



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SANTA FE FARMERS'
MARKET INSTITUTE
FINANCIAL STATEMENTS
For The Year Ended
December 31, 2014
With Comparative Totals for 2013**

SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended December 31, 2014, With Comparative Totals For 2013

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**SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
As of Year Ended December 31, 2014**

Board of Directors Roster

Mr. Bob Ross	President
Ms. Mary Dixon	Vice-President
Mr. Poki Piottin	Secretary
Ms. Kathleen Kerr	Treasurer
Mr. Matt Romero	President Emeritus
Ms. Barbara Reider	Director
Ms. Jenna Scanlan	Director
Ms. Renee Villarreal	Director
Mr. Gurujivan Khalsa	Director
Mr. Stan Crawford	Director

Administration

Ms. Kierstan Pickens	Executive Director
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Independent Auditor's Report

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

Report on Financial Statements

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, 2014, 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.

Auditor's 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 the Institute as of December 31, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 6, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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 August 15, 2015 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.

Hinkle + Landers, P.C.
Albuquerque, New Mexico
August 15, 2015

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF FINANCIAL POSITION
As Of The Year Ended December 31, 2014, With Comparative Totals For 2013

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$	274,909	252,966
Accounts receivable, net	D	9,629	16,301
Pledges receivable, net	D	3,000	18,000
Grant receivables	D	15,952	-
Prepaid assets		2,153	3,840
Total current assets		<u>305,643</u>	<u>291,107</u>
Non-current Assets			
Investments restricted for revolving loan programs		164,506	181,217
Cash restricted for revolving loan programs		43,639	26,784
		<u>208,145</u>	<u>208,001</u>
Property and equipment, net of accumulated depreciation	E	3,733,269	3,896,873
Total non-current assets		<u>3,941,414</u>	<u>4,104,874</u>
Total assets	\$	<u><u>4,247,057</u></u>	<u><u>4,395,981</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$	15,587	29,362
Payroll related and other liabilities		10,935	3,752
Advance rental payments		9,600	8,700
Accrued compensated absences	F	3,968	11,945
Note payable, short-term	G	23,865	23,218
Token reimbursement payable		13,193	12,485
Total current liabilities		<u>77,148</u>	<u>89,462</u>
Non-current Liabilities			
Security deposits		19,386	19,910
Note payable	G	380,544	404,152
Total non-current liabilities		<u>399,930</u>	<u>424,062</u>
Total liabilities	\$	<u><u>477,078</u></u>	<u><u>513,524</u></u>
Net Assets			
Unrestricted		78,078	76,210
Net investment in property and equipment, net of related debt		3,328,860	3,469,503
Total unrestricted net assets		<u>3,406,938</u>	<u>3,545,713</u>
Temporarily restricted	H	363,041	336,744
Total net assets		<u>3,769,979</u>	<u>3,882,457</u>
Total liabilities and net assets	\$	<u><u>4,247,057</u></u>	<u><u>4,395,981</u></u>

See independent auditor's report and the accompanying notes to the financial statements

