

LAND BANK TWIN CITIES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2022 AND 2021



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LAND BANK TWIN CITIES, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Land Bank Twin Cities, Inc.
Minneapolis, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Land Bank Twin Cities, Inc. (the Organization), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Land Bank Twin Cities, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Land Bank Twin Cities, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Land Bank Twin Cities, Inc.'s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

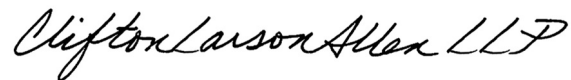
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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 Land Bank Twin Cities, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Land Bank Twin Cities, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating balance sheet and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 3, 2023

LAND BANK TWIN CITIES, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 7,026,741	\$ 4,880,000	\$ 11,906,741	\$ 5,943,360	\$ 290,000	\$ 6,233,360
Accounts Receivable, Net	64,676	-	64,676	172,921	-	172,921
Prepaid and Other Receivables	143,012	-	143,012	57,172	-	57,172
Contributions Receivable, Net	-	523,000	523,000	-	893,000	893,000
Receivable from Property Managers	213,551	-	213,551	-	-	-
Loans Receivable, Net	1,298,921	-	1,298,921	2,312,234	-	2,312,234
Total Current Assets	8,746,901	5,403,000	14,149,901	8,485,687	1,183,000	9,668,687
LONG-TERM ASSETS						
Loans Receivable, Net	157,773	-	157,773	417,404	-	417,404
Contributions Receivable, Net	-	-	-	-	23,000	23,000
Property Available for Sale, Net	16,852,244	-	16,852,244	16,332,580	-	16,332,580
Property and Equipment, Net	32,756	-	32,756	83,321	-	83,321
Total Long-Term Assets	17,042,773	-	17,042,773	16,833,305	23,000	16,856,305
Total Assets	<u>\$ 25,789,674</u>	<u>\$ 5,403,000</u>	<u>\$ 31,192,674</u>	<u>\$ 25,318,992</u>	<u>\$ 1,206,000</u>	<u>\$ 26,524,992</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts Payable	\$ 121,697	\$ -	\$ 121,697	\$ 89,093	\$ -	\$ 89,093
Accrued Expenses and Other Liabilities	1,123,843	-	1,123,843	931,624	-	931,624
Interest Payable	-	-	-	100,623	-	100,623
Deferred Revenue	12,305	1,660,000	1,672,305	-	250,000	250,000
Notes Payable	13,524,739	-	13,524,739	13,342,151	-	13,342,151
Recoverable Subordinated Grant, Net	1,000,000	-	1,000,000	1,000,000	-	1,000,000
Total Current Liabilities	15,782,584	1,660,000	17,442,584	15,463,491	250,000	15,713,491
LONG-TERM LIABILITIES						
Notes Payable	5,393,769	-	5,393,769	5,427,596	-	5,427,596
Total Long-Term Liabilities	5,393,769	-	5,393,769	5,427,596	-	5,427,596
Total Liabilities	21,176,353	1,660,000	22,836,353	20,891,087	250,000	21,141,087
NET ASSETS						
Without Donor Restrictions:						
Undesignated	2,013,321	-	2,013,321	4,427,905	-	4,427,905
Board Designated - Housing Portfolio Reserve	2,600,000	-	2,600,000	-	-	-
With Donor Restrictions	-	3,743,000	3,743,000	-	956,000	956,000
Total Net Assets	4,613,321	3,743,000	8,356,321	4,427,905	956,000	5,383,905
Total Liabilities and Net Assets	<u>\$ 25,789,674</u>	<u>\$ 5,403,000</u>	<u>\$ 31,192,674</u>	<u>\$ 25,318,992</u>	<u>\$ 1,206,000</u>	<u>\$ 26,524,992</u>

See accompanying Notes to Consolidated Financial Statements.

LAND BANK TWIN CITIES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Support:						
Contributions and Grants	\$ 530,200	\$ 3,310,000	\$ 3,840,200	\$ 2,173,050	\$ 1,106,000	\$ 3,279,050
PPP Loan Forgiveness	-	-	-	97,500	-	97,500
Net Assets Released from Restrictions	523,000	(523,000)	-	813,925	(813,925)	-
Total Support	1,053,200	2,787,000	3,840,200	3,084,475	292,075	3,376,550
Revenue:						
Interest Income	265,325	-	265,325	429,429	-	429,429
Acquisition and Lending Fees	43,466	-	43,466	46,881	-	46,881
Brokerage and Property Management	66,000	-	66,000	61,000	-	61,000
Rental Income	1,813,739	-	1,813,739	1,562,833	-	1,562,833
Other Income	95,865	-	95,865	-	-	-
Gain on Sale of Property	1,459,218	-	1,459,218	752,777	-	752,777
Total Revenue	3,743,613	-	3,743,613	2,852,920	-	2,852,920
Total Support and Revenue	4,796,813	2,787,000	7,583,813	5,937,395	292,075	6,229,470
EXPENSES						
Program Services	3,818,258	-	3,818,258	3,242,979	-	3,242,979
Support Services:						
Management and General	652,562	-	652,562	404,360	-	404,360
Fundraising	140,577	-	140,577	184,649	-	184,649
Total Support Services	793,139	-	793,139	589,009	-	589,009
Total Expenses	4,611,397	-	4,611,397	3,831,988	-	3,831,988
CHANGE IN NET ASSETS	185,416	2,787,000	2,972,416	2,105,407	292,075	2,397,482
Net Assets - Beginning of Year	4,427,905	956,000	5,383,905	2,322,498	663,925	2,986,423
NET ASSETS - END OF YEAR	<u>\$ 4,613,321</u>	<u>\$ 3,743,000</u>	<u>\$ 8,356,321</u>	<u>\$ 4,427,905</u>	<u>\$ 956,000</u>	<u>\$ 5,383,905</u>

See accompanying Notes to Consolidated Financial Statements.

