LOFTIS GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS ▪ BUSINESS ADVISORS

SANTA FE FARMERS MARKET INSTITUTE

Financial Statements
and
Independent Auditor's Report

December 31, 2018 and 2017

Santa Fe Farmers Market Institute

Table of Contents

Independent Auditor's Report

To the Board of Directors
Santa Fe Farmers Market Institute

We have audited the accompanying financial statements of the Santa Fe Farmers Market Institute (the "Institute")(a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(505) 293-5009 • Fax (505) 293-3597 • 4811 Hardware NE, Suite E-4 • Albuquerque, New Mexico 87109
www.loftisgroup.net

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Loftis Group LLC

Albuquerque, New Mexico
September 30, 2019

Financial Statements

Santa Fe Farmers Market Institute
Statements of Financial Position
December 31,

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	**$ 120,686**	$ 150,547
Accounts receivable, net of allowance for doubtful accounts of $4,650 at December 31, 2017 and 2016	**37,811**	27,052
Grants receivable	**-**	147,589
Prepaid expenses	**30,201**	18,246
Total current assets	**188,698**	343,434
Noncurrent assets		
Investments restricted for Farmers Microloan Program	**123,818**	174,133
Cash restricted for revolving Farmers Microloan Program	**70,260**	30,428
Cash restricted for token reimbursements	**24,497**	37,484
Property and equipment, net	**3,349,779**	3,321,382
Total noncurrent assets	**3,568,354**	3,563,427
Total assets	**$ 3,757,052**	$ 3,906,861
Liabilities and Net Assets		
Current liabilities		
Accounts payable	**$ 22,328**	$ 9,370
Payroll and related liabilities	**4,500**	3,556
Accrued vacation pay	**6,181**	6,183
Deferred revenue	**20,755**	20,670
Token reimbursements payable	**7,339**	5,101
Accrued property taxes	**14,204**	34,910
Note payable, current portion	**302,234**	27,707
Total current liabilities	**377,541**	107,497
Noncurrent liabilities		
Security deposits	**7,572**	19,385
Note payable, net of current portion and debt issuance costs	**-**	300,052
Total noncurrent liabilities	**7,572**	319,437
Total liabililties	**385,113**	426,934
Net assets		
Without donor restrictions	**3,050,351**	3,045,013
With donor restrictions	**321,588**	434,914
Total net assets	**3,371,939**	3,479,927
Total liabilities and net assets	**$ 3,757,052**	$ 3,906,861

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

Santa Fe Farmers Market Institute

Statement of Activities

For the Year Ended December 31, 2018

	With Donor Restrictions	Without Donor Restrictions	Total
Support and Revenue			
Earned income			
Leasing income	$ 384,434	$ -	$ 384,434
Other income	4,054	-	4,054
Total earned income	388,488	-	388,488
Grants and contributions			
Foundation grants	91,875	20,000	111,875
Governmental grants	2,402	3,125	5,527
Individual contributions	159,891	23,100	182,991
Corporate contributions	34,128	-	34,128
In-kind contributions	46,337	-	46,337
Total grants and contributions	334,633	46,225	380,858
Other support and revenue			
Fundraising income, net of related expenses	27,579	-	27,579
Investment income	2,972	-	2,972
Total other support and revenue	30,551	-	30,551
Net assets released from restrictions	159,551	(159,551)	-
Total support and revenue	913,223	(113,326)	799,897
Expenses			
Program services	592,673	-	592,673
Supporting services			
Management and general	192,086	-	192,086
Fundraising	123,126	-	123,126
Total supporting services	315,212	-	315,212
Total expenses	907,885	-	907,885
Change in net assets	5,338	(113,326)	(107,988)
Net assets, beginning of year	3,045,013	434,914	3,479,927
Net assets, end of year	$ 3,050,351	$ 321,588	$ 3,371,939

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

Santa Fe Farmers Market Institute
Statement of Activities
For the Year Ended December 31, 2017

