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, 2022
With Comparative Totals for 2021

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VENTANA FUND AND WHOLLY OWNED SUBSIDIARY

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For the Year Ended September 30, 2022, With Comparative Totals for 2021

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY

OFFICIAL ROSTER

As of September 30, 2022

Board of Directors	
D. Todd Clarke	Chair
Paul Cassidy	Vice-Chair
Elizabeth Bernal	Secretary
Steven Anaya	Treasurer
Catherine Hummel	Member
Robbie Levey	Member
Shawn Colbert	Member
Peter Gineris	Member
George Maestas	Member
Holly Barela	Member

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Management of
Ventana Fund
Albuquerque, New Mexico

Opinion

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, 2022, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organizations as of September 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organizations' internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Prior Year Summarized Comparative Information

We have previously audited the Organizations' September 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited consolidated 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 consolidated 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 March 16, 2023, 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 solely 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 the effectiveness of the Organizations' 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
March 16, 2023

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of September 30, 2022, With Comparative Totals For 2021

	Notes		2022	2021
ASSETS				
Current Assets				
Cash and cash equivalents	C	$	2,143,335	789,562
Restricted cash and cash equivalents	C, G		1,358,464	1,833,516
Interest receivable			8,299	10,129
Mortgage servicer receivables	E		1,285,789	798,406
Rent receivable			2,611	2,571
Prepaid insurance			6,898	6,910
Mortgages receivable, net of allowance of $0 and $7,551, respectively	D		279,269	973,622
Total current assets			5,084,665	4,414,716
Non-Current Assets				
Security deposit			775	775
Property and equipment, net of accum. deprec.	F		1,179,226	1,214,126
Mortgages receivable, net of allowance of $506,947 and $331,660, respectively	D		13,448,279	9,742,402
Total non-current assets			14,628,280	10,957,303
TOTAL ASSETS		$	19,712,945	15,372,019
LIABILITIES AND NET ASSETS				
Current Liabilities				
Prepaid rent		$	8,008	6,893
Advances on grants			160,000	1,826,265
Accounts payable and accrued liabilities			64,592	22,298
Accrued interest payable			64,442	37,685
Tenant security deposits and last month's rent			6,898	7,251
Current portion of long-term debt	N		1,798,705	1,005,463
Total current liabilities			2,102,645	2,905,855
Long-Term Liabilities				
Non-current portion of long-term debt	N		10,352,371	6,691,664
Total long-term liabilities			10,352,371	6,691,664
TOTAL LIABILITIES			12,455,016	9,597,519
Net Assets				
Without donor restrictions:				
Undesignated			7,557	195,374
Property and equipment, net of related debt			1,179,226	1,214,126
With donor restrictions				
Restricted for purpose and time	H		2,471,146	765,000
Restricted for perpetuity	G		3,600,000	3,600,000
Total net assets			7,257,929	5,774,500
TOTAL LIABILITIES AND NET ASSETS		$	19,712,945	15,372,019

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these consolidated financial statements.

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For The Year Ended September 30, 2022, With Comparative Totals For 2021

	2022					
	Without Donor Restrictions	With Donor Restrictions: Purpose/Time Restricted	With Donor Restrictions: Perpetually Restricted	With Donor Restrictions: Total	Total	2021 Totals
Revenue						
Mortgage interest	$ 385,839	39,881	-	39,881	425,720	355,698
Rent income	151,261	-	-	-	151,261	132,980
Loan fees	99,542	-	-	-	99,542	76,624
Investment interest	11,609	-	-	-	11,609	3,970
Contributions	-	-	-	-	-	6,330
Other operating income	7,572	-	-	-	7,572	3,123
Total Revenue	655,823	39,881	-	39,881	695,704	578,725
Public Support						
Grants	-	1,666,265	-	1,666,265	1,666,265	-
Satisfaction of program restrictions	-	-	-	-	-	-
Total Support, Revenue, & Reclassifications	655,823	1,706,146	-	1,706,146	2,361,969	578,725
Expenses						
Programs	670,041	-	-	-	670,041	232,148
Administrative and general	208,499	-	-	-	208,499	284,253
Total Expenses	878,540	-	-	-	878,540	516,401
Change in net assets	(222,717)	1,706,146	-	1,706,146	1,483,429	62,324
Net assets, beginning	1,409,500	765,000	3,600,000	4,365,000	5,774,500	5,712,176
Net assets, ending	$ 1,186,783	2,471,146	3,600,000	6,071,146	7,257,929	5,774,500

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these consolidated financial statements.

