



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**SANTA FE FARMERS'
MARKET INSTITUTE**

FINANCIAL STATEMENTS

**For Year Ended December 31, 2016
With Comparative Totals For 2015**



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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 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 24, 2017 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
August 24, 2017

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2016
With Comparative Totals For 2015

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. The balance at December 31, 2016 was \$3,601.

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 24, 2017, 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, 2016, 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 24, 2017.

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.

SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended December 31, 2016, With Comparative Totals For 2015

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**SANTA FE FARMERS' MARKET INSTITUTE
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
As of Year Ended December 31, 2016**

Board of Directors Roster

Jenna Scanlan	President
Mary Dixon	Vice-President
Stan Crawford	Secretary
Kyle Burns	Treasurer
Christine MacDonald	Director
Mike McCreary	Director
Gurujiwan Khalsa	Director

Administration

Ms. Kierstan Pickens	Executive Director
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SANTA FE FARMERS' MARKET INSTITUTE
STATEMENT OF FINANCIAL POSITION
As Of The Year Ended December 31, 2016, With Comparative Totals For 2015

	Notes	2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	\$	251,182	293,685
Accounts receivable, net	D	17,663	3,628
Grant receivables	D	25,242	19,664
Prepaid assets		-	3,927
Total current assets		294,087	320,904
Non-current Assets			
Investments restricted for revolving loan programs		150,010	142,669
Cash restricted for revolving loan programs		66,568	69,251
		216,578	211,920
Property and equipment, net of accumulated depreciation	E	3,436,809	3,580,878
Total non-current assets		3,653,387	3,792,798
Total assets	\$	3,947,474	4,113,702
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable	\$	9,700	27,159
Payroll related and other liabilities		11,728	9,294
Advance rental payments		30,390	16,395
Accrued compensated absences	F	5,817	7,562
Note payable, short-term	G	26,358	25,090
Token reimbursement payable		1,517	-
Accrued property taxes		16,703	-
Total current liabilities		102,213	85,500
Non-current Liabilities			
Security deposits		19,385	19,385
Note payable	G	331,373	359,399
Total non-current liabilities		350,758	378,784
Total liabilities	\$	452,971	464,284
Net Assets			
Unrestricted		44,908	89,988
Net investment in property and equipment, net of related debt		3,079,078	3,196,389
Total unrestricted net assets		3,123,986	3,286,377
Temporarily restricted	H	370,517	363,041
Total net assets		3,494,503	3,649,418
Total liabilities and net assets	\$	3,947,474	4,113,702

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, 2016, With Comparative Totals For 2015

	<u>2016</u>			<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Support and revenue				
Leasing income	\$ 385,951	-	385,951	352,083
Consulting income	9,303	-	9,303	9,793
Program income	120	-	120	431
Investment income	6,865	-	6,865	3,806
Other revenue	4,884	-	4,884	6,942
Total revenue	<u>407,123</u>	<u>-</u>	<u>407,123</u>	<u>373,055</u>
Foundation grants	78,375	20,250	98,625	161,000
Individual contributions	16,260	6,000	22,260	70,241
Special events, net	59,579	-	59,579	36,332
Membership dues	72,446	-	72,446	15,152
In-kind income	18,831	-	18,831	1,200
Corporate contributions	41,652	-	41,652	40,755
Government grants	146,702	-	146,702	126,977
Total support	<u>433,845</u>	<u>26,250</u>	<u>460,095</u>	<u>451,657</u>
Total support and revenue	<u>840,968</u>	<u>26,250</u>	<u>867,218</u>	<u>824,712</u>
Net assets released from restrictions	<u>88,658</u>	<u>(88,658)</u>	<u>-</u>	<u>-</u>
Total revenues, support and reclassifications	929,626	(62,408)	867,218	824,712
Expenses				
Program Services				
Program expense	696,866	-	696,866	640,914
Total program expenses	<u>696,866</u>	<u>-</u>	<u>696,866</u>	<u>640,914</u>
Support Services				
Management & administrative	220,373	-	220,373	211,265
Fund-raising	104,894	-	104,894	93,094
Total support services expenses	<u>325,267</u>	<u>-</u>	<u>325,267</u>	<u>304,359</u>
Total expenses	<u>1,022,133</u>	<u>-</u>	<u>1,022,133</u>	<u>945,273</u>
Change in net assets	<u>(92,507)</u>	<u>(62,408)</u>	<u>(154,915)</u>	<u>(120,561)</u>
Net assets, beginning of year	<u>3,216,493</u>	<u>432,925</u>	<u>3,649,418</u>	<u>3,769,979</u>
Net assets, end of year	<u>\$ 3,123,986</u>	<u>370,517</u>	<u>3,494,503</u>	<u>3,649,418</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, 2016, With Comparative Totals For 2015

