



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

**For The Year Ended
September 30, 2017
With Comparative Totals for 2016**

VENTANA FUND
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For the Year Ended September 30, 2017, With Comparative Totals for 2016

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**VENTANA FUND
OFFICIAL ROSTER
As of September 30, 2017**

Official Roster

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, 2017, 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, 2017, 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

The prior year summarized comparative information has been derived from Ventana's financial statements for the year ended September 30, 2016 dated January 13, 2017. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for prior year comparative date, is based solely on the report of the other auditors. Those auditors expressed an unmodified opinion on those statements.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
January 8, 2017

VENTANA FUND
STATEMENT OF FINANCIAL POSITION
As of September 30, 2017, With Comparative Totals For 2016

	Notes	2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	C	\$ 676,301	49,437
Donor restricted cash and cash equivalents	C, E	900,000	1,750,000
Interest receivable		2,857	3,056
Other receivables		-	4,200
Mortgages receivable, net of allowance of \$59,497 and \$5,478, respectively	D	987,541	532,159
Total current assets		2,566,699	2,338,852
Non-Current Assets			
Mortgages receivable, net of allowance of \$14,217 and \$4,677, respectively	D	1,406,686	713,764
		1,406,686	713,764
TOTAL ASSETS	\$	3,973,385	3,052,616
LIABILITIES AND NET ASSETS			
Current Liabilities			
Advances on grants	\$	594,731	-
Accounts payable and accrued liabilities		2,000	98
Total liabilities		596,731	98
Total liabilities		596,731	98
Net Assets			
Unrestricted net assets:			
Undesignated		226,654	302,518
Temporarily restricted net assets		-	-
Permanently restricted net assets	E	3,150,000	2,750,000
Total net assets		3,376,654	3,052,518
TOTAL LIABILITIES AND NET ASSETS	\$	3,973,385	3,052,616

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, 2017, With Comparative Totals For 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Revenue					
Mortgage interest	\$ 37,838	-	-	37,838	27,422
Loan fees	13,750	-	-	13,750	9,500
Investment interest	534	-	-	534	123
Other operating income	<u>5,269</u>	<u>-</u>	<u>-</u>	<u>5,269</u>	<u>-</u>
Total Revenue	57,391	-	-	57,391	37,045
Public Support					
Grants	-	-	400,000	400,000	593,711
Satisfaction of program restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, & Reclassifications	<u>57,391</u>	<u>-</u>	<u>400,000</u>	<u>457,391</u>	<u>630,756</u>
Expenses					
Programs	95,419	-	-	95,419	34,154
Management	37,836	-	-	37,836	21,605
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>133,255</u>	<u>-</u>	<u>-</u>	<u>133,255</u>	<u>55,759</u>
Change in net assets	(75,864)	-	400,000	324,136	574,997
Net assets, beginning	<u>302,518</u>	<u>-</u>	<u>2,750,000</u>	<u>3,052,518</u>	<u>2,477,521</u>
Net assets, ending	<u>\$ 226,654</u>	<u>-</u>	<u>3,150,000</u>	<u>3,376,654</u>	<u>3,052,518</u>

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VENTANA FUND
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2017, With Comparative Totals For 2016

	Supporting Services			2017	2016
	Total Program	Management	Fundraising	Total	Total
Provisions for loan losses	\$ 63,559	-	-	63,559	(5,288)
Professional fees	21,600	27,595	-	49,195	52,782
Lender compensation	10,152	-	-	10,152	-
Insurance	-	4,371	-	4,371	6,097
Advertising and promotion	-	3,233	-	3,233	98
Legal expense	-	2,050	-	2,050	975
Program expense	-	500	-	500	850
Repairs and maintenance	108	-	-	108	137
Bank fees	-	87	-	87	108
Total expenses	\$ 95,419	37,836	-	133,255	55,759

