



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, 2014 and 2013, 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, 2014 and 2013, 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.

Kraft CPAs PLLC

Nashville, Tennessee
June 29, 2015

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 3,967,057	\$ 3,556,218
Contributions receivable, net	2,077,547	2,252,166
Inventory	51,200	34,371
Investments	17,123,301	15,230,533
Property and equipment, net	9,032,450	9,316,803
Beneficial interest in charitable remainder trust	171,162	227,038
Beneficial interest in trust	<u>2,025,455</u>	<u>1,976,965</u>
TOTAL ASSETS	<u>\$ 34,448,172</u>	<u>\$ 32,594,094</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 68,293	\$ 83,756
Accrued expenses	<u>3,553</u>	<u>5,051</u>
TOTAL LIABILITIES	<u>71,846</u>	<u>88,807</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Undesignated	4,202,955	3,895,492
Designated for operational reserves	15,200,000	13,500,000
Designated for property and equipment	9,032,450	9,316,803
Designated for education	<u>1,288,000</u>	<u>1,288,000</u>
Total unrestricted	29,723,405	28,000,295
Temporarily restricted	3,147,278	3,059,082
Permanently restricted	<u>1,505,643</u>	<u>1,445,910</u>
TOTAL NET ASSETS	<u>34,376,326</u>	<u>32,505,287</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,448,172</u>	<u>\$ 32,594,094</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, 2014 AND 2013

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Public support:				
Contributions and grants	\$ 4,304,708	\$ 465,009	\$ 59,733	\$ 4,829,450
Change in value of beneficial interest agreements	-	116,201	-	116,201
In-kind revenue	92,306	-	-	92,306
Fundraising event	-	-	-	-
Less: direct donor benefits	-	-	-	-
Merchandise sales	211,123	-	-	211,123
Less: cost of merchandise sales	(76,348)	-	-	(76,348)
Investment income	325,511	-	-	325,511
Realized and unrealized gain on investments	539,075	-	-	539,075
Miscellaneous income	8,703	-	-	8,703
Recovered (loss) on restricted contributions receivable	-	40,555	-	40,555
Net assets released from restrictions	<u>533,569</u>	<u>(533,569)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>5,938,647</u>	<u>88,196</u>	<u>59,733</u>	<u>6,086,576</u>
EXPENSES				
Program	3,470,660	-	-	3,470,660
Management and general	470,409	-	-	470,409
Fundraising	<u>274,468</u>	<u>-</u>	<u>-</u>	<u>274,468</u>
TOTAL EXPENSES	<u>4,215,537</u>	<u>-</u>	<u>-</u>	<u>4,215,537</u>
CHANGE IN NET ASSETS	1,723,110	88,196	59,733	1,871,039
NET ASSETS - BEGINNING OF YEAR	<u>28,000,295</u>	<u>3,059,082</u>	<u>1,445,910</u>	<u>32,505,287</u>
NET ASSETS - END OF YEAR	<u>\$ 29,723,405</u>	<u>\$ 3,147,278</u>	<u>\$ 1,505,643</u>	<u>\$ 34,376,326</u>

See accompanying notes to consolidated financial statements.

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 3,976,203	\$ 426,203	\$ 58,043	\$ 4,460,449
-	321,796	-	321,796
42,755	-	-	42,755
284,262	-	-	284,262
(134,334)	-	-	(134,334)
171,539	-	-	171,539
(71,023)	-	-	(71,023)
293,431	-	-	293,431
1,040,663	-	-	1,040,663
4,666	-	-	4,666
-	(21,951)	-	(21,951)
315,970	(315,970)	-	-
<u>5,924,132</u>	<u>410,078</u>	<u>58,043</u>	<u>6,392,253</u>
3,313,918	-	-	3,313,918
551,811	-	-	551,811
254,019	-	-	254,019
<u>4,119,748</u>	<u>-</u>	<u>-</u>	<u>4,119,748</u>
1,804,384	410,078	58,043	2,272,505
26,195,911	2,649,004	1,387,867	30,232,782
<u>\$ 28,000,295</u>	<u>\$ 3,059,082</u>	<u>\$ 1,445,910</u>	<u>\$ 32,505,287</u>

