

THE ELEPHANT SANCTUARY IN  
TENNESSEE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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 audits. We conducted our audits 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, 2017 and 2016, 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.

*Y. H. CPAs PLLC*

Nashville, Tennessee  
May 30, 2018

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash		\$ 2,395,237	\$ 4,867,953
Contributions receivable, net		2,262,293	1,250,235
Prepaid expenses		113,749	101,087
Inventory		13,301	17,401
Investments		27,195,385	21,642,444
Property and equipment, net		11,397,327	10,385,069
Beneficial interest in charitable remainder trust		163,321	175,883
Beneficial interest in trusts		<u>2,298,047</u>	<u>1,921,755</u>
TOTAL ASSETS		<u>\$ 45,838,660</u>	<u>\$ 40,361,827</u>
	<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES			
Accounts payable		\$ 73,813	\$ 50,865
Accrued expenses		<u>4,238</u>	<u>3,128</u>
TOTAL LIABILITIES		<u>78,051</u>	<u>53,993</u>
COMMITMENTS AND CONTINGENCIES			
NET ASSETS			
Unrestricted:			
Undesignated		2,809,989	1,401,319
Designated for operational reserves		23,420,552	19,600,000
Designated for property and equipment		11,397,327	10,385,069
Designated for capital reserves		2,000,000	3,000,000
Designated for endowment		242,434	192,383
Designated for education		<u>1,288,000</u>	<u>1,288,000</u>
Total unrestricted		41,158,302	35,866,771
Temporarily restricted		2,840,934	2,813,740
Permanently restricted		<u>1,761,373</u>	<u>1,627,323</u>
TOTAL NET ASSETS		<u>45,760,609</u>	<u>40,307,834</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 45,838,660</u>	<u>\$ 40,361,827</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, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>				
Public support:				
Contributions and grants	\$ 6,854,490	\$ 544,634	\$ 134,050	\$ 7,533,174
Change in value of beneficial interest agreements	-	259,503	-	259,503
In-kind revenue	51,903	-	-	51,903
Merchandise sales	115,279	-	-	115,279
Less: cost of merchandise sales	(41,969)	-	-	(41,969)
Investment income	484,715	32,037	-	516,752
Realized and unrealized gain on investments	1,970,814	18,014	-	1,988,828
Miscellaneous income	10,916	-	-	10,916
Loss on disposal of property and equipment	-	-	-	-
Loss on restricted contributions receivable	-	(147,532)	-	(147,532)
Net assets released from restrictions	679,462	(679,462)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>10,125,610</u>	<u>27,194</u>	<u>134,050</u>	<u>10,286,854</u>
<b>EXPENSES</b>				
Program	4,352,447	-	-	4,352,447
Management and general	280,378	-	-	280,378
Fundraising	201,254	-	-	201,254
<b>TOTAL EXPENSES</b>	<u>4,834,079</u>	<u>-</u>	<u>-</u>	<u>4,834,079</u>
<b>CHANGE IN NET ASSETS</b>	5,291,531	27,194	134,050	5,452,775
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>35,866,771</u>	<u>2,813,740</u>	<u>1,627,323</u>	<u>40,307,834</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 41,158,302</u>	<u>\$ 2,840,934</u>	<u>\$ 1,761,373</u>	<u>\$ 45,760,609</u>

See accompanying notes to consolidated financial statements.

2016

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 6,535,266	\$ 447,337	\$ 43,731	\$ 7,026,334
-	142,239	-	142,239
39,741	-	-	39,741
128,350	-	-	128,350
(35,880)	-	-	(35,880)
347,056	25,531	-	372,587
845,528	31,982	-	877,510
6,300	-	-	6,300
(8,300)	-	-	(8,300)
-	(30,227)	-	(30,227)
<u>801,417</u>	<u>(801,417)</u>	<u>-</u>	<u>-</u>
<u>8,659,478</u>	<u>(184,555)</u>	<u>43,731</u>	<u>8,518,654</u>
4,155,098	-	-	4,155,098
329,945	-	-	329,945
<u>293,047</u>	<u>-</u>	<u>-</u>	<u>293,047</u>
<u>4,778,090</u>	<u>-</u>	<u>-</u>	<u>4,778,090</u>
3,881,388	(184,555)	43,731	3,740,564
<u>31,985,383</u>	<u>2,998,295</u>	<u>1,583,592</u>	<u>36,567,270</u>
<u>\$ 35,866,771</u>	<u>\$ 2,813,740</u>	<u>\$ 1,627,323</u>	<u>\$ 40,307,834</u>