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2014, With Comparative Totals For 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Leasing income	\$ 375,807	-	375,807	338,701
Consulting income	-	-	-	11,006
Program income	-	3,650	3,650	12,738
Investment income	3,874	-	3,874	4,993
Barter income	-	-	-	4,876
Other revenue	<u>12,389</u>	<u>-</u>	<u>12,389</u>	<u>178</u>
Total revenue	392,070	3,650	395,720	372,492
Foundation grants	40,991	47,500	88,491	147,146
Individual contributions	82,475	900	83,375	95,347
Special events, net	62,208	-	62,208	73,321
Membership dues	22,456	-	22,456	28,828
In-kind income	1,232	-	1,232	34,566
Corporate contributions	30,318	5,600	35,918	8,725
Government grants	<u>26,000</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
Total support	<u>265,680</u>	<u>54,000</u>	<u>319,680</u>	<u>387,933</u>
Total support and revenue	<u>657,750</u>	<u>57,650</u>	<u>715,400</u>	<u>760,425</u>
Net assets released from restrictions	<u>31,353</u>	<u>(31,353)</u>	<u>-</u>	<u>-</u>
Total revenues, support and reclassifications	689,098	26,297	715,400	760,425
Expenses				
Program Services				
Program expense	<u>553,000</u>	<u>-</u>	<u>553,000</u>	<u>538,411</u>
Total program expenses	553,000	-	553,000	538,411
Support Services				
Management & administrative	190,128	-	190,128	195,087
Fund-raising	<u>84,750</u>	<u>-</u>	<u>84,750</u>	<u>95,444</u>
Total support services expenses	<u>274,878</u>	<u>-</u>	<u>274,878</u>	<u>290,531</u>
Total expenses	<u>827,878</u>	<u>-</u>	<u>827,878</u>	<u>828,942</u>
Change in net assets	<u>(138,775)</u>	<u>26,297</u>	<u>(112,478)</u>	<u>(68,517)</u>
Net assets, beginning of year	<u>3,545,713</u>	<u>336,744</u>	<u>3,882,457</u>	<u>3,950,974</u>
Net assets, end of year	<u>\$ 3,406,938</u>	<u>363,041</u>	<u>3,769,979</u>	<u>3,882,457</u>

See independent auditor's report and the accompanying notes to the financial statements

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2014, With Comparative Totals For 2013

	2014				2013
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 118,505	60,334	38,101	216,940	241,950
Payroll taxes	13,690	6,970	4,401	25,061	26,973
Employee benefits	-	-	-	-	1,575
Total salaries and related expenses	132,195	67,304	42,502	242,001	270,498
Consultants and contracts	57,845	27,883	29,854	115,582	131,747
Lease expense	32,196	8,007	651	40,854	36,797
Token matching expense	39,395	-	-	39,395	15,162
Program/Event expense	23,368	8,070	-	31,438	4,823
Occupancy	22,313	5,779	718	28,810	25,589
Property taxes and other	21,703	5,398	439	27,540	27,525
Equipment expense and R&M	15,987	4,269	469	20,725	30,681
Interest	16,892	4,201	342	21,435	23,541
Printing and postage	6,070	4,434	2,728	13,232	10,804
Janitorial expenses	7,886	2,784	228	10,898	9,463
Advertising and marketing	9,515	285	111	9,911	9,224
Professional development	5,527	2,615	66	8,208	4,809
Insurance	3,947	3,412	410	7,769	10,226
Legal expense	-	6,392	-	6,392	2,748
Supplies and office expenses	3,181	599	2,498	6,278	9,541
Bad debt expense	13,437	-	-	13,437	-
Bank and merchant fees	-	4,062	-	4,062	2,116
Telephone/website/internet	2,485	826	520	3,831	3,043
Travel	2,589	521	206	3,316	2,732
Dues and fees	303	62	304	669	787
Meeting expense	-	-	-	-	422
Loss on disposition of assets	-	-	-	-	-
Grants made	-	-	-	-	-
Miscellaneous	2,549	-	-	2,549	83
Total expenses before depreciation	419,383	156,903	82,046	658,332	632,361
Depreciation	131,322	32,659	2,658	166,639	193,680
Amortization	2,295	566	46	2,907	2,901
	<u>\$ 553,000</u>	<u>190,128</u>	<u>84,750</u>	<u>827,878</u>	<u>828,942</u>

See independent auditor's report and the
accompanying notes to the financial statements

SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014, With Comparative Totals For 2013

