

SEED SAVERS EXCHANGE, INC.

FINANCIAL REPORT

DECEMBER 31, 2016

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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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 17 through 23 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 audits 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
May 4, 2017

SEED SAVERS EXCHANGE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,005,503	\$ 600,781
Investments	349,864	335,421
Accounts receivable (net of allowance for doubtful accounts of \$6,235 and \$845, respectively)	276,072	324,019
Prepaid expenses	100,565	109,784
Inventory	1,261,236	1,319,890
Total current assets	2,993,240	2,689,895
LONG-TERM INVESTMENTS		
	69,066	100,466
FIXED ASSETS AND EXHIBITS		
Land	875,450	875,450
Buildings and improvements	3,322,842	3,138,473
Machinery	215,753	201,450
Furniture and equipment	2,398,743	2,236,684
Construction in progress	51,793	91,674
Total fixed assets	6,864,581	6,543,731
Less accumulated depreciation	(3,280,173)	(2,965,462)
Net fixed assets	3,584,408	3,578,269
OTHER ASSETS		
Book publishing costs	337,359	397,703
Total assets	\$ 6,984,073	\$ 6,766,333
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 161,562	\$ 116,054
Accrued expenses	16,157	16,920
Customer deposits, gift certificates and credit memos	218,006	241,858
Accrued wages	165,691	162,654
Deferred support and revenue	86,488	87,535
Current maturities of long-term debt	13,608	13,004
Total current liabilities	661,512	638,025
NONCURRENT LIABILITIES		
Deferred compensation	79,000	99,000
Deferred support and revenue	91,812	78,568
Long-term debt, net of current maturities	202,939	216,545
Total noncurrent liabilities	373,751	394,113
Total liabilities	1,035,263	1,032,138
NET ASSETS		
Unrestricted	5,632,248	5,444,585
Temporarily restricted	316,562	289,610
Total net assets	5,948,810	5,734,195
Total liabilities and net assets	\$ 6,984,073	\$ 6,766,333

See Notes to Financial Statements.

SEED SAVERS EXCHANGE, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Conference	\$ 32,688		\$ 32,688	\$ 40,997		\$ 40,997
Contributions:						
Bequests	6,000		6,000			-
Corporations	492,736		492,736	486,298		486,298
Major donors	31,789		31,789	88,993		88,993
General	304,352		304,352	186,919		186,919
Fishing easement	195,052		195,052			-
Foundation grants	21,177	\$ 316,562	337,739	62,415	\$ 289,610	352,025
Investment income	27,481		27,481	3,517		3,517
Memberships	342,785		342,785	404,253		404,253
Fundraisers and sponsorships	40,331		40,331	58,599		58,599
Rental income	13,925		13,925	13,403		13,403
Sale of merchandise	4,061,900		4,061,900	4,263,295		4,263,295
Shipping and handling	329,223		329,223	211,758		211,758
Miscellaneous income	35,400		35,400	46,298		46,298
Net assets released from restrictions	289,610	(289,610)	-	167,306	(167,306)	-
Total support and revenue	<u>6,224,449</u>	<u>26,952</u>	<u>6,251,401</u>	<u>6,034,051</u>	<u>122,304</u>	<u>6,156,355</u>
EXPENSE						
Program services	4,413,610		4,413,610	4,308,335		4,308,335
General and administrative	1,270,553		1,270,553	1,447,427		1,447,427
Facilities	265,268		265,268	267,591		267,591
Fundraising	87,042		87,042	86,927		86,927
Total expenses	<u>6,036,473</u>	<u>-</u>	<u>6,036,473</u>	<u>6,110,280</u>	<u>-</u>	<u>6,110,280</u>
Change in net assets	187,976	26,952	214,928	(76,229)	122,304	46,075
CHANGE IN NET ASSETS RELATED TO COLLECTION						
Items not capitalized:						
Collection items purchased	313	-	313	656	-	656
Change in net assets	187,663	26,952	214,615	(76,885)	122,304	45,419
NET ASSETS, beginning of year	<u>5,444,585</u>	<u>289,610</u>	<u>5,734,195</u>	<u>5,521,470</u>	<u>167,306</u>	<u>5,688,776</u>
NET ASSETS, end of year	<u>\$ 5,632,248</u>	<u>\$ 316,562</u>	<u>\$ 5,948,810</u>	<u>\$ 5,444,585</u>	<u>\$ 289,610</u>	<u>\$ 5,734,195</u>

See Notes to Financial Statements.

