



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



SANTA FE
FARMERS' MARKET
INSTITUTE

Financial Statements
and
Independent Auditor's Report

December 31, 2023 and 2022

Santa Fe Farmers Market Institute

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Independent Auditor's Report

To the Board of Directors
Santa Fe Farmers Market Institute

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we have identified during the audit.

SJT Group LLC

Albuquerque, New Mexico
May 14, 2024

Financial Statements

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

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 189,786	\$ 441,356
Investments	283,114	144,895
Accounts receivable	8,168	29,567
Prepaid expenses	18,292	17,645
Total current assets	<u>499,360</u>	<u>633,463</u>
Noncurrent assets		
Investments restricted for farmers microloan program	44,318	75,878
Operating lease right-of-use assets, net	760,667	792,808
Property and equipment, net	2,818,486	2,944,262
Total noncurrent assets	<u>3,623,471</u>	<u>3,812,948</u>
Total assets	<u>\$ 4,122,831</u>	<u>\$ 4,446,411</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 23,354	\$ 15,063
Payroll and related liabilities	17,373	16,854
Deferred revenue	44,108	31,263
Token reimbursements payable	33,144	30,260
Accrued property taxes	11,196	11,376
Accrued interest payable	642	705
Operating lease liability, current portion	43,894	42,823
Notes payable, current portion	26,552	25,520
Total current liabilities	<u>200,263</u>	<u>173,864</u>
Noncurrent liabilities		
Security deposits	15,941	15,941
Operating lease liability, net of current portion	792,733	800,906
Notes payable, net of current portion and debt issuance costs	386,400	409,602
Total noncurrent liabilities	<u>1,195,074</u>	<u>1,226,449</u>
Total liabilities	<u>1,395,337</u>	<u>1,400,313</u>
Net assets		
Without donor restrictions, board designated for farmers microloan program	225,000	-
Without donor restrictions, undesignated	2,265,366	2,846,578
Total net assets without donor restrictions	<u>2,490,366</u>	<u>2,846,578</u>
With donor restrictions	237,128	199,520
Total net assets	<u>2,727,494</u>	<u>3,046,098</u>
Total liabilities and net assets	<u>\$ 4,122,831</u>	<u>\$ 4,446,411</u>

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Earned income			
Leasing income	\$ 446,521	\$ -	\$ 446,521
Other income	9,626	-	9,626
Total earned income	456,147	-	456,147
Grants and contributions			
Foundation grants	146,461	99,000	245,461
Governmental grants	13,538	-	13,538
Individual contributions	68,112	3,500	71,612
Corporate contributions	19,641	17,000	36,641
In-kind contributions	38,364	-	38,364
Total grants and contributions	286,116	119,500	405,616
Other support and revenue			
Fundraising income	95,951	-	95,951
Investment income	6,607	-	6,607
Total other support and revenue	102,558	-	102,558
Net assets released from restrictions	81,892	(81,892)	-
Total support and revenue	926,713	37,608	964,321
Expenses			
Program services	690,209	-	690,209
Supporting services			
Management and general	250,234	-	250,234
Fundraising	342,482	-	342,482
Total supporting services	592,716	-	592,716
Total expenses	1,282,925	-	1,282,925
Change in net assets	(356,212)	37,608	(318,604)
Net assets, beginning of year	2,846,578	199,520	3,046,098
Net assets, end of year	<u>\$ 2,490,366</u>	<u>\$ 237,128</u>	<u>\$ 2,727,494</u>

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Earned income			
Leasing income	\$ 450,950	\$ -	\$ 450,950
Other income	18,118	-	18,118
Total earned income	<u>469,068</u>	<u>-</u>	<u>469,068</u>
Grants and contributions			
Foundation grants	151,153	25,897	177,050
Governmental grants	29,955	-	29,955
Individual contributions	101,665	50,015	151,680
Corporate contributions	21,975	-	21,975
In-kind contributions	18,984	-	18,984
Total grants and contributions	<u>323,732</u>	<u>75,912</u>	<u>399,644</u>
Other support and revenue			
Fundraising income	83,478	-	83,478
Investment income	1,839	-	1,839
Total other support and revenue	<u>85,317</u>	<u>-</u>	<u>85,317</u>
Net assets released from restrictions	<u>50,795</u>	<u>(50,795)</u>	<u>-</u>
Total support and revenue	<u>928,912</u>	<u>25,117</u>	<u>954,029</u>
Expenses			
Program services	<u>629,265</u>	<u>-</u>	<u>629,265</u>
Supporting services			
Management and general	230,330	-	230,330
Fundraising	259,274	-	259,274
Total supporting services	<u>489,604</u>	<u>-</u>	<u>489,604</u>
Total expenses	<u>1,118,869</u>	<u>-</u>	<u>1,118,869</u>
Change in net assets	(189,957)	25,117	(164,840)
Net assets, beginning of year	<u>3,036,535</u>	<u>174,403</u>	<u>3,210,938</u>
Net assets, end of year	<u><u>\$ 2,846,578</u></u>	<u><u>\$ 199,520</u></u>	<u><u>\$ 3,046,098</u></u>