LAND BANK TWIN CITIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

		Support Services				
	Program Services	Management and General	Fundraising	Total Support Services	Total All Services	Total 2021
Personnel	\$ 388,004	\$ 385,833	\$ 67,174	\$ 453,007	\$ 841,011	\$ 797,578
Contracted Services	30,032	185,865	63,250	249,115	279,147	149,799
Occupancy	23,477	21,524	2,809	24,333	47,810	69,493
Equipment and Technology	89,050	30,697	4,303	35,000	124,050	95,008
Conferences and Travel	4,596	436	-	436	5,032	2,415
Other Operating Expense	31,672	28,207	3,041	31,248	62,920	53,249
Provision for Loan Losses	-	-	-	-	-	(33,949)
Bad Debt Expense	12,037	-	-	-	12,037	21,528
PV Discounts	-	-	-	-	-	9,925
Interest Expense	591,887	-	-	-	591,887	819,806
Property Expense - LLCs	2,134,408	-	-	-	2,134,408	1,345,864
Depreciation - LLCs	513,095	-	-	-	513,095	501,272
Total Expense	<u>\$ 3,818,258</u>	<u>\$ 652,562</u>	<u>\$ 140,577</u>	<u>\$ 793,139</u>	<u>\$ 4,611,397</u>	<u>\$ 3,831,988</u>

See accompanying Notes to Consolidated Financial Statements.

LAND BANK TWIN CITIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Support Services				Total All Services
	Program Services	Management and General	Fundraising	Total Support Services	
Personnel	\$ 404,927	\$ 283,138	\$ 109,513	\$ 392,651	\$ 797,578
Contracted Services	47,131	46,332	56,336	102,668	149,799
Occupancy	48,457	15,847	5,189	21,036	69,493
Equipment and Technology	41,742	42,706	10,560	53,266	95,008
Conferences and Travel	1,180	981	254	1,235	2,415
Other Operating Expense	37,951	12,501	2,797	15,298	53,249
Provision for Loan Losses	(33,949)	-	-	-	(33,949)
Bad Debt Expense	21,528	-	-	-	21,528
PV Discounts	9,925	-	-	-	9,925
Interest Expense	819,806	-	-	-	819,806
Property Expense - LLCs	1,343,009	2,855	-	2,855	1,345,864
Depreciation - LLCs	501,272	-	-	-	501,272
Total Expense	<u>\$ 3,242,979</u>	<u>\$ 404,360</u>	<u>\$ 184,649</u>	<u>\$ 589,009</u>	<u>\$ 3,831,988</u>

See accompanying Notes to Consolidated Financial Statements.

LAND BANK TWIN CITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,972,416	\$ 2,397,482
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation - LLCs	513,095	501,272
Depreciation*	94,004	31,077
Present Value Discount on Recoverable Subordinated Grant	-	9,925
Provision for Loan and Property Losses	-	(33,949)
Gain on Sale of Property Held for Sale	(1,459,218)	(752,777)
Amortization of Debt Issuance Costs	16,527	69,588
Issuance of Debt Issuance Costs	-	(14,849)
PPP Loan Forgiveness	-	(97,500)
Bad Debts Expense	12,037	21,528
(Increase) Decrease in Assets:		
Prepaid Expenses	(85,840)	(14,543)
Accounts Receivable	96,208	269,679
Receivable from Property Managers	(213,551)	-
Contributions Receivable	393,000	(486,000)
Other Assets	-	1,568
Increase (Decrease) in Liabilities:		
Accounts Payable	32,604	(1,009)
Accrued Expenses	192,219	2,709
Interest Payable	(100,623)	100,623
Other Liabilities	-	(17,671)
Deferred Revenue	1,422,305	-
Net Cash Provided by Operating Activities	<u>3,885,183</u>	<u>1,987,153</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(43,439)	-
Property Acquired	(2,787,108)	(3,489,955)
Property Sold	3,213,567	5,520,592
Loans Receivable Issued	(2,132,435)	(522,637)
Loans Receivable Repayments	3,405,379	1,685,956
Net Cash Provided by Investing Activities	<u>1,655,964</u>	<u>3,193,956</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans Receivable Repayments	-	(1,242,083)
Proceeds from Long-Term Debt	3,518,104	3,520,859
Payments on Long-Term Debt	(3,385,870)	(3,177,986)
Net Cash Provided (Used) by Financing Activities	<u>132,234</u>	<u>(899,210)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,673,381	4,281,899
Cash and Cash Equivalents - Beginning of Year	<u>6,233,360</u>	<u>1,951,461</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 11,906,741</u>	<u>\$ 6,233,360</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 591,887</u>	<u>\$ 819,806</u>

* Depreciation of leasehold improvements, equipment, and furniture is rolled up under line items for Occupancy; Equipment & Technology included on the Consolidated Statement of Functional Expenses.

See accompanying Notes to Consolidated Financial Statements.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Land Bank Twin Cities, Inc. (the Organization) is a nonprofit Minnesota corporation. The vision of the Organization is that all people in the seven-county metropolitan region of the Twin Cities have the opportunity to live and prosper in a community of their choice. The mission of the Organization is to capture strategic real estate opportunities to benefit people with low to moderate incomes, prioritizing people of color and populations facing barriers. We advance our mission by serving developers, nonprofit service providers, and governments through our various programs including land banking, lending, brokering, property management, and technical assistance.

