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, 2020**
**With Comparative Totals for 2019**

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# VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
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## For the Year Ended September 30, 2020, With Comparative Totals for 2019

**VENTANA FUND AND WHOLLY OWNED SUBSIDIARY**
**OFFICIAL ROSTER**
**As of September 30, 2020**

| Official Roster | |
|---|---|
| **Board of Directors** | |
| D. Todd Clarke | Chair |
| Paul Cassidy | Vice-Chair |
| Elizabeth Bernal | Secretary |
| Steve Anaya | Treasurer |
| Catherine Hummel | Member |
| Robbie Levey | Member |
| Shawn Colbert | Member |
| Peter Gineris | 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 wholly owned subsidiary of Ventana Fund), which comprise the consolidated statement of financial position as of September 30, 2020, 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 consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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, 2020, 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

As discussed in Note P to the financial statements, the 2019 financial statements have been restated to correct revenue recognition in the prior year consolidated financial statements. This adjustment has been presented in a retrospective manner in the comparative totals from 2019. Our opinion is not modified with respect to this matter.

## Other Matters

### *Report on Summarized Comparative Information*

The prior year summarized comparative information has been derived from the Organizations' September 30, 2019 financial statements. We have previously audited Ventana Fund 2019 financial statements, and we issued an unmodified opinion on those audited financial statements in our report dated May 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *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 April 9, 2021, 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
April 9, 2021

**VENTANA FUND AND WHOLLY OWNED SUBSIDIARY**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**As of September 30, 2020, With Comparative Totals For 2019**

| | Notes | 2020 | (Restated) 2019 |
|---|---|---|---|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | C | $ 278,766 | 282,190 |
| Donor restricted cash and cash equivalents | C, G | 1,892,673 | 709,974 |
| Interest receivable | | 49,494 | 10,724 |
| Mortgage servicer receivables | E | 1,177,879 | - |
| Rent receivable | | 963 | 1,764 |
| Prepaid insurance | | 1,501 | 3,585 |
| Mortgages receivable, net of allowance of $758 and $7,500, respectively | D | 119,369 | 798,791 |
| Total current assets | | 3,520,645 | 1,807,028 |
| Non-Current Assets | | | |
| Property and equipment, net of accum. deprec. | F | 1,249,026 | 1,283,925 |
| Mortgages receivable, net of allowance of $315,175 and $133,198, respectively | D | 6,472,359 | 2,741,103 |
| Total non-current assets | | 7,721,385 | 4,025,028 |
| TOTAL ASSETS | | $ 11,242,030 | 5,832,056 |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Prepaid rent | | $ - | 600 |
| Advances on grants | | - | 229,607 |
| Accounts payable and accrued liabilities | | 398,451 | 27,181 |
| Accrued interest payable | | 13,572 | 365 |
| Line of credit | N | 5,112,731 | 350,811 |
| Security deposits and last month's rent | | 5,100 | 5,400 |
| Total current liabilities | | 5,529,854 | 613,964 |
| Long-Term Liabilities | | | |
| Mortgages payable | | - | 194,250 |
| Total long-term liabilities | | - | 194,250 |
| TOTAL LIABILITIES | | 5,529,854 | 808,214 |
| Net Assets | | | |
| Without donor restrictions: | | | |
| Undesignated | | 129,144 | (566,557) |
| Property and equipment, net of related debt | | 1,249,026 | 1,089,675 |
| With donor restrictions | | | |
| Restricted for purpose and time | H | 734,006 | 900,724 |
| Restricted for perpetuity | G | 3,600,000 | 3,600,000 |
| Total net assets | | 5,712,176 | 5,023,842 |
| TOTAL LIABILITIES AND NET ASSETS | | $ 11,242,030 | 5,832,056 |

