

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



April 9, 2012

Ms. Tana Comer, Board Chair
Nashville Farmers' Market
Eight Avenue North
Nashville, Tennessee 37205

Dear Ms. Comer:

Please find attached a special review report of the Nashville Farmers' Market. This report explains the results of the review of the Farmers' Market operations, finances, contractual arrangements, and operations for the period January 1, 2010 through December 31, 2011. Staff from the Office of Financial Accountability began conducting the fieldwork for this review on February 14, 2012. . The Nashville Farmers' Market reviewed and responded to the findings identified in the preliminary report issued on April 4, 2012. The responses have been incorporated into this final report.

We appreciate the cooperation and assistance provided us during the course of the review. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA
Director

cc: Richard M. Riebeling, Director of Finance
Jeff Themm, Nashville Farmers' Market
Talia Lomax-O'dneal, Deputy Director of Finance
Kim McDoniel, Assistant Finance Director
Mark Swann, Internal Audit
Kevin Brown, Office of Financial Accountability
Essie Robertson, Office of Financial Accountability
Brad Thompson, Office of Financial Accountability

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Metropolitan Government of Nashville and Davidson County

700 Second Ave. N
Suite 201
Nashville, TN
37210

NASHVILLE FARMERS' MARKET

◆ **Special Review Report** ◆

Conducted by



Office of Financial Accountability

April 9, 2012

Fred Adom, CPA
Director

Kevin Brown
Lead Auditor

Bradley Thompson
Essie Robertson
Auditors

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SPECIAL REVIEW REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a review of the Nashville Farmers’ Market (hereinafter referred to as “Farmers’ Market”, “NFM”, or “Market”) operations and contracts/leases. The review included contracts/ leases in effect during the period January 1, 2010 through December 31, 2011. ”

Overview of the Department

The mission of the Nashville Farmers’ Market is to provide a diverse collection of fresh and highest quality foods in an atmosphere that provides a unique shopping experience with an emphasis on locally grown foods. The market is located at 900 Rosa L. Parks Blvd., Nashville, TN 37208 and is adjacent to Bicentennial Mall. It provides three distinct services. The Farm Side of the Market is open every day, from 8am to 6pm. The Market House, which houses restaurants and shops, is also open every day and includes individual stores and restaurants whose days/hours may vary. Recently the Market House began to offer a Night Market experience in addition to its regular hours. The Flea Market is open Friday through Sunday every weekend during the year. Individual merchants in the Flea Market hours vary.

The Farmers’ Market Executive Director reports to the Farmers’ Market Commission. The Farmers’ Market has a total of seven (7) budgeted full-time positions. The following is a summary of the FY 11 Revenues and Expenditures:

<u>Revenues & Transfers</u>	
Charges, Commissions, & Fees	\$745,330
Total Revenue & Transfers	<u>\$745,330</u>
<u>Expenditures</u>	
Personal Services	\$357,301
Contractual Services	442,351
Supplies and Materials	48,715
Depreciation	263,192
Other Costs	7,759
Total Expense & Transfers	<u>\$1,119,318</u>
Operating Income (Loss)	<u>(\$373,988)</u>
Non-Operating Revenue (Expense)	
Investment Income	21
Interest Expense	(62,220)
Gain (loss) on sale of property	(19,530)
Total non-operating revenues (expense)	<u>(81,729)</u>
Income (Loss) Before Transfers	<u>(455,717)</u>
Transfers In	570,359
Transfers Out	(62,800)
Change In Net Assets	51,842
Net Assets (Deficit), beginning of year	4,316,548
Net Assets (Deficit), end of year	<u>4,368,390</u>

Source: Metro and Davidson County Comprehensive Annual Financial Report (CAFR) For the Year Ended June 30, 2011; Statement of Revenues, Expenses and Changes in Fund Net Assets.

OBJECTIVES, SCOPE AND METHODOLOGY

A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the Nashville Farmers' Market and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Nashville Farmers' Market or the Metropolitan Government of Nashville and Davidson County (hereinafter referred to as "Metro"). The OFA is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements, and non-profit organizations that receive appropriations from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

The overall objectives of this review were to:

1. Review Farmers' Market business processes.
2. Evaluate the adequacy of key operating and financial controls.
3. Identify vendors concerns.
4. Develop recommendations to assist the Nashville Farmers' Market with improving the market's operational efficiency and internal controls.

RESULTS OF REVIEW

The results of the review point to management and financial deficiencies in the Farmers' Market operations that appear to have been ongoing for several years now. The current situation presents an opportunity to reassess its mission and re-organize its processes to ensure good success in the future. The review was done, in part, in response to tenant/vendor concerns; therefore, the results presented below impact all aspects of the market operations. The results and recommendations presented here are intended to make the NFM self-sufficient, better organized and more accountable.

Overall Findings and Major Review Highlights

1. There are weaknesses and inconsistencies in the management of lease agreements.
2. Cost allocation issues impacted Farmers' Market operations.
3. There are deficiencies in the Farmers' Market financial operations that need improvement.
4. Controls over the NFM Night Market's operations need improvement.
5. Controls over the NFM Demonstration Kitchen's operations need improvement.
6. There are several violations and non-compliance with Metro Civil Service Regulations and payroll operations procedures.
7. Several issues and discrepancies were identified with the direct bill for utilities.
8. Other issues related to the market that needs to be addressed.

The section that follows provides more detailed information for each of the above findings. Management is given an opportunity to respond to each finding.

MANAGEMENT'S COMMENTS

Finding:

1. There are weaknesses and inconsistencies in the management of lease agreements.

Review of tenants lease agreements revealed several discrepancies, weaknesses and inconsistencies in the management and administration of the Market rental agreements. While it is normal not to expect every lease to be exactly the same in this type of operation, when dealing with multiple tenants and/or vendors in such a varied market, the review revealed several weaknesses and inconsistencies that need to be addressed:

- a) The Market House tenant's lease agreement is the official document that contractually binds the tenant and the Nashville Farmers' Market. The agreement is required to be officially filed with the Metro Clerk. The OFA determined the Nashville Farmers' Market relies on documents outside the actual written lease in order to determine the actual commencement date of the leases i.e. turnover letters and letters stating the Market House tenants' official business start date. These documents are not attached to or referenced in the lease agreement. The Farmers' Market staff was unable to provide copies of the tenant turnovers letter for several Market House tenants. In the instances where the NFM provided turnover letters, these were not copies of the original letters given to the tenants, but rather were printed off the computer. At least three tenants that the OFA randomly selected to inquire about the turnover letters had never seen those letters or were provided copies.
- b) Lease agreements contained inconsistent terms in regards to the amount of time given for each time period prior to a step-up or escalation in tenant rent. Some lease agreements state first 15 months, some first 12 months, and one even states first 39 months before the initial escalation of rates. There can be reasons for the different intervals, however, the differences in some of these cases could not be justified and seems to unfairly favor some tenants/vendors. Per the Rules and Regulations Governing the Operation of Metropolitan Nashville-Davidson County Farmers' Market, Section 1 Authority a)"The Commission emphasizes its commitment to fair, impartial, and equal treatment at the market and within the following groups: 1. Farmers, 2. Retailers, 3. Staff, 4. Customers, and any other classification hereinafter named."

Inconsistent amounts of time are given to tenants to construct and get ready for business. Per lease agreements "the lease is effective as of the date written, however, no rents shall be due until the ___ day after notice by Lessor that the premises are available for occupancy by the Lessee, or the date Lessee opens for business, whichever occurs first in time (also known as "Commencement Date".). The review revealed some tenants were given 31 days, others 61 days and even 91 days to construct prior to the commencement of business. It is understandable that different circumstances require different lead times to start; however, the standard language should be similar while providing additional language for those requiring extra time to complete by applying for extension. The NFM did not have any written policies or procedures to explain the differences in the amount of time needed to construct.

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- c) The OFA noted that all tenants received 90 days of deferred rent upon the commencement of the lease terms except AM@FM, which received 120 days of deferred rent. The NFM management could not provide any business reason for the longer grace period afforded to AM@FM.
- d) The OFA noted under Section 10 Premises (f) Exclusive Rights of the lease agreements that some tenants were given “exclusive rights” to sell specific items, while several were not given the same treatment. According to management some received exclusive rights because they asked for the rights and others did not. However, per discussions with a sample of Market House tenants, it was reported that they had, in fact, requested exclusive rights and management denied their requests.
- e) The OFA noted NFM uses “addendums” to the lease, which infers an action or change to the lease that came about after the signing of the initial lease. However, upon inquiring to management and confirmed by Market House tenants, the addendums are actually negotiated and agreed upon at the same time as the original lease. The terms expressed in the addendums in most cases complimented critical clauses in the main agreement such the “SECTION 2. TERM” and “SECTION 3 RENT”, however in the case of B&C and Nooley’s, the addendum superseded those clauses. It was also noted that some addendums were signed by the tenant or representative and the Farmers’ Market while others were not signed and therefore gave the appearance that the addendum was not a valid document.
- f) The lease agreement between the Nashville Farmers’ Market and Dindar Agid and Ari M. Saleem DBA Chicago Style Gyros and Salad Bar is mathematically inaccurate. Computing the rent amount based on price per square foot, i.e. relying on the space being leased, the stated monthly amounts are higher than the monthly rent charged. See table:

Time Period	PSF	Sq. Ft.	Monthly Rent as calculated by Price/SF	Stated Monthly Rent	Variance
First 15 Months	\$ 15.00	686	\$ 857.50	\$ 1,120.00	\$262.50
Next 12 Months	\$ 15.00	686	\$ 857.50	\$ 1,120.00	\$262.50
Next 12 Months	\$ 21.00	686	\$ 1,200.50	\$ 1,568.00	\$367.50
Next 12 Months	\$ 26.00	686	\$ 1,486.33	\$ 1,941.33	\$455.00
Last 12 Months	\$ 30.00	686	\$ 1,715.00	\$ 2,240.00	\$525.00

Per consultation with the Metro Law department, since Farmers’ Market was the drafting party, the Lessee should receive the benefit of the error and the monthly rent should be the lesser of the two.

- g) Tests indicate inconsistencies in the treatment of specific seating areas for some tenants. Jamaica Way has seating area for its customers that is separate from the common seating area shared by

FINDINGS AND RECOMMENDATIONS

the other tenants. The seating area is included in the square footage for rent charged to Jamaica Way. Similarly the AM@FM is required to have reserved seating in order to maintain its liquor by the drink license. The addendum in the AM@FM contract allows the lessee the ability to use the 318 sq. ft. areas directly east of space 13. The area, as shown of Exhibit B in the contract, shall be available for all customers of any restaurant or vendor in the Farmers' Market; however, the area is cordoned off with plate settings and special furniture seating for AM@FM. The space reserved for special seating is equal to the space AM@FM is being billed for currently; i.e. AM@FM is currently enjoying an approximately 50% discount, which is inconsistent with the Jamaica Way is being charged for their reserved seating. According to the Market Director, a new addendum is circulating for signatures to increase AM@FM sq. ft. to include the space for the reserved seating.

- h) Delays in turning over space costs the market needed funds and also create confusion regarding the appropriate start dates. Based on OFA review of the turnover letters it appears that the Farmers' Market does not turn the space over to the tenants in a timely fashion to begin construction. On average it took the Farmers' Market 247 days to turn space over to the tenant from the date the lease was signed. This provided further confusion as to when the lease and terms actually began. In one specific case, the Farmers' Market failed to turn over the space to The Original Nooley's 486 days after the lease was signed according to the turn over letter provided.
- i) Farmers' Market failed to exercise a critical option in the addendum to notify tenants that the terms of the original lease were set to expire and required the tenant to make necessary decisions to accept the terms for the optional period as stated in the addendum or vacate the premises. According to the addendum, the term of the agreement reverts to month-to-month when either party fails to exercise the option. Being able to maintain the same space on a "permanent" month to month lease does not offer the tenants incentive to exercise the option to continue that lease which in most cases means higher rent.
- j) Per the lease agreement with Shreeji International Market, there is no Common Area Maintenance (CAM) charge. However, CAM cost should be allocated among all parties because all receive benefit. The CAM costs are calculated based upon the lessee's square footage of the leased space. The CAM square footage rate during the time period reviewed was \$2.50/sq. ft. in majority of the leases. Therefore, the Shreeji International Market should also be paying an estimated annual CAM cost of \$7,695.00.
- k) Farmers' Market is allowing Howell's Farm Store to operate as a "temporary" vendor and as such has not required them to enter into a lease agreement where their rent is determined on a price per square foot basis. As a temporary vendor, Howell Farm Store is charged a daily fee. In addition, the vendor should also be required to pay CAM charges. Based upon Howell's Farm Store being billed \$7,300 on an annual basis (based upon \$20.00/day); Howell's Farm Store is in effect only paying \$4.05/sq. ft. for 1800 sq. ft. of utilized space. Comparatively Sheerji

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International Market, who is a permanent tenant, is paying \$16.00/sq. ft. For comparison the OFA used the same rental rate used to calculate Shreeji International Market rent, since both vendors are closely related and neither is a ready-to-eat food tenant. The \$16.00 sq. ft. is the lowest rate offered any other tenant. See table below:

Tenant	Sq. Ft.	Price/Sq. Ft.	Annual Base Rent	Actual Annual Rent Billed	Potential Additional Annual Rent
Howell's Farm Store	1,800	\$16.00	\$28,800.00	\$7,300.00	\$21,500.00
Shreeji International Market	3,078	\$16.00	\$49,248.00		

- l) In addition to monthly rent charges, some Market House tenants were billed for dry storage, freezer, and cooler rental on a monthly basis without written support. The lease agreements failed to address charges associated with renting dry storage, freezer, and cooler space. Per a memo dated June 14, 2011 from the Executive Director to Market House Merchants, "dry storage will remain at \$13.00/SF but we will have to increase the cooler/freezer space rent to \$17.00/SF. We will also take over the maintenance of the coolers and freezers. Space will be leased on a first come first serve basis and you will be required to sign a License Agreement detailing the responsibilities of each party." The Farmers' Market staff provided copies of three (3) agreements for dry storage, cooler and freezer rental space; however the agreements expired in 2005, 2006, and 2007 respectfully. The Farmers' Market was unable to provide current up-to date license agreements supporting the charges to tenants for dry storage, cooler, and freezer storage charges.

