

THE ELEPHANT SANCTUARY IN
TENNESSEE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016 AND 2015



INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Elephant Sanctuary in Tennessee and Subsidiary
Hohenwald, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of The Elephant Sanctuary in Tennessee, a nonprofit organization, and Subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Elephant Sanctuary in Tennessee and Subsidiary 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 accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Koyf CPA PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
May 17, 2017

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

| | <u>ASSETS</u> | |
|---|-----------------------------------|----------------------|
| | <u>2016</u> | <u>2015</u> |
| ASSETS | | |
| Cash | \$ 4,867,953 | \$ 4,247,237 |
| Contributions receivable, net | 1,250,235 | 2,047,142 |
| Prepaid expenses | 101,087 | 73,419 |
| Inventory | 17,401 | 9,541 |
| Investments | 21,642,444 | 18,363,322 |
| Property and equipment, net | 10,385,069 | 9,807,661 |
| Beneficial interest in charitable remainder trust | 175,883 | 163,091 |
| Beneficial interest in trust | 1,921,755 | 1,909,281 |
| TOTAL ASSETS | <u>\$ 40,361,827</u> | <u>\$ 36,620,694</u> |
| | <u>LIABILITIES AND NET ASSETS</u> | |
| LIABILITIES | | |
| Accounts payable | \$ 50,865 | \$ 51,098 |
| Accrued expenses | 3,128 | 2,326 |
| TOTAL LIABILITIES | <u>53,993</u> | <u>53,424</u> |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Unrestricted: | | |
| Undesignated | 1,401,319 | 3,154,852 |
| Designated for operational reserves | 19,600,000 | 17,600,000 |
| Designated for property and equipment | 10,385,069 | 9,807,661 |
| Designated for capital reserves | 3,000,000 | - |
| Designated for endowment | 192,383 | 134,870 |
| Designated for education | 1,288,000 | 1,288,000 |
| Total unrestricted | 35,866,771 | 31,985,383 |
| Temporarily restricted | 2,813,740 | 2,998,295 |
| Permanently restricted | 1,627,323 | 1,583,592 |
| TOTAL NET ASSETS | <u>40,307,834</u> | <u>36,567,270</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 40,361,827</u> | <u>\$ 36,620,694</u> |

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | 2016 | | | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| SUPPORT AND REVENUE | | | | |
| Public support: | | | | |
| Contributions and grants | \$ 6,535,266 | \$ 447,337 | \$ 43,731 | \$ 7,026,334 |
| Change in value of beneficial interest agreements | - | 142,239 | - | 142,239 |
| In-kind revenue | 39,741 | - | - | 39,741 |
| Merchandise sales | 128,350 | - | - | 128,350 |
| Less: cost of merchandise sales | (35,880) | - | - | (35,880) |
| Investment income | 347,056 | 25,531 | - | 372,587 |
| Realized and unrealized gain (loss) on investments | 845,528 | 31,982 | - | 877,510 |
| Miscellaneous income | 6,300 | - | - | 6,300 |
| Loss on disposal of property and equipment | (8,300) | - | - | (8,300) |
| Loss on restricted contributions receivable | - | (30,227) | - | (30,227) |
| Net assets released from restrictions | 801,417 | (801,417) | - | - |
| TOTAL SUPPORT AND REVENUE | <u>8,659,478</u> | <u>(184,555)</u> | <u>43,731</u> | <u>8,518,654</u> |
| EXPENSES | | | | |
| Program | 4,155,098 | - | - | 4,155,098 |
| Management and general | 329,945 | - | - | 329,945 |
| Fundraising | 293,047 | - | - | 293,047 |
| TOTAL EXPENSES | <u>4,778,090</u> | <u>-</u> | <u>-</u> | <u>4,778,090</u> |
| CHANGE IN NET ASSETS | 3,881,388 | (184,555) | 43,731 | 3,740,564 |
| NET ASSETS - BEGINNING OF YEAR | <u>31,985,383</u> | <u>2,998,295</u> | <u>1,583,592</u> | <u>36,567,270</u> |
| NET ASSETS - END OF YEAR | <u>\$ 35,866,771</u> | <u>\$ 2,813,740</u> | <u>\$ 1,627,323</u> | <u>\$ 40,307,834</u> |

See accompanying notes to consolidated financial statements.