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, 2020, With Comparative Totals For 2019**

| | | 2020 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Without | With Donor Restrictions | | | | (Restated) |
| | | Donor | Purpose/Time | Perpetually | | | 2019 |
| | Notes | Restrictions | Restricted | Restricted | Total | Total | Totals |
| Revenue | | | | | | | |
| Mortgage interest | | $ 140,960 | - | - | - | 140,960 | 109,914 |
| Rent income | | 145,809 | - | - | - | 145,809 | 111,016 |
| Loan fees | | 70,852 | - | - | - | 70,852 | 32,680 |
| Investment interest | | 14,826 | - | - | - | 14,826 | 15,970 |
| Other operating income | | 521 | - | - | - | 521 | 750 |
| Total Revenue | | 372,968 | - | - | - | 372,968 | 270,330 |
| Public Support | | | | | | | |
| Grants | | - | 794,606 | - | 794,606 | 794,606 | 427,472 |
| Satisfaction of program restrictions | | 961,324 | (961,324) | - | (961,324) | - | - |
| Total Support, Revenue, & Reclassifications | | 1,334,292 | (166,718) | - | (166,718) | 1,167,574 | 697,802 |
| Expenses | | | | | | | |
| Programs | | 351,323 | - | - | - | 351,323 | 402,252 |
| Administrative and general | | 127,917 | - | - | - | 127,917 | 80,787 |
| Total Expenses | | 479,240 | - | - | - | 479,240 | 483,039 |
| Change in net assets | | 855,052 | (166,718) | - | (166,718) | 688,334 | 214,763 |
| Net assets, beginning - restated | P | 523,118 | 900,724 | 3,600,000 | 4,500,724 | 5,023,842 | 4,809,079 |
| Capital contribution | K | - | - | - | - | - | - |
| Net assets, ending | | $ 1,378,170 | 734,006 | 3,600,000 | 4,334,006 | 5,712,176 | 5,023,842 |

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, 2020, With Comparative Totals For 2019**

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Services | | | General | | Total | | |
| | Ventana Fund | Valencia Park | Total Program | Ventana Fund | Valencia Park | Administrative and General | Total 2020 | 2019 |
| Provisions for loan losses | $ 175,233 | - | 175,233 | - | - | - | 175,233 | 77,628 |
| Contract services and professional fees | 43,949 | 16,581 | 60,530 | 89,268 | - | 89,268 | 149,798 | 110,126 |
| Interest expense | - | - | - | 25,037 | - | 25,037 | 25,037 | 16,459 |
| Professional services | 23,568 | - | 23,568 | 164 | - | 164 | 23,732 | 29,456 |
| Utilities | - | 15,751 | 15,751 | - | - | - | 15,751 | 18,216 |
| Property taxes | - | 13,884 | 13,884 | - | - | - | 13,884 | - |
| Emergency expense funding | 12,500 | - | 12,500 | - | - | - | 12,500 | - |
| Management fees | - | - | - | - | 8,512 | 8,512 | 8,512 | 7,876 |
| Miscellaneous expenses | 4,344 | 3,849 | 8,193 | - | - | - | 8,193 | 10,360 |
| Insurance | - | 3,775 | 3,775 | 4,105 | - | 4,105 | 7,880 | 5,286 |
| Bank fees | 1,373 | - | 1,373 | - | 81 | 81 | 1,454 | 1,109 |
| Appliances | - | 1,454 | 1,454 | - | - | - | 1,454 | 379 |
| Dues and subscriptions | - | - | - | 750 | - | 750 | 750 | 770 |
| Repairs and maintenance | - | 162 | 162 | - | - | - | 162 | 108 |
| Advertising and promotion | - | - | - | - | - | - | - | 72 |
| Grant payments | - | - | - | - | - | - | - | 179,420 |
| Total expenses before depreciation | 260,967 | 55,456 | 316,423 | 119,324 | 8,593 | 127,917 | 444,340 | 457,265 |
| Depreciation expense | - | 34,900 | 34,900 | - | - | - | 34,900 | 25,774 |
| Total expenses | $ 260,967 | 90,356 | 351,323 | 119,324 | 8,593 | 127,917 | 479,240 | 483,039 |

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, 2020, With Comparative Totals For 2019**

