



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**VENTANA FUND
INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

**For The Year Ended September 30, 2018
With Comparative Totals for 2017**

VENTANA FUND
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For the Year Ended September 30, 2018, With Comparative Totals for 2017

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**VENTANA FUND
OFFICIAL ROSTER
As of September 30, 2018**

Board of Directors

D. Todd Clarke	Chair
Paul Cassidy	Vice-Chair
Elizabeth Bernal	Secretary
Steve Anaya	Treasurer
Robbie R. Levey	Member
Catherine Hummel	Member
Shawn Colbert	Member

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Ventana Fund
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the Ventana Fund (Ventana) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ventana as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Ventana's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2019, on our consideration of Ventana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ventana's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
January 31, 2019

VENTANA FUND
STATEMENT OF FINANCIAL POSITION
As of September 30, 2018, With Comparative Totals For 2017

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current Assets			
Cash and cash equivalents	C	\$ 174,839	676,301
Donor restricted cash and cash equivalents	C, E	2,923,788	900,000
Interest receivable		2,462	2,857
Mortgages receivable, net of allowance of \$3,527 and \$59,497, respectively	D	<u>39,012</u>	<u>987,541</u>
Total current assets		<u>3,140,101</u>	<u>2,566,699</u>
Non-Current Assets			
Mortgages receivable, net of allowance of \$59,543 and \$14,217, respectively	D	<u>2,278,574</u>	<u>1,406,686</u>
TOTAL ASSETS		<u>\$ 5,418,675</u>	<u>3,973,385</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Advances on grants		\$ 257,156	594,731
Accounts payable and accrued liabilities		2,075	2,000
Accrued interest payable		365	-
Line of credit	I	<u>350,000</u>	<u>-</u>
Total current liabilities		<u>609,596</u>	<u>596,731</u>
TOTAL LIABILITIES		<u>609,596</u>	<u>596,731</u>
Net Assets			
Unrestricted net assets:			
Undesignated		332,419	226,654
Temporarily restricted net assets		876,660	-
Permanently restricted net assets	E	<u>3,600,000</u>	<u>3,150,000</u>
Total net assets		<u>4,809,079</u>	<u>3,376,654</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 5,418,675</u>	<u>3,973,385</u>

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

VENTANA FUND
STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2018, With Comparative Totals For 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	2018 Totals	2017 Totals
Revenue					
Mortgage interest	\$ 40,198	6,858	-	47,056	37,838
Loan fees	7,750	9,563	-	17,313	13,750
Investment interest	3,232	786	-	4,018	534
Housing program income	-	122,647	-	122,647	-
Other operating income	-	-	-	-	5,269
Total Revenue	<u>51,180</u>	<u>139,854</u>	-	<u>191,034</u>	<u>57,391</u>
Public Support					
Grants	52,500	917,980	450,000	1,420,480	400,000
Satisfaction of program restrictions	<u>181,174</u>	<u>(181,174)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, & Reclassifications	<u>284,854</u>	<u>876,660</u>	<u>450,000</u>	<u>1,611,514</u>	<u>457,391</u>
Expenses					
Programs	141,968	-	-	141,968	95,419
Management	37,121	-	-	37,121	37,836
Fundraising	-	-	-	-	-
Total Expenses	<u>179,089</u>	<u>-</u>	<u>-</u>	<u>179,089</u>	<u>133,255</u>
Change in net assets	105,765	876,660	450,000	1,432,425	324,136
Net assets, beginning	226,654	-	3,150,000	3,376,654	3,052,518
Net assets, ending	<u>\$ 332,419</u>	<u>876,660</u>	<u>3,600,000</u>	<u>4,809,079</u>	<u>3,376,654</u>

SEE INDEPENDENT AUDITOR'S REPORT
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VENTANA FUND
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2018, With Comparative Totals For 2017

	Supporting Services			2018	2017
	Total Program	Management	Fundraising	Total	Total
Grant payments	\$ 126,298	-	-	126,298	-
Professional fees	25,374	29,701	-	55,075	49,195
Insurance	-	4,246	-	4,246	4,371
Interest expense	-	1,458	-	1,458	-
Lender compensation	831	-	-	831	10,152
Legal expense	-	701	-	701	2,050
Dues and subscriptions	-	500	-	500	-
Bank fees	-	234	-	234	87
Advertising and promotion	-	163	-	163	3,233
Repairs and maintenance	108	-	-	108	108
Travel	-	98	-	98	-
Program expense	-	20	-	20	500
Provisions for loan losses	(10,643)	-	-	(10,643)	63,559
Total expenses	\$ <u>141,968</u>	<u>37,121</u>	<u>-</u>	<u>179,089</u>	<u>133,255</u>

