



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SANTA FE FARMERS'
MARKET INSTITUTE
FINANCIAL STATEMENTS**

**December 31, 2012
With Comparative Totals for 2011**

SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Year Ended December 31, 2012, With Comparative Totals For 2011

TABLE OF CONTENTS

Official Roster	ii
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18
Supplementary Information:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required Accordance with <i>Governmental Auditing Standards</i>	19-20
Schedule of Findings and Responses	21

SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
As of Year Ended December 31, 2012

Board of Directors Roster

Mr. Bob Ross	President
Ms. Jill Markstein	Vice-President
Ms. Erin English	Secretary
Ms. Kathleen Kerr	Treasurer
Mr. Matt Romero	President Emeritus
Ms. Barbara Reider	Director
Ms. Renee Villarreal	Director
Mr. Jose Gonzalez	Director

Administration

Ms. Sarah Noss	Executive Director
-----------------------	--------------------



Independent Auditors' Report

To the Board of Directors
Santa Fe Farmers' Market Institute
Santa Fe, NM 87501

We have audited the accompanying financial statements of Santa Fe Farmers' Market Institute (the Institute) (a not-for-profit corporation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Institute's 2011 financial statements, and we expressed an unqualified audit opinion on those audited financial statements in our report dated July 17, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2013 on our consideration of the Institute's 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 Institute's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, New Mexico
May 2, 2013

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF FINANCIAL POSITION
As Of The Year Ended December 31, 2012, With Comparative Totals For 2011

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 203,697	158,069
Investments	C	3,374	1,984
Accounts receivable, net	D	11,091	4,692
Pledges receivable, net	D	5,625	5,150
Donations receivable		-	1,062
Grant receivables	D	-	32,442
Other assets		<u>3,406</u>	<u>864</u>
Total current assets		227,193	204,263
Non-current Assets			
Pledges receivable, net	D	4,468	8,696
Investments restricted for revolving loan programs	C	<u>172,584</u>	<u>167,811</u>
		177,052	176,507
Property and equipment, net of accumulated depreciation	E	<u>4,075,257</u>	<u>4,108,526</u>
Total non-current assets		<u>4,252,309</u>	<u>4,285,033</u>
Total assets		<u>\$ 4,479,502</u>	<u>4,489,296</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable		\$ 25,177	41,345
Payroll related and other liabilities		4,502	8,421
Advance rental payments		2,200	6,300
Accrued compensated absences	F	12,372	7,150
Note payable, short-term	G	24,072	38,571
Token reimbursement payable		<u>11,647</u>	<u>8,244</u>
Total current liabilities		<u>79,970</u>	<u>110,031</u>
Non-current Liabilities			
Security deposits		19,385	17,505
Note payable	G	<u>429,174</u>	<u>312,104</u>
Total non-current liabilities		<u>448,559</u>	<u>329,609</u>
Total liabilities		<u>\$ 528,529</u>	<u>439,640</u>
Net Assets			
Unrestricted		39,359	35,145
Net investment in property and equipment, net of related debt		<u>3,622,011</u>	<u>3,757,851</u>
Total unrestricted net assets		<u>3,661,370</u>	<u>3,792,996</u>
Temporarily restricted	H	<u>289,603</u>	<u>256,660</u>
Total net assets		<u>3,950,973</u>	<u>4,049,656</u>
Total liabilities and net assets		<u>\$ 4,479,502</u>	<u>4,489,296</u>

See independent auditors' report and the accompanying notes to the financial statements

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012, With Comparative Totals For 2011