| | | 2020 | (Restated) 2019 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Mortgage interest | $ | 102,190 | 101,652 |
| Rent income | | 145,710 | 115,252 |
| Loan fees | | 70,852 | 32,680 |
| Investment interest | | 14,826 | 15,970 |
| Grants | | 794,606 | 427,472 |
| Other operating income | | 521 | 750 |
| | | 1,128,705 | 693,776 |
| Less cash paid to suppliers | | (228,779) | (366,763) |
| Plus cash owed to suppliers | | 371,270 | 25,106 |
| Less interest expense paid | | (25,037) | (16,459) |
| Net cash provided (used) by operating activities | | 1,246,159 | 335,660 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash paid for property and equipment | | - | (1,309,699) |
| Cash disbursements of loan principal | | (5,789,809) | (2,067,734) |
| Cash receipts from loan principal repayments | | 1,384,862 | 767,798 |
| Net cash provided (used) by investing activities | | (4,404,947) | (2,609,635) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds/(use) of advances of grant restricted for loan purposes -restated | | (229,607) | (27,549) |
| Proceeds from mortgage payable | | (194,250) | 194,250 |
| Proceeds from line of credit | | 4,761,920 | 811 |
| Net cash provided (used) by financing activities | | 4,338,063 | 167,512 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | | 1,179,275 | (2,106,463) |
| Cash, cash equivalents, and restricted cash, beginning of year | | 992,164 | 3,098,627 |
| Cash, cash equivalents, and restricted cash, end of year | $ | 2,171,439 | 992,164 |

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

| | | | |
|---|---|---|---|
| Change in net assets | $ | 688,334 | 214,763 |
| Provision for loan losses | | 175,233 | 77,628 |
| Depreciation | | 34,900 | 25,774 |
| Changes in assets and liabilities: | | | |
| Interest receivable | | (38,770) | (8,262) |
| Rent receivable | | 801 | (1,764) |
| Prepaid insurance | | 2,084 | (3,585) |
| Prepaid rent | | (600) | 600 |
| Accounts payable and accrued liabilities | | 371,270 | 25,106 |
| Security deposits and last month's rent | | (300) | 5,400 |
| Accrued interest payable | | 13,207 | - |
| Net cash provided (used) by operating activities | $ | 1,246,159 | 335,660 |

## 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 affordable housing in the community as well as the opportunity to improve its cashflow and meet long-term goals of becoming a 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 is the managing and sole member of the entity.

The purchase price for 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. In September 2020, the loans were refinanced under a new loan with Ventana in the amount of $1,264,699.

### 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 focuses 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 years ended September 30, 2020 and 2019 include the accounts of Ventana 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

**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 Organizations are 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 organizations. The Organizations' 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 - Temporary in Nature**

Net assets with temporary 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 Organizations pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. See Net Assets with Donor Restrictions – Temporary in Nature Note H.

**Net Assets with Donor Restrictions - Perpetual in Nature**

Net assets with perpetual donor restrictions resulting 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. See Net Assets with Donor Restrictions – Perpetual in Nature Note G.

## 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.

## 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.

## 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.

## 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:

| | 2020 | (Restated) 2019 |
|---|---|---|
| Total cash | $ 2,171,439 | 992,164 |
| Interest receivable | 49,494 | 10,724 |
| Mortgage servicer receivables | 1,177,879 | - |
| Rent receivable | 963 | 1,764 |
| Mortgage receivables expected to be received within one year, net of allowance | 119,369 | 798,791 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Advances on grants | - | (229,607) |
| Restricted by donor with purpose restrictions | (734,006) | (900,724) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 2,785,138 | 673,112 |
| | | |
| Undrawn line of credit | 387,269 | 749,234 |

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

## 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% |

## 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.

## 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:

| | | 2020 | 2019 |
|---|---|---|---|
| Rating | Category | # of Loans | # of Loans |
| 1 | Excellent Repayment Probability | 16 | 8 |
| 2 | Good Repayment Probability | 4 | 2 |
| 3 | Impaired Payment Ability | 0 | 0 |
| 4 | Significantly Impaired Repayment Ability | 0 | 0 |
| | | 20 | 10 |

## Use of Estimates in Preparing Financial Statements

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.

## 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 consolidated statement 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 consolidated financial statements. There are no outstanding unconditional promises to give at September 30, 2020 or 2019.

## 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 consolidated statement 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.

## 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, 2020 and 2019.

**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.

**Property, Equipment and Depreciation**

Property and equipment purchased by the Organizations are stated at cost. Depreciation on buildings is computed using the straight-line method over the estimated useful lives of twenty-seven and a half years. All acquisitions of property and equipment more than $5,000 are capitalized.

**Advertising**

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

| | | 2020 | 2019 |
|---|---|---|---|
| Advertising and promotion | $ | - | 72 |

**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 consolidated 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.

**Income Taxes**

Income taxes are not provided for in the consolidated 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, 2020 or 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.