	With Donor Restrictions	Without Donor Restrictions	Total
Support and Revenue			
Earned income			
Leasing income	$ 421,022	$ -	$ 421,022
Other income	17,485	-	17,485
Total earned income	438,507	-	438,507
Grants and contributions			
Foundation grants	73,400	15,000	88,400
Governmental grants	28,559	135,000	163,559
Individual contributions	72,987	22,500	95,487
Corporate contributions	27,429	-	27,429
In-kind contributions	52,590	-	52,590
Total grants and contributions	254,965	172,500	427,465
Other support and revenue			
Fundraising income, net of related expenses	32,198	-	32,198
Investment income	4,044	-	4,044
Total other support and revenue	36,242	-	36,242
Net assets released from restrictions	29,906	(29,906)	-
Total support and revenue	759,620	142,594	902,214
Expenses			
Program services	647,820	-	647,820
Supporting services			
Management and general	165,508	-	165,508
Fundraising	103,462	-	103,462
Total supporting services	268,970	-	268,970
Total expenses	916,790	-	916,790
Change in net assets	(157,170)	142,594	(14,576)
Net assets, beginning of year	3,202,183	292,320	3,494,503
Net assets, end of year	$ 3,045,013	$ 434,914	$ 3,479,927

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

Santa Fe Farmers Market Institute
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	$ 197,605	$ 102,755	$ 94,851	$ 395,211
Depreciation and amortization	117,244	11,596	-	128,840
Consultants and contracts	58,240	7,616	13,772	79,628
Occupancy costs	55,872	5,526	-	61,398
Leases	34,515	3,414	-	37,929
Supplies and office	31,543	3,734	307	35,584
Equipment expense and repairs and maintenance	30,095	2,976	-	33,071
Advertising and marketing	23,271	1,152	7,394	31,817
Accounting and legal	-	27,072	-	27,072
Bank and merchant fees	77	9,708	1,339	11,124
Printing and postage	871	4,580	5,070	10,521
Insurance	9,361	926	-	10,287
Bad debt	13,670	-	-	13,670
Interest	7,652	1,472	-	9,124
Miscellaneous	3,628	1,297	-	4,925
Travel	1,323	2,669	393	4,385
Scholarships and grants distributed	4,366	-	-	4,366
Professional development	150	2,918	-	3,068
Tokens	3,000	-	-	3,000
Dues and fees	190	2,675	-	2,865
Total expenses	$ 592,673	$ 192,086	$ 123,126	$ 907,885

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

Santa Fe Farmers Market Institute
Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	$ 188,353	$ 101,712	$ 86,643	$ 376,708
Depreciation and amortization	116,889	11,560	-	128,449
Consultants and contracts	78,363	6,591	12,113	97,067
Occupancy costs	87,719	8,676	-	96,395
Leases	33,673	3,330	-	37,003
Supplies and office	33,885	4,081	-	37,966
Equipment expense and repairs and maintenance	24,465	2,420	-	26,885
Advertising and marketing	28,404	1,984	2,336	32,724
Accounting and legal	-	12,903	-	12,903
Bank and merchant fees	7,890	1,353	1,284	10,527
Printing and postage	7,426	3,253	387	11,066
Insurance	9,546	944	-	10,490
Bad debt	-	-	-	-
Interest	15,948	1,577	-	17,525
Miscellaneous	379	1,339	-	1,718
Travel	2,005	1,750	504	4,259
Scholarships and grants distributed	9,397	-	-	9,397
Professional development	1,561	-	-	1,561
Tokens	-	-	-	-
Dues and fees	1,917	2,035	195	4,147
Total expenses	$ 647,820	$ 165,508	$ 103,462	$ 916,790

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

Santa Fe Farmers Market Institute
Statements of Cash Flows
For the Years Ended December 31,

		2018		2017
Cash flows from operating activities				
Cash received from tenants	**$**	**356,377**	$	401,913
Cash received from grants and contributions		**482,110**		252,528
Cash received from fundraising		**48,398**		52,689
Other cash received		**7,026**		21,529
Cash paid to employees and suppliers		**(755,356)**		(743,308)
Cash paid for interest		**(16,356)**		(17,525)
Net cash provided (used) by operating activities		**122,199**		(32,174)
Cash flows from investing activities				
Proceeds from the sale of investments		**23,470**		13,764
Purchases of property and equipment		**(148,058)**		(16,873)
Net cash used by investing activities		**(124,588)**		(3,109)
Cash flows from financing activities				
Principal payments on note payable		**(27,472)**		(26,121)
Net cash used by financing activities		**(27,472)**		(26,121)
Net decrease in cash and cash equivalents		**(29,861)**		(61,404)
Cash and cash equivalents, beginning of year		**150,547**		211,951
Cash and cash equivalents, end of year	**$**	**120,686**	$	150,547

Noncash Financing Activity

During the years ending December 31, 2018 and 2017, Santa Fe Farmers Market Institute capitalized interest in the amount of $7,232 and $0, respectively.