2015

| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------|-----------------------------------|-----------------------------------|----------------------|
| \$ 6,201,951 | \$ 352,589 | \$ 77,949 | \$ 6,632,489 |
| - | 48 | - | 48 |
| 120,871 | - | - | 120,871 |
| 147,595 | - | - | 147,595 |
| (43,553) | - | - | (43,553) |
| 371,620 | 38,634 | - | 410,254 |
| (485,440) | (117,479) | - | (602,919) |
| 6,307 | - | - | 6,307 |
| - | - | - | - |
| - | (110,516) | - | (110,516) |
| <u>312,259</u> | <u>(312,259)</u> | <u>-</u> | <u>-</u> |
| <u>6,631,610</u> | <u>(148,983)</u> | <u>77,949</u> | <u>6,560,576</u> |
| 3,600,763 | - | - | 3,600,763 |
| 503,383 | - | - | 503,383 |
| <u>265,486</u> | <u>-</u> | <u>-</u> | <u>265,486</u> |
| <u>4,369,632</u> | <u>-</u> | <u>-</u> | <u>4,369,632</u> |
| 2,261,978 | (148,983) | 77,949 | 2,190,944 |
| <u>29,723,405</u> | <u>3,147,278</u> | <u>1,505,643</u> | <u>34,376,326</u> |
| <u>\$ 31,985,383</u> | <u>\$ 2,998,295</u> | <u>\$ 1,583,592</u> | <u>\$ 36,567,270</u> |

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 3,740,564 | \$ 2,190,944 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 891,937 | 808,666 |
| Loss on disposal of property and equipment | 8,300 | - |
| Loss on restricted contributions receivable | 30,227 | 110,516 |
| Realized and unrealized (gain) loss on investments | (877,510) | 602,919 |
| Change in value of beneficial interest agreements | (142,239) | (48) |
| Distributions received from beneficial interest agreements | 116,973 | 124,293 |
| Noncash contributions of investments | (29,877) | (33,654) |
| (Increase) decrease in: | | |
| Contributions receivable | 766,680 | (80,111) |
| Prepaid expenses | (27,668) | (37,207) |
| Inventory | (7,860) | 5,447 |
| Increase (decrease) in: | | |
| Accounts payable | (233) | (17,195) |
| Accrued expenses | 802 | (1,227) |
| TOTAL ADJUSTMENTS | <u>729,532</u> | <u>1,482,399</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>4,470,096</u> | <u>3,673,343</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property and equipment | (1,478,145) | (1,583,877) |
| Proceeds from disposal of property and equipment | 500 | - |
| Sales of investments | 7,434,109 | 9,040,134 |
| Purchases of investments | (9,805,844) | (10,849,420) |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(3,849,380)</u> | <u>(3,393,163)</u> |
| NET INCREASE IN CASH | 620,716 | 280,180 |
| CASH - BEGINNING OF YEAR | <u>4,247,237</u> | <u>3,967,057</u> |
| CASH - END OF YEAR | <u>\$ 4,867,953</u> | <u>\$ 4,247,237</u> |