	<u>2016</u>			<u>2015</u>	
	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries	\$ 163,236	83,109	52,484	298,829	270,262
Payroll taxes	14,530	7,398	4,671	26,599	34,980
Employee benefits	-	-	-	-	1,125
Total salaries and related expenses	<u>177,766</u>	<u>90,507</u>	<u>57,155</u>	<u>325,428</u>	306,367
Consultants and contracts	59,746	28,800	30,835	119,381	99,203
Token matching expense	113,909	-	-	113,909	82,567
Occupancy	34,074	8,826	1,097	43,997	37,378
Lease expense	31,294	7,783	632	39,709	38,812
Property taxes and other	28,560	7,103	578	36,241	36,057
Equipment expense and R&M	27,111	7,240	794	35,145	30,582
Program/Event expense	25,965	8,966	-	34,931	36,447
Printing and postage	9,290	6,785	4,176	20,251	14,839
Interest	14,623	3,637	296	18,556	19,884
Insurance	8,695	7,517	904	17,116	8,810
Loss on disposition of assets	15,735	-	-	15,735	-
Professional development	9,610	4,547	116	14,273	7,487
Advertising and marketing	12,248	367	144	12,759	14,557
Janitorial expenses	7,818	2,760	226	10,804	12,123
Telephone/website/internet	6,654	2,211	1,392	10,257	3,660
Supplies and office expenses	4,776	900	3,750	9,426	6,897
Bank and merchant fees	-	5,143	-	5,143	3,590
Travel	3,079	619	245	3,943	2,882
Grants made	2,759	-	-	2,759	3,213
Bad debt expense	2,161	-	-	2,161	3,000
Dues and fees	501	103	501	1,105	677
Meeting expense	-	788	-	788	293
Legal expense	-	539	-	539	7,152
Miscellaneous	(975)	-	-	(975)	1,954
Total expenses before depreciation	<u>595,399</u>	<u>195,141</u>	<u>102,841</u>	<u>893,381</u>	778,431
Depreciation	99,933	24,853	2,022	126,808	163,935
Amortization	1,534	379	31	1,944	2,907
	<u>\$ 696,866</u>	<u>220,373</u>	<u>104,894</u>	<u>1,022,133</u>	945,273

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, 2016, With Comparative Totals For 2015

Cash Flows From Operating Activities	<u>2016</u>	<u>2015</u>
Cash received from operations	\$ <u>846,696</u>	<u>835,472</u>
Total cash received	<u>846,696</u>	<u>835,472</u>
Cash paid to suppliers and employees	(836,691)	(756,216)
Interest paid	<u>(18,556)</u>	<u>(19,884)</u>
Total cash paid	<u>(855,247)</u>	<u>(776,100)</u>
Net cash provided (used) by operations	<u>(8,551)</u>	<u>59,372</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(14,451)
Purchase of investments	<u>(4,658)</u>	<u>(3,775)</u>
Net cash provided (used) by investing activities	<u>(4,658)</u>	<u>(18,226)</u>
Cash Flows From Financing Activities		
Principal payments of loans	(29,294)	(22,370)
Proceeds from new borrowings	<u>-</u>	<u>-</u>
Net cash provided (used) provided by financing activities	<u>(29,294)</u>	<u>(22,370)</u>
Net increase (decrease) in cash and cash equivalents	<u>(42,503)</u>	<u>18,776</u>
Cash and cash equivalents, beginning of year	<u>293,685</u>	<u>274,909</u>
Cash and cash equivalents, end of year	<u>\$ 251,182</u>	<u>293,685</u>