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, 2023

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 227,612	\$ 96,566	\$ 112,486	\$ 436,664
Consultants and contracts	88,155	9,890	121,134	219,179
Depreciation and amortization	88,146	38,524	1,092	127,762
Occupancy costs	72,273	31,107	5,226	108,606
Accounting and legal	39,251	15,674	18,947	73,872
Equipment expense and repairs and maintenance	47,256	20,499	1,027	68,782
Interest	31,314	12,813	11,263	55,390
Supplies and office	42,279	4,988	6,030	53,297
Advertising and marketing	1,080	-	42,741	43,821
Lease	22,175	9,691	275	32,141
Printing and postage	2,384	847	16,519	19,750
Insurance	12,396	5,381	601	18,378
Bank and merchant fees	7,658	3,058	3,696	14,412
Travel	2,924	114	138	3,176
Professional development	1,275	509	615	2,399
Dues and fees	1,578	208	251	2,037
Miscellaneous	993	365	441	1,799
Tokens	1,360	-	-	1,360
Charitable donations	100	-	-	100
Total expenses	<u>\$ 690,209</u>	<u>\$ 250,234</u>	<u>\$ 342,482</u>	<u>\$ 1,282,925</u>

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, 2022

	Program Services	Management and General	Fundraising	Total
Salaries, payroll taxes, and benefits	\$ 200,551	\$ 76,554	\$ 95,032	\$ 372,137
Consultants and contracts	89,734	9,945	78,347	178,026
Depreciation and amortization	81,120	38,764	5,188	125,072
Occupancy costs	67,288	31,183	7,810	106,281
Accounting and legal	37,208	13,722	17,034	67,964
Equipment expense and repairs and maintenance	49,435	23,511	3,568	76,514
Interest	28,703	11,567	9,597	49,867
Supplies and office	15,093	3,321	4,123	22,537
Advertising and marketing	8,831	-	16,222	25,053
Lease	20,846	9,962	1,333	32,141
Printing and postage	2,688	870	12,981	16,539
Insurance	11,429	5,354	1,116	17,899
Bank and merchant fees	10,942	4,035	5,009	19,986
Travel	520	-	-	520
Professional development	2,240	826	1,025	4,091
Dues and fees	1,097	190	236	1,523
Miscellaneous	1,428	526	653	2,607
Tokens	112	-	-	112
Total expenses	<u>629,265</u>	<u>230,330</u>	<u>259,274</u>	<u>1,118,869</u>

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,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from tenants	\$ 463,101	\$ 418,151
Cash received from grants and contributions	384,916	404,383
Cash received from fundraising	95,951	83,478
Other cash received	16,233	19,957
Cash paid to employees and suppliers	(1,018,401)	(908,455)
Principal payments on operating lease	(7,102)	(5,786)
Cash paid for interest	<u>(55,453)</u>	<u>(49,890)</u>
Net cash used by operating activities	<u>(120,755)</u>	<u>(38,162)</u>
Cash flows from investing activities		
Purchases of investments	(106,659)	(1,411)
Purchases of property and equipment	<u>-</u>	<u>(43,841)</u>
Net cash used by investing activities	<u>(106,659)</u>	<u>(45,252)</u>
Cash flows from financing activities		
Principal payments on notes payable	<u>(24,156)</u>	<u>(86,156)</u>
Net cash used by financing activities	<u>(24,156)</u>	<u>(86,156)</u>
Net change in cash and cash equivalents	(251,570)	(169,570)
Cash and cash equivalents, beginning of year	<u>441,356</u>	<u>610,926</u>
Cash and cash equivalents, end of year	<u><u>\$ 189,786</u></u>	<u><u>\$ 441,356</u></u>

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

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

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 mission is to advocate for farmers, ranchers and other land-based producers; provide equitable access to fresh, local food; own and operate a year-round venue for the Santa Fe Farmers’ Market; and manage programs to help sustain a profitable, locally-based agricultural community.

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

Basis of Accounting and Presentation

The financial statements of the Institute are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. 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 at 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.

Use of Estimates

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.

