HINKLE + LANDERS

Certified Public Accountants + Business Consultants

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended September 30, 2019
With Comparative Totals for 2018

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VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
OFFICIAL ROSTER
As of September 30, 2019

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 consolidated financial statements of the Ventana Fund (a nonprofit organization) and Valencia Park, LLC (a limited liability company wholly owned by Ventana Fund), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organizations as of September 30, 2019, 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.

Emphasis of Matter

Ventana Fund adopted FASB accounting standards update (ASU) 2016-14. *Presentation of Financial Statements of Not-For-Profit Entities,* as described in Note B-2. The changes required by the update have been applied retrospectively to all periods presented.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Organizations' September 30, 2018 financial statements. We have previously audited Ventana Fund 2018 financial statements, and we issued an unmodified opinion on those audited financial statements in our report dated January 31, 2019. 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. One of those schedules, the schedule of expenditures of federal awards, is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with 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 consolidated 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 May 29, 2020, on our consideration of the Organizations' 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 the Organizations' internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
May 29, 2020

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of September 30, 2019, With Comparative Totals For 2018

	Notes		2019	2018
ASSETS				
Current Assets				
Cash and cash equivalents	C	$	282,190	174,839
Donor restricted cash and cash equivalents	C, E		709,974	2,923,788
Interest receivable			10,724	2,462
Rent receivable			1,764	-
Prepaid insurance			3,585	-
Mortgages receivable, net of allowance of $7,500 and $3,527, respectively	D		798,791	39,012
Total current assets			1,807,028	3,140,101
Non-Current Assets				
Property and equipment, net of accum. deprec.	B		1,283,925	-
Mortgages receivable, net of allowance of $133,198 and $59,543, respectively	D		2,741,103	2,278,574
Total non-current assets			4,025,028	2,278,574
TOTAL ASSETS		$	5,832,056	5,418,675
LIABILITIES AND NET ASSETS				
Current Liabilities				
Prepaid rent		$	600	-
Advances on grants			285,189	257,156
Accounts payable and accrued liabilities			27,181	2,075
Accrued interest payable			365	365
Line of credit	K		350,811	350,000
Security deposits and last month's rent			5,400	-
Mortgages payable - current portion			-	-
Total current liabilities			669,546	609,596
Long-Term Liabilities				
Mortgages payable			194,250	-
Total long-term liabilities			194,250	-
TOTAL LIABILITIES			863,796	609,596
Net Assets				
Without donor restrictions:				
Undesignated			523,118	332,419
With donor restrictions				
Restricted for purpose and time	F		845,142	876,660
Restricted for perpetuity	E		3,600,000	3,600,000
Total net assets			4,968,260	4,809,079
TOTAL LIABILITIES AND NET ASSETS		$	5,832,056	5,418,675

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

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended September 30, 2019, With Comparative Totals For 2018

	2019					
	Without Donor Restrictions	With Donor Restrictions: Purpose/Time Restricted	With Donor Restrictions: Perpetually Restricted	With Donor Restrictions: Total	Total	2018 Totals
Revenue						
Mortgage interest	$ 109,914	-	-	-	109,914	47,056
Rent income	111,016	-	-	-	111,016	-
Loan fees	32,680	-	-	-	32,680	17,313
Investment interest	15,970	-	-	-	15,970	4,018
Housing program income	-	-	-	-	-	122,647
Other operating income	750	-	-	-	750	-
Total Revenue	270,330	-	-	-	270,330	191,034
Public Support						
Grants	267,833	104,057	-	104,057	371,890	1,420,480
Satisfaction of program restrictions	135,575	(135,575)	-	(135,575)	-	-
Total Support, Revenue, & Reclassifications	673,738	(31,518)	-	(31,518)	642,220	1,611,514
Expenses						
Programs	402,252	-	-	-	402,252	141,968
Administrative and general	80,787	-	-	-	80,787	37,121
Total Expenses	483,039	-	-	-	483,039	179,089
Change in net assets	190,699	(31,518)	-	(31,518)	159,181	1,432,425
Net assets, beginning	332,419	876,660	3,600,000	4,476,660	4,809,079	3,376,654
Net assets, ending	$ 523,118	845,142	3,600,000	4,445,142	4,968,260	4,809,079