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 years ended September 30, 2020 and 2019.

**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 consolidated financial statements for the year ended September 30, 2019, from which the summarized information was derived.

**Reclassifications**

Certain reclassifications may have been made to 2019 amounts to conform to 2020 presentation.

**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 consolidated 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 Organizations have evaluated subsequent events through April 9, 2021, which is the date the consolidated financial statements were available to be issued.

Subsequent to September 30, 2020, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the Organizations' 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 | | 2020 | 2019 |
|---|---|---|---|
| Unrestricted | | | |
| GDR Property Solutions, LLC | $ | 16,733 | 8,812 |
| Washington Federal | | 262,034 | 273,378 |
| plus/(less) additional from restricted | | (101,331) | 306,279 |
| Total unrestricted cash | | 177,436 | 588,469 |
| Restricted | | | |
| Washington Federal | | 1,892,672 | 709,974 |
| plus/(less) additional from unrestricted | | 101,331 | (306,279) |
| Total restricted | | 1,994,003 | 403,695 |
| Total | $ | 2,171,439 | 992,164 |

## NOTE D—MORTGAGES RECEIVABLE

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

| | | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|---|
| | | Principal within one year | Principal due after one year | Total | Principal within one year | Principal due after one year | Total |
| Mortgages receivable | $ | 153,905 | 8,018,455 | 8,172,360 | 826,234 | 3,941,754 | 4,767,988 |
| Less allowance for loan losses | | (758) | (315,175) | (315,933) | (7,500) | (133,198) | (140,698) |
| Mortgages receivable, net | | 153,147 | 7,703,280 | 7,856,427 | 818,734 | 3,808,556 | 4,627,290 |
| Less inter-entity mortgages | | (33,778) | (1,230,921) | (1,264,699) | (19,943) | (1,067,453) | (1,087,396) |
| Total mortgages due to Ventana from outside parties | $ | 119,369 | 6,472,359 | 6,591,728 | 798,791 | 2,741,103 | 3,539,894 |

See Note B 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—MORTGAGE SERVICER RECEIVABLES

Ventana fund works with outside mortgage servicers to track and maintain their loans receivable. From time to time, a loan will be repaid to a servicer, but the funds have not yet been received by Ventana Fund as of the end of the fiscal year. These funds in transit are treated as receivables on the consolidated statement of financial position.

## NOTE F—PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment at September 30 include:

| | 2019 | Additions | Deletions | 2020 |
|---|---|---|---|---|
| Land | $ 349,959 | - | - | 349,959 |
| Buildings | 959,740 | - | - | 959,740 |
| Total | 1,309,699 | - | - | 1,309,699 |
| Less accumulated depreciation | (25,774) | (34,900) | - | (60,674) |
| Total property and equipment, net | $ 1,283,925 | (34,900) | - | 1,249,025 |

Depreciation expense for the years ended September 30, 2020 and 2019 was $34,900 and $25,774, respectively.

## NOTE G—NET ASSETS WITH DONOR RESTRICTIONS – PERPETUAL IN NATURE

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

| Revolving Loan Fund | 2019 | Additions | Deletions | 2020 |
|---|---|---|---|---|
| Mortgage receivables | $ 3,545,576 | 823,050 | (2,762,629) | 1,605,997 |
| Cash and cash equivalents | 403,695 | 1,590,308 | - | 1,994,003 |
| Less: Line of credit | (350,811) | - | 350,811 | - |
| Other items | 1,540 | - | (1,540) | - |
| Total | $ 3,600,000 | 2,413,358 | (2,413,358) | 3,600,000 |

## NOTE H—NET ASSETS WITH DONOR RESTRICTIONS – TEMPORARY IN NATURE

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

| Donor Restricted Funds (Temporary in Nature) | (Restated) 2019 | Additions | Released | 2020 |
|---|---|---|---|---|
| Mortgage receivables | $ 862,090 | 794,606 | (891,939) | 764,757 |
| Less: Allowance for loan losses | (48,285) | - | 17,534 | (30,751) |
| Cash and cash equivalents | 316,698 | - | (316,698) | - |
| Less: Advance on grants | (229,607) | - | 229,607 | - |
| Less: Accounts payable | (24) | - | 24 | - |
| Less: Other items | (148) | - | 148 | - |
| Total | $ 900,724 | 794,606 | (961,324) | 734,006 |

## NOTE I—JOINT COST ALLOCATIONS

The Organizations did not participate in joint activities for the years ended September 30, 2020 or 2019.