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,871,039	\$ 2,272,505
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	843,256	828,140
Recovered (loss) on restricted contributions receivable	(40,555)	21,951
Realized and unrealized gain on investments	(539,075)	(1,040,663)
Change in value of beneficial interest agreements	(116,201)	(321,796)
Distributions received from beneficial interest agreements	123,587	118,519
Noncash contributions of investments	(34,610)	(31,497)
Noncash contributions of property and equipment	(23,661)	-
(Increase) decrease in:		
Inventory	(16,829)	3,660
Contributions receivable	215,174	79,168
Other assets	-	500
Increase (decrease) in:		
Accounts payable	(15,463)	(34,514)
Accrued expenses	(1,498)	481
TOTAL ADJUSTMENTS	<u>394,125</u>	<u>(376,051)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,265,164</u>	<u>1,896,454</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(535,242)	(308,970)
Purchases of investments	(7,780,861)	(4,501,509)
Sales of investments	6,461,778	3,207,566
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,854,325)</u>	<u>(1,602,913)</u>
NET INCREASE IN CASH	410,839	293,541
CASH - BEGINNING OF YEAR	<u>3,556,218</u>	<u>3,262,677</u>
CASH - END OF YEAR	<u>\$ 3,967,057</u>	<u>\$ 3,556,218</u>

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2014

2014

	PROGRAM SERVICES					MANAGEMENT AND FUNDRAISING			TOTAL
	ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	TOTAL	GENERAL	FUNDRAISING	TOTAL	
Salaries and wages	\$ 406,479	\$ 79,024	\$ 230,137	\$ 268,093	\$ 983,733	\$ 191,940	\$ 85,191	\$ 1,260,864	
Payroll taxes	32,740	5,965	18,409	21,922	79,036	15,459	6,265	100,760	
Employee benefit - insurance	68,169	6,567	27,613	47,013	149,362	8,557	14,540	172,459	
Employee benefit - retirement	12,570	2,443	7,117	8,291	30,421	5,936	2,634	38,991	
Other payroll expenses	2,298	447	1,302	1,516	5,563	1,086	482	7,131	
SALARIES AND RELATED EXPENSES	522,256	94,446	284,578	346,835	1,248,115	222,978	109,112	1,580,205	
Advertising	1,897	-	31	34	1,962	150	6,875	8,987	
Bank service charges	-	-	-	25,073	25,073	10,512	12,396	47,981	
Conferences and meetings	356	-	-	357	713	357	-	1,070	
Depreciation	-	-	822,175	843	823,018	19,395	843	843,256	
Donated materials and supplies	10,817	2,103	6,125	7,135	26,180	5,108	2,267	33,555	
Donations	1,000	-	-	125	1,125	2,050	100	3,275	
Dues and subscriptions	-	378	-	750	1,128	1,320	22	2,470	
Education	-	-	-	708	708	-	37	745	
Employee assistance program	399	158	262	157	976	52	21	1,049	
Employee relocation	2,454	878	-	-	3,332	-	-	3,332	
Employee recruitment and testing	1,448	113	1,165	338	3,064	92	10	3,166	
Feed and supplements	113,281	-	-	-	113,281	-	-	113,281	
Friends council	-	-	-	-	-	-	-	-	
Governance	-	-	-	-	-	-	-	-	
Insurance - liability	12,471	5,434	8,367	5,513	31,785	5,952	563	38,300	
Insurance - worker's compensation International elephant habitat and care program	32,521	12,898	21,497	12,191	79,107	5,014	2,005	86,126	
Licenses	26,485	-	-	-	26,485	2,500	-	28,985	
Meals	1,488	283	1,088	68	2,927	2,675	7,675	13,277	
Merchandise	3,236	520	449	938	5,143	2,305	698	8,146	
Mileage reimbursement	-	-	-	13,743	13,743	-	62,605	76,348	
Miscellaneous	1,011	2,179	2,283	1,528	7,001	3,963	-	10,964	
Newsletter	-	-	-	-	-	-	255	255	
Office supplies and small equipment	-	-	-	65,578	65,578	-	92,636	158,214	
Printing	64,832	25,057	14,779	14,095	118,763	4,292	5,231	128,286	
Postage and delivery	-	38	-	11,543	11,581	185	12,456	24,222	
Professional development	36	3,100	9	47,500	50,645	307	9,059	60,011	
Professional fees	5,384	-	99	2,394	7,877	204	1,306	9,387	
Repairs and maintenance	46,603	97,107	3,659	9,256	156,625	149,427	5,409	311,461	
Security	37,379	1,661	71,835	10,491	121,366	5,607	750	127,723	
Special events	896	-	20	747	1,663	625	3	2,291	
Taxes	-	-	-	-	-	-	-	-	
Technology	3,769	-	8,156	2,346	14,271	403	-	14,674	
Telephone and internet	29,727	2,930	9,425	41,992	84,074	9,385	2,561	96,020	
Travel	1,196	2,401	2,581	6,319	12,497	4,826	570	17,893	
Utilities	19,554	1,269	3,344	862	25,029	797	1,134	26,960	
Vehicle	125,219	85	9,770	7,271	142,345	6,783	224	149,352	
Veterinary services and medicines	15,949	500	28,101	240	44,790	3,145	250	48,185	
TOTAL EXPENSES	1,081,664	465,971	1,299,798	636,970	3,484,403	470,409	337,073	4,291,885	
Less: expenses included with revenues on the statement of activities	-	-	-	(13,743)	(13,743)	-	(62,605)	(76,348)	
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	\$ 1,081,664	\$ 465,971	\$ 1,299,798	\$ 623,227	\$ 3,470,660	\$ 470,409	\$ 274,468	\$ 4,215,537	