SEED SAVERS EXCHANGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2016 and 2015

	Program Services					Supporting Services				
		Genetic Preservation		Merchandise and Catalog	Total Program Services	General and Administrative	Facilities	Fundraising and Special Events	Total Supporting Services	Total Expenses
2016	Membership	Projects	Conferences							
Compensation and related expenses:										
Salaries and wages	\$ 34,149	\$ 606,014	\$ 6,869	\$ 875,324	\$ 1,522,356	\$ 345,308	\$ 121,844	\$ 44,108	\$ 511,260	\$ 2,033,616
Payroll taxes	2,613	45,188	505	62,567	110,873	28,295	8,848	3,368	40,511	151,384
Retirement	541	10,014		14,726	25,281	9,171	3,834	622	13,627	38,908
Employee benefits		71,948		122,736	194,684	37,841	22,000		59,841	254,525
Subtotal	37,303	733,164	7,374	1,075,353	1,853,194	420,615	156,526	48,098	625,239	2,478,433
Bank charges and marketing fees				129,812	129,812	3,389			3,389	133,201
Interest					-	9,665			9,665	9,665
Contract labor		24,578	600	17,703	42,881	56,172	15,422	3,115	74,709	117,590
Depreciation					-	314,711			314,711	314,711
Facilities:										
Property taxes					-		12,764		12,764	12,764
Rent		2,254		948	3,202		20	2,784	2,804	6,006
Repairs and maintenance		14,585		11,794	26,379	1,300	5,360		6,660	33,039
Telephone, taxes and licenses				3,082	3,082	468	1,191		1,659	4,741
Utilities					-		61,097		61,097	61,097
Insurance			1,045	944	1,989	81,438			81,438	83,427
Postage	14,305	39,194	757	95,074	149,330	1,582		6,560	8,142	157,472
Professional fees:										
Accounting fees					-	17,370			17,370	17,370
Curator		3,465			3,465				-	3,465
Consultants and conferences		600	587		1,187	29,064			29,064	30,251
Legal fees					-	26,137			26,137	26,137
Program:										
Advertising and promotion		1,094	1,408	501,398	503,900	2,856		4,283	7,139	511,039
Discounts				74,349	74,349			135	135	74,484
Cost of goods sold				802,918	802,918				-	802,918
Complimentary gifts		347		3,392	3,739	2,592		845	3,437	7,176
Printing	16,497	44,053	1,020	105,120	166,690			11,176	11,176	177,866
Germination testing				20,605	20,605				-	20,605
Shipping, handling and damages		3,636	238	487,810	491,684	2,523	201	1,824	4,548	496,232
Veterinary and feed expense		4,897			4,897				-	4,897
Staff development		370		572	942	8,772		925	9,697	10,639
Subscriptions and dues					-	3,741		250	3,991	3,991
Supplies	281	48,768	5,553	96,911	151,514	225,502	7,240	379	233,121	384,635
Office expense		2,163		2,714	4,877	1,696	341		2,037	6,914
Travel, lodging and trade shows		10,694	9,496	3,705	23,895	35,184	1,572	5,151	41,907	65,802
Meals and entertainment		3,204	17,386	314	20,904	7,621	153	1,517	9,291	30,195
Unrelated business income tax					-	10,927			10,927	10,927
Less overhead applied to FG				(82,888)	(82,888)				-	(82,888)
Fuel and miscellaneous		4,473		6,590	11,063	7,228	3,381		10,609	21,672
Total expenses	\$ 68,386	\$ 941,539	\$ 45,464	\$ 3,358,221	\$ 4,413,610	\$ 1,270,553	\$ 265,268	\$ 87,042	\$ 1,622,863	\$ 6,036,473
See Notes to Financial Statements.										