Subsidiaries

Twin Cities Community Land Bank LLC (TCCLB) is a subsidiary of the Organization that was formed as a subsidiary of the Family Housing Fund in 2009 during the peak of the mortgage foreclosure crisis. TCCLB was a subsidiary of Family Housing Fund before its membership interests were transferred to the Organization by mutual agreement on December 31, 2015, thereby establishing the Organization as a fully independent entity.

Prior to January 1, 2017, TCCLB functioned as the primary entity involved in programming, fundraising, governance, and financial matters for the Organization. These functions were transferred to Land Bank Twin Cities, Inc. during 2016. TCCLB now primarily provides ownership of properties for the Organization.

TCC Property Services LLC is a subsidiary formed in 2010 and provides real estate brokerage and property management services.

TCC HIAWATHA LLC was formed in 2016 for the purpose of purchasing properties for investment and resale development in the city of Minneapolis. The LLC purchased the properties in 2016. The Hiawatha Business Center provides income for the Land Bank's operations while the remaining properties are held for future resale development. The LLC sold phase one of the properties in 2021 and another phase in 2022.

LB HOPE ADDITION LLC was formed in 2017, and amended to LB LO CAL LLC in 2018, for the purpose of purchasing properties for resale development in the city of Minneapolis. The LLC acquired the properties in 2018. The LLC sold its property in 2022.

LB CORCORAN 5 LLC was formed in 2020 for the purpose of purchasing properties for resale development in the city of Minneapolis. The LLC acquired the properties in 2020. The LLC has entered into a resale purchase agreement with a nonprofit corporation which has a 2022 closing date that it is working on renegotiating to close in 2023.

LB PLAYWRIGHTS 710 LLC was formed in 2020 for the purpose of purchasing a property for resale development in the city of St. Paul. The LLC acquired the property in 2020. The LLC has entered into a resale purchase agreement with a nonprofit corporation which has a 2022 closing date that it is working on renegotiating to close in 2023.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subsidiaries (Continued)

LB 1351 ARCADE LLC was formed in 2021 for the purpose of purchasing a property for resale development in the city of St. Paul. The LLC acquired the property in 2021. The LLC has entered into a resale purchase agreement with a corporation which has a 2023 closing date.

LB LAND TRUST NORTH 1 LLC was formed in 2021 for the purpose of purchasing property for resale development in the city of Minneapolis. The LLC acquired the properties in 2021. The LLC has entered into a resale purchase agreement with a nonprofit corporation for one of its properties which has a 2024 closing date. The LLC sold phase one of the properties in 2022.

LB SMMF 2 LLC was formed in 2021 for the purpose of purchasing a property for resale development in the city of Minneapolis. The LLC acquired the property in 2021.

LB GIRARD LLC was formed in 2022 for the purpose of purchasing property for resale development in the city of Minneapolis. The LLC acquired the properties in 2021. The LLC has entered into a resale purchase agreement with a corporation which has a 2024 closing date.

LB NEW TOWN LLC was formed in 2022 for the purpose of purchasing properties for resale development in the city of Minneapolis. The LLC acquired the properties in 2022.

LB MPLS 143 LLC was formed in 2022 for the purpose of purchasing property for resale development in the city of Minneapolis. The LLC acquired the properties in 2022.

LB SELBY LLC was formed in 2022 for the purpose of purchasing properties for resale development in the city of St. Paul. The LLC acquired the properties in 2022.

Consolidated Financial Statement Presentation

Net assets and revenues are classified based on donor-imposed restrictions as applicable. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts, if any, represent those revenues which the board has set aside for a particular purpose.

With Donor Restrictions – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time.

The Organization has elected to present with donor-restricted contributions, the restrictions of which are met in the same year as the gift is made, within the without donor restrictions net assets.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Principles of Consolidation

The consolidated financial statements herein include the consolidated operations of the Organization and the related LLCs. Intercompany transactions have been eliminated in the preparation of the accompanying consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less. The Organization places its temporary cash investments with stable financial institutions. At times, such deposits may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. A receivable is written off when management determines the amount is uncollectible. Included in the consolidated financial statements as of December 31, 2022 and 2021 is an allowance of \$2,362 and \$131,718, respectively.

Contributions Receivable

Contributions receivable are recorded at their net realizable value. Management believes that all current contributions pledged are fully collectible and, therefore, no allowance for doubtful accounts is required.

Loans Receivable

The Organization makes loans primarily for the purpose of increasing affordable housing and commercial development for low-to-moderate income persons. The loans are typically due within 36 months or less from the date of closing. The Organization uses risk ratings for developers who have loans outstanding and records an allowance for loan losses based on the allowance percentage established for each risk-rating category.

The allowance for loan losses (allowance) is an estimate of potential loan losses in the Organization's loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after actual loan losses experienced, if any, and for loan growth. Reductions in the allowance are expected during periods of decline in loans outstanding. Realized loan losses are charged-off against the allowance pursuant to the Organization's policies and procedures, including foreclosure status and recoverability of proceeds in relation to outstanding loan balances.

Property Available for Sale

Property held for sale consists of properties the Organization has purchased, but not yet sold to a developer. The Organization may enter into resale purchase agreements with developers, who intend to purchase properties from the Organization, specifying among other things the future purchase price, funding arrangements for holding costs, and compensation for the Organization to be paid by the developer. These properties are held at the lower of cost or market.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property Available for Sale (Continued)

Property holding costs incurred by the Organization during its period of ownership are either expensed presently and paid from available funds or recorded as a receivable from the developer to the extent that a purchase agreement provides for such reimbursement. Property holding income earned by the Organization is either collected presently from available funds or recorded as a receivable from the developer.

