.

On September 24, 2018, $2.5 million of the New York Preferred Capital was repaid leaving a principal balance of $9.5 million. Subsequently, on June 5, 2019, an additional $1.0 million was advanced leaving a total principal balance of $10.5 million. As at December 31, 2020, the Trust's pro-rata principal balance was $2.5 million.

On July 1, 2020, the New York Preferred Capital loan was extended and will mature on January 1, 2023 earning 12% interest of which 9% will be paid monthly while the remainder will be paid on maturity.

On November 15, 2019, the Trust closed on a participation of $3.0 million in a $10.0 million preferred capital loan (the "Houston Preferred Capital") for a portfolio of five apartment buildings located in Houston, Texas. The Houston Preferred Capital earns an interest rate of 12% per annum during its initial term of two years, following which, if the term is extended, it earns an interest rate of 18% per annum. As at December 31, 2020, the Trust's pro-rata principal balance was $3.0 million.

The Trust categorizes its preferred capital investments using a 12 month expected credit loss approach. Investments with a low credit risk are assigned to stage 1, increased credit risk to stage 2 and an where in default to stage 3. The determination of significant increase in credit risk takes into account different factors which vary based on the investment. The Trust assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due and certain criteria are met which are specific to the individual borrower and underlying asset, based on judgement.

Preferred capital investments and associated allowance for losses on preferred capital investments accounted at amortised cost at December 31, 2020 and December 31, 2019 are as follows:

(Expressed in US Dollars unless otherwise noted)

	December 31, 2020			December 31, 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Preferred capital investments	$ 3,030,140	$ -	$2,568,670	$ 3,000,000	$ -	$2,373,377
Allowance for losses of preferred capital investments	-	-	(69,842)	-	-	-
Preferred Capital Investments, net of allowances	**$ 3,030,140**	**$ -**	**$2,498,828**	**$ 3,000,000**	**$ -**	**$2,373,377**

7. Mortgage Investments

During the year ended December 31, 2020, the Trust invested in the following mortgages:

(a) On April 28, 2020, the Trust invested CAD$1.0 million in a CAD$5.0 million, interest only, mortgage financing four real estate development sites located in Markham and Stouffville, Ontario (the “Stouffville Mortgage”). The Stouffville Mortgage is a first lien mortgage for one site and a second lien mortgage for the remaining three sites. The Stouffville Mortgage is a 9.75% interest only mortgage with a 2-year term. On June 28, 2020, the Trust invested an additional CAD$0.6 million into the Stouffville Mortgage.

(b) On April 30, 2020, the Trust invested CAD $0.13 million in its CAD$1.0 million participation of a CAD$7.25 million, interest only, first lien mortgage financing two real estate sites in Ottawa, Ontario and Erlanger, Kentucky. (the “Ottawa and Kentucky Mortgages”). The Ottawa and Kentucky Mortgages are 9% interest only with a 1-year term.

(c) On May 4, 2020, the Trust invested CAD $3.0 million in a CAD$14.25 million, interest only, first lien mortgage financing three real estate sites located in Toronto, Ontario. (the “Toronto Mortgages”). The Toronto mortgage are 9.5% interest only mortgages with a 18- month term.

On September 15, 2020, the Trust sold its interest in all the mortgages. As of December 31, 2020, the Trust’s balance in these mortgage investments was $nil.

8. Convertible debentures payable

(a) The Trust had 7.0% unsecured subordinated convertible debentures (the “Previous Debentures”). The principal balance of the Previous Debentures as at December 31, 2018 was $1.3 million and had the ability to be converted into units of the Trust at $33.82 per trust unit. The maturity date on the Previous Debentures was July 31, 2019. During 2019, the Trust repaid the outstanding principal of $1.4 million. The Trust re-allocated $1.2 million representing the equity portion of the Previous Debentures into Contributed Surplus as the conversion option was not exercised.

(b) On August 8, 2019, the Trust closed a $13.7 million (CAD $18.1 million based on the Bank of Canada daily noon rate of exchange $1.3257), 6.25% convertible unsecured unsubordinated debenture (the “Convertible Debenture”) offering. On August 13, 2019, the Trust closed an additional $1.0 million (CAD $1.3 million based on the Bank of Canada daily noon rate of exchange of $1.3236) of the Convertible Debenture. The Convertible Debenture is due on June 30, 2026. The Convertible Debenture can be converted into trust units at an exercise price of CAD $12.60 per trust unit (the “Conversion Option”) at any time prior to June 30, 2026. Each Convertible Debenture Unit also includes 79 trust unit purchase warrants (the “Warrants”) of the Trust. The warrants are exercisable at an exercise price of CAD $12.60 per trust unit for a period of two years expiring on August 7, 2021.