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

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2019, With Comparative Totals For 2018

	2019							
	Program Services			Administrative and General		Total		
	Ventana Fund	Valencia Park	Total Program	Ventana Fund	Valencia Park	Administrative and General	Total 2019	2018
Grant payments	$ 179,420	-	179,420	-	-	-	179,420	126,298
Contract services and professional fees	36,769	31,143	67,912	42,214	-	42,214	110,126	55,075
Provisions for loan losses	77,628	-	77,628	-	-	-	77,628	(10,643)
Professional services	12,951	-	12,951	16,505	-	16,505	29,456	-
Utilities	-	18,216	18,216	-	-	-	18,216	-
Interest expense	-	5,827	5,827	10,632	-	10,632	16,459	1,458
Miscellaneous expenses	63	10,297	10,360	-	-	-	10,360	20
Management fees	-	-	-	-	7,876	7,876	7,876	-
Insurance	-	4,541	4,541	745	-	745	5,286	4,246
Bank fees	1,109	-	1,109	-	-	-	1,109	234
Dues and subscriptions	-	-	-	770	-	770	770	500
Appliances	-	379	379	-	-	-	379	-
Repairs and maintenance	108	-	108	-	-	-	108	108
Advertising and promotion	-	-	-	72	-	72	72	163
Lender compensation	-	-	-	-	-	-	-	831
Legal expense	-	-	-	-	-	-	-	701
Travel	-	-	-	-	-	-	-	98
Total expenses before depreciation	308,048	70,403	378,451	70,938	7,876	78,814	457,265	179,089
Depreciation expense	-	23,801	23,801	-	1,973	1,973	25,774	-
Total expenses	$ 308,048	94,204	402,252	70,938	9,849	80,787	483,039	179,089

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

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2019, With Comparative Totals For 2018

		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Mortgage interest	$	101,652	47,451
Rent income		115,252	-
Loan fees		32,680	17,313
Investment interest		15,970	4,018
Grant		371,890	970,480
Housing program income		-	122,647
Other operating income		750	-
		638,194	1,161,909
Less cash paid to suppliers		(341,657)	(187,835)
Less interest expense paid		(16,459)	(1,458)
Net cash provided (used) by operating activities		280,078	972,616
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for property and equipment		(1,309,699)	-
Cash disbursements of loan principal		(2,067,734)	(1,570,000)
Cash receipts from loan principal repayments		767,798	1,657,285
Net cash provided (used) by investing activities		(2,609,635)	87,285
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from grant restricted for investment in the permanent fund		-	450,000
Proceeds/(use) of advances of grant restricted for loan purposes		28,033	(337,575)
Proceeds from mortgage payable		194,250	-
Proceeds from line of credit		811	350,000
Net cash provided (used) by financing activities		223,094	462,425
Net increase (decrease) in cash, cash equivalents, and restricted cash		(2,106,463)	1,522,326
Cash, cash equivalents, and restricted cash, beginning of year		3,098,627	1,576,301
Cash, cash equivalents, and restricted cash, end of year	$	992,164	3,098,627

Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities

		2019	2018
Change in net assets	$	159,181	1,432,425
Provision for loan losses		77,628	(10,643)
Adjustment for restricted contribution proceeds		-	(450,000)
Mortgage loan transferred to Ventana via grant		-	-
Depreciation		25,774	-
Changes in assets and liabilities:			
Interest receivable		(8,262)	395
Rent receivable		(1,764)	-
Prepaid insurance		(3,585)	-
Prepaid rent		600	-
Accounts payable and accrued liabilities		25,106	75
Security deposits and last month's rent		5,400	-
Accrued interest payable		-	365
Rounding		-	(1)
Net cash provided (used) by operating activities	$	280,078	972,616

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

NOTE A—NATURE OF OPERATIONS

Organizations

Ventana Fund and its wholly owned subsidiary (the Organizations) were organized to increase the number of decent affordable housing available to New Mexico's low-income residents.

