

SEED SAVERS EXCHANGE, INC.

FINANCIAL REPORT

DECEMBER 31, 2015

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14
SUPPLEMENTARY INFORMATION	
Statement of Activities Information	15
Statement of Functional Expenses Information	16-18

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Board of Directors
Seed Savers Exchange, Inc.
Decorah, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Seed Savers Exchange, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seed Savers Exchange, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 15 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
April 26, 2016

SEED SAVERS EXCHANGE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 600,781
Investments	335,421
Accounts receivable (net of allowance for doubtful accounts of \$845)	324,019
Prepaid expenses	109,784
Inventory	1,319,890
Total current assets	<u>2,689,895</u>
LONG-TERM INVESTMENTS	<u>100,466</u>
FIXED ASSETS AND EXHIBITS	
Land	875,450
Buildings and improvements	3,138,473
Machinery	201,450
Furniture and equipment	2,236,684
Construction in progress	91,674
Total fixed assets	<u>6,543,731</u>
Less accumulated depreciation	(2,965,462)
Net fixed assets	<u>3,578,269</u>
OTHER ASSETS	
Book publishing costs	<u>397,703</u>
Total assets	<u>\$ 6,766,333</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	\$ 116,054
Accrued expenses	16,920
Customer deposits, gift certificates, and credit memos	241,858
Accrued wages	162,654
Deferred support and revenue	87,535
Current maturities of long-term debt	13,004
Total current liabilities	<u>638,025</u>
NONCURRENT LIABILITIES	
Deferred compensation	99,000
Deferred support and revenue	78,568
Long-term debt, net of current maturities	216,545
Total noncurrent liabilities	<u>394,113</u>
Total liabilities	<u>1,032,138</u>
NET ASSETS	
Unrestricted	5,444,585
Temporarily restricted	289,610
Total net assets	<u>5,734,195</u>
Total liabilities and net assets	<u>\$ 6,766,333</u>

See Notes to Financial Statements.

SEED SAVERS EXCHANGE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Conference	\$ 40,997		\$ 40,997
Contributions:			
Corporations	486,298		486,298
Major donors	88,993		88,993
Seed Savers Exchange, Inc.	186,919		186,919
Foundation grants	62,415	\$ 289,610	352,025
Investment income	3,517		3,517
Memberships:			
Seed Savers Exchange, Inc.	404,253		404,253
Fundraisers and sponsorships	58,599		58,599
Rental income	13,403		13,403
Sale of merchandise	4,263,295		4,263,295
Shipping and handling	211,758		211,758
Miscellaneous income	46,298		46,298
Net assets released from restrictions	167,306	(167,306)	-
Total support and revenue	<u>6,034,051</u>	<u>122,304</u>	<u>6,156,355</u>
EXPENSE			
Program services	4,308,335		4,308,335
General and administrative	1,447,427		1,447,427
Facilities	267,591		267,591
Fundraising	86,927		86,927
Total expenses	<u>6,110,280</u>	<u>-</u>	<u>6,110,280</u>
Change in net assets	<u>(76,229)</u>	<u>122,304</u>	<u>46,075</u>
CHANGE IN NET ASSETS RELATED TO COLLECTION			
Items not capitalized			
Collection items purchased	656	-	656
Change in net assets	<u>(76,885)</u>	<u>122,304</u>	<u>45,419</u>
NET ASSETS, beginning of year	<u>5,521,470</u>	<u>167,306</u>	<u>5,688,776</u>
NET ASSETS, end of year	<u>\$ 5,444,585</u>	<u>\$ 289,610</u>	<u>\$ 5,734,195</u>

See Notes to Financial Statements.