Fair Value Measurements

The Organization follows Statement of Financial Accounting Standard on Fair Value Measurements. The Organization currently does not measure any of its assets or liabilities at fair value and, therefore, there is no impact on the adoption of this standard.

The Organization also follows Statement of Financial Accounting Standard relating to the Fair Value Option for Financial Assets and Liabilities. The Organization has not elected to measure any existing financial instruments at fair value, as permitted under this standard. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Property and Equipment

The Organization's property and equipment is comprised of computers, internally developed software costs, general office furniture, and equipment, as well as improvements to the leased office space. Property and equipment are stated at cost at the date of acquisition. All assets are depreciated on a straight-line basis over estimated useful lives of the assets.

Recoverable Subordinated Grant

The Organization received a \$1,000,000 recoverable subordinated grant during 2016. The terms of the grant agreement require potential repayment of any net grant funds remaining at the end of the five-year term of the agreement. The Organization has treated the grant as debt with a below-market interest rate. On March 1, 2021, the Organization entered into a deferral agreement to its \$1,000,000 recoverable subordinated grant deferring potential repayment of any net grant funds to December 31, 2022. The Metropolitan Council approved forgiveness of the loan at its March 22, 2023 meeting, based on a recommendation from the Community Development Committee. This will be recognized as revenue during 2023.

Government Grants and Contracts

The Organization recognizes certain government grants and contract revenue when earned as an exchange transaction. Revenue is earned when eligible expenditures, as defined in each contract, are made. Grants received, but not yet earned, are shown as Deferred Revenue on the consolidated balance sheets.

Other government grants and contract revenue is recognized as a contribution transaction and revenue is recognized when the grant or contract is made.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

PPP Loan Forgiveness

On April 11, 2020, the Organization received proceeds in the amount of \$97,500 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). During the year ended December 31, 2021, the Organization applied for and received forgiveness of the PPP Loan for \$97,500.

The Small Business Administration (SBA) may review funding eligibility and use of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of a liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

Functional Allocation of Expense

The consolidated financial statements report certain categories of expenses that are attributable to program services and support service functions. Therefore, these expenses are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, occupancy, office expenses, information technology, telephone, conferences, and meals. These expenses are allocated based on estimates of time and effort. Other expenses are allocated based on direct identification or management's best estimate of the reason for incurring the cost.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is subject to federal income tax only on net unrelated business income. The Organization currently has no unrelated business income and is not considered a private foundation within the meaning of Section 509(a) of the IRC and all charitable contributions are considered tax deductible.

The Organization follows the accounting standard that clarifies the accounting for uncertainty in income taxes. The policy prescribes a recognition threshold and measurement principles for the consolidated financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no impact on Organization's consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the consolidated balance sheets as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated balance sheets. As of December 31, 2022, the Organization only has one month-to-month lease.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted the requirement of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. There was no impact on the Organization's financial position and change in net assets as a result of the adoption of this accounting standard.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 3, 2023, the date the consolidated financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2022 and 2021 consist of future grant commitments. There is no allowance for doubtful accounts, as management believes all contributions receivable are collectible. Future receipts for the years ended December 31 are as follows:

<u>Year Ending December 31,</u>	<u>2022</u>	<u>2021</u>
2022	\$ -	\$ 893,000
2023	523,000	23,000
Total	<u>\$ 523,000</u>	<u>\$ 916,000</u>

NOTE 3 PROPERTY AVAILABLE FOR SALE

Property available for sale consists of property that was acquired by the Organization that is intended for resale. Properties held for sale that are available for interim lease and generating rental income are depreciated based on the proportion of the purchase price allocated to the buildings and improvements on a straight-line basis over their estimated useful lives. For the years ended December 31, 2022 and 2021, the Organization recorded \$513,095 and \$501,272, respectively, of such depreciation.

Properties available for sale as of December 31, 2022 are as follows:

	<u>Property Available</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
With Resale Agreement:			
LB CORCORAN 5 LLC	\$ 8,269,499	\$ (671,140)	\$ 7,598,359
LB PLAYWRIGHTS 710 LLC	1,200,000	(67,949)	1,132,051
LB 1351 ARCADE LLC	441,754	(11,787)	429,967
LB LAND TRUST NORTH 1 LLC	649,415	(22,145)	627,270
LB GIRARD LLC	315,000	(7,159)	307,841
Without Resale Agreement:			
TCCLB	1,628,589	(370,919)	1,257,670
TCC HIAWATHA LLC	2,361,652	(244,178)	2,117,474
LB SMMF 2 LLC	1,220,000	(61,261)	1,158,739
LB SELBY LLC	1,640,000	(1,752)	1,638,248
LB MPLS 143 LLC	262,500	(280)	262,220
LB NEW TOWN LLC	326,238	(3,833)	322,405
Total	<u>\$ 18,314,647</u>	<u>\$ (1,462,403)</u>	<u>\$ 16,852,244</u>

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 PROPERTY AVAILABLE FOR SALE (CONTINUED)

Properties available for sale as of December 31, 2021 are as follows:

	Property Available	Accumulated Depreciation	Total
With Resale Agreement:			
LB CORCORAN 5 LLC	\$ 8,269,499	\$ (371,019)	\$ 7,898,480
LB PLAYWRIGHTS 710 LLC	1,200,000	(24,000)	1,176,000
LB 1351 ARCADE LLC	441,754	(460)	441,294
LB LAND TRUST NORTH 1 LLC	1,115,000	(17,083)	1,097,917
Without Resale Agreement:			
TCCLB	1,823,458	(361,395)	1,462,063
TCC HIAWATHA LLC	2,530,589	(219,090)	2,311,499
LB SMMF 2 LLC	1,220,000	(44,733)	1,175,267
LB LO CAL LLC	770,060	-	770,060
Total	<u>\$ 17,370,360</u>	<u>\$ (1,037,780)</u>	<u>\$ 16,332,580</u>

NOTE 4 LOANS RECEIVABLE

The Organization has established several loan programs. Loans are typically secured by a first mortgage lien. The Organization follows its Loan and Acquisition Policies and Procedures manual and risk rates each developer in order to establish an allowance for loan losses. The Risk Rating System assesses the potential for loss of principal and/or interest on a specific borrower or loan program. The risk ratings take into account the borrower's organizational and financial strength, program and project factors, payment history, and collateral value among other criteria. The five rating categories range from one (Low Risk – allowance of 2%) to five (Problem Loans – allowance of 50%). At December 31, 2022, 63% of loans receivable were rated Level 2, 17% were rated Level 3, and 19% were rated Level 4. At December 31, 2021, 38% of loans receivable were rated Level 2 and 62% were rated Level 3.

The various loan agreements with borrowers provide for, among other things, the following terms and conditions:

Single Family Affordable Housing Preservation and New Construction

The Organization's financing program supports efforts to stabilize and strengthen neighborhoods and communities in the seven-county area of the Twin Cities. It selectively engages with for-profit and nonprofit development partners to provide short-term market rate debt that can be partnered with other capital sources or public subsidies for acquisition, preservation or new construction of 1 to 4 units of single-family affordable housing. The Organization generally establishes a line of credit with the development partner that has the flexibility to fund multiple projects. Loans made under the line of credit are short term and require completed properties to be sold to homebuyers who typically meet income qualifications of 115% area median income or less. Development partners agree to build or rehab properties to the Organization's community standards and adherence by the development partners to Minnesota Green Community standards.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 LOANS RECEIVABLE (CONTINUED)

Multi-Family Affordable Housing Preservation and New Construction

The Organization's financing program supports efforts to stabilize and strengthen neighborhoods and communities in the seven-county area of the Twin Cities. It selectively engages with for-profit and nonprofit development partners to provide market rate debt that can be partnered with other capital sources or public subsidies for predevelopment, acquisition, preservation or new construction of multi-family affordable housing or mixed-use projects. Multi-family properties typically require renters at 80% area median income or less. Loans are generally for three years or less. New construction projects require adherence by the development partners to Minnesota Green Community standards.

Commercial Loan Program

The Organization's financing program supports efforts to stabilize and strengthen neighborhoods and communities in the seven-county area of the Twin Cities. It selectively engages with for-profit and nonprofit development partners to provide market rate debt that can be partnered with other capital sources or public subsidies for predevelopment, acquisition, preservation or new construction of commercial or mixed-use projects. Development partners typically develop projects that benefit people with low to moderate income or populations facing barriers.

Loans receivable by program are as follows:

	2022	2021
Single Family Loan Program	\$ 1,344,320	\$ 1,942,264
Multi-Family Loan Program	285,000	885,000
Commercial Loan Program	-	75,000
Loan Receivables, Gross	1,629,320	2,902,264
Less: Allowance for Loan Losses	(172,626)	(172,626)
Total	<u>\$ 1,456,694</u>	<u>\$ 2,729,638</u>

Detail for the allowance for loan losses are as follows:

	Single Family Recovery Loan Program	Multi-Family Loan Program	Commercial Loan Program	Total
Beginning of Year - 2021	\$ 153,375	\$ 43,950	\$ 9,250	\$ 206,575
Provision for Loan Losses and Other Adjustments	(29,949)	-	(4,000)	(33,949)
End of Year - 2021	<u>\$ 123,426</u>	<u>\$ 43,950</u>	<u>\$ 5,250</u>	<u>\$ 172,626</u>
Beginning of Year - 2022	\$ 123,426	\$ 43,950	\$ 5,250	\$ 172,626
Provision for Loan Losses and Other Adjustments	29,250	(24,000)	(5,250)	-
End of Year - 2022	<u>\$ 152,676</u>	<u>\$ 19,950</u>	<u>\$ -</u>	<u>\$ 172,626</u>

The Organization has not experienced any loan charge-offs since inception. The structure of the loan programs, the underwriting criteria, and the nature of the required collateral is designed to limit the Organization's exposure to such loan losses.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 LOANS RECEIVABLE (CONTINUED)

As of December 31, 2022 and 2021, \$1,298,921 and \$2,312,234, respectively, of the outstanding loan receivables are considered current.

As of December 31, 2022 and 2021, the Organization had total loan commitments to borrowers of \$3,463,100 and \$3,806,379, respectively, with loans outstanding of \$1,629,320 and \$2,902,264, respectively, associated with these commitments.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31:

	2022	2021
Furniture and Equipment	\$ 12,256	\$ 14,688
Leasehold Improvements	20,426	12,890
Software	113,493	113,493
Total	146,175	141,071
Less: Accumulated Depreciation	(113,419)	(57,750)
Total, Net of Depreciation	<u>\$ 32,756</u>	<u>\$ 83,321</u>

NOTE 6 NOTES PAYABLE

Family Housing Fund Term Loans

In 2015, the Organization received \$2,000,000 at 4% interest unsecured term loan from the Family Housing Fund to support various neighborhood recovery programs. Interest is payable quarterly. The loan was extended from February 28, 2019 and is now payable on August 17, 2022. As of December 31, 2022 and 2021, \$2,000,000 was outstanding under this agreement. On January 26, 2022, the Organization repaid the loan in full.