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

Santa Fe Farmers Market Institute
Notes to the Financial Statements
December 31, 2018 and 2017

1) Organization

Santa Fe Farmers Market Institute (the "Institute") is a non-profit corporation organized under the laws of the State of New Mexico in 2002. The Institute's purpose is to:

- Support the Santa Fe Farmers Market (the "Market") by owning and managing a long-term building and site for the Market in Santa Fe's Railyard District (the "Railyard");
- Implement programs to promote agricultural and other land-based traditions in northern New Mexico, and;
- Educate consumers about the cultural, nutritional and economic benefits of buying locally produced foods and agricultural products.

Support for the Institute comes primarily from individual, corporate, foundation, and governmental (federal, state, and local) grants and contributions.

2) Summary of Significant Accounting Policies

<u>Basis of Accounting and Presentation</u>
The financial statements of the Institute are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 958-205, *Not-for-Profit Entities–Presentation of Financial Statements*.

The Institute is required to report information regarding their financial position and activities according to the following two classes of net assets:

- *Net assets without donor restrictions* represent the portion of the Institute's net assets that are not restricted by donor-imposed stipulations and are available for operations and management's discretion.
- *Net assets with donor restrictions* represents resources restricted by donors as to purpose or by the passage of time and resources whose use by the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute.

<u>Use of Estimates</u>
Financial statement preparation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2) Summary of Significant Accounting Policies – continued

Cash and Cash Equivalents

For purposes of reporting cash flows, the Institute considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Institute maintains cash deposits in checking and savings accounts, as well as certificates of deposits, which at times may exceed federally insured limits. At December 31, 2018 and 2017, bank balances totaled $316,061 and $428,551, respectively, all of which was insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.

Restricted Cash and Investments

Restricted cash and investments include amounts deposited into accounts for use in the Farmers Microloan Program, as described in Note 13, and for token reimbursements under the Double Up Food Bucks program.

The Institute's restricted investments are comprised of long-term certificates of deposit. The carrying value of these investments reasonably approximate fair value. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Receivables

Receivables are stated at the amount that management expects to collect. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Allowances for uncollectible receivables is based on analysis and aging of receivables. Pledges receivable represent amounts pledged by the public during periodic fundraising events held by the Institute. Grants receivable represent unconditional pledges by corporations, private foundations or other grantors, or amounts collectible under agreements with government entities.

Property and Equipment

Purchased property and equipment are recorded at cost and donations of property and equipment are recorded as support at their estimated fair value at the date of donation. The Institute capitalizes expenditures for property and equipment in excess of $1,000 when the useful life extends beyond one year. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated using the straight-line method over the estimated useful lives ranging from 3 – 40 years. Leasehold improvements are amortized over their useful lives not to exceed the term of the related lease.

2) Summary of Significant Accounting Policies – continued

Accrued Vacation Pay
The Institute pays accrued vacation upon separation from service. Employees are not paid for accrued sick leave upon termination of their employment. A maximum carryover of 10 vacation days (80 hours) is allowed on an employee's employment anniversary date unless an exception to the carryover limit is approved by the Board of Directors.

Revenue Recognition
Unrestricted contributions are recognized when cash or ownership of donated assets is unconditionally promised to the Institute. The Institute recognizes gifts of cash and other assets as restricted if they are received with donor stipulations of purpose or time. The Institute recognizes revenue from governmental agencies when all eligibility requirements related to the award have been met, generally when a grant award is made to the Institute and funds have been obligated by the governmental agency, and is reported as revenue with donor restrictions.