See accompanying notes to consolidated financial statements.

2013

PROGRAM SERVICES					MANAGEMENT AND		DONOR BENEFIT - FUNDRAISING	
ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	TOTAL	GENERAL	FUNDRAISING	EVENT	TOTAL
\$ 450,979	\$ 111,631	\$ 197,744	\$ 156,980	\$ 917,334	\$ 235,874	\$ 51,443	\$ -	\$ 1,204,651
37,391	9,133	16,486	11,714	74,724	19,205	5,039	-	98,968
70,486	9,524	20,855	29,933	130,798	30,814	3,857	-	165,469
22,812	5,735	9,213	7,161	44,921	11,863	1,346	-	58,130
160	23	57	74	314	6,294	-	-	6,608
581,828	136,046	244,355	205,862	1,168,091	304,050	61,685	-	1,533,826
1,156	1,249	-	5,995	8,400	-	350	-	8,750
-	-	-	12,079	12,079	6,244	20,201	-	38,524
-	325	-	-	325	-	-	-	325
-	-	807,437	828	808,265	19,047	828	-	828,140
-	-	-	-	-	-	11,258	-	11,258
-	-	-	3,673	3,673	566	-	-	4,239
-	-	-	-	-	875	-	-	875
-	-	-	4,143	4,143	-	-	-	4,143
408	158	284	189	1,039	110	21	-	1,170
714	-	-	-	714	-	-	-	714
2,154	30	1,212	466	3,862	317	-	-	4,179
172,983	-	-	-	172,983	-	-	-	172,983
-	-	-	-	-	59	1,400	-	1,459
-	-	-	-	-	2,315	-	-	2,315
20,477	7,876	14,217	5,283	47,853	8,185	3,478	-	59,516
27,286	10,494	18,889	6,996	63,665	2,039	4,257	-	69,961
19,684	-	-	-	19,684	-	-	-	19,684
84	595	442	3,659	4,780	1,826	5,781	-	12,387
3,832	789	109	701	5,431	6,800	-	-	12,231
-	-	-	12,804	12,804	-	58,219	-	71,023
457	4,296	1,010	583	6,346	5,145	-	-	11,491
-	-	-	-	-	-	853	-	853
-	-	-	75,068	75,068	-	61,528	-	136,596
61,351	21,536	11,294	13,740	107,921	6,554	14,087	-	128,562
40	-	3	12,796	12,839	80	19,461	-	32,380
292	2,639	36	27,050	30,017	683	36,801	-	67,501
-	1,948	332	130	2,410	245	-	-	2,655
33,533	66,395	1,650	24,333	125,911	134,415	3,985	-	264,311
35,054	293	57,019	8,142	100,508	4,745	-	-	105,253
1,446	-	-	207	1,653	610	-	-	2,263
-	-	-	-	-	-	-	134,334	134,334
5,820	-	3,542	2,997	12,359	1,788	-	-	14,147
18,595	2,391	9,090	51,583	81,659	20,663	8,045	-	110,367
6,997	3,089	6,822	16,971	33,879	10,747	-	-	44,626
11,054	2,012	-	113	13,179	1,486	-	-	14,665
110,904	-	7,907	6,392	125,203	9,239	-	-	134,442
9,259	-	26,226	-	35,485	2,873	-	-	38,358
25	224,435	34	-	224,494	105	-	-	224,599
1,125,433	486,596	1,211,910	502,783	3,326,722	551,811	312,238	134,334	4,325,105
-	-	-	(12,804)	(12,804)	-	(58,219)	(134,334)	(205,357)
\$ 1,125,433	\$ 486,596	\$ 1,211,910	\$ 489,979	\$ 3,313,918	\$ 551,811	\$ 254,019	\$ -	\$ 4,119,748