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2022, With Comparative Totals For 2021

	2022							
	Program Services			Administrative and General		Total		
	Ventana Fund	Valencia Park	Total Program	Ventana Fund	Valencia Park	Administrative and General	Total 2022	2021
Salaries	$ 21,721	-	21,721	7,240	-	7,240	28,961	-
Benefits	-	-	-	244	-	244	244	-
Payroll taxes	1,882	-	1,882	627	-	627	2,509	-
Total personnel costs	23,603	-	23,603	8,111	-	8,111	31,714	-
Contract services and professional fees	158,451	-	158,451	134,560	-	134,560	293,011	215,120
Interest expense	193,606	-	193,606	-	-	-	193,606	111,184
Provisions for loan losses	167,737	-	167,737	-	-	-	167,737	23,278
Utilities	-	24,682	24,682	-	-	-	24,682	24,588
Advertising, marketing and public information	9,028	-	9,028	15,406	-	15,406	24,434	-
Repairs and maintenance	-	23,589	23,589	-	-	-	23,589	25,778
Management fees	-	-	-	-	18,443	18,443	18,443	14,109
Administrative and service fees	13,240	-	13,240	151	-	151	13,391	17,034
Property taxes	-	13,206	13,206	-	-	-	13,206	14,626
Insurance	-	6,883	6,883	5,251	-	5,251	12,134	10,447
Rent	-	-	-	9,440	-	9,440	9,440	4,650
Miscellaneous expenses	429	-	429	15	5,096	5,111	5,540	554
Office expense	-	-	-	4,590	-	4,590	4,590	6,589
Bank fees	350	-	350	2,484	1,134	3,618	3,968	1,975
Dues and subscriptions	-	-	-	3,818	-	3,818	3,818	7,626
Travel	262	-	262	-	-	-	262	-
Appliances	-	75	75	-	-	-	75	3,388
Professional development	-	-	-	-	-	-	-	556
Total expenses before depreciation	566,706	68,435	635,141	183,826	24,673	208,499	843,640	481,502
Depreciation expense	-	34,900	34,900	-	-	-	34,900	34,899
Total expenses	$ 566,706	103,335	670,041	183,826	24,673	208,499	878,540	516,401

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Year Ended September 30, 2022, With Comparative Totals For 2021

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Mortgage interest	$	427,550	395,063
Rent income		151,983	140,416
Loan fees		99,542	76,624
Investment interest		11,609	3,970
Grants		1,666,265	-
Contributions and other operating income		7,572	9,453
		2,364,521	625,526
Cash paid to suppliers		(455,528)	(329,110)
Cash owed to suppliers		42,294	(376,153)
Interest expense paid		(193,606)	(111,184)
Net cash provided (used) by operating activities		1,757,681	(190,921)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash disbursements of loan principal		(6,459,336)	(5,558,861)
Cash receipts from loan principal repayments		2,792,692	1,790,760
Net cash provided (used) by investing activities		(3,666,644)	(3,768,101)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/(use) of advances of grant restricted for loan purposes		(1,666,265)	1,826,265
Proceeds from line of credit		4,453,949	2,584,396
Net cash provided (used) by financing activities		2,787,684	4,410,661
Net increase (decrease) in cash, cash equivalents, and restricted cash		878,721	451,639
Cash, cash equivalents, and restricted cash, beginning of year		2,623,078	2,171,439
Cash, cash equivalents, and restricted cash, end of year	$	3,501,799	2,623,078

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

		2022	2021
Change in net assets	$	1,483,429	62,324
Provision for loan losses		167,737	23,278
Depreciation		34,900	34,899
Changes in assets and liabilities:			
Interest receivable		1,830	39,365
Rent receivable		(40)	(1,608)
Prepaid insurance		12	(5,408)
Security deposit		-	(775)
Prepaid rent		1,115	6,893
Accounts payable and accrued liabilities		42,294	(376,153)
Security deposits and last month's rent		(353)	2,151
Accrued interest payable		26,757	24,113
Net cash provided (used) by operating activities	$	1,757,681	(190,921)

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these consolidated 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 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. As of September 30, 2022, the balance on this loan was $1,194,034.

