



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SANTA FE FARMERS'  
MARKET INSTITUTE  
FINANCIAL STATEMENTS  
For The Year Ended  
December 31, 2015  
With Comparative Totals for 2014**



**SANTA FE FARMERS' MARKET INSTITUTE**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended December 31, 2015, With Comparative Totals For 2014**

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**SANTA FE FARMERS' MARKET INSTITUTE**  
**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**As of Year Ended December 31, 2015**

**Board of Directors Roster**

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<b>Jenna Scanlan</b>	President
<b>Mary Dixon</b>	Vice-President
<b>Stan Crawford</b>	Secretary
<b>Kyle Burns</b>	Treasurer
<b>Christine MacDonald</b>	Director
<b>Mike McGreary</b>	Director
<b>Gurujiwan Khalsa</b>	Director

**Administration**

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<b>Ms. Kierstan Pickens</b>	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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 15, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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 December 8, 2016 on our consideration of the Institute's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Institute's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.  
Albuquerque, New Mexico  
December 8, 2016

**SANTA FE FARMERS' MARKET INSTITUTE**  
**STATEMENT OF FINANCIAL POSITION**  
**As Of The Year Ended December 31, 2015, With Comparative Totals For 2014**

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$	<b>293,685</b>	274,909
Accounts receivable, net	D	<b>3,628</b>	9,629
Pledges receivable, net	D	-	3,000
Grant receivables	D	<b>19,664</b>	15,952
Prepaid assets		<b>3,927</b>	2,153
Total current assets		<b>320,904</b>	305,643
<b>Non-current Assets</b>			
Investments restricted for revolving loan programs		<b>142,669</b>	164,506
Cash restricted for revolving loan programs		<b>69,251</b>	43,639
		<b>211,920</b>	208,145
Property and equipment, net of accumulated depreciation	E	<b>3,580,878</b>	3,733,269
Total non-current assets		<b>3,792,798</b>	3,941,414
Total assets	\$	<b>4,113,702</b>	4,247,057
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities</b>			
Accounts payable	\$	<b>27,159</b>	15,587
Payroll related and other liabilities		<b>9,293</b>	10,935
Advance rental payments		<b>16,395</b>	9,600
Accrued compensated absences	F	<b>7,562</b>	3,968
Note payable, short-term	G	<b>25,090</b>	23,865
Token reimbursement payable		-	13,193
Total current liabilities		<b>85,499</b>	77,148
<b>Non-current Liabilities</b>			
Security deposits		<b>19,386</b>	19,386
Note payable	G	<b>359,399</b>	380,544
Total non-current liabilities		<b>378,785</b>	399,930
Total liabilities	\$	<b>464,284</b>	477,078
<b>Net Assets</b>			
Unrestricted		<b>20,104</b>	78,078
Net investment in property and equipment, net of related debt		<b>3,196,389</b>	3,328,860
Total unrestricted net assets		<b>3,216,493</b>	3,406,938
Temporarily restricted	H	<b>432,925</b>	363,041
Total net assets		<b>3,649,418</b>	3,769,979
Total liabilities and net assets	\$	<b>4,113,702</b>	4,247,057

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, 2015, With Comparative Totals For 2014**