The following table provides the tenants charged, the amount of dry storage, the amount of freezer/cooler charges, and the total charges from January 2010 to December 2011 that was not supported by written license agreements:

Tenant	Dry Storage Charges	Freezer/Cooler Charges	Total Storage Charges
B & C Market	\$0.00	\$85.00	\$85.00
JamaiciaWay	\$1,284.22	\$1,928.76	\$3,212.98
Chicago Gyros	\$799.52	\$1,144.20	\$1,943.72
Shreeji	\$8,426.30	\$5,807.16	\$14,233.46
Farmer's Deli	\$1,300.00	\$0.00	\$1,300.00
Fleur de Lis	\$1,035.00	\$0.00	\$1,035.00
Total	\$13,925.04	\$9,857.62	\$23,782.66

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As a result of the above stated discrepancies and/or weaknesses (listed as a-1), the OFA concluded that Market House tenants were in fact not being billed the rent in accordance with their lease agreements. Some tenants were over charged rent while others were not charged enough. Market House tenant rents are comprised of three (3) areas, the base rent of the space being utilized, the CAM charge, and Food Area Maintenance (hereinafter referred to as FAM); however, upon review of the monthly billings, the Farmers' Market failed to present the breakdown of the rent billed and instead billed a combined monthly total rent.

The following table compares the total rent billed to the stated rates per the contract for each leased tenant from January 2010 to December 2011. See Appendix A for details:

Tenant	SF	Rent Billed	Base Rent	CAM	FAM	Total Rent per Calculations	Overbilled/ (Under-billed)
B & C Market BBQ	1,064	\$38,692.23	\$28,421.21	\$4,655.00	\$2,327.50	\$35,403.71	\$3,288.52
Jamaica Way	1,064	\$34,647.18	\$33,427.33	\$4,655.00	\$2,327.50	\$40,409.83	\$(5,762.65)
Chicago Gyros	686	\$33,073.69	\$23,381.17	\$3,077.28	\$1,533.21	\$27,991.66	\$5,082.03
Green Asia	1,066	\$5,250.71	\$12,436.67	\$2,283.02	\$1,110.42	\$15,830.10	\$(10,579.39)
Swagruha	434	\$15,568.23	\$15,298.50	\$1,946.85	\$969.99	\$18,215.34	\$(2,647.11)
Nooley's	448	\$13,716.69	\$12,701.92	\$2,009.65	\$1,001.28	\$15,712.85	\$(1,996.16)
Butter Cake Babes	264	\$1,908.28	\$2,200.00	\$452.32	\$220.00	\$2,872.32	\$(964.04)
Farmer's Deli	434	\$16,338.45	\$15,841	\$1,898.75	\$949.38	\$18,689.13	\$(2,350.68)
El Burrito	742	\$26,185.56	\$23,249.33	\$3,328.49	\$1,658.37	\$28,236.19	\$(2,050.63)
AM@FM	393	\$2,617.50	\$720.50	\$491.25	\$204.69	\$1,416.44	\$1,201.06
Fleur de lis	288	\$11,777.76	\$11,232.00	\$1,260.00	\$630.00	\$13,122.00	\$(1,344.24)
Shreeji	3,078	\$53,136.43	\$59,581.50	\$0.00	\$0.00	\$59,581.50	\$(6,445.07)
Louisiana Seafood ¹	551	\$405.62	\$0.00	\$226.16	\$0.00	\$226.16	\$179.46
Howell's Farm Store ²	1,800	\$12,760.00	\$12,760.00	\$0.00	\$0.00	\$12,760	\$0.00
Totals	12312	\$266,078.33	\$251,251.13	\$26,283.77	\$12,932.33	\$290,467.23	\$(24,388.90)

¹ Base rent is determined to be 5% of sales for the first \$10,000 in store sales and 7% of sales above the initial \$10,000. The rent due was self-reported verbally; Farmers' Market failed to require Louisiana Seafood Company to report sales in writing, therefore the OFA could not determine the amount of base rent due without the sales figures.

² Per Farmers' Market Director, Howell's Farm Store was a temporary vendor working off a license agreement charging them \$20.00 per day. The OFA noted that it appear that Howell's Farm Store had moved beyond a "temporary" vendor and was operating as a permanent vendor of the Market House. The vendor has an established entrance and exit, are not required to remove unsold items from location on a daily basis as required by the license agreement, and had been in operation during the entire 2 year period that was reviewed.

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- m) The OFA noted that the Louisiana Seafood Company’s lease agreement contained the following statement under Section 10 Premises (f) Exclusive Rights, “Lessee shall have the exclusive right to operate a traditional Coffee Shop at the Nashville Farmers’ Market.” The Louisiana Seafood Company is not a coffee shop but rather a vendor that sells fresh and frozen seafood for off-site consumption.
- n) Tests revealed inconsistencies in the treatment of garden center vendors. The OFA noted discrepancies, inconsistent treatment and failure to enforce the NFM rules and regulations in the management of the Nashville Farmers’ Market Garden Center.
- The lease agreement with Gary Lamberth DBA Direct Grower Industries (DGI) state, “a 5% late payment penalty on rents that are not paid by the tenth of the month”. The Rules and Regulations Governing the Operation of Metropolitan Nashville-Davidson County Farmers’ Market and all other lease agreements the late payment penalty is 10%. It appears that the Farmers’ Market does not enforce the late payment penalty.
 - The Farmers’ Market has two vendors operating off of leases located outside the Market House. They are the Gardens of Babylon and Gary Lamberth DBA Direct Growers Industries. Per the lease agreements, Direct Growers Industries monthly lease payments equals \$1,800/Month and The Gardens of Babylon rent payment equals \$2,855.82/Month. According to both lease agreements, the vendors occupy approximately 22,380 SF of space; in addition, the Gardens of Babylon occupies 4,900 SF of greenhouse space.

The following tables provides details as to the amount of rent billed, the amount of rent per lease agreements, and the amount of over/(under) billed rent for the time period of January 2010 to December 2011:

Tenant	Rent Billed	Rent Per Lease	Over / (Under) Billed Amounts
The Gardens of Babylon	\$67,814.26	\$67,177.08	\$637.18
Direct Growers Industries	\$40,800.00	\$40,800.00	\$0.00

The OFA also noted that both the Gardens of Babylon and the DGI were not required to pay CAM charges; however, both vendors received the benefit of the facilities and should also be required to pay their share of this cost.

Recommendations:

The Board of Directors in consultation with Metro Finance and other Metro stakeholders should focus on revamping the Farmers’ Market operations and review existing funding streams along with its current

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business model to determine if the market can be successful financially. It is our recommendation that the Board take the following measures to address the deficiencies noted:

- a) Develop a new market strategic plan and completely overhaul its governing rules and regulations.
- b) Develop a new contract template with same and consistent terms for all tenants; with appropriate terms for the different markets/lines of business. Issues addressed in the Addendums should be fully incorporated into the body of the tenant contract.
- c) Any variation or special treatment warranted for certain tenants should be addressed under a Special Provisions clause within the contract.
- d) Establish a base rent for the different markets and require that all vendors in the market pay the base rent.
- e) Establish criteria for premium/surcharges or discounts for certain products and tenants/vendors that it intends to attract.
- f) Publish the rates in a public space.
- g) Establish consistent intervals in the escalation clauses in all contracts.
- h) Establish a consistent grace period for deferred rent afforded every vendor. Any extra time needed beyond the standard period should be submitted in writing to the Market Director and voted on at Board meetings before final approval.
- i) Require that all vendors in a particular market section pay the same rates for common costs; such CAM and FAM.
- j) The Market Director and staff should monitor the operational expenses each month; investigate any unusual changes and report the results of the current operations to the Board. The Board should continually review variances between utility bills to the market and how those charges are allocated to vendors.
- k) The Board should review all contracts and sign off on the actual final agreements. The Board Chair should be added as a signee to the actual agreements.
- l) The Board should limit the instances of Exclusive Rights; however, when granted, the Board should ensure the Farmers' Market honors the exclusive rights granted. The Board should develop policies and procedures for granting exclusive rights in the future.

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- m) All communication related to the lease agreements should be in writing with copies available to the Board. All files should be readily accessible for management or audit review.
- n) The effective commencement date when vendors are expected to begin paying rent should be communicated in writing to the vendors and copied to the Board.
- o) The Board should encourage the vendors to organize and meet periodically. The Board should set aside times and protocols in its Board meetings to receive regular feedback from tenant/vendor representatives.
- p) The Board should take the necessary measures to promote fairness and consistency in the treatment of the vendors.
- q) The NFM should take the necessary measures to enforce its rules and regulations consistently to ensure all vendors are treated fairly.
- r) The NFM should ensure that all late payments are assessed the late fees.
- s) The NFM should follow-through and ensure that vendors that fail to pay assessed penalties and fees are handled appropriately.
- t) The Gardens of Babylon and the DGI should be billed for a share of the Common Area Maintenance.
- u) The NFM should develop procedures and guidelines for how these rules and regulations shall be implemented, tracked and reported.

Finding:

2. Cost allocation issues impacted market operations

- a) Tests indicate the Nashville Farmers' Market failed to establish and maintain a cost allocation plan to adequately track, monitor and allocate full costs of its operations. Management did not monitor its costs of operations and thereby failed to adjust and distribute shared costs to vendors equitably. The NFM receives a subsidy from Metro Nashville Government; however, as an enterprise fund it is required to be self-supporting and is, therefore, required to cover its costs with the revenues generated from leases and fees. The OFA requested a copy of Nashville Farmers' Market Cost Allocation Plan from the Director but was not provided one.

The NFM charges vendors CAM and FAM intended to cover costs for services that benefit all tenants; such as the utilities to heat, cool, light, upkeep of common sitting areas and bathrooms. The CAM and FAM costs rates are stated in the lease agreements and intended to be adjusted by

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current Consumer Price Index (CPI) annually. Inquiries and tests indicate the CAM and FAM were set arbitrarily without reliable and justifiable bases.

The table below shows the costs of utilities billed and paid for the Farmers' Market and the costs NFM charged to its tenants during the fiscal year ended June 30, 2011. Since the NFM has not been monitoring the cost of operations, the Market has been, in a way, subsidizing private business operations, based on current operating costs.

For Fiscal Year Ended June 30, 2011

Utilities	Total Amount Billed to Farmers' Market	Total Amount Farmers' Market Billed to Tenants	Unallocated Balance
Electricity	\$141,979.51	\$33,172.40	\$ 108,807.11
Gas	\$ 20,934.69	\$15,180.06	\$5,754.63
Water	\$ 16,816.73	\$ 10,003.25	\$6,813.48
Trash	\$ 16,816.73	\$ 6,500.00	\$10,316.73
Total	\$ 196,547.66	\$ 64,855.71	\$ 131,691.95

The OFA is not confident that NFM took the necessary preventative measures that could have minimized the cost of the utilities such as turning off lights, fixing water leaks in timely manner and establishing a reasonable room temperature for the Market House.

- b) The OFA's analysis of the NFM costs indicates that the Nashville Farmers' Market lost almost \$500,000 the fiscal year ended June 30, 2011. While the losses are partly due to the May 2010 Flood, it is believed the impact of the flood on cost allocations were minimal because the driving factors; such as the cost of utilities were down during that period as well. Further review of the costs indicates CAM and FAM rates should have been higher than the rates charged to the vendors for the entire period. The current CAM and FAM rates average \$2.50 and \$1.25 per sq. ft. for a combined rate of \$3.75 per sq. ft. OFA's analysis indicates the combined CAM and FAM rate should have been an estimated \$14.34 to fully recover NFM's operational costs. The OFA considered several allocation bases but all result in higher CAM and FAM rates for tenants. The three options of cost allocation are presented and discussed in Appendix B.

Recommendations:

The OFA recommends that NFM take the following measures:

- a) Take necessary measures to allocate all common costs especially utilities.
- b) Establish a process to continually track and monitor its operating costs.
- c) Develop a comprehensive cost allocation plan to ensure equitable distribution of common costs.