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, 2017, With Comparative Totals For 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Mortgage interest	\$ 38,037	26,228
Loan fees	13,750	9,500
Investment interest	534	123
Grant	-	2,000
Other operating income	9,469	(4,200)
	61,790	33,651
Less cash paid to suppliers	(67,794)	(63,979)
	(6,004)	(30,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash disbursements of loan principal	(1,750,000)	(500,000)
Cash receipts from loan principal repayments	538,137	879,862
	(1,211,863)	379,862
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from grant restricted for investment in the permanent fund	400,000	500,000
Proceeds from advances of grant restricted for loan purposes	594,731	-
	994,731	500,000
Cash, cash equivalents, and restricted cash, beginning of year	1,799,437	949,903
Cash, cash equivalents, and restricted cash, end of year	\$ 1,576,301	1,799,437
Change in net assets	\$ 324,136	574,997
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Provision for loan losses	63,559	(5,288)
Adjustment for restricted contribution proceeds	(400,000)	(500,000)
Mortgage loan transferred to Ventana via grant	-	(91,711)
Changes in assets and liabilities:		
Interest receivables	199	(1,194)
Other receivables	4,200	(4,200)
Accounts payable	1,902	(2,934)
Rounding	-	2
Net cash provided (used) by operating activities	\$ (6,004)	(30,328)
Supplementary Noncash Information		
Mortgage loan transferred to Ventana via grant	\$ -	91,711
	\$ -	91,711

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

VENTANA FUND
NOTES TO FINANCIALS
For the Year Ended September 30, 2017, With Comparative Totals for 2016

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 undeserved 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. For the years ended September 30, 2017 and 2016, there were no temporarily restricted net assets.

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.

**VENTANA FUND
NOTES TO FINANCIALS**

For the Year Ended September 30, 2017, With Comparative Totals for 2016

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.

2. 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.

Restricted Cash and Cash Equivalents

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

3. Mortgages Receivable

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 and continues for ten days after the date of notice to the borrower.

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

<u>Original Maturity of Mortgages</u>	<u>Interest Rates on Mortgages</u>
2-20 Years	0%-3%

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.

4. 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	4
2	Good Repayment Probability	1
3	Impaired Payment Ability	1
4	Seriously Impaired Repayment Ability	0
		<u>6</u>

VENTANA FUND
NOTES TO FINANCIALS
For the Year Ended September 30, 2017, With Comparative Totals for 2016

Management identified two loans with interest payments 30 days overdue as of September 30, 2017. Subsequent to year end all interest payments were up-to-date.

5. 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.

6. 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, 2017 or 2016.

7. 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

1) Unadjusted quoted prices in active markets that are accessible at the measurement date for

VENTANA FUND
NOTES TO FINANCIALS
For the Year Ended September 30, 2017, With Comparative Totals for 2016

identical, unrestricted assets or liabilities.

Level 2 Inputs

- 1) Quoted prices for similar assets or liabilities in active markets.
- 2) Quoted prices for identical or similar assets or liabilities in inactive markets.
- 3) Inputs other than quoted prices that are observable either directly or indirectly, for the term of the asset or liabilities (e.g., interest rates, yield curves, credit risks, etc.) 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

- 1) 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.
- 2) 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, 2017 and 2016.

8. 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.

9. Property and Equipment

Ventana's has no property and equipment.

10. Advertising

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

	<u>2017</u>	<u>2016</u>
Advertising and promotion \$	<u>3,233</u>	<u>98</u>

11. 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.

12. 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, 2017 or 2016.

VENTANA FUND
NOTES TO FINANCIALS
For the Year Ended September 30, 2017, With Comparative Totals for 2016

13. Uncertain Tax Provisions

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 2014. 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.

Ventana recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. No provision for the effects of uncertain tax positions has been recorded for the years ended September 30, 2017 and 2016.

14. 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, 2016, from which the summarized information was derived.

15. Reclassifications

Certain reclassifications may have been made to 2016 amounts to conform to 2017 presentation.