Ventana Fund

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.

Valencia Park, LLC

In December 2018, the Ventana board of directors approved the purchase of a property located at 924 Valencia Park S.E., a 20-unit multi-family property, located in Albuquerque New Mexico. The Ventana Fund created a limited liability corporation (Valencia Park, LLC) for the purpose of providing the affordable housing in the community as well as the opportunity to improve its cashflow and meet long-term goals of becoming more self-sufficient and self-directed organization so it can produce more impact statewide. Valencia Park, LLC (Valencia) is a limited liability company and Ventana Fund is the managing and sole member of the entity.

The total sales price of the multi-family property was $1,295,000. Ventana contracted with a professional property management company to oversee the property and collection of rents.

Valencia financed the purchase of the multi-family property by obtaining loans in the amounts of $1,100,750 and $194,250 with Ventana and a third-party lender, respectively. Ventana entered into this relationship with Valencia as an opportunity to improve cashflow and to address the organization's long-term goals of addressing unmet affordable housing needs by being more self-sufficient and self-directed so it can produce more impact statewide.

Target Markets

The Organizations are committed to financing affordable housing in low-income communities, economically distressed communities and market niches that are underserved by traditional financial institutions. Communities served by Ventana include:

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

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

Consolidated Financial Statements

Valencia Park, LLC is a wholly owned subsidiary of the Ventana Fund. As Ventana is the sole corporate member of the LLC, the consolidated financial statements for the year ended September 30, 2019 include the accounts of Ventana Fund and Valencia Park. All significant inter-entity accounts and transactions have been eliminated in the consolidation.

See the supplementary financial statements for the individual financial statements of each organization and eliminations as identified in the table of contents.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with donor restrictions and net assets without donor restrictions are defined as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The Organization's Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

The undesignated net assets represent the investment in undesignated assets and amounts invested in property and equipment, less accumulated depreciation and amortization and any related debt.

Net Assets With Donor Restrictions

Net assets with donor restrictions are the result of contributions and other inflows of assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions can be fulfilled and removed by actions of the organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. Net assets perpetual in nature result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Organizations.

2. New Accounting Pronouncement

During 2019, the Organizations adopted the provisions of Accounting Standards Update ("ASU") 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organizations' liquidity, financial performance, and cash flows. The ASU has been applied retrospectively to all periods presented.

3. Basis of Accounting

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

4. Cash and Cash Equivalents

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

5. Restricted Cash and Cash Equivalents

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

6. Liquidity and Availability of Financial Resources

The Organizations regularly monitor liquidity to meet their cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations, the nature of the underlying assets, external limitations imposed by donors or contracts with others. The Organizations are substantially supported by restricted grants. Because a donor's restriction required resources to be used in a particular manner or in a future period, the Organizations must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. As part of the Organizations' liquidity management they have a policy to structure their financial assets to be available as their general expenditures, liabilities, and other obligations come due. In addition, the Organizations can invest cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve.

Liquidity is as follows:

		2019	2018
Total cash	$	992,164	3,098,627
Interest receivable		10,724	2,462
Mortgage receivables expected to be received within one year, net of allowance		798,791	39,012
Undrawn line of credit		749,234	749,271
Less those unavailable for general expenditures within one year, due to:			
Advances on grants		(285,189)	(257,156)
Restricted by donor with purpose restrictions		(845,142)	(876,660)
Restricted by donor in perpetuity		(3,600,000)	(3,600,000)
Financial assets available to meet cash needs for general expenditures within one year	$	(2,179,418)	(844,444)

Donor restricted funds are available for expenditure upon satisfaction of the restriction, the expected timing of which is not generally determinable in advance.

7. Mortgages Receivable

Mortgages receivable that are expected to be collected within one year are recorded at net realizable value. Mortgages receivable 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:

Original Maturity of Mortgages	Interest Rates on Mortgages
2-10 Years	0%-5%

8. Mortgage Interest Income

Mortgage 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.

9. 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:

Rating	Category	2019 # of Loans	2018 # of Loans
1	Excellent Repayment Probability	8	3
2	Good Repayment Probability	2	3
3	Impaired Payment Ability	0	0
4	Significantly Impaired Repayment Ability	0	0
		10	6

10. 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.