As the functional currency of the Trust is USD, the Conversion Option and Warrants were classified as embedded derivatives. The Trust has elected to classify and measure the Convertible Debenture at FVTPL based on the trading price of the applicable debentures at each reporting date with changes in fair value being recognized in finance costs.

(Expressed in US Dollars unless otherwise noted)

On May 20, 2020, The Trust received approval from the TSXV to commence a Normal Course Issuer Bid ("NCIB") to purchase up to $1,810,800 principal amount of the Convertible Debentures being equal to 10% of the public float. The NCIB commenced on April 30, 2020 and will end on the earlier of April 29, 2021, or at such time as the NCIB has been completed. For the year ended December 31, 2020, the Trust purchased convertible debentures with a face value of CAD $61,000 for CAD $47,710 ($35,768)

9. Mortgages payable

	December 31, 2020	December 31, 2019
Mortgage Payable	$ 17,653,669	$ 18,010,932
Less: current portion	(373,540)	(355,899)
Less: unamortized financing costs	(80,494)	(198,580)
	$ 17,199,635	$ 17,456,453

As at December 31, 2020, the Trust had mortgages payable secured by the multi-family properties of $17,573,175 (including the current portion and net of unamortized financing costs) (December 31, 2019- $17,812,352) which bear interest at a weighted average interest rate of 4.37% (December 31, 2019- 4.37%) per annum, and have maturity dates ranging between October 2022 and June 2023.

The following annual payments of principal and interest are required over the next three years in respect of these mortgages:

	Principal	Interest	Total
2021	$ 375,241	$ 775,148	$ 1,150,389
2022	11,210,634	676,134	11,886,768
2023	6,067,792	127,451	6,195,243
Total	$ 17,653,669	$ 1,578,733	$ 19,232,400

10. Changes in debt

The following table sets out an analysis of the movements in net debt during 2020 and 2019:

	Notes	Mortgages	Convertible Debentures
As at December 31, 2018		$18,110,732	$ 1,346,716
Repayments		(1,407,905)	(1,428,000)
Advances	9	1,060,000	14,654,540
Change in fair value of convertible debenture		-	(918,196)
Foreign exchange loss	16	-	303,077
Finance costs amortization	9	49,525	81,284
As at December 31, 2019		**$17,812,352**	**$ 14,039,421**
Repayments		(357,263)	-
Normal course issuer bid	8(b)	-	(35,768)
Finance costs amortization	9	118,086	-
Change in fair value of convertible debenture	8	-	(1,996,546)
Foreign exchange loss	16	-	161,916
As at December 31, 2020		**$17,573,175**	**$ 12,169,023**

11. Unitholders' Equity

(a) Trust Units

In accordance with the Declaration of Trust, the Trust may issue an unlimited number of Trust Units and Class B Units. The Board of Trustees of the Trust has discretion with respect to the timing and amount of distributions.

Trust Units and Class B Units

No Trust Unit or Class B Unit will have any preference or priority over another. Each Trust Unit or Class B Unit represents a Unitholder's proportionate, undivided beneficial ownership interest in the Trust and confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the Trust.

Conversion of Class B Units

Each Class B Unit is convertible at any time, at the option of the holder and/or Trust thereof, into a Trust Unit, on the basis of one Trust Unit for each Class B Unit so converted. Notice of conversion of Class B Units will be given to and by each holder of Class B Units to be converted by the Trust not less than 30 and not more than 60 days prior to the date fixed for conversion.

Redemption of Trust Units and Class B Units at Option of Holder

Trust Units or Class B Units are redeemable at any time on demand by the holders by way of a redemption notice. Upon receipt of the redemption notice by the Trust, all rights to and under the Trust Units or Class B Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Trust Unit or Class B Unit (the "**Redemption Price**") equal to:

(i) in respect of the Trust Units, the lesser of: (1) 90% of the Market Price (as such term is hereinafter defined) of the Trust Units calculated on the date (the "**Redemption Date**") on which the Trust Units were surrendered for redemption; and (2) 100% of the Closing Market Price (as such term is hereinafter defined) on the principal market on which the Trust Units are listed for trading, on the Redemption Date; and

(ii) in respect of the Class B Units, the Designated Percentage (as such term is hereinafter defined) of the Net Asset Value per Trust Unit and Class B Unit (as such term is hereinafter defined) calculated at the Valuation Time immediately preceding the date (the "**Class B Redemption Date**") on which the Class B Units were surrendered for redemption.

