

GLOBAL SANCTUARY FOR ELEPHANTS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016

GLOBAL SANCTUARY FOR ELEPHANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Global Sanctuary for Elephants
Brentwood, Tennessee

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Global Sanctuary for Elephants (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 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 Global Sanctuary for Elephants as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Thompson CPA PLLC

Nashville, Tennessee
May 11, 2017

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

Cash	\$	43,432
Contribution receivable		<u>48,804</u>
TOTAL ASSETS	\$	<u><u>92,236</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$	<u>4,212</u>
TOTAL LIABILITIES		<u>4,212</u>
NET ASSETS		
Unrestricted		38,079
Temporarily restricted		<u>49,945</u>
TOTAL NET ASSETS		<u>88,024</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>92,236</u></u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 443,930	\$ 1,141	\$ 445,071
Miscellaneous	231	-	231
Net assets released from restrictions	<u>23,816</u>	<u>(23,816)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>467,977</u>	<u>(22,675)</u>	<u>445,302</u>
EXPENSES			
Program services	429,549	-	429,549
Supporting services:			
Management and general	16,652	-	16,652
Fundraising	<u>4,379</u>	<u>-</u>	<u>4,379</u>
TOTAL EXPENSES	<u>450,580</u>	<u>-</u>	<u>450,580</u>
CHANGE IN NET ASSETS	17,397	(22,675)	(5,278)
NET ASSETS - BEGINNING OF YEAR	<u>20,682</u>	<u>72,620</u>	<u>93,302</u>
NET ASSETS - END OF YEAR	<u>\$ 38,079</u>	<u>\$ 49,945</u>	<u>\$ 88,024</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF CASH FLOWS

JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (5,278)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Discount on contribution receivable	(1,184)
(Increase) decrease in:	
Contribution receivable	25,000
Increase (decrease) in:	
Accounts payable	4,212
Accrued expenses	<u>(4,681)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,069</u>
NET INCREASE IN CASH	18,069
CASH - BEGINNING OF YEAR	<u>25,363</u>
CASH - END OF YEAR	<u>\$ 43,432</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Management and General	Fundraising	Total
	Brazil	Ramba	Total			
Salaries	\$ 32,400	\$ 3,600	\$ 36,000	\$ 6,750	\$ 2,250	\$ 45,000
Payroll taxes and benefits	<u>2,663</u>	<u>296</u>	<u>2,959</u>	<u>555</u>	<u>185</u>	<u>3,699</u>
 SALARIES AND RELATED EXPENSES	 35,063	 3,896	 38,959	 7,305	 2,435	 48,699
Grants	329,035	23,745	352,780	-	-	352,780
Advertising	-	-	-	-	100	100
Business expenses	-	-	-	627	-	627
Consulting fees	375	8,442	8,817	1,949	26	10,792
Credit card fees	-	393	393	3,579	-	3,972
Miscellaneous	36	-	36	539	-	575
Postage	-	-	-	307	441	748
Printing	-	-	-	59	857	916
Subscription fees	16	-	16	1,398	306	1,720
Supplies	22,712	490	23,202	349	214	23,765
Telephone and communication	56	-	56	540	-	596
Travel	<u>2,685</u>	<u>2,605</u>	<u>5,290</u>	<u>-</u>	<u>-</u>	<u>5,290</u>
 TOTAL EXPENSES	 <u>\$ 389,978</u>	 <u>\$ 39,571</u>	 <u>\$ 429,549</u>	 <u>\$ 16,652</u>	 <u>\$ 4,379</u>	 <u>\$ 450,580</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - GENERAL

Global Sanctuary for Elephants (the “Organization”) is a not-for-profit corporation organized in 2013, under the laws of the State of Tennessee, dedicated to rescuing, protecting and providing sanctuary for elephants worldwide. Assistance, both financial and organizational, is being given to Elephant Sanctuary Brazil, a Brazilian non-governmental organization, which has undertaken the building and operation of the first and only elephant sanctuary in South America. The Organization also collaborates with Ecopolis Disciplinas Integradas, a Chilean non-governmental organization, to oversee the daily care of Ramba the elephant.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of Global Sanctuary for Elephants on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Resources are classified as unrestricted, temporarily restricted or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors’ stipulations results in the release of the restriction.
- *Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The organization had no permanently restricted net assets at June 30, 2016.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Contribution Receivable

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. 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 increase those net asset classes.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. The discount rate was 1.63% for the year ended June 30, 2016. Conditional promises to give are not included as support until such time as the conditions are substantially met.

As of June 30, 2016, an allowance for uncollectible amounts has not been provided on the contribution receivable since, in management's opinion, the receivable amount is fully collectible, based on past history.

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying financial statements:

Program Services:

Brazil - relates to the funding and assistance given to Elephant Sanctuary Brazil. This assistance includes being on-site developing key relationships, overseeing development of the sanctuary, coordinating volunteers, managing daily operations and advancing the reputation of Elephant Sanctuary Brazil.

Ramba - overseeing the daily care of Ramba the elephant and providing pivotal funding to help maintain consistent and qualified elephant care staff.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Supporting Services:

Management and General - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or with fundraising, but are indispensable to the conduct of those activities and are essential to the agency. Specific activities include agency oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization files a U.S. Federal Form 990 for organizations exempt from income tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax return to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Guidance

In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance on revenue from contracts with customers, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued Accounting Standards Update (“ASU”) 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The adoption of this guidance is not expected to have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2016 and May 11, 2017, the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2016

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash, contributions receivable and revenue.

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

The contribution receivable balance at June 30, 2016 consisted of a pledge from one donor. The Organization received approximately 28% of its contributions revenue from one donor in 2016.

NOTE 4 - CONTRIBUTION RECEIVABLE

Contribution receivable consisted of the following at June 30, 2016:

Due in less than one year	\$ 25,000
Due in one to five years	<u>25,000</u>
	50,000
Less discount to present value	<u>(1,196)</u>
Total contribution receivable, net	<u>\$ 48,804</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2016:

Multi-year contribution receivable, net	\$ 48,804
Maia and Guida's rescue and care	<u>1,141</u>
	<u>\$ 49,945</u>

NOTE 6 - GRANTS

During the year ending June 30, 2016, the Organization provided \$329,035 in grants to Elephant Sanctuary Brazil to assist in the building and operation of the first and only elephant sanctuary in South America. The Organization also provided Ecopolis Disiplinas Integradas with \$23,745 to oversee the daily care of Ramba the elephant.