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Leasing income	\$ 285,985	-	285,985	227,607
Consulting income	17,665	-	17,665	5,658
Program income	9,939	-	9,939	8,709
Investment income	4,775	-	4,775	4,852
Barter income	4,400	-	4,400	-
Other revenue	719	-	719	1,017
Total revenue	<u>323,483</u>	<u>-</u>	<u>323,483</u>	<u>247,843</u>
Foundation grants	72,330	48,680	121,010	83,815
Individual contributions	41,771	50,178	91,949	46,962
Special events, net	63,907	-	63,907	60,286
Membership dues	31,317	-	31,317	29,971
In-kind income	24,047	-	24,047	16,808
Corporate contributions	4,362	18,170	22,532	6,484
Government revenue	-	21,524	21,524	39,617
Total support	<u>237,734</u>	<u>138,552</u>	<u>376,286</u>	<u>283,943</u>
Total support and revenue	<u>561,217</u>	<u>138,552</u>	<u>699,769</u>	<u>531,786</u>
Net assets released from restrictions	<u>105,609</u>	<u>(105,609)</u>	<u>-</u>	<u>-</u>
Total revenues, support and reclassifications	666,826	32,943	699,769	531,786
Expenses				
Program Services				
Program expense	530,073	-	530,073	444,641
Total program expenses	<u>530,073</u>	<u>-</u>	<u>530,073</u>	<u>444,641</u>
Support Services				
Management & administrative	173,493	-	173,493	152,595
Fund-raising	94,886	-	94,886	97,479
Total support services expenses	<u>268,379</u>	<u>-</u>	<u>268,379</u>	<u>250,074</u>
Total expenses	<u>798,452</u>	<u>-</u>	<u>798,452</u>	<u>694,715</u>
Change in net assets	<u>(131,626)</u>	<u>32,943</u>	<u>(98,683)</u>	<u>(162,929)</u>
Net assets, beginning of year	<u>3,792,996</u>	<u>256,660</u>	<u>4,049,656</u>	<u>4,212,585</u>
Net assets, end of year	<u>\$ 3,661,370</u>	<u>289,603</u>	<u>3,950,973</u>	<u>4,049,656</u>

See independent auditors' report and the accompanying notes to the financial statements

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2012, With Comparative Totals For 2011

	<u>2012</u>				<u>2011</u>
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 134,000	64,215	44,065	242,280	231,765
Payroll taxes	10,623	5,090	3,494	19,207	24,082
Employee benefits	2,068	1,149	1,379	4,596	4,416
Total salaries and related expenses	<u>146,691</u>	<u>70,454</u>	<u>48,938</u>	<u>266,083</u>	<u>260,263</u>
Consultants and contracts	70,414	22,237	28,626	121,278	87,497
Lease expense	27,902	7,182	803	35,887	35,069
Occupancy	21,325	5,667	852	27,844	20,393
Property taxes and other	21,179	5,452	609	27,240	27,739
Interest	17,907	4,609	515	23,031	23,326
Grants made	19,000	-	-	19,000	-
Legal expense	15,590	2,578	-	18,167	-
Advertising and marketing	11,527	150	3,023	14,700	5,529
Equipment expense and R&M	11,060	2,715	439	14,214	22,943
Printing and postage	7,307	2,750	2,629	12,686	14,262
Insurance	5,236	4,597	688	10,521	9,213
Supplies and office expenses	2,908	2,629	2,720	8,257	5,967
Professional development	4,937	609	417	5,963	2,376
Program/Event expense	4,288	86	-	4,374	6,024
Token matching expense	2,960	-	-	2,960	-
Bank and merchant fees	-	2,944	-	2,944	2,234
Loss on disposition of assets	1,393	1,393	-	2,786	800
Telephone/website/internet	1,502	695	546	2,743	3,547
Janitorial expenses	329	1,943	217	2,489	3,101
Travel	1,957	101	41	2,099	1,718
Miscellaneous	1,284	-	-	1,284	246
Dues and fees	431	336	-	767	503
Meeting expense	-	144	-	144	86
Bad debt	-	-	-	-	3,632
Total expenses before depreciation	<u>397,127</u>	<u>139,271</u>	<u>91,063</u>	<u>627,462</u>	<u>536,468</u>
Depreciation	132,664	34,149	3,815	170,628	158,247
Amortization	282	73	8	362	-
	<u>\$ 530,073</u>	<u>173,493</u>	<u>94,886</u>	<u>798,452</u>	<u>694,715</u>

Note: The Farmers' Market token sales are not included in the expenses presented above as they do not qualify as expenses under generally accepted accounting principles. Instead the tokens are recorded as a liability. The tokens are sold by the Institute in support of the Farmers' Market vendors and would be considered to be program expenses if they qualified under GAAP. The amount of the token support for the year ended 2012 was \$92,941 and program expenses would be \$623,014

