



**UNAUDITED INTERIM CONDENSED  
CONSOLIDATED FINANCIAL  
STATEMENTS**

THREE AND NINE MONTHS ENDED SEPTEMBER  
30, 2023

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

### To the Shareholders of Urbanfund Corp.

The accompanying unaudited interim condensed consolidated financial statements of Urbanfund Corp. (the "Company" or "Urbanfund") are the responsibility of management and have been approved by the Board of Directors of the Company.

The unaudited interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards, as disclosed in the notes to the unaudited interim condensed consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the consolidated balance sheets date. In the opinion of management, the consolidated financial statements have been prepared with acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with the established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### NOTICE TO READER

Under *National Instrument 51-102, Part 4, subsection 4.3(3)(a)*, if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an independent auditor. The accompanying unaudited interim condensed consolidated financial statements of Urbanfund have been prepared by and are the responsibility of management.

Urbanfund's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada.

*Mitchell Cohen*  
President, Chief Executive Officer and Director

*Thomas Kofman*  
Director

Toronto, Ontario  
November 28, 2023

**URBANFUND CORP.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In Canadian dollars)

As at	Note	September 30, 2023	December 31, 2022
<b>Assets</b>			
Investment properties	4	\$ 105,120,000	\$ 104,437,000
Equity accounted investments	5	26,481,430	21,346,430
Inventory properties	7	10,776,089	10,520,124
Receivables and other assets	8	956,600	1,478,935
Cash		8,718,771	12,992,706
<b>Total assets</b>		<b>\$ 152,052,890</b>	<b>\$ 150,775,195</b>
<b>Liabilities</b>			
Mortgages payable	9	\$ 65,381,442	\$ 65,073,329
Deferred tax liabilities		10,189,000	9,551,000
Tenant deposits		453,571	442,235
Income taxes payable		65,410	948,660
Accounts payable and accrued liabilities		1,344,401	1,611,797
<b>Total liabilities</b>		<b>77,433,824</b>	<b>77,627,021</b>
<b>Equity</b>			
Common shares		16,021,529	15,395,340
Preferred shares		1,113,750	1,113,750
Retained earnings		56,098,337	55,159,182
<b>Total shareholders' equity</b>		<b>73,233,616</b>	<b>71,668,272</b>
<b>Non-controlling interests</b>		<b>1,385,450</b>	<b>1,479,902</b>
<b>Total equity</b>		<b>74,619,066</b>	<b>73,148,174</b>
<b>Total liabilities and equity</b>		<b>\$ 152,052,890</b>	<b>\$ 150,775,195</b>
Contingencies and commitments	20		

Approved by the Board of Directors:

Mitchell Cohen  
Director

Thomas Kofman  
Director

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

**URBANFUND CORP.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND**  
**COMPREHENSIVE INCOME**  
(In Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>Revenue</b>					
Rental revenue	12	\$ 2,162,878	\$ 2,179,616	\$ 6,439,747	\$ 6,317,149
Rental expenses		800,619	902,767	2,609,534	2,730,252
<b>Operating income</b>		<b>1,362,259</b>	<b>1,276,849</b>	<b>3,830,213</b>	<b>3,586,897</b>
<b>Other income</b>					
Profit from investment in real estate project	6	60,000	-	188,000	-
Income from equity accounted investments	5	355,000	452,000	1,605,000	1,291,000
Interest income		108,622	25,115	345,541	44,647
Fair value adjustment on investment properties	4	26,101	(24,348)	216,762	137,818
		<b>549,723</b>	<b>452,767</b>	<b>2,355,303</b>	<b>1,473,465</b>
<b>Other expenses</b>					
Financing costs		610,659	656,258	1,827,413	1,808,874
General and administrative costs		123,974	85,397	277,309	279,370
		<b>734,633</b>	<b>741,655</b>	<b>2,104,722</b>	<b>2,088,244</b>
<b>Income before taxes</b>		<b>1,177,349</b>	<b>987,961</b>	<b>4,080,794</b>	<b>2,972,118</b>
Current income tax expense (recovery)		45,081	(18,000)	150,558	(50,000)
Deferred income tax expense		196,000	181,000	638,000	651,000
		<b>241,081</b>	<b>163,000</b>	<b>788,558</b>	<b>601,000</b>
<b>Net income and comprehensive income</b>		<b>\$ 936,268</b>	<b>\$ 824,961</b>	<b>\$ 3,292,236</b>	<b>\$ 2,371,118</b>
<b>Net income attributable to:</b>					
Shareholders		\$ 904,469	\$ 735,796	\$ 3,180,021	\$ 2,245,445
Non-controlling interests		31,799	89,165	112,215	125,673
		<b>\$ 936,268</b>	<b>\$ 824,961</b>	<b>\$ 3,292,236</b>	<b>\$ 2,371,118</b>
<b>Net income per share attributable to shareholders:</b>					
Basic income per share	10	\$ 0.017	\$ 0.014	\$ 0.061	\$ 0.044
Diluted income per share	10	\$ 0.015	\$ 0.012	\$ 0.053	\$ 0.038