## NOTE J—INTER-ENTITY TRANSACTIONS

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

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| Type of Goods or Services | Ventana Fund | Valencia Park | Total | Ventana Fund | Valencia Park | Total |
| Loan receivable | $ 1,264,699 | (1,264,699) | - | 1,087,396 | (1,087,396) | - |
| Loan interest | 57,248 | (57,248) | - | 32,848 | (32,848) | - |
| Equity investment | 6,998 | (6,998) | - | (885) | 885 | - |
| Total intercompany transactions | $ 1,328,945 | (1,328,945) | - | 1,119,359 | (1,119,359) | - |

## NOTE K—CAPITAL CONTRIBUTIONS

Cash transfers that are permanent in nature from Ventana Fund to Valencia Park are treated as capital contributions.

## NOTE L—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, 2020 and 2019. As of September 30, 2020 and 2019, Ventana's cash accounts were exposed to credit risk of $1,892,673 and $710,728, respectively.

## Revenue Concentration

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

| | | 2020 | | (Restated) 2019 | |
|---|---|---|---|---|---|
| Concentration of Funding Sources | | Amount | % | Amount | % |
| Grants | $ | 794,606 | 68.1% | 427,472 | 61.3% |
| Rent income | | 145,809 | 12.5% | 111,016 | 15.9% |
| Mortgage interest | | 140,960 | 12.1% | 109,914 | 15.8% |
| Loan fees | | 70,852 | 6.1% | 32,680 | 4.7% |
| Investment interest | | 14,826 | 1.3% | 15,970 | 2.3% |
| Other operating income | | 521 | 0.0% | 750 | 0.1% |
| | $ | 1,167,574 | 100% | 697,802 | 100% |

## Borrower Concentration

Ventana has outstanding loans to the following borrowers:

| | | 2020 | | 2019 | |
|---|---|---|---|---|---|
| Concentration of Borrowers | | Amount | % | Amount | % |
| 1200 Development | $ | 1,773,080 | 21.7% | - | 0.0% |
| Valencia Park, LLC | | 1,264,699 | 15.5% | 1,087,396 | 22.8% |
| Sheldon Family, LLC | | 897,601 | 11.0% | 858,242 | 18.0% |
| Edge Capital I, LLC | | 763,200 | 9.3% | 420,000 | 8.8% |
| VDN Apartments | | 750,000 | 9.2% | - | 0.0% |
| Robertsons | | 534,757 | 6.5% | - | 0.0% |
| MMP LLC | | 461,000 | 5.6% | - | 0.0% |
| Wells Park Development, LLC | | 414,559 | 5.1% | 398,370 | 8.4% |
| Desert Sage Apartments | | 399,240 | 4.9% | 370,134 | 7.8% |
| 7524 Development | | 378,700 | 4.6% | - | 0.0% |
| Vedaa/Roy | | 336,000 | 4.1% | - | 0.0% |
| Collins Lake Autism Center | | 110,000 | 1.3% | - | 0.0% |
| Tierra Del Sol | | 51,636 | 0.6% | 61,655 | 1.3% |
| Heading Home | | 37,888 | 0.5% | 72,191 | 1.5% |
| VSJ Apartments, LLLP | | - | 0.0% | 750,000 | 15.7% |
| Valle Verde I | | - | 0.0% | 750,000 | 15.7% |
| Total mortgages due to Ventana | | 8,172,360 | 100% | 4,767,988 | 100% |
| Less inter-entity mortgages | | (1,264,699) | | (1,087,396) | |
| Total mortgages due to Ventana from outside parties | $ | 6,907,661 | | 3,680,592 | |

## Geographical Concentration

The Organizations' operations are limited to New Mexico.

## NOTE M—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 |
|---|---|---|---|---|
| 2020 | $ | - | - | - |
| 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 $9,998 and $42,220 for the years ended September 30, 2020 and 2019, respectively, and are allocated between program and management and general expenses in the consolidated 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 $31,302 and $10,806 for the year ending September 30, 2020 and 2019, respectively.

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.

During fiscal year 2020, Ventana established an informal agreement for Sunwest Trust, Inc. to service their new mortgage receivables.