**See independent auditors' report and the
accompanying notes to the financial statements**

**SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF CASH FLOWS**

For The Year Ended December 31, 2012, With Comparative Totals For 2011

Cash Flows From Operating Activities	<u>2012</u>	<u>2011</u>
Cash received from operations	\$ <u>695,113</u>	<u>497,270</u>
Total cash received	<u>695,113</u>	<u>497,270</u>
Cash paid to suppliers and employees	<u>(585,139)</u>	<u>(481,200)</u>
Interest paid	<u>(23,031)</u>	<u>(23,326)</u>
Total cash paid	<u>(608,171)</u>	<u>(504,526)</u>
Net cash from operations	<u>86,942</u>	<u>(7,256)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment, net	<u>(137,721)</u>	<u>(37,279)</u>
Payments of program investments	<u>(4,774)</u>	<u>-</u>
Net proceeds from sale or (purchase) of investments, net	<u>(1,390)</u>	<u>124,716</u>
Net cash used by investing activities	<u>(143,885)</u>	<u>87,437</u>
Cash Flows From Financing Activities		
Principal payments of loans	<u>(355,202)</u>	<u>(36,192)</u>
Proceeds from new borrowings	<u>457,773</u>	<u>-</u>
Net cash provided by financing activities	<u>102,571</u>	<u>(36,192)</u>
Net increase (decrease) in cash and cash equivalents	<u>45,628</u>	<u>43,989</u>
Cash and cash equivalents, beginning of year	<u>158,069</u>	<u>114,080</u>
Cash and cash equivalents, end of year	<u>\$ <u>203,697</u></u>	<u><u>158,069</u></u>
Reconciliation of change in net assets to cash provided by operating activities		
Change in net assets	\$ <u>(98,683)</u>	<u>(162,929)</u>
Depreciation and amortization	<u>170,990</u>	<u>158,247</u>
Loss on disposition	<u>2,786</u>	<u>800</u>
Contributed securities	<u>(3,374)</u>	<u>(1,984)</u>
Bad debt and discount adjustments	<u>-</u>	<u>3,632</u>
Decrease (increase) in other receivables	<u>(6,399)</u>	<u>1,533</u>
Decrease (increase) in pledges receivable	<u>4,228</u>	<u>4,196</u>
Decrease (increase) in grants receivable	<u>32,442</u>	<u>(27,733)</u>
Decrease (increase) in other assets	<u>(3,406)</u>	<u>(20)</u>
Increase (decrease) in leasing liabilities (adv.payment,deposit)	<u>(4,100)</u>	<u>6,300</u>
Increase (decrease) in accounts and interest payable	<u>(16,167)</u>	<u>11,212</u>
Increase (decrease) in compensated absences and payroll liabilities	<u>5,222</u>	<u>2,078</u>
Increase (decrease) in token reimbursement	<u>3,403</u>	<u>(2,588)</u>
Net cash provided by operating activities	<u>\$ <u>86,942</u></u>	<u><u>(7,256)</u></u>

See independent auditors' report and the accompanying notes to the financial statements

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

NOTE A—ORGANIZATION AND NATURE OF ACTIVITIES

The Santa Fe Farmers' Market Institute (the Institute) is a non-profit corporation organized under the laws of the State of New Mexico in 2002. The Institute's purpose is to support the Santa Fe Farmers' Market (the Market) by owning and managing a long-term building and site for the Market in Santa Fe's Railyard district (the Railyard); implementing programs to promote agricultural and other land-based traditions in northern New Mexico; and educating consumers about the cultural, nutritional and economic benefits of buying locally produced foods and agricultural products. Support for the Institute comes primarily from individual, corporate, foundation, state and federal grants.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Institute are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. In accordance with U.S. generally accepted accounting principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Institute are classified and reported as follows:

Unrestricted Net Assets

The Institute reports assets whose use is not restricted by donors as unrestricted net assets. Contributions are available for unrestricted use unless specifically restricted by the donor. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted Net Assets

Temporarily restricted net assets include gifts, unconditional promises to give, trusts and remainder interests, income and gains which can be expended but for which restrictions have not yet been met. Such restrictions include restrictions where donors have specified the purpose for which the net assets are to be spent, or time limitations imposed by donors or implied by the nature of the gift (capital projects and unconditional promises to give to be paid in the future). Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. Temporarily restricted grants and donations received and spent within the same year are recorded as unrestricted for purposes of the statement of activities.