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# URBANFUND CORP.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Canadian dollars)

	Note	<u>Common equity</u>		<u>Preferred equity</u>		Retained earnings	Non-controlling interests	Total equity
		Number of shares	Share capital	Number of shares	Share capital			
Balance, December 31, 2021		50,988,415	\$ 14,599,517	7,425,000	\$ 1,113,750	\$ 50,761,042	\$ 1,238,694	\$ 67,713,003
Changes during the period								
Net income and comprehensive income for the period		-	-	-	-	2,245,445	125,673	2,371,118
Dividends paid	11,18	-	-	-	-	(1,604,564)	-	(1,604,564)
Add: prior year dividends payable		-	-	-	-	730,168	-	730,168
Less: current period dividends payable		-	-	-	-	(737,623)	-	(737,623)
Dividend reinvestment plan	11	596,449	592,639	-	-	(592,639)	-	-
<b>Balance, September 30, 2022</b>		<b>51,584,864</b>	<b>\$ 15,192,156</b>	<b>7,425,000</b>	<b>\$ 1,113,750</b>	<b>\$ 50,801,829</b>	<b>\$ 1,364,367</b>	<b>\$ 68,472,102</b>

	Note	<u>Common equity</u>		<u>Preferred equity</u>		Retained earnings	Non-controlling interests	Total equity
		Number of shares	Share capital	Number of shares	Share capital			
Balance, December 31, 2022		51,814,741	\$ 15,395,340	7,425,000	\$ 1,113,750	\$ 55,159,182	\$ 1,479,902	\$ 73,148,174
Changes during the period								
Distributions		-	-	-	-	-	(206,667)	(206,667)
Net income and comprehensive income for the period		-	-	-	-	3,180,021	112,215	3,292,236
Dividends paid	11,18	-	-	-	-	(1,605,242)	-	(1,605,242)
Add: prior year dividends payable	11	-	-	-	-	740,497	-	740,497
Less: current period dividends payable	11	-	-	-	-	(749,932)	-	(749,932)
Dividend reinvestment plan	11	754,820	626,189	-	-	(626,189)	-	-
<b>Balance, September 30, 2023</b>		<b>52,569,561</b>	<b>\$ 16,021,529</b>	<b>7,425,000</b>	<b>\$ 1,113,750</b>	<b>\$ 56,098,337</b>	<b>\$ 1,385,450</b>	<b>\$ 74,619,066</b>

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# URBANFUND CORP.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian dollars)

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>Operating activities</b>					
Net income and comprehensive income		\$ 936,268	\$ 824,961	\$ 3,292,236	\$ 2,371,118
<i>Items not affecting cash:</i>					
Income from equity accounted investments	5	(355,000)	(452,000)	(1,605,000)	(1,291,000)
Interest income	18	(108,622)	(25,115)	(345,541)	(44,647)
Fair value adjustment on investment properties	4	(26,101)	24,348	(216,762)	(137,818)
Deferred income tax expense		196,000	181,000	638,000	651,000
<i>Other adjustments:</i>					
Acquisition of inventory properties	7	-	-	-	(9,790,000)
Financing of inventory properties	18	25,344	-	206,526	7,027,500
Adjustments for other non-cash working capital items	19	128,580	(60,704)	(280,869)	365,701
<b>Cash provided by (used in) operating activities</b>		<b>796,469</b>	<b>492,490</b>	<b>1,688,590</b>	<b>(848,146)</b>
<b>Investing activities</b>					
Capital expenditures on income properties	4	(280,899)	(287,348)	(466,238)	(980,182)
Construction expenditures to inventory properties	7	(71,777)	(334,091)	(255,965)	(793,153)
Contributions to equity accounted investment	5	-	-	(3,530,000)	-
<b>Cash used in investing activities</b>		<b>(352,676)</b>	<b>(621,439)</b>	<b>(4,252,203)</b>	<b>(1,773,335)</b>
<b>Financing activities</b>					
Proceeds from mortgage financing	18	19,215	669,605	1,272,191	860,977
Repayments of mortgage principal	18	(384,897)	(401,644)	(1,170,604)	(1,198,462)
Dividends paid	11,18	(535,320)	(533,727)	(1,605,242)	(1,604,564)
Distributions to non-controlling interests		-	-	(206,667)	-
<b>Cash used in financing activities</b>		<b>(901,002)</b>	<b>(265,766)</b>	<b>(1,710,322)</b>	<b>(1,942,049)</b>
<b>Net change in cash</b>		<b>(457,209)</b>	<b>(394,715)</b>	<b>(4,273,935)</b>	<b>(4,563,530)</b>
Cash, beginning of period		9,175,980	6,198,622	12,992,706	10,367,437
<b>Cash, end of period</b>		<b>\$ 8,718,771</b>	<b>\$ 5,803,907</b>	<b>\$ 8,718,771</b>	<b>\$ 5,803,907</b>