Cash Flows From Operating Activities	<u>2014</u>	<u>2013</u>
Cash received from operations	\$ <u>708,782</u>	<u>720,612</u>
Total cash received	<u>708,782</u>	<u>720,612</u>
 Cash paid to suppliers and employees	 <u>(636,089)</u>	 <u>(571,257)</u>
Interest paid	<u>(21,435)</u>	<u>(23,541)</u>
Total cash paid	<u>(657,524)</u>	<u>(594,798)</u>
Net cash provided (used) by operations	<u>51,258</u>	<u>125,814</u>
 Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(5,563)</u>	<u>(15,551)</u>
Net proceeds from sale or (purchase) of investments, net	<u>(144)</u>	<u>(37,080)</u>
Net cash provided (used) by investing activities	<u>(5,707)</u>	<u>(52,631)</u>
 Cash Flows From Financing Activities		
Principal payments of loans	<u>(23,608)</u>	<u>(23,910)</u>
Proceeds from new borrowings	<u>-</u>	<u>-</u>
Net cash provided (used) provided by financing activities	<u>(23,608)</u>	<u>(23,910)</u>
 Net increase (decrease) in cash and cash equivalents	 <u>21,943</u>	 <u>49,273</u>
Cash and cash equivalents, beginning of year	<u>252,966</u>	<u>203,697</u>
Cash and cash equivalents, end of year	<u>\$ 274,909</u>	<u>252,966</u>
 Reconciliation of change in net assets to cash provided/(used) by operating activities		
Change in net assets	\$ <u>(112,478)</u>	<u>(68,517)</u>
Depreciation and amortization	<u>169,546</u>	<u>196,586</u>
Adjustment to allowance for doubtful accounts	<u>(7,545)</u>	<u>-</u>
Bad debt and discount adjustments	<u>13,437</u>	<u>-</u>
Decrease (increase) in pledges receivable	<u>15,000</u>	<u>(7,907)</u>
Decrease (increase) in grants receivable	<u>(15,952)</u>	<u>-</u>
Decrease (increase) in other assets	<u>1,687</u>	<u>(3,840)</u>
Increase (decrease) in security deposits	<u>524</u>	<u>-</u>
Increase (decrease) in lease payments	<u>900</u>	<u>6,500</u>
Increase (decrease) in accounts payable	<u>(13,775)</u>	<u>3,331</u>
Increase (decrease) in compensated absences and payroll liabilities	<u>(794)</u>	<u>(1,177)</u>
Increase (decrease) in token reimbursement	<u>708</u>	<u>838</u>
Net cash provided by operating activities	<u>\$ 51,258</u>	<u>125,814</u>

See independent auditor's report and the accompanying notes to the financial statements

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2014
With Comparative Totals For 2013

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.

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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.

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.

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:

<u>Classification</u>	<u>Depreciable Lives (in years)</u>
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

SANTA FE FARMERS' MARKET INSTITUTE
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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 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 contributions of their time that did not meet the criteria for recognition.

Income Taxes

The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and recognized as a church organization under Section 170 (B)(1)(A)(i). As a result, it is also exempt from filing a Form 990. The Institute is also exempt from state income taxes. However, any unrelated business income may be subject to taxation.

Accounting for Uncertainty in Income Taxes

The Institute is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2011. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

The Institute recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. No provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2014 or 2013

Advertising Costs

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

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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

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. All of the Institutes assets are level 1.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest.

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.

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, 2013, from which the summarized information was derived.

Also, regarding revenue and support section of the statement of activities,

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2014
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management has changed the coding of certain types of revenues to more accurately reflect the type of funding and prior year revenue totals may not consistently be comparative.

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.

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

Investments	2014	2013
Certificates of Deposits	\$ 164,506	181,217
Cash Restricted for Revolving Loan Programs	43,639	26,784
	\$ 208,145	208,001

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:

Receivables	2014	2013
Accounts Receivables	\$ 14,279	16,301
Doubtful Receivables Allowance	(4,650)	-
	\$ 9,629	16,301

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:

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Receivables	2014	2013
Pledged Receivables, Gross	\$ 5,000	20,000
Allowances and Discounts	(2,000)	(2,000)
Pledged Receivables, Net	3,000	18,000
Less current portion	(3,000)	(18,000)
Long-term portion	\$ -	-