For purposes of this calculation, the "**Market Price**" as at a specified date will be:

(i) an amount equal to the weighted average trading price of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;

ii) an amount equal to the weighted average of the Closing Market Prices of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or

(iii) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Trust Units for each day on which there was no trading; the closing price of the Trust Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Trust Units for each day that there was trading, if the market provides only the highest and lowest prices of Trust Units traded on a particular day.

The "**Closing Market Price**" of a Trust Unit for the purpose of the foregoing calculations, as at any date will be:

(i) an amount equal to the weighted average trading price of a Trust Unit on the principal exchange or market on which the Trust Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the Trust Units on the specified date;

(ii) an amount equal to the closing price of a Trust Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Trust Units on the specified date;

(iii) an amount equal to the simple average of the highest and lowest prices of the Trust Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Trust Units on the specified date; or

(iv) the simple average of the last bid and last asking prices of the Trust Units on the principal market or exchange, if there was no trading on the specified date.

Further, for the purposes of the foregoing, "Net Asset Value of the Trust" as at a specified date means the total value of Trust's assets less the total of the Trust's liabilities, in each case, as at such date and in accordance with the applicable provisions of the Declaration of Trust, and "Net Asset Value per Trust Unit and Class B Unit" as at a specified date will be an amount equal to the Net Asset Value of the Trust on such date, divided by the number of issued and outstanding Trust Unit and Class B Units on such date. The Net Asset Value of the Trust and Net Asset Value per Trust Unit and Class B Unit shall be determined as of the Valuation Time on each Valuation Date.

(Expressed in US Dollars unless otherwise noted)

The aggregate Redemption Price payable by the Trust in respect of any Trust Unit or Class B Unit surrendered for redemption during any calendar month within 30 days after the end of the calendar month in which the Trust Units or Class B Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Trust Units or Class B Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Trust Unit or Class B Unit and all other Trust Unit or Class B Units tendered for redemption in the same calendar month must not exceed $50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) in respect of the Trust Units only, on the date such Trust Unit or Class B Units are tendered for redemption, the outstanding Trust Units must be listed for trading or quoted on any stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) in respect of the Trust Units only, the normal trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, in any market where the Trust Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately before the Redemption Date; and (iv) in respect of the Trust Units only, the redemption of the Trust Units must not result in the delisting of the Trust Units from the principal stock exchange on which the Trust Units are listed.

Redemption of Class B Units at Option of Trust
The Trust will be entitled to redeem at any time or from time to time at the demand of the Trust and upon giving notice, all or any part of the Class B Units by payment of an amount in cash for each Class B Unit so redeemed (the "**Trust Redemption Price**") of the Net Asset Value per Trust Unit and Class B Unit calculated at the Valuation Time immediately preceding the Trust Redemption Date. Notice of redemption of Class B Units will be given to each holder of Class B Units to be redeemed by the Trust not less than 30 and not more than 60 days prior to the date fixed for redemption or conversion, as applicable.

Trust Units as at December 31, 2020 are as follows:

	Notes	Number of units		Value
Balance at December 31, 2018		6,936,306	$	82,938,306
Less: Normal Course Issuer Bid	11(a)(i)	(1,000)		(6,800)
Balance at December 31, 2019		6,935,306		82,931,506
Issuance of Units:				
Marketed Offering	11(a)(ii)	1,590,000		11,523,781
Distribution Reinvestment Plan	11(b)	2,669		21,623
Warrant Exercise	11(a)(iii)	1,000		8,500
Less: Normal Course Issuer Bid	11(a)(iv)	(128,100)		(721,004)
Less: Trust Unit Repurchase	11(a)(v)	(686,200)		(2,744,200)
Balance at December 31, 2020		7,714,675	$	91,020,205

(i) On January 30, 2019, the Trust repurchased 1,000 Trust Units through a Normal Course Issuer Bid at a price of $6.80 per Trust Unit for total gross proceeds of approximately $0.007 million.