## NOTE N—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. In April 2020, the available line of credit was increased to $5,500,000. Outstanding balances as of September 30 are as follows:

| | 2020 | 2019 |
|---|---|---|
| Line of credit balance | $ 5,112,731 | 350,811 |

## NOTE O—RELATED PARTIES

The Board Chair's company was the listing broker on the property for ten of the twenty outstanding mortgage receivables and received compensation for eleven of those sales.

## NOTE P—RESTATEMENT OF NET ASSETS

Beginning net assets for Ventana Fund were restated to correct revenue recognition in the prior year financial statements. The impact to net assets is as follows:

| | September 30, 2019 |
|---|---|
| Net Assets with Donor Restrictions - Temporary in Nature | $ 845,142 |
| Adjustment related to revenue recognition | 55,582 |
| Net Assets with Donor Restrictions - Temporary in Nature - Restated | $ 900,724 |

**VENTANA FUND AND WHOLLY OWNED SUBSIDIARY**
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**
**As of September 30, 2020, With Comparative Totals For 2019**

| | Notes | Ventana Fund | Valencia Park | Eliminations | 2020 | (Restated) 2019 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | C | $ 249,778 | 28,988 | - | 278,766 | 282,190 |
| Donor restricted cash and cash equivalents | C, G | 1,892,673 | - | - | 1,892,673 | 709,974 |
| Interest receivable | | 49,494 | - | - | 49,494 | 10,724 |
| Mortgage servicer receivables | E | 1,177,879 | - | - | 1,177,879 | - |
| Rent receivable | | - | 963 | - | 963 | 1,764 |
| Prepaid insurance and expenses | | 243 | 1,258 | - | 1,501 | 3,585 |
| Mortgages receivable, net of allowance of $758 and $7,500, respectively | D | 119,369 | - | - | 119,369 | 798,791 |
| Mortgage receivable from Valencia Park-current portion | | 33,778 | - | (33,778) | - | - |
| Total current assets | | 3,523,214 | 31,209 | (33,778) | 3,520,645 | 1,807,028 |
| Non-Current Assets | | | | | | |
| Equity investment in Valencia Park Apartments | | 6,998 | - | (6,998) | - | - |
| Property and equipment, net of accum. deprec. | F | - | 1,249,026 | - | 1,249,026 | 1,283,925 |
| Mortgages receivable, net of allowance of $315,175 and $133,198, respectively | D | 6,472,359 | - | - | 6,472,359 | 2,741,103 |
| Mortgage receivable from Valencia Park-non-current portion | | 1,230,921 | - | (1,230,921) | - | - |
| Total non-current assets | | 7,710,278 | 1,249,026 | (1,237,919) | 7,721,385 | 4,025,028 |
| TOTAL ASSETS | | $ 11,233,492 | 1,280,235 | (1,271,697) | 11,242,030 | 5,832,056 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Current Liabilities | | | | | | |
| Prepaid rent | | $ - | - | - | - | 600 |
| Advances on grants | | - | - | - | - | 229,607 |
| Accounts payable and accrued liabilities | | 395,013 | 3,438 | - | 398,451 | 27,181 |
| Accrued interest payable | | 13,572 | - | - | 13,572 | 365 |
| Line of credit | N | 5,112,731 | - | - | 5,112,731 | 350,811 |
| Security deposits and last month's rent | | - | 5,100 | - | 5,100 | 5,400 |
| Mortgages payable to Ventana Fund - current portion | | - | 33,778 | (33,778) | - | - |
| Total current liabilities | | 5,521,316 | 42,316 | (33,778) | 5,529,854 | 613,964 |
| Long-Term Liabilities | | | | | | |
| Mortgages payable | | - | - | - | - | 194,250 |
| Mortgages payable to Ventana Fund - non-current portion | | - | 1,230,921 | (1,230,921) | - | - |
| Total long-term liabilities | | - | 1,230,921 | (1,230,921) | - | 194,250 |
| TOTAL LIABILITIES | | 5,521,316 | 1,273,237 | (1,264,699) | 5,529,854 | 808,214 |
| Net Assets | | | | | | |
| Without donor restrictions: | | | | | | |
| Undesignated | | 1,378,170 | 15,673 | (1,264,699) | 129,144 | (566,557) |
| Property and equipment, net of related debt | | - | (15,673) | 1,264,699 | 1,249,026 | 1,089,675 |
| Capital, Limited Partner, net | | - | 6,998 | (6,998) | - | - |
| With donor restrictions | | | | | | |
| Restricted for purpose and time | H | 734,006 | - | - | 734,006 | 900,724 |
| Restricted for perpetuity | G | 3,600,000 | - | - | 3,600,000 | 3,600,000 |
| Total net assets | | 5,712,176 | 6,998 | (6,998) | 5,712,176 | 5,023,842 |
| TOTAL LIABILITIES AND NET ASSETS | | $ 11,233,492 | 1,280,235 | (1,271,697) | 11,242,030 | 5,832,056 |