Permanently Restricted Net Assets

Permanently restricted net assets are contributed with donor restrictions requiring that they be held in perpetuity with investment return available for operations.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

Cash and Cash Equivalents

The Institute considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Institute maintains cash deposits in bank checking and savings accounts which at times may exceed federally insured limits. Management has not experienced any losses in these accounts, works to keep cash balances under FDIC limits, and believes it is not exposed to any significant credit risk with respect to the cash balances.

Receivables

Receivables are stated at the amount that management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Allowances for uncollectible receivables is based on analysis and aging of receivables. Pledges receivable represent amounts pledged by the public during periodic fundraising drives held by the Institute. Grants receivable represent unconditional pledges by corporations, private foundations or other grantors. Government revenue receivables represent amounts collectible under agreements with government entities. Contributions receivable due in future years are reflected at a discount based on the 5-year U.S. Treasury rate per year. This is done to present the receivables at the estimated present value of future cash flows.

Property and Equipment

Purchased property, equipment, and intangible assets are recorded at cost and donations of property and equipment are recorded as support at their estimated fair value at the date of donation. It is the policy of the Institute to capitalize expenditures for property and equipment in excess of \$1,000 when the useful life extends beyond one year. Donations of property, equipment and intangible assets are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Leasehold improvements are depreciated over the life of the lease. Amortization and depreciation is calculated using the straight-line method over the estimated useful lives, as shown below:

Classification	Depreciable Lives (in years)
Building	40
Building Improvements	10-40
Furniture, Equipment and Software	3 -7
Leasehold Improvements	3-40
Landscaping	15
Artwork	Perpetuity

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statement of financial position.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Revenue Recognition

Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Institute. The Institute recognizes gifts of cash and other assets as temporarily restricted if they are received with donor stipulations of purpose or time. The Institute recognizes revenue from governmental agencies as it is earned, generally through qualifying expenditures, and is reported as unrestricted revenue. Government funds received before earned are reported as deferred revenue.

Donated Assets, Materials and Services

The Institute receives in-kind donations of facilities, services and supplies. Contributions of facilities and supplies are recorded at their estimated fair values at the date of donation. Donated services that (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Institute if not provided by donation, are recorded at their fair values in the period received. A substantial number of unpaid volunteers have made significant contributions of their time that did not meet the criteria for recognition.

Income Taxes

The Institute has received recognition from the Internal Revenue Service that it qualifies as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Institute files required annual federal information returns with the Internal Revenue Service and the New Mexico Attorney General. From time to time the Institute may be subject to tax on unrelated business income, but in the opinion of management such amounts, if any, are immaterial.

Management adopted the provisions of ASC 740-10-25, Accounting for Uncertainty in Income Taxes. Under this provision, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of ASC 740-10-25 had no impact on the organization's financial statements. The organization does not believe there are any material uncertain tax positions and, accordingly, it did not recognize any liability for unrecognized tax benefits.

Advertising Costs

The Institute follows the policy of charging the costs of advertising to expense as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

estimates.

Summary of Fair Value Exposure

Fair Value Measurements defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price.

To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, valuations obtained from third party pricing services for identical or similar assets, etc.)
- Level 3: Significant unobservable inputs (including the organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Institute's financial assets and liabilities are not indicators of the risks associated with those instruments. Fair value is noted for investments and other assets in their respective notes as required.

Functional Allocation of Expenses

The costs of providing the various program services and other activities have been summarized on a functional basis in the statement of financial activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services on the basis of benefits received.

Reclassification

Certain amounts for the year ended December 31, 2011 may have been reclassified for comparative purposes to conform to the presentation used in the December 31, 2012 financial statements.

Prior Year Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

NOTE C—INVESTMENTS

The Institute invests in certificates of deposit, money market funds, government-backed bonds, government bonds, and corporate securities.

The carrying values of all of the Institute's investments reasonably approximate fair market value.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

The Institute's investments as of December 31, included:

<u>Investments</u>	<u>2012</u>	<u>2011</u>
Certificates of Deposits	\$ 47,584	167,811
Equities	<u>3,374</u>	<u>1,984</u>
	<u>\$ 50,958</u>	<u>169,795</u>

With respect to contributed securities, it is the policy of the Institute to sell donated securities as soon as practical.