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,452,775	\$ 3,740,564
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,031,868	891,937
Loss on disposal of property and equipment	-	8,300
Loss on restricted contributions receivable	147,532	30,227
Realized and unrealized gain on investments	(1,988,828)	(877,510)
Change in value of beneficial interest agreements	(487,752)	(142,239)
Noncash contributions of investments	(48,700)	(29,877)
(Increase) decrease in:		
Contributions receivable	(1,159,590)	766,680
Prepaid expenses	(12,662)	(27,668)
Inventory	4,100	(7,860)
Increase (decrease) in:		
Accounts payable	22,948	(233)
Accrued expenses	1,110	802
<b>TOTAL ADJUSTMENTS</b>	<u>(2,489,974)</u>	<u>612,559</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>2,962,801</u>	<u>4,353,123</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(2,044,126)	(1,478,145)
Proceeds from disposal of property and equipment	-	500
Distributions received from beneficial interest agreements	124,022	116,973
Sales of investments	(20,428,659)	7,434,109
Purchases of investments	16,913,246	(9,805,844)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(5,435,517)</u>	<u>(3,732,407)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(2,472,716)	620,716
<b>CASH - BEGINNING OF YEAR</b>	<u>4,867,953</u>	<u>4,247,237</u>
<b>CASH - END OF YEAR</b>	<u>\$ 2,395,237</u>	<u>\$ 4,867,953</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, 2017 AND 2016

	2017							
	PROGRAM SERVICES					MANAGEMENT AND		TOTAL
	ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	TOTAL	GENERAL	FUNDRAISING	
Salaries and wages	\$ 561,691	\$ 120,061	\$ 422,617	\$ 255,973	\$ 1,360,342	\$ 131,565	\$ 88,355	\$ 1,580,262
Payroll taxes	47,759	9,504	33,241	20,847	111,351	10,287	7,124	128,762
Employee benefit - insurance	103,711	8,287	56,857	27,924	196,779	15,347	5,045	217,171
Employee benefit - retirement	13,181	2,956	9,960	6,103	32,200	2,248	2,134	36,582
Other payroll expenses	3,284	577	2,431	1,411	7,703	1,520	462	9,685
SALARIES AND RELATED EXPENSES	729,626	141,385	525,106	312,258	1,708,375	160,967	103,120	1,972,462
Advertising	325	-	316	5,107	5,748	238	4,387	10,373
Bank service charges	-	-	7	36,280	36,287	1,500	20,000	57,787
Conferences and meetings	7,102	-	-	525	7,627	885	-	8,512
Depreciation	-	-	982,728	32,760	1,015,488	16,380	-	1,031,868
Donated materials and supplies	-	-	-	-	-	-	3,203	3,203
Donations	-	-	-	-	-	600	-	600
Dues and subscriptions	510	4,907	-	527	5,944	5,116	-	11,060
Education	-	-	-	770	770	-	-	770
Employee assistance program	500	50	300	100	950	75	25	1,050
Employee relocation	3,000	1,000	-	-	4,000	-	-	4,000
Employee recruitment and testing	1,566	439	852	180	3,037	30	30	3,097
Feed and supplements	168,195	-	-	-	168,195	-	-	168,195
Insurance - liability	26,248	10,298	17,164	10,298	64,008	3,433	1,373	68,814
Insurance - workers' compensation	24,676	10,911	14,973	8,342	58,902	2,995	1,198	63,095
International elephant habitat and care programs	251,731	-	-	-	251,731	-	-	251,731
Licenses	1,554	297	2,087	6,784	10,722	2,638	8,539	21,899
Meals	1,344	491	521	1,243	3,599	1,825	1,670	7,094
Merchandise	-	-	-	41,969	41,969	-	-	41,969
Mileage reimbursement	900	354	1,842	131	3,227	418	-	3,645
Miscellaneous	-	-	-	1,045	1,045	-	-	1,045
Newsletter	-	-	-	118,584	118,584	-	28,417	147,001
Office supplies and small equipment	94,496	37,619	45,009	15,996	193,120	6,033	4,120	203,273
Printing	-	186	55	11,701	11,942	40	5,752	17,734
Postage and delivery	15	3,786	198	48,575	52,574	117	4,805	57,496
Professional development	305	-	1,418	400	2,123	2,595	-	4,718
Professional fees	27,586	73,429	2,610	16,803	120,428	56,624	8,637	185,689
Repairs and maintenance	17,576	227	12,466	7,793	38,062	188	312	38,562
Security	1,536	49	1,315	293	3,193	49	7	3,249
Taxes	-	-	18,836	3,171	22,007	-	-	22,007
Technology	19,142	4,341	5,786	38,750	68,019	7,865	3,412	79,296
Telephone and internet	4,389	1,208	4,559	1,388	11,544	2,844	179	14,567
Travel	4,145	2,551	-	1,126	7,822	1,947	760	10,529
Utilities	66,875	3,838	13,655	5,650	90,018	2,216	458	92,692
Vehicle	17,491	1,592	49,636	75	68,794	2,760	850	72,404
Veterinary services and medicines	-	194,562	-	-	194,562	-	-	194,562
TOTAL EXPENSES	1,470,833	493,520	1,701,439	728,624	4,394,416	280,378	201,254	4,876,048
Less: expenses included with revenues on the consolidated statements of activities	-	-	-	(41,969)	(41,969)	-	-	(41,969)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES	\$ 1,470,833	\$ 493,520	\$ 1,701,439	\$ 686,655	\$ 4,352,447	\$ 280,378	\$ 201,254	\$ 4,834,079

