



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SANTA FE FARMERS'
MARKET INSTITUTE
Financial Statements
December 31, 2010, With
Comparative Totals For 2009**

SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Year Ended December 31, 2010, With Comparative Totals For 2009

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**SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
As of Year Ended December 31, 2010**

Board of Directors Roster

Mr. Bob Ross	Chairperson
Ms. Erica Peters	Vice-Chairperson
Ms. Erin English	Secretary
Ms. Jill Markstein	Treasurer
Mr. Matt Yohalem	Director
Ms. Renee Villarreal	Director
Ms. Lisa Fox	Director
Ms. Kristin Davenport	Director
Ms. Lisa Olson	Director
Ms. Kathleen Kerr	Director
Mr. Matt Romero	Director Emeritus

Administration

Ms. Sarah Noss	Executive Director
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Independent Auditors' Report

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

We have audited the accompanying statement of financial position of Santa Fe Farmers' Market Institute (the Institute), a not-for-profit corporation as of December 31, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Institute as of December 31, 2009 were audited by other auditors whose report, dated July 9, 2010, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Institute at December 31, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with auditing standards generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 21, 2011 on our consideration of the Institute's internal control structure and on its compliance with certain provisions of laws, regulations, contracts, and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hinkle & Landers, P.C.

Hinkle and Landers, P.C.
June 21, 2011

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF FINANCIAL POSITION
As Of The Year Ended December 31, 2010, With Comparative Totals For 2009

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$	114,080	76,259
Investments	C	134,375	402,772
Accounts receivable, net	D	5,550	6,902
Pledges receivable, net	D	5,670	1,858
Grant receivables	D	4,709	22,500
Other assets		844	5,715
Total current assets		<u>265,228</u>	<u>516,006</u>
Non-current Assets			
Pledges receivable, net	D	12,892	-
Investments restricted for revolving loan programs	C	161,163	97,401
		<u>174,055</u>	<u>97,401</u>
Property and equipment, net of accumulated depreciation	E	4,231,294	4,339,401
Total non-current assets		<u>4,405,349</u>	<u>4,436,802</u>
Total assets	\$	<u>4,670,577</u>	<u>4,952,808</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$	30,132	217,261
Payroll related and other liabilities		7,583	4,022
Advance rental payments		11,599	17,594
Accrued compensated absences	F	5,072	5,473
Notes payable, short-term	G	36,832	34,081
Token reimbursement payable		10,285	5,264
Total current liabilities		<u>101,503</u>	<u>283,695</u>
Non-current Liabilities			
Security deposit		5,907	5,907
Note payable	G	350,582	386,948
Total non-current liabilities		<u>356,489</u>	<u>392,855</u>
Total liabilities	\$	<u>457,992</u>	<u>676,550</u>
Net Assets			
Unrestricted		4,009,585	4,118,931
Temporarily restricted	H	203,000	157,327
Total net assets		<u>4,212,585</u>	<u>4,276,258</u>
Total liabilities and net assets	\$	<u>4,670,577</u>	<u>4,952,808</u>

SEE INDEPENDENT AUDITORS' REPORT
The accompanying notes are an integral part of these financial statements

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2010, With Comparative Totals For 2009

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Leasing income	\$ 209,924	-	209,924	133,374
Foundation grants	70,400	94,800	165,200	148,900
Special events, net	79,683	-	79,683	62,672
Individual contributions	28,472	17,878	46,350	107,110
Membership dues	45,672	-	45,672	37,041
In-kind income	10,821	-	10,821	14,271
Consulting income	14,890	-	14,890	24,761
Corporate contributions	8,332	440	8,772	8,244
Administrative income	4,500	2,500	7,000	-
Movie program income	5,481	-	5,481	4,393
Government revenue	-	5,209	5,209	5,000
Investment income	4,076	-	4,076	3,489
Other revenue	1,702	-	1,702	1,319
Total support and revenue	<u>483,953</u>	<u>120,827</u>	<u>604,780</u>	<u>550,574</u>
Net assets released from restrictions	75,154	(75,154)	-	-
Total revenues, support and reclassifications	559,107	45,673	604,780	550,574
Expenses				
Program Services				
Program expense	450,446	-	450,446	416,811
Total program expenses	<u>450,446</u>	<u>-</u>	<u>450,446</u>	<u>416,811</u>
Support Services				
Management & administrative	140,348	-	140,348	116,267
Fund-raising	77,659	-	77,659	65,182
Total support services expenses	<u>218,007</u>	<u>-</u>	<u>218,007</u>	<u>181,449</u>
Total expenses	<u>668,453</u>	<u>-</u>	<u>668,453</u>	<u>598,260</u>
Change in net assets	<u>(109,346)</u>	<u>45,673</u>	<u>(63,673)</u>	<u>(47,686)</u>
Net assets, beginning of year	<u>4,118,931</u>	<u>157,327</u>	<u>4,276,258</u>	<u>4,323,944</u>
Net assets, end of year	<u>\$ 4,009,585</u>	<u>203,000</u>	<u>4,212,585</u>	<u>4,276,258</u>