Supplemental cash flow information 18

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

# URBANFUND CORP.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(In Canadian dollars)

### 1. GENERAL INFORMATION

Urbanfund Corp. and its consolidated subsidiaries (collectively, "Urbanfund" or the "Company") own, develop and operate a real estate portfolio focused on a mix of both residential and commercial properties. Urbanfund also actively focuses on identifying real estate related projects. The parent company, Urbanfund Corp., was incorporated on February 4, 1997, pursuant to the provisions of the Business Corporations Act of Alberta. In 2003, the Company filed articles of continuance, allowing operations to continue under the laws of the Province of Ontario, Canada. The Company's corporate headquarters and registered head office are located at 35 Lesmill Road, Toronto, Ontario, Canada, M3B 2T3.

Urbanfund's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol UFC.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

Urbanfund's interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Under International Financial Reporting Standards (IFRS), additional disclosures are required in annual financial statements, and therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 which have been prepared in accordance with IFRS.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on November 28, 2023.

#### (b) Basis of presentation

The interim condensed consolidated financial statements are prepared on a going concern basis using the historical cost method modified to include fair value measurement of investment properties (note 4), as set out in the relevant accounting policies. The accounting policies set out below have been applied consistently in all material respects.

#### (c) Significant judgments, estimates and assumptions

The preparation of Urbanfund's interim condensed consolidated financial statements require management to make judgments, estimates and assumptions that effect the amounts reported. In the process of applying Urbanfund's accounting policies, management was required to apply judgment in certain areas. Estimates and assumptions made by management are based on events and circumstances that existed at the interim condensed consolidated balance sheet date. Accordingly, actual results may differ from these estimates.

The significant judgments, estimates and assumptions in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the years ended December 31, 2022 and 2021.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2022 except as described below.

#### (a) Amendments to IAS 1 and IFRS Practice Statement 2

Amendments to IAS 1 "Presentation of financial statements" ("IAS 1") and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about their accounting policy disclosures.

The amendments had no impact on the Company's interim condensed consolidated financial statements but are expected to affect the accounting policy disclosures in the Company's annual consolidated financial statements.

# URBANFUND CORP.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(In Canadian dollars)

### 4. INVESTMENT PROPERTIES

As at,	September 30, 2023	December 31, 2022
Balance, beginning of period	\$ 104,437,000	\$ 101,537,000
Capital expenditures	466,238	1,211,729
Fair value adjustment on investment properties	216,762	1,688,271
Balance, end of period	\$ 105,120,000	\$ 104,437,000

#### Valuation methodology

As highlighted in note 14, the fair value methodology of the Company's income properties uses inputs that are considered Level 3 because of significant unobservable inputs are required to determine fair value.

As at September 30, 2023 and December 31, 2022, the capitalization rates used in valuing the commercial and residential properties are set out as follows:

	September 30, 2023			December 31, 2022		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Commercial properties	6.25%	7.75%	6.21%	6.00%	7.75%	6.01%
Residential properties	3.50%	4.75%	3.94%	3.50%	4.50%	3.81%

#### Sensitivity

The following table is a sensitivity applied to the proportion of the Company's investment properties measured using the direct capitalization approach and therefore is sensitive to the changes in capitalization rates.

	Stabilized NOI -1%	Stabilized NOI as reported	Stabilized NOI +1%
<b>As at September 30, 2023</b>			
Capitalization rate, decrease, 0.25%	\$ 5,527,300	\$ 6,645,100	\$ 7,763,000
Capitalization rate, as reported	(1,042,600)	-	1,058,600
Capitalization rate, increase, 0.25%	(6,854,900)	(5,862,200)	(4,870,400)
<b>As at December 31, 2022</b>			
Capitalization rate, decrease, 0.25%	\$ 5,697,700	\$ 6,810,700	\$ 7,922,900
Capitalization rate, as reported	(1,044,000)	-	1,046,800
Capitalization rate, increase, 0.25%	(6,981,400)	(5,997,600)	(5,014,900)

### 5. EQUITY ACCOUNTED INVESTMENTS

In April 2023, Urbanfund invested \$1,870,000 into TREI (1040) LP which holds a 50% interest in 1040 Martin Grove LP ("1040 LP") that owns an industrial complex located on 1040 Martin Grove Road, Toronto, Ontario. Urbanfund owns 56.7% of TREI (1040) LP, effecting an indirect 28.4% ownership in 1040 LP.