SEED SAVERS EXCHANGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program Services					Supporting Services				Total Expenses
	Membership	Genetic Preservation Projects	Conferences	Merchandise and Catalog	Total Program Services	General and Administrative	Facilities	Fundraising and Special Events	Total Supporting Services	
Compensation and related expenses										
Salaries and wages	\$ 46,908	\$ 612,216	\$ 1,960	\$ 794,607	\$ 1,455,691	\$ 455,555	\$ 118,089	\$ 35,295	\$ 608,939	\$ 2,064,630
Payroll taxes	3,513	45,734	142	57,776	107,165	40,689	8,543	2,656	51,888	159,053
Retirement		10,398		14,448	24,846	10,979	3,445		14,424	39,270
Employee benefits		73,800		123,800	197,600	40,366	22,800		63,166	260,766
	50,421	742,148	2,102	990,631	1,785,302	547,589	152,877	37,951	738,417	2,523,719
Bank charges and marketing fees				140,521	140,521	3,472			3,472	143,993
Interest					-	10,185			10,185	10,185
Contract labor		20,262		20,176	40,438	89,613	17,802	4,800	112,215	152,653
Depreciation					-	311,120			311,120	311,120
Facilities										
Property taxes					-		14,169		14,169	14,169
Rent		2,528		1,893	4,421		75	2,420	2,495	6,916
Repairs and maintenance		11,190		10,428	21,618	1,421	5,664		7,085	28,703
Telephone, taxes, and licenses				2,780	2,780	668	876		1,544	4,324
Utilities					-		58,903		58,903	58,903
Insurance			1,045	944	1,989	90,544			90,544	92,533
Postage	3,753	56,359		110,520	170,632	3,231		7,621	10,852	181,484
Professional fees										
Accounting fees					-	15,025			15,025	15,025
Curator		3,075			3,075				-	3,075
Consultants and conferences		75	1,285		1,360	15,077		200	15,277	16,637
Legal fees					-	53,142			53,142	53,142
Program										
Advertising and promotion		172		501,694	501,866	3,486		2,577	6,063	507,929
Discounts				14,320	14,320			95	95	14,415
Cost of goods sold				813,469	813,469				-	813,469
Complimentary gifts		217		2,009	2,226	6,791		526	7,317	9,543
Printing	6,036	46,711	3,475	113,837	170,059			20,478	20,478	190,537
Germination testing				18,485	18,485				-	18,485
Shipping, handling, and damages	23	2,640	82	492,887	495,632	459	242	244	945	496,577
Veterinary and feed expense		5,846			5,846				-	5,846
Staff development		762		6,836	7,598	9,391	469		9,860	17,458
Subscriptions and dues				80	80	3,288		500	3,788	3,868
Supplies	1,545	46,557	1,925	81,227	131,254	210,472	10,800	1,728	223,000	354,254
Office expense		1,996		2,632	4,628	2,033	329		2,362	6,990
Travel, lodging, and trade shows		15,849	9,437	12,798	38,084	35,423	542	6,672	42,637	80,721
Meals and entertainment		3,284	16,935	1,009	21,228	13,162	283	1,115	14,560	35,788
Less overhead applied to FG				(100,013)	(100,013)				-	(100,013)
Fuel and miscellaneous		5,124		6,313	11,437	21,835	4,560		26,395	37,832
Total expenses	\$ 61,778	\$ 964,795	\$ 36,286	\$ 3,245,476	\$ 4,308,335	\$ 1,447,427	\$ 267,591	\$ 86,927	\$ 1,801,945	\$ 6,110,280

See Notes to Financial Statements.

SEED SAVERS EXCHANGE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 45,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	311,120
Donated investments	(9,612)
Collection items purchased	656
Unrealized loss on investments	15,073
Changes in assets and liabilities:	
Increase in accounts receivable	(204,019)
Increase in prepaid expenses	(19,222)
Decrease in unconditional promises to give	9,047
Increase in publishing costs	(6,244)
Decrease in inventory	61,769
Decrease in deferred revenue	(10,272)
Increase in accounts payable and accrued expenses	26,782
Net cash provided by operating activities	<u>220,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(14,696)
Purchase of collection items	(656)
Purchase of property and equipment	(265,631)
Net cash used in investing activities	<u>(280,983)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	(12,482)
Net cash used in financing activities	<u>(12,482)</u>
Net decrease in cash	(72,968)
CASH, beginning of year	<u>673,749</u>
CASH, end of year	<u>\$ 600,781</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 10,185</u>
Noncash investing and financing activities	
Donated investments	<u>\$ 9,612</u>

See Notes to Financial Statements.