Woodlands National Bank

In 2018, TWIN CITIES COMMUNITY LAND BANK LLC signed a \$972,500 loan agreement, mortgage, and promissory note at 4.75% interest with Woodlands National Bank providing funding to support the LLC's property acquisition. The agreement requires 12 monthly interest payments beginning on September 16, 2018 and 47 monthly payments of principal and interest beginning on September 16, 2019. A final balloon payment of principal and interest is due on August 16, 2023. As of December 31, 2022 and 2021, there was \$862,167 and \$899,586 outstanding under this agreement, respectively.

In 2021, LB LAND TRUST NORTH 1 LLC signed a \$339,500 loan agreement at a 2.95% interest rate with Woodlands National Bank providing funding to support the LLC's property acquisition. The agreement requires monthly principal and interest payments with the unpaid principal balance due and payable on January 31, 2024. As of December 31, 2021, there was \$328,104 outstanding under this agreement. In 2022, the Organization repaid the loan in full.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 NOTES PAYABLE (CONTINUED)

Woodlands National Bank (Continued)

In 2021, LB LAND TRUST NORTH 1 LLC signed a \$227,500 loan agreement at a 2.95% interest rate with Woodlands National Bank providing funding to support the LLC's property acquisition. The agreement requires monthly principal and interest payments with the unpaid principal balance due and payable on July 22, 2024. As of December 31, 2022 and 2021, there was \$215,484 and \$223,850 outstanding under this agreement, respectively.

In 2021, LB LAND TRUST NORTH 1 LLC signed a \$228,750 loan agreement at a 2.95% interest rate with Woodlands National Bank providing funding to support the LLC's property acquisition. The agreement requires monthly principal and interest payments with the unpaid principal balance due and payable on September 30, 2024. As of December 31, 2022 and 2021, there was \$218,114 and \$226,000 outstanding under this agreement, respectively.

Sunrise Banks

In 2016, TCC HIAWATHA LLC signed a \$2,880,000 loan agreement, mortgage, and promissory note at 3.75% interest with Sunrise Banks providing funding to support the LLC's property acquisition. The agreement was refinanced in 2021, and the new agreement requires monthly principal and interest payments with the unpaid principal balance due and payable on December 1, 2031. As of December 31, 2022 and 2021, there was \$1,151,291 and \$2,007,501, respectively, outstanding under this agreement.

In 2020, LB PLAYWRIGHTS 710 LLC signed a \$900,000 loan agreement, mortgage, and promissory note at 4.00% interest with Sunrise Banks. The agreement was amended in 2021, and the maturity date with the unpaid principal balance due is now November 18, 2022. In 2022, this agreement was extended through February 18, 2023. As of December 31, 2022 and 2021, there was \$900,000 outstanding under this agreement. On February 18, 2023, the agreement was amended to mature on August 18, 2023.

Local Initiatives Support Corporation

In 2020, LB CORCORAN 5 LLC signed a loan up to an aggregate principal amount of \$8,430,000 with Local Initiatives Support Corporation. The agreement requires monthly interest payments with the unpaid principal balance due and payable on June 1, 2023. As of December 31, 2022 and 2021, there was \$8,305,322 outstanding under the agreement.

In 2021, LB 1351 ARCADE LLC signed a loan up to an aggregate principal amount of \$369,704 at 2.52% interest with Local Initiatives Support Corporation. The agreement requires monthly interest payments with the unpaid principal balance due and payable on January 1, 2025. December 31, 2022 and 2021, there was \$350,857 and \$341,754 outstanding under the agreement, respectively.

In 2021, LB SMMF 2 LLC signed a loan up to an aggregate principal amount of \$1,382,000 at 3.5% interest with Local Initiatives Support Corporation. The agreement requires monthly interest payments with the unpaid principal balance due and payable on February 1, 2023. As of December 31, 2022 and 2021, there was \$1,338,044 outstanding under the agreement.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 NOTES PAYABLE (CONTINUED)

City of Minneapolis

In 2021, LB LAND TRUST NORTH 1 LLC signed a \$147,883 loan agreement with the city of Minneapolis providing funding to support the LLC's property acquisition. The agreement requires the unpaid principal balance due and payable on January 29, 2036. As of December 31, 2021, there was \$147,883 outstanding under this agreement. The loan was repaid in full in 2022.

Mortenson Family Foundation

In 2021, LB 1351 ARCADE LLC signed a \$100,000 loan agreement at 1% interest with the Mortenson Family Foundation providing funding to support the LLC's property acquisition. The agreement requires the unpaid principal balance due and payable on December 15, 2028. As of December 31, 2022 and 2021, there was \$100,000 outstanding under this agreement.

U.S. Bank

In 2017, the Organization received loan from U.S. Bank in the amount of \$2,000,000 at 3% interest to support its loan programs. The unsecured loan requires quarterly interest payments with principal due and payable on September 5, 2020, with three automatic one-year extensions as long as the Organization performs its obligations, which occurred in 2020. Therefore, the extended due date is September 4, 2023. As of December 31, 2022 and 2021, \$2,000,000 was outstanding under this agreement.

Bush Foundation

In 2022, the Organization received a loan from the Bush Foundation in the amount of \$2,000,000 at 1% interest to support its loan programs. The unsecured loan requires the unpaid principal balance due and payable on December 31, 2032. As of December 31, 2022, there was \$2,000,000 outstanding under this agreement.