NOTE D—RECEIVABLES

Accounts Receivable

Accounts receivable consist primarily of amounts due from tenants for various contractual arrangements such as expense reimbursements and also from and consulting fees. As of December 31 the balances were as follows:

<u>Receivables</u>	<u>2012</u>	<u>2011</u>
Accounts Receivables	\$ 11,091	4,692
Doubtful Receivables Allowance	-	-
	<u>\$ 11,091</u>	<u>4,692</u>

The allowance is based on management's estimate of amounts that may not be collectible.

Pledged Receivable

Pledged receivables consist of unconditional promises to give from individuals, foundations or businesses. As of December 31, pledged receivables were as follows:

<u>Receivables</u>	<u>2012</u>	<u>2011</u>
Pledged Receivables, Gross	\$ 10,625	15,150
Allowances and Discounts	<u>(532)</u>	<u>(1,304)</u>
Pledged Receivables, Net	10,093	13,846
Less current portion	<u>(5,625)</u>	<u>(5,150)</u>
Long-term portion	<u>\$ 4,468</u>	<u>8,696</u>

The allowance is based on management's estimate of amounts that may not be collectible.

Grants Receivable

Grant receivable due to the Institute from governmental organizations and foundations for the years ended December 31, are as follows:

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

<u>Receivables</u>	<u>2012</u>	<u>2011</u>
Grants Receivable	\$ -	32,442
	<u>\$ -</u>	<u>32,442</u>

Management has collected the grants receivable in full during 2012.

NOTE E—PROPERTY, EQUIPMENT AND DEPRECIATION

Major classes of property, equipment, and accumulated depreciation are as follows at December 31:

<u>Category</u>	<u>2011</u>	<u>Additions</u>	<u>Deletions/ Reclass</u>	<u>2012</u>
Construction in progress	\$ 29,789	-	(14,054)	15,735
Building	4,154,808	-	(4,983)	4,149,825
Building improvements	56,331	13,929	-	70,260
Leashold improvements	218,100	111,454	14,054	343,608
Landscaping	13,095	-	-	13,095
Artwork	36,511	-	-	36,511
Furniture, equipment and software	92,326	-	-	92,326
Mortgage financing costs	-	13,630	-	13,630
Tenant lease commissions paid	-	3,193	-	3,193
Total	4,600,960	142,207	(4,983)	4,738,184
Less: Depreciation	(492,433)	(170,628)	496	(662,565)
Less: Amortization	-	(362)	-	(362)
Net Property and Equipment	\$ 4,108,527	(28,783)	(4,487)	4,075,257

Depreciation expense for the year ended December 31 2012 and 2011 was \$170,628 and \$158,247, respectively.

Certain property and equipment were donated or acquired through restricted funds and are considered temporarily restricted.

NOTE F—COMPENSATED ABSENCES

It is the policy of the Institute to pay accrued vacation upon separation from service. Employees are not paid for accrued sick leave upon termination of their employment. A maximum carryover of 10 vacation days (80 hours) is allowed on an employee's employment anniversary date, unless an exception to the carryover limit is approved by the Board of Directors. At December 31, 2012 and 2011 the estimated compensated absences payable amount was \$12,372 and \$7,150, respectively.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

NOTE G—LOAN PAYABLES AND LINE OF CREDIT

During September 2012, the Institute entered into an agreement with a local financial institution for a promissory note with the principal balance of \$457,773, refinancing existing mortgage debt and providing funds for build out. The interest rate is fixed at 5.0%. The loan is payable in monthly installments of \$3,637. The loan is amortized 84 months. The note is secured by leasehold mortgage plus assignment of rents and land lease on 25,311 square foot building located at 1607 Paseo de Peralta in Santa Fem New Mexico.