In June 2023, Urbanfund invested \$1,660,000 into TREI (270-330 Esna Park) LP which holds a 20% interest in 270-330 Esna Park LP ("Esna Park LP") that owns an industrial complex located on 270-330 Esna Park Drive, Markham, Ontario. Urbanfund owns 76.9% of TREI (270-330 Esna Park) LP, effecting an indirect 15.4% ownership in Esna Park LP.

The following details the Company's ownership in its equity accounted investments:

As at,	Principal activity	September 30, 2023	December 31, 2022
Equity investees			
Highfield Park Residential Inc. (" <i>Highfield</i> ")	Owns and operates investment properties	20.0%	20.0%
Bellbrook Residential Inc. (" <i>Bellbrook</i> ")	Owns and operates investment properties	20.0%	20.0%
West Mic Mac Properties Inc. (" <i>Mic Mac</i> ")	Owns and operates investment properties	20.0%	20.0%
1040 Martin Grove LP (" <i>1040 LP</i> ")	Purchase, condominium conversion and subsequent sale	28.4%	-
270-330 Esna Park LP (" <i>Esna Park LP</i> ")	Purchase, condominium conversion and subsequent sale	15.4%	-

**URBANFUND CORP.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**  
(In Canadian dollars)

The following table shows the changes in the aggregate carrying value of Urbanfund's equity accounted investment:

As at September 30, 2023	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Balance, beginning of period	\$ 17,042,410	\$ 2,609,000	\$ 1,695,020	\$ -	\$ -	\$ 21,346,430
Contributions	-	-	-	1,870,000	1,660,000	3,530,000
Share of net income	1,521,000	(89,000)	173,000	-	-	1,605,000
Balance, end of period	\$ 18,563,410	\$ 2,520,000	\$ 1,868,020	\$ 1,870,000	\$ 1,660,000	\$ 26,481,430

  

As at December 31, 2022	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Balance, beginning of year	\$ 16,916,410	\$ 2,680,000	\$ 1,137,020	\$ -	\$ -	\$ 20,733,430
Distributions	(400,000)	-	-	-	-	(400,000)
Share of net income (loss)	526,000	(71,000)	558,000	-	-	1,013,000
Balance, end of year	\$ 17,042,410	\$ 2,609,000	\$ 1,695,020	\$ -	\$ -	\$ 21,346,430

The following tables presents the financial position of Urbanfund's equity accounted investees on a 100% basis:

As at September 30, 2023	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Current assets	\$ 3,627,950	\$ 755,096	\$ 1,120,861	\$ 26,578,227	\$ 37,879,487	\$ 69,961,621
Non-current assets	157,020,001	33,910,000	19,760,000	-	-	210,690,001
Current liabilities	(1,871,518)	(229,858)	(180,397)	(316,290)	(453,751)	(3,051,814)
Non-current liabilities	(65,959,385)	(21,835,238)	(11,360,364)	(19,665,817)	(26,632,500)	(145,453,304)
Net assets	\$ 92,817,048	\$ 12,600,000	\$ 9,340,100	\$ 6,596,120	\$ 10,793,236	\$ 132,146,504
Urbanfund's interest	\$ 18,563,410	\$ 2,520,000	\$ 1,868,020	\$ 1,870,000	\$ 1,660,000	\$ 26,481,430

As at December 31, 2022	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Current assets	\$ 2,791,418	\$ 530,424	\$ 974,957	\$ -	\$ -	\$ 4,296,799
Non-current assets	152,130,000	35,040,000	19,350,000	-	-	206,520,000
Current liabilities	(4,316,405)	(825,516)	(585,842)	-	-	(5,727,763)
Non-current liabilities	(65,392,963)	(21,699,906)	(11,264,017)	-	-	(98,356,886)
Net assets	\$ 85,212,050	\$ 13,045,002	\$ 8,475,098	\$ -	\$ -	\$ 106,732,150
Urbanfund's interest	\$ 17,042,410	\$ 2,609,000	\$ 1,695,020	\$ -	\$ -	\$ 21,346,430