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- d) Establish a basic rate for vendors that reflect current common costs, with premium charges for other services beyond the basic services covered by the basic rate.
- e) Publish the plan and shared with all tenants.
- f) Adjust the plan annually based on actual costs of the preceding year.
- g) Adjust the CAM and FAM rates to recover its total costs. If the operating costs remain the same, the combined CAM and FAM rates should be at least \$14.34 per sq. ft.
- h) Adjust the rental rates for the Flea Market and Farm Side to cover its total costs. If the operating costs remain the same, the weekly rental rates for the Flea Market should be at least \$111.19 and Farm Side should be \$113.01.

Finding:

3. There are deficiencies in the Farmers' Market financial operations that need improvement.

- a) The staff member providing accounting services is an Office Support Representative with no accounting or finance background. The responsibilities placed on the staff member is not commensurate with the class and pay grade for the position.
- b) The staff member providing accounting services is involved in the receipting, collecting, depositing, and recording of revenue. The lack of adequate segregation of duties allowed this staff member to have complete control of entire processes that could not allow any discrepancies and misappropriations to be detected in a timely manner.
- c) At least three other staff collected fees along with the support staff member that handled the finances. No one staff member was responsible for collecting and accounting for all revenues. It appears that any staff that was available handled the receipts.
- d) A significant share of the revenues was collected in cash, especially the Flea Market and Farm Side vendors. Tenants/vendors may pay at the office; however, the majority of the revenues were collected by staff as they walk through the Market. They collected fees from the vendors, prepared a receipt and dropped the funds collected in a safe.
- e) The NFM has not established a fixed office space, operating hours and designated person to collect funds. Due to the varied number of vendors and the number of persons involved in the collection, it is difficult to state with certainty that all fees were collected, deposited and accounted for in full.

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Recommendations:

- a) The NFM should hire a qualified accountant to manage its financial operations.
- b) The NFM should take the necessary measures to ensure no single staff member has complete control of any one process. The individuals responsible for the collecting and receipting of funds should not deposit funds at the bank and record the receipt of the funds in the accounting system. We recommend that designated staff collect payments and issue receipts for rent payments and that the Office Support Representative, who serves as the finance manager, performs the daily reconciliations and completes the deposit. This should reduce the risk that currently exists.
- c) The NFM should prohibit and/or discourage the payment of cash. The NFM should establish a policy that minimizes the receipt of cash for payment. Preferred methods of payment should be by check, money order or credit card.
- d) The NFM should establish a process that requires Flea Market and Produce vendors to register and make payments prior to the market day. The NFM should explore the development of an online registration and payments system.

Finding:

4. Controls over the NFM Night Market operations need improvement.

The Nashville Farmers' Market has conducted several Night Market events for which vendors are allowed to sell items beyond the normal business hours. Night Market events allow people who normally cannot visit the Market due to work or other factors the opportunity to visit due to longer operating hours. The Night Market produced two additional sources of revenue for the Farmers' Market; 1) Wine Sales, and 2) Vendor Fees.

- a) The wine and other alcoholic beverages were offered for sale at Night Market events through special event permits issued by the Tennessee Alcoholic Beverage Commission. The alcoholic beverages were purchased and offered for sale by Nashville Farmers' Market staff and not by private vendors. As a result, the Farmers' Market management has taken on an unnecessary liability as it relates to the sale of alcoholic beverages.
- b) Tests show the NFM failed to fully account for the revenue and expenses that generated from the Night Market events. Per Farmers' Market staff, revenue generated from wine sales were not deposited into a Metro bank account or recorded on Metro's official accounting system. The revenue appears to be in cash form and the proceeds were used to cover expenses of Night Market events such as the purchase of wine permits, cost of wine, entertainment expense, and other supplies. These expenses are also not recorded on Metro's accounting records. Revenue from vendor fees are deposited into Metro's bank account and are recorded as interior market rent within EBS. Expenses for the additional security required and the expenses associated with advertising and marketing are paid from the Market's operating budget and are reported in the

FINDINGS AND RECOMMENDATIONS

Metro accounting system. Therefore, the Farmers' Market has failed to provide a transparent and a full accounting of Night Market events.

- c) Per Metro's official accounting system, the Night Market events operated at a loss. However, when including revenue from wine sales, which were not recorded in Metro's accounting system, the Night Market events are shown to generate a profit.
- d) The Farmers' Market provided the OFA a schedule that summarizes revenue and expenses from Night Market events on a monthly basis. Upon inquiring as to the whereabouts of the balance of the cash on hand as indicated by the spreadsheet, the Farmers' Market provided an updated spreadsheet. The revised schedule showed reductions in revenue and an increase in expenses which reduced the amount of excess cash that should have been available.
- e) The OFA reviewed 100% of the support provided by Farmers' Market staff and has concluded that it is impossible to recreate or determine the amount of cash received and the amount of expenses incurred for the Night Market events. Farmers' Market staff relied upon volunteers to sell wine at \$5.00/glass at 3 separate wine stations. There was no receipting or tracking system used to record either the amount of money received or the amount of glasses of wine sold. Review of the documentation that was available revealed hand written notations (usually on an envelope) of the amount of money reported as collected throughout the event. The hand written documentation was only available for three events.

Due to the poor and inadequate documentation provided, the OFA attempted to test the reasonableness of the financial report of Night Market events provided by the Farmers' Market staff. To estimate the amount of wine served, the OFA determined the number of wine boxes purchased and subtracted the remaining wine boxes. Based on the number of wine boxes supposedly served at \$5.00/glass, the OFA determined the total revenue should have been \$29,469.

FINDINGS AND RECOMMENDATIONS

The total number of sales reported was only \$20,056; therefore, \$9,413.00 for which is unaccounted. See table below:

The OFA Assessment of Unaccounted Wine Revenues:

Total Boxes Purchased	316
Boxes remaining	25.5
Boxes used	290.5
Liters Per Box	3
Total Liters Used	871.5
Conversion factor from 1 liter to ounces	33.81
Number of Ounces Served	29,468.92
Standard wine servings in ounces per NFM staff	5
Number of Standard Glasses	5894
Price per Glass	\$ 5.00
Potential revenue per wine sales	\$ 29,468.92
Wine Revenue reported per revised Spreadsheet	<u>\$ 20,056.00</u>
Potential Unaccounted/Missing Revenues/Wine	<u>\$ 9,412.92</u>

Based on OFA's assessment as shown in the above table, an additional \$9,412.92 at \$5.00/glass represents approximately 1,882 glasses of wine that is unaccounted for or in other words approximately 94 (1,882/20) boxes of wine that had been purchased and paid for out of wine sale revenue for which is unaccounted.

Recommendations:

- a) The NFM should cease immediately from the practice of handling and managing the wine sales at the Night Market Events. The NFM should find a suitable qualified vendor to handle the wine sales.
- b) All financial transactions related to the Night Market operations should be recorded fully in the Metro Accounting system effective immediately.
- c) Revenues collected should be deposited intact. No purchases should be made out of cash collected. Purchases should be paid by check or via ACH transaction or credit card and recorded in the accounting system.
- d) Corrections to the recorded reports should be made by adjustments explaining the reasons for the changes.
- e) The NFM should take all necessary measures to determine the reasons for the gap in revenues or the missing wine boxes.

FINDINGS AND RECOMMENDATIONS

Finding:

5. Controls over the NFM Demonstration Kitchen operations need improvement.

The Farmers' Market operated a commercial grade kitchen from which the Market has started a program referred to the Grow Local Kitchen as a demonstration kitchen. The Farmers' Market rents the space to individuals to demonstrate food preparation techniques. Additionally the NFM conducts cooking classes, and uses the kitchen as a catering kitchen for which they have received a catering license from the Health Department. While reviewing the operations of the Grow Local Kitchen, the OFA noted several discrepancies:

- a) The Nashville Farmers' Market employs a Chef, as a contract employee and not an actual Farmers' Market staff member, to oversee the operations of the Grow Local Kitchen. There is not a written contract between the Chef and the Nashville Farmers' Market. Per the Chef, she is compensated for her work at \$16.00 per hour for which she submits an invoice for payment. In addition, based upon inquires and discussion with staff, the NFM did not seek proposals or RFPs from other potentially interested parties which is in violation of Metro procurement policies. The Chef hired appears to have been a friend or acquaintance of the Farmers' Market Executive Director and Marketing Director for several years prior to working together based upon statements from the Chef.
- b) Based upon our review of documentation provided to support the operations of the Grow Local Kitchen, the OFA noted that participants who register for cooking classes are provided the opportunity to pay the class fee with a credit card. The Grow Local Kitchen Chef has created an Intuit Payment Solutions account in order to process credit card payments. Review of the only month's account statement available revealed that the account is registered in the name of the Chef and lists the Chef's address; therefore, indicating she is the owner of the account and further implies that she is the recipient of the funds. The revenues generated from the cooking classes are Metro funds. The Farmers' Market has the authority to process credit card payments in the business office and those payments are linked to a Metro account.

Upon inquiring as to why the funds were not withdrawn from the Intuit Account and turned over to Metro to be deposited into a Metro account, the OFA was informed that the Chef has not figured out how to withdraw the funds in order to turn them over to Metro. As a result of not knowing how to access the funds, the Chef has utilized the credit for fees collected on the Intuit card to purchase supplies for cooking classes.

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The following table details the payments received by credit cards, expenses paid by the Intuit Account, and the balance of funds in the Account:

Transaction Date	Transaction Merchant/Type	Class	Income	Expense	Balance
1/30/2012	Revenue	Offal Good	35.00		
1/30/2012	Revenue	Offal Good	35.00		
2/1/2012	Card Fees			0.36	
2/16/2012	Restaurant Depot	Crawfish		57.62	
2/16/2012	Revenue	Crawfish	35.00		
2/16/2012	Revenue	Crawfish	35.00		
2/16/2012	Revenue	Crawfish	105.00		
2/21/2012	Amazon	Bento		97.63	
Total			245.00	155.61	89.39

- c) The Farmers' Market failed to fully account for revenue and expenses for the Grow Local Kitchen. As stated above, the funds from cooking class paid by credit card are neither deposited in Metro's bank account nor are they recognized in the Metro's accounting system. The expenses, paid with the Intuit account funds, are also not recorded in Metro's accounting system. In addition, per the Grow Local Chef, cash received for payment of cooking class fees are used to cover some expenses associated with the cooking class; mainly the cost of the "outside services" or other people who perform the class with the Chef. For example, for a recent crawfish cooking class, the owner of the Louisiana Seafood Company assisted with the cooking class and received \$16.00/hour plus half of the net profit as compensation and was paid out of the cash received from the class. Therefore, neither the full amount of revenue nor expenses generated by the class were recorded in Metro's accounting system.
- d) As a result of paying compensation out of the cash proceeds, the Nashville Farmers' Market could potentially violate IRS rules and regulations regarding the reporting of compensation paid to individuals. In addition, the individual who received the compensation could potentially fail to report taxable income to the IRS.
- e) Upon review of the information submitted by the Grow Local Kitchen Chef, the OFA noted that the Chef was allowed the use Metro credit cards issued to two staff members of the Farmers' Market. Per Metro guidelines only people whose name is embossed on the card is authorized to use the card.

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The following table outlines the expenditures made by the Chef on a Metro credit card:

Transaction Date	Merchant	Amount
12/13/2011	Louisiana Seafood Company	\$130.00
12/12/2011	Sweet Stash	\$77.50
12/14/2011	B&C	\$22.50
12/14/2011	Porter Road Butcher	\$69.00
12/12/2011	Cash and Carry	\$113.91
12/12/2011	International Market	\$ 36.95
12/12/2011	Howell's Sweet	\$ 51.72
12/12/2011	Johnny Howell	\$18.31
12/12/2011	Garrett Farms	\$29.22
12/13/2011	Cash and Carry	\$70.39
12/13/2011	Kroger	\$56.72
12/14/2011	Target	\$19.99

- f) The OFA also noted that the Grow Local Kitchen Chef has keys to the administrative offices of the Farmers' Market; therefore a non-Metro employee has access and the ability to access to the offices even when no one else is around.

Recommendations:

- a) The NFM Board should take the necessary measures to ensure that all contracted services for services follow Metro Procurement Code and Rules and Regulations.
- b) The NFM should ensure that there is an official contract for the services established that outlines the duties and responsibilities of all parties.
- c) All financial transactions related to the Demonstration Kitchen should be recorded in the Metro Accounting system effective immediately.
- d) Revenues collected should be deposited intact. No purchases should be made out of cash collected.
- e) Credit card payments from customers should be processed using NFM credit card account.
- f) The NFM should cease to use the contractor's personal card for any NFM purchases.
- g) All Metro credit cardholders should abide by the cardholder agreements. Only cardholders should be allowed to use the card.

FINDINGS AND RECOMMENDATIONS

Finding:

6. There are several violations and non-compliance with Metro Civil Service Regulations and payroll operations procedures.

Our review of personnel files, payroll records, interview of staff and review of attendance records revealed several violations and non-compliance with Metro rules and regulations.