Donated Assets, Materials and Services
The Institute receives in-kind donations of facilities, services and supplies. Contributions of facilities and supplies are recorded at their estimated fair values at the date of donation. Donated services that (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by the Institute if not provided by donation, are recorded at their fair values in the period received. A substantial number of unpaid volunteers have made contributions of their time that did not meet the criteria for recognition.

Income Taxes
The Institute is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Institute has adopted FASB ASC 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. The Institute has not recognized any changes to its financial statements for uncertain tax positions resulting from this adoption. The Institute's income tax filings for the years ended December 31, 2015 and thereafter are subject to audit by various taxing authorities.

Fair Value of Financial Instruments
For financial statement purposes, receivables, accounts payable, accrued liabilities, and note payable are considered financial instruments. The Institute estimates that the fair value of all financial instruments at December 31, 2018 and 2017, did not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position because of their short-term nature and because interest rates on the note payable approximate current market rates.

2) Summary of Significant Accounting Policies – continued

Advertising Costs
The Institute charges the costs of advertising to expense as incurred. Advertising costs totaled $21,754 and $23,412 for the years ended December 31, 2018 and 2017, respectively, not including in-kind advertising services received.

Functional Allocation of Expenses
The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Institute. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, occupancy costs, lease expense, equipment expense, repairs and maintenance, interest expense, and insurance. These expenses are allocated on the basis of square footage used by the different programs within the Institute.

New Accounting Standard
On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. During 2018, management implemented ASU 2016-14 and adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications
Certain reclassifications have been made to the 2017 financial information to conform to the 2018 financial statement presentation. Such reclassifications had no effect on 2017 net assets or the change in net assets.

Subsequent Events
Subsequent events through September 30, 2019, the date which the financial statements were available to be issued, were evaluated as follows for recognition and disclosure in the December 31, 2018, financial statements.

3) Liquidity and Availability

The following table reflects the Institute's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include artwork donated to the Institute with donor restrictions. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

Santa Fe Farmers Market Institute
Notes to the Financial Statements
December 31, 2018 and 2017

3) Liquidity and Availability – continued

	2018	2017
Financial assets, at year-end		
Cash and cash equivalents	**$ 120,686**	$ 150,547
Accounts receivable	**37,811**	27,052
Total financial assets, at year-end	**158,497**	177,599
Less amounts unavailable for general expenditures within one year, due to donor-imposed restrictions	**(36,511)**	(36,511)
Less amounts unavailable to management without Board approval, representing amounts designated for building reserves and capital improvements	**(81,978)**	(117,955)
Financial assets available to meet cash needs for general expenditures within one year	**$ 40,008**	$ 23,133

4) Receivables

Accounts Receivable

Accounts receivable consist of the following at December 31:

	2018	2017
Tenants	**$ 22,769**	$ 14,512
Defaulted microloans	**23,792**	17,190
Pledges	**4,000**	-
Less: Allowance for doubtful accounts	**(12,750)**	(4,650)
Total accounts receivable, net	**$ 37,811**	$ 27,052

Grants Receivable

Grants receivable consist of the following at December 31:

	2018	2017
City of Santa Fe	**$ -**	$ 139,500
NM Department of Agriculture	**-**	8,089
Total grants receivable	**$ -**	$ 147,589

Santa Fe Farmers Market Institute
Notes to the Financial Statements
December 31, 2018 and 2017

5) Property and Equipment

Property and equipment consist of the following as of December 31:

	2018	2017
Depreciable		
Buildings and improvements	**$ 4,401,900**	$ 4,250,014
Leasehold improvements	**117,516**	117,516
Landscaping	**13,095**	13,095
Furniture and equipment	**27,509**	22,330
Less: Depreciation and amortization	**(1,246,752)**	(1,119,858)
Total depreciable property and equipment, net	**3,313,268**	3,283,097
Construction in progress	**-**	1,774
Artwork	**36,511**	36,511
Property and equipment, net	**$ 3,349,779**	$ 3,321,382

During the 2018, the Institute had significant property and equipment activity which was made up primarily of renovations to the Market hall kitchen. Interest incurred during the construction phase of these renovations is included as part of the capitalized value of the property renovated. The total interest expense capitalized by the Institute during 2018 was $7,232.