11. Donor Restricted Gifts

Unconditional promises to give cash and other assets to the Organizations 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 support with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished by the Organizations, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions in the accompanying financial statements. There are no outstanding unconditional promises to give at September 30, 2019 or 2018.

12. 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 net assets without donor restrictions 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 the Organizations' 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.

13. 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.
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, 2019 and 2018.

14. 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 the Organizations must meet certain performance goals before the revenue is recognized.
- *Rental Income*—Valencia Park, LLC charges tenants for apartment rentals ranging from $550 to $770 per month based on a sliding scale. Rental income is considered an exchange transaction as the Organizations must earn the revenue from the renter before it is recognized.

15. Property, Equipment and Depreciation

Property and equipment at September 30 include:

		2018	Additions	Deletions	2019
Land	$	-	349,959	-	349,959
Buildings		-	959,740	-	959,740
Total		-	1,309,699	-	1,309,699
Less accumulated depreciation		-	(25,774)	-	(25,774)
Total property and equipment, net	$	-	1,283,925	-	1,283,925

Depreciation expense for the years ended September 30, 2019 and 2018 was $25,774 and $0, respectively. Buildings are depreciated over 27.5 years.

16. Advertising

The Organizations expense advertising costs as incurred. Advertising costs are as follows:

		2019	2018
Advertising and promotion	$	72	163

17. Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Organizations have been summarized on a functional basis in the statement of functional expenses. Salary and other personnel costs that are not directly coded to a programmatic activity are allocated based on time certifications and the best estimate of employees. Building maintenance, and depreciation expenses are allocated among the programs and supporting services benefited. Other operating costs are allocated using various allocation methodologies including allocations based on personnel, square footage, or revenue generated.

18. 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, 2019 or 2018. Valencia is considered a disregarded entity for tax filing purposes and its accounts will be included in Ventana's Federal Form 990. Valencia had no taxable unrelated business income for the year ended September 30, 2019.

Ventana files its Federal Form 990 tax returns in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico.

19. Comparative Financial Statements

The consolidated 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, 2018, from which the summarized information was derived.

20. Reclassifications

Certain reclassifications may have been made to 2018 amounts to conform to 2019 presentation.

21. Evaluation of Subsequent Events

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Organizations recognize in the consolidated 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 consolidated financial statements. The Organizations' consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued. The organization has evaluated subsequent events through May 29, 2020, which is the date the financial statements were available to be issued.

Subsequent to September 30, 2019, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the organization's funding sources and cash flows. Other financial impacts could occur though such potential impact is unknown at this time.

NOTE C—CASH, RESTRICTED CASH AND CASH EQUIVALENTS

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

Type of Account		2019	2018
Unrestricted			
GDR Property Solutions, LLC	$	8,812	-
Wells Fargo		-	76,473
Washington Federal		273,378	98,366
Total unrestricted cash		282,190	174,839
Restricted			
Washington Federal		709,974	2,923,788
Total restricted		709,974	2,923,788
Total	$	992,164	3,098,627

NOTE D—MORTGAGES RECEIVABLE

Mortgages receivable for Ventana consisted of the following as of September 30:

		2019			2018		
		Principal within one year	Principal due after one year	Total	Principal within one year	Principal due after one year	Total
Mortgages receivable	$	826,234	3,941,754	4,767,988	42,539	2,338,117	2,380,656
Less allowance for loan losses		(7,500)	(133,198)	(140,698)	(3,527)	(59,543)	(63,070)
Mortgages receivable, net		818,734	3,808,556	4,627,290	39,012	2,278,574	2,317,586
Less inter-entity mortgages		(19,943)	(1,067,453)	(1,087,396)	-	-	-
Total mortgages due to Ventana from outside parties	$	798,791	2,741,103	3,539,894	39,012	2,278,574	2,317,586

See Note B-8 for the methodology of loan loss estimate.

Valencia's mortgage payable to Ventana has been eliminated from mortgages receivable on the face of the financial statements.