(ii) On March 13, 2020, the Trust closed a marketed offering of 1,590,000 Trust Units at a price of $8.20 (CAD $10.90 per Trust Unit based on the Bank of Canada daily noon rate of exchange of $1.3745). The Trust raised total gross proceeds of $12.6 million ($11.5 million net of issuance costs and allocation to warrants).

(iii) On May 27, 2020, 1,000 warrant options were exercised resulting in net proceeds of $0.008 million, while the remaining options expired.

(iv) On April 28, 2020, the Trust received approval from the TSXV Venture Exchange to commence a Normal Course Issuer Bid ("NCIB") to purchase up to 645,442 of its trust units being equal to 10%

(Expressed in US Dollars unless otherwise noted)

of the public float. The NCIB commenced on April 30, 2020 and will end on the earlier of April 29, 2021, or such time as the bid has been completed. For the year ended December 31, 2020, the Trust repurchased 128,100 Trust Units for a total gross cost of $0.7 million at a weighted average cost of $5.75 per Trust Unit.

(v) On July 27, 2020, the Trust redeemed and cancelled 686,200 Trust Units at a price of $4.00 (CAD $5.35) per Trust Unit representing a total gross cost of $2.7 million (CAD $3.7 million).

*(b) Distribution Reinvestment Plan (**"DRIP"**)*

On September 29, 2017, the Trust announced that it had implemented a dividend reinvestment plan (the "**DRIP**") and a unit purchase plan (the "**Purchase Plan**" and collectively with the DRIP, the "**Plans**"), each to be offered to holders of trust unit resident in Canada and administered by TSX Trust Company (the "**Agent**"). On January 1, 2020, the Plans were assumed by the Trust pursuant to the Arrangement. The Plans enable Unitholders to increase their investment in the Trust by receiving distribution payments and/or optional cash payments in the form of Trust Units. Pursuant to the DRIP and Purchase Plan, holders of Trust Units may elect to: (a) have all cash distributions of the Trust automatically reinvested in additional Trust Units at the Average Market Price and (b) purchase Trust Units by contributing optional cash payments to the Trust, which will be invested for additional Trust Units at the Average Market Price.

If the Average Market Price is less than US$8.10, (the "**Reference Price**"), the Agent shall use such funds to purchase, at a cost less than the Reference Price, additional Trust Units for the participants through the facilities of the TSXV for a period of five (5) trading days following the relevant distribution date. To the extent the Agent is unable to purchase additional Trust Units at a cost less than the Reference Price because Trust Units are not offered or are offered at prices which, after payment of brokerage fees or commissions, would result in a cost at or exceeding the Reference Price, then the remaining funds will be applied to the purchase of Trust Units from the treasury of the Trust at the Reference Price. If the Average Market Price is equal to or more than the Reference Price, the funds will be applied to the purchase of Trust Units from the treasury of the Trust at the Average Market Price.

A minimum purchase of $3,000 on the last business day of each calendar quarter (a "**Quarterly Purchase Date**") and maximum purchases of up to $12,000 per year (payable in one lump sum or from time to time on a Quarterly Purchase Date) are permitted under the DRIP and Purchase Plan. The aggregate number of Trust Units that may be issued under the DRIP and Purchase Plan may not exceed in each year 2% of the number (at the commencement of the fiscal year of the Trust) of the outstanding Trust Units.

For the year ended December 31, 2020, 2,669 Trust Units were issued from treasury for total gross proceeds of $21,623 to Unitholders who elected to receive their distributions under the DRIP.

(c) Unit Based Liabilities

The Trust's unit-based liabilities consists of the following:

Unit Based Liabilities	**Notes**	**December 31, 2020**	**December 31, 2019**
Warrants	11(d)	$ 15,338	$ -
Options	11(e)	290,174	-
Deferred Trust Units	17	31,318	37,974
Total Unit Based Liabilities		**$ 336,830**	**$ 37,974**

(Expressed in US Dollars unless otherwise noted)

(d) Warrants

The Trust had the following warrants outstanding and exercisable as at December 31, 2020:

Issuance Date	Number of warrants		Weighted average exercise price		Warrants Reserve	Expiry Date
August 8, 2019 (i)	1,534,812	$	CAD 12.60	$	-	August 7, 2021
March 13, 2020 (ii)	1,590,000	$	10.75	$	15,338	March 13, 2022
Total/ Weighted Average	3,124,812	$	10.01	$	15,338	

The warrant reserve was calculated using the Black Scholes model. The following assumptions were used:

Warrant Assumptions		December 31, 2020		January 1, 2020
Stock Price	$	5.37	$	6.51
Exercise Price		$10.75		$8.50-$9.50
Expected Life in Years		1.20		0.41-0.86
Annualized Volatility		30.00%		30.00%
Annual Rate of Monthly Dividends	$	0.24	$	0.24
Discount Rate - Bond Equivalent Yield		0.17%		1.65%

On the Arrangement date, the Trust classified the Warrants and Options as financial derivatives and measured them at fair value using the Black-Scholes model resulting in a decrease of $979,891. This reduction for the Warrants and Options was adjusted through opening retained earnings.