SEED SAVERS EXCHANGE, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization

Seed Savers Exchange, Inc. (SSE) was founded in 1975 in the state of Missouri. The organization currently operates in Iowa as a nonprofit organization primarily to preserve "heirloom" garden seeds from extinction. Over 13,000 SSE's members grow and distribute heirloom varieties of vegetables, fruits, and grains. SSE's main focus is on varieties gardeners and farmers brought to North America when their families immigrated, and traditional varieties grown by Native Americans, Mennonites, and Amish. SSE members receive four publications each year, including an annual yearbook through which 600 SSE's members offer over 23,000 rare varieties of vegetables and fruits. SSE's publications have created a national awareness of heirloom varieties and efforts to conserve them. SSE and Heritage Farm have provided the models and resources for genetic preservation projects and alternative seed companies throughout the United States and 30 other countries.

Heritage Farm, SSE's scenic 890 acre headquarters near Decorah, Iowa, is a living museum of historic varieties open to the public. This unique educational center is designed to maintain and display endangered food crops and collection items. Each summer over 15,000 gardeners and orchardists tour Heritage Farm's organic preservation Gardens and Historic Orchard.

More than 20,000 rare vegetable varieties are being maintained at Heritage Farm. Each summer selected seeds are grown out, as necessary, to replenish seed supplies and keep germination at optimum levels.

Twin Valleys, a 716-acre property adjoining Heritage Farm, is home to the Lillian Goldman Visitors Center with a large gift shop, educational exhibits, and an Amish-built oak post-and-beam frame. The property also includes two narrow valleys where SSE has developed a network of 30 certified organic isolation gardens covering more than 20 acres. They are at least one-quarter mile apart, to prevent cross-pollination and contamination from genetically modified crops. Ecological restoration projects recently completed include prairie and savannah plantings, and cold-water stream restoration.

In 1900, there were 7,000 named varieties of apples in the United States, but less than 1,000 of them remain and are steadily dying out. In an attempt to halt this constant genetic erosion, SSE had developed the most diverse public orchard in the U.S., where 700 19th century apples and 200 hardy grapes are maintained and displayed.

SSE maintains two breeding herds of approximately 75 Ancient White Park Cattle. These extremely rare and threatened cattle roamed the British Isles over 2,000 years ago.

2. Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

a. Basis of Accounting

The financial statements of Seed Savers Exchange, Inc. have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

2. Summary of Significant Accounting Policies (Continued)

b. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

c. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

d. Cash and Cash Equivalents

For financial statement purposes, Seed Savers Exchange considers all highly liquid investments with an initial maturity of three months or less, when purchased, to be cash and cash equivalents.

e. Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are stated at the amounts expected to be collected, based on prior years' experience. Receivables are recorded at amounts billed and are due 30-90 days from the date of sale, depending upon the sales agreement, after which time they are considered delinquent. Management periodically reviews receivables, and any amounts that become uncollectible are charged to operations when that determination is made. Accounts are considered uncollectible based on how recently payments have been received, on individual credit evaluation, and on specific circumstances of the customer/donor. An allowance for doubtful accounts was provided for the year ended December 31, 2015 in the amount of \$845.

f. Inventory

Inventory is stated at the lower of cost (average cost method) or market. Inventory consists primarily of heirloom seeds, self-published books, and other resale items.

g. Property and Equipment

Property and equipment are recorded at actual cost or the fair market value at the date of gift. Depreciation has not been provided for historical exhibits or artifacts. Expenditures for maintenance repairs and minor replacements are charged to the current year, while major replacements and betterments costing over \$1,000 per item are capitalized. Depreciation is computed using both the straight-line and accelerated cost recovery systems over the estimated useful life of the asset. Asset lives range from 3 to 39 years.

The organization reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds fair value less costs to sell.