As of December 31, the Institute note payables were as follows:

	<u>2012</u>	<u>2011</u>
Notes payable	\$ 453,246	350,675
less current portion	(24,072)	(38,571)
non-current portion	<u>\$ 429,174</u>	<u>312,104</u>

Principal amount of the note due each year ending December 31 are as follows:

	<u>Principal</u>	<u>Interest</u>
2013	\$ 24,072	21,874
2014	22,703	20,943
2015	23,865	19,782
2016	25,086	18,561
2017	26,369	17,277
Thereafter	<u>331,151</u>	<u>30,438</u>
	<u>\$ 453,246</u>	<u>128,875</u>

Interest paid on the loan during the year ended December 31, 2012 and 2011 was \$23,031 and \$23,326, respectively.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

NOTE H—RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, are restricted as follows:

	<u>2012</u>	<u>2011</u>
Farmer micro loan program	\$ 203,188	186,751
Restricted artwork (fixed assets)	22,175	22,175
Contributions receivable, net	16,843	19,418
Professional development	13,086	4,049
EBT	12,182	-
SALCI bridge loan fund	10,000	10,000
SNAP EBT	4,000	-
Mortgage paydown	2,375	-
LOMB	1,318	-
Water conservation	1,096	136
Appleton	1,000	-
Small agricultural land conserv. initiative	908	12,621
Female market vendor program	900	900
Market website	440	440
Improvements, market hall	92	92
Farmer micro loan program, interest	-	78
Total	<u>\$ 289,603</u>	<u>256,660</u>

The amounts donated to the farmer micro-loan program are deposited as a guarantee of loans made by the financial institution to farmers under the program and are also available to be used for program expenses. Interest earned on the temporarily restricted funds is considered unrestricted and available to be used for operations. In 2011, a default of \$3,500 occurred by farmers participating in the micro-loan program. During 2012, there was no loan in default in the micro-loan program. See Commitments and Contingencies, (Note M) for amounts loaned as of year-end under the program.

There were no permanently restricted net assets as of December 31, 2012 or 2011.

NOTE I—DONATED ASSETS, MATERIALS AND SERVICES

<u>Donated Assets, Material and Services</u>	<u>2012</u>	<u>2011</u>
Advertising services	\$ 11,526	5,918
Layout and design services	8,610	6,660
Food and supplies	3,224	652
Auctioneer services	-	500
Equipment and fine art (non capitalized)	688	478
Chefs services	-	2,600
Total	<u>\$ 24,047</u>	<u>16,808</u>

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

The donated equipment and art work have been capitalized at its estimated value on the books of the Institute. Donated supplies and services intended for special events are presented in the financial statements as special event income and expenses. (See Note J)

NOTE J—SPECIAL EVENTS

Special events consist of auctions, fundraising dinners, and raffles for the purpose of increasing support for the Santa Fe Farmers' Market Institute. Special events are reported on the statement of activities using the net revenue reporting method. Special events recorded the following activity in 2012 and 2011:

	2012	2011
Special Event Revenue	\$ 110,039	91,841
Less: Special Event Expense	(46,132)	(31,555)
Special Event Revenue, net	\$ 63,907	60,286

NOTE K—EMPLOYEE BENEFIT PLANS

In 2007, the Institute established a 403(b)7-Non-ERISA retirement plan. An employee is eligible who normally works 20 or more hours a week. The plan provides for voluntary contributions on the part of enrolled employees. There is no employer match to the plan.

NOTE L—LEASES

Land Lease Commitment

The Institute signed a lease with Santa Fe Railyard Community Corporation (SFRCC) in November 2005 for lease of the premises where the permanent site for the Santa Fe Farmer's Market is located. The initial lease term was for forty years beginning on the commencement date, with four consecutive ten year renewal options.

Following the commencement date, which occurred in 2008 when SFFMI and the Farmers' Market occupied the building, the annual base rent started at \$29,568 per year with an increase of 2.5 percent annually at the beginning of each calendar year. It is estimated that the Institute will pay approximately \$2 million in rent over the remainder of the initial forty year lease term. The following is the lease commitment for the next five years:

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

2013	\$	33,453
2014		34,290
2015		35,147
2016		36,026
2017		<u>36,927</u>
	\$	<u><u>175,843</u></u>

The Institute had \$32,638 in land lease expense during the calendar year ended December 31, 2012. The Institute had \$31,843 in land lease expense during the calendar year ended December 31, 2011. The Institute also pays SFRCC common area maintenance (CAM) expenditures during each year. CAM expenditures paid by SFFMI during the years ended December 31, 2012 and 2011 were \$3,249 and \$3,226, respectively.