(i) On August 8, 2019, the Trust issued 1,534,812 Warrants as part of the Convertible Debenture offering as further described in note 8(b) of these consolidated financial statements. The warrants have an exercise price of CAD $12.60 per Trust Unit and expire on August 7, 2021. As the functional currency of the Trust is USD, the Warrants were classified as embedded derivatives. The Trust has elected to classify and measure the Convertible Debenture at FVTPL with changes in fair value being recognized in finance costs and not in the warrant reserve.

(ii) On March 13, 2020, the Trust issued 1,590,000 Warrants as part of the equity offering as further described in note 11(a)(ii) of these consolidated financial statements. The Warrants have an exercise price $10.75 per Trust Unit and expire on March 13, 2022.

(iii) On May 27, 2020, 1,000 warrants were exercised resulting in net proceeds of $0.008 million, while the remaining options expired.

For the year ended December 31, 2020, the recovery from its warrants was $293,802.

(e) Options

The Trust has a 10% rolling incentive stock option plan which provides for the issuance of incentive stock options to directors, management, employees and consultants of the Trust.

The Trust had the following options outstanding and exercisable on December 31, 2020:

Issuance Date	Number of Options		Weighted average exercise price		Options Reserve	Expiry Date
August 17, 2017	368,738	$	7.50	$	181,103	August 17, 2027
November 19, 2018	248,400	$	8.30	$	109,071	November 19, 2028
Total/ Weighted Average	617,138	$	7.82	$	290,174	

(Expressed in US Dollars unless otherwise noted)

The option reserve was calculated using the Black Scholes model. The following assumptions were used:

Option Assumptions	December 31, 2020	January 1, 2020
Stock Price	$ 5.37	$ 6.51
Exercise Price	$7.50-$8.30	$7.50-$8.30
Expected Life in Years	6.63-7.89	7.69-8.89
Annualized Volatility	30.00%	30.00%
Annual Rate of Monthly Dividends	$ 0.24	$ 0.24
Discount Rate - Bond Equivalent Yield	0.17%	1.65%

For the year ended December 31, 2020, the recovery for the options was $381,144.

(f) Distribution

For the year ended December 31, 2020, the Trust declared distributions of $0.236 per Trust Unit resulting in total distributions of $1,911,984 (2019- $1,636,731). As at December 31, 2020, the Trust accrued $455,170, which is included in its accounts payable and accrued liabilities (2019- $409,183).

12. Risks

Risk management

In the normal course of its business, the Trust is exposed to a number of financial risks that can affect its operating performance. These risks, and the actions taken to manage them, are as noted below.

Market risk

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in the market prices and includes foreign currency and interest rate risk.

Foreign currency risk

The Trust's operations are based principally in the United States of America, but it has exposure to foreign exchange risk from the $CAD. Foreign exchange risk arises from the recognized financial assets and liabilities denominated in $CAD. As a result of the convertible debenture offering as further described in note 8(b) of these consolidated financial statements, the Trust has additional exposure to foreign currency risk as the cash proceeds and interest payments of the debenture are in $CAD while it invests the net proceeds from the convertible debenture offering in $USD. The Trust monitors the foreign currency market closely to mitigate these risks. The following $CAD amounts are presented in $USD to demonstrate the effects of changes in foreign exchange rates:

	CAD
	$
Cash, Other Assets and Mortgage Investments	398,625
Total Liabilities	(15,672,723)
Total	(15,274,098)
Effect of +/- 10% change in exchange rate	(1,527,410)

Interest rate risk

The Trust is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. As all mortgages, loans and notes payable bear interest at fixed rates, interest rate risk is limited to potential decreases in the interest rate offered on cash held with chartered Canadian and American financial institutions. The risk also exists of a change in interest rates when the Trust is required to renew its debt. The Trust's objective of managing interest rate risk is to minimize the volatility of earnings. Interest rate risk has been minimized as mortgages have been financed at fixed interest rates.