Three months ended September 30, 2023	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Revenue	\$ 3,732,000	\$ 671,000	\$ 418,000	\$ -	\$ -	\$ 4,821,000
Operating expenses	(1,884,000)	(259,000)	(172,000)	-	-	(2,315,000)
Interest expense	(595,000)	(137,000)	(50,000)	-	-	(782,000)
Fair value adjustment on investment properties	2,246,000	(1,643,000)	(553,000)	-	-	50,000
Net income	\$ 3,499,000	\$ (1,368,000)	\$ (357,000)	\$ -	\$ -	\$ 1,774,000
Income from equity accounted investments	\$ 700,000	\$ (274,000)	\$ (71,000)	\$ -	\$ -	\$ 355,000

Three months ended September 30, 2022	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Revenue	\$ 3,595,000	\$ 654,000	\$ 388,000	\$ -	\$ -	\$ 4,637,000
Operating expenses	(1,769,000)	(221,000)	(113,000)	-	-	(2,103,000)
Interest expense	(631,000)	(146,000)	(59,000)	-	-	(836,000)
Fair value adjustment on investment properties	660,000	(44,000)	(56,000)	-	-	560,000
Net income (loss)	\$ 1,855,000	\$ 243,000	\$ 160,000	\$ -	\$ -	\$ 2,258,000
Income from equity accounted investments	\$ 371,000	\$ 49,000	\$ 32,000	\$ -	\$ -	\$ 452,000

Nine months ended September 30, 2023	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Revenue	\$ 11,160,000	\$ 1,998,000	\$ 1,231,000	\$ -	\$ -	\$ 14,389,000
Operating expenses	(5,817,000)	(833,000)	(567,000)	-	-	(7,217,000)
Interest expense	(1,804,000)	(419,000)	(156,000)	-	-	(2,379,000)
Fair value adjustment on investment properties	4,067,000	(1,193,000)	358,000	-	-	3,232,000
Net income	\$ 7,606,000	\$ (447,000)	\$ 866,000	\$ -	\$ -	\$ 8,025,000
Income from equity accounted investments	\$ 1,521,000	\$ (89,000)	\$ 173,000	\$ -	\$ -	\$ 1,605,000

Nine months ended September 30, 2022	Highfield	Bellbrook	Mic Mac	1040 LP	Esna Park LP	Total
Revenue	\$ 10,684,000	\$ 1,952,000	\$ 1,149,000	\$ -	\$ -	\$ 13,785,000
Operating expenses	(5,557,000)	(838,000)	(501,000)	-	-	(6,896,000)
Interest expense	(1,920,000)	(445,000)	(188,000)	-	-	(2,553,000)
Fair value adjustment on investment properties	2,615,000	(424,000)	(70,000)	-	-	2,121,000
Net income	\$ 5,822,000	\$ 245,000	\$ 390,000	\$ -	\$ -	\$ 6,457,000
Income from equity accounted investments	\$ 1,164,000	\$ 49,000	\$ 78,000	\$ -	\$ -	\$ 1,291,000

**URBANFUND CORP.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**  
(In Canadian dollars)

**6. INVESTMENT IN REAL ESTATE PROJECT**

In September 2009, the Company invested \$2,000,000 in a 10% interest in a private partnership, which in turn acquired a 33.3% interest in the One Bloor Street East, Toronto, Ontario real estate project. Throughout the course of investment, the Company's capital contribution of \$2,000,000 has been fully returned, and an additional profit distribution of \$4,744,667 has been received to date, including \$188,000 that was received in the nine months ended September 30, 2023 (nine months ended September 30, 2022 - \$Nil).

**7. INVENTORY PROPERTIES**

In January 2022, the Company, together with KOLT Investment Inc. (formerly Takol Real Estate Inc.) and two private real estate investors, formed a joint operation which acquired an industrial complex located at 67-69 Westmore Drive, Etobicoke, Ontario. The purchase price was \$23,425,000 plus customary closing costs, funded by a \$17,568,750 mortgage and \$5,856,250 in equity contributions. The joint operation intends to renovate, change to condominium title and sell units in the complex. Urbanfund holds a 40% interest in this joint operation.

In December 2022, the Company, together with its joint operation partners, KOLT Investment Inc. and 2074-84 Steeles Avenue East Inc., sold all units within the 2074, 2080 and 2084 Steeles Avenue East, Brampton, Ontario project and received a total distribution of \$7,500,000, which included a return of capital of \$2,375,000.