Reconciliation of change in net assets to cash provided/(used) by operating activities

Change in net assets	\$ (154,915)	(120,561)
Adjustment of cash accounts	(43)	(2,208)
Loss on disposition of assets	15,735	-
Depreciation and amortization	128,752	166,842
Adjustment to allowance for doubtful accounts	-	4,650
Bad debt and discount adjustments	2,161	3,000
Decrease (increase) in accounts receivable	(14,035)	6,001
Decrease (increase) in grants receivable	(5,578)	(3,712)
Decrease (increase) in other assets	3,927	(1,774)
Increase (decrease) in security deposits	-	-
Increase (decrease) in lease payments	13,995	6,795
Increase (decrease) in accounts payable	(17,459)	11,572
Increase (decrease) in compensated absences and payroll liab.	689	1,952
Increase (decrease) in accrued property taxes	16,703	-
Increase (decrease) in token reimbursement	<u>1,517</u>	<u>(13,185)</u>
Net cash provided/(used) by operating activities	<u>\$ (8,551)</u>	<u>59,372</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, 2016
With Comparative Totals For 2015

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, 2016
With Comparative Totals For 2015

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:

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

Investments

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

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, 2016
With Comparative Totals For 2015

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 2013. 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, 2016 or 2015.

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, 2016
With Comparative Totals For 2015

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, 2015, from which the summarized information was derived.

NOTE C—INVESTMENTS

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

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

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2016
With Comparative Totals For 2015

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

Investments	2016	2015
Certificates of Deposits	\$ 150,011	142,669
Cash Restricted for Revolving Loan Programs	66,568	69,251
	\$ 216,579	211,920

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	2016	2015
Accounts Receivables	\$ 22,313	8,278
Doubtful Receivables Allowance	(4,650)	(4,650)
	\$ 17,663	3,628

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	2016	2015
Grants Receivable	\$ 25,242	19,664
	\$ 25,242	19,664

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2016
With Comparative Totals For 2015

NOTE E—PROPERTY, EQUIPMENT AND DEPRECIATION

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

<u>Category</u>	<u>2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>2016</u>
Construction in progress	\$ 15,735	-	(15,735)	-
Building	4,149,825	-	-	4,149,825
Building improvements	85,090	-	-	85,090
Leashold improvements	343,608	-	(226,092)	117,516
Landscaping	13,095	-	-	13,095
Artwork	36,511	-	-	36,511
Furniture, equipment and software	109,655	-	(87,325)	22,330
Mortgage financing costs	13,630	-	-	13,630
Tenant lease commissions paid	3,193	-	-	3,193
Total	<u>4,770,342</u>	<u>-</u>	<u>(329,152)</u>	<u>4,441,190</u>
Less: Depreciation	(1,180,384)	(126,809)	313,836	(993,357)
Less: Amortization	(9,080)	(1,944)	-	(11,024)
Net Property and Equipment	<u>\$ 3,580,878</u>	<u>(128,753)</u>	<u>(15,316)</u>	<u>3,436,809</u>

Depreciation and amortization expense for the year ended December 31, 2016 and 2015 was \$128,753 and \$163,936, 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, 2016 and 2015, the estimated compensated absences payable amount was \$5,817 and \$7,562, 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 over 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 Fe, New Mexico. During the fiscal year, payments were made in amounts greater than the required payment, leading the principal balance to be approximately \$2,000 less than would be expected.

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

	2016	2015
Notes payable	\$ 357,731	384,489
less current portion	(26,358)	(25,090)
non-current portion	\$ 331,373	359,399

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

	Principal	Interest
2017	26,358	17,288
2018	27,707	15,939
2019	303,666	14,522
2020	-	-
Thereafter	-	-
	\$ 357,731	47,749

Interest paid on the loan during the year ended December 31, 2016 and 2015 was \$18,556 and \$19,884, respectively.

NOTE H—RESTRICTED NET ASSETS

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

	2016	2015
Farmer micro loan program	\$ 240,160	240,160
SNAP EBT	49,464	49,464
Professional development	58,718	55,656
Restricted artwork (fixed assets)	22,175	22,175
Contributions receivable, net	-	3,000
SALCI bridge loan fund	-	16,349
Water conservation	-	9,016
LOMB	-	5,099
Child Nutrition	-	12,006
Wallace Genetic Foundation	-	20,000
Total	\$ 370,517	432,925

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 2016, there were no loans in default in the micro-loan program. See

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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, 2016 or 2015.