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

VENTANA FUND
STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2018, With Comparative Totals For 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Mortgage interest	\$ 47,451	38,037
Loan fees	17,313	13,750
Investment interest	4,018	534
Grant	970,480	-
Housing program income	122,647	-
Other operating income	-	9,469
	1,161,909	61,790
Less cash paid to suppliers	(189,293)	(67,794)
Net cash provided (used) by operating activities	972,616	(6,004)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash disbursements of loan principal	(1,570,000)	(1,750,000)
Cash receipts from loan principal repayments	1,657,285	538,137
Net cash provided (used) by investing activities	87,285	(1,211,863)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from grant restricted for investment in the permanent	450,000	400,000
Proceeds/(use) of advances of grant restricted for loan purposes	(337,575)	594,731
Proceeds from line of credit	350,000	-
Net cash provided (used) by financing activities	462,425	994,731
Cash, cash equivalents, and restricted cash, beginning of year	1,576,301	1,799,437
Cash, cash equivalents, and restricted cash, end of year	\$ 3,098,627	1,576,301
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Change in net assets	\$ 1,432,425	324,136
Provision for loan losses	(10,643)	63,559
Adjustment for restricted contribution proceeds	(450,000)	(400,000)
Mortgage loan transferred to Ventana via grant	-	-
Changes in assets and liabilities:		
Interest receivables	395	199
Other receivables	-	4,200
Accounts payable	75	1,902
Accrued interest payable	365	-
Rounding	(1)	-
Net cash provided (used) by operating activities	\$ 972,616	(6,004)
Supplementary Noncash Information		
Mortgage loan transferred to Ventana via grant	\$ -	-
	\$ -	-

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

VENTANA FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018, With Comparative Totals for 2017

NOTE A—NATURE OF OPERATIONS

The Ventana Fund (Ventana) was formed on February 27, 2014. It was organized and incorporated as a New Mexico nonprofit corporation by private citizens and housing professionals who are dedicated to increasing the number of decent affordable homes available to New Mexico's low-income residents.

The mission of Ventana is to meet the critical need for an increased supply of early stage financing for affordable housing construction and rehabilitation in New Mexico. Ventana is committed to dramatically increasing the amount of low-interest rate loans available to qualified housing developers who build and rehabilitate affordable housing. Ventana was certified as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury in March 2015.

Target Markets

Ventana Fund is committed to financing affordable housing in low-income communities, economically distressed communities and market niches that are underserved by traditional financial institutions.

- Low-income populations earning less than 80% area median income
- Tribal communities
- Rural communities
- CDFI investment areas

Ventana Fund also focuses on hard-to-finance projects, such as older rental projects needing rehabilitation.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Statement Presentation

Ventana presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements for Not-For-Profit Organizations. Under FASB ASC 958-205, Ventana is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted net assets. In addition, Ventana presents a statement of cash flows and a statement of functional expenses.

Unrestricted Net Assets

Unrestricted amounts are those net assets currently available at the discretion of the Board for use in Ventana's programs.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent those assets subject to restrictions imposed by donors, grantors, or contract provision that may or will be met by the occurrence of a specific event or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets consist of Community Development Financial Institutions (CDFI) funding and related activity.

Permanently Restricted Net Assets

Permanently restricted net assets result from donor-imposed stipulations that neither expire by the passage of time or can be fulfilled or otherwise removed by actions of Ventana. Permanently restricted net assets include revolving loan funds, which are funds restricted by the donor to be loaned to qualified recipients with repayments to Ventana to be re-loaned in perpetuity.

2. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

VENTANA FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018, With Comparative Totals for 2017

3. Cash and Cash Equivalents

Ventana considers all highly liquid investments with a maturity date of less than three months when purchased to be cash equivalents.

4. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents represents grant funds received and required by the grantor to be used to provide mortgage loans to qualified borrowers.

5. Mortgages Receivable

Mortgages receivables that are expected to be collected within one year are recorded at net realizable value. Mortgage receivables that are expected to be collected after one year are also recorded at net realizable value which management believes materially approximates the present value of expected future cash flows using an estimated discount rate.