- a) Tests indicate that staff earned and used considerable amounts of comp-time, however the earned time was self-reported and most of the time was earned by an employee working from home. The comp-time hours were not reviewed and approved by the immediate supervisor when earned or when used.
- b) Annual performance evaluations have not been performed for the staff at Farmers' Market for the past several years. The market director had not been evaluated by the Board and none of the staff that report directly to the market director had been evaluated in the past five years. The maintenance staff however received an evaluation in the past year.
- c) The OFA noted none of the staff had job plans that outlined expectations of the job. If annual evaluations are not performed, employees will not receive the necessary feedback to help them develop and improve future performance.
- d) OFA could not verify NFM employees beginning and ending vacation and sick leave balances. According to the staff assigned to handle the finances for the market, employees kept up with their vacation and sick time leave taken. At the end of the year, the staff requests vacation and sick leave taken by employees and submitted this information to Metro Human Resources Department. The vacation and sick time taken during 2011-2012 have not been reported to HR at the time of OFA's review.

Recommendations:

- a) The Market should develop a job plan for each staff that outlines the expectations of their jobs.
- b) Each employee's job performance should be evaluated at least annually. Additional evaluations may be done when necessary. Performing annual evaluations gives employees feedback on their job performance and helps them improve future performance.
- c) The Market Director or the immediate direct supervisor should review and approve time and attendance records of assigned employees. The director should review overtime and comp time earned and used by each employee. The records should be accessible and reconciled each payroll period.
- d) OFA recommends that employee vacation time taken be submitted bi-weekly, signed by the supervisor and entered into Metro's accounting system bi-weekly.
- e) The NFM should perform a reconciliation of time balances for all staff.

FINDINGS AND RECOMMENDATIONS

Finding:

7. Several issues and discrepancies were identified with the direct bill for utilities.

Our review of utility charges to the tenants revealed that the Farmers' Market failed to follow the terms of the vendor's lease agreement and/or the Farmers' Market General Rules and Regulations. These deficiencies and weaknesses discussed below relate to electricity, gas, water and trash services that are consumed directly by the tenants in their rented spaces.

In each lease agreement, Section 8.A. states "*Lessor agrees that the cost to the Lessee of any Lessor-provided utility service shall not exceed the amount the Lessee would have to pay had it independently obtained said utility service from the local utility provider.*" The Farmers' Market General Rules and Regulations Section V.K.4. states "*All utilities will be charged at the same rate they would receive from the utility supplying that particular utility.*"

Direct Billed Electricity:

The Farmers' Market receives one NES electric bill for the entire grounds. The Farmers' Market has installed electric meters to track the electric usage of each Market House tenants as well as a few outside tenants. The Farmers' Market contracted with meter-reading service providers for the express purpose of determining the electricity billings for each tenant. The OFA noted the following discrepancies and/or weaknesses in the review of the electricity billings.

- a) The Farmers' Market has not developed policies and procedures for reading and/or maintaining the electric meters used to charge the tenants for their electricity usage.
- b) The review also indicated that multiple meters did not register electricity usage for months at a time before the meters were re-initiated and/or replaced. Three of the meters currently being used by Market Place tenants are inoperable.
- c) Per information provided by Farmers' Market staff and billings from the service provider, there could have been either 43 or 44 electric meters on the premises. The OFA was only able to verify 37 meters. The OFA could not confirm if the missing meters even existed, which could mean the Farmers' Market overpaid the meter reading service provider for reading those meters. The fee involved is immaterial; however, the NFM should not pay for non-existent meters.
- d) The review of the contracted meter readings indicated that the meter readings provided by Power & Generation were unreliable. The OFA was unable to determine what caused the deficiencies.

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The electricity usage for the month of October 2010 was incorrectly duplicated in the month of November 2010. Therefore, the November 2010 meter readings are inaccurate and the associated invoiced amounts are incorrect.

The meter readings for the month of March 2011 cannot be located. Since the March 2011 meter readings are missing, the electricity charges invoiced to the tenants cannot be verified against the Power & Generation readings.

- e) The review of the invoiced electricity billings indicated that the Farmers' Market management does not bill the tenants based on the contracted meter readings during most months. The OFA was unable to determine why the electricity billings provided by Power & Generation and Intella Systems were not used.

The April 2010 electricity usage was never invoiced to the Market Place tenants. The OFA was unable to determine the amount of electricity that the Farmers' Market would have invoiced the tenants during this period.

- f) The review of the rates used to determine the electricity usage billings indicates that the wrong rate was used in 18 of the 24 months tested. Some months, the rates used were based on the prior months NES General Power Rate Schedule - GSA. Other months, the rates used were based on the current months NES GSA schedule. In several months of the months tested, there is no basis available.
- g) There are no agreements in place for the use of coolers and freezers; therefore, the OFA was unable to determine if the rental charge for the coolers and freezers were intended to cover both the space and electricity used. The OFA estimated electricity usage for coolers and freezers at a minimum of \$1,000 a month that was not billed to the responsible tenants.

Direct Billed Gas:

The Nashville Farmers' Market receives one monthly gas bill from Piedmont Gas. The NFM utilized gas for heating the inside and outside and for heating water. Gas is also used by the restaurants with commercial stoves. NFM installed ten gas meters in eight (8) restaurants and two (2) in The Garden of Babylon's greenhouses.

- a) NFM billed restaurants for the use of gas to operate commercial oven. Farmers' Market staff reads the gas meter monthly and submits this information to Farmers' Market finance staff for billing. The billing rate used to bill the tenant is a rate determined by the Market Director. According to the Market Director, he estimated this rate.
- b) The OFA was unable to determine gas used by the Gardens of Babylon because the meters were not working.

FINDINGS AND RECOMMENDATIONS

The use of estimates was evident in the analysis of the gas bills to tenants during the past two fiscal years. See table below:

Farmers' Market Piedmont Natural Gas Account # 5000219504001			
Period	Tenants Billings	Piedmont Invoices	(Under-Billing)/ Over-Billing
7/1/10 -- 06/30/11	15,189.06	20,934.69	(5,745.63)
7/1/11 -- 12/31/11	11,518.64	7,808.42	3,710.22

Direct Billed Water and Trash:

Based upon review of the monthly invoices provided to the lease tenants, the OFA determined that the tenants were not being billed in accordance with the NFM policies.

- a) Farmers' Market did not charge leased tenants, located within the Market House, water and trash based upon actual usage but rather billed them the same amount each month for each service based upon an amount decided upon by the Executive Director. The amount charged to the Tenants was in no way related to the costs incurred. Farmers' Market was actually billed by Metro Water Services and Allied Waste.

FINDINGS AND RECOMMENDATIONS

The following table outlines the Market House Tenants and includes the amounts they were billed for water and trash in the month of December 2011. The tenants were billed the same amount each month:

Tenant	Monthly Water- Dec 2011	Monthly Trash - Dec 2011
B & C Market	\$ 85.00	\$ 100.00
JamaiciaWay	\$ 75.00	\$ 60.00
Chicago Gyros	\$ 75.00	\$ 60.00
Shreeji	\$ 75.00	\$ 100.00
Swagruha	\$ 115.00	\$ 125.00
Nooleys	\$ 75.00	\$ 60.00
Farmer's Deli	\$ 60.00	\$ 30.00
Fleur de Lis	\$ 75.00	\$ 25.00
El Burrito	\$ 115.00	\$ 125.00
Butter Cake Babe	\$ 50.00	\$ 35.00
Green Asia	\$ 150.00	\$ 125.00
AM@FM	\$ 50.00	\$ 35.00
Louisiana Seafood	\$ 20.00	\$ 20.00
Howell Farm Store	\$ -	\$ -
Total	\$ 1,020.00	\$ 900.00

FINDINGS AND RECOMMENDATIONS

The following table outlines the Market Tenants and the amounts billed for water and trash for the review period of January 2010 to December 2011:

Tenant	Water Charges	Trash Charges
B & C Market	\$ 1,645.00	\$ 1,540.00
Jamaica Way	\$ 1,575.00	\$ 1,260.00
Chicago Gyros	\$1,575.00	\$ 1,260.00
Shreeji	\$ 1,125.00	\$1,950.00
Swagruha	\$ 2,415.00	\$2,625.00
Nooleys	\$1,575.00	\$1,260.00
Farmer's Deli	\$1,200.00	\$600.00
Fleur de Lis	\$ 1,575.00	\$ 525.00
El Burrito	\$2,415.00	\$ 2,625.00
Butter Cake Babe	\$ 350.00	\$ 245.00
Green Asia	\$ 750.00	\$625.00
AM@FM	\$250.00	\$ 175.00
Louisiana Seafood	\$100.00	\$ 100.00
Howell Farm Store	\$0.00	\$0.00
Garden of Babylon***	\$4,919.61	\$0.00
DGI***^	\$ 494.78	\$0.00
Total	\$ 21,964.39	\$ 14,790.00

***Based upon actual water usage.

^The amount is only for 10 months out the 2 year time period reviewed. This includes all of the water billings supplied to the auditors by the Farmers' Market staff.

- b) DGI purchased and installed their own water meters at their expense. The Farmers' Market charged meter fees on two meters even though DGI actually owned the meters. The NFM continued to charge the fee after DGI brought it to their attention.
- c) The Nashville Farmers' Market had a water leak that appeared to have happened in June of 2011 and it continued until November 2011. Lack of controls regarding the monitoring and reviewing of their bills allowed the leak to go unnoticed for six months. As a result of the water leak, the water bills ranged from \$2,997.35 to \$5,138.91 which was about \$600.00 higher than their highest bill when there was no water leak. The Farmer's Market received a \$1,104.24 credit that represents only a fraction of the cost of allowing the leak to continue an extended period without addressing the problem.
- d) The OFA reviewed water billings from Metro Water Services for the review period of January 2010 to December 2011 to compare to water billed to the tenants of Farmers' Market.

FINDINGS AND RECOMMENDATIONS

The following table outlines the amount of actual water expense incurred by the Farmers' Market versus the amount of water billed to the tenants; the table also shows the amount of unallocated water expense for the Farmers' Market for the review period of January 2010 to December 2011:

Total Water Billed to Farmers' Market	Amount Billed to Tenants	Unallocated Water Expense
\$ 52,712.97	\$21,964.39	\$30,748.58

- e) The OFA reviewed trash billings from Allied Waste for the review period of January 2010 to December 2011 to compare to trash billed to the tenants of Farmers' Market.

The following table outlines the amount of actual trash expense incurred by the Farmers' Market versus the amount of trash billed to the tenants; the table also shows the amount of unallocated trash expense for the Farmers' Market for the review period of January 2010 to December 2011:

Total Trash Billed to Farmers' Market	Amount Billed to Tenants	Unallocated Trash Expense
\$ 36,921.72	\$14,790.00	\$22,131.72

Therefore the Nashville Farmers' Market failed to allocate \$52,880.30 worth of water and trash expense over the 2 year period being reviewed.

Recommendations:

- a) The NFM should verify that all gas meters for all utilities metered are working properly
- b) The NFM should promptly fix any meters that malfunction.
- c) The NFM should bill tenants based on electricity, gas, water used.
- d) The NFM should use the billings by the utility companies and not to exceed the restrictions listed in tenant lease.

FINDINGS AND RECOMMENDATIONS

Finding:

8. Other issues related to the Farmers' Market operations that need to be addressed

The Farm Shed is located under two open sheds with approximately 96 usable slots available 362 days a year. The Farmers' Market recognizes 4 distinct seasons: Winter, Early Spring, Peak Season and Late Fall. The rental rates range from \$5 to \$40 depending on the numbers of days a week the tenants will be at the Market and in what season. The tenants that reserve spaces for an entire season or year receive a discount.

- a) Supporting documentation was missing or inadequate for farm shed stall rentals. Tests revealed that the Farmers' Market has not maintained adequate supporting documentation for stall rentals. The Farmers' Market uses a combination of handwritten maps and receipts to track stall usage. Also, there are inconsistencies between the markings used on different staff member's maps. The OFA was unable to determine farm shed stall usage when using the official documentation.
- b) Upon reviewing the monthly billings for each seasonal and annual farm shed tenant, the OFA was unable to determine if the rent billed to the tenants was accurate and complete. The bills do not indicate the number of stalls or the rental rate charged for the stalls used by each tenant.
- c) Inconsistent treatment of farm shed tenants. Tests revealed that some farm shed tenants were allowed to pay bills late, sometimes many months late, with no indication of whether or not the tenant was assessed a late fee. The outstanding rent is not recorded or accrued in the Metro accounting system.
- d) The Rules and Regulations Governing the Operation of Metropolitan Nashville-Davidson County Farmers' Market also states that "No person shall sell or offer for sale on the market any item until the required fee or rent has been paid." The Farmers' Market does not enforce this rule.

Recommendations:

The Farmers' Market should develop a receipt and tracking system to manage the overall operations of the Farm Shed. At a minimum, the tracking system should be able to track the number of slots leased per week, the amount of money collected per week, the amount charged for each slot, and the number of vendors renting space per week.