NOTE E—NET ASSETS WITH DONOR RESTRICTIONS IN PERPETUITY

Net assets with donor restrictions in perpetuity were made up of the following as of September 30:

Revolving Loan Fund		2018	Additions	Deletions	2019
Mortgage receivables	$	1,474,271	2,809,659	(738,354)	3,545,576
Cash and cash equivalents		2,475,000	-	(2,071,305)	403,695
Less: Line of credit		(350,000)	-	(811)	(350,811)
Other items		729	1,540	(729)	1,540
Total	$	3,600,000	2,811,199	(2,811,199)	3,600,000

NOTE F—NET ASSETS WITH DONOR RESTRICTIONS FOR PURPOSE

Net assets with donor restrictions for purpose were made up of the following as of September 30:

Donor Restricted Funds (Temporary in Nature)	2018	Additions	Released	2019
Mortgage receivables	$ 730,000	132,090	-	862,090
Less: Allowance for loan losses	(44,800)	-	(3,485)	(48,285)
Cash and cash equivalents	448,788	-	(132,090)	316,698
Advance on grants	(257,156)	(28,033)	-	(285,189)
Less: Accounts payable	(24)	-	-	(24)
Less: Other items	(148)	-	-	(148)
Total	$ 876,660	104,057	(135,575)	845,142

NOTE G—JOINT COST ALLOCATIONS

The Organizations did not participate in joint activities during the 2019 year or the 2018 year that required allocations.

NOTE H—INTER-ENTITY TRANSACTIONS

The following table details the intercompany transactions between Ventana and Valencia at September 30:

	2019		
Type of Goods or Services	Ventana Fund	Valencia Park	Total
Loan receivable	$ 1,087,396	(1,087,396)	-
Loan interest	32,848	(32,848)	-
Equity investment	(885)	885	-
Total intercompany transactions	$ 1,119,359	(1,119,359)	-

NOTE I—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, 2019 and 2018.

As of September 30, 2019, Ventana's cash accounts were exposed to credit risk of $710,728.

Revenue Concentration

Ventana received the majority of its revenue and support from the following sources:

		2019		2018	
Concentration of Funding Sources		Amount	%	Amount	%
Grants	$	371,890	57.9%	1,420,480	88.1%
Rent income		111,016	17.3%	-	0.0%
Mortgage interest		109,914	17.1%	47,056	2.9%
Loan fees		32,680	5.1%	17,313	1.1%
Investment interest		15,970	2.5%	4,018	0.2%
Other operating income		750	0.1%	-	0.0%
Housing program income		-	0.0%	122,647	7.6%
	$	642,220	100%	1,611,514	100%

Borrower Concentration

Ventana has issued loans to the following borrowers:

		2019		2018	
Concentration of Borrowers		Amount	%	Amount	%
Valencia Park, LLC	$	1,087,396	22.8%	-	0.0%
Sheldon Family, LLC		858,242	18.0%	-	0.0%
VSJ Apartments, LLLP		750,000	15.7%	749,271	31.5%
Valle Verde I		750,000	15.7%	-	0.0%
Edge Capital I, LLC		420,000	8.8%	380,000	16.0%
Wells Park Development, LLC		398,370	8.4%	-	0.0%
Desert Sage Apartments		370,134	7.8%	350,000	14.7%
Heading Home		72,191	1.5%	105,482	4.4%
Tierra Del Sol		61,655	1.3%	70,903	3.0%
Villa Hermose		-	0.0%	725,000	30.5%
Total mortgages due to Ventana		4,767,988	100%	2,380,656	100%
Less inter-entity mortgages		(1,087,396)		-	
Total mortgages due to Ventana from outside parties	$	3,680,592		2,380,656	

Geographical Concentration

Ventana's operations are limited to New Mexico.