	<u>2015</u>			<u>2014</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<b>Support and revenue</b>				
Leasing income	\$ 352,083	-	<b>352,083</b>	375,807
Consulting income	9,793	-	<b>9,793</b>	-
Program income	431	-	<b>431</b>	3,650
Investment income	3,806	-	<b>3,806</b>	3,874
Other revenue	6,942	-	<b>6,942</b>	12,389
Total revenue	<u>373,055</u>	<u>-</u>	<u><b>373,055</b></u>	<u>395,720</u>
Foundation grants	119,000	42,000	<b>161,000</b>	88,491
Individual contributions	54,876	15,365	<b>70,241</b>	83,375
Special events, net	36,332	-	<b>36,332</b>	62,208
Membership dues	15,152	-	<b>15,152</b>	22,456
In-kind income	1,200	-	<b>1,200</b>	1,232
Corporate contributions	40,755	-	<b>40,755</b>	35,918
Government grants	-	126,977	<b>126,977</b>	26,000
Total support	<u>267,315</u>	<u>184,342</u>	<u><b>451,657</b></u>	<u>319,680</u>
Total support and revenue	<u>640,370</u>	<u>184,342</u>	<u><b>824,712</b></u>	<u>715,400</u>
Net assets released from restrictions	<u>114,458</u>	<u>(114,458)</u>	<u>-</u>	<u>-</u>
Total revenues, support and reclassifications	754,823	69,884	<b>824,712</b>	715,400
<b>Expenses</b>				
<b>Program Services</b>				
Program expense	640,914	-	<b>640,914</b>	553,000
Total program expenses	<u>640,914</u>	<u>-</u>	<u><b>640,914</b></u>	<u>553,000</u>
<b>Support Services</b>				
Management & administrative	211,265	-	<b>211,265</b>	190,128
Fund-raising	93,094	-	<b>93,094</b>	84,750
Total support services expenses	<u>304,359</u>	<u>-</u>	<u><b>304,359</b></u>	<u>274,878</u>
Total expenses	<u>945,273</u>	<u>-</u>	<u><b>945,273</b></u>	<u>827,878</u>
<b>Change in net assets</b>	<u>(190,445)</u>	<u>69,884</u>	<u><b>(120,561)</b></u>	<u>(112,478)</u>
Net assets, beginning of year	<u>3,406,938</u>	<u>363,041</u>	<u><b>3,769,979</b></u>	<u>3,882,457</u>
Net assets, end of year	<u>\$ 3,216,493</u>	<u>432,925</u>	<u><b>3,649,418</b></u>	<u>3,769,979</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, 2015, With Comparative Totals For 2014**

	<b>2015</b>			<b>2014</b>	
	Program	Management and General	Fundraising	Total	Total
Salaries	\$ 147,631	75,164	47,466	<b>270,261</b>	216,940
Payroll taxes	19,108	9,729	6,143	<b>34,980</b>	25,061
Employee benefits	507	281	337	<b>1,125</b>	-
Total salaries and related expenses	<u>167,246</u>	<u>85,174</u>	<u>53,946</u>	<b><u>306,366</u></b>	242,001
Consultants and contracts	49,648	23,932	25,623	<b>99,203</b>	115,582
Token matching expense	82,567	-	-	<b>82,567</b>	39,395
Lease expense	30,587	7,607	618	<b>38,812</b>	40,854
Occupancy	28,948	7,498	932	<b>37,378</b>	28,810
Program/Event expense	27,092	9,355	-	<b>36,447</b>	31,438
Property taxes and other	28,415	7,067	575	<b>36,057</b>	27,540
Equipment expense and R&M	23,591	6,300	691	<b>30,582</b>	20,725
Interest	15,670	3,897	317	<b>19,884</b>	21,435
Printing and postage	6,808	4,972	3,060	<b>14,840</b>	13,232
Advertising and marketing	13,975	418	164	<b>14,557</b>	9,911
Janitorial expenses	8,773	3,096	254	<b>12,123</b>	10,898
Insurance	4,476	3,869	465	<b>8,810</b>	7,769
Professional development	5,041	2,385	61	<b>7,487</b>	8,208
Legal expense	-	7,152	-	<b>7,152</b>	6,392
Supplies and office expenses	3,494	659	2,744	<b>6,897</b>	6,278
Telephone/website/internet	2,374	789	497	<b>3,660</b>	3,831
Bank and merchant fees	-	3,590	-	<b>3,590</b>	4,062
Grants made	3,213	-	-	<b>3,213</b>	-
Bad debt expense	3,000	-	-	<b>3,000</b>	13,437
Travel	2,250	453	179	<b>2,882</b>	3,316
Miscellaneous	1,954	-	-	<b>1,954</b>	2,549
Dues and fees	307	63	307	<b>677</b>	669
Meeting expense	-	293	-	<b>293</b>	-
Total expenses before depreciation	<u>509,429</u>	<u>178,569</u>	<u>90,433</u>	<b><u>778,431</u></b>	658,332
Depreciation	129,191	32,130	2,615	<b>163,936</b>	166,639
Amortization	2,294	566	46	<b>2,906</b>	2,907
	<u>\$ 640,914</u>	<u>211,265</u>	<u>93,094</u>	<b><u>945,273</u></b>	<u>827,878</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, 2015, With Comparative Totals For 2014**