As a result of debt not being subject to floating interest rates, changes in prevailing interest rates would not be expected to have a material impact on profit or loss.

Credit risk

Credit risk refers to the risk that a tenant, counterparty or borrower will default on its contractual obligations resulting in financial loss to the Trust. Financial instruments which are potentially subject to credit risk for the Trust consists primarily of non-payment of accounts receivable. The Trust mitigates this risk by monitoring the credit worthiness of its tenants and borrowers. To ensure that tenants continue to meet their credit terms, the financial viability of tenants is kept under review. Credit risk, or the risk of a counterparty defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Where appropriate, the Trust obtains security deposits as collateral.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The carrying amount of financial assets recorded in the consolidated financial statements, net of any expected credit losses, represents the Trust's maximum exposure to credit risk.

Financing Risk

The Trust subject to the risks associated with debt financing, including the risk that the convertible debentures and mortgages secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. To the extent that interest rates rise there may be a material adverse effect on the Trust's business, cash flows, financial condition, and results of operations.

Liquidity risk

Liquidity risk is the risk that the Trust may not be able to generate sufficient cash resources to settle its obligations as they fall due. The Trust's strategy is to satisfy its liquidity needs using cash on hand, cash flows generated from operating activities, cash flow provided by financing activities, and divestitures of non-current assets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer or settle a liability in an orderly transaction between market participants at the measurement date. The fair values of the Trust's cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities to approximate their carrying values due to their short-term nature.

The Trust classifies its fair value measurements in accordance with the fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarizes information about assets measured at fair value on a recurring basis and categorized by level of significance of the inputs used in making the measurements:

December 31, 2020	**Level 3**
Investment properties	$ 49,585,840

There were no transfers between levels during the year ended December 31, 2020.

December 31, 2019	**Level 3**
Investment properties	$ 48,167,177

13. Capital risk management

The capital of the Trust includes equity, which is comprised of issued unit capital and deficit. The Trust's objective when managing its capital is to safeguard the ability to continue as a going concern in order to provide returns for its unitholders, and other stakeholders and to maintain a strong capital base to support the Trust's core activities, which are the acquisition, ownership, management and rental of residential real estate properties as discussed in note 1 of these consolidated financial statements.

Although the Trust is not subject to any formal covenants, there are certain restrictions under the different debts and mortgages that the Trust must target to stay in compliance. The Trust monitors these different debts and mortgages and was in compliance during the year ended December 31, 2020.

14. Related party transactions

(i) On November 1, 2015, the Trust entered into a Management Agreement with Firm Capital Realty Partners Advisors Inc. (the "**Manager**"), an entity related to a director of the Trust. Under the terms of the Agreement, the Manager provides a number of services to the Trust, and is entitled to certain fees payable monthly, as follows:

1. **Asset Management Fee:** 0.75% of the Gross Invested Assets of the Trust,
2. **Acquisition Fee:**
    a. 1.0% of the first $300 million of aggregate Gross Book Value in respect of Properties acquired in a particular year; and thereafter
    b. 0.75% of aggregate Gross Book Value in respect of Properties acquired in such year.
3. **Performance Incentive Fees:** 15% of Adjusted Funds from Operation ("AFFO") once AFFO exceeds $0.63 per Unit.
4. **Placement Fees:** 0.25% of the aggregate value of all debt and equity financing arranged by the Manager.
5. **Property Management Fees:**
    a. Multi-unit residential properties with 120 units or less, 4.0% of Gross Revenue collected from the property;
    b. Multi-unit residential properties with more than 120 units. 3.5% of Gross Revenue collected from the property.
    c. Industrial or commercial property, 4.25% of Gross Revenue are collected from the property; provided, however, that for such properties with a single tenant 3.0% of Gross Revenue collected from the property.
6. **Commercial Leasing Fees:** 3.0% of the net rental payments for the first year of the lease, and 1.5% of the net rental payments for each year during duration of the lease; provided, however, that where a third party broker arranges for the lease of any such property that is not subject to a long-term listing agreement, the Manager shall be entitled to reduced commission equal to 50% of the foregoing amounts with respect to such property.
7. **Commercial Leasing Renewal Fees:** Renewals of space leased on commercial terms (including lease renewals at the option of the tenant) which are handled exclusively by the Manager shall be subject to a 0.50% commission on the net rental payments for each year of the renewed lease. When a long-term listing agreement is in effect for leasing and marketing of space with a party other than the Manager, the Manager shall cooperate fully with the broker and the leasing fees will not be payable to the Manager.
8. **Construction Development Property Management Fees:** Where the Manager is requested by the Trust to construct tenant improvements or to renovate same, or where the Manager is requested by the Trust to construct, modify, or re-construct improvements to, or on, the Properties (collectively, "**Capital Expenditures**"), the Manager shall receive 5.0% of the cost of such Capital Expenditures, including the cost of all permits, materials, labour, contracts, and subcontracts; provided, however, that no such fee shall be payable unless the Capital Expenditures are undertaken following a tendering or procurement process wherein the total cost of such Capital Expenditures exceed $50,000.
9. **Loan Servicing Fees:** 0.25% per annum on the principal amount of each Mortgage Investment (other than syndicated loans serviced by third parties). The Loan Servicing Fee will be