NOTE J—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
2019	$ -	-	-
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
	$ 3,700,000	319,243	4,019,243

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

Professional Services Contract

The Organizations 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 Fund paid MFA $2,000 per month. The contract expired December 31, 2019 and was extended to December 31, 2020. For this contract, MFA was paid $42,220 and $24,000 for the years ended September 30, 2019 and 2018, respectively, and are allocated between program and management and general expenses in the Statement of Functional Expenses. In April 2019, the accounting services for the Organizations were taken over by an accounting firm. The Organizations entered into a contract through April 2020 with the accounting firm. The Organizations paid the accounting firm $10,806 for the year ending September 30, 2019.

The Organizations continued to utilize 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 K—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 balances at September 30, 2019 and 2018 were $350,811 and $350,000, respectively. In April 2020, the line of credit balance of $350,586 was paid off by Ventana.

NOTE L—RELATED PARTIES

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

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
As of September 30, 2019, With Comparative Totals For 2018

	Notes	Ventana Fund	Valencia Park	Eliminations	2019	2018
ASSETS						
Current Assets						
Cash and cash equivalents	C	$ 261,061	21,129	-	282,190	174,839
Donor restricted cash and cash equivalents	C, E	709,974	-	-	709,974	2,923,788
Interest receivable		10,724	-	-	10,724	2,462
Rent receivable		-	1,764	-	1,764	-
Prepaid insurance		3,585	-	-	3,585	-
Mortgages receivable, net of allowance of $7,500 and $3,527, respectively	D	798,791	-	-	798,791	39,012
Mortgage receivable from Valencia Park-current portion		19,943	-	(19,943)	-	-
Total current assets		1,804,078	22,893	(19,943)	1,807,028	3,140,101
Non-Current Assets						
Equity investment in Valencia Park Apartments		(885)	-	885	-	-
Property and equipment, net of accum. deprec.		-	1,283,925	-	1,283,925	-
Mortgages receivable, net of allowance of $133,198 and $59,543, respectively	D	2,741,103	-	-	2,741,103	2,278,574
Mortgage receivable from Valencia Park-non-current portion		1,067,453	-	(1,067,453)	-	-
Total non-current assets		3,807,671	1,283,925	(1,066,568)	4,025,028	2,278,574
TOTAL ASSETS		$ 5,611,749	1,306,818	(1,086,511)	5,832,056	5,418,675
LIABILITIES AND NET ASSETS						
Current Liabilities						
Prepaid rent		$ -	600	-	600	-
Advances on grants		285,189	-	-	285,189	257,156
Accounts payable and accrued liabilities		7,124	20,057	-	27,181	2,075
Accrued interest payable		365	-	-	365	365
Line of credit	K	350,811	-	-	350,811	350,000
Security deposits and last month's rent		-	5,400	-	5,400	-
Mortgages payable to Ventana Fund - current portion		-	19,943	(19,943)	-	-
Total current liabilities		643,489	46,000	(19,943)	669,546	609,596
Long-Term Liabilities						
Mortgages payable		-	194,250	-	194,250	-
Mortgages payable to Ventana Fund - non-current portion		-	1,067,453	(1,067,453)	-	-
Total long-term liabilities		-	1,261,703	(1,067,453)	194,250	-
TOTAL LIABILITIES		643,489	1,307,703	(1,087,396)	863,796	609,596
Net Assets						
Without donor restrictions:						
Undesignated		523,118	-	-	523,118	332,419
Capital, Limited Partner, net		-	(885)	885	-	-
With donor restrictions						
Restricted for purpose and time	F	845,142	-	-	845,142	876,660
Restricted for perpetuity	E	3,600,000	-	-	3,600,000	3,600,000
Total net assets		4,968,260	(885)	885	4,968,260	4,809,079
TOTAL LIABILITIES AND NET ASSETS		$ 5,611,749	1,306,818	(1,086,511)	5,832,056	5,418,675

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
For The Year Ended September 30, 2019, With Comparative Totals For 2018