Collection is enforced through a promissory note and mortgage deed which are recorded in public records. Default occurs upon the failure of the borrower to pay any installment on the loan when it becomes due.

The terms of duration and historical prevailing interest rates are as follow:

<u>Original Maturity of Mortgages</u>	<u>Interest Rates on Mortgages</u>
2-10 Years	0%-5%

6. Interest Income

Interest income is recognized upon receipt with interest amounts determined by the loan terms and may be received monthly, quarterly, annually, upon maturity, or on another approved payment schedule. Interest income is presented net of loan service fees. Application and origination fees, including a minimum 1% loan fee, are assessed on each loan request and recognized as revenue upon receipt. Periodic loan payments are typically interest only with all unpaid interest, plus unpaid fees and outstanding principal balance due on or before the loan maturity date.

7. Allowance for Uncollectible Accounts

An allowance for loan losses is estimated by Ventana's management based on risk ratings assigned to each mortgage note. Risk ratings are adjusted no more than quarterly, but no less than annually, based on the performance and analysis of each note's collection history. Loan risk ratings on Ventana's loans are as follows:

<u>Rating</u>	<u>Category</u>	<u># of Loans</u>
1	Excellent Repayment Probability	3
2	Good Repayment Probability	3
3	Impaired Payment Ability	0
4	Significantly Impaired Repayment Ability	0
		<u>6</u>

8. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of management's estimates. Estimates and assumptions may be required by management that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VENTANA FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018, With Comparative Totals for 2017

9. Donor Restricted Gifts

Unconditional promises to give cash and other assets to Ventana are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. Gifts received with donor stipulations that limit the use of the donated assets are reported as either temporarily or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by Ventana, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. There are no outstanding unconditional promises to give at September 30, 2018 or 2017.

10. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses on investments are included in the accompanying statements of activities. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in unrestricted net assets unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized.

The fair value of investments is subject to ongoing fluctuations. The amount ultimately realized upon disposition may differ than the amounts reported in these combined financial statements. Fair value estimates for securities are currently volatile, difficult to predict, and subject to material changes that could affect Ventana's financial condition and results of operations in the future.

The carrying amounts of cash and cash equivalents, receivables (other than mortgage receivables), payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments.

Summary of Fair Value Exposure

U.S. generally accepted accounting principles, as they relate to fair value measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Fair Value Measurement are described follows:

Level 1 Inputs

- a) Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in inactive markets.
- c) Inputs other than quoted prices that are observable either directly or indirectly, for the term of the asset or liabilities (interest rates, yield curves, credit risks) or market corroborated inputs.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full of the asset or liability.

Level 3 Inputs

- a) Prices or valuation techniques that require inputs that are both unobservable (i.e. supported by little or no market activity) and that are significant to the fair value of the assets or liabilities.

VENTANA FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018, With Comparative Totals for 2017

- b) These assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation.

There are no assets or liabilities measured at fair value on a recurring basis to disclose in tabular form for the years ended as of September 30, 2018 and 2017.

11. Revenue Recognition

In accordance with accounting principles generally accepted in the United States of America, revenue is recorded when earned rather than received. The following summarizes the revenue recognition policies for major classifications of revenue:

Loan Program Grant—These grant funds are considered exchange transactions as Ventana must meet certain performance goals before the revenue is recognized.

12. Property and Equipment

Ventana's has no property and equipment.

13. Advertising

Ventana expenses advertising costs as incurred. Advertising costs are as follows:

	2018	2017
Advertising and promotion \$	<u>163</u>	<u>3,233</u>

14. Functional Allocation of Expenses

Expenses have been functionally allocated between Program Services and Supporting Services based on an analysis of the nature of expenses the organization has and their related activities.

15. Income Taxes

Income taxes are not provided for in the financial statements since Ventana is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Ventana is not classified as a private foundation. Ventana had no taxable unrelated business income for the years ended September 30, 2018 or 2017.

Ventana files their Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. Ventana is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2015. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

16. Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Ventana's financial statements for the year ended September 30, 2017, from which the summarized information was derived.

17. Reclassifications

Certain reclassifications may have been made to 2017 amounts to conform to 2018 presentation.

VENTANA FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018, With Comparative Totals for 2017

18. Evaluation of Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Ventana recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Ventana's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization has evaluated subsequent events through January 31, 2019, which is the date the financial statements were available to be issued.