Saint Paul and Minnesota Foundation

On December 29, 2021, the Organization entered into a loan agreement with the Saint Paul and Minnesota Foundation for up to \$1,209,000 advanced, at 1.5% interest that matures on December 31, 2024. As of December 31, 2022 and 2021, there was \$1,209,000 and \$-0- outstanding on the loan, respectively.

Selby Commons Limited Partnership

In 2022, LB SELBY LLC assumed the mortgage of the property it acquired. The mortgage is for \$300,000 at 0% interest with the maturity at sale of the property.

Otto Bremer Trust

In 2022, the Organization entered into a loan agreement with the Otto Bremer Trust for up to \$500,000, at 3.5% interest that matures on December 23, 2029. As of December 31, 2022, there was \$-0- outstanding on the loan.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 NOTES PAYABLE (CONTINUED)

Total notes payable as of December 31 are as follows.

	<u>2022</u>	<u>2021</u>
Family Housing Fund - Term Loan	\$ -	\$ 2,000,000
Woodlands National Bank	862,167	899,586
Woodlands National Bank	-	328,104
Woodlands National Bank	215,484	223,850
Woodlands National Bank	218,114	226,000
Sunrise Bank	1,151,291	2,007,501
Sunrise Bank	900,000	900,000
LISC	8,305,322	8,305,322
LISC	350,857	341,754
LISC	1,338,044	1,338,044
City of Minneapolis	-	147,883
Mortenson Family Foundation	100,000	100,000
U.S. Bank	2,000,000	2,000,000
Bush Foundation	2,000,000	-
Saint Paul and Minnesota Foundation	1,209,000	-
Selby Commons Limited Partnership	300,000	-
Subtotal	<u>18,950,279</u>	<u>18,818,044</u>
Unamortized Debt Issuance Costs	<u>(31,771)</u>	<u>(48,297)</u>
Total	<u><u>\$ 18,918,508</u></u>	<u><u>\$ 18,769,747</u></u>

Maturity for notes payable is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 13,524,739
2024	2,030,010
2025	459,628
2026	112,583
2027	116,530
Thereafter	<u>2,706,789</u>
Total	18,950,279
Unamortized Debt Issuance Costs	<u>(31,771)</u>
Total	<u><u>\$ 18,918,508</u></u>

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 LINE OF CREDIT

In 2016, the Organization signed a \$5,000,000 revolving credit agreement with Bridgewater Bank secured by various single family loan receivables. This agreement matured on June 2, 2018. The agreement was amended on June 2, 2018 for one year, extending the maturity date to June 2, 2019. The agreement was extended to June 2, 2020 and was reduced to a \$2,000,000 revolving credit agreement. On June 2, 2020, the agreement was extended to June 2, 2022 and increased to a \$3,000,000 revolving credit agreement and extended until June 2, 2025. Interest is payable monthly. As of December 31, 2022 and 2021, there was \$-0- outstanding under this agreement.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 and 2021 consisted of donor-restricted contributions to be used in the Organization's core programs as well as those that are time restricted. Net assets with donor restrictions consist of the following:

	2022	2021
FHF - Staffing Grant	\$ 160,000	\$ -
LISC - CAT Funding	240,000	240,000
Affordable Housing - Lending	3,100,000	-
St. Paul and Minnesota Foundation	70,000	70,000
Timing	173,000	646,000
Total	<u>\$ 3,743,000</u>	<u>\$ 956,000</u>

NOTE 9 CONCENTRATIONS

For the year ended December 31, 2022, contribution revenue from three donors comprised 94% of total contribution revenue. For the year ended December 31, 2022, contributions receivable was comprised of two donors which was 96% of total contributions receivable. For the year ended December 31, 2022, loans receivable includes loans outstanding to three developers which comprises 99% of the total loans receivable outstanding.

For the year ended December 31, 2021, contribution revenue from two donors comprised approximately 81% of total contribution revenue. For the year ended December 31, 2021, contributions receivable was comprised of two donors which was 81% of total contributions receivable. For the year ended December 31, 2021, loans receivable includes loans outstanding to four developers which comprises 80% of the total loans receivable outstanding.

NOTE 10 PENSION PLAN

The Organization has a defined contribution plan which covers all personnel employed by the Organization. The plan is effective the first of the following month of hire. The Organization provides a 4% match. The Organization's contributions for the years ended December 31, 2022 and 2021 were \$26,623 and \$26,155, respectively.

LAND BANK TWIN CITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 LEASES

The Organization leases its office space under a month-to-month operating lease; therefore, there are no future commitments recorded. Rent expense for the years ended December 31, 2022 and 2021, was \$40,404 and \$34,373, respectively.

NOTE 12 RELATED PARTY TRANSACTIONS

Due to the many partnerships created by the Organization in its work and its desire to coordinate efforts by all those involved in this work, representatives of other organizations working in the affordable housing and community development arena hold positions on the board of the Organization. Some of these organizations have received grants and/or loans from the Organization or made grants and/or loans to the Organization. Additionally, some of these organizations can be involved in the purchase or sale of properties by the Organization. Strict conflict of interest policies apply to all these transactions, and all transactions are made based on market rates, and terms of the respective parties.

NOTE 13 LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and debt payments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit. See Note 7 for information about the Organization's line of credit facility.