calculated as spread interest and deducted from the first interest received on a mortgage investment. Mortgage servicing fees will be payable as to 1/12 monthly based on the receipt of interest payments from borrowers. Loan Servicing Fees will not be payable in respect of the Trust's cash balances or Non-Performing Loans held by the Trust, except that the Manager shall be entitled to retain any overnight float interest on all accounts maintained by the Manager in connection with the servicing of the Trust's Mortgage Investments. The Manager will retain all overnight float interest and related loan servicing fees as charged such as advance fees, discharge statement fees, realty tax escrow account charges, late payment and dishonoured payment charge fees, and all other such fees as charged by a loan servicing agent. This will only apply to the Mortgage Investments of the Trust.

10. **Origination, Commitment & Discharge Fees and Profit Sharing Fees:** The Manager shall remit to the Trust:
    a. 25% of all originating fees, commitment fees and renewal fees it receives from borrowers on mortgages it originates for the Trust (prorated to reflect the Trust's participation in the investment). The Manager will retain 100% of all originating fees, commitment fees, renewal fees and will remit 25% of such fees to the Trust calculated on the Trust's investment amount; and
    b. 75% of any profit sharing, discharge fees, participation fees and profit made on discounted debt that the Mortgage Banker receives in respect of all Non-Conventional Mortgages and Special Profit Transactions it originates for the Trust (with a 8.0% annual preferential return to be given to the Trust on the Trust's investment amount prior to the Manager receiving its share of such fees). The Manager shall retain 100% of all servicing charges paid by borrowers which are not identified above, including, without limitation, discharge statement administration fees and all fees identified.
11. **Term and Termination:** Initial term of ten years with automatic renewal for successive five year terms. The Trust may terminate the Agreement any time after November 1, 2025 other than for cause upon the approval of two-thirds of the votes cast by unitholders at a meeting and upon 24 months prior written notice. Upon termination, the Trust shall pay to the Manager the following:

    a. 2% of the Gross Invested Assets of the Properties and the Trust's other assets; and
    b. any amounts which would have been earned by the Manager under the Agreement for the uncompleted portion of the term (the "**Termination Payment**").

For the year ended December 31, 2020, asset management fees were $959,258 (2019 - $724,392), loan servicing fees were $98,064 (2019 - $53,809), acquisition fees were $285,125 (2019 - $152,750), debt placement fees were $64,799 (2019 - $76,612), equity placement fees were $31,623 (2019 - $nil) and property management fees were $84,338 (2019 - $87,078).

Asset Management fees and loan servicing fees are included in general and administrative expenses. Property management fees are included in property operating expenses. Finance costs associated with the promissory note are included in finance costs, while the acquisition fees and debt placement fees are capitalized to equity accounted investments. Equity Placement Fees have been capitalized against unitholders' equity.

As at December 31, 2020, the Trust has accrued $1,110,230 (December 31, 2019 - $722,859) under this Management Agreement, which is included in accounts payable and accrued liabilities.