MANAGEMENT'S COMMENTS

The Farmer's Market's Management reviewed a preliminary copy of the report and has responded with comments in the attached management's comments letter. See next page:



Fred Adom
Finance, OMB Monitoring
Howard Office Building
700 Second Avenue South
Nashville, Tennessee 37210

April 9, 2012

RE: Farmers' Market Audit

Dear Fred,

Late last year, it came to my attention that there were some potential problems in our accounting procedures, and knowing that our small Market staff did not have the time or manpower to fully research the existing methods and continue to maintain our day-to-day duties, I asked the Finance Department for assistance. After the preliminary review indicated a more complete review was needed, both I and the Board of Directors supported the completion of a full audit.

As Director of the Market, the responsibility of overseeing all operations is mine. After a brief review of the audit findings, I agree with some of the comments, disagree with some of the comments, and would like further explanation of different aspects and philosophies of the audit. I will work with the staff, the Board of Directors, and the respective Metro departments to research and review the findings, and address the issues. Some of the suggestions mentioned are already taking place.

With my upcoming retirement and the upcoming retirement of Carolyn Sanders, the new staff members will have more information and can be better trained to operate the Market more within the Metro guidelines.

I believe the success of the Market should be the end goal for everyone, and I will work with all involved to design methods and procedures to address the deficiencies noted in the audit.

Sincerely,


Jeff Themm
Director

Metropolitan Nashville and Davidson County Farmers' Market
900 Eighth Avenue North, Nashville, Tennessee 37208
Phone 615-880-2001 Fax 615-880-2000
www.nashvillefarmersmarket.org

APPENDIX A

Appendix A presents details of each Market House tenant's monthly billings in comparison to the tenant's lease agreement terms for the period January 1, 2010 through December 31, 2011. The presentation takes into account the effective dates of the lease, the commencement dates based on the turnover letters, the space occupied, the CAM and FAM rates and the amounts billed by the Farmers' Market. The report shows whether the tenant was over or under billed during the period based on the terms of the lease agreement.

B C Market BBQ
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per			Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
		Lease	CAM Per Lease	FAM Per Lease		
Jan-10	\$ 1,573.83	\$ 1,303.40	\$ 221.67	\$ 110.83	\$ 1,635.90	\$ (62.07)
Feb-10	\$ 1,573.83	\$ 1,303.40	\$ 221.67	\$ 110.83	\$ 1,635.90	\$ (62.07)
Mar-10	\$ 1,608.44	\$ 1,303.40	\$ 221.67	\$ 110.83	\$ 1,635.90	\$ (27.46)
Apr-10	\$ 1,608.44	\$ 1,303.40	\$ 221.67	\$ 110.83	\$ 1,635.90	\$ (27.46)
May-10	\$ 1,608.44	\$ 1,303.40	\$ 221.67	\$ 110.83	\$ 1,635.90	\$ (27.46)
Jun-10	\$ -	\$ -			\$ -	\$ -
Jul-10	\$ -	\$ -			\$ -	\$ -
Aug-10	\$ -	\$ -			\$ -	\$ -
Sep-10	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Oct-10	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Nov-10	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Dec-10	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Jan-11	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Feb-11	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Mar-11	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Apr-11	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
May-11	\$ 1,608.44	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ (93.07)
Jun-11	\$ 2,320.47	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ 618.96
Jul-11	\$ 2,320.47	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ 618.96
Aug-11	\$ 2,320.47	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ 618.96
Sep-11	\$ 2,320.47	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ 618.96
Oct-11	\$ 2,320.47	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ 618.96
Nov-11	\$ 2,320.47	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ 618.96
Dec-11	\$ 2,320.47	\$ 1,369.01	\$ 221.67	\$ 110.83	\$ 1,701.51	\$ 618.96
Totals	\$ 38,692.23	\$ 28,421.21	\$ 4,655.00	\$ 2,327.50	\$ 35,403.71	\$ 3,288.52

Date Lease Agreement is Signed	3/20/2007
Date Space is Turned Over	3/20/2007
Commencement Date based on Turnover Date	5/19/2007
Date Business Opened	2/10/2008
Which happened First?	Turnover plus buildout

Rent Schedule per Lease	Effective Date as Provided by Lease	PSF	Square Feet	CAM	FAM
Time Period	2/10/2008				
First 15 Months	March 2008 to May 2009	\$ 14.00	1064	\$ 2.50	\$ 1.25
Next 12 Months	June 2009 to May 2010	\$ 14.70			
Next 12 Months	June 2010 to May 2011	\$ 15.44			

Turn Over letter was not provided. This date represents date lease was signed.

JamiacaWay
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10	\$ 1,551.67	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (199.50)
Feb-10	\$ 1,551.67	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (199.50)
Mar-10	\$ 1,646.32	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (104.85)
Apr-10	\$ 1,646.32	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (104.85)
May-10	\$ 1,646.32	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (104.85)
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 1,646.32	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (104.85)
Oct-10	\$ 1,646.32	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (104.85)
Nov-10	\$ 1,646.32	\$ 1,418.67	\$ 221.67	\$ 110.83	\$ 1,751.17	\$ (104.85)
Dec-10	\$ 1,646.32	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (370.85)
Jan-11	\$ 1,646.32	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (370.85)
Feb-11	\$ 1,646.32	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (370.85)
Mar-11	\$ 1,646.32	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (370.85)
Apr-11	\$ 1,646.32	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (370.85)
May-11	\$ 1,646.32	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (370.85)
Jun-11	\$ 1,684.00	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (333.17)
Jul-11	\$ 1,684.00	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (333.17)
Aug-11	\$ 1,684.00	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (333.17)
Sep-11	\$ 1,684.00	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (333.17)
Oct-11	\$ 1,684.00	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (333.17)
Nov-11	\$ 1,684.00	\$ 1,684.67	\$ 221.67	\$ 110.83	\$ 2,017.17	\$ (333.17)
Dec-11	\$ 1,684.00	\$ 1,862.00	\$ 221.67	\$ 110.83	\$ 2,194.50	\$ (510.50)
Totals	\$ 34,647.18	\$ 33,427.33	\$ 4,655.00	\$ 2,327.50	\$ 40,409.83	\$ (5,762.65)

Date Lease Agreement is Signed	11/29/2007
Date Space is Turned Over	11/29/2007
Commencement Date based on Turnover Date	12/30/2007
Date Business Opened	Not Provided
Which happened First?	Turnover plus buildout

Turnover letter was not provided. This date represents the date the lease was signed.

Business Start date was not provided.

Rent Schedule per Lease	Effective Date as Provided by Farmer's Market	PSF	Square Feet	CAM	FAM
Time Period					
Start until 11/30/08		\$ 9.06	1064	\$ 2.50	\$ 1.25
12/1/08 - 11/30/09		\$ 15.00			
12/1/09 - 11/30/10		\$ 16.00			
12/1/10 - 11/30/11		\$ 19.00			
12/1/11 - 11/30/12		\$ 21.00			

Chicago Gyros
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10	\$ 1,259.99	\$ 857.50	\$ 142.92	\$ 71.46	\$ 1,071.88	\$ 188.12
Feb-10	\$ 1,259.99	\$ 857.50	\$ 142.92	\$ 71.46	\$ 1,071.88	\$ 188.12
Mar-10	\$ 1,413.70	\$ 857.50	\$ 146.92	\$ 73.17	\$ 1,077.59	\$ 336.11
Apr-10	\$ 1,413.70	\$ 857.50	\$ 146.92	\$ 73.17	\$ 1,077.59	\$ 336.11
May-10	\$ 1,413.70	\$ 857.50	\$ 146.92	\$ 73.17	\$ 1,077.59	\$ 336.11
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 1,413.70	\$ 857.50	\$ 146.92	\$ 73.17	\$ 1,077.59	\$ 336.11
Oct-10	\$ 1,413.70	\$ 857.50	\$ 146.92	\$ 73.17	\$ 1,077.59	\$ 336.11
Nov-10	\$ 1,413.70	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ (6.89)
Dec-10	\$ 1,413.70	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ (6.89)
Jan-11	\$ 1,413.70	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ (6.89)
Feb-11	\$ 1,413.70	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ (6.89)
Mar-11	\$ 1,413.70	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ (6.89)
Apr-11	\$ 1,413.70	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ (6.89)
May-11	\$ 1,413.70	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ (6.89)
Jun-11	\$ 1,941.33	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ 520.74
Jul-11	\$ 1,941.33	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ 520.74
Aug-11	\$ 1,941.33	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ 520.74
Sep-11	\$ 1,941.33	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ 520.74
Oct-11	\$ 1,941.33	\$ 1,200.50	\$ 146.92	\$ 73.17	\$ 1,420.59	\$ 520.74
Nov-11	\$ 1,941.33	\$ 1,486.33	\$ 146.92	\$ 73.17	\$ 1,706.43	\$ 234.91
Dec-11	\$ 1,941.33	\$ 1,486.33	\$ 146.92	\$ 73.17	\$ 1,706.43	\$ 234.91
Total	\$ 33,073.69	\$ 23,381.17	\$ 3,077.28	\$ 1,533.21	\$ 27,991.66	\$ 5,082.03

Date Addendum Agreement was Signed	10/3/2007
Date Space is Turned Over	6/9/2008
Commencement Date based on Turnover Date	7/9/2008
Date Business Opened	Not provided
Which happened First?	Turnover Plus Buildout

days to turn space over after lease was signed
250

Rent Schedule per Lease	Commencement Date Per Addendum	PSF	Square Feet	CAM	FAM
Time Period	7/9/2008				
First 15 Months	August 2008 to October 2009	\$ 15.00	686	\$ 2.50	\$ 1.25
Next 12 Months	November 2009 to October 2010	\$ 15.00	686		
Next 12 Months	November 2010 to October 2011	\$ 21.00	686		
Next 12 Months	November 2011 to October 2012	\$ 26.00	686		
Last 12 Months	November 2012 to October 2013	\$ 30.00	686		

Month	Rent Billed	Space Rent Per Lease			Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
		CAM Per Lease	FAM Per Lease			
Jan-10						
Feb-10						
Mar-10						
Apr-10						
May-10						
Jun-10						
Jul-10						
Aug-10						
Sep-10						
Oct-10						
Nov-10						
Dec-10						
Jan-11						
Feb-11						
Mar-11		\$ -	\$ 228.30	\$ 111.04	\$ 339.34	\$ (339.34)
Apr-11		\$ -	\$ 228.30	\$ 111.04	\$ 339.34	\$ (339.34)
May-11		\$ -	\$ 228.30	\$ 111.04	\$ 339.34	\$ (339.34)
Jun-11		\$ 1,776.67	\$ 228.30	\$ 111.04	\$ 2,116.01	\$ (2,116.01)
Jul-11		\$ 1,776.67	\$ 228.30	\$ 111.04	\$ 2,116.01	\$ (2,116.01)
Aug-11	\$ 339.37	\$ 1,776.67	\$ 228.30	\$ 111.04	\$ 2,116.01	\$ (1,776.64)
Sep-11	\$ 339.37	\$ 1,776.67	\$ 228.30	\$ 111.04	\$ 2,116.01	\$ (1,776.64)
Oct-11	\$ 339.95	\$ 1,776.67	\$ 228.30	\$ 111.04	\$ 2,116.01	\$ (1,776.06)
Nov-11	\$ 2,116.01	\$ 1,776.67	\$ 228.30	\$ 111.04	\$ 2,116.01	\$ -
Dec-11	\$ 2,116.01	\$ 1,776.67	\$ 228.30	\$ 111.04	\$ 2,116.01	\$ -
Totals	\$ 5,250.71	\$ 12,436.67	\$ 2,283.02	\$ 1,110.42	\$ 15,830.10	\$ (10,579.39)

Date Lease Agreement is Signed	11/22/2010
Date Space is Turned Over	11/22/2010
Commencement Date based on Turnover Date	2/21/2011
Date Business Opened	Not Provided
Which happened First?	Turnover Plus Buildout

Rent Schedule per Lease	Effective Date Per Lease	PSF	Square Feet	CAM	FAM
Time Period	02/21/11				
First 39 Months	March 2011 to May 2014	\$ 20.00	1066	\$ 2.57	\$ 1.25
Next 24 Months	June 2014 to May 2016	\$ 23.00			

Turnover letter was not provided. This date represents the date lease was signed.