<b>Cash Flows From Operating Activities</b>	<u>2015</u>	<u>2014</u>
Cash received from operations	\$ <u>835,472</u>	<u>708,782</u>
Total cash received	<u>835,472</u>	<u>708,782</u>
Cash paid to suppliers and employees	<u>(756,216)</u>	<u>(636,089)</u>
Interest paid	<u>(19,884)</u>	<u>(21,435)</u>
Total cash paid	<u>(776,100)</u>	<u>(657,524)</u>
Net cash provided (used) by operations	<u>59,372</u>	<u>51,258</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>(14,451)</u>	<u>(5,563)</u>
Purchase of investments	<u>(3,775)</u>	<u>(144)</u>
Net cash provided (used) by investing activities	<u>(18,226)</u>	<u>(5,707)</u>
<b>Cash Flows From Financing Activities</b>		
Principal payments of loans	<u>(22,370)</u>	<u>(23,608)</u>
Proceeds from new borrowings	<u>-</u>	<u>-</u>
Net cash provided (used) provided by financing activities	<u>(22,370)</u>	<u>(23,608)</u>
Net increase (decrease) in cash and cash equivalents	<u>18,776</u>	<u>21,943</u>
Cash and cash equivalents, beginning of year	<u>274,909</u>	<u>252,966</u>
Cash and cash equivalents, end of year	<u>\$ <u>293,685</u></u>	<u>274,909</u>
<b>Reconciliation of change in net assets to cash provided/(used) by operating activities</b>		
Change in net assets	\$ <u>(120,561)</u>	<u>(112,478)</u>
Adjustment of cash accounts	<u>(2,208)</u>	<u>-</u>
Depreciation and amortization	<u>166,842</u>	<u>169,546</u>
Adjustment to allowance for doubtful accounts	<u>4,650</u>	<u>(7,545)</u>
Bad debt and discount adjustments	<u>3,000</u>	<u>13,437</u>
Decrease (increase) in accounts receivable	<u>6,001</u>	<u>-</u>
Decrease (increase) in pledges receivable	<u>-</u>	<u>15,000</u>
Decrease (increase) in grants receivable	<u>(3,712)</u>	<u>(15,952)</u>
Decrease (increase) in other assets	<u>(1,774)</u>	<u>1,687</u>
Increase (decrease) in security deposits	<u>-</u>	<u>524</u>
Increase (decrease) in lease payments	<u>6,795</u>	<u>900</u>
Increase (decrease) in accounts payable	<u>11,572</u>	<u>(13,775)</u>
Increase (decrease) in compensated absences and payroll liab.	<u>1,952</u>	<u>(794)</u>
Increase (decrease) in token reimbursement	<u>(13,185)</u>	<u>708</u>
Net cash provided/(used) by operating activities	<u>\$ <u>59,372</u></u>	<u>51,258</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, 2015**  
**With Comparative Totals For 2014**

**NOTE A—ORGANIZATION AND NATURE OF ACTIVITIES**

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

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting and Presentation**

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

**Unrestricted Net Assets**

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

**Temporarily Restricted Net Assets**

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

**Permanently Restricted Net Assets**

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

**SANTA FE FARMERS' MARKET INSTITUTE**  
**For The Year Ended December 31, 2015**  
**With Comparative Totals For 2014**

**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:

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

**Investments**

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

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.

**SANTA FE FARMERS' MARKET INSTITUTE**  
**For The Year Ended December 31, 2015**  
**With Comparative Totals For 2014**

**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 a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as an organization that is not a private foundation. 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 2012. 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, 2015 or 2014.