Two additional mortgage loans totaling \$840,000 (\$90,000 CDFI Funds and \$750,000 Washington Federal RLOC) were approved as of September 30, 2018; however, these mortgages had not closed, and only \$40,000 of CDFI funds have been disbursed by Ventana as of the date of this report.

NOTE C—CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at September 30:

Cash and Cash Equivalents	<u>2018</u>	<u>2017</u>
Unrestricted		
Wells Fargo	\$ 76,473	84,947
Washington Federal	98,366	591,354
Total unrestricted cash	<u>174,839</u>	<u>676,301</u>
Restricted		
Washington Federal	<u>2,923,788</u>	900,000
Total restricted	<u>2,923,788</u>	<u>900,000</u>
Total cash and cash equivalents	<u>\$ 3,098,627</u>	<u>1,576,301</u>

NOTE D—MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following as of September 30:

	<u>2018</u>			<u>2017</u>		
	Principal within one year	Principal due after one year	Total	Principal within one year	Principal due after one year	Total
	Mortgages loan receivable	\$ 42,539	2,338,117	2,380,656	1,047,038	1,420,903
Less allowance for loan losses	(3,527)	(59,543)	(63,070)	(59,497)	(14,217)	(73,714)
Mortgages loan receivable, net	<u>\$ 39,012</u>	<u>2,278,574</u>	<u>2,317,586</u>	<u>987,541</u>	<u>1,406,686</u>	<u>2,394,227</u>

See Note B-7 for the methodology of loan loss estimate.

NOTE E—PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are available for the following purposes for periods after September 30:

<u>Program</u>	<u>2017</u>	<u>Restricted Grants</u>	<u>Other Items</u>	<u>2018</u>
Revolving Loan Fund	\$ 3,150,000	450,000	-	<u>3,600,000</u>

VENTANA FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018, With Comparative Totals for 2017

The permanently restricted funds were made up of the following:

Mortgage receivables	\$ 1,474,271
Cash and cash equivalents	2,475,000
Less: Line of credit	(350,000)
Other items	<u>729</u>
Total permanently restricted	<u>\$ 3,600,000</u>

NOTE F—TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for periods after September 30:

<u>Program</u>	<u>2017</u>	<u>Additions</u>	<u>Released</u>	<u>2018</u>
Community Development Financial Institutions	\$ -	1,057,834	(181,174)	876,660

The temporarily restricted funds were made up of the following:

Mortgage receivables	\$ 730,000
Less: Allowance for loan losses	(44,800)
Cash and cash equivalents	448,788
Advance on grants	(257,156)
Less: Accounts payable	(24)
Less: Other items	<u>(148)</u>
Total temporarily restricted	<u>\$ 876,660</u>

NOTE G—JOINT COST ALLOCATIONS

Ventana did not participate in joint activities during the 2018 year or the 2017 year that required allocations.

NOTE H—CONCENTRATIONS OF CREDIT, MARKET AND BUSINESS RISK

Credit and Market Risk Concentration

Financial instruments that potentially expose Ventana to concentrations of credit and market risk consist primarily of cash and mortgages receivable for the years ended September 30, 2018 and 2017.

As of September 30, 2018, Ventana's cash accounts were exposed to credit risk of \$2,772,154.

Revenue Concentration

Ventana received the majority of its revenue and support from two grants for the year ended September 30, 2018 and one grant in 2017. See the following table for concentration of revenue.

Concentration of Funding Sources	2018		2017	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Grants	\$ 1,420,480	88.1%	400,000	87.5%
Mortgage interest	47,056	2.9%	37,838	8.3%
Loan fees	17,313	1.1%	13,750	3.0%
Investment interest	4,018	0.2%	534	0.1%
Housing program income	122,647	7.6%	-	0.0%
Other operating income	-	0.0%	<u>5,269</u>	<u>1.2%</u>
	<u>\$ 1,611,514</u>	<u>100%</u>	<u>457,391</u>	<u>100%</u>

VENTANA FUND
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018, With Comparative Totals for 2017

Geographical Concentration

Ventana's operations are limited to New Mexico.

NOTE I—RELATIONSHIP WITH INTERESTED DONOR

Loan Program Grant

Ventana received a multi-year loan program grant from the New Mexico Mortgage Finance Authority (MFA) beginning in April 2014 for the purpose of providing direct lending to eligible recipients to support the development of affordable housing for low- and moderate-income persons. These grant funds are considered exchange transactions as Ventana must meet certain performance goals before the revenue is recognized.