Swagruha
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10	\$ 714.29	\$ 614.83	\$ 90.42	\$ 45.21	\$ 750.46	\$ (36.17)
Feb-10	\$ 714.29	\$ 614.83	\$ 90.42	\$ 45.21	\$ 750.46	\$ (36.17)
Mar-10	\$ 717.95	\$ 614.83	\$ 92.95	\$ 46.29	\$ 754.08	\$ (36.13)
Apr-10	\$ 717.95	\$ 614.83	\$ 92.95	\$ 46.29	\$ 754.08	\$ (36.13)
May-10	\$ 717.95	\$ 614.83	\$ 92.95	\$ 46.29	\$ 754.08	\$ (36.13)
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 717.95	\$ 614.83	\$ 92.95	\$ 46.29	\$ 754.08	\$ (36.13)
Oct-10	\$ 717.95	\$ 614.83	\$ 92.95	\$ 46.29	\$ 754.08	\$ (36.13)
Nov-10	\$ 717.95	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (180.79)
Dec-10	\$ 717.95	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (180.79)
Jan-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Feb-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Mar-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Apr-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
May-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Jun-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Jul-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Aug-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Sep-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Oct-11	\$ 759.50	\$ 759.50	\$ 92.95	\$ 46.29	\$ 898.74	\$ (139.24)
Nov-11	\$ 759.50	\$ 940.33	\$ 92.95	\$ 46.29	\$ 1,079.58	\$ (320.08)
Dec-11	\$ 759.50	\$ 940.33	\$ 92.95	\$ 46.29	\$ 1,079.58	\$ (320.08)
Total	\$ 15,568.23	\$ 15,298.50	\$ 1,946.85	\$ 969.99	\$ 18,215.34	\$ (2,647.11)

Date Lease Agreement is Signed	10/12/2007
Date Space is Turned Over	6/24/2008
Commencement Date based on Turnover Date	7/25/2008
Date Business Opened	11/5/2008
Which happened First?	Turnover plus Buildout

days to turn space over after lease was signed
256 signed

Rent Schedule per Lease Time Period	Effective Date Per Lease				PSF	Square Feet	CAM	FAM
	Lease							
First 15 Months	August 2008 to October 2009				16.00	434	\$ 2.50	\$ 1.25
Next 12 Months	November 2009 to October 2010				17.00			
Next 12 Months	November 2010 to October 2011				21.00			
Next 12 Months	November 2011 to October 2012				26.00			
Last 12 Months	November 2012 to October 2013				30.00			

The Original Nooley's
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10	\$ 650.00	\$ 588.00	\$ 93.33	\$ 46.67	\$ 728.00	\$ (78.00)
Feb-10	\$ 650.00	\$ 588.00	\$ 93.33	\$ 46.67	\$ 728.00	\$ (78.00)
Mar-10	\$ 653.51	\$ 588.00	\$ 95.95	\$ 47.79	\$ 731.73	\$ (78.22)
Apr-10	\$ 653.51	\$ 588.00	\$ 95.95	\$ 47.79	\$ 731.73	\$ (78.22)
May-10	\$ 653.51	\$ 588.00	\$ 95.95	\$ 47.79	\$ 731.73	\$ (78.22)
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 653.51	\$ 588.00	\$ 95.95	\$ 47.79	\$ 731.73	\$ (78.22)
Oct-10	\$ 653.51	\$ 588.00	\$ 95.95	\$ 47.79	\$ 731.73	\$ (78.22)
Nov-10	\$ 653.51	\$ 588.00	\$ 95.95	\$ 47.79	\$ 731.73	\$ (78.22)
Dec-10	\$ 653.51	\$ 588.00	\$ 95.95	\$ 47.79	\$ 731.73	\$ (78.22)
Jan-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Feb-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Mar-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Apr-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
May-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Jun-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Jul-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Aug-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Sep-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Oct-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Nov-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Dec-11	\$ 653.51	\$ 617.49	\$ 95.95	\$ 47.79	\$ 761.23	\$ (107.72)
Total	\$ 13,716.69	\$ 12,701.92	\$ 2,009.65	\$ 1,001.28	\$ 15,712.85	\$ (1,996.16)

Date Lease Agreement is Signed	4/2/2007
Date Space is Turned Over	7/31/2008
Commencement Date based on Turnover Date	9/29/2008
Date Business Opened	10/28/2008
Which happened First?	Turnover plus Buildout

Rent Schedule per Lease	Commencement Date	PSF	Square Feet	CAM	FAM
Time Period	09/29/08				
First 15 Months	October 2008 to December 2009	\$ 15.00	448	\$ 2.50	\$ 1.25
Next 12 Months	January 2010 to December 2010	\$ 15.75			
Next 12 Months	January 2011 to December 2011	\$ 16.54			

486 days to turn space over after lease was signed

Butter Cake Babe
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10						
Feb-10						
Mar-10						
Apr-10						
May-10						
Jun-10						
Jul-10						
Aug-10						
Sep-10						
Oct-10						
Nov-10						
Dec-10						
Jan-11						
Feb-11						
Mar-11						
Apr-11						
May-11		\$ -	\$ 56.54	\$ 27.50	\$ 84.04	\$ (84.04)
Jun-11	\$ 84.04	\$ -	\$ 56.54	\$ 27.50	\$ 84.04	\$ -
Jul-11	\$ 84.04	\$ -	\$ 56.54	\$ 27.50	\$ 84.04	\$ -
Aug-11	\$ 84.04	\$ 440.00	\$ 56.54	\$ 27.50	\$ 524.04	\$ (440.00)
Sep-11	\$ 84.04	\$ 440.00	\$ 56.54	\$ 27.50	\$ 524.04	\$ (440.00)
Oct-11	\$ 524.04	\$ 440.00	\$ 56.54	\$ 27.50	\$ 524.04	\$ -
Nov-11	\$ 524.04	\$ 440.00	\$ 56.54	\$ 27.50	\$ 524.04	\$ -
Dec-11	\$ 524.04	\$ 440.00	\$ 56.54	\$ 27.50	\$ 524.04	\$ -
Total	\$ 1,908.28	\$ 2,200.00	\$ 452.32	\$ 220.00	\$ 2,872.32	\$ (964.04)

Date Lease Agreement is Signed	1/26/2011
Date Space is Turned Over	1/26/2011
Commencement Date based on Turnover Date	4/27/2011
Date Business Opened	Not Provided
Which happened First?	Turnover plus buildout

Rent Schedule per Lease	Effective Date Per Lease	PSF	Square Feet	CAM	FAM
Time Period	04/27/11				
First 12 Months	May 2011 to April 2012	\$ 20.00	264	\$ 2.57	\$ 1.25
Next 12 Months	May 2012 to April 2013	\$ 21.00			
Next 12 Months	May 2013 to April 2014	\$ 22.00			

Turnover letter was not provided

Farmers Deli
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10	\$ 750.46	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (72.33)
Feb-10	\$ 750.46	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (72.33)
Mar-10	\$ 754.12	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (68.67)
Apr-10	\$ 754.12	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (68.67)
May-10	\$ 754.12	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (68.67)
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 754.12	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (68.67)
Oct-10	\$ 754.12	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (68.67)
Nov-10	\$ 754.12	\$ 687.17	\$ 90.42	\$ 45.21	\$ 822.79	\$ (68.67)
Dec-10	\$ 754.12	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (177.17)
Jan-11	\$ 754.12	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (177.17)
Feb-11	\$ 754.12	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (177.17)
Mar-11	\$ 754.12	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (177.17)
Apr-11	\$ 754.12	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (177.17)
May-11	\$ 754.12	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (177.17)
Jun-11	\$ 826.87	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (104.42)
Jul-11	\$ 826.87	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (104.42)
Aug-11	\$ 826.87	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (104.42)
Sep-11	\$ 826.87	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (104.42)
Oct-11	\$ 826.87	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (104.42)
Nov-11	\$ 826.87	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (104.42)
Dec-11	\$ 826.87	\$ 795.67	\$ 90.42	\$ 45.21	\$ 931.29	\$ (104.42)
Total	\$ 16,338.45	\$ 15,841.00	\$ 1,898.75	\$ 949.38	\$ 18,689.13	\$ (2,350.68)

Date Lease Agreement is Signed	3/21/2008
Date Space is Turned Over	7/15/2008
Commencement Date based on Turnover Date	8/15/2008
Date Business Opened	4/23/2009
Which happened First?	Turnover plus buildout

Rent Schedule per Lease	Commencement Date	PSF	Square Feet	CAM	FAM
Time Period	08/15/08				
First 15 Months	September 2008 to November 2009	\$ 17.00	434	\$ 2.50	\$ 1.25
Next 12 Months	December 2009 to November 2010	\$ 19.00			
Next 12 Months	December 2010 to November 2011	\$ 22.00			

116 days to turn space over after lease was signed

El Burrito
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10	\$ 1,221.20	\$ 989.33	\$ 154.58	\$ 77.29	\$ 1,221.21	\$ (0.01)
Feb-10	\$ 1,221.20	\$ 989.33	\$ 154.58	\$ 77.29	\$ 1,221.21	\$ (0.01)
Mar-10	\$ 1,227.45	\$ 989.33	\$ 158.91	\$ 79.15	\$ 1,227.39	\$ 0.06
Apr-10	\$ 1,227.45	\$ 989.33	\$ 158.91	\$ 79.15	\$ 1,227.39	\$ 0.06
May-10	\$ 1,227.45	\$ 989.33	\$ 158.91	\$ 79.15	\$ 1,227.39	\$ 0.06
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Oct-10	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Nov-10	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Dec-10	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Jan-11	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Feb-11	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Mar-11	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Apr-11	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
May-11	\$ 1,227.45	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (61.78)
Jun-11	\$ 1,287.68	\$ 1,051.17	\$ 158.91	\$ 79.15	\$ 1,289.23	\$ (1.55)
Jul-11	\$ 1,287.68	\$ 1,298.50	\$ 158.91	\$ 79.15	\$ 1,536.56	\$ (248.88)
Aug-11	\$ 1,287.68	\$ 1,298.50	\$ 158.91	\$ 79.15	\$ 1,536.56	\$ (248.88)
Sep-11	\$ 1,287.68	\$ 1,298.50	\$ 158.91	\$ 79.15	\$ 1,536.56	\$ (248.88)
Oct-11	\$ 1,287.68	\$ 1,298.50	\$ 158.91	\$ 79.15	\$ 1,536.56	\$ (248.88)
Nov-11	\$ 1,287.68	\$ 1,298.50	\$ 158.91	\$ 79.15	\$ 1,536.56	\$ (248.88)
Dec-11	\$ 1,287.68	\$ 1,298.50	\$ 158.91	\$ 79.15	\$ 1,536.56	\$ (248.88)
Total	\$ 26,185.56	\$ 23,249.33	\$ 3,328.49	\$ 1,658.37	\$ 28,236.19	\$ (2,050.63)

Date Lease Agreement is Signed	4/18/2008
Date Space is Turned Over	2/9/2009
Commencement Date based on Turnover Date	3/11/2009
Date Business Opened	6/17/2009
Which happened First?	Turnover plus buildout

Rent Schedule per Lease	Effective Date Per Lease	PSF	Square Feet	CAM	FAM
Time Period	03/11/09				
First 15 Months	April 2009 to June 2010	\$ 16.00	742	\$ 2.50	\$ 1.25
Next 12 Months	July 2010 to June 2011	\$ 17.00			
Next 12 Months	July 2011 to June 2012	\$ 21.00			

297 days to turn space over after lease was signed

Fleur de lis
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Underbilled Rent)
Jan-10	\$ 285.00	\$ 480.00	\$ 60.00	\$ 30.00	\$ 570.00	\$ (285.00)
Feb-10	\$ 285.00	\$ 480.00	\$ 60.00	\$ 30.00	\$ 570.00	\$ (285.00)
Mar-10	\$ 572.43	\$ 480.00	\$ 60.00	\$ 30.00	\$ 570.00	\$ 2.43
Apr-10	\$ 572.43	\$ 480.00	\$ 60.00	\$ 30.00	\$ 570.00	\$ 2.43
May-10	\$ 572.43	\$ 480.00	\$ 60.00	\$ 30.00	\$ 570.00	\$ 2.43
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
Oct-10	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
Nov-10	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
Dec-10	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
Jan-11	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
Feb-11	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
Mar-11	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
Apr-11	\$ 572.43	\$ 528.00	\$ 60.00	\$ 30.00	\$ 618.00	\$ (45.57)
May-11	\$ 572.43	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (93.57)
Jun-11	\$ 619.80	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (46.20)
Jul-11	\$ 619.80	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (46.20)
Aug-11	\$ 619.80	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (46.20)
Sep-11	\$ 619.80	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (46.20)
Oct-11	\$ 619.80	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (46.20)
Nov-11	\$ 619.80	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (46.20)
Dec-11	\$ 619.80	\$ 576.00	\$ 60.00	\$ 30.00	\$ 666.00	\$ (46.20)
Total	\$ 11,777.76	\$ 11,232.00	\$ 1,260.00	\$ 630.00	\$ 13,122.00	\$ (1,344.24)

Date Lease Agreement is Signed	7/17/2008
Date Space is Turned Over	10/6/2008
Commencement Date based on Turnover Date	1/5/2009
Date Business Opened	Not Provided
Which happened First?	Turnover plus Buildout

Rent Schedule per Lease	Effective Date Per Lease	Monthly Rate	Square Feet	CAM	FAM
Time Period	01/05/09				
First 15 Months	February 2009 to April 2010	\$ 480.00		\$ 60.00	\$ 30.00
Next 12 Months	May 2010 to April 2011	\$ 528.00			
Next 12 Months	May 2011 to April 2012	\$ 576.00			

days to turn space over after lease was signed
81

Shreeji International Market
Rent Billed versus Rent Calculated

Month	Rent Billed	Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
Jan-10	\$ 3,230.65	\$ 2,887.50	\$ -	\$ -	\$ 2,887.50	\$ 343.15
Feb-10	\$ 3,230.65	\$ 2,887.50	\$ -	\$ -	\$ 2,887.50	\$ 343.15
Mar-10	\$ 3,230.65	\$ 2,887.50	\$ -	\$ -	\$ 2,887.50	\$ 343.15
Apr-10	\$ 3,230.65	\$ 2,887.50	\$ -	\$ -	\$ 2,887.50	\$ 343.15
May-10	\$ 3,230.65	\$ 2,887.50	\$ -	\$ -	\$ 2,887.50	\$ 343.15
Jun-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Jul-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Aug-10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sep-10	\$ 705.37	\$ -	\$ -	\$ -	\$ -	\$ 705.37
Oct-10	\$ 352.12	\$ -	\$ -	\$ -	\$ -	\$ 352.12
Nov-10	\$ 352.12	\$ -	\$ -	\$ -	\$ -	\$ 352.12
Dec-10	\$ 352.12	\$ -	\$ -	\$ -	\$ -	\$ 352.12
Jan-11	\$ 352.12	\$ -	\$ -	\$ -	\$ -	\$ 352.12
Feb-11	\$ 352.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ (3,751.88)
Mar-11	\$ 352.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ (3,751.88)
Apr-11	\$ 352.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ (3,751.88)
May-11	\$ 2,613.13	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ (1,490.87)
Jun-11	\$ 4,457.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ 353.12
Jul-11	\$ 4,457.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ 353.12
Aug-11	\$ 4,457.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ 353.12
Sep-11	\$ 4,457.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ 353.12
Oct-11	\$ 4,457.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ 353.12
Nov-11	\$ 4,457.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ 353.12
Dec-11	\$ 4,457.12	\$ 4,104.00	\$ -	\$ -	\$ 4,104.00	\$ 353.12
Total	\$ 53,136.43	\$ 59,581.50	\$ -	\$ -	\$ 59,581.50	\$ (6,445.07)

Note: Appears to operate off of 2 leases due to vendor moving spaces.