SEED SAVERS EXCHANGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2016 and 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		
2015											
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	
Subtotal	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.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 214,615	\$ 45,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	314,711	311,120
Donated investments	(13,037)	(9,612)
Donated property and equipment	(8,068)	
Collection items purchased	313	656
Unrealized (gain) loss on investments	(11,073)	15,073
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	47,947	(204,019)
Decrease (increase) in prepaid expenses	9,219	(19,222)
Decrease in unconditional promises to give		9,047
Decrease (increase) in publishing costs	60,344	(6,244)
Decrease in deferred compensation	(20,000)	
Decrease in inventory	58,654	61,769
Increase (decrease) in deferred revenue	12,197	(10,272)
Increase in accounts payable and accrued expenses	23,928	26,782
Net cash provided by operating activities	689,750	220,497
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,817)	(14,696)
Proceeds from investments	52,885	
Purchase of collection items	(313)	(656)
Purchase of property and equipment	(312,781)	(265,631)
Net cash used in investing activities	(272,026)	(280,983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(13,002)	(12,482)
Net increase (decrease) in cash	404,722	(72,968)
CASH, beginning of year	600,781	673,749
CASH, end of year	\$ 1,005,503	\$ 600,781
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 9,665	\$ 10,185
Noncash investing and financing activities:		
Donated property and equipment	\$ 8,068	
Donated investments	13,037	\$ 9,612
	\$ 21,105	\$ 9,612

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 12,000 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, as well as an annual yearbook through which 700 SSE's members offer over 25,000 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 20 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 20,000 named varieties of apples in the United States, but less than 4,000 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 1,000 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 statements 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, Inc. 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 years ended December 31, 2016 and 2015 in the amount of \$6,235 and \$845, respectively.

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.

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, property and equipment, and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Noncash donations totaled \$21,105 and \$9,612 for the years ended December 31, 2016 and 2015, respectively.

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 statements 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 statements 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 years ended December 31, 2016 and 2015, advertising costs totaled \$511,039 and \$507,929, respectively.

p. Recent Accounting Pronouncements

In August 2016, the Financial Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities*, which affects all nonprofit organizations. The ASU significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. The new standard is effective for the organization's year ending December 31, 2018. The organization is currently evaluating the effect that implementation of the new standard will have on the presentation of its financial statements and accompanying disclosures.

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. During the years ended December 31, 2016 and 2015, cash in the amount of \$638,774 and \$299,653 was not insured by the FDIC, respectively.

4. Investments

Investments as of December 31, 2016 and 2015 are carried at fair value and consisted of the following:

	2016		2015	
	Cost	Fair Value (Level 1)	Cost	Fair Value (Level 1)
Investments whose use is limited:				
Mutual funds:				
Bond funds	\$ 108,993	\$ 105,725	\$ 95,596	\$ 92,484
Equity funds	217,486	244,139	227,513	242,937
	\$ 326,479	\$ 349,864	\$ 323,109	\$ 335,421

Fair value of assets measured on a recurring basis at December 31, 2016 and 2015 consist of the 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.

NOTES TO FINANCIAL STATEMENTS

4. Investments (Continued)

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	\$ 323,109	\$ 335,421	\$ 12,312
Increase in unrealized gain on investments			11,073
Balance, end of year	\$ 326,479	\$ 349,864	\$ 23,385

Long-term investments at December 31, 2016 and 2015 are carried at cost and are composed of the following:

	2016	2015
Certificates of deposit	\$ 67,556	\$ 100,466
Deferred patronage dividend: Farmers Winneshiek Coop	1,510	None
	\$ 69,066	\$ 100,466

5. Inventory

Inventory consisted of the following for years ended December 31, 2016 and 2015:

	2016	2015
Books:		
SSE	\$ 39,556	\$ 51,842
Chelsea Green (distributor)	41,313	54,004
	80,869	105,846
Merchandise	259,625	239,892
Seed	894,543	918,640
Seed spoilage valuation	(58,192)	(58,192)
Supplies	34,894	62,746
Seed packets, empty	49,497	50,958
	1,180,367	1,214,044
	\$ 1,261,236	\$ 1,319,890

6. Collections

In conformity with the practice followed by many museums, artifacts purchased and donated are not included in the statements of financial position. SSE does not capitalize its collections; the values of the objects acquired by gift are not recognized in the statements of activities. During the years ended December 31, 2016 and 2015, purchases of artifacts totaled \$313 and \$656, respectively.