The following are the amounts and types of grant funds received by Ventana:

	Cash Grant	Mortgage Loans Transferred	Total
2018	\$ 500,000	-	500,000
2017	400,000	-	400,000
2016	500,000	91,711	591,711
2015	900,000	-	900,000
2014	1,400,000	227,532	1,627,532
	<u>\$ 3,700,000</u>	<u>319,243</u>	<u>4,019,243</u>

All but \$100,000 of the cash grant funds are used for Ventana's permanently restricted revolving loan.

Professional Services Contract

Ventana contracted with MFA to provide professional services including loan origination, pre-approval, and closing services, as well as fiscal agent services including the maintaining of its books and records of account. Ventana currently pays MFA \$2,000 per month. The contract expires December 31, 2018, but may be extended for an additional one-year term. Professional service fees paid to MFA under this contract totaled \$24,000 and \$24,000 for the years ended September 30, 2018 and 2017, respectively, and are allocated between program and management and general expenses in the Statement of Functional Expenses.

Ventana also utilizes MFA to service its mortgage receivables for a fee in the amount of 0.35% of the interest rate on each loan, until such loans are fully paid. The agreement may be terminated by either party, regardless of cause, upon thirty days' written notice. Loan service fees paid to MFA are netted against interest income.

NOTE J—LINE OF CREDIT

In January 2017, Ventana obtained a revolving loan in the aggregate principal amount of \$1.1 million to be used to make construction and rehabilitation loans. Monthly interest-only payments are due commencing February 1, 2017, with outstanding principal and interest due after 24 months. The loan bears interest at the rate of 2.5% per annum. Collateral for the loan includes the assigning of certain project loans. Outstanding balance at September 30, 2018 is \$ 350,000.

NOTE K—RELATED PARTIES

The Board Chair's company was the listing broker on the property for two of the seven outstanding mortgage receivables.

VENTANA FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2018

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Direct			
Department of the Treasury			
Community Development Financial Institutions Program	21.020	n/a	\$ 917,980
Total Department of the Treasury			<u>917,980</u>
Total Expenditures of Federal Awards			<u>\$ 917,980</u>
Reconciliation to Financial Statements			
Federal revenue per statement of activities			\$ 917,980
Per SEFA			<u>917,980</u>
Difference			<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Ventana Fund and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Ventana Fund, provided no federal awards to subrecipients.

Note 3. Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended September 30, 2018.

Note 4. Cost Rate

Ventana Fund did not use the 10% de minimis cost rate.

Note 5. Federal Loan Program

The federal loan programs listed below are administered directly by Ventana Fund and balances and transactions relating to these programs are included in Ventana Fund's consolidated financial statements. Loans made during the year and beginning of year loan balances which require continued compliance monitoring are included in the federal expenditures presented in the schedule of expenditures of federal awards. The federal expenditures and loan balances at September 30, 2018 consist of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>SEFA Federal Expenditures Included Above</u>	<u>Outstanding Loan Balance at September 30, 2018</u>
21.020	CDFI Program	\$ 730,000	\$ 730,000

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors of
Ventana Fund
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ventana Fund (Ventana) which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ventana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ventana's internal control. Accordingly, we do not express an opinion on the effectiveness of Ventana's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ventana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

January 31, 2019

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
January 31, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors of
Ventana Fund
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Ventana's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Ventana's major federal programs for the year ended September 30, 2018. Ventana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ventana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ventana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ventana's compliance.

Opinion on Each Major Federal Program

In our opinion, Ventana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Ventana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ventana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in

January 31, 2019

accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ventana's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, PC
Albuquerque, NM
January 31, 2019

**VENTANA FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified	None noted
Significant deficienc(ies) identified	None noted
Noncompliance material to financial statements	None noted

Federal Awards

Internal control over major programs:

Material weakness(es) identified	None noted
Significant deficienc(ies) identified	None noted

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be
Reported in accordance with section 200.516(a) of
2 CFR part 200? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Funding Source</u>
20.102	Community Development Financial Institutions Program	Department of the Treasury

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

**VENTANA FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

SECTION II and III—SUMMARY OF FINANCIAL AND FEDERAL FINDINGS

Findings	Status of Current and Prior Year Findings	Type of Finding*
Prior Year Findings NONE		
Current Year Findings NONE		

*** Legend for Type of Findings**

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance related to Federal Awards