16. 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 8, 2018, which is the date the financial statements were available to be issued.

One additional mortgage loan totaling \$750,000 was approved as of September 30, 2017; however, this mortgage has not closed and no 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>2017</u>	<u>2016</u>
Unrestricted		
Wells Fargo	\$ 84,947	49,437
Washington Federal	<u>591,354</u>	-
Total unrestricted cash	<u>676,301</u>	49,437
Restricted		
Washington Federal	<u>900,000</u>	1,750,000
Total restricted	<u>900,000</u>	1,750,000
Total cash and cash equivalents	<u><u>\$ 1,576,301</u></u>	<u><u>1,799,437</u></u>

VENTANA FUND
NOTES TO FINANCIALS
For the Year Ended September 30, 2017, With Comparative Totals for 2016

NOTE D—MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following as of September 30:

	2017			2016		
	Principal within one year	Principal due after one year	Total	Principal within one year	Principal due after one year	Total
Mortgages loan receivable	\$ 1,047,038	1,420,903	2,467,941	537,637	718,441	1,256,078
Less allowance for loan losses	(59,497)	(14,217)	(73,714)	(5,478)	(4,677)	(10,155)
Mortgages loan receivable, net	\$ 987,541	1,406,686	2,394,227	532,159	713,764	1,245,923

See Note B-4 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:

Program	2016	Restricted Grants	Released	2017
Revolving Loan Fund	\$ 2,750,000	400,000	-	3,150,000

The permanently restricted funds were made up of the following:

Mortgage Receivables	\$ 2,250,000
Cash and Cash Equivalents	900,000
Total Permanently Restricted	\$ 3,150,000

NOTE F—JOINT COST ALLOCATIONS

Ventana did not participate in joint activities during the 2017 year or the 2016 year that required allocations.

NOTE G—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, 2017 and 2016.

As of September 30, 2017, Ventana's cash accounts were exposed to credit risk of \$1,241,354.

Revenue Concentration

Ventana received the majority of its revenue and support from one grant for the years ended September 30, 2017 and 2016, respectively. See the following table for concentration of revenue.

Concentration of Funding Sources	2017		2016	
	Amount	%	Amount	%
Grants	\$ 400,000	87.5%	593,711	94.1%
Mortgage interest	37,838	8.3%	27,422	4.3%
Loan fees	13,750	3.0%	9,500	1.5%
Investment interest	534	0.1%	123	0.0%
Other operating income	5,269	1.2%	-	0.0%
	\$ 457,391	100%	630,756	100%

**VENTANA FUND
NOTES TO FINANCIALS
For the Year Ended September 30, 2017, With Comparative Totals for 2016**

Geographical Concentration

Ventana's operations are limited to New Mexico.

NOTE H—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:

		Mortgage Loans	
	Cash Grant	Transferred	Total
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>3,200,000</u>	<u>319,243</u>	<u>3,519,243</u>

All but \$50,000 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, 2017, but may be extended for an additional two, one-year terms. Professional service fees paid to MFA under this contract totaled \$24,000 and \$24,000 for the years ended September 30, 2017 and 2016, 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 I—LINE OF CREDIT

In November 2016, Ventana signed an agreement for a guidance line of credit in the aggregate principal amount of \$500,000 to be used to finance the construction or rehabilitation of affordable housing projects in New Mexico. The non-revolving credit line terminates when the entire unpaid balance is paid in full, but no later than November 29, 2017. Lender has the right to approve or decline funding to Ventana for specific projects at lender's sole discretion. Interest only payments are due monthly with the outstanding principal due at maturity. The interest rate is set at a fixed 3% per annum on the outstanding principal balance. Collateral includes the assignment of the related promissory note and first lien position on mortgages for construction loans.

VENTANA FUND
NOTES TO FINANCIALS
For the Year Ended September 30, 2017, With Comparative Totals for 2016

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.