2. Summary of Significant Accounting Policies (Continued)

h. Income Tax Status

Seed Savers Exchange, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SSE's tax-exempt purpose is subject to taxation as unrelated business income, see note 17. In addition, SSE qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization other than a private foundation within the meaning of Section 509(a) of the Code. SSE's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

i. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period the contribution is received, the organization reports the support as unrestricted.

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Noncash donations totaled \$9,612 for the year ended December 31, 2015.

j. Deferred Revenue

Income from membership fees is deferred and recognized over the periods to which the memberships relate.

k. Net Assets

Net assets and revenues, expenses, gain and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

- Unrestricted net assets that are not subject of donor-imposed stipulations.
- Temporarily restricted net assets subjected to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations.
- Permanently restricted net assets subject to donor-imposed stipulations that they be maintained permanently by the organization.

l. Revenue Recognition

Revenue is reported net of tax amounts collected from customers and remitted to governmental authorities. Those tax amounts may include, but not limited to, sales, use, value added and some excise taxes.

m. Functional Allocation of Expenses

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

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (Continued)

n. Shipping and Handling

Shipping and handling costs billed to customers are classified as revenue in the statement of activities. Shipping and handling costs incurred by the organization are included in expenses.

o. Advertising

SSE uses advertising to promote its programs and products for the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended December 31, 2015, advertising costs totaled \$501,866.

3. Cash and Cash Equivalents

SSE maintains cash accounts at several commercial banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. As of December 31, 2015, cash in the amount of \$299,653 was not insured by the FDIC.

4. Investments

Investments as of December 31, 2015 consisted of the following:

Mutual funds:		
Bond funds	\$	92,484
Equity funds		242,937
Investments	\$	335,421
Investments, other certificates of deposit	\$	100,466

Fair value of assets measured on a recurring basis at December 31, 2015 consist of mutual funds shown above. Fair value for short-term investments is determined by level 1 inputs by reference to quoted market prices in active markets for identical assets and other relevant information generated by market transactions.

The following tabulation summarizes the relationship between cost and fair value of investment assets:

	Cost	Fair Value	Excess of Fair Value Over Cost
Balance, beginning of year	\$ 299,583	\$ 326,968	\$ 27,385
Decrease in unrealized gain on investments			(15,073)
Balance, end of year	\$ 323,110	\$ 335,422	\$ 12,312

NOTES TO FINANCIAL STATEMENTS

5. Inventory

Inventory consisted of the following as of December 31, 2015:

Books:	
SSE	\$ 51,842
Chelsea Green (distributor)	54,004
Merchandise	239,892
Seed	918,640
Seed spoilage valuation	(58,192)
Supplies	62,746
Seed packets, empty	50,958
	\$ 1,319,890

6. Collections

In conformity with the practice followed by many museums, artifacts purchased and donated are not included in the statement of financial position. SSE does not capitalize its collections; the values of the objects acquired by gift are not recognized in the statement of activities. During the year ended December 31, 2015 purchases of artifacts totaled \$656.

SSE's collection data base is publicly accessible by researchers, genetic preservation projects, alternative seed companies, and others who are interested in saving heirloom garden seeds from extinction. SSE employs curators to ensure the collections are protected, multiplied for seed, and preserved. In the normal course, collection items are not sold but rather maintained in perpetuity. However, should SSE's Board deem it appropriate to dispose of any item, any proceeds from the disposal are used to purchase new items for the collection or for maintenance of existing items.

7. Fixed Assets

Fixed assets consisted of the following at December 31, 2015:

Land	\$ 875,450
Buildings and improvements	3,138,473
Machinery	201,450
Equipment	2,236,684
Construction in progress	91,674
Total at cost	6,543,731
Less accumulated depreciation	(2,965,462)
Book value	\$ 3,578,269

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. The balance of construction in progress was made up of \$78,000 for the GSI Project and \$13,674 for construction on the Annex as of December 31, 2015. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into service.

Depreciation expense totaled \$311,120 for the year ended December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

8. Book Publishing Costs

The organization has incurred cost to publish new books that will not be sold within the next 12 months. These costs will be expensed as the sales of books occur. The organization estimates the number of books that may be sold and expensed on a per book basis.