Date Lease Agreement is Signed	10/27/2009
Date Space is Turned Over	4/20/2010
Commencement Date based on Turnover Date	7/20/2010
Date Business Opened	Not Provided
Which happened First?	Turnover pluse Buildout

days to turn space over
175 after lease was signed

Rent Schedule per Lease	Effective Date Per Lease	Monthly Rent	Square Feet	CAM	FAM
Time Period					
First 5 years	October 2002 to Sep	\$ 2,887.50	3078	\$ -	\$ -
Month to Month					

Rent Schedule per Lease	Effective Date Per Lease	PSF	Square Feet	CAM	FAM
Time Period	07/20/10				
First 180 days	August 2010 to January 2011	\$ -	3078	\$ -	\$ -
Next 12 Months	February 2011 to January 2012	\$ 16.00			
Next 12 Months	February 2012 to January 2013	\$ 16.40			

Louisiana Seafood Company
Rent Billed versus Rent Calculated

Month	Rent Billed
Jan-10	
Feb-10	
Mar-10	
Apr-10	
May-10	
Jun-10	
Jul-10	
Aug-10	
Sep-10	
Oct-10	
Nov-10	
Dec-10	
Jan-11	
Feb-11	
Mar-11	
Apr-11	
May-11	
Jun-11	
Jul-11	
Aug-11	\$ 118.00
Sep-11	\$ 118.00
Oct-11	\$ 56.54
Nov-11	\$ 56.54
Dec-11	\$ 56.54
Total	\$ 405.62

Space Rent Per Lease	CAM Per Lease	FAM Per Lease	Total Rent Per Lease	Overbilled Rent / (Under billed Rent)
				\$ 118.00
\$ -	\$ 56.54	\$ -	\$ 56.54	\$ 61.46
\$ -	\$ 56.54	\$ -	\$ 56.54	\$ -
\$ -	\$ 56.54	\$ -	\$ 56.54	\$ -
\$ -	\$ 56.54	\$ -	\$ 56.54	\$ -
\$ -	\$ 56.54	\$ -	\$ 56.54	\$ -
\$ -	\$ 226.16	\$ -	\$ 226.16	<u>\$ 179.46</u>

Date Lease Agreement is Signed	5/5/2011
Date Space is Turned Over	5/5/2011
Commencement Date based on Turnover Date	8/4/2011
Date Business Opened	Not Provided
Which happened First?	Turnover plus Buildout

Rent Schedule per Lease	Effective Date Per Lease	Monthly Rate	Square Feet	CAM	FAM
Time Period	08/04/11				
12 Months	September 2011 to August 2012	% of Sales	551	\$ 56.54	

APPENDIX B

Appendix B presents cost allocation options to recover the Farmers' Market total operating costs. The analysis is based on FY 2011 actual costs. Three options are presented for the NFMs' consideration. In all three scenarios the total costs is the same, the common costs, which consists of both CAM and FAM, is the same; however the allocation basis is different for each option. Common costs are those costs that are not attributable to any specific operation but benefit all markets. Those costs include security services, advertising, administrative staff time and benefits, insurance, lights and other similar cost

Option 1 allocates the common costs based on an estimate of staff dedicated to the different markets and the number of vendors. The common costs are allocated 20% to Market House (Interior), 40% to Flea Market, and 40% Farm Side (Produce). Based on that allocation the CAM and FAM rate will be \$14.34 per square feet. The Flea Market weekend rental rate would have to be at least \$111.19 and the Farm Side weekly rental rates would have to be at least \$113.01 to cover the costs of those operations.

Option 2 allocates the common costs equally to the different markets. The common costs are allocated 33.3% to Market House (Interior), 33.3% to Flea Market, and 33.4% Farm Side (Produce). Based on that allocation the CAM and FAM rate will be \$24.45 per square feet. The Flea Market weekend rental rate would have to be at least \$92.24 and the Farm Side weekly rental rates would have to be at least \$96.77 to cover the costs of those operations.

Option 3 allocates a higher percentage of the common costs to the Market House. The assumption is that the Market House houses year-round permanent tenants, and therefore would demand more administrative oversight. The common costs are allocated 40% to Market House (Interior), 30% to Flea Market, and 30% Farm Side (Produce). Based on that allocation the CAM and FAM rate will be \$24.45 per square feet. The Flea Market weekend rental rate would have to be at least \$92.24 and the Farm Side weekly rental rates would have to be at least \$96.77 to cover the costs of those operations.

It is recommended that the Board consider the above options, as well as other costs allocation methodologies, to determine a fair and equitable rate that recovers total costs of operations.

See the schedules attached.

Farmers Market Cost Allocation Analysis
Based on FY 2011 Actual Revenues & Expenditures
OPTION 1

Revenue:	Direct Bill	Adjusted For Direct Bill	Admin	Common Cost Pool	CAM/FAM Interior 20%	Flea Market 40%	Farm Side 40%		
Interior Rent	\$ 115,547.00	\$ 115,547.00							
Flea Market	\$ 245,139.00	\$ 245,139.00			\$ 129,352.00	\$ 245,139.00	\$ 315,092.00		
Farm/Re-Seller	\$ 315,092.00	\$ 315,092.00							
Utility Fees	\$ 55,752.00	\$ (55,752.00)	\$ -						
Storage Fees	\$ 13,805.00	\$ 13,805.00							
Other	\$ -	\$ -							
Total Revenue	\$ 745,335.00	\$ 689,583.00		\$ -	\$ 129,352.00	\$ 245,139.00	\$ 315,092.00		
Salary	\$ 244,606.00	\$ 244,606.00	\$ 244,606.00	2					
Fringe	\$ 112,691.00	\$ 112,691.00	\$ 112,691.00	2					
Security	\$ 134,665.00	\$ 134,665.00	\$ 8,977.67	3	\$ 125,687.33	\$ 25,137.47	\$ 50,274.93	\$ 50,274.93 (A)	
Water	\$ 17,235.00	\$ 17,235.00	\$ 1,206.45	3	\$ 16,028.55	\$ 5,609.99	\$ 4,007.14	\$ 6,411.42 (B)	
Electric	\$ 152,897.00	\$ (55,752.00)	\$ 97,145.00	3	\$ 80,630.35	\$ 68,535.80	\$ 4,031.52	\$ 8,063.04 (B)	
Gas	\$ 28,112.00	\$ 28,112.00	\$ 6,247.11	3	\$ 21,864.89	\$ 19,678.40	\$ 1,093.24	\$ 1,093.24 (B)	
Disposal	\$ 24,597.00	\$ 24,597.00	\$ 1,639.80	3	\$ 22,957.20	\$ 20,661.48	\$ 1,147.86	\$ 1,147.86 (B)	
Advertising	\$ 44,818.00	\$ 44,818.00	\$ 2,987.87	1	\$ 41,830.13	\$ 8,366.03	\$ 16,732.05	\$ 16,732.05 (A)	
Internal Service Fees	\$ 16,684.00	\$ 16,684.00	\$ 3,336.80	1	\$ 13,347.20	\$ 2,669.44	\$ 5,338.88	\$ 5,338.88 (A)	
Repair	\$ 17,633.00	\$ 17,633.00	\$ 3,526.60	1	\$ 14,106.40	\$ 2,821.28	\$ 5,642.56	\$ 5,642.56 (A)	
Supplies	\$ 42,264.00	\$ 42,264.00	\$ 42,264.00	2					
Annual Lease	\$ 62,220.00	\$ 62,220.00	\$ 12,444.00	1	\$ 49,776.00	\$ 9,955.20	\$ 19,910.40	\$ 19,910.40 (A)	
Insurance	\$ 5,900.00	\$ 5,900.00	\$ 1,180.00	1	\$ 4,720.00	\$ 944.00	\$ 1,888.00	\$ 1,888.00 (A)	
Miscellaneous	\$ 14,024.00	\$ 14,024.00	\$ 14,024.00	2					
Total Expenses	\$ 918,346.00	\$ 862,594.00	\$ 471,645.94		\$ 390,948.06	\$ 164,379.08	\$ 110,066.59	\$ 116,502.39	\$ 390,948.06
Less Subsidy			\$ (89,900.00)						
Allocable Admin Costs			\$ 381,745.94		\$ 76,349.19	\$ 152,698.38	\$ 152,698.38	\$ 381,745.94	
					\$ 240,728.27	\$ 262,764.96	\$ 269,200.76	\$ 772,694.00	
					\$ 240,728.27	\$ 262,764.96	\$ 269,200.76	\$ 772,694.00	
B/4 Allocation of LOCAP and Depreciation	\$ (173,011.00)				\$ 12,560.00	\$ 25,120.00	\$ 25,120.00	\$ 62,800.00	
LOCAP	\$ 62,800.00				\$ 52,638.80	\$ 105,277.60	\$ 105,277.60	\$ 263,194.00	
Depreciation	\$ 263,194.00				\$ 305,927.07	\$ 393,162.56	\$ 399,598.36	\$ 1,098,688.00	
Net Loss	\$ (499,005.00)				\$(176,575.07)	\$(148,023.56)	\$(84,506.36)	\$(409,105.00)	

Notes

- 1 Admin's share computed at 20% of the entire bill
- 2 Admin's share computed at 100% of the entire bill
- 3 Admin's share computed at 20% of the INTERIOR bill. The Amounts allocated should be reduced by the direct bill amounts
- (A) Allocated based on percentage of revenue
- (B) Allocate 15% to Admin; less direct bill Allocated based on usage

Utility Allocations	Interior	Farm/Produce	Flea market
Electricity	85%	10%	5%
Gas	90%	5%	5%
Water	35%	40%	25%

	Sq./ft.	Share of Total Space	Share of Annual Common Cost	Share of Monthly Common Costs CAM/FAM
B&C	1,064	8.6%	\$ (15,259.57)	\$ (1,271.63)
Jamaica Way	1,064	8.6%	\$ (15,259.57)	\$ (1,271.63)
Chicago Gyros	686	5.6%	\$ (9,838.41)	\$ (819.87)
Green Asia	1,066	8.7%	\$ (15,288.26)	\$ (1,274.02)
Swagruha	434	3.5%	\$ (6,224.30)	\$ (518.69)
Nooley's	448	3.6%	\$ (6,425.08)	\$ (535.42)
Butter Cake babe	264	2.1%	\$ (3,786.21)	\$ (315.52)
Farmers Deli	434	3.5%	\$ (6,224.30)	\$ (518.69)
El Burrito	742	6.0%	\$ (10,641.55)	\$ (886.80)
AM@FM	393	3.2%	\$ (5,636.29)	\$ (469.69)
Fleur de lis	288	2.3%	\$ (4,130.41)	\$ (344.20)
Shreeji	3,078	25.0%	\$ (44,143.77)	\$ (3,678.65)
Louisiana Seafood	551	4.5%	\$ (7,902.28)	\$ (658.52)
Howell Farm Store	1,800	14.6%	\$ (25,815.07)	\$ (2,151.26)
	12,312	100.0%	\$ (176,575.07)	
Overall Combined CAM/FAM RATE			\$ (14.34)	per sq./ft.