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

2016

| | PROGRAM SERVICES | | | | | MANAGEMENT AND FUNDRAISING | | |
|--|---------------------|-------------------|---------------------|-------------------|---------------------|----------------------------|-------------------|---------------------|
| | ELEPHANT CARE | VET CARE | FACILITIES | EDUCATION | TOTAL | GENERAL | FUNDRAISING | TOTAL |
| Salaries and wages | \$ 629,458 | \$ 115,358 | \$ 430,729 | \$ 312,859 | \$ 1,488,404 | \$ 127,138 | \$ 122,167 | \$ 1,737,709 |
| Payroll taxes | 45,922 | 8,290 | 31,438 | 23,191 | 108,841 | 8,914 | 8,794 | 126,549 |
| Employee benefit - insurance | 60,940 | 5,052 | 30,464 | 23,074 | 119,530 | 5,868 | 7,308 | 132,706 |
| Employee benefit - retirement | 54,708 | 4,536 | 27,349 | 20,715 | 107,308 | 5,266 | 6,561 | 119,135 |
| Other payroll expenses | 4,262 | 353 | 2,130 | 1,614 | 8,359 | 410 | 511 | 9,280 |
| SALARIES AND RELATED EXPENSES | 795,290 | 133,589 | 522,110 | 381,453 | 1,832,442 | 147,596 | 145,341 | 2,125,379 |
| Advertising | 555 | 973 | 25 | 5,581 | 7,134 | - | 6,085 | 13,219 |
| Bank service charges | - | - | 8 | 39,907 | 39,915 | 1,569 | 15,000 | 56,484 |
| Conferences and meetings | - | 725 | - | - | 725 | - | - | 725 |
| Depreciation | - | - | 866,307 | 15,378 | 881,685 | 10,252 | - | 891,937 |
| Donated materials and supplies | - | - | - | - | - | - | 9,864 | 9,864 |
| Donations | - | - | - | - | - | 1,850 | - | 1,850 |
| Dues and subscriptions | 45 | 1,191 | - | 205 | 1,441 | 1,718 | - | 3,159 |
| Education | - | - | - | 3,900 | 3,900 | - | - | 3,900 |
| Employee assistance program | 453 | 24 | 239 | 215 | 931 | 72 | 48 | 1,051 |
| Employee relocation | 2,835 | 750 | - | - | 3,585 | - | - | 3,585 |
| Employee recruitment and testing | 779 | 450 | 687 | 396 | 2,312 | - | 102 | 2,414 |
| Feed and supplements | 181,799 | - | - | - | 181,799 | - | - | 181,799 |
| Insurance - liability | 22,965 | 9,065 | 15,108 | 9,031 | 56,169 | 8,786 | 1,209 | 66,164 |
| Insurance - workers' compensation | 52,798 | 20,063 | 13,199 | 7,991 | 94,051 | 2,640 | 1,056 | 97,747 |
| International elephant habitat and care programs | 97,000 | - | - | - | 97,000 | - | - | 97,000 |
| Licenses | 1,566 | 1,381 | 720 | 263 | 3,930 | 2,935 | 6,380 | 13,245 |
| Meals | 2,314 | 838 | 387 | 530 | 4,069 | 1,165 | 795 | 6,029 |
| Merchandise | - | - | - | 35,859 | 35,859 | - | 21 | 35,880 |
| Mileage reimbursement | 424 | 270 | 1,857 | 143 | 2,694 | 264 | - | 2,958 |
| Miscellaneous | - | - | - | 1,300 | 1,300 | - | 2,572 | 3,872 |
| Newsletter | - | - | - | 97,241 | 97,241 | - | 68,065 | 165,306 |
| Office supplies and small equipment | 70,309 | 29,371 | 32,576 | 13,864 | 146,120 | 4,508 | 3,345 | 153,973 |
| Printing | 24 | - | - | 8,789 | 8,813 | 86 | 8,137 | 17,036 |
| Postage and delivery | 99 | 2,752 | 172 | 51,749 | 54,772 | - | 7,000 | 61,772 |
| Professional development | 2,448 | 310 | 1,539 | 1,265 | 5,562 | 170 | 190 | 5,922 |
| Professional fees | 8,855 | 72,734 | 3,015 | 17,112 | 101,716 | 122,993 | 13,349 | 238,058 |
| Repairs and maintenance | 32,241 | 694 | 16,254 | 9,436 | 58,625 | 846 | 539 | 60,010 |
| Security | 1,382 | 54 | 95 | 281 | 1,812 | 323 | 23 | 2,158 |
| Taxes | - | - | 12,910 | 6,034 | 18,944 | 2,320 | - | 21,264 |
| Technology | 23,032 | 3,459 | 4,281 | 34,708 | 65,480 | 6,989 | 2,555 | 75,024 |
| Telephone and internet | 5,082 | 1,435 | 3,934 | 3,547 | 13,998 | 4,675 | 571 | 19,244 |
| Travel | 11,811 | 2,337 | 5 | 1,895 | 16,048 | 1,564 | - | 17,612 |
| Utilities | 65,027 | 430 | 7,801 | 7,514 | 80,772 | 3,361 | 368 | 84,501 |
| Vehicle | 14,074 | 3,094 | 33,049 | 18 | 50,235 | 3,263 | 453 | 53,951 |
| Veterinary services and medicines | - | 219,878 | - | - | 219,878 | - | - | 219,878 |
| TOTAL EXPENSES | 1,393,207 | 505,867 | 1,536,278 | 755,605 | 4,190,957 | 329,945 | 293,068 | 4,813,970 |
| Less: expenses included with revenues on the consolidated statements of activities | - | - | - | (35,859) | (35,859) | - | (21) | (35,880) |
| TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES | \$ 1,393,207 | \$ 505,867 | \$ 1,536,278 | \$ 719,746 | \$ 4,155,098 | \$ 329,945 | \$ 293,047 | \$ 4,778,090 |

See accompanying notes to consolidated financial statements.