9. Lease Obligations

SSE enters into various operating lease arrangements for office equipment. SSE has a lease arrangement that is from July 2014 through May 2019 at \$999 per quarter and another that is from December 2014 through November 2017 at \$611 per month. SSE also engages in short-term leases as needed. Lease expense for the year ended December 31, 2015 was \$21,153.

Future minimum lease payments for the years ending December 31, 2016, 2017, 2018, and 2019 are \$11,330, \$10,719, \$3,997, and \$1,998 respectively.

10. Notes Payable

Long-term debt consists of the following:

4.25% (variable rate at April 2019 and then every 60 months thereafter) note payable to the bank, \$1,889 including interest through April 2019 (then adjusted), collateralized by a general business security agreement.	\$ 229,549
Less current portion	<u>(13,004)</u>
Long-term portion	<u>\$ 216,545</u>

Future maturities of long-term debt are as follows:

2016	\$ 13,004
2017	13,604
2018	14,201
2019	13,846
2020	14,171
2021 and thereafter	<u>160,723</u>
	<u>\$ 229,549</u>

11. Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time to develop SSE's programs, principally in membership development and educational programs. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under accounting standards.

NOTES TO FINANCIAL STATEMENTS

12. Deferred Revenue

The change in SSE's deferred revenue account for the year ended December 31, 2015 comprised the following:

Balance, beginning of year	\$	176,375
Deferred portion of life-time memberships		9,644
Change in deferred portion of annual memberships		(19,916)
 Balance, end of year	 \$	 <u>166,103</u>
 Deferred support and revenue:		
Current	\$	87,535
Long-term		78,568
 Book value	 \$	 <u>166,103</u>

13. Related Party Transactions

Included in support, revenues and gains for the year ended December 31, 2015 are gross contributions of \$40,701 received from SSE's officers and directors. There were no promises to give from these individuals as of December 31, 2015.

14. Retirement Plan

Employees who are at least eighteen years of age, have worked for SSE for at least twelve months, and have worked more than 1,000 hours during the eligibility period can participate. The plan has a matching retirement contribution component.

The plan provides for a six year graded vesting schedule for employer matching contributions as follows:

0-1 year	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years	100%

SSE follows the policy of funding the retirement plan as accrued. The amount of pension cost recognized during the year ended December 31, 2015 was \$39,270.

15. Employee Benefit Plan

SSE adopted the non-qualified retirement plan for Diane Ott Whealy ("plan") effective December 5, 2012. The plan, intended to comply with IRS Code 457(b), was established solely for the purpose of providing a supplement co-founder retirement plan for Diane Ott Whealy, participant of plan and co-founder of SSE. \$33,000 was accrued for contributions in 2012, 2013, and 2014 for a total of \$99,000. No additional contributions by SSE are required under the plan. Participant shall receive five equal annual installments beginning on the first day of the second month following the month in which the participant incurred a separation of service. As of December 31, 2015, no payments had been made by SSE to participant.

16. Commitments and Contingencies

The organization has received grants for specific purposes that are subject to review and audit by the oversight agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

As of December 31, 2015, SSE had seed purchased commitments to purchase seeds in the amount of \$14,984.

17. Uncertain Tax Position

The organization was audited by the Internal Revenue Service during 2014 for the tax year ended December 31, 2012. The audit determined SSE was delinquent in filing unrelated business income tax returns, IRS form 990T. As part of the audit, returns were filed for the tax years ending December 31, 2012, 2013, and 2014. On April 4, 2016, SSE was notified by the IRS they had accepted the returns filed for the three years and were closing their audit. The total unrelated business income tax for the three years was not material to the financial statements for the year ending December 31, 2015. Therefore, SSE has not recorded a tax liability as a result of this matter in the December 31, 2015 financial statements.

18. Concentrations

A substantial amount of SSE's contract growing is carried on outside of the United States. As a result, there is the potential for a severe impact due to negative effects of the economic and political forces within the market or geographic area. SSE also has geographic exposure to catastrophic losses caused by various events, including windstorms, hail, severe weather, and the incidence and severity of catastrophes, which are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of uninsured exposure in the area affected by the event and the severity of the event.