Total Cost Including Admin, Locap & Depreciation		
	Flea Market	Farm Side
Cost	\$ 393,162.56	\$ 399,598.36
# of Weeks	52	52
Avg. cost/week	\$ 7,560.82	\$ 7,684.58
Average No spaces rented	68	68
Break-even Cost/Avg. Space	\$ 111.19	\$ 113.01

Farmers Market Cost Allocation Analysis
Based on FY 2011 Actual Revenues & Expenditures
Option 2

Revenue:	Direct Bill	Adjusted For		Admin	Common Cost Pool	CAM/FAM			
		Direct Bill				Interior	Flea Market	Farm Side	
						33%	33%	34%	
Interior Rent	\$ 115,547.00	\$ 115,547.00							
Flea Market	\$ 245,139.00	\$ 245,139.00				\$ 129,352.00	\$ 245,139.00	\$ 315,092.00	
Farm/Re-Seller	\$ 315,092.00	\$ 315,092.00							
Utility Fees	\$ 55,752.00	\$ (55,752.00)	\$ -						
Storage Fees	\$ 13,805.00	\$ 13,805.00							
Other	\$ -	\$ -							
Total Revenue	\$ 745,335.00	\$ 689,583.00			\$ -	\$ 129,352.00	\$ 245,139.00	\$ 315,092.00	
Salary	\$ 244,606.00	\$ 244,606.00	\$ 244,606.00	2					
Fringe	\$ 112,691.00	\$ 112,691.00	\$ 112,691.00	2					
Security	\$ 134,665.00	\$ 134,665.00	\$ 8,977.67	3	\$ 125,687.33	\$ 41,476.82	\$ 41,476.82	\$ 42,733.69	(A)
Water	\$ 17,235.00	\$ 17,235.00	\$ 1,206.45	3	\$ 16,028.55	\$ 5,609.99	\$ 4,007.14	\$ 6,411.42	(B)
Electric	\$ 152,897.00	\$ (55,752.00)	\$ 97,145.00	3	\$ 80,630.35	\$ 68,535.80	\$ 4,031.52	\$ 8,063.04	(B)
Gas	\$ 28,112.00	\$ 28,112.00	\$ 6,247.11	3	\$ 21,864.89	\$ 19,678.40	\$ 1,093.24	\$ 1,093.24	(B)
Disposal	\$ 24,597.00	\$ 24,597.00	\$ 1,639.80	3	\$ 22,957.20	\$ 20,661.48	\$ 1,147.86	\$ 1,147.86	(B)
Advertising	\$ 44,818.00	\$ 44,818.00	\$ 2,987.87	1	\$ 41,830.13	\$ 13,803.94	\$ 13,803.94	\$ 14,222.25	(A)
Internal Service Fees	\$ 16,684.00	\$ 16,684.00	\$ 3,336.80	1	\$ 13,347.20	\$ 4,404.58	\$ 4,404.58	\$ 4,538.05	(A)
Repair	\$ 17,633.00	\$ 17,633.00	\$ 3,526.60	1	\$ 14,106.40	\$ 4,655.11	\$ 4,655.11	\$ 4,796.18	(A)
Supplies	\$ 42,264.00	\$ 42,264.00	\$ 42,264.00	2					
Annual Lease	\$ 62,220.00	\$ 62,220.00	\$ 12,444.00	1	\$ 49,776.00	\$ 16,426.08	\$ 16,426.08	\$ 16,923.84	(A)
Insurance	\$ 5,900.00	\$ 5,900.00	\$ 1,180.00	1	\$ 4,720.00	\$ 1,557.60	\$ 1,557.60	\$ 1,604.80	(A)
Miscellaneous	\$ 14,024.00	\$ 14,024.00	\$ 14,024.00	2					
Total Expenses	\$ 918,346.00	\$ 862,594.00	\$ 471,645.94		\$ 390,948.06	\$ 196,809.80	\$ 92,603.89	\$ 101,534.36	\$ 390,948.06
Less Subsidy			\$ (89,900.00)						
Allocable Admin Costs			\$ 381,745.94			\$ 125,976.16	\$ 125,976.16	\$ 129,793.62	\$ 381,745.94
						\$ 322,785.96	\$ 218,580.05	\$ 231,327.98	\$ 772,694.00
						\$ 322,785.96	\$ 218,580.05	\$ 231,327.98	\$ 772,694.00
B/4 Allocation of LOCAP and Depreciation	\$ (173,011.00)					\$ 20,724.00	\$ 20,724.00	\$ 21,352.00	\$ 62,800.00
LOCAP	\$ 62,800.00					\$ 86,854.02	\$ 86,854.02	89,485.96	\$ 263,194.00
Depreciation	\$ 263,194.00					\$ 430,363.98	\$ 326,158.07	\$ 342,165.94	\$ 1,098,688.00
Net Loss	\$ (499,005.00)					\$(301,011.98)	\$(81,019.07)	\$(27,073.94)	\$(409,105.00)

Notes

- 1 Admin's share computed at 20% of the entire bill
- 2 Admin's share computed at 100% of the entire bill
- 3 Admin's share computed at 20% of the INTERIOR bill. The Amounts allocated should be reduced by the direct bill amounts
- (A) Allocated based on percentage of revenue
- (B) Allocate 15% to Admin; less direct bill Allocated based on usage

Utility Allocations	Interior	Farm/Produce	Flea market
Electricity	85%	10%	5%
Gas	90%	5%	5%
Water	35%	40%	25%

	Sq./ft.	Share of Total Space	Share of Annual Common Cost	Share of Monthly Common Costs CAM/FAM
B&C	1,064	8.6%	\$ (26,013.38)	\$ (2,167.78)
Jamaica Way	1,064	8.6%	\$ (26,013.38)	\$ (2,167.78)
Chicago Gyros	686	5.6%	\$ (16,771.79)	\$ (1,397.65)
Green Asia	1,066	8.7%	\$ (26,062.28)	\$ (2,171.86)
Swagruha	434	3.5%	\$ (10,610.72)	\$ (884.23)
Nooley's	448	3.6%	\$ (10,953.00)	\$ (912.75)
Butter Cake babe	264	2.1%	\$ (6,454.45)	\$ (537.87)
Farmers Deli	434	3.5%	\$ (10,610.72)	\$ (884.23)
El Burrito	742	6.0%	\$ (18,140.91)	\$ (1,511.74)
AM@FM	393	3.2%	\$ (9,608.33)	\$ (800.69)
Fleur de lis	288	2.3%	\$ (7,041.22)	\$ (586.77)
Shreeji	3,078	25.0%	\$ (75,253.00)	\$ (6,271.08)
Louisiana Seafood	551	4.5%	\$ (13,471.22)	\$ (1,122.60)
Howell Farm Store	1,800	14.6%	\$ (44,007.60)	\$ (3,667.30)
	12,312	100.0%	\$ (301,011.98)	
Overall Combined CAM/FAM RATE			\$ (24.45)	per sq./ft.

Total Cost Including Admin, Locap & Depreciation		
	Flea Market	Farm Side
Cost	\$ 326,158.07	\$ 342,165.94
# of Weeks	52	52
Avg. cost/week	\$ 6,272.27	\$ 6,580.11
Average No spaces rented	68	68
Break-even Cost/Avg. Space	\$ 92.24	\$ 96.77

Farmers Market Cost Allocation Analysis
Based on FY 2011 Actual Revenues & Expenditures
Option 3

Revenue:	Direct Bill	Adjusted For		Admin	Common Cost Pool	CAM/FAM			
		Direct Bill				Interior	Flea Market	Farm Side	
						40%	30%	30%	
Interior Rent	\$ 115,547.00	\$ 115,547.00							
Flea Market	\$ 245,139.00	\$ 245,139.00				\$ 129,352.00	\$ 245,139.00	\$ 315,092.00	
Farm/Re-Seller	\$ 315,092.00	\$ 315,092.00							
Utility Fees	\$ 55,752.00	\$ (55,752.00)	\$ -						
Storage Fees	\$ 13,805.00	\$ 13,805.00							
Other	\$ -	\$ -							
Total Revenue	\$ 745,335.00	\$ 689,583.00			\$ -	\$ 129,352.00	\$ 245,139.00	\$ 315,092.00	
Salary	\$ 244,606.00	\$ 244,606.00	\$ 244,606.00	2					
Fringe	\$ 112,691.00	\$ 112,691.00	\$ 112,691.00	2					
Security	\$ 134,665.00	\$ 134,665.00	\$ 8,977.67	3	\$ 125,687.33	\$ 50,274.93	\$ 37,706.20	\$ 37,706.20	(A)
Water	\$ 17,235.00	\$ 17,235.00	\$ 1,206.45	3	\$ 16,028.55	\$ 5,609.99	\$ 4,007.14	\$ 6,411.42	(B)
Electric	\$ 152,897.00	\$ (55,752.00)	\$ 97,145.00	3	\$ 80,630.35	\$ 68,535.80	\$ 4,031.52	\$ 8,063.04	(B)
Gas	\$ 28,112.00	\$ 28,112.00	\$ 6,247.11	3	\$ 21,864.89	\$ 19,678.40	\$ 1,093.24	\$ 1,093.24	(B)
Disposal	\$ 24,597.00	\$ 24,597.00	\$ 1,639.80	3	\$ 22,957.20	\$ 20,661.48	\$ 1,147.86	\$ 1,147.86	(B)
Advertising	\$ 44,818.00	\$ 44,818.00	\$ 2,987.87	1	\$ 41,830.13	\$ 16,732.05	\$ 12,549.04	\$ 12,549.04	(A)
Internal Service Fees	\$ 16,684.00	\$ 16,684.00	\$ 3,336.80	1	\$ 13,347.20	\$ 5,338.88	\$ 4,004.16	\$ 4,004.16	(A)
Repair	\$ 17,633.00	\$ 17,633.00	\$ 3,526.60	1	\$ 14,106.40	\$ 5,642.56	\$ 4,231.92	\$ 4,231.92	(A)
Supplies	\$ 42,264.00	\$ 42,264.00	\$ 42,264.00	2					
Annual Lease	\$ 62,220.00	\$ 62,220.00	\$ 12,444.00	1	\$ 49,776.00	\$ 19,910.40	\$ 14,932.80	\$ 14,932.80	(A)
Insurance	\$ 5,900.00	\$ 5,900.00	\$ 1,180.00	1	\$ 4,720.00	\$ 1,888.00	\$ 1,416.00	\$ 1,416.00	(A)
Miscellaneous	\$ 14,024.00	\$ 14,024.00	\$ 14,024.00	2					
Total Expenses	\$ 918,346.00	\$ 862,594.00	\$ 471,645.94		\$ 390,948.06	\$ 214,272.50	\$ 85,119.88	\$ 91,555.68	\$ 390,948.06
Less Subsidy			\$ (89,900.00)						
Allocable Admin Costs			\$ 381,745.94			\$ 152,698.38	\$ 114,523.78	\$ 114,523.78	\$ 381,745.94
						\$ 366,970.87	\$ 199,643.66	\$ 206,079.46	\$ 772,694.00
						\$ 366,970.87	\$ 199,643.66	\$ 206,079.46	\$ 772,694.00
B/4 Allocation of LOCAP and Depreciation	\$ (173,011.00)					\$ 25,120.00	\$ 18,840.00	\$ 18,840.00	\$ 62,800.00
LOCAP	\$ 62,800.00					\$ 105,277.60	\$ 78,958.20	\$ 78,958.20	\$ 263,194.00
Depreciation	\$ 263,194.00					\$ 497,368.47	\$ 297,441.86	\$ 303,877.66	\$ 1,098,688.00
Net Loss	\$ (499,005.00)					\$(368,016.47)	\$(52,302.86)	\$ 11,214.34	\$ (409,105.00)

Notes

- 1 Admin's share computed at 20% of the entire bill
- 2 Admin's share computed at 100% of the entire bill
- 3 Admin's share computed at 20% of the INTERIOR bill. The Amounts allocated should be reduced by the direct bill amounts
- (A) Allocated based on percentage of revenue
- (B) Allocate 15% to Admin; less direct bill Allocated based on usage

Utility Allocations	Interior	Farm/Produce	Flea market
Electricity	85%	10%	5%
Gas	90%	5%	5%
Water	35%	40%	25%

	Sq./ft.	Share of Total Space	Share of Annual Common Cost
B&C	1,064	8.6%	\$ (31,803.89)
Jamaica Way	1,064	8.6%	\$ (31,803.89)
Chicago Gyros	686	5.6%	\$ (20,505.14)
Green Asia	1,066	8.7%	\$ (31,863.67)
Swagruha	434	3.5%	\$ (12,972.64)
Nooley's	448	3.6%	\$ (13,391.11)
Butter Cake babe	264	2.1%	\$ (7,891.19)
Farmers Deli	434	3.5%	\$ (12,972.64)
El Burrito	742	6.0%	\$ (22,179.03)
AM@FM	393	3.2%	\$ (11,747.11)
Fleur de lis	288	2.3%	\$ (8,608.57)
Shreeji	3,078	25.0%	\$ (92,004.12)
Louisiana Seafood	551	4.5%	\$ (16,469.87)
Howell Farm Store	1,800	14.6%	\$ (53,803.58)
	<u>12,312</u>	<u>100.0%</u>	<u>\$ (368,016.47)</u>
Overall Combined CAM/FAM RATE			\$ (29.89)

Total Cost Including Admin, Locap & Depreciation		
	Flea Market	Farm Side
Cost	\$ 297,441.86	\$ 303,877.66
# of Weeks	52	52
Avg. cost/week	\$ 5,720.04	\$ 5,843.80
Average No spaces rented	68	68
Break-even Cost/Avg. Space	\$ 84.12	\$ 85.94