6) Note Payable

During September 2012, the Institute issued a promissory note to a local financial institution for $457,773. The proceeds from the note were used to refinance a mortgage note and provide funds for construction and renovations of its leased premises. The loan is payable in monthly installments of $3,637, including interest at a fixed rate of 5%, through December 19, 2019. The note is secured by the Institute’s rights and interest in its tenant lease agreements plus assignment of rents on its leased premises located at 1607 Paseo de Peralta in Santa Fe, New Mexico.

The Institute reports debt issuance costs as a direct deduction from the face amount of the related debt. Unamortized debt issuance costs totaled $1,904 and $3,851 at December 31, 2018 and 2017, respectively. Amortization of debt issuance costs of $1,947 for the years ended December 31, 2018 and 2017 is reported as a portion of depreciation and amortization in the accompanying statements of activities.

The Institute is required to comply with various covenants for its note, including the timely submittal of financial information and the maintenance of certain financial ratios. As of December 31, 2018 and 2017, the Institute was in compliance with all covenants.

7) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2018	2017
Farmers Microloan Program		
Restricted cash and investments	**$ 193,841**	$ 204,561
Individual and foundation grants and contributions	**18,675**	14,575
Total farmers microloan program	**212,516**	219,136
Restricted cash for token reimbursements	**24,497**	37,484
Professional development	**30,320**	6,058
Programming Assistant	**11,500**	2,500
POP Club	**6,244**	-
Market hall kitchen improvements	**-**	133,225
Artwork	**36,511**	36,511
Total net assets with donor restrictions	**$ 321,588**	$ 434,914

Interest earned on the restricted funds is considered unrestricted and available to be used for general operations.

8) Net Assets Released From Restrictions

Net assets released from restriction consist of the following for the years ended December 31:

	2018	2017
Change in restricted cash and investments for farmers microloan program	**$ 10,719**	$ 10,642
Change in restricted cash for token reimbursements	**12,987**	3,122
Professional development	**738**	3,942
POP Club	**1,882**	-
Market hall kitchen improvements	**138,225**	1,775
Handicap access door	**-**	10,000
Microloans	**-**	425
Total net assets released from restrictions	**$ 164,551**	$ 29,906

9) Leasing Income

The Institute leases space in its leased premises, also known as the Market Building, to various tenants. Below is a summary of these lease agreements as:

- During September 2008, the Institute signed an agreement with the Market to lease the main Market Hall and other space of the Market Building for forty years, with four consecutive renewal options of ten years each. Base monthly rent amounts are charged, with an increase of 2.5% annually at the beginning of each calendar year thereafter.
- During June 2012, the Institute signed a second lease agreement with the Market to rent a first-floor retail space for 3.33 years with one 3-year renewal option. Base monthly rent amounts are charged, with an increase of 2.5% annually at the beginning of each calendar year thereafter.
- During January 2009, the Institute signed a lease agreement with an organization to rent a portion of its second-floor office space. The lease agreement commenced on January 1, 2009 and is for five years, with three consecutive renewal options of 5 years each. Base monthly rent amounts are charged, with an increase of 2.5% annually at the beginning of each calendar year thereafter. This tenant terminated its lease effective December 31, 2018.
- During May 2009, the Institute signed a lease agreement with a restaurant to rent a portion of its first-floor space. The lease agreement began October 1, 2009, and is for a period of 10 years, with two options to renew for five years each. Base monthly rent amounts are charged, with an increase of 2.5% annually at the beginning of each calendar year thereafter. Additionally, this tenant pays the Institute a percentage of its annual gross sales above the restaurant's "natural break point" for gross sales.
- During December 2009, the Institute signed an agreement with a local financial institution to allow the financial institution's Automatic Teller Machine (ATM) to be on the Institute's premises. The lease term is for five years, with three five-year renewal options. Base monthly rent amounts are charged.

Rental income for the years ended December 31, 2018 and 2017 was $384,434 and $421,022, respectively. These amounts include the common area maintenance (CAM) reimbursements received from tenants.