| PROGRAM SERVICES | | | | | MANAGEMENT AND FUNDRAISING | | |
|------------------|------------|--------------|------------|--------------|----------------------------|-------------|--------------|
| ELEPHANT CARE | VET CARE | FACILITIES | EDUCATION | TOTAL | GENERAL | FUNDRAISING | TOTAL |
| \$ 536,663 | \$ 100,386 | \$ 301,285 | \$ 258,800 | \$ 1,197,134 | \$ 216,129 | \$ 81,376 | \$ 1,494,639 |
| 43,228 | 6,941 | 24,458 | 20,312 | 94,939 | 16,913 | 6,572 | 118,424 |
| 95,152 | 9,370 | 38,405 | 47,768 | 190,695 | 14,593 | 10,451 | 215,739 |
| 14,074 | 2,633 | 7,901 | 6,787 | 31,395 | 5,667 | 2,134 | 39,196 |
| 3,832 | 717 | 2,151 | 1,848 | 8,548 | 1,543 | 581 | 10,672 |
| 692,949 | 120,047 | 374,200 | 335,515 | 1,522,711 | 254,845 | 101,114 | 1,878,670 |
| 600 | - | 96 | 1,289 | 1,985 | - | 6,341 | 8,326 |
| - | 13 | 7 | 36,820 | 36,840 | 1,500 | 15,000 | 53,340 |
| - | - | - | - | - | 754 | 50 | 804 |
| - | - | 774,936 | 8,433 | 783,369 | 25,297 | - | 808,666 |
| 31,319 | 5,858 | 17,582 | 15,103 | 69,862 | 12,613 | 4,749 | 87,224 |
| - | - | - | - | - | 400 | - | 400 |
| - | 990 | - | 80 | 1,070 | 1,522 | - | 2,592 |
| - | - | 11 | 1,183 | 1,194 | - | 55 | 1,249 |
| 387 | 55 | 249 | 221 | 912 | 83 | - | 995 |
| 2,195 | - | - | - | 2,195 | - | - | 2,195 |
| 659 | 83 | 574 | 180 | 1,496 | 60 | - | 1,556 |
| 112,111 | - | - | - | 112,111 | - | - | 112,111 |
| 19,394 | 8,626 | 16,535 | 8,626 | 53,181 | 10,182 | 785 | 64,148 |
| 19,178 | 7,636 | 11,579 | 6,697 | 45,090 | 2,754 | 976 | 48,820 |
| 34,463 | - | - | - | 34,463 | - | - | 34,463 |
| 1,084 | 195 | 245 | 203 | 1,727 | 1,215 | 6,333 | 9,275 |
| 1,783 | 282 | 295 | 946 | 3,306 | 1,915 | 588 | 5,809 |
| - | - | - | 7,840 | 7,840 | - | 35,713 | 43,553 |
| 893 | 1,147 | 2,113 | 988 | 5,141 | 1,063 | 5 | 6,209 |
| - | - | - | 73 | 73 | - | 3,312 | 3,385 |
| - | - | - | 82,622 | 82,622 | - | 79,880 | 162,502 |
| 76,135 | 28,246 | 31,155 | 13,980 | 149,516 | 4,595 | 3,354 | 157,465 |
| 38 | - | 5 | 13,652 | 13,695 | 129 | 15,900 | 29,724 |
| 33 | 3,207 | 268 | 49,112 | 52,620 | 105 | 8,798 | 61,523 |
| 8,140 | 717 | 987 | 1,679 | 11,523 | 632 | 244 | 12,399 |
| 5,000 | 82,287 | 2,000 | 43,743 | 133,030 | 162,646 | 12,993 | 308,669 |
| 28,430 | 906 | 12,872 | 7,209 | 49,417 | 918 | 500 | 50,835 |
| 1,338 | 20 | 20 | 230 | 1,608 | 119 | 5 | 1,732 |
| - | - | 8,965 | 5,245 | 14,210 | 1,523 | - | 15,733 |
| 22,919 | 3,000 | 4,485 | 34,691 | 65,095 | 8,769 | 2,788 | 76,652 |
| 3,000 | 1,745 | 4,000 | 4,088 | 12,833 | 4,965 | 541 | 18,339 |
| 16,135 | 2,125 | 25 | 1,991 | 20,276 | 35 | 475 | 20,786 |
| 78,203 | 379 | 8,247 | 7,949 | 94,778 | 3,191 | 440 | 98,409 |
| 13,012 | 1,557 | 62,082 | - | 76,651 | 1,553 | 260 | 78,464 |
| - | 146,163 | - | - | 146,163 | - | - | 146,163 |
| 1,169,398 | 415,284 | 1,333,533 | 690,388 | 3,608,603 | 503,383 | 301,199 | 4,413,185 |
| - | - | - | (7,840) | (7,840) | - | (35,713) | (43,553) |
| \$ 1,169,398 | \$ 415,284 | \$ 1,333,533 | \$ 682,548 | \$ 3,600,763 | \$ 503,383 | \$ 265,486 | \$ 4,369,632 |