SEE INDEPENDENT AUDITORS' REPORT
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SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2010, With Comparative Totals For 2009

	2010				2009	
	Program	Management and General		Fundraising	Total	Total
		General	Fundraising			
Salaries	\$ 101,990	57,789	37,501	197,280	149,083	
Payroll Taxes	10,590	6,001	3,894	20,485	11,803	
Employee benefits	1,886	943	943	3,772	3,284	
Total salaries and related expenses	<u>114,466</u>	<u>64,733</u>	<u>42,338</u>	<u>221,537</u>	<u>164,170</u>	
Consultants and contracts	61,456	11,855	13,748	87,059	126,584	
Lease expense	27,391	6,475	532	34,398	32,209	
Interest	20,193	4,774	392	25,359	29,888	
Property taxes and other	21,899	5,227	425	27,551	18,877	
Printing and postage	6,132	573	5,615	12,320	20,890	
Occupancy	13,521	4,290	868	18,679	15,634	
Insurance	6,424	3,044	520	9,988	11,769	
Bank and merchant fees	585	340	253	1,178	7,927	
Advertising and marketing	7,829	-	1,260	9,089	8,748	
Equipment lease and R&M	8,684	2,221	970	11,875	8,475	
Professional development	939	30	286	1,255	3,722	
Supplies and office expenses	7,671	742	2,671	11,084	5,207	
Janitorial expenses	(142)	1,870	278	2,006	2,775	
Telephone/website/internet	4,984	2,694	1,902	9,580	3,073	
Bad debt and discount adjustments	-	-	2,332	2,332	2,362	
Miscellaneous	380	68	6	454	522	
Dues and fees	217	123	80	420	415	
Meeting expense	14	8	5	27	222	
Travel	1,402	130	26	1,558	204	
Grants made	23,750	-	-	23,750	-	
Loss on disposition	218	-	24	242	-	
Total expenses before depreciation	<u>328,013</u>	<u>109,197</u>	<u>74,531</u>	<u>511,741</u>	<u>463,673</u>	
Depreciation	122,433	31,151	3,128	156,711	134,587	
Total expenses	<u>\$ 450,446</u>	<u>140,348</u>	<u>77,659</u>	<u>668,453</u>	<u>598,260</u>	

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

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

For The Year Ended December 31, 2010, With Comparative Totals For 2009

Cash Flows From Operating Activities	<u>2010</u>	<u>2009</u>
Cash received from operations	\$ 595,362	542,196
Total cash received	595,362	542,196
Cash paid to suppliers and employees	(654,512)	(156,635)
Interest paid	(25,359)	(31,032)
Total cash paid	(679,871)	(187,667)
Net cash from operations	(84,509)	354,529
Cash Flows From Investing Activities		
Purchase of property and equipment, net	(48,690)	(255,037)
Net proceeds from sale or (purchase) of investments, net	204,635	(73,455)
Net cash used by investing activities	155,945	(328,492)
Cash Flows From Financing Activities		
Principal payments of loans	(33,615)	(446,245)
Proceeds from new borrowings	-	436,132
Net cash provided by financing activities	(33,615)	(10,113)
Net increase (decrease) in cash and cash equivalents	37,821	15,924
Cash and cash equivalents, beginning of year	76,259	60,335
Cash and cash equivalents, end of year	\$ 114,080	76,259
Reconciliation of change in net assets to cash provided by operating activities		
Change in net assets	\$ (63,673)	(47,686)
Depreciation	156,711	134,587
Loss on disposition	242	-
Contributed securities	-	(53,926)
Provision for uncollectible pledges	2,332	(2,157)
Decrease (increase) in other receivables	1,352	11,162
Decrease (increase) in pledges receivable	(16,704)	115,860
Decrease (increase) in grants receivable	17,791	(19,300)
Decrease (increase) in other assets	2,383	172
Increase (decrease) in leasing liabilities (adv.payment,deposit)	(5,995)	23,501
Increase (decrease) in accounts and interest payable	(187,129)	192,555
Increase (decrease) in compensated absences and payroll liabilities	3,160	(1,931)
Increase (decrease) in token reimbursement	5,021	-
Increase (decrease) in deferred revenue	-	1,692
Net cash provided by operating activities	\$ (84,509)	354,529