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, 2022 and 2021 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 consider all highly liquid investments with a maturity date of less than three months when purchased to be cash equivalents.

Cash, 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. Security deposits and last month's rent received from renters of Valencia are also included in restricted cash balances. See Note C for details.

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:

		2022	2021
Total cash	$	3,501,799	2,623,078
Interest receivable		8,299	10,129
Mortgage servicer receivables		1,285,789	798,406
Rent receivable		2,611	2,571
Mortgage receivables expected to be received within one year, net of allowance		279,269	973,622
Less those unavailable for general expenditures within one year, due to:			
Advances on grants (restricted for qualifying expenses)		(160,000)	(1,826,265)
Restricted by donor with purpose restrictions		(2,471,146)	(765,000)
Financial assets available to meet cash needs for general expenditures within one year	$	2,446,621	1,816,541
Undrawn line of credit		2,848,924	2,802,873

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
3-10 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 Loan Losses

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	2022 # of Loans	2021 # of Loans
1	Excellent Repayment Probability	29	26
2	Good Repayment Probability	0	0
3	Impaired Payment Ability	0	0
4	Significantly Impaired Repayment Ability	0	0
		29	26

Use of Estimates in Preparing Consolidated Financial Statements

The preparation of consolidated 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 consolidated 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, 2022 or 2021.

Fair Value Measurements

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.

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 conditional contribution type transactions as Ventana must meet certain performance goals before the revenue is recognized. The funds will be maintained as revolving lines to be used for future lending under the program. All principal payments received from borrowers will be retained by Ventana and used to fund subsequent loans. All such subsequent loans will require approval of the Board of Directors and must be in accordance with the provisions of the CDFI or other loan program guidelines. Due to the requirement that the Board of Directors must approve all subsequent loans under these grants, such grants will be recorded as net assets with donor restrictions. Ventana retains all of the interest collected, a portion of which is to be used for future loan programs and a portion to cover administration costs.

- ***Rental Income***—Valencia Park, LLC charges tenants for apartment rentals ranging from $550 to $996 per month based on a sliding scale. Rental income is considered an exchange transaction as Valencia must earn the revenue from the renter before it is recognized.

Property, Equipment and Depreciation

Property and equipment are stated at cost or estimated fair value at date of donation, if applicable. Depreciation of property and equipment is provided over the estimated useful lives. Only Valencia Park has property, which consists of land and building. Depreciation on the building is based on the estimated useful life of twenty-seven and half years using the straight-line method. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. The current policy is to capitalize acquisitions with a cost of $5,000 or more with an estimated life of greater than one year.

Advertising, Marketing, and Public Information

The Organizations expense advertising, marketing, and public information costs as incurred. Advertising, marketing, and public information expense for the years ended September 30, 2022 and 2021 was as follows:

		2022	2021
Advertising, marketing and public information	$	24,433	-

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more services provided by the Organizations. Expenses and support services that can be identified with a specific service are charged directly to a program according to the natural expenditure classification. Direct costs are recorded to the functional classification the expense relates to. All other expenses require allocation on a reasonable basis that is consistently applied.

These expenses are allocated among the services on the following basis:

Type of Expense	Basis *
Employees and contract services	A
Space, occupancy, and insurance	B
Legal expense, advertising, marketing, outreach, building maintenance and depreciation	C
Provisions for loan losses and travel	D
Other	E

* Legend for Basis of Allocation of Expenses

A. Time and effort
B. Number of employees
C. Ratio of program expenses
D. Direct to program
E. Appropriate allocation

The functional allocation ratios for the years ended September 30 are as follows:

	Ventana Fund		Valencia Park	
Expense Allocation	2022	2021	2022	2021
Program	76%	31%	81%	88%
Support services	24%	69%	19%	12%
	100%	100%	100%	100%

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 and Valencia is considered a disregarded entity for tax filing purposes. Ventana is not classified as a private foundation. Ventana had no taxable unrelated business income for the years ended September 30, 2022 or 2021. 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.

As noted earlier, 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, 2022 and 2021.

Prior Year 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, 2021, from which the summarized information was derived.