6. Collections (Continued)

SSE's collection database 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, 2016 and 2015:

	2016	2015
Land	\$ 875,450	\$ 875,450
Buildings and improvements	3,322,842	3,138,473
Machinery	215,753	201,450
Equipment	2,398,743	2,236,684
Construction in progress	51,793	91,674
Total at cost	6,864,581	6,543,731
Less accumulated depreciation	(3,280,173)	(2,965,462)
Book value	\$ 3,584,408	\$ 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 the following:

	2016	2015
GSI Project	\$ 51,793	\$ 78,000
Construction of the Annex	None	13,674
	\$ 51,793	\$ 91,674

No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into service.

In the year ended December 31, 2016, the organization granted a conservation easement to the Iowa Department of Natural Resources for public fishing access.

Depreciation expense for the years ended December 31, 2016 and 2015 was \$314,711 and \$311,120, respectively.

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.

NOTES TO FINANCIAL STATEMENTS

9. Lease Obligations

SSE enters into various operating lease arrangements for office equipment. SSE has lease arrangements as follows:

- July 2013 through May 2018 at \$999 per quarter,
- November 2016 through November 2021 at \$1,592 per month,
- July 2016 through October 2021 at \$162 per month and,
- February 2016 through May 2021 at \$153 per month.

SSE also engages in short-term leases as needed. Lease expense for the years ended December 31, 2016 and 2015 was \$23,583 and \$21,153, respectively.

Future minimum lease payments during the years following December 31, 2016 are as follows:

Year ended December 31,	
2017	\$ 26,889
2018	24,891
2019	22,893
2020	22,893
2021	17,996
	\$ 115,562

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.

	\$ 216,547
Less current portion	(13,608)
Long-term portion	\$ 202,939

Future maturities of long-term debt are as follows:

Year ended December 31,	
2017	\$ 13,608
2018	14,201
2019	13,846
2020	14,171
2021	15,127
2022 and thereafter	145,594
	\$ 216,547

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 years ended December 31, 2016 and 2015 are comprised the following:

	2016	2015
Balance, beginning of year	\$ 166,103	\$ 176,375
Deferred portion of life-time memberships	13,244	9,644
Change in deferred portion of annual memberships	(1,047)	(19,916)
Balance, end of year	\$ 178,300	\$ 166,103
Deferred support and revenue:		
Current	\$ 86,488	\$ 87,535
Long-term	91,812	78,568
Book value	\$ 178,300	\$ 166,103

13. Related Party Transactions

Included in support, revenues and gains for the years ended December 31, 2016 and 2015 are gross contributions of \$2,950 and \$40,701, respectively, received from SSE's officers and directors. There were no promises to give from these individuals as of December 31, 2016 and 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 years ended December 31, 2016 and 2015 was \$38,908 and \$39,270, respectively.

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, 2016, SSE had made one payment of \$20,000 to the participant. No payments were made to the participant for the year ending December 31, 2015.

NOTES TO FINANCIAL STATEMENTS

16. Commitments and Contingencies

The organization receives 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, 2016 and 2015, SSE had commitments to purchase seeds in the amount of \$None and \$14,984, respectively.

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, the IRS notified SSE 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. SSE was not liable for unrelated business income tax for the tax years ended December 31, 2016 and 2015.

18. Concentrations

A substantial amount of SSE's contract growing is done 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 were insured for losses up to \$2,496,816 and \$2,496,400 as of December 31, 2016 and 2015, respectively.

20. Fundraising Development Expenses

The organization established a department in 2013 to develop fundraising activities. Costs allocated to fundraising events for the years ended December 31, 2016 and 2015 were \$87,042 and \$86,927, respectively.

21. Subsequent Events

Management has evaluated subsequent events through May 4, 2017, the date these financial statements were available to be issued.

Supplementary Information

SEED SAVERS EXCHANGE, INC.
 STATEMENTS OF ACTIVITIES INFORMATION
 Years Ended December 31, 2016 and 2015

	2016	2015
CATALOG SALES		
Books	\$ 71,051	\$ 146,315
Eating beans	6,154	19,639
Products	98,025	86,584
Scions	55,490	23,781
Seeds	2,973,884	3,146,730
Transplants	168,063	183,905
Garlic	196,795	122,749
Potatoes	151,451	158,477
Seed rack	14,420	21,165
	3,735,333	3,909,345
LILLIAN GOLDMAN VISITORS CENTER SALES		
Books	25,940	30,454
Eating beans	4,091	5,815
Products	90,091	96,735
Seeds	88,767	98,755
Transplants	62,047	56,979
Garlic	4,857	3,102
Potatoes	5,744	6,041
	281,537	297,881
Livestock, hay and grain sales	45,030	56,069
Total sale of merchandise	\$ 4,061,900	\$ 4,263,295

See Independent Auditor's Report.