SEE INDEPENDENT AUDITORS' REPORT

The accompanying notes are an integral part of these financial statements

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

NOTE A—ORGANIZATION AND NATURE OF ACTIVITIES

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, 2010 With Comparative Totals For 2009

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 of 5% 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	4-40
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.

Unrealized gains and losses are included in the change in net assets. Investment

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

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 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes "ASC 740-10-25") on July 1, 2009. Under ASC 740-10-25, 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. No interest or penalties were accrued as a result of the adoption of ASC 740-10-25 for the years ended December 31, 2010 and 2009.

Advertising Costs

The Institute follows the policy of charging the costs of advertising to expense as incurred. Advertising expenditures totaled \$9,089 and \$8,748 in the years ended December 31, 2010 and 2009, respectively.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

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 estimates.

Summary of Fair Value Exposure

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* — now referred to as ASC 820-10 and subsections (“ASC 820-10”)—effective for fiscal years beginning after November 15, 2007. ASC 820-10 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. In February 2008, the FASB issued FSP 127-2, which delayed the effective date of ASC 820-10 by one year for nonfinancial assets and liabilities. The Institute adopted ASC 820-10 effective January 1, 2009, for its financial assets and liabilities measured on a recurring and nonrecurring basis.

ASC 820-10 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, 2009 have been reclassified for comparative purposes to conform to the presentation used in the December 31, 2010 financial statements.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

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, 2009, 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 Institute held an investment in government-backed bonds under a repurchase agreement with a local financial institution for \$134,375 and \$348,846 at December 31, 2010 and 2009, respectively. The amounts held at the local financial institution under the repurchase agreements approximate the fair value of these investments and not materially sensitive to shifts in market interest rates because of the limited term to maturity and/or their variable interest rates.

Repurchase agreements involve the transfer of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The repurchase agreement amounts are not insured by the Federal Deposit Insurance Corporation (FDIC) and may involve risk, including possible loss of value. The repurchase agreements are collateralized by the underlying securities. Balances maintained in the Repurchase Agreement Investment account are collateralized by the following types of securities during the year: Bills, notes and bonds issued by the U.S. Treasury, Securities issued by U.S. Government Agencies, Mortgage-backed securities issued by U.S. Government-Sponsored Enterprises.

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

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

Investments	<u>2010</u>	<u>2009</u>
Repurchase Agreement	\$ 134,375	348,846
Restricted Cash	6,913	-
Certificates of Deposits	154,250	97,401
Equities	-	53,926
	<u>\$ 295,538</u>	<u>500,173</u>

With respect to contributed securities, it is the policy of the Institute to sell donated securities as soon as practical. As of December 31, 2010 and 2009 respectively, the organization held \$- and \$53,926 in equities.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

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>2010</u>	<u>2009</u>
Accounts Receivables	\$ 5,595	7,103
Doubtful Receivables Allowance	<u>(45)</u>	<u>(201)</u>
	<u>\$ 5,550</u>	<u>6,902</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>2010</u>	<u>2009</u>
Pledged Receivables, Gross	\$ 21,300	2,108
Allowances and Discounts	<u>(2,738)</u>	<u>(250)</u>
Pledged Receivables, Net	18,562	1,858
Less current portion	<u>(5,670)</u>	<u>(1,858)</u>
Long-term portion	<u>\$ 12,892</u>	<u>-</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:

<u>Receivables</u>	<u>2010</u>	<u>2009</u>
Grants Receivable	\$ 4,709	22,500
	<u>\$ 4,709</u>	<u>22,500</u>

Management anticipates collecting the grants receivable in full.