Reclassifications

Certain reclassifications may have been made to 2021 amounts to conform to 2022 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 March 16, 2023, which is the date the consolidated financial statements were available to be issued.

NOTE C—CASH, RESTRICTED CASH AND CASH EQUIVALENTS

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

Type of Account		2022	2021
Unrestricted			
T & C Management	$	19,730	13,290
Washington Federal		250,378	776,272
Washington Federal-Board designated		65,138	-
Enterprise Bank and Trust		1,808,089	-
Total unrestricted cash		2,143,335	789,562
Restricted			
Washington Federal		-	1,826,265
Enterprise Bank and Trust		1,351,566	-
Security deposits		6,898	7,251
Total restricted		1,358,464	1,833,516
Total	$	3,501,799	2,623,078

NOTE D—MORTGAGES RECEIVABLE

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

		2022			2021		
		Principal due within one year	Principal due after one year	Total	Principal due within one year	Principal due after one year	Total
Mortgages receivable	$	317,965	15,110,564	15,428,529	1,018,914	11,267,242	12,286,156
Less allowance for loan losses		-	(506,947)	(506,947)	(7,551)	(331,660)	(339,211)
Mortgages receivable, net		317,965	14,603,617	14,921,582	1,011,363	10,935,582	11,946,945
Less inter-entity mortgages		(38,696)	(1,155,338)	(1,194,034)	(37,741)	(1,193,180)	(1,230,921)
Total mortgages due to Ventana from outside parties	$	279,269	13,448,279	13,727,548	973,622	9,742,402	10,716,024

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 consolidated 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

Valencia property and equipment at September 30 include:

		2021	Additions	Deletions	2022
Land	$	349,959	-	-	349,959
Buildings		959,740	-	-	959,740
Total		1,309,699	-	-	1,309,699
Less accumulated depreciation		(95,573)	(34,900)	-	(130,473)
Total property and equipment, net	$	1,214,126	(34,900)	-	1,179,226

Depreciation expense for the years ended September 30, 2022 and 2021 was $34,900 and $34,899, 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		2021	Additions	Deletions	2022
Mortgage receivables	$	3,600,000	-	(1,112,772)	2,487,228
Cash and cash equivalents		-	1,112,772	-	1,112,772
Total	$	3,600,000	1,112,772	(1,112,772)	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		2021	Additions	Released	2022
Mortgage receivables	$	765,000	2,153,049	(25,697)	2,892,352
Cash and cash equivalents		1,826,265	524,892	(2,152,244)	198,913
Interest income from loan repayments (cash)		-	39,881	-	39,881
2021 Financial Assistance Loan		-	-	(500,000)	(500,000)
Less: Advance on grants		(1,826,265)	-	1,666,265	(160,000)
Total	$	765,000	2,717,822	(1,011,676)	2,471,146

NOTE I—JOINT COST ALLOCATIONS

The Organizations did not participate in joint activities for the years ended September 30, 2022 or 2021.

NOTE J—INTER-ENTITY TRANSACTIONS

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

		2022		
Type of Goods or Services		Ventana Fund	Valencia Park	Total
Loan receivable	$	1,194,034	(1,194,034)	-
Loan interest		30,346	(30,346)	-
Equity investment		(4,153)	4,153	-
Total intercompany transactions	$	1,220,227	(1,220,227)	-

	2021		
Type of Goods or Services	Ventana Fund	Valencia Park	Total
Loan receivable	1,230,921	(1,230,921)	-
Loan interest	28,632	(28,632)	-
Equity investment	(9,056)	9,056	-
Total intercompany transactions	1,250,497	(1,250,497)	-

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, 2022 and 2021. As of September 30, 2022 and 2021, Ventana's cash accounts were exposed to credit risk of $3,008,013 and $2,363,548, respectively.

Concentration from Single Grantor

Ventana Fund received $1,666,265 in grant funds from the U.S. Department of Treasury for the year ended September 30, 2022. The loss of this funding sources could have a significant impact on the organization.

