

GLOBAL SANCTUARY FOR ELEPHANTS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 AND 2018

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 statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 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 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 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, 2019 and 2018, 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.

Knight CPAs PLLC

Nashville, Tennessee
January 7, 2020

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash	\$ 92,819	\$ 199,842
Prepaid expenses	4,165	-
Property and equipment, net	<u>1,980</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 98,964</u></u>	<u><u>\$ 199,842</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 18,922</u>	<u>\$ 27,860</u>
TOTAL LIABILITIES	<u>18,922</u>	<u>27,860</u>
NET ASSETS		
Without donor restrictions	72,172	171,982
With donor restrictions	<u>7,870</u>	<u>-</u>
TOTAL NET ASSETS	<u>80,042</u>	<u>171,982</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 98,964</u></u>	<u><u>\$ 199,842</u></u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Contributions	\$ 508,064	\$ 7,870	\$ 515,934	\$ 864,618	\$ -	\$ 864,618
Miscellaneous	-	-	-	1,874	-	1,874
Net assets released from restrictions	-	-	-	24,599	(24,599)	-
TOTAL SUPPORT AND REVENUE	<u>508,064</u>	<u>7,870</u>	<u>515,934</u>	<u>891,091</u>	<u>(24,599)</u>	<u>866,492</u>
EXPENSES						
Program services	554,101	-	554,101	744,140	-	744,140
Supporting services:						
Management and general	37,248	-	37,248	31,958	-	31,958
Fundraising	16,525	-	16,525	19,685	-	19,685
TOTAL EXPENSES	<u>607,874</u>	<u>-</u>	<u>607,874</u>	<u>795,783</u>	<u>-</u>	<u>795,783</u>
CHANGE IN NET ASSETS	(99,810)	7,870	(91,940)	95,308	(24,599)	70,709
NET ASSETS - BEGINNING OF YEAR	<u>171,982</u>	<u>-</u>	<u>171,982</u>	<u>76,674</u>	<u>24,599</u>	<u>101,273</u>
NET ASSETS - END OF YEAR	<u>\$ 72,172</u>	<u>\$ 7,870</u>	<u>\$ 80,042</u>	<u>\$ 171,982</u>	<u>\$ -</u>	<u>\$ 171,982</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (91,940)	\$ 70,709
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	30	-
(Increase) decrease in:		
Contribution receivable	-	24,599
Prepaid expenses	(4,165)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(8,938)	12,004
TOTAL ADJUSTMENTS	<u>(13,073)</u>	<u>36,603</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(105,013)</u>	<u>107,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(2,010)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,010)</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(107,023)	107,312
CASH - BEGINNING OF YEAR	<u>199,842</u>	<u>92,530</u>
CASH - END OF YEAR	<u>\$ 92,819</u>	<u>\$ 199,842</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Brazil</u>	<u>Ramba</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 29,250	\$ 3,150	\$ 1,350	\$ 33,750	\$ 9,000	\$ 2,250	\$ 45,000
Payroll taxes and benefits	2,260	243	104	2,607	696	175	3,478
SALARIES AND RELATED EXPENSES	31,510	3,393	1,454	36,357	9,696	2,425	48,478
Grants	449,933	35,785	145	485,863	-	-	485,863
Advertising	295	-	30	325	85	-	410
Business expenses	-	-	-	-	1,352	-	1,352
Contract services	123	-	-	123	20,345	2,130	22,598
Credit card fees	881	-	211	1,092	-	4,291	5,383
Depreciation	20	2	1	23	5	2	30
Miscellaneous	258	-	-	258	571	1,000	1,829
Printing and postage	2,963	345	138	3,446	1,724	1,724	6,894
Subscription fees	416	62	33	511	1,330	4,238	6,079
Supplies	822	-	-	822	-	-	822
Travel	22,268	475	35	22,778	1,782	-	24,560
Website design and maintenance	1,966	178	359	2,503	358	715	3,576
TOTAL EXPENSES	\$ 511,455	\$ 40,240	\$ 2,406	\$ 554,101	\$ 37,248	\$ 16,525	\$ 607,874

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Brazil</u>	<u>Ramba</u>	<u>Education</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 27,090	\$ 3,150	\$ 1,260	\$ 31,500	\$ 9,000	\$ 4,500	\$ 45,000
Payroll taxes and benefits	2,102	244	98	2,444	698	349	3,491
SALARIES AND RELATED EXPENSES	29,192	3,394	1,358	33,944	9,698	4,849	48,491
Grants	644,067	39,508	-	683,575	-	-	683,575
Advertising	381	44	18	443	221	221	885
Business expenses	-	-	-	-	2,453	-	2,453
Contract services	10	1	1	12	14,431	4,742	19,185
Credit card fees	-	-	-	-	-	3,815	3,815
Miscellaneous	759	227	1	987	-	-	987
Printing and postage	2,147	250	100	2,497	1,648	2,448	6,593
Subscription fees	1,532	178	71	1,781	2,038	1,836	5,655
Supplies	4,339	45	18	4,402	225	224	4,851
Travel	13,666	608	44	14,318	-	-	14,318
Website design and maintenance	1,876	218	87	2,181	1,244	1,550	4,975
TOTAL EXPENSES	\$ 697,969	\$ 44,473	\$ 1,698	\$ 744,140	\$ 31,958	\