Lease Agreements

The Institute leases space in the Market Building to various tenants. During September 2008, the Institute signed an agreement with the Santa Fe Farmers' Market for forty years, with four consecutive renewal options of ten years each. During June 2012, the Institute signed a second lease agreement with the Santa Fe Farmers' Market to rent a first floor retail space for 3.33 years with one 3-year renewal option. During January 2009, the Institute signed a lease agreement with an organization to rent a portion of its second floor.

The lease agreement commenced on January 1, 2009 and is for five years, with three consecutive renewal terms of 5 years each. During May 2009, the Institute signed a lease agreement with an organization to rent a portion of its first floor space. The lease agreement began October 1, 2009, and is for a period of 10 years, with two options to renew for five years each. During December 2009, the Institute signed an agreement with a local financial institution to allow the financial institution's Automatic Teller Machine (ATM) to be on the Institute's premises. The lease term is for five years, with three five year options.

Rental income for the year ended December 31, 2012 and 2011 was \$261,440 and \$219,972, respectively. These amounts include the common area maintenance reimbursements (CAM).

NOTE M—COMMITMENTS AND CONTINGENCIES

Amounts received and expended by the Institute under various governmental award programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the Institute.

NOTE N—MICRO-LOAN PROGRAM

The Institute collaborates with the Permaculture Credit Union (PCU) in offering

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

micro-loans to vendors of the Santa Fe Farmers' Market. PCU originates the loans, collects and keeps the repayments of principal and interest of the loans. Under the program, a board committee accepts applications and approves loans for qualified farmers and projects. The Institute is required to maintain funds to collateralize 100% of the loans outstanding. At December 31 2012 and 2011, \$203,188 and \$186,751 in assets were on hand, respectively and the loans outstanding were fully collateralized.

The loans are not held in the Institute's name and are not reflected on the financial statements.

Individual loans range from \$400 to \$10,000 on a case by case basis and one vendor may have up to \$10,000 outstanding. The interest rate is 6% on all loans. Loans outstanding are as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 91,529	81,811
Less: Loans written-off	-	(3,500)
Plus: Recoveries	-	-
Net increase (decrease) in loans	<u>31,277</u>	<u>13,218</u>
Balance at end of year	<u>\$ 122,806</u>	<u>91,529</u>

In 2011, a default of \$3,500 occurred by farmers participating in the micro-loan program. The Institute was not aware of any other loans being in default. Management estimates that defaults in the future, if any, will be immaterial to the Institute. In 2012, there was no loan in default.

NOTE O—RELATED PARTIES

A member of the Board is a partner in a company that provided catering services for events hosted by the Institute. The amount paid for the catering services by the Institute during the year ended December 31, 2011 was \$500.

There were no catering services provided by a member of the Board during 2012.

Board members who are working farmers in good standing with the Farmers' Market may qualify for the Santa Fe Farmers' Market Institute's micro-loan program, administered by the Permaculture Credit Union. The following is a summary of board member participation in the micro-loan program during the years ended December 31, 2012 and 2011.

2012 and 2011 Farmer Micro-Loan Board Activity:

As of December 31, 2012, there were two micro-loans outstanding to Institute board members. The \$4,363 loan had a balance of \$3,494 in 2011, while the \$7,999 loan was a repackaged loan, which had a \$4,104 balance in 2011.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2012
With Comparative Totals For 2011

NOTE P—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 2, 2013, which is the date the financial statements were available to be issued.



**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**

To the Board of Directors of
Santa Fe Farmers' Market Institute
Santa Fe, NM 87501

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 financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information of the Santa Fe Farmers' Market Institute, (Institute) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated May 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute's 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. 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.

May 2, 2013

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, P.C.
Albuquerque, New Mexico
May 2, 2013

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2012**

SUMMARY OF FINDING

A summary schedule of the status of current and prior year finding is as follows

Reference FY-Finding #	Findings	Status of Current and Prior Year Findings	Financial Statement Finding	Material Weakness	Significant Deficiency	Compli- ance
10-01 -	Reconciliation of Donor Database to General Ledger	Resolved	Yes	No	Yes	No