Revenue Concentration

Ventana received its revenue and support from the following sources:

		2022		2021	
Concentration of Funding Sources		Amount	%	Amount	%
Grants	$	1,666,265	70.5%	-	0.0%
Mortgage interest		425,720	18.0%	355,698	61.5%
Rent income		151,261	6.4%	132,980	23.0%
Loan fees		99,542	4.2%	76,624	13.2%
Investment interest		11,609	0.5%	3,970	0.7%
Other operating income		7,572	0.3%	3,123	0.5%
Contributions		-	0.0%	6,330	1.1%
	$	2,361,969	100%	578,725	100%

Borrower Concentration

Ventana has outstanding loan receivables due from the following borrowers:

		2022		2021	
Concentration of Borrowers		Amount	%	Amount	%
1200 Development	$	1,822,259	11.8%	1,874,006	15.3%
Lucasa Properties		1,765,164	11.4%	995,000	8.1%
Edge Capital I, LLC		1,328,419	8.6%	1,562,944	12.7%
Edge Capital IV, LLC		1,522,500	9.9%	1,055,000	8.6%
Valencia Park, LLC		1,194,034	7.7%	1,230,921	10.0%
Robertson		1,172,088	7.6%	544,812	4.4%
Weston Real Estate LLC		1,072,300	7.0%	-	0.0%
Maple Rainbow Prop		978,196	6.3%	995,000	8.1%
Sheldon Family, LLC		835,220	5.4%	860,843	7.0%
Valencia Apartments LLC		776,000	5.0%	-	0.0%
Oakley Apartments LLC		742,500	4.8%	-	0.0%
Edge Capital III		436,220	2.8%	372,000	3.0%
402 Columbia LLC		423,200	2.7%	-	0.0%
Granite 300		374,001	2.4%	286,003	2.3%
Vedaa/Roy		326,059	2.1%	335,247	2.7%
Falcon Property Solution		244,286	1.6%	250,735	2.0%
Patrick & Adriana Torres		240,550	1.6%	158,306	1.3%
Collins Lake Autism Center		141,623	0.9%	155,461	1.3%
All Others		33,910	0.2%	45,699	0.4%
VDN Apartments		-	0.0%	750,000	6.1%
Wells Park Development, LLC		-	0.0%	416,098	3.4%
7524 Development		-	0.0%	398,081	3.2%
Total mortgages due to Ventana		15,428,529	100%	12,286,156	100%
Less inter-entity mortgages		(1,194,034)		(1,230,921)	
Total mortgages due to Ventana from outside parties	$	14,234,495		11,055,235	

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.

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

Professional Services Contract

Ventana utilizes New Mexico Mortgage Finance Authority (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 N—MORTGAGES RECEIVABLE SERVICER

During fiscal year 2020, Ventana established an informal agreement for Sunwest Trust, Inc. to service their new mortgage receivables. During fiscal year 2021, Ventana transitioned from Sunwest Trust, Inc and executed an agreement with NM Escrow as their loan servicer. Loan servicing fees are paid by the borrowers.

NOTE O—LONG-TERM OBLIGATIONS

Changes in long-term obligations during the year ended September 30, 2022 were as follows:

	Balance 2021	Additions	Retirements	Balance 2022	Amounts Due Within One Year
SBIC promissory note	7,697,127	4,476,506	(1,522,557)	10,651,076	1,798,705
Enterprise Bank Q2 Loan	-	1,000,000	-	1,000,000	-
2021 CDFI-FA Federal Loan	-	500,000	-	500,000	-
Mortgage payable to Ventana Fund	1,230,921	-	(36,887)	1,194,034	38,696
Less inter-entity mortgage	(1,230,921)	-	36,887	(1,194,034)	(38,696)
Total	7,697,127	5,976,506	(1,522,557)	12,151,076	1,798,705

SBIC Revolving Loan Agreement And Promissory Note

In December 2019, a loan agreement was established between Ventana Fund and the New Mexico Small Business Investment Corporation (SBIC), a New Mexico nonprofit corporation. As part of the loan agreement, a promissory note was obtained by Ventana Fund for the purpose of issuing construction and rehabilitation loans to qualified housing developers. The promissory note acts as a revolving line of credit. In April 2020, the available line of credit increased from $2 million to $5.5 million and in October 2020, the available line of credit was increased to $10.5 million. Quarterly interest payments are due, commencing April 15, 2020. The interest rate on the loan was originally 2%, but as of October 2020, the rate was reduced to 1% due to COVID-19. In April 2021, the interest rate increased to 2%. The promissory note was amended as of June 1, 2022 to increase the line of credit to $15 million. All unpaid principal and interest under this note shall be due and payable on December 2, 2029.