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 deposit, which at times may exceed federally insured limits.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

2) Summary of Significant Accounting Policies – continued

At December 31, 2023 and 2022, bank balances totaled \$522,188 and 666,621, respectively, all of which was insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).

Investments

The Institute's investments are comprised of long-term certificates of deposit. The carrying value of these investments reasonably approximate fair value. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions 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.

Restricted investments include amounts deposited into accounts for use in the Farmers Microloan Program, as described in Note 14.

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 are based on analysis and aging of receivables.

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 \$2,000 when the useful life extends beyond one year. Donations of property and equipment are reported as support without donor restrictions 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.

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.

Leases

Management determines if an arrangement is a lease at inception of the arrangement. Operating leases are included in the operating lease right-of-use asset and operating lease liability in the accompanying statements of financial position. Finance leases are included in property and equipment and finance lease liabilities in the accompanying statements of financial position.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

2) Summary of Significant Accounting Policies – continued

Right-of-use assets represent the Institute's right to use an underlying asset for the lease term, and lease liabilities represent the Institute's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The right-of-use assets include any lease payments made and exclude lease incentives. The Institute's lease terms may include options to extend or terminate the lease at management's discretion. Such options are included in the calculation of the right-of-use asset and lease liability and are included in the future maturities of lease liabilities in Note 6, if management determines they are reasonably certain to exercise the options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Upon adoption of FASB ASC Topic 842, *Leases*, the Institute elected certain practical expedients permitted under the transition guidance that allowed the Institute not to reassess: (1) whether expired or previously existing contracts are or contain leases, (2) lease classification for expired or previously existing leases, and (3) initial direct costs for expired or previously existing leases.

For leases that do not state or imply an interest rate, the Institute elected a practical expedient to use a risk-free rate based on asset composition.

The Institute elected to account for all leases with original terms of 12 months or less as short-term leases, which are expensed over the term of the lease and do not require recognition of right-of-use assets or lease liabilities.

Revenue Recognition

Contributions received without donor restrictions 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.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

2) Summary of Significant Accounting Policies – continued

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. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation method</u>
Salaries, payroll taxes, and benefits	Staffing allocation
Consultants and contracts	Staffing allocation
Depreciation and amortization	Square footage allocation
Occupancy costs	Square footage and staffing allocation
Accounting and legal	Staffing allocation
Equipment expense and repairs and maintenance	Square footage and staffing allocation
Interest	Square footage and staffing allocation
Supplies and office	Staffing allocation
Advertising and marketing	Specific identification
Lease	Square footage allocation
Printing and postage	Staffing allocation
Insurance	Square footage and staffing allocation
Bank and merchant fees	Staffing allocation
Travel	Staffing allocation
Professional development	Staffing allocation
Dues and fees	Staffing allocation
Miscellaneous	Staffing allocation

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, 2020 and thereafter are subject to audit by various taxing authorities.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

2) Summary of Significant Accounting Policies – continued

Fair Value of Financial Instruments

For financial statement purposes, receivables, accounts payable, accrued liabilities, and notes payable are considered financial instruments. The Institute estimates that the fair value of all financial instruments at December 31, 2023 and 2022, 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.

Advertising Costs

The Institute charges the costs of advertising to expense as incurred. Advertising costs totaled \$23,824 and \$8,830 for the years ended December 31, 2023 and 2022, respectively, not including in-kind advertising services received.

Subsequent Events

Subsequent events through May 14, 2024 the date which the financial statements were available to be issued, were evaluated for recognition and disclosure in the financial statements.

3) Liquidity and Availability

The following table reflects the Institute's financial assets as of December 31:

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end		
Cash and cash equivalents	\$ 189,786	\$ 441,356
Investments	283,114	144,895
Accounts receivable	<u>8,168</u>	<u>29,567</u>
Total financial assets	481,068	615,818
Less amounts unavailable to management without Board approval	<u>(225,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 256,068</u>	<u>\$ 615,818</u>

The Institute's cash management policy is to maintain enough operating cash to cover at least one month's operating expenses.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

3) Liquidity and Availability – continued

Effective January 1, 2021, the Board approved two separate reserve funds: the Enterprise fund and the Building Reserve fund. The Enterprise fund was established to provide monies to the Executive Director for projects that are of strategic importance to the Institute. The Building Reserve fund was established to provide monies for capital investments related to the maintenance and improvement of the building. Both funds are intended to fund projects that are considered non-recurring and not funded through the normal budget approval process. The Enterprise fund is limited to \$75,000 and the Building Reserve fund is limited to \$200,000. Both funds are rebalanced at the end of each fiscal year end.