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

Grants Receivable

Grants receivable consists of an amount due to be reimbursed by the U.S. Department of Agriculture. As of December 31, grants receivable were as follows:

Receivables	2014	2013
Grants Receivable	\$ 15,952	-
	\$ 15,952	-

NOTE E—PROPERTY, EQUIPMENT AND DEPRECIATION

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

Category	2013	Additions	Deletions	2014
Construction in progress	\$ 15,735	-	-	15,735
Building	4,149,825	-	-	4,149,825
Building improvements	70,260	-	-	70,260
Leashold improvements	343,608	-	-	343,608
Landscaping	13,095	-	-	13,095
Artwork	36,511	-	-	36,511
Furniture, equipment and software	107,877	5,943	-	113,820
Mortgage financing costs	13,630	-	-	13,630
Tenant lease commissions paid	3,193	-	-	3,193
Total	<u>4,753,734</u>	<u>5,943</u>	<u>-</u>	<u>4,759,677</u>
Less: Depreciation	(853,594)	(166,640)	-	(1,020,234)
Less: Amortization	(3,268)	(2,906)	-	(6,174)
Net Property and Equipment	\$ <u>3,896,872</u>	<u>(163,603)</u>	<u>-</u>	<u>3,733,269</u>

Depreciation and amortization expense for the year ended December 31 2014 and 2013 was \$169,546 and \$193,680, respectively.

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2014
With Comparative Totals For 2013

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, 2014 and 2013, the estimated compensated absences payable amount was \$3,968 and \$11,945, respectively.

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>2014</u>	<u>2013</u>
Notes payable	\$ 405,956	429,174
less current portion	(23,865)	(23,218)
non-current portion	\$ <u>382,091</u>	<u>405,956</u>

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

	<u>Principal</u>	<u>Interest</u>
2015	23,865	19,782
2016	25,086	18,561
2017	26,369	17,277
2018	27,718	15,928
Thereafter	<u>302,918</u>	<u>14,510</u>
	\$ <u>405,956</u>	<u>86,058</u>

Interest paid on the loan during the year ended December 31, 2014 and 2013 was \$21,435 and \$23,541, respectively.

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NOTE H—RESTRICTED NET ASSETS

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

	<u>2014</u>	<u>2013</u>
Farmer micro loan program	\$ 240,160	217,134
SNAP EBT	29,283	32,744
Professional development	25,396	22,173
Restricted artwork (fixed assets)	22,175	22,175
Contributions receivable, net	3,000	18,000
SALCI bridge loan fund	10,160	10,000
Water conservation	9,016	4,396
LOMB	2,599	3,224
Film Series Advertising	-	1,797
Child Nutrition	1,252	1,193
Small agricultural land conserv. initiative	-	1,358
Appleton	-	1,000
Female market vendor program	-	900
Mortgage paydown	-	650
Wallace Genetic Foundation	20,000	-
Total	\$ <u>363,041</u>	<u>336,744</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. During 2014, there were no loans 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, 2014 or 2013.

NOTE I—DONATED ASSETS, MATERIALS AND SERVICES

Donated Assets, Material and Services	<u>2014</u>	<u>2013</u>
Advertising services	\$ -	7,720
Layout and design services	-	11,982
Food and supplies	-	4,464
Video Production	1,232	10,400
Equipment and fine art (non capitalized)	-	-
Total	\$ <u>1,232</u>	<u>34,566</u>
less in-kind related to special events	-	-
Per the financial statements	\$ <u>1,232</u>	<u>34,566</u>

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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 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Special Event Revenue	\$ 62,274	74,992
Less: Special Event Expense	(66)	(1,671)
Special Event Revenue, net	<u>\$ 62,208</u>	<u>73,321</u>

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.