The following table shows the changes in the aggregate carrying value of Urbanfund's inventory property:

As at,	<b>September 30, 2023</b>	December 31, 2022
Balance, beginning of period	\$ 10,520,124	\$ 9,288,182
Acquisition of inventory property	-	9,790,000
Development expenditures	255,965	1,592,115
Disposition of inventory properties	-	(10,150,173)
Balance, end of period	\$ 10,776,089	\$ 10,520,124

**8. RECEIVABLES AND OTHER ASSETS**

The following table details Urbanfund's receivables and other assets:

As at	Note	<b>September 30, 2023</b>	December 31, 2022
Accounts receivable		\$ 418,205	\$ 784,218
Refundable deposits		50,000	152,495
Investment in private company (2,083,333 common shares)		-	250,000
Amounts receivable	13	128,087	128,087
Prepaid expenses		360,308	164,135
		\$ 956,600	\$ 1,478,935

**9. MORTGAGES PAYABLE**

As at	<b>September 30,</b>	December 31, 2022
Current	\$ 2,367,336	\$ 12,765,498
Non-current	63,014,106	52,307,831
	\$ 65,381,442	\$ 65,073,329

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Mortgages payable are secured by investment properties and bear interest at fixed and variable rates with payment terms either monthly blended principal and interest payments ("MBPI") or interest only ("IO").

As at				September 30, 2023	December 31, 2022
Property name(s)	Payment Terms	Maturity Date	Interest Rate		
Quebec Headway, Assumed Mortgages <sup>(iii)</sup>	MBPI	(i)	(i)	\$ 5,625,636	\$ 5,800,623
476-480 Wonderland Road <sup>(iv)</sup>	MBPI	Jun 5, 2023 <sup>(iv)</sup>	4.35%	862,203	913,636 <sup>1</sup>
67-69 Westmore Drive <sup>(iii)</sup>	IO	Jul 20, 2024	6.80%	7,027,500	7,027,500
3080-3094 Don Mills & 200 Van Horne	MBPI	Mar 1, 2025	2.52%	8,969,364	9,293,694
67-69 Westmore Drive <sup>(iii)</sup>	IO	Jul 18, 2025	Prime + 1.25%	904,850	698,324
305 North Front Centre	MBPI	Feb 24, 2028	5.55%	9,887,770	8,779,057
Quebec Headway, Vendor Take Back	MBPI	June 1, 2028	5.50%	1,826,592	1,935,492
63 Scott Street <sup>(ii), (iii)</sup>	MBPI	Mar 1, 2031	2.65%	30,381,765	30,733,316 <sup>1</sup>
Mortgages payable				\$ 65,485,680	\$ 65,181,642
Less: Unamortized mortgage financing costs				(104,238)	(108,313)
				\$ 65,381,442	\$ 65,073,329

- (i) Quebec Headway assumed mortgages payable are made up of 8 mortgages outstanding on the income properties of Quebec Headway. The weighted average remaining life is 2.78 years (December 31, 2022 - 3.52 years) and bear a weighted average interest rate of 2.61% (December 31, 2022 - 2.62%).
- (ii) Lands on 51,55,59 Scott Street and 59,61,65 Weber Street were amalgamated to develop a residential building subsequently renamed as 63 Scott Street.
- (iii) The Company's policy is to provide financial guarantee only for subsidiaries' liabilities. As at September 30, 2023 and December 31, 2022, the Company has issued guarantees to certain banks in respect of mortgages granted to certain subsidiaries.
- (iv) The Company is in negotiation with the bank to renew the mortgage. The original rates and terms are being honored at the present time.

Minimum principal payments over the following years are as follows:

2023 (remainder of the year)	\$ 1,270,186
2024	9,258,585
2025	10,369,441
2026	5,331,340
2027	935,731
Thereafter	38,320,398
	65,485,680
Unamortized mortgage financing costs	(104,238)
	\$ 65,381,442

## 10. EQUITY

Basic and diluted income per share has been calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Basic income per share</b>				
Net income attributable to shareholders	\$ 904,469	\$ 735,796	\$ 3,180,021	\$ 2,245,445
Weighted average common shares outstanding	52,529,574	51,548,762	52,289,955	51,333,505
Basic income per share	\$ 0.017	\$ 0.014	\$ 0.061	\$ 0.044
<b>Diluted income per share</b>				
Net income attributable to shareholders	\$ 904,469	\$ 735,796	\$ 3,180,021	\$ 2,245,445
Weighted average common shares outstanding	52,529,574	51,548,762	52,289,955	51,333,505
Dilutive effect of preferred shares <sup>(i)</sup>	7,425,000	7,425,000	7,425,000	7,425,000
Weighted average common shares outstanding, diluted	59,954,574	58,973,762	59,714,955	58,758,505
Diluted income per share	\$ 0.015	\$ 0.012	\$ 0.053	\$ 0.038

- (i) First preferred, Series A Shares

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### 11. DIVIDENDS PAID AND DIVIDEND REINVESTMENT PLAN

On June 17, 2015, Urbanfund adopted a dividend policy (the "Dividend Policy") and implemented a dividend reinvestment plan for the holders of common shares and Series A preferred shares (collectively, the "DRIP"). The DRIP is a voluntary program permitting holders of Series A, first preferred shares and common shares to automatically and without charge, reinvest dividends into additional common shares at a specified discount to the volume-weighted average market price calculated as the date of payment.