The table below presents financial assets available for general expenditures and debt payments within one year as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 7,026,741	\$ 5,943,360
Accounts Receivable	64,676	172,921
Receivable from Property Managers	213,551	-
Loans Receivable Due Within One Year	<u>1,298,921</u>	<u>2,312,234</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 8,603,889</u></u>	<u><u>\$ 8,428,515</u></u>

LAND BANK TWIN CITIES, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Land Bank Twin Cities, Inc.	TCC Land Bank LLC	TCC Property Services LLC	Property LLCs	Eliminations	Consolidated
ASSETS						
Cash and Cash Equivalents	\$ 10,098,104	\$ 236,811	\$ 153,409	\$ 1,418,417	\$ -	\$ 11,906,741
Accounts Receivable, Net	8,228	4,591	21,000	30,857	-	64,676
Prepaid and Other Receivables	21,029	4,525	-	117,458	-	143,012
Contributions Receivable, Net	523,000	-	-	-	-	523,000
Receivable from Property Managers	-	(7,798)	-	221,349	-	213,551
Intercompany Receivable	252,212	4,612	-	10,417	(267,241)	-
Loans Receivable, Net	1,456,694	-	-	-	-	1,456,694
Property Available for Sale, Net	-	1,257,670	-	15,594,574	-	16,852,244
Property and Equipment, Net	32,756	-	-	-	-	32,756
Intercompany Notes Receivable	3,745,977	-	-	-	(3,745,977)	-
Total Assets	<u>\$ 16,138,000</u>	<u>\$ 1,500,411</u>	<u>\$ 174,409</u>	<u>\$ 17,393,072</u>	<u>\$ (4,013,218)</u>	<u>\$ 31,192,674</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable	\$ 40,120	\$ 18	\$ -	\$ 81,559	\$ -	\$ 121,697
Accrued Expenses and Other Liabilities	25,841	13,690	-	1,084,312	-	1,123,843
Intercompany Payables	20,126	2,011	-	245,104	(267,241)	-
Notes Payable	5,289,625	861,394	-	12,767,489	-	18,918,508
Intercompany Notes Payable	-	357,950	-	3,388,027	(3,745,977)	-
Deferred Revenue	1,660,000	-	-	12,305	-	1,672,305
Recoverable Subordinated Grant, Net	1,000,000	-	-	-	-	1,000,000
Total Liabilities	<u>8,035,712</u>	<u>1,235,063</u>	<u>-</u>	<u>17,578,796</u>	<u>(4,013,218)</u>	<u>22,836,353</u>
NET ASSETS						
Without Donor Restrictions:						
Undesignated	1,759,288	265,348	174,409	(185,724)	-	2,013,321
Board Designated - Housing Portfolio Reserve	2,600,000	-	-	-	-	2,600,000
With Donor Restrictions	<u>3,743,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,743,000</u>
Total Net Assets	<u>8,102,288</u>	<u>265,348</u>	<u>174,409</u>	<u>(185,724)</u>	<u>-</u>	<u>8,356,321</u>
Total Liabilities and Net Assets	<u>\$ 16,138,000</u>	<u>\$ 1,500,411</u>	<u>\$ 174,409</u>	<u>\$ 17,393,072</u>	<u>\$ (4,013,218)</u>	<u>\$ 31,192,674</u>

LAND BANK TWIN CITIES, INC.
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Twin Cities, Inc.</u>	<u>TCC Land Bank LLC</u>	<u>TCC Property Services LLC</u>	<u>Property LLCs</u>	<u>Eliminations</u>	<u>Total</u>
REVENUES						
Contributions and Grants	\$ 3,840,200	\$ -	\$ -	\$ -	\$ -	\$ 3,840,200
Interest Income	264,066	612	284	363	-	265,325
Acquisition and Lending Fees	43,466	-	-	-	-	43,466
Brokerage and Property Management	-	-	66,000	-	-	66,000
Intercompany Interest	62,031	-	-	-	(62,031)	-
Rental Income	-	153,619	-	1,660,120	-	1,813,739
Other Income	23,501	246	238	71,880	-	95,865
Gain on Sale of Property	-	57,817	-	1,401,401	-	1,459,218
Total Revenues	<u>4,233,264</u>	<u>212,294</u>	<u>66,522</u>	<u>3,133,764</u>	<u>(62,031)</u>	<u>7,583,813</u>
EXPENSES						
Personnel	841,011	-	-	-	-	841,011
Contracted Services	266,743	300	-	12,104	-	279,147
Occupancy	47,810	-	-	-	-	47,810
Equipment and Technology	124,050	-	-	-	-	124,050
Conference and Travel	4,238	-	-	794	-	5,032
Other Operating Expense	61,258	521	-	1,141	-	62,920
Bad Debt Expense	-	-	-	12,037	-	12,037
Interest Expense	70,893	33,064	-	487,930	-	591,887
Property Expenses - LLCs	-	89,012	2,942	2,104,485	(62,031)	2,134,408
Depreciation - LLCs	-	67,344	-	445,751	-	513,095
Total Expense	<u>1,416,003</u>	<u>190,241</u>	<u>2,942</u>	<u>3,064,242</u>	<u>(62,031)</u>	<u>4,611,397</u>
CHANGE IN NET ASSETS	2,817,261	22,053	63,580	69,522	-	2,972,416
Net Assets - Beginning of Year	5,053,956	243,794	110,829	(24,674)	-	5,383,905
Net Asset Transfer - Distribution	<u>231,071</u>	<u>(499)</u>	<u>-</u>	<u>(230,572)</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 8,102,288</u>	<u>\$ 265,348</u>	<u>\$ 174,409</u>	<u>\$ (185,724)</u>	<u>\$ -</u>	<u>\$ 8,356,321</u>

