Report of Independent Auditors
and Financial Statements for

Ventana Fund

September 30, 2015 and 2014

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

CONTENTS

VENTANA FUND

SEPTEMBER 30, 2015

BOARD OF DIRECTORS

Todd Clarke	Chair and Executive Director
Mark Allison	Vice Chair
Elizabeth Bernal	Secretary
Steve Anaya	Treasurer
Robbie R. Levey	Director
Catherine Hummel	Director
Daniel Puccetti	Director

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Ventana Fund
Albuquerque, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of Ventana Fund, a nonprofit, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the year ended September 30, 2015 and for the period from inception (February 27, 2014) to September 30, 2014, 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.

To the Board of Directors
Ventana Fund
Albuquerque, New Mexico

We believe that the audit evidence 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 Fund as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year ended September 30, 2015 and for the period from inception (February 27, 2014) to September 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Albuquerque, New Mexico
November 10, 2015

ASSETS

	September 30, 2015	September 30, 2014
CURRENT ASSETS		
Cash and cash equivalents	$ 49,903	$ 44,195
Restricted cash	900,000	1,350,000
Total cash and cash equivalents	949,903	1,394,195
Interest receivable	1,863	-
Mortgages receivable, net of allowance of $8,775 and $0, respectively	868,775	27,225
Total current assets	1,820,541	1,421,420
NONCURRENT ASSETS		
Mortgages receivable, net of allowance of $6,667 and $0, respectively	660,012	194,229
Total assets	$ 2,480,553	$ 1,615,649

LIABILITIES AND NET ASSETS

	2015	2014
CURRENT LIABILITIES		
Accounts payable	$ 3,032	$ 2,949
NET ASSETS		
Unrestricted	1,577,521	262,700
Temporarily restricted	900,000	1,350,000
Total net assets	2,477,521	1,612,700
Total liabilities and net assets	$ 2,480,553	$ 1,615,649

	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT			
Grants	$ -	$ 900,000	$ 900,000
Mortgage interest	14,493	-	14,493
Loan fees	5,500	-	5,500
Investment interest	110		110
Total revenue, gains, and other support	20,103	900,000	920,103
Net assets released from restrictions	1,350,000	(1,350,000)	-
Total revenue, gains, and other support after assets released from restrictions	1,370,103	(450,000)	920,103
EXPENSES			
Program services	47,143	-	47,143
Management and general	8,139	-	8,139
Total expenses	55,282	-	55,282
CHANGE IN NET ASSETS	1,314,821	(450,000)	864,821
NET ASSETS, BEGINNING OF YEAR	262,700	1,350,000	1,612,700
NET ASSETS, END OF YEAR	$ 1,577,521	$ 900,000	$ 2,477,521

VENTANA FUND
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FROM INCEPTION (FEBRUARY 27, 2014) TO SEPTEMBER 30, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT			
Grants	$ 277,532	$ 1,350,000	$ 1,627,532
Mortgage interest	1,976	-	1,976
Loan fees	750	-	750
Investment interest	75	-	75
Total revenue, gains, and other support	280,333	1,350,000	1,630,333
Net assets released from restrictions	-	-	-
Total revenue, gains, and other support after assets released from restrictions	280,333	1,350,000	1,630,333
EXPENSES			
Program services	9,114	-	9,114
Management and general	8,519	-	8,519
Total expenses	17,633	-	17,633
CHANGE IN NET ASSETS	262,700	1,350,000	1,612,700
NET ASSETS AT INCEPTION	-	-	-
NET ASSETS AT SEPTEMBER 30, 2014	$ 262,700	$ 1,350,000	$ 1,612,700

See accompanying notes.

`	Year Ended September 30, 2015	Period from Inception (February 27, 2014) to September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 864,821	$ 1,612,700
Adjustments to reconcile the change in net assets to net cash flows provided (used) by operating activities:		
Provision for loan losses	15,442	-
Mortgage loan transferred to Ventana via grant	-	(227,532)
Changes in assets and liabilities:		
Mortgages receivable, net	(1,322,775)	6,078
Interest receivable	(1,863)	-
Accounts payable	83	2,949
Net cash flows (used) provided by operating activities	(444,292)	1,394,195
NET CHANGE IN CASH AND CASH EQUIVALENTS	(444,292)	1,394,195
CASH AND CASH EQUIVALENTS, beginning of year/period	1,394,195	-
CASH AND CASH EQUIVALENTS, end of year/period	$ 949,903	$ 1,394,195

See accompanying notes.