On June 22, 2021, Urbanfund amended its Dividend Policy to increase the annual dividend rate to \$0.05 per common share and \$0.05 per Series A preferred share, or 67% increase from the previous year, payable quarterly in the amount of \$0.0125 per common share and Series A preferred share.

For the nine months ended September 30, 2023, Urbanfund issued 754,820 common shares valued at \$626,189 to participants enrolled in the DRIP (September 30, 2022 – 596,449 and \$592,639). For the nine months ended September 30, 2023, total cash dividends paid during the period was \$1,605,242 (September 30, 2022 - \$1,604,564). As at September 30, 2023, dividends payable was \$749,932 (December 31, 2022 - \$740,497).

### 12. RENTAL REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Base rent	\$ 1,876,765	\$ 1,880,983	\$ 5,529,474	\$ 5,412,945
Realty tax recoveries	102,289	91,238	305,039	271,544
Common area maintenance recoveries	108,110	161,960	332,245	469,155
Percentage rent	4,744	1,199	89,069	48,479
Miscellaneous revenue	70,970	44,236	183,920	115,026
	\$ 2,162,878	\$ 2,179,616	\$ 6,439,747	\$ 6,317,149

As a result of adopting IFRS 15, *Revenue from Contracts with Customers*, the following tables provide additional disclosures of the Company's other revenue streams.

#### *Revenue from Contracts with Customers*

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Common area maintenance recoveries	\$ 108,110	\$ 161,960	\$ 332,245	\$ 469,155
Parking revenue	25,460	24,507	74,955	73,332
	\$ 133,570	\$ 186,467	\$ 407,200	\$ 542,487

### 13. RELATED PARTY BALANCES AND TRANSACTIONS

Included in amounts receivable within receivables and other assets (note 8) is \$128,087 (December 31, 2022 - \$128,087) of amounts due from a corporation that is also a shareholder of the Company. For the nine months ended September 30, 2023, Urbanfund issued dividends of \$1,242,669 (September 30, 2022 - \$1,242,669) to this shareholder.

Urbanfund is also contracted to this shareholder for property management fees and cost reimbursements as follows:

As at	September 30, 2023	December 31, 2022
<i>Property management fees, included in:</i>		
Accounts payable and accrued liabilities	\$ 29,412	\$ 56,076
<i>Management cost reimbursements, included in:</i>		
Accounts payable and accrued liabilities	\$ 47,805	\$ 53,103

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	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>Property management fees, included in:</i>				
Rental expenses	\$ 29,423	\$ 27,993	\$ 89,262	\$ 84,237
Income from equity accounted investments, net	33,152	31,926	99,459	94,919
<i>Management cost reimbursements, included in:</i>				
Rental expenses	\$ 58,843	\$ 54,563	\$ 173,905	\$ 158,718
Income from equity accounted investments, net	64,423	65,684	188,136	169,088

The marketable securities owned by Urbanfund are held at a brokerage that is partially owned, directly or indirectly, by common shareholders who are also directors of the Company. As at September 30, 2023, there was \$23,579 (December 31, 2022 - \$23,579) in cash held by the brokerage. There has been no compensation paid to key management personnel during the nine months ended September 30, 2023 and 2022.

### 14. FAIR VALUE MEASUREMENT

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the interim condensed consolidated balance sheets are as follows:

As at	Note	September 30, 2023			December 31, 2022		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets measured at fair value:</i>							
Income properties	4	\$ -	\$ -	\$ 105,120,000	\$ -	\$ -	\$ 104,437,000
Total assets measured at fair value		\$ -	\$ -	\$ 105,120,000	\$ -	\$ -	\$ 104,437,000

For assets measured at fair value as at September 30, 2023 and December 31, 2022, there were no transfers between Level 1, Level 2 and Level 3.

#### *Receivables and other assets, tenant deposits, accounts payable and accrued liabilities*

The carrying value of receivables and other assets, tenant deposits, accounts payable and accrued liabilities are considered to be representative of their fair values due to their short-term nature.

#### *Investment in private company*

The fair value of the investment in a private company included in receivables and other assets (note 8) are not reasonably determinable, as there is no active market for the investments, therefore are recorded at cost.

#### *Mortgages payable*

The fair value of the mortgages payable is Level 2 and approximately \$63,876,000 (December 31, 2022 - \$63,892,000) based on the interest rates obtainable for similar financial instruments in the current marketplace.