9) Leasing Income - continued

Future minimum lease payments to be received by the Institute are as follows:

Year ending December 31,		
2019	$	125,855
2020		49,571
2021		50,185
2022		51,440
2023		52,726
2024-2028		171,426
2029-2033		164,010
2034-2038		185,562
2039-2043		209,946
2044-2048		220,907
	$	1,281,628

10) Fundraising Income, Net of Related Expenses

Fundraising income consist of the following for the years ended December 31:

		2018		2017
Fundraising events				
Auction and ticket sales	**$**	**32,603**	$	32,417
Less: fundraising event expenses		**(20,819)**		(20,491)
Fundraising events, net of related expenses		**11,784**		11,926
Raffle ticket sales		**4,500**		1,397
Special appeals		**11,295**		18,875
Total fundraising income, net of related expenses	**$**	**27,579**	$	32,198

11) In-Kind Contributions

In-kind contributions consist of the following for the years ended December 31:

	2018	2017
Event materials/expenses	**$ 27,959**	$ 28,399
Advertising services	**18,378**	19,499
Photography and printing services	**-**	827
Professional services	**-**	3,865
Total in-kind contributions	**$ 46,337**	$ 52,590

12) Operating Lease

The Institute signed a lease with the Santa Fe Railyard Community Corporation (SFRCC) in November 2005 for lease of the premises where the permanent site for the Santa Fe Farmer's Market is located. The initial lease term was for forty years beginning on the commencement date, with four consecutive ten-year renewal options. Following the commencement date, which occurred in 2008 when the Institute and the Market initially occupied the building, the annual base rent started at $29,568 per year with an increase of 2.5% annually at the beginning of each calendar year thereafter.

Future minimum lease payments under the lease are as follows:

Year ending December 31,	
2019	$ 37,849
2020	38,796
2021	39,766
2022	40,760
2023	41,779
2024-2028	225,093
2029-2033	254,672
2034-2038	288,138
2039-2043	326,002
2044-2048	368,841
	$ 1,661,696

13) Farmers Microloan Program

The Institute collaborates with local credit unions in offering microloans to vendors of the Market. The local credit unions originate the loans and collect and keep the repayments of principal and interest of the loans. Under the program, a board committee accepts applications and approves loans for qualified farmers and projects. The Institute is required to maintain funds to collateralize 100% of the loans outstanding. At December 31, 2018 and 2017, $194,078 and $204,561 in cash and investments were on hand, respectively. Therefore, the loans outstanding were fully collateralized at December 31, 2018 and 2017.

The loans are not held in the Institute's name and are not reflected in the accompanying financial statements. Individual loans range from $400 to $10,000 on a case-by-case basis and one vendor may have up to $10,000 outstanding at any given time. The interest rate is 6% on all loans.

Microloan activity is as follows for the years ended December 31:

	2018	2017
Outstanding microloans, beginning of the year	**$ 108,928**	$ 129,537
Plus: New loans issued, collections, and recoveries, net	**(32,207)**	(5,472)
Less: Defaulted loans written off	**(12,678)**	(15,137)
Outstanding microloans, end of the year	**$ 64,043**	$ 108,928

Loan statistics include the following at December 31:

	2018	2017
Total number of outstanding loans	**21**	27
New loans issued during the year	**7**	6
Average amount of loans issued (life-to-date)	**$ 3,743**	$ 4,796
Interest rate of new loans issued	**6.00%**	6.00%

At December 31, 2018 and 2017, there was one microloan outstanding from an Institute board member. The loan originated on April 30, 2013 in the amount of $5,000. The balance at December 31, 2018 and 2017 was $1,080 and $1,770, respectively.

14) Recently Issued Accounting Pronouncements

The following accounting pronouncements have been issued but have not yet been implemented by the Institute.

Revenue Recognition
In May 2014, the FASB issued ASC 606 – *Revenue from Contracts with Customers*. ASC 606 is a single principle-based revenue standard for U.S. GAAP and IFRS (International Financial Reporting Standards) that replaces almost all U.S. GAAP and IFRS guidance for revenue recognition. The pronouncement is effective for fiscal years beginning after December 15, 2018 (the Institute's fiscal year ending December 31, 2019).

Leases
On February 25, 2016, the FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the lease liability), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2019 (the Institute's fiscal year ending December 31, 2020).

As of the date of these financial statements, management has not determined the impact these new accounting pronouncements will have on future reporting periods.