NOTE E—PROPERTY, EQUIPMENT AND DEPRECIATION

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

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

Category	2009	Additions	Reclass/ Deletions	2010
Construction in progress	\$ 119,383	1,866	(91,585)	29,664
Building	4,154,808	-	-	4,154,808
Building improvements	24,500	7,976	-	32,476
Leashold improvements	112,049	106,051	-	218,100
Landscaping	13,095	-	-	13,095
Artwork	22,136	4,000	-	26,136
Furniture, equipment and software	70,906	20,537	(242)	91,201
Total	4,516,877	140,430	(91,827)	4,565,480
Less: Depreciation	\$ (177,475)	(156,711)	-	(334,186)
Net Property and Equipment	<u>4,339,402</u>	<u>(16,281)</u>	<u>(91,827)</u>	<u>4,231,294</u>

Depreciation expense for the year ended December 31 2010 was \$156,711 and depreciation for the year ended December 31, 2009 was \$134,587.

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 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, 2010 the estimated compensated absences payable amount was \$5,072 and in 2009 it was \$5,473.

NOTE G—LOAN PAYABLES AND LINE OF CREDIT

During June 2009, the Institute entered into an agreement with a local financial institution for a promissory note with a credit limit of \$750,000, converting a previous interest-only line of credit with the same financial institution into an amortizing loan. The principal balance borrowed at the time of the new agreement was \$436,132. The interest rate is fixed at 6.2%. The loan is payable in monthly installments of \$4,965. The loan is amortized over 25 years based on the total \$750,000 available under the line of credit. All principal and accrued interest not yet paid on the loan is due in one payment on June 23, 2014. The note is secured by assignment of rents and a mortgage securing real property known as Lot H of the Railyard, site of the Santa Fe Farmers' Market Building.

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

	2010	2009
Notes payable	\$ 387,414	421,029
less current portion	(36,832)	(34,081)
non-current portion	<u>\$ 350,582</u>	<u>386,948</u>

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

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

	<u>Principal</u>	<u>Interest</u>
2011 \$	36,285	23,289
2012	38,571	21,003
2013	41,129	18,445
2014	270,882	8,213
2015	-	-
\$	<u><u>386,867</u></u>	<u><u>70,950</u></u>

Interest paid on the loan during the year ended December 31, 2010 was \$25,359. Interest paid during the year ended December 31, 2009 was \$29,888.

NOTE H—RESTRICTED NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Female market vendor program	\$ 2,050	2,050
Farmer micro loan program	151,085	97,319
Farmer micro loan program, interest	78	82
Artwork (fountain)	10,000	10,000
Improvements, market hall	849	800
Improvements, building	-	17,685
EBT	146	-
Small agricultural land conserv. Initiative	9,490	7,533
SALCI Bridge Loan Fund	10,000	-
Professional Development	300	-
Market Website	440	-
Contributions receivable, net	18,562	21,858
Total	\$ <u><u>203,000</u></u>	<u><u>157,327</u></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. To date, no defaults have occurred by farmers participating in the micro loan program. See Commitments and Contingencies, (Note M) for amounts loaned as of year-end under the program.

Temporarily restricted artwork is a fountain at the entrance to the Santa Fe Farmers' Market building entrance restricted by the artist donor to the Institute as long as the Santa Fe Farmers' Market remains at its current location.

There were no permanently restricted net assets as of December 31, 2010 or 2009.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

NOTE I—DONATED ASSETS, MATERIALS AND SERVICES

<u>Donated Assets, Material and Services</u>	<u>2010</u>	<u>2009</u>
Brokerage fee leasing agreement	\$ -	1,890
Layout and design services	5,040	7,320
Donated facilities film program	-	875
Advertising services	5,950	1,600
Auctioneer services	500	100
Chefs services	2,600	2,200
Equipment and fine art	5,365	2,400
Food and supplies	1,497	1,266
Total	<u>20,952</u>	<u>17,651</u>
less in-kind related to special events	<u>(10,821)</u>	<u>(3,380)</u>
Per the financial statements	<u>\$ 10,131</u>	<u>14,271</u>

The donated equipment and art work has 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 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Special Event Revenue	\$ 105,344	89,305
Less: Special Event Expense	(25,661)	(26,633)
Special Event Revenue, net	<u>\$ 79,683</u>	<u>62,672</u>

NOTE K—EMPLOYEE BENEFIT PLANS

In 2007, the Institute established a 403(b)7-Non-ERISA retirement plan. 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.