Collateral for the loan includes, but is not limited to: the assigning of all loans made by the Ventana Fund with funds obtained from this loan agreement as well as security interests, deeds of trust and other items described in Schedule A of the Loan Agreement.

Enterprise Bank Q2 Loan

Ventana entered into a program related investment agreement (loan) with Enterprise Bank & Trust Foundation (Enterprise) on October 25, 2021. Enterprise agreed to lend Ventana $1 million. The terms of the agreement include interest rate of 3.0% per annum on the principal sum outstanding for the first 3 years following the date of disbursement. All payments shall be made by Ventana without notice, demand or offset and, when received, will be credited, first to accrued but unpaid interest, and then to the outstanding principal balance. The outstanding principal balance of the loan and accrued but unpaid interest shall all be due and payable 3 years after the disbursement. Ventana shall have 4 options to extend the maturity date for an additional period of 1 year each.

2021 CDFI-FA Federal Loan

On March 22, 2022, Ventana Fund entered into an agreement with Community Development Financial Institutions Fund (CDFI) to receive a loan up to $525,000. The loan is to be repaid in by March 22, 2035. Ventana promised to pay interest at 0.66% per annum with interest payments due the last day of June and December of each year until the maturity date. Principal payments are to be made on the last day of June and December of each year, beginning in year 11 of the agreement through the maturity date.

Mortgage Payable to Ventana Fund

On September 30, 2020, Valencia Park entered into a loan agreement with Ventana Fund to borrow $1,264,699. The interest rate on this loan is 2.50% per annum. Valencia's mortgage payable to Ventana has been eliminated from long-term debt on the face of the financial statements.

NOTE P—RELATED PARTIES

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

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
As of September 30, 2022, With Comparative Totals For 2021

	Notes	Ventana Fund	Valencia Park	Eliminations	2022	2021
ASSETS						
Current Assets						
Cash and cash equivalents	C	$ 2,123,227	20,108	-	2,143,335	789,562
Restricted cash and cash equivalents	C, G	1,351,566	6,898	-	1,358,464	1,833,516
Interest receivable		8,299	-	-	8,299	10,129
Mortgage servicer receivables	E	1,285,789	-	-	1,285,789	798,406
Rent receivable		-	2,611	-	2,611	2,571
Prepaid insurance and expenses		6,539	359	-	6,898	6,910
Mortgages receivable, net of allowance of $0 and $7,551, respectively	D	279,269	-	-	279,269	973,622
Mortgage receivable from Valencia Park-current portion		38,696	-	(38,696)	-	-
Total current assets		5,093,385	29,976	(38,696)	5,084,665	4,414,716
Non-Current Assets						
Security deposit		775	-	-	775	775
Equity investment in Valencia Park Apartments		(4,153)	-	4,153	-	-
Property and equipment, net of accum. deprec.	F	-	1,179,226	-	1,179,226	1,214,126
Mortgages receivable, net of allowance of $506,947 and $331,660, respectively	D	13,448,279	-	-	13,448,279	9,742,402
Mortgage receivable from Valencia Park-non-current portion		1,155,338	-	(1,155,338)	-	-
Total non-current assets		14,600,239	1,179,226	(1,151,185)	14,628,280	10,957,303
TOTAL ASSETS		$ 19,693,624	1,209,202	(1,189,881)	19,712,945	15,372,019
LIABILITIES AND NET ASSETS						
Current Liabilities						
Prepaid rent		$ -	8,008	-	8,008	6,893
Advances on grants		160,000	-	-	160,000	1,826,265
Accounts payable and accrued liabilities		60,177	4,415	-	64,592	22,298
Accrued interest payable		64,442	-	-	64,442	37,685
Tenant security deposits and last month's rent		-	6,898	-	6,898	7,251
Mortgages payable to Ventana Fund - current portion		-	38,696	(38,696)	-	-
Current portion of long-term debt	N	1,798,705	-	-	1,798,705	1,005,463
Total current liabilities		2,083,324	58,017	(38,696)	2,102,645	2,905,855
Long-Term Liabilities						
Mortgages payable to Ventana Fund - non-current portion		-	1,155,338	(1,155,338)	-	-
Non-current portion of long-term debt	N	10,352,371	-	-	10,352,371	6,691,664
Total long-term liabilities		10,352,371	1,155,338	(1,155,338)	10,352,371	6,691,664
TOTAL LIABILITIES		12,435,695	1,213,355	(1,194,034)	12,455,016	9,597,519
Net Assets						
Without donor restrictions:						
Undesignated		1,186,783	14,808	(1,194,034)	7,557	195,374
Property and equipment, net of related debt		-	(14,808)	1,194,034	1,179,226	1,214,126
Capital, Limited Partner, net		-	(4,153)	4,153	-	-
With donor restrictions						
Restricted for purpose and time	H	2,471,146	-	-	2,471,146	765,000
Restricted for perpetuity	G	3,600,000	-	-	3,600,000	3,600,000
Total net assets		7,257,929	(4,153)	4,153	7,257,929	5,774,500
TOTAL LIABILITIES AND NET ASSETS		$ 19,693,624	1,209,202	(1,189,881)	19,712,945	15,372,019