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

**VENTANA FUND AND WHOLLY OWNED SUBSIDIARY**
**CONSOLIDATING SCHEDULE OF ACTIVITIES**
**For The Year Ended September 30, 2020, With Comparative Totals For 2019**

| | | 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Ventana Fund | | | | | Valencia Park | | | | |
| | | Without Donor Restrictions | With Donor Restrictions: Purpose/Time Restricted | With Donor Restrictions: Perpetually Restricted | With Donor Restrictions: Total | Total | Without Donor Restrictions | Total | Eliminations | Total | (Restated) 2019 Totals |
| | Notes | | | | | | | | | | |
| Revenue | | | | | | | | | | | |
| Mortgage interest | | $ 198,208 | - | - | - | 198,208 | - | - | (57,248) | 140,960 | 109,914 |
| Rent income | | - | - | - | - | - | 145,809 | 145,809 | - | 145,809 | 111,016 |
| Loan fees | | 70,852 | - | - | - | 70,852 | - | - | - | 70,852 | 32,680 |
| Investment interest | | 14,826 | - | - | - | 14,826 | - | - | - | 14,826 | 15,970 |
| Income (loss) from subsidiary | | (9,867) | - | - | - | (9,867) | - | - | 9,867 | - | - |
| Other operating income | | - | - | - | - | - | 521 | 521 | - | 521 | 750 |
| Total Revenue | | 274,019 | - | - | - | 274,019 | 146,330 | 146,330 | (47,381) | 372,968 | 270,330 |
| Public Support | | | | | | | | | | | |
| Grants | | - | 794,606 | - | 794,606 | 794,606 | - | - | - | 794,606 | 427,472 |
| Satisfaction of program restrictions | | 961,324 | (961,324) | - | (961,324) | - | - | - | - | - | - |
| Total Support, Revenue, & Reclassifications | | 1,235,343 | (166,718) | - | (166,718) | 1,068,625 | 146,330 | 146,330 | (47,381) | 1,167,574 | 697,802 |
| Expenses | | | | | | | | | | | |
| Programs | | 260,967 | - | - | - | 260,967 | 147,604 | 147,604 | (57,248) | 351,323 | 402,252 |
| Administrative and general | | 119,324 | - | - | - | 119,324 | 8,593 | 8,593 | - | 127,917 | 80,787 |
| Total Expenses | | 380,291 | - | - | - | 380,291 | 156,197 | 156,197 | (57,248) | 479,240 | 483,039 |
| Change in net assets | | 855,052 | (166,718) | - | (166,718) | 688,334 | (9,867) | (9,867) | 9,867 | 688,334 | 214,763 |
| Net assets, beginning - restated | P | 523,118 | 900,724 | 3,600,000 | 4,500,724 | 5,023,842 | (885) | (885) | 885 | 5,023,842 | 4,809,079 |
| Capital contribution | K | - | - | - | - | - | 17,750 | 17,750 | (17,750) | - | - |
| Net assets, ending | | $ 1,378,170 | 734,006 | 3,600,000 | 4,334,006 | 5,712,176 | 6,998 | 6,998 | (6,998) | 5,712,176 | 5,023,842 |