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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:

2011	\$	31,842
2012		32,638
2013		33,453
2014		34,290
2015		<u>35,147</u>
	\$	<u><u>167,370</u></u>

The Institute had \$31,065 in land lease expense during the calendar year ended December 31, 2010. The Institute had \$30,307 in land lease expense during the calendar year ended December 31, 2009. The Institute also pays SFRCC common area maintenance (CAM) expenditures during each year. CAM expenditures paid by SFFMI during the years ended December 31, 2010 and 2009 were \$3,333 and \$1,902, 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 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.

Annual rental payments under all lease agreements signed as of the year ended December 31, 2010 are anticipated to be approximately \$165,000. Annual collections of allocated expenditures such as common area maintenance (CAM) expenses are anticipated to be approximately \$69,000. There are annual increases of up to 3.5% of the base rent per the various rental agreements. Rental income for the year ended December 31, 2010 was \$209,924. Rental income for the year ended December 31, 2009 was \$133,374.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

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.

As of December 31, 2010, the Institute had \$144,209 on deposit with a local financial institution as a guarantee of repayments under its farmer micro loan program.

As of December 31, 2009, the Institute had \$77,375 on deposit with a local financial institution as a guarantee of repayments under its farmer micro loan program.

Under the farmer micro loan program, a Board Committee accepts applications and approves loans for qualified farmers and projects. Loans from \$250 to \$5,000 may be made at a 6% interest rate. Some of the interest on the initial loans was paid on behalf of the farmers by a donor to the Institute. A local financial institution, Permaculture Credit Union, makes the loans directly to the farmers participating in the program and administers the program.

As of December 31, 2010, there were twenty-seven loans (27) outstanding in the amount of \$81,811. As of December 31, 2009, \$47,409 in micro loans receivable were outstanding, and the Institute had committed to funding another \$53,300 to an additional thirteen vendors.

Subsequent to the year ended December 31, 2010, but before this report was issued, a loan outstanding as of December 31, 2010 in the amount of \$3,500 had defaulted. 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.

NOTE N—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, 2010 was \$3,389.

A member of the Board is 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, 2009 was \$1,750.

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, 2010 and 2009.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2010 With Comparative Totals For 2009

2010 Farmer Micro Loan Board Activity:

As of December 31, 2010, there were two loans outstanding to Institute Board members. One loan in the original amount of \$4,689 with an outstanding balance of \$4,689 and the other loan in the original amount of \$5,000, which had a remaining balance of \$3,856 at year end. Both loans were originated in 2010, but the \$4,689 was a repackaged loan, which had a \$2,000 balance in 2009.

2009 Farmer Micro Loan Board Activity:

As of December 31, 2009, a micro loan made in a prior year to a member of the Board for \$2,000 was still outstanding. The amount of interest paid on behalf of the member of the Board under the farmer micro loan program was approximately \$120.

NOTE O—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 21, 2011, which is the date the financial statements were available to be issued.



**REPORT ON COMPLIANCE AND 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 the consolidated financial statements of the Santa Fe Farmers' Market Institute, (Institute) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 21, 2011. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Institute's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of Institute's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. 10-01 through 10-03.

JUNE 21, 2011

**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, CONTINUED**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute's financial statements are free of 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 were required to be reported under *Government Auditing Standards*.

The entity's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the entity's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Board of Directors of Institute, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hinkle & Landers, P.C.
June 21, 2011

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2010**

SUMMARY OF FINDINGS

A summary schedule of the status of current and prior year findings are as follows

Referen ce FY- Finding #	Findings	Status of Curren t and Prior Year Findin gs	Financial Statemen t Finding	Materia l Weakn ess	Significa nt Deficien cy
10-01	Reconciliation of Donor Database to General Ledger	Current	Yes	No	Yes
10-02	Accounting Policies and Procedures	Current	Yes	No	Yes
10-03	Electronic Transfers From Bank	Current	Yes	No	Yes

Prior Year Findings:

None

Current Year Findings:

10-01—RECONCILIATION OF DONOR DATABASE TO GENERAL LEDGER

Statement of Condition

Per discussion with the finance staff at the Institute, it is understood that there is not a reconciliation of contributions recorded in the donor database and the general ledger which is QuickBooks.