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these consolidating financial statements.

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES

For The Year Ended September 30, 2022, With Comparative Totals For 2021

		2022									
		Ventana Fund					Valencia Park				
		Without	With Donor Restrictions				Without				
		Donor	Purpose/Time	Perpetually			Donor				2021
	Notes	Restrictions	Restricted	Restricted	Total	Total	Restrictions	Total	Eliminations	Total	Totals
Revenue											
Mortgage interest		$ 416,185	39,881	-	39,881	456,066	-	-	(30,346)	425,720	355,698
Rent income		-	-	-	-	-	151,261	151,261	-	151,261	132,980
Loan fees		99,542	-	-	-	99,542	-	-	-	99,542	76,624
Investment interest		11,609	-	-	-	11,609	-	-	-	11,609	3,970
Income (loss) from subsidiary		419	-	-	-	419	-	-	(419)	-	-
Contributions		-	-	-	-	-	-	-	-	-	6,330
Other operating income		60	-	-	-	60	7,512	7,512	-	7,572	3,123
Total Revenue		527,815	39,881	-	39,881	567,696	158,773	158,773	(30,765)	695,704	578,725
Public Support											
Grants		-	1,666,265	-	1,666,265	1,666,265	-	-	-	1,666,265	-
Satisfaction of program restrictions		-	-	-	-	-	-	-	-	-	-
Total Support, Revenue, & Reclassifications		527,815	1,706,146	-	1,706,146	2,233,961	158,773	158,773	(30,765)	2,361,969	578,725
Expenses											
Programs		566,706	-	-	-	566,706	103,335	103,335	-	670,041	232,148
Administrative and general		183,826	-	-	-	183,826	55,019	55,019	(30,346)	208,499	284,253
Total Expenses		750,532	-	-	-	750,532	158,354	158,354	(30,346)	878,540	516,401
Change in net assets		(222,717)	1,706,146	-	1,706,146	1,483,429	419	419	(419)	1,483,429	62,324
Net assets, beginning		1,409,500	765,000	3,600,000	4,365,000	5,774,500	(9,056)	(9,056)	9,056	5,774,500	5,712,176
Capital contribution	K	-	-	-	-	-	4,484	4,484	(4,484)	-	-
Net assets, ending		$ 1,186,783	2,471,146	3,600,000	6,071,146	7,257,929	(4,153)	(4,153)	4,153	7,257,929	5,774,500

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these consolidating financial statements.

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY

CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2022, With Comparative Totals For 2021

