

**SEED SAVERS EXCHANGE, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2015**

## CONTENTS

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

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

|   |              |
|---|--------------|
| <b>CURRENT ASSETS</b>   |              |
| 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  | 2,689,895    |
| <b>LONG-TERM INVESTMENTS</b>  | 100,466      |
| <b>FIXED ASSETS AND EXHIBITS</b>                                      |              |
| 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  | 6,543,731    |
| Less accumulated depreciation   | (2,965,462)  |
| Net fixed assets  | 3,578,269    |
| <b>OTHER ASSETS</b>   |              |
| Book publishing costs   | 397,703      |
| Total assets  | \$ 6,766,333 |

LIABILITIES AND NET ASSETS

|  |              |
|--|--------------|
| <b>CURRENT LIABILITIES</b>                             |              |
| 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                              | 638,025      |
| <b>NONCURRENT LIABILITIES</b>                          |              |
| Deferred compensation                                  | 99,000       |
| Deferred support and revenue                           | 78,568       |
| Long-term debt, net of current maturities              | 216,545      |
| Total noncurrent liabilities                           | 394,113      |
| Total liabilities                                      | 1,032,138    |
| <b>NET ASSETS</b>                                      |              |
| Unrestricted   | 5,444,585    |
| Temporarily restricted                                 | 289,610      |
| Total net assets                                       | 5,734,195    |
| Total liabilities and net assets                       | \$ 6,766,333 |

See Notes to Financial Statements.

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

|   | Unrestricted        | Temporarily<br>Restricted | Total               |
|---|---------------------|---------------------------|---------------------|
| <b>SUPPORT AND REVENUE</b>                        |                     |                           |                     |
| Conference  | \$ 40,997           |                           | \$ 40,997           |
| <b>Contributions:</b>                             |                     |                           |                     |
| 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               |
| <b>Memberships:</b>                               |                     |                           |                     |
| 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>    |
| <b>EXPENSE</b>                                    |                     |                           |                     |
| 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>       |
| <b>CHANGE IN NET ASSETS RELATED TO COLLECTION</b> |                     |                           |                     |
| 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

---

|   |                   |
|---|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |
| 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>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |
| 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>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                   |
| 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> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                     |                   |
| 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 19<sup>th</sup> 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<br>Fair Value<br>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:

|                             |              |
|-----------------------------|--------------|
| <b>Books:</b>               |              |
| 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)           |
| <br>Balance, end of year                         | <br>\$ | <br><u>166,103</u> |
| <br>Deferred support and revenue:                |        |                    |
| Current  | \$     | 87,535             |
| Long-term  |        | 78,568             |
| <br>Book value                                   | <br>\$ | <br><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                  |                  |                         |
| <b>Total expenses</b>             | <b>\$ 61,778</b>           | <b>\$ 259,901</b>             | <b>\$ 46,396</b> | <b>\$ 75,042</b> | <b>\$ 39,812</b>    | <b>\$ 223,254</b>      | <b>\$ 231,075</b>      | <b>\$ 71,839</b> | <b>\$ 17,476</b>        |

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<br>Program<br>Services |
|-----------------------------------|-------------------------------------|-----------------|-------------------|-------------------|-------------------|---------------|------------------|------------------------------|
|                                   | Garden-<br>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                       |
| <b>Total expenses</b>             | <b>\$ 38,038</b>                    | <b>\$ 9,099</b> | <b>\$ 123,820</b> | <b>\$ 221,106</b> | <b>\$ 143,652</b> | <b>\$ 530</b> | <b>\$ 68,366</b> | <b>\$ 4,308,335</b>          |

See Independent Auditor's Report.