See accompanying notes to consolidated financial statements.



2016

PROGRAM SERVICES					MANAGEMENT AND		
ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	TOTAL	GENERAL	FUNDRAISING	TOTAL
\$ 629,458	\$ 115,358	\$ 430,729	\$ 312,859	\$ 1,488,404	\$ 127,138	\$ 122,167	\$ 1,737,709
45,922	8,290	31,438	23,191	108,841	8,914	8,794	126,549
60,940	5,052	30,464	23,074	119,530	5,868	7,308	132,706
54,708	4,536	27,349	20,715	107,308	5,266	6,561	119,135
4,262	353	2,130	1,614	8,359	410	511	9,280
795,290	133,589	522,110	381,453	1,832,442	147,596	145,341	2,125,379
555	973	25	5,581	7,134	-	6,085	13,219
-	-	8	39,907	39,915	1,569	15,000	56,484
-	725	-	-	725	-	-	725
-	-	866,307	15,378	881,685	10,252	-	891,937
-	-	-	-	-	-	9,864	9,864
-	-	-	-	-	1,850	-	1,850
45	1,191	-	205	1,441	1,718	-	3,159
-	-	-	3,900	3,900	-	-	3,900
453	24	239	215	931	72	48	1,051
2,835	750	-	-	3,585	-	-	3,585
779	450	687	396	2,312	-	102	2,414
181,799	-	-	-	181,799	-	-	181,799
22,965	9,065	15,108	9,031	56,169	8,786	1,209	66,164
52,798	20,063	13,199	7,991	94,051	2,640	1,056	97,747
97,000	-	-	-	97,000	-	-	97,000
1,566	1,381	720	263	3,930	2,935	6,380	13,245
2,314	838	387	530	4,069	1,165	795	6,029
-	-	-	35,859	35,859	-	21	35,880
424	270	1,857	143	2,694	264	-	2,958
-	-	-	1,300	1,300	-	2,572	3,872
-	-	-	97,241	97,241	-	68,065	165,306
70,309	29,371	32,576	13,864	146,120	4,508	3,345	153,973
24	-	-	8,789	8,813	86	8,137	17,036
99	2,752	172	51,749	54,772	-	7,000	61,772
2,448	310	1,539	1,265	5,562	170	190	5,922
8,855	72,734	3,015	17,112	101,716	122,993	13,349	238,058
32,241	694	16,254	9,436	58,625	846	539	60,010
1,382	54	95	281	1,812	323	23	2,158
-	-	12,910	6,034	18,944	2,320	-	21,264
23,032	3,459	4,281	34,708	65,480	6,989	2,555	75,024
5,082	1,435	3,934	3,547	13,998	4,675	571	19,244
11,811	2,337	5	1,895	16,048	1,564	-	17,612
65,027	430	7,801	7,514	80,772	3,361	368	84,501
14,074	3,094	33,049	18	50,235	3,263	453	53,951
-	219,878	-	-	219,878	-	-	219,878
1,393,207	505,867	1,536,278	755,605	4,190,957	329,945	293,068	4,813,970
-	-	-	(35,859)	(35,859)	-	(21)	(35,880)
\$ 1,393,207	\$ 505,867	\$ 1,536,278	\$ 719,746	\$ 4,155,098	\$ 329,945	\$ 293,047	\$ 4,778,090