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The following is the lease commitment for the next five years:

2015	\$	35,147
2016		36,026
2017		36,926
2018		37,849
2019		38,796
	\$	<u>184,744</u>

The Institute had \$37,148 in land lease expense during the calendar year ended December 31, 2014. The Institute had \$33,454 in land lease expense during the calendar year ended December 31, 2013. The Institute also pays SFRCC common area maintenance (CAM) expenditures during each year. CAM expenditures paid by SFFMI during the years ended December 31, 2014 and 2013 were \$3,706 and \$3,343, 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, 2014 and 2013 was \$327,662 and \$311,430, 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.

SANTA FE FARMERS' MARKET INSTITUTE
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With Comparative Totals For 2013

NOTE N—MICRO-LOAN PROGRAM

The Institute collaborates with the Permaculture Credit Union (PCU), which was acquired by Sandia Area Federal Credit Union (SAFCU) during 2014 in offering micro-loans to vendors of the Santa Fe Farmers' Market. SAFCU 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 2014 and 2013, \$208,145 (plus reserve cash from accounts) and \$208,001 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>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 166,107	122,806
Less: Loans written-off	-	-
Plus: Recoveries	-	-
Net increase (decrease) in loans	(34,304)	43,301
Balance at end of year	\$ <u>131,803</u>	<u>166,107</u>

The outstanding loan statistics are as follows:

	<u>2014</u>	<u>2013</u>
Total number of outstanding loans	38	43
Net number of new loans	8	30
Average loan amount	\$ 3,469	\$ 4,275
Interest rate of new loans	6.00%	6.00%

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 2014, there were no loans in default.

NOTE O—RELATED PARTIES

A Board member is a sub-lessee in the Farmers Market Shops located on the first floor of the building (opened in 2012). He operates a gardening shop at the east end of the shops. His lease and rent payments are made to the Farmer's Market, not the Institute. The Farmers Market, in turn, pays rent to the Institute for the shops space.

2014 Farmer Micro Loan Board Activity:

As of December 31, 2014, there was 1 loan outstanding to an Institute Board member who joined the board during the course of 2013 (the loan was originated

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2014
With Comparative Totals For 2013

prior to his joining the board). One loan in the original amount of \$5,000 and had an outstanding balance of \$2,823 on December 31, 2014.

NOTE P—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Institute recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Institute's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization has evaluated subsequent events through August 15, 2015, which is the date the financial statements were available to be issued.



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

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 Santa Fe Farmers' Market, (Institute) for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated August 15, 2015.

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 over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in the accompanying schedule of findings as item 2014-01 to be a significant deficiency.

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,

August 15, 2015

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

during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, stylized font.

Hinkle + Landers, P.C.
Albuquerque, New Mexico
August 15, 2015

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2014**

SUMMARY OF FINDING

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

Findings	Status of Current and Prior Year Findings	Type of Finding
<u>Prior Years' Findings</u>		
None		
<u>Current Year Findings</u>		
2014-01 Lack of review of disbursements and receipts transactions	Current	B

*Legend for Type of Findings

- A.** Material Weakness in Internal Control Over Financial Reporting
- B.** Significant Deficiency in Internal Control Over Financial Reporting
- C.** Other Matters Involving Internal Control Over Financial Reporting

CURRENT YEAR FINDINGS

2014-01 – APPROVAL OF DEPOSITS AND DISBURSEMENTS

Statement of Condition

During the audit of deposits of foundation and government grants, business and individual monetary contributions, other various receipts for services or events provided, along with various disbursements, it was noted that there was no indication of review or approval of transactions processed, deposits made, or transactions entered into the accounting process.

Criteria

The Institute should have review and approval of all cash receipts and disbursements.

Cause

It must be noted that there was turnover in the Executive Director position towards the beginning of 2014. Due to a small office environment, on several occasions there was only one person, the Finance Manager, to receive payment, prepare deposits, make deposits, and record the deposits into the accounting system and process invoices for payment.

Effect

In the absence of the Executive Director, if there is no secondary review in place, there is an increased risk of the possibility of loss from fraud or error.

Recommendation

Management and the board should designate a member of management or of the board to provide review and approval of all transactions in the absence of the Executive Director.