19. Risk Management

SSE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are minimized by the purchase of commercial insurance from third parties. SSE assumes liability for any deductibles and claims in excess of coverage limits. Settled claims for these risks have not exceeded commercial insurance coverage for the past four years. The collections are currently insured for losses up to \$2,496,400.

20. Fundraising Development Expenses

The organization established a department in 2013 to develop fundraising activities. Costs of \$86,927 for 2015 was allocated to fundraising events.

21. Subsequent Events

Management has evaluated subsequent events through April 26, 2016, the date these financial statements were available to be issued.

Supplementary Information

SEED SAVERS EXCHANGE, INC.
STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2015

CATALOG SALES

Books	\$ 146,315
Eating beans	19,639
Products	86,584
Scions	23,781
Seeds	3,146,730
Transplants	183,905
Garlic	122,749
Potatoes	158,477
Seed rack	21,165
	<u>3,909,345</u>

LILLIAN GOLDMAN VISITORS CENTER SALES

Books	30,454
Eating beans	5,815
Products	96,735
Seeds	98,755
Transplants	56,979
Garlic	3,102
Potatoes	6,041
	<u>297,881</u>

Livestock, hay and grain sales

56,069

Total sale of merchandise

\$ 4,263,295

SEED SAVERS EXCHANGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION
PROGRAM SERVICE EXPENSES
Year Ended December 31, 2015

	Membership	Genetic Preservation Projects							Community Seed Resource
	Seed Savers Exchange, Inc.	Garden	Orchard	Livestock	Tissue Culture Club	Education and Outreach	General and Evaluation	Seed Lab	
Compensation and related expenses									
Salaries and wages	\$ 46,908	\$ 201,792	\$ 36,553	\$ 25,570	\$ 25,753	\$ 79,915	\$ 181,361	\$ 53,125	\$ 8,147
Payroll taxes	3,513	15,186	2,800	1,858	1,889	5,940	13,354	4,109	598
Retirement		2,667	543	449		1,399	4,803	537	
Employee benefits		20,900	4,800	7,200	4,800	7,700	18,000	10,000	400
	<u>50,421</u>	<u>240,545</u>	<u>44,696</u>	<u>35,077</u>	<u>32,442</u>	<u>94,954</u>	<u>217,518</u>	<u>67,771</u>	<u>9,145</u>
Bank charges and marketing fees									
Contract labor				17,816		200	2,246		
Facilities									
Rent			442	1,393	693				
Repairs and maintenance		2,647		4,509	1,315		2,719		
Telephone, taxes, and licenses									
Insurance									
Postage	3,753					56,359			
Professional fees									
Curator					3,075				
Consultants and conferences							75		
Program									
Advertising and promotion							172		
Discounts									
Cost of goods sold									
Complimentary gifts							217		
Printing	6,036					46,711			
Germination testing									
Shipping, handling, and damages	23	5	65		75	1,375	84	1,023	13
Veterinary and feed expense				5,846					
Staff development		412						350	
Subscriptions and dues									
Supplies	1,545	14,475	695	9,094	2,212	6,907	3,210	2,032	7,932
Office expense						1,338	658		
Travel, lodging, and trade shows		1,268	498			11,869	1,261	599	354
Meals and entertainment				58		3,077	53	64	32
Less overhead applied to FG									
Fuel and miscellaneous		549		1,249			3,326		
Total expenses	<u>\$ 61,778</u>	<u>\$ 259,901</u>	<u>\$ 46,396</u>	<u>\$ 75,042</u>	<u>\$ 39,812</u>	<u>\$ 223,254</u>	<u>\$ 231,075</u>	<u>\$ 71,839</u>	<u>\$ 17,476</u>

See Independent Auditor's Report.