**Advertising Costs**

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

**Use of Estimates**

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

**SANTA FE FARMERS' MARKET INSTITUTE**  
**For The Year Ended December 31, 2015**  
**With Comparative Totals For 2014**

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 Institute's 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, 2014, from which the summarized information was derived.

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

**SANTA FE FARMERS' MARKET INSTITUTE**  
**For The Year Ended December 31, 2015**  
**With Comparative Totals For 2014**

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

<u>Investments</u>	<u>2015</u>	<u>2014</u>
Certificates of Deposits	\$ <b>142,669</b>	164,506
Cash Restricted for Revolving Loan Programs	<b>69,251</b>	43,639
	<u>\$ <b>211,920</b></u>	<u>208,145</u>

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

**NOTE D—RECEIVABLES**

**Accounts Receivable**

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

<u>Receivables</u>	<u>2015</u>	<u>2014</u>
Accounts Receivables	\$ <b>8,278</b>	14,279
Doubtful Receivables Allowance	<b>(4,650)</b>	(4,650)
	<u>\$ <b>3,628</b></u>	<u>9,629</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. All pledged receivables were written off in the year ended December 31, 2015, and will no longer be recognized. As of December 31, pledged receivables were as follows:

<u>Receivables</u>	<u>2015</u>	<u>2014</u>
Pledged Receivables, Gross	\$ -	5,000
Allowances and Discounts	-	(2,000)
Pledged Receivables, Net	-	3,000
Less current portion	-	(3,000)
Long-term portion	<u>\$ -</u>	<u>-</u>

**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:

<u>Receivables</u>	<u>2015</u>	<u>2014</u>
Grants Receivable	\$ <b>19,664</b>	15,952
	<u>\$ <b>19,664</b></u>	<u>15,952</u>

**SANTA FE FARMERS' MARKET INSTITUTE**  
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**NOTE E—PROPERTY, EQUIPMENT AND DEPRECIATION**

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

<u>Category</u>	<u>2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>2015</u>
Construction in progress	\$ 15,735	-	-	<b>15,735</b>
Building	4,149,825	-	-	<b>4,149,825</b>
Building improvements	70,260	14,830	-	<b>85,090</b>
Leashold improvements	343,608	-	-	<b>343,608</b>
Landscaping	13,095	-	-	<b>13,095</b>
Artwork	36,511	-	-	<b>36,511</b>
Furniture, equipment and software	113,820	-	(4,165)	<b>109,655</b>
Mortgage financing costs	13,630	-	-	<b>13,630</b>
Tenant lease commissions paid	3,193	-	-	<b>3,193</b>
Total	<u>4,759,677</u>	<u>14,830</u>	<u>(4,165)</u>	<b><u>4,770,342</u></b>
Less: Depreciation	(1,020,234)	(163,936)	3,786	<b>(1,180,384)</b>
Less: Amortization	(6,174)	(2,906)	-	<b>(9,080)</b>
Net Property and Equipment	<u>\$ 3,733,269</u>	<u>(152,012)</u>	<u>(379)</u>	<b><u>3,580,878</u></b>

Depreciation and amortization expense for the year ended December 31 2015 and 2014 was \$166,842 and \$166,640, respectively.

**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, 2015 and 2014, the estimated compensated absences payable amount was \$7,562 and \$3,968, 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.



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

	<u>2015</u>	<u>2014</u>
Notes payable	\$ <b>382,523</b>	404,409
less current portion	<u><b>(25,090)</b></u>	<u>(23,865)</u>
non-current portion	<u><b>\$ 357,433</b></u>	<u>380,544</u>

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

	<u>Principal</u>	<u>Interest</u>
2016	25,090	18,556
2017	26,374	17,273
2018	27,723	15,923
2019	303,336	14,505
Thereafter	-	-
	<u><b>\$ 382,523</b></u>	<u>66,257</u>

Interest paid on the loan during the year ended December 31, 2015 and 2014 was \$19,884 and \$21,435, respectively.