SEED SAVERS EXCHANGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES INFORMATION

PROGRAM SERVICE EXPENSES

Years Ended December 31, 2016 and 2015

	Membership	Genetic Preservation Projects							
	Seed Savers				Tissue				Community
2016	Exchange, Inc.	Garden	Orchard	Livestock	Culture	Education and	General and	Seed Lab	Seed
					Club	Outreach	Evaluation		Resource
Compensation and related expenses:									
Salaries and wages	\$ 34,149	\$ 207,112	\$ 35,843	\$ 23,472	\$ 26,852	\$ 40,353	\$ 217,594	\$ 47,966	\$ 6,822
Payroll taxes	2,613	15,634	2,628	1,656	1,962	3,101	16,049	3,649	509
Retirement	541	3,846	565	27	140	606	4,547	283	
Employee benefits		20,374	4,800	7,200	4,800	4,000	21,574	9,200	
Subtotal	37,303	246,966	43,836	32,355	33,754	48,060	259,764	61,098	7,331
Bank charges and marketing fees									
Contract labor				10,385	12,305		1,159		729
Facilities:									
Rent			807	180	1,267				
Repairs and maintenance		3,745		4,315	2,257		4,268		
Telephone, taxes and licenses									
Insurance									
Postage	14,305					39,194			
Professional fees:									
Curator					3,465				
Consultants and conferences						600			
Program:									
Advertising and promotion						1,094			
Discounts									
Cost of goods sold									
Complimentary gifts						336			11
Printing	16,497					44,053			
Germination testing									
Shipping, handling and damages		162	279		317	605	513	1,741	19
Veterinary and feed expense				4,897					
Staff development						330		15	25
Subscriptions and dues									
Supplies	281	16,757	2,008	2,061	3,934	9,291	1,091	3,139	10,487
Office expense						1,357	806		
Travel, lodging and trade shows		38				5,201	1,934		3,521
Meals and entertainment				45		1,651	177		1,331
Less overhead applied to FG									
Fuel and miscellaneous		956		968			2,549		
Total expenses	\$ 68,386	\$ 268,624	\$ 46,930	\$ 55,206	\$ 57,299	\$ 151,772	\$ 272,261	\$ 65,993	\$ 23,454
See Independent Auditor's Report.									

SEED SAVERS EXCHANGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES INFORMATION (Continued)

PROGRAM SERVICE EXPENSES

Years Ended December 31, 2016 and 2015

	Conferences	Merchandise and Catalog							
	Annual	Catalog		Seed Rack				Garden-Seed	Garden-
2016	Convention	and	Seeds	Seeds	Seed Rack	SSE Books	Products	House	Garlic
		Marketing							
Compensation and related expenses:									
Salaries and wages	\$ 6,869	\$ 194,909	\$ 204,281	\$ 53,561				\$ 85,866	\$ 25,349
Payroll taxes	505	14,349	14,412	3,968				5,573	1,761
Retirement		3,511	6,227	1,293				905	73
Employee benefits		22,600	47,962	9,587					
Subtotal	7,374	235,369	272,882	68,409	\$ -	\$ -	\$ -	92,344	27,183
Bank charges and marketing fees			127,662						
Contract labor	600	9,925	2,442						2,171
Facilities:									
Rent			948						
Repairs and maintenance			9,284						
Telephone, taxes and licenses			2,952						
Insurance	1,045								
Postage	757	95,035	39						
Professional fees:									
Curator									
Consultants and conferences	587								
Program:									
Advertising and promotion	1,408	457,620	34,034						
Discounts			73,723	80					
Cost of goods sold			270,565	74,923	22,118	102,462	65,064		81,090
Complimentary gifts		706	75	1,157					
Printing	1,020	104,910	210						
Germination testing			20,585						20
Shipping, handling and damages	238	5,002	468,553	3,209		718	902	493	1,531
Veterinary and feed expense									
Staff development			572						
Subscriptions and dues									
Supplies	5,553	12,820	11,398		283			4,526	2,344
Office expense		1,018	1,696						
Travel, lodging and trade shows	9,496	608	2,726					347	
Meals and entertainment	17,386	59	21					31	
Less overhead applied to FG								(47,571)	(20,725)
Fuel and miscellaneous			6,030					485	
Total expenses	\$ 45,464	\$ 923,072	\$ 1,306,397	\$ 147,778	\$ 22,401	\$ 103,180	\$ 65,966	\$ 50,655	\$ 93,614
See Independent Auditor's Report.									