NOTE I—DONATED ASSETS, MATERIALS AND SERVICES

The Institute received the following In-Kind contributions during the year ended December 31:

<u>Donated Assets, Material and Services</u>	<u>2016</u>	<u>2015</u>
Advertising services	\$ 1,836	-
Photography	14,000	-
Professional services	1,250	
Legal	450	
Video Production	-	1,200
Event expenses	1,295	-
Total	<u>\$ 18,831</u>	<u>1,200</u>

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 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Special Event Revenue	\$ 61,087	53,446
Less: Special Event Expense	(1,508)	(547)
Special Event Revenue, net	<u>\$ 59,579</u>	<u>52,899</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. The Institute discontinued the plan during the fiscal year ending December 31, 2015.

NOTE L—LEASES

Land Lease Commitment

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

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

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

2017	\$	36,927
2018		37,850
2019		38,796
2020		39,766
2021		40,760
	\$	194,100

The Institute had \$36,101 in land lease expense during the calendar year ended December 31, 2016. The Institute had \$35,220 in land lease expense during the calendar year ended December 31, 2015. The Institute also pays SFRCC common area maintenance (CAM) expenditures during each year. CAM expenditures paid by SFFMI during the years ended December 31, 2016 and 2015 were \$3,608 and \$3,591, 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, 2016 and 2015 was \$333,713 and \$289,083, 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

SANTA FE FARMERS' MARKET INSTITUTE
For The Year Ended December 31, 2016
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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-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 2016 and 2015, \$203,785 (plus reserve cash from accounts) and \$208,145 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>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 127,453	131,803
Less: Loans written-off	(2,160)	(4,500)
Plus: Recoveries	700	150
Net increase (decrease) in loans	<u>3,544</u>	-
Balance at end of year	<u>\$ 129,537</u>	<u>127,453</u>

The outstanding loan statistics are as follows:

	<u>2016</u>	<u>2015</u>
Total number of outstanding loans	37	38
Net number of new loans	17	8
Average loan amount	\$ 3,856	\$ 3,469
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 2016, 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.

August 24, 2017

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.

Hinkle + Landers, P.C.
Albuquerque, New Mexico
August 24, 2017

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016**

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>
<u>Prior Years' Findings</u>		
2015-01 Bank reconciliation controls	Repeated/Modified	A
2015-02 Material adjustments made by auditor	Repeated/Modified	A
<u>Current Year Findings</u>		
None		

*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.
- Uncleared, stale-dated checks and deposits are not being adjusted out of the GL.
- There is no evidence of upper level management or Board review.
- Changes are being made to the GL after the reconciliation is completed, leading to reconciliation discrepancies.

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, 2016**

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. In addition, we recommend using refraining from making changes to the cash accounts once the reconciliation has been completed.

Management Response

The current financial procedures have been updated to include: Finance Manager's monthly reconciliation process will include clearing of any stale dated checks (90 days past due) from prior month. A journal entry report for clearing of stale dated checks will be included in the monthly bank reconciliation packet. Monthly bank reconciliation packet will also include a detailed report of cleared and uncleared checks. Adjustments should not be made to the General Ledger after reconciliation is complete. 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 – MATERIAL ADJUSTMENTS REQUIRED BY AUDITOR

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:

- adjusting beginning balances to reconcile net assets (\$9,432)
- correcting depreciation balances (\$41,036)
- adjusting long-term debt balances (\$28,026)
- adjusting cash balances (\$55,445)

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

**SANTA FE FARMERS' MARKET INSTITUTE
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended December 31, 2016**

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.

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 any and all necessary adjustments are made by the Finance Manager. On an annual basis, depreciation balances will be adjusted according to the depreciation schedule. Long-term debt and cash balances will be adjusted on a monthly basis as part of the monthly reconciliation process. The Finance Manager will have access to consult with an independent, qualified accountant to ensure appropriate adjustments are made throughout the year as necessary.