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

**VENTANA FUND AND WHOLLY OWNED SUBSIDIARY**
**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**
**For The Year Ended September 30, 2020, With Comparative Totals For 2019**

| | 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | Administrative and General | | Total | | | |
| | Ventana Fund | Valencia Park | Total Program | Ventana Fund | Valencia Park | Administrative and General | Intercompany Eliminations | Total 2020 | 2019 |
| Provisions for loan losses | $ 175,233 | - | 175,233 | - | - | - | - | 175,233 | 77,628 |
| Contract services and professinal fees | 43,949 | 16,581 | 60,530 | 89,268 | - | 89,268 | - | 149,798 | 110,126 |
| Interest expense | - | 57,248 | 57,248 | 25,037 | - | 25,037 | (57,248) | 25,037 | 16,459 |
| Professional services | 23,568 | - | 23,568 | 164 | - | 164 | - | 23,732 | 29,456 |
| Utilities | - | 15,751 | 15,751 | - | - | - | - | 15,751 | 18,216 |
| Property taxes | - | 13,884 | 13,884 | - | - | - | - | 13,884 | - |
| Emergency expense funding | 12,500 | - | 12,500 | - | - | - | - | 12,500 | - |
| Management fees | - | - | - | - | 8,512 | 8,512 | - | 8,512 | 7,876 |
| Miscellaneous expenses | 4,344 | 3,849 | 8,193 | - | - | - | - | 8,193 | 10,360 |
| Insurance | - | 3,775 | 3,775 | 4,105 | - | 4,105 | - | 7,880 | 5,286 |
| Bank fees | 1,373 | - | 1,373 | - | 81 | 81 | - | 1,454 | 1,109 |
| Appliances | - | 1,454 | 1,454 | - | - | - | - | 1,454 | 379 |
| Dues and subscriptions | - | - | - | 750 | - | 750 | - | 750 | 770 |
| Repairs and maintenance | - | 162 | 162 | - | - | - | - | 162 | 108 |
| Grant payments | - | - | - | - | - | - | - | - | 179,420 |
| Advertising and promotion | - | - | - | - | - | - | - | - | 72 |
| Total expenses before depreciation | 260,967 | 112,704 | 373,671 | 119,324 | 8,593 | 127,917 | (57,248) | 444,340 | 457,265 |
| Depreciation expense | - | 34,900 | 34,900 | - | - | - | - | 34,900 | 25,774 |
| Total expenses | $ 260,967 | 147,604 | 408,571 | 119,324 | 8,593 | 127,917 | (57,248) | 479,240 | 483,039 |

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

**VENTANA FUND AND WHOLLY OWNED SUBSIDIARY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**For The Year Ended September 30, 2020**

| 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 | $ | 41,387 |
| Loans | 21.020 | n/a | | 1,215,160 |
| Total Department of the Treasury | | | | 1,256,547 |
| Total Expenditures of Federal Awards | | | $ | 1,256,547 |

| Reconciliation to Financial Statements | | |
|---|---|---|
| Grant revenue per statement of activities | $ | 794,606 |
| Loan balance at beginning of year | | 1,065,125 |
| Principal repayments received | | (603,184) |
| Per SEFA | | 1,256,547 |
| 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 any subrecipients.

**Note 3. Non-Cash Federal Assistance**
No non-cash federal assistance was received during the year ended September 30, 2020.

**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, 2020 consist of:

| | | CFDA 21.020 |
|---|---|---|
| Loan balance, beginning of the year | $ | 1,065,125 |
| Value of new loans made | | 753,219 |
| Principal repayments received | | (603,184) |
| Total expenditures of federal awards presented for loan | $ | 1,215,160 |
| Balance of loans at September 30, 2020 | $ | 1,215,160 |

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

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

The Board of Directors of
Ventana Fund
Albuquerque, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Ventana Fund and Valencia Park, LLC (the Organizations) which comprise the consolidated statement of financial position as of September 30, 2020, 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 April 9, 2021.

**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 consolidated 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 consolidated 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*.

**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
April 9, 2021

**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, 2020. 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, 2020.

**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
April 9, 2021

## 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 |
|---|---|---|
| 21.020 | 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 | | | | |
|---|---|---|---|---|
| Reference # | Description | Current or Prior Year Finding | Status of Findings | Type of Finding * |
| 2019-001 | Cash Management | Prior Year Finding | Resolved | 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. Finding that Does Not Rise to the Level of a Significant Deficiency (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

## CURRENT YEAR FINDINGS

**None**

**VENTANA FUND AND WHOLLY OWNED SUBSIDIARY**
**IDENTIFICATION OF AUDIT PARTNER**
**For the Year Ended September 30, 2020**

**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, 2020