	2019									
	Ventana Fund					Valencia Park				
	Without Donor Restrictions	With Donor Restrictions				Without Donor Restrictions				
		Purpose/Time Restricted	Perpetually Restricted	Total	Total		Total	Eliminations	Total	2018 Totals
Revenue										
Mortgage interest	$ 142,762	-	-	-	142,762	-	-	(32,848)	109,914	47,056
Rent income	-	-	-	-	-	111,016	111,016	-	111,016	-
Loan fees	32,680	-	-	-	32,680	-	-	-	32,680	17,313
Investment interest	15,970	-	-	-	15,970	-	-	-	15,970	4,018
Housing program income	-	-	-	-	-	-	-	-	-	122,647
Income (loss) from subsidiary	(25,885)	-	-	-	(25,885)	-	-	25,885	-	-
Other operating income	750	-	-	-	750	-	-	-	750	-
Total Revenue	166,277	-	-	-	166,277	111,016	111,016	(6,963)	270,330	191,034
Public Support										
Grants	267,833	104,057	-	104,057	371,890	-	-	-	371,890	1,420,480
Satisfaction of program restrictions	135,575	(135,575)	-	(135,575)	-	-	-	-	-	-
Total Support, Revenue, & Reclassifications	569,685	(31,518)	-	(31,518)	538,167	111,016	111,016	(6,963)	642,220	1,611,514
Expenses										
Programs	308,048	-	-	-	308,048	127,052	127,052	(32,848)	402,252	141,968
Administrative and general	70,938	-	-	-	70,938	9,849	9,849	-	80,787	37,121
Total Expenses	378,986	-	-	-	378,986	136,901	136,901	(32,848)	483,039	179,089
Change in net assets	190,699	(31,518)	-	(31,518)	159,181	(25,885)	(25,885)	25,885	159,181	1,432,425
Net assets, beginning	332,419	876,660	3,600,000	4,476,660	4,809,079	-	-	-	4,809,079	3,376,654
Capital contribution	-	-	-	-	-	25,000	25,000	(25,000)	-	-
Net assets, ending	$ 523,118	845,142	3,600,000	4,445,142	4,968,260	(885)	(885)	885	4,968,260	4,809,079

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
For The Year Ended September 30, 2019, With Comparative Totals For 2018

	2019								
	Program Services			Administrative and General		Total			
	Ventana Fund	Valencia Park	Total Program	Ventana Fund	Valencia Park	Administrative and General	Intercompany Eliminations	Total 2019	2018
Grant payments	$ 179,420	-	179,420	-	-	-	-	179,420	126,298
Contract services and professinal fees	36,769	31,143	67,912	42,214	-	42,214	-	110,126	55,075
Provisions for loan losses	77,628	-	77,628	-	-	-	-	77,628	(10,643)
Professional services	12,951	-	12,951	16,505	-	16,505	-	29,456	-
Utilities	-	18,216	18,216	-	-	-	-	18,216	-
Interest expense	-	38,675	38,675	10,632	-	10,632	(32,848)	16,459	1,458
Miscellaneous expenses	63	10,297	10,360	-	-	-	-	10,360	20
Management fees	-	-	-	-	7,876	7,876	-	7,876	-
Insurance	-	4,541	4,541	745	-	745	-	5,286	4,246
Bank fees	1,109	-	1,109	-	-	-	-	1,109	234
Dues and subscriptions	-	-	-	770	-	770	-	770	500
Appliances	-	379	379	-	-	-	-	379	-
Repairs and maintenance	108	-	108	-	-	-	-	108	108
Advertising and promotion	-	-	-	72	-	72	-	72	163
Lender compensation	-	-	-	-	-	-	-	-	831
Legal expense	-	-	-	-	-	-	-	-	701
Travel	-	-	-	-	-	-	-	-	98
Total expenses before depreciation	308,048	103,251	411,299	70,938	7,876	78,814	(32,848)	457,265	179,089
Depreciation expense	-	23,801	23,801	-	1,973	1,973	-	25,774	-
Total expenses	$ 308,048	127,052	435,100	70,938	9,849	80,787	(32,848)	483,039	179,089

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number		Federal Expenditures
Direct				
Department of the Treasury				
Community Development Financial Institutions Program				
Grant	21.020	n/a	$	11,506
Loans	21.020	n/a		1,065,125
Total Department of the Treasury				1,076,631
Total Expenditures of Federal Awards			$	1,076,631

Reconciliation to Financial Statements		
Grant revenue per statement of activities	$	371,890
Less non-Federal grant revenue		(25,000)
Loan balance at beginning of year		730,000
Principal repayments received		(259)
Per SEFA		1,076,631
Difference	$	-

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, 2019.