### 15. RISK MANAGEMENT

#### Financial risk management objectives and policies

The Company's activity exposes it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. These financial risks are managed by the Company under policies approved by the Board of Directors. The principal financial risks are actively managed by the Company's finance department, within Board approved policies and guidelines. On an ongoing basis, the finance department actively monitors market conditions with a view to minimizing the exposure of the Company to changing market factors, while at the same time limiting the funding costs of the Company.

#### Interest rate risk

Urbanfund is exposed to interest rate risks on its borrowings and could be adversely affected if it were unable to obtain cost-effective financing. The Company's debt is financed at fixed and variable rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. A change in the interest rate by 1% would result in an increase or decrease in the fair value of mortgages by \$450,035 (December 31, 2022 - \$435,412).

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**Credit risk**

Credit risk arises from the possibility that Urbanfund's tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. In addition, the Company obtains security deposits from tenants. The Company mitigates its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Since inception, the Company has financed its cash requirements primarily through issuances of securities, short-term borrowings and issuances of long-term debt. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. Financial liabilities are due as follows:

	Note	< 1 year	1-2 years	3-5 years	>5 years
Accounts payable and accrued liabilities		\$ 1,344,401	\$ -	\$ -	\$ -
Mortgages payable	9	1,270,186	9,258,585	16,636,511	38,320,398

**16. CAPITAL MANAGEMENT**

Urbanfund defines capital as its equity. The Company's objective when managing capital is: (i) to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of capital in proportion to the risk. Urbanfund manages capital structure and makes adjustments in light of changes in economic conditions and the characteristic risk of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt. Urbanfund's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during the nine months ended September 30, 2023 and 2022.

**17. SEGMENTED INFORMATION**

Urbanfund, primarily owns, develops, manages and operates residential and commercial sector properties in Canada. In measuring its performance of its residential and commercial properties, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly has a single reportable operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of property operations, tenant mix and an expectation that operating segments within a reportable segment have similar long-term economic characteristics. The Company's Chief Executive Officer is the chief operating decision maker and regularly reviews Urbanfund's operations and performance on a consolidated basis. Urbanfund does not have any single major tenant or any significant groups of tenants.

**18. SUPPLEMENTAL CASH FLOW INFORMATION**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest received	\$ 108,622	\$ 25,115	\$ 345,541	\$ 44,647
Interest paid	(590,426)	(641,916)	(1,780,280)	(1,766,017)
Dividends paid:				
Dividends declared during the period	\$ (535,287)	(534,440)	\$ (1,605,956)	(1,601,309)
Dividends declared in the prior period, paid in the current period	(535,320)	(533,727)	(534,573)	(537,695)
Dividends declared in the current period, paid in next period	535,287	534,440	535,287	534,440
Dividends paid	\$ (535,320)	\$ (533,727)	\$ (1,605,242)	\$ (1,604,564)

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The following provides a reconciliation of cash flows arising from financing activities relating to mortgages payable:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Balance, beginning of period	\$ 65,845,233	\$ 72,336,609	\$ 65,181,642	\$ 65,911,102
Cash flows				
Proceeds from mortgage financing	19,215	669,605	1,272,191	860,977
Proceeds from financing of inventory properties	25,344	-	206,526	7,027,500
Repayments of mortgage principals	(384,897)	(401,644)	(1,170,604)	(1,198,462)
Non-cash changes:				
Deferred financing costs	(19,215)	(11,364)	(4,075)	(7,911)
Balance, end of period	\$ 65,485,680	\$ 72,593,206	\$ 65,485,680	\$ 72,593,206

**19. ADJUSTMENTS FOR OTHER NON-CASH WORKING CAPITAL ITEMS**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Receivables and other assets	\$ (50,656)	\$ (83,637)	\$ 522,335	\$ 559,806
Accounts payable and accrued liabilities	(16,609)	(384,256)	(276,831)	(572,361)
Income taxes	91,843	374,428	(883,250)	342,428
Tenant deposits	(4,620)	7,646	11,336	(8,819)
Deferred financing costs and other	108,622	25,115	345,541	44,647
Net change in other working capital items	\$ 128,580	\$ (60,704)	\$ (280,869)	\$ 365,701

**20. CONTINGENCIES AND COMMITMENTS**

The Company may have various other contractual obligations in the normal course of operations with tenants, suppliers and former employees. The Company is not contingently liable with respect to litigation, claims and environmental matters, including those that could result in mandatory damages or other relief. Any expected settlement of claims in excess of amounts recorded will be charged to the interim condensed consolidated statements of income and comprehensive income as and when such determination is made. Management believes that adequate provisions have been recorded in the accounts where required.