Note 1 – Organization

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.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements of Ventana have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of estimates – The preparation of 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Basis of financial statement presentation – Ventana's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presenting Financial Statements. Under ASC 958-205, Ventana is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – represent those assets that Ventana may use at its discretion. Unrestricted net assets are not subject to donor-imposed restrictions.

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.

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. There were no permanently restricted net assets at September 30, 2015 or 2014.

Cash and cash equivalents – For purposes of the statements of cash flows, Ventana considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Note 2 – Summary of Significant Accounting Policies (continued)

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

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.

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.

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.

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. All mortgages shown at September 30, 2015 and 2014 were internally rated having "excellent repayment probability", meeting or exceeding internal underwriting criteria with no indication of cost overruns or delays in construction or problems that would imperil project completion. No mortgages were past due or delinquent at September 30, 2015 or 2014.

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, 2015 or 2014.

Grant revenues – For grants in which funds are disbursed to Ventana prior to services being rendered – revenue is recognized when funds are received, unexpended funds or funds not used to provide mortgages at the end of the fiscal year are reported as temporarily restricted net assets.

Note 2 – Significant Accounting Policies (continued)

Federal income tax – Ventana recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. Any such tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Ventana had no unrecognized tax benefits at September 30, 2015 or 2014.

Ventana filed an application with the Internal Revenue Service (IRS) to be designated a tax exempt organization per section 501(c)(3) of the Code. Fund management believes this application will be approved. Ventana had no taxable unrelated business income for the year and period ended September 30, 2015 and 2014, respectively. Accordingly, a provision for income taxes has not been established in the accompanying financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the statement of position date but before the financial statements are issued or are available to be issued. Ventana recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the financial position date, 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 financial position date, but arose after the statement of financial position date and before financial statements are available to be issued.

Ventana has evaluated subsequent events through November 10, 2015, which is the date the financial statements are available to be issued.

Note 3 – Mortgages Receivable

Mortgages receivable consisted of the following at September 30:

	2015	2014
Principal due in less than one year	$ 877,550	$ 27,225
Less allowance for loan losses	(8,775)	-
Net mortgages receivable - current	$ 868,775	$ 27,225
Principal due in one year or more	$ 666,679	$ 194,229
Less allowance for loan losses	(6,667)	-
Net mortgages receivable - long-term	$ 660,012	$ 194,229

The allowance for loan losses totaled $15,442 for the year ended September 30, 2015. No allowance for loan losses was considered necessary for the period ended September 30, 2014.

Note 4 – Noncash Transactions

Noncash transactions during the period ended September 30, 2014 consist of the transfer of a mortgage receivable totaling $227,532 to Ventana from as part of a grant agreement. There were no such noncash activities during the year ended September 30, 2015.

Note 5 – Concentrations of Credit, Market and Business Risk

Geographical concentration – Ventana's operations are limited to New Mexico.

Revenue concentration – Ventana received over 95% of its revenue and support from one grant for the year ended September 30, 2015 and the period ended September 30, 2014, respectively.

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 year ended September 30, 2015 and the period ended September 30, 2014. Ventana mitigates its risk related to cash by maintaining a collateralized repurchase sweep account (REPO) for cash balances over the $250,000 FDIC insured limit.

Note 6 – Relationship with Interested Donor

Ventana received a multi-year loan program grant from the New Mexico Mortgage Finance Authority (MFA) in April 2014 consisting of $3,200,000 in cash and the assignment of a mortgage receivable valued at $227,532. During the period ended September 30, 2014, $1.4 million was received with $1.35 million restricted for the purpose of providing direct lending to eligible recipients to support the development of affordable housing for low and moderate income persons. During the year ended September 30, 2015, $900,000 was received. An additional $900,000 shall be paid to Ventana, $500,000 in 2016 and $400,000 in 2017, if certain performance goals are achieved.

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 pays MFA $1,000 per month. The contract expires December 31, 2016, but may be extended for three, one-year terms. Professional service fees paid to MFA under this contract totaled $12,000 for the year ended September 30, 2015 and $5,000 for the period ended September 30, 2014, and are allocated between program and management and general expenses in the Statement of Activities.

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 totaled $2,191 for the year ended September 30, 2015 and $261 for the period ended September 30, 2014 and are netted against interest income.