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, 2019 consist of:

		CFDA 21.020
Loan balance, beginning of the year	$	730,000
Value of new loans made		335,384
Principal repayments received		(259)
Total expenditures of federal awards presented for loan		1,065,125
Balance of loans at September 30, 2019	$	1,065,125

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 consolidated financial statements of Ventana Fund and Valencia Park, LLC (the Organizations) which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organizations' 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 the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Organizations' consolidated 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*.

We did identify an other matter that does not rise to the level of a significant deficiency that we have communicated in this report.

The Organizations' Response to the Finding

The Organizations' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organizations' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 29, 2020

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 the Organizations' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organizations' major federal programs for the year ended September 30, 2019. The Organizations' 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 the Organizations' 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 the Organizations' 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 the Organizations' compliance.

Opinion on Each Major Federal Program

In our opinion, the Organizations 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, 2019.

Report on Internal Control Over Compliance

Management of the Organizations are 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 Organizations' 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 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 Organizations' 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, P.C.

Hinkle + Landers, PC
Albuquerque, NM
May 29, 2020

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	☐Yes ☒No
Significant deficienc(ies) identified	☐Yes ☒No
Noncompliance material to financial statements	☐Yes ☒No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	☐Yes ☒No
Significant deficiency(ies) identified	☐Yes ☒No
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?	☐Yes ☒No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Funding Source
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?	☐Yes ☒No

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	N/A	N/A
Current Year Findings		
2019-001 CASH MANAGEMENT	CURRENT	C

* 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

2019-001—CASH MANAGMENT

Type of Finding: C

Statement of Condition

During our auditing procedures related to the equity investment in Valencia Park, we discovered a cash account was not included in the QuickBooks general ledger. The balance in the cash account as of September 30, 2019 was $12,315.83.

Criteria

Cash assets are vulnerable due to availability and liquidity; therefore, adequate internal controls involve measures to prevent theft or other misuses of cash. All cash transactions should be recorded in the general ledger. Regular review of bank accounts and reconciliation between cash accounts and the general ledger is an important control to identify errors or misappropriations in a timely manner.

Effect

Cash assets are at a higher risk of misappropriation when there is not an independent, timely review of the bank accounts and reconciliation with the general ledger. Also, without the client provided entry, cash for the organization would have been understated.

Cause

The acquisition of Valencia Park by Ventana Fund included a cash transfer to a new account with Washington Federal in the name of Valencia Park, LLC. This transaction was not applied to the general ledger of Valencia Park, LLC at the creation of the corporation and the cash account was not known to the bookkeeping staff.

Recommendation

We recommend monthly bank reconciliations be performed for all bank accounts. A review of the reconciliations should be completed within 3 weeks of the end of the preceding month with documentation of review by a board member or executive director.

We also recommend that all transactions between organizations be verified and reviewed on a regular basis.

View of Responsible Officials and Corrective Action Plan

The cash account was recorded on the general ledger with other activity during the purchase of Valencia Park, LLC. The total amount of cash not broken out separately under Valencia Park, LLC at September 30, 2019 was $12,316. During the year ending September 30, 2019, this cash account had a disbursement of $8,247 and two deposits that totaled $10,262 that were not initially record. The net effect of these transactions was $2,015. The bank reconciliations for the Ventana Fund other bank accounts at September 30, 2019, with balances of approximately $710,00 and $261,000, were all reconciled with no exceptions.

Corrective Action Plan Timeline:

The account was adjusted at September 30, 2019 and will be reconciled on a monthly basis with all other bank accounts going forward.

Designated Employee Responsible for Corrective Action:

Ventana Fund Contract Accountant.

Audit Firm: Hinkle + Landers, PC

Auditor's FEIN: 85-0232815

Office Address: 2500 9th Street NW, Albuquerque, NM 87102

Audit Partner: Farley Vener

Audit Partner's Telephone #: 505-883-8788

Audit Period: For the Year Ended September 30, 2019