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Board of Directors
Southland Farmers' Market Association
Los Angeles, Ca

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Southland Farmers' Market Association as of December 31, 2001, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southland Farmers' Market Association as of December 31, 2001 and the changes in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.



February 7, 2002

SOUTHLAND FARMERS' MARKET ASSOCIATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2001

ASSETS

Current Assets:

Cash	\$	76,191
Accounts Receivable		26,068
Prepaid Expenses		977
Total Current Assets		<u>103,236</u>

Property and Equipment:

Office Equipment		43,367
Less Accumulated Depreciation		<u>(32,255)</u>
Net Property and Equipment		<u>11,112</u>

Other Assets:

Deposits		<u>1,743</u>
Total Other Assets		<u>1,743</u>

TOTAL ASSETS \$ 116,091

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts Payable	\$	8,150
Accrued Wages and Related Taxes		3,814
Accrued Vacation Pay		<u>3,873</u>
Total Current Liabilities		<u>15,837</u>

Net Assets:

Unrestricted Net Assets:	<u>100,254</u>
Total Net Assets	100,254

TOTAL LIABILITIES AND NET ASSETS \$ 116,091

The accompanying notes are an integral part of these financial statements.

SOUTHLAND FARMERS' MARKET ASSOCIATION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Unrestricted
Support and Revenue:	
Member Fees	\$ 271,752
Market Establishment Grant	75,368
Coupon Income	6,980
Market Management Fees	15,268
Interest Income	<u>1,652</u>
Total Support and Revenue	<u>371,020</u>
Expenses:	
Program Services	237,355
Supporting Activities:	
General and Administrative	<u>126,704</u>
Total Expenses	<u>364,059</u>
Change in Net Assets	<u>6,961</u>
Net Assets at Beginning of Year	<u>93,293</u>
Net Assets at End of Year	<u>\$ 100,254</u>

The accompanying notes are an integral part of these financial statements.

SOUTHLAND FARMERS' MARKET ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Program Service</u>	<u>Management & General</u>	<u>Total Expenses</u>
Salaries	\$ 121,704	\$ 41,638	\$ 163,342
Payroll Taxes	10,819	3,606	14,425
Employee Benefits	7,775	2,591	10,366
Bank & Finance Charges	-	435	435
Board Meeting Costs	3,606	1,202	4,808
Insurance	2,009	669	2,678
Postage and Delivery	2,275	758	3,033
Office Supplies	5,169	1,723	6,892
Equipment Rental	1,356	452	1,808
Equipment Repair & Maintenance	2,162	720	2,882
Mileage Reimbursement	2,660	887	3,547
Travel	3,173	1,057	4,230
Subscriptions	3,023	756	3,779
Conferences	5,863	1,466	7,329
Telephone	9,842	3,280	13,122
Office Rent	12,568	4,309	16,877
Payroll Process Fees	-	2,501	2,501
Accounting	-	25,225	25,225
Legal	-	10,335	10,335
Member Fee Collections	-	9,085	9,085
Printing and Reproduction	9,599	965	10,564
Advertising	5,995	-	5,995
Promotions	21,672	-	21,672
Professional Service	550	7,771	8,321
Parking Fees	630	211	841
Grant	1,000	-	1,000
Miscellaneous Expense	797	619	1,416
Depreciation	2,770	923	3,693
Utilities	338	112	450
Moving Expense	-	3,408	3,408
Total Expenses	<u>\$ 237,355</u>	<u>\$ 126,704</u>	<u>\$ 364,059</u>

The accompanying notes are an integral part of these financial statements.

SOUTHLAND FARMERS' MARKET ASSOCIATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2001

Cash Flows From Operating Activities

Change in Net Assets	\$	6,961
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		3,693
Increase in Accounts Receivable		(3,973)
Decrease in Prepaid Expenses		12
Increase in Deposits		(530)
Increase in Accounts Payable		7,242
Increase in Accrued Wages and Related Taxes		3,814
Increase in Accrued Vacation Pay		<u>3,873</u>
Net Cash Provided by Operating Activities		<u>21,092</u>

Cash Flows From Investing Activities

Office Equipment Purchases		<u>(11,332)</u>
Net Cash Used by Investing Activities		<u>(11,332)</u>
Net Increase in Cash		9,760
Cash at Beginning of Year		<u>66,431</u>
Cash at End of Year	\$	<u>76,191</u>

There are no required supplemental disclosures

The accompanying notes are an integral part of these financial statements.

SOUTHLAND FARMERS' MARKET ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

1. NATURE OF ORGANIZATION

Southland Farmers' Market Association is a non-profit, public benefit corporation chartered in California. The Organization seeks to support and develop certified farmers markets for the benefit of California family farmers and consumers through advocacy, promotion, and education. The organization is tax-exempt under Internal Revenue Code section 501(c)6. As a 501(c)6 organization donations to the Southland Farmers' Market Association are not tax-deductible as charitable contributions.

Southland Farmers' Market Association is supported primarily by a membership fee charged on market revenues. The membership fees received are all from farmer's markets in Southern California. There is a concentration of fees from three markets in one city that comprise 43% of total membership fee revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization uses accrual basis accounting.

Cash

Cash consists of balances in bank saving and checking accounts.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fixed Assets

Fixed assets, in excess of \$500, are capitalized at cost, or estimated fair market value at date of gift, and depreciated on a straight-line basis over the estimated useful lives of five years.

Contributed Services

During the year ended December 31, 2001, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

SOUTHLAND FARMERS' MARKET ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

Use of Estimates

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

2. OPERATING LEASES

The Organization has a one-year operating lease for the use of facilities with a monthly rent of \$1,813. This lease expires on August 31, 2002. The Organization also has a lease for a mailing scale that requires quarterly payments of \$174 for four years that expires on August 10, 2005. Payments on leases during the year ended December 31, 2001 were \$16,877.

Future Lease payments, in the years ended December 31, are as follows:

<u>Year</u>	<u>Amount</u>
2002	\$15,260
2003	756
2004	756
2005	504
Total	<u>\$17,276</u>

3. RETIREMENT

The Organization administers a tax deferred saving plan (401k) for its employees. The company pays the administrative expense but does not make any contributions to the plan.