15. Property Operating, General and Administrative and Finance Expenses

Property operating, general and administrative and finance expenses for the year ended December 31, 2020 and 2019 are as follows:

(Expressed in US Dollars unless otherwise noted)

	Years Ended	
Property Operating Expenses	**December 31, 2020**	**December 31, 2019**
Property Taxes	$ 782,506	$ 674,583
Insurance	160,009	173,523
Operating Expenses	1,234,214	1,112,368
Total	$ 2,176,729	$ 1,960,474

	Years Ended	
General and Administrative	**December 31, 2020**	**December 31, 2019**
Asset Management Fees (note 14)	$ 1,057,322	$ 778,201
Public Company Expenses	102,929	176,996
Office and General	481,012	657,058
Total	$ 1,641,263	$ 1,612,255

	Years Ended	
Finance Costs	**December 31, 2020**	**December 31, 2019**
Bank interest expense	$ 792,107	$ 850,992
Convertible debenture interest expense	907,523	765,317
Finance cost amortization	118,086	31,995
Total	$ 1,817,716	$ 1,648,304

16. Foreign Exchange Gain/ (Loss)

The foreign exchange gain for the year ended December 31, 2020 and 2019 are as follows:

	Years Ended	
Foreign Exchange Gain/(Loss)	**December 31, 2020**	**December 31, 2019**
Foreign exchange loss on convertible debentures (note 10)	$ (161,916)	$ -
Foreign exchange gain/(loss)	296,078	(166,615)
Total foreign exchange gain/(loss)	$ 134,162	$ (166,615)

17. Deferred trust units

On March 31, 2015, the Trust adopted a DTU plan. Under the terms of the plan, any units issued must be issued at a unit price which is a minimum of the volume weighted average trading price of the units on the TSXV for the five days trading immediately preceding the date on which DTUs are granted. Distributions equivalents are awarded in respect of DTU holders on the same basis as unitholders and credited to the DTU holders account as additional DTUs. The maximum DTUs which may be awarded under the DTU plan shall not exceed 10% of the issued and outstanding units. The DTU plan is designed such that the board may elect to pay out the DTUs in either cash or common units of the Trust. As at December 31, 2020, the outstanding liability was $31,318. For the year ended December 31, 2020, the recovery on the DTU plan was $6,089.

18. Income Taxes

The Trust is a mutual fund that is not a specified investment flow-through trust ("SIFT") for income tax purposes. Accordingly, the Trust is not liable to pay Canadian income tax provided that its taxable income is fully distributed to unitholders each year.

(Expressed in US Dollars unless otherwise noted)

(a) Income Tax Expense (Recovery)

	December 31, 2020	December 31, 2019
Income tax computed at the Canadian statutory rate of nil applicable to the Trust for 2020 and 2019	$ -	$ -
Current U.S. Income taxes	-	-
Deferred income taxes (recoveries) applicable to US subsidiary (2019 - US branch)	-	(525,358)
Income tax (recovery) expense	$ -	$ (525,358)

In 2019, the deferred tax recovery was the result of the reversal of previously recognized deferred tax liabilities.

(b) Deferred taxes

The Trust has certain subsidiaries in the United States that are subject to tax on their taxable income at a combined federal and state tax rate of approximately 26% (2019 - 26%). The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31, 2020	December 31, 2019
Deferred Tax Assets		
Other assets	$ -	$ -
Non-capital losses carried forward	9,748,602	8,663,045
Total deferred tax assets	9,748,602	8,663,045
Deferred Tax Liabilities		
Assets held for sale and investment properties	(5,440,988)	(5,351,790)
Equity investment	(4,307,614)	(3,311,255)
Total deferred tax liabilities	$ (9,748,602)	$ (8,663,045)
Net deferred income liabilities	$ -	$ -

(c) Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible differences:

	December 31, 2020	December 31, 2019
NOL carried forward - US	$ 35,710,545	$ 36,107,727
Other temporary difference	285,439	327,892

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Trust can utilize the benefits therefrom. Net operating losses for US tax purposes will expire between 2032 and 2038. Net operating losses incurred in 2019 and 2020 do not expire. Net operating losses arising after December 31, 2017 do not expire and are limited to 80% of taxable income in any given year.

19. Subsequent events

i. Q1/2021 Distributions

On March 10, 2021, the Trust declared and approved quarterly distributions of $0.059 per unit for unitholders on record on March 31, 2021 payable on or about April 15, 2021.

ii. $21.6 Million Bronx, NY Mortgage Refinancing

On February 25, 2021, the first mortgage on the Bronx, NY joint venture was refinanced for gross proceeds of $21.6 million. With the $3.6 million net proceeds received from the refinance and the $2.0 million of capital contributed by Common Shareholders, the Preferred Equity was repaid in full. The mortgage is a 3.51%, $21.6 million first mortgage with a 12-year term amortizing over 30 years.