SEED SAVERS EXCHANGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES INFORMATION (Continued)

PROGRAM SERVICE EXPENSES

Years Ended December 31, 2016 and 2015

Merchandise and Catalog (Continued)								
2016	Garden-Potatoes	Eating Beans	Data Entry	Visitor Center	Mail Room	Scions	Transplants	Total Program Services
Compensation and related expenses:								
Salaries and wages	\$ 11,209	\$ 110	\$ 96,282	\$ 75,530	\$ 98,616	\$ 12,186	\$ 17,425	\$ 1,522,356
Payroll taxes	740	8	6,956	5,514	7,065	872	1,349	110,873
Retirement			1,683	837	197			25,281
Employee benefits			22,800	7,787	12,000			194,684
Subtotal	11,949	118	127,721	89,668	117,878	13,058	18,774	1,853,194
Bank charges and marketing fees				2,150				129,812
Contract labor						1,516	1,649	42,881
Facilities:								
Rent								3,202
Repairs and maintenance				2,510				26,379
Telephone, taxes and licenses				100		30		3,082
Insurance				944				1,989
Postage								149,330
Professional fees:								
Curator								3,465
Consultants and conferences								1,187
Program:								
Advertising and promotion				9,744				503,900
Discounts				546				74,349
Cost of goods sold	24,196	2,238		101,908		36,106	22,248	802,918
Complimentary gifts				1,454				3,739
Printing								166,690
Germination testing								20,605
Shipping, handling and damages	2,803			141	2,187		2,271	491,684
Veterinary and feed expense								4,897
Staff development								942
Subscriptions and dues								-
Supplies	3,971			5,217	30,230	2,230	23,893	151,514
Office expense								4,877
Travel, lodging and trade shows				24				23,895
Meals and entertainment				203				20,904
Less overhead applied to FG						(14,592)		(82,888)
Fuel and miscellaneous					75			11,063
Total expenses	\$ 42,919	\$ 2,356	\$ 127,721	\$ 214,609	\$ 150,370	\$ 38,348	\$ 68,835	\$ 4,413,610
See Independent Auditor's Report.								

SEED SAVERS EXCHANGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES INFORMATION

PROGRAM SERVICE EXPENSES

Years Ended December 31, 2016 and 2015

	Membership	Genetic Preservation Projects							
	Seed Savers				Tissue				Community
2015	Exchange, Inc.	Garden	Orchard	Livestock	Culture	Education and	General and	Seed Lab	Seed
					Club	Outreach	Evaluation		Resource
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
Subtotal	50,421	240,545	44,696	35,077	32,442	94,954	217,518	67,771	9,145
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									
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									
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	\$ 61,778	\$ 259,901	\$ 46,396	\$ 75,042	\$ 39,812	\$ 223,254	\$ 231,075	\$ 71,839	\$ 17,476
See Independent Auditor's Report.									

SEED SAVERS EXCHANGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES INFORMATION (Continued)

PROGRAM SERVICE EXPENSES

Years Ended December 31, 2016 and 2015

	Conferences	Merchandise and Catalog							
	Annual	Catalog		Seed Rack				Garden-Seed	Garden-
2015	Convention	and	Seeds	Seeds	Seed Rack	SSE Books	Products	House	Garlic
		Marketing							
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					
Subtotal	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.

STATEMENTS OF FUNCTIONAL EXPENSES INFORMATION (Continued)

PROGRAM SERVICE EXPENSES

Years Ended December 31, 2016 and 2015

Merchandise and Catalog (Continued)								
2015	Garden-Potatoes	Eating Beans	Data Entry	Visitor Center	Mail Room	Scions	Transplants	Total Program Services
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
Subtotal	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.								