**NOTE H—RESTRICTED NET ASSETS**

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

	<u>2015</u>	<u>2014</u>
Farmer micro loan program	\$ <b>240,160</b>	240,160
SNAP EBT	<b>49,464</b>	29,283
Professional development	<b>55,656</b>	25,396
Restricted artwork (fixed assets)	<b>22,175</b>	22,175
Contributions receivable, net	<b>3,000</b>	3,000
SALCI bridge loan fund	<b>16,349</b>	10,160
Water conservation	<b>9,016</b>	9,016
LOMB	<b>5,099</b>	2,599
Child Nutrition	<b>12,006</b>	1,252
Wallace Genetic Foundation	<b>20,000</b>	20,000
Total	<u><b>\$ 432,925</b></u>	<u>363,041</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 2015, 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, 2015 or 2014.

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**NOTE I—DONATED ASSETS, MATERIALS AND SERVICES**

Donated Assets, Material and Services	<b>2015</b>	2014
Video Production	<b>1,200</b>	1,232
Total	<b>\$ 1,200</b>	1,232

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 2015 and 2014:

	<b>2015</b>	2014
Special Event Revenue	<b>\$ 36,332</b>	73,340
Less: Special Event Expense	<b>(547)</b>	(66)
Special Event Revenue, net	<b>\$ 35,785</b>	73,274

**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:

2016	\$	36,026
2017		36,927
2018		37,850
2019		38,796
2020		39,766
	\$	<u>189,364</u>

The Institute had \$35,220 in land lease expense during the calendar year ended December 31, 2015. The Institute had \$37,148 in land lease expense during the calendar year ended December 31, 2014. The Institute also pays SFRCC common area maintenance (CAM) expenditures during each year. CAM expenditures paid by SFFMI during the years ended December 31, 2015 and 2014 were \$3,591 and \$3,706, 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, 2015 and 2014 was \$289,083 and \$327,662, respectively. These amounts include the common area maintenance reimbursements (CAM).

**NOTE M—COMMITMENTS AND CONTINGENCIES**

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

**NOTE N—MICRO-LOAN PROGRAM**

The Institute collaborates with the Permaculture Credit Union (PCU), which was acquired by Sandia Area Federal Credit Union (SAFCU) during 2014 in offering micro-

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**For The Year Ended December 31, 2015**  
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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 2015 and 2014, \$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:

		<b>2015</b>	2014
Balance at beginning of year	\$	<b>131,803</b>	166,107
Less: Loans written-off		<b>(4,500)</b>	-
Plus: Recoveries		<b>150</b>	-
Net increase (decrease) in loans		-	(34,304)
Balance at end of year	\$	<b>127,453</b>	<u>131,803</u>

The outstanding loan statistics are as follows:

	<b>2015</b>	2014
Total number of outstanding loans	<b>38</b>	38
Net number of new loans	<b>8</b>	8
Average loan amount	<b>\$ 3,469</b>	\$ 3,469
Interest rate of new loans	<b>6.00%</b>	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 2015, 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.

**2015 Farmer Micro Loan Board Activity:**

As of December 31, 2015, there was 1 loan outstanding to an Institute Board member. The loan originated on December 31, 2015 in the amount of \$5,000.

**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

**SANTA FE FARMERS' MARKET INSTITUTE**  
**For The Year Ended December 31, 2015**  
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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 December 8, 2016, 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, 2015, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated December 8, 2016.

**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. We consider the deficiencies in internal control described in the accompanying schedule of findings as item 2015-01 and 2015-02 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, material weaknesses may exist that have not been identified.

