

Land Bank Twin Cities' 2025 audited financial statements reflect recent financial performance, the relationship between those results and our business model, and actions management has taken to strengthen financial sustainability. This commentary offers additional context for understanding those results and the steps underway to support a more predictable and durable financial model.

CliftonLarsonAllen LLP issued an unmodified opinion on the 2025 consolidated financial statements. The statements also reflect decreases in net assets of \$941,770 in 2025 and \$1.16 million in 2024. Management recognizes the significance of these results. They reflect transaction timing, partner performance, deferred transaction economics, property carrying costs, and aspects of Land Bank Twin Cities' historical revenue model.

Management has responded by changing how transactions are structured, revenue is earned, acquisitions are evaluated, project resources are tracked, partners are supported and held accountable, and underperforming assets are managed. These actions are intended to create a more predictable and durable financial model while preserving flexibility and speed central to our mission.

The Finance & Transaction Committee meets monthly and carries out delegated fiduciary oversight through deeper review of financial performance, liquidity, capital, transactions, and related risks, with the full Board maintaining overall fiduciary oversight.

2025 Financial Performance: Land Bank Twin Cities reported a change in net assets in 2025 of \$941,770, improved from \$1.16 million in 2024. Total assets declined from approximately \$32.1 million to \$24.5 million, while total liabilities declined from approximately \$25.1 million to \$18.4 million. A substantial portion of this balance sheet reflects property dispositions and repayment of related debt.

LB Corcoran 5 LLC illustrates this activity. Four of five multifamily properties were sold in 2025, reducing the carrying value of the portfolio from approximately \$7 million to \$1.3 million. Related debt declined from approximately \$7.3 million to \$2.4 million. Land Bank Twin Cities received approximately \$8.1 million in property-sale proceeds and made approximately \$7 million in long-term debt payments during 2025.

The fifth Corcoran property remains held by Land Bank Twin Cities. Under the transaction structure, remaining Land Bank Twin Cities fees were allocated to that property and have not yet been fully realized. This illustrates the timing dynamics of the historical model, where substantial transaction activity and successful disposition can occur while organizational revenue remains deferred.

2024 Context: The 2024 decrease in net assets was impacted by transaction timing and delayed activity associated with LB 1041 Selby LLC, as well as repayment of a program-related investment.

The 2024 financial statements also included a \$1 million non-cash contribution associated with LB Corcoran 5 LLC, resulting from a community resale partner paying a portion of the related outstanding debt. Although appropriately recognized as contributed revenue, it did not represent \$1 million of operating cash available to Land Bank Twin Cities.

Together, the 2024 and 2025 results demonstrated the need to more closely align transaction economics, carrying costs, partner performance, and organizational revenue throughout the life of an investment.

Financial Position and Management Response: On December 31, 2025, Land Bank Twin Cities had approximately \$3.65 million in net loans receivable and has not experienced a loan charge-off since inception of its loan programs. The audit reported approximately \$4.68 million in financial assets available for general expenditures and debt payments within one year. As of July 31, 2026, Land Bank Twin Cities maintained approximately \$4.6 million in unrestricted cash and available line capacity.

The debt covenant waiver disclosed in the audit related specifically to LB 2515 Wabash LLC financing with Sunrise Banks. Project-level waivers were required in 2024 and 2025; management currently expects the property to meet its applicable covenant requirements in 2026.

The audit also reflects a \$2 million U.S. Bank Equity Equivalent Investment maturing September 4, 2026. Since issuance of the audited financial statements, Land Bank Twin Cities has secured a three-year extension through 2029. The second \$2 million U.S. Bank Equity Equivalent Investment matures in 2030.

Management has implemented or is implementing the following actions:

- Collecting interest, fees, and other transaction revenue earlier and throughout the life of transactions rather than substantially deferring revenue until disposition.
- Discontinuing new deferred-interest loan structures and lowering the cost of capital supporting program activity.
- Expanding and diversifying capitalization through new grant, program-related investment, and other mission-aligned capital sources to support program activity, liquidity, and long-term financial sustainability.
- Rewriting resale partner agreements to strengthen expectations regarding timelines, carrying costs, financial responsibilities, and nonperformance.
- Requiring clearer financial plans for carrying costs, operating income, partner participation, and disposition before new acquisitions are approved.
- Strategically evaluating disposition of vacant, deteriorated, financially burdensome, or underperforming assets while maintaining equitable and mission-aligned outcomes.
- Implementing stronger fund accounting practices to reduce unrestricted operating subsidy to individual projects and programs.
- Prioritizing technical assistance to strengthen partner performance and successful loan repayment, property repurchase, and project completion.
- Stabilizing five negatively cash-flowing multifamily properties through capital improvements and leasing vacant units, while implementing a modest rent increase at our long-term commercial property to offset rising operating costs.
- Actively managing operating and program expenses, including contracted services, property carrying costs, and cost of capital, while aligning organizational capacity with current and anticipated program activity.

These actions reflect management's focus on aligning mission execution with financial sustainability. Land Bank Twin Cities' ability to acquire land, deploy flexible capital, hold assets through periods of uncertainty, and support partners remains central to its role. The financial model supporting that work must appropriately account for the capital, time, operating capacity, and risk required to provide it. Management will continue regular reporting on operating performance, liquidity, portfolio activity, debt obligations, transaction timing, and progress implementing these strategies

Aarica L. Coleman



**President & CEO
Land Bank Twin Cities**