	2022								
	Program Services			Administrative and General		Total			
	Ventana Fund	Valencia Park	Total Program	Ventana Fund	Valencia Park	Administrative and General	Intercompany Eliminations	Total 2022	2021
Salaries	$ 21,721	-	21,721	7,240	-	7,240	-	28,961	-
Benefits	-	-	-	244	-	244	-	244	-
Payroll taxes	1,882	-	1,882	627	-	627	-	2,509	-
Total personnel costs	23,603	-	23,603	8,111	-	8,111	-	31,714	-
Contract services and professional fees	158,451	-	158,451	134,560	-	134,560	-	293,011	215,120
Interest expense	193,606	-	193,606	-	30,346	30,346	(30,346)	193,606	111,184
Provisions for loan losses	167,737	-	167,737	-	-	-	-	167,737	23,278
Utilities	-	24,682	24,682	-	-	-	-	24,682	24,588
Advertising, marketing and public information	9,028	-	9,028	15,406	-	15,406	-	24,434	-
Repairs and maintenance	-	23,589	23,589	-	-	-	-	23,589	25,778
Management fees	-	-	-	-	18,443	18,443	-	18,443	14,109
Administrative and service fees	13,240	-	13,240	151	-	151	-	13,391	17,034
Property taxes	-	13,206	13,206	-	-	-	-	13,206	14,626
Insurance	-	6,883	6,883	5,251	-	5,251	-	12,134	10,447
Rent	-	-	-	9,440	-	9,440	-	9,440	4,650
Miscellaneous expenses	429	-	429	15	5,096	5,111	-	5,540	554
Office expense	-	-	-	4,590	-	4,590	-	4,590	6,589
Bank fees	350	-	350	2,484	1,134	3,618	-	3,968	1,975
Dues and subscriptions	-	-	-	3,818	-	3,818	-	3,818	7,626
Travel	262	-	262	-	-	-	-	262	-
Appliances	-	75	75	-	-	-	-	75	3,388
Professional development	-	-	-	-	-	-	-	-	556
Total expenses before depreciation	566,706	68,435	635,141	183,826	55,019	238,845	(30,346)	843,640	481,502
Depreciation expense	-	34,900	34,900	-	-	-	-	34,900	34,899
Total expenses	$ 566,706	103,335	670,041	183,826	55,019	238,845	(30,346)	878,540	516,401

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these consolidating financial statements.

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title		Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Direct				
Department of the Treasury				
Community Development Financial Institutions Program				
Grant		21.020	n/a	$ -
Loans		21.020	n/a	1,226,087
Community Development Financial Institutions Rapid Response Program (CDFI RRP)				
Grant	*	21.024	n/a	-
Loans	*	21.024	n/a	1,666,265
Total Department of the Treasury				2,892,352
Total Expenditures of Federal Awards				$ 2,892,352

Reconciliation to Financial Statements	
Grant revenue per statement of activities	$ 1,666,265
Loan balance at beginning of year	765,000
New loans issued	-
CDFI promissory note funds distributed as loans	486,784
Principal repayments received	(25,697)
Total federal grant revenue and federal loan fund activity	2,892,352
Federal expenditures per SEFA	2,892,352
Difference	$ -

*denotes major program

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, 2022.

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, 2022 consist of:

	Assistance Listing Number 21.020	Assistance Listing Number 21.024	Total
Loan balance, beginning of the year	$ 765,000	-	765,000
Value of new loans issued	486,784	1,666,265	2,153,049
Principal repayments received	(25,697)	-	(25,697)
Total expenditures of federal awards presented for loan	$ 1,226,087	1,666,265	2,892,352
Balance of loans at September 30, 2022	$ 1,226,087	1,666,265	2,892,352

SEE INDEPENDENT AUDITOR'S REPORT

The accompanying notes are an integral part of these consolidated 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 and Management 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, 2022, 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 March 16, 2023.

Report on 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) as a basis for designing 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. 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 or significant deficiencies may exist that were not identified.

Report on 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 consolidated financial statements. 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 organizations' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle & Landers, P.C.

Hinkle + Landers, PC
Albuquerque, NM
March 16, 2023

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

The Board of Directors and Management of
Ventana Fund
Albuquerque, New Mexico

Opinion on Each Major Federal Program

We have audited Ventana Fund's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Ventana Fund's major federal programs for the year ended September 30, 2022. Ventana Fund's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Ventana Fund 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Ventana Fund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Ventana Fund's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Ventana Fund's federal programs.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ventana Fund's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ventana Fund's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ventana Fund's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Ventana Fund's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Ventana Fund's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
March 16, 2023

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

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:

Assistance Listing Number	Name of Federal Program or Cluster	Funding Source
21.024	Community Development Financial Institutions Rapid Response Program (CDFI RRP)	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

VENTANA FUND AND WHOLLY OWNED SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2022

SECTION II and III—SUMMARY OF FINANCIAL AND FEDERAL FINDINGS

Findings				
Reference #	Description	Current or Prior Year Finding	Status of Findings	Type of Finding *
None	n/a	n/a	n/a	n/a

* 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, 2022

Audit Firm

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, 2022