4) Accounts Receivable

Accounts receivable consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Tenants and other	\$ 7,668	\$ 11,403
Double Up Food Bucks program	-	11,149
Pledges	<u>500</u>	<u>7,015</u>
Total accounts receivable	<u>\$ 8,168</u>	<u>\$ 29,567</u>

5) Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Depreciable		
Buildings and improvements	\$ 4,424,570	\$ 4,424,570
Leasehold improvements	117,516	117,516
Landscaping	13,095	13,095
Furniture and equipment	34,626	34,626
Website	31,993	31,993
Less: Accumulated depreciation and amortization	<u>(1,839,825)</u>	<u>(1,714,049)</u>
Total depreciable property and equipment, net	2,781,975	2,907,751
Artwork	<u>36,511</u>	<u>36,511</u>
Property and equipment, net	<u>\$ 2,818,486</u>	<u>\$ 2,944,262</u>

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

6) 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. The Institute measures the operating lease liability at December 31, 2023 and 2022 of \$836,627 and \$843,729, respectively, by calculating the present value of the future lease payments using a discount rate of 4.25%. Future minimum lease payments under the lease are as follows:

Years ending December 31,

2024	\$	43,894
2025		44,991
2026		46,116
2027		47,269
2028		48,451
2029-2033		261,039
2034-2038		295,342
2039-2043		334,152
2044-2047		272,852
		<hr/>
Less: Present value of future cash flows		(557,479)
		<hr/>
	\$	<u>836,627</u>

The operating lease right-to-use asset consists of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 857,090	\$ 857,090
Less: Accumulated amortization	<u>(96,423)</u>	<u>(64,282)</u>
Operating lease right-of-use assets, net	<u>\$ 760,667</u>	<u>\$ 792,808</u>

During the years ended December 31, 2023 and 2022, operating lease expense totaled \$32,141 and \$32,141, respectively, which is reported as lease expense in the statements of functional expenses.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

7) Notes Payable

Notes payable consist of the following as of December 31:

	2023	2022
Mortgage loan	\$ 268,301	\$ 292,457
Economic injury disaster loan (EIDL)	148,625	148,625
Less: Unamortized debt issuance costs	(3,974)	(5,960)
Total long-term debt, net of debt issuance costs	412,952	435,122
Current portion	(26,552)	(25,520)
Total long-term debt, net of current portion and debt issuance costs	\$ 386,400	\$ 409,602

Mortgage Loan

In August 2020, the Institute issued a promissory note to a local financial institution for \$400,000. The proceeds from the note were used to refinance a mortgage note and payoff the balance owed on the line of credit. The loan is payable in monthly installments of \$3,007, including interest at a fixed rate of 4.18%, through August 11, 2025. 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, as well as a right of setoff in all of the Institute's accounts with the financial institution.

The Institute reports debt issuance costs as a direct deduction from the face amount of the mortgage loan issued. Unamortized debt issuance costs totaled \$3,974 and \$5,960 at December 31, 2023 and 2022, respectively. Amortization of debt issuance costs of \$1,986 for the years ended December 31, 2023 and 2022, is reported as a portion of depreciation and amortization in the accompanying statements of activities.

Economic Injury Disaster Loan (EIDL)

The Institute issued an Economic Injury Disaster Loan (EIDL) of \$150,000 by a Small Business Administration (SBA) approved partner on June 23, 2020. Monthly interest-only installment payments of \$641 began twelve months from the date of the promissory note. Interest accrues on the loan at a rate of 2.75%. The balance of principal and interest will be payable thirty years from the date of the promissory note. The note is secured by all of the Institute's tangible and intangible personal property because the loan amount exceeds \$25,000.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

7) Notes Payable – continued

Future principal payments on notes payable as of December 31, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 26,552	\$ 17,420	\$ 43,972
2025	251,980	13,430	265,410
2026	4,083	3,605	7,688
2027	4,196	3,491	7,687
2028	4,313	3,375	7,688
2029-2033	23,436	15,003	38,439
2034-2038	26,887	11,553	38,440
2039-2043	30,844	7,593	38,437
2044-2048	35,386	3,054	38,440
2049	9,249	113	9,362
	<u>\$ 416,926</u>	<u>\$ 78,637</u>	<u>\$ 495,563</u>

8) 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:

- ◆ 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 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. The restaurant exercised its first renewal option in September 2020. Base monthly rent amounts are charged, with an increase of 2.5% annually at the beginning of each calendar year thereafter.
- ◆ 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.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

8) Leasing Income – continued

- ◆ 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, which was exercised. The lease was amended in 2019 to extend the lease for an additional six years through December 31, 2024. Base monthly rent amounts are charged, with an increase of 2.5% annually at the beginning of each calendar year thereafter.
- ◆ During June 2021, the Institute signed a lease agreement with an organization to rent a portion of its second-floor office space. The lease agreement commenced on June 1, 2021 and is for three years, with two two-year renewal options. Base monthly rent amounts are charged, with an increase of 2.5% annually at the beginning of each calendar year thereafter.

Leasing income for the years ended December 31, 2023 and 2022, was \$446,521 and \$450,950, respectively. These amounts include the common area maintenance (CAM) reimbursements received from tenants. Future minimum lease payments to be received by the Institute are as follows:

Years ending December 31,

2024	\$ 203,634
2025	28,973
2026	28,974
2027	29,699
2028	30,441
2029-2033	164,009
2034-2038	185,562
2039-2043	209,946
2044-2048	220,907
	<u>\$ 1,102,145</u>

9) Fundraising Income

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

	<u>2023</u>	<u>2022</u>
Auction and ticket sales	\$ 31,450	\$ 26,936
Event donations and sponsorships	15,400	-
Special appeals	<u>49,101</u>	<u>56,542</u>
Total fundraising income	<u>\$ 95,951</u>	<u>\$ 83,478</u>

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

10) In-Kind Contributions

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

	<u>2023</u>	<u>2022</u>
Professional services	\$ 38,364	\$ 17,948
Other	<u>-</u>	<u>1,036</u>
Total in-kind contributions	<u>\$ 38,364</u>	<u>\$ 18,984</u>

Donated professional services are valued at the standard hourly rates that would be charged for those services.

11) Net Assets Without Donor Restrictions, Board Designated

The Institute's governing board has designated, from net assets without donor restrictions, funds to be used at the discretion of the board for the farmers microloan program. During 2023, the Institute's governing board designated \$225,000 of funds for this purpose, none of which were used during 2023.

12) Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Restricted for time:		
Pledges receivable	\$ 500	\$ 7,015
Restricted for purpose:		
Farmers microloan program	77,738	60,030
Professional development	42,968	44,638
Local food for local kids	9,396	11,326
Other	14,433	40,000
Local food for all	47,930	-
Double Up Food Bucks	6,546	-
Healthy soils	1,106	-
Artwork	<u>36,511</u>	<u>36,511</u>
Total net assets with donor restrictions	<u>\$ 237,128</u>	<u>\$ 199,520</u>

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

13) Net Assets Released From Restrictions

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

	<u>2023</u>	<u>2022</u>
Time restriction accomplished:		
Pledges collected	\$ 7,015	\$ 24,165
Grants collected	-	9,600
Purpose restriction accomplished:		
Farmers microloan program	5,293	3,348
Professional development	3,670	11,510
Local food for local kids	6,929	-
Other	25,567	-
Local food for all	29,070	-
Double Up Food Bucks	454	-
Healthy soils	3,894	-
Café seating project	-	2,172
Total net assets released from restrictions	<u>\$ 81,892</u>	<u>\$ 50,795</u>

14) Farmers Microloan Program

The Institute collaborates with a local credit union in offering microloans to vendors of the Market. The local credit union originates 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, 2023 and 2022, \$327,432 and \$220,773 in cash and investments were on hand, respectively. Therefore, the loans outstanding were fully collateralized at December 31, 2023 and 2022.

The loans are not held in the Institute's name and are not reflected in the accompanying financial statements. Individual loans range from \$900 to \$20,000 on a case-by-case basis and one vendor may have up to \$20,000 outstanding at any given time. The interest rate ranges between 5% and 6% on all loans.

Santa Fe Farmers Market Institute

Notes to the Financial Statements

December 31, 2023 and 2022

14) Farmers Microloan Program – continued

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

	<u>2023</u>	<u>2022</u>
Outstanding microloans, beginning of the year	\$ 75,878	\$ 41,446
Plus: New loans issued	18,000	70,271
Less: Collections, recoveries and other	<u>(44,318)</u>	<u>(35,839)</u>
Outstanding microloans, end of the year	<u>\$ 49,560</u>	<u>\$ 75,878</u>

Loan statistics include the following at December 31:

	<u>2023</u>	<u>2022</u>
Total number of outstanding loans	12	13
New loans issued during the year	3	6
Average amount of new loans issued	\$ 6,000	\$ 11,712
Interest rate of new loans issued	5%	6%

15) Related Party Disclosure

The Institute received a contribution totaling \$25,000 for the year ended December 31, 2022, from the John C. Griswold Family Foundation. One of the Institute's board members is a trustee of this foundation.