SEED SAVERS EXCHANGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
PROGRAM SERVICE EXPENSES
Year Ended December 31, 2015

	Conferences	Merchandise and Catalog							
	Annual Convention	Catalog and Marketing	Seeds	Seed Rack Seeds	Seed Rack	SSE Books	Products	Garden-Seed House	Garden-Garlic
Compensation and related expenses									
Salaries and wages	\$ 1,960	\$ 137,960	\$ 206,546	\$ 52,094				\$ 77,963	\$ 26,514
Payroll taxes	142	10,298	15,161	3,887				5,352	1,703
Retirement		3,323	5,776	1,260				661	110
Employee benefits		19,200	52,200	9,600					
	2,102	170,781	279,683	66,841	\$ -	\$ -	\$ -	83,976	28,327
Bank charges and marketing fees			136,141						
Contract labor		7,103	13,073						
Facilities									
Rent			1,258						
Repairs and maintenance			9,997						
Telephone, taxes, and licenses			2,682						
Insurance	1,045								
Postage		110,367	138				15		
Professional fees									
Curator									
Consultants and conferences	1,285								
Program									
Advertising and promotion		459,013	38,341						
Discounts			13,340	246					
Cost of goods sold			338,824	74,055	17,372	101,218	47,624	135	46,169
Complimentary gifts		804	3	553					
Printing	3,475	113,485	47						
Germination testing			18,425						60
Shipping, handling, and damages	82	708	478,497	576		1,284	17	238	
Veterinary and feed expense									
Staff development		6,251	460						
Subscriptions and dues									
Supplies	1,925	11,504	9,874	5	6,188			4,092	3,096
Office expense		987	1,645						
Travel, lodging, and trade shows	9,437	582	11,502					402	
Meals and entertainment	16,935	124	291					51	
Less overhead applied to FG								(52,481)	(31,122)
Fuel and miscellaneous			3,555					2,443	
Total expenses	\$ 36,286	\$ 881,709	\$ 1,357,776	\$ 142,276	\$ 23,560	\$ 102,502	\$ 47,656	\$ 38,856	\$ 46,530

See Independent Auditor's Report.

SEED SAVERS EXCHANGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES INFORMATION (Continued)
PROGRAM SERVICE EXPENSES
Year Ended December 31, 2015

	Merchandise and Catalog (Continued)							Total Program Services
	Garden- Potatoes	Eating Beans	Data Entry	Visitor Center	Mail Room	Scions	Transplants	
Compensation and related expenses								
Salaries and wages	\$ 6,601	\$ 329	\$ 92,757	\$ 75,213	\$ 95,828	\$ 4,684	\$ 18,118	\$ 1,455,691
Payroll taxes	483	31	6,734	5,493	6,989	320	1,325	107,165
Retirement			2,297	867	154			24,846
Employee benefits			22,000	8,800	12,000			197,600
	7,084	360	123,788	90,373	114,971	5,004	19,443	1,785,302
Bank charges and marketing fees				4,380				140,521
Contract labor								40,438
Facilities								
Rent	515			120				4,421
Repairs and maintenance				431				21,618
Telephone, taxes, and licenses		68				30		2,780
Insurance				944				1,989
Postage								170,632
Professional fees								
Curator								3,075
Consultants and conferences								1,360
Program								
Advertising and promotion				4,340				501,866
Discounts				734				14,320
Cost of goods sold	23,760	8,666		113,087		6,138	36,421	813,469
Complimentary gifts			30	619				2,226
Printing				305				170,059
Germination testing								18,485
Shipping, handling, and damages	3,453			130	6,503		1,481	495,632
Veterinary and feed expense								5,846
Staff development				125				7,598
Subscriptions and dues				80				80
Supplies	2,915	5	2	4,579	22,178	5,768	11,021	131,254
Office expense								4,628
Travel, lodging, and trade shows				312				38,084
Meals and entertainment				543				21,228
Less overhead applied to FG						(16,410)		(100,013)
Fuel and miscellaneous	311			4				11,437
Total expenses	\$ 38,038	\$ 9,099	\$ 123,820	\$ 221,106	\$ 143,652	\$ 530	\$ 68,366	\$ 4,308,335

See Independent Auditor's Report.