Criteria

Information recorded in the donor database regarding contributions should be consistent with the income reported in QuickBooks and ideally, there should be a segregation of duties between who enters information into QuickBooks and who enters information into the donor database.

Effect

The potential exists for contributions recorded in the donor database to be altered intentionally or unintentionally after the monthly reconciliation has been completed without timely detection.

Cause

The time and effort to reconcile the database and QuickBooks is a contributing factor.

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2010**

Recommendation

It is recommended that a monthly reconciliation process between the donor database and the general ledger be instituted. It is also recommended that a cumulative year-end reconciliation and periodic year-to-date reconciliations be conducted throughout the year to ensure the two sets of records are consistent with each other and no retroactive changes have been made.

In the event discrepancies are identified, they should be investigated and depending on the underlying cause, one or both systems should be corrected.

Management Response

The Institute Board and Staff understand the need to do a monthly reconciliation between the donor database and the general ledger. Staff has been directed to do a cumulative year-end reconciliation and a monthly reconciliation to be sure the two sets of records are consistent with each other and no retroactive changes have been made.

10-02—ACCOUNTING POLICIES AND PROCEDURES

Statement of Condition

As of the issuance of the independent audit financial report, the Institute's was still working on completing their accounting policies and procedures and therefore do not have a current set of polices approved by the Board of Directors.

Criteria

Documented policy and procedures, strong internal controls and proper internal controls dictate that a complete current set of policies and procedures should be in place to provide a framework and guide for how transactions and other related financials activities should be handled within a given organization.

Effect

No written policies hinder the oversight process by not providing a current and accurate guideline of how transactions are to be handled.

Outdated policies and procedures impact the continuity process in the event of personnel changes.

Cause

The process of performing a comprehensive update to the policies and procedures has taken longer than initially expected by the Institute.

Recommendation

It is recommended that the Institute continue its goal in completing its policy and procedure manual.

Management Response

The Institute Board and Staff agree that having documented accounting policies

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2010**

and procedures is needed to provide current and accurate guidelines of how transactions at the Institute are handled. Efforts have been underway to get these policies and procedures completed, and the Staff has been instructed to present a draft to the Institute Board before the end of the year (2011), so that it can be completed in early 2012, if not sooner.

10-03—ELECTRONIC TRANSFERS FROM BANK

Statement of Condition

Currently, the Office Manager/Financial Manager and the Executive Director are able to make ACH transfers from the Institute's operating bank account up to \$7,500 a day and send the cash to wherever he chooses.

Criteria

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its appendix require strong internal controls. SAS 115 requires the auditor to disclose weaknesses to management and the governing board.

Cash is one of the most significant areas of an organization's operations and safeguards should be instituted to reduce the opportunity to for its misappropriation.

Effect

The Institute's cash is vulnerable to significant misappropriation.

Cause

The Institute's bank has set up weak controls over the safeguarding of cash.

Recommendation

Our first recommendation is for the Institute to have the bank limit where ACH transfers of cash can be sent, i.e. only to a few selected vendors that have a need to receive ACH transfers, but we have been told that this not possible.

Without changing the banks, the next best option would be to have a timely and random review of the transfers occurring in the Institute's operating bank account online by a responsible official. Unfortunately this does not reduce the risk enough to resolve this finding.

Management Response

The Institute Board and Staff agree that ACH transfers of up to \$7,500 per day from the Institute's operating account that could be done by either the Office Manager/Financial Manager or the Executive Director needs additional oversight to reduce risk. First, the Staff will provide the Finance Committee with a list of approved vendors to whom ACHG transfers are allowed. In discussion with the auditor, the Board has directed Staff to require the list of allowable ACH transfers to require two approvals before being done. For example, if the Executive Director is initiating the transfer, it must be only to a vendor on the approved list, and also be approved by the Office Manager/Financial Manager, and if the OM/FM is

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2010**

initiating the transfer, it must be approved by the ED. In the event one or the other is out of town, a Board member must approve the transfer as the second person. Further, a member of the Board's Finance Committee will be required to review all such transfers monthly, with periodic checks encouraged. In the event that the Institute changes banks, Board and Staff will attempt to find a bank that can implement the auditor's first recommendation of limiting where ACH transfers can be sent, i.e., only to a few selected vendors.