December 8,  
2016

**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**

**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*.

**The Institute's Response to Findings**

The Institute's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Institute's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.  
Albuquerque, New Mexico  
December 8, 2016

**SANTA FE FARMERS' MARKET INSTITUTE  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2015**

**SUMMARY OF FINDING**

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

<u>Findings</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding</u>
<b><u>Prior Years' Findings</u></b>		
2014-01 Lack of review of disbursements and receipts transactions	<b>Resolved</b>	B
<b><u>Current Year Findings</u></b>		
2015-01 Bank reconciliation controls	<b>Current</b>	A
2015-02 SAS 115 material adjustments	<b>Current</b>	A

\*Legend for Type of Findings

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

**CURRENT YEAR FINDINGS**

**2015-001 – BANK RECONCILIATION CONTROLS**

**Type of Finding: A**

**Statement of Condition**

During our review of bank reconciliations, the following weaknesses in internal control were noted:

- The Institute has not been reconciling their bank to their general ledger in a timely manner
- There are \$8,803.19 worth of uncleared, stale-dated checks and \$34,129.19 worth of uncleared, stale-dated deposits included on the check register
- There is no evidence of upper level management or Board review

**Criteria**

Cash assets are vulnerable due to availability and liquidity; therefore, adequate internal controls involve measures to prevent theft or other misuses of these assets. A review of bank statements and reconciliation reports by upper management and/or the governing body is an important control to identify errors or misappropriations in a timely manner.

Specifically, it is important that bank reconciliations be prepared timely and reviewed by someone other than the preparer. As part of that review, the activity in the bank statements should be reviewed and the preparer and the reviewer should sign off and date each bank reconciliation report so as to take responsibility for the review.



**SANTA FE FARMERS' MARKET INSTITUTE  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2015**

**Cause**

The Institute did not have policies and procedures in place to ensure bank statements are being reconciled and reviewed in a timely manner.

**Effect**

Without reviewed and timely reconciled bank statements, the Institute has no assurance that all revenues and disbursements have been properly recorded.

**Recommendation**

The Institute should establish a process where there is an independent review by someone who does not perform the bank reconciliation. Because the organization operates in a small office environment, we also recommend that a board member have access and review monthly bank reconciliations.

**Management Response**

The current financial procedures will be updated to include: The Executive Director will initially review the monthly bank reconciliation within one month following the closing month's statements. The Treasurer or Board Chair of the Institute will also be provided with monthly bank reconciliation reports as part of the monthly financial packet. The Board of Directors will receive a confirmation at the monthly meetings from the Chair or Treasurer that the reconciliation is complete.

**2015-002 – SAS 115 MATERIAL ADJUSTMENTS**

**Type of Finding: A**

**Statement of Condition**

During our audit, we made several adjustments to the Institute's books that SAS 115 requires to be reported as a finding. The adjustments mostly consisted of:

- entering adjustments from the prior year audit (\$77,253)
- adjusting beginning balances to reconcile net assets (\$8,014)
- correcting fixed asset and depreciation balances (\$24,635)
- adjusting long-term debt balances (\$23,111)

**Criteria**

Some of the key underlying concepts of Statement of Auditing Standards (SAS) 115 are

- The auditor cannot be part of a client's internal control. Becoming part of a client's internal control impairs the auditor's independence.
- What the auditor does is independent of the client's internal control over financial reporting. Therefore, the auditor cannot be a compensating control for the client.
- A system of internal control over the financial reporting does not stop at the general ledger; rather it includes controls over the preparation of the financial statements.

Recording these adjustments is considered a significant process that the client needs to maintain.

**SANTA FE FARMERS' MARKET INSTITUTE  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended December 31, 2015**

**Effect**

Because these adjustments were identified and made by the auditor, and not by the Institute, it shows an internal control weakness in maintaining the general ledger that potentially extends to the audit report. This significantly increases the potential for misstated financial statements.

**Cause**

The Institute's personnel and internal control procedures were not effective in identifying and correcting material errors to the general ledger that would have resulted in material misstatement of the financial statements had they not been corrected by the auditor.

**Recommendation**

We recommend that the Institute make adjustments to their general ledger in a timely manner. Asking for technical advice from the auditor or from someone else when these adjustments are needed is not considered a control deficiency as long as the staff of the Institute initiates/makes the adjustment and understands how and why the adjustments were made.

**Management Response**

The current financial procedures will be updated to include: Once the audit is completed and approved, the Finance Committee will ensure all necessary adjustments are made by the Finance Manager.

Additionally, the Finance Manager will consult with an independent, qualified accountant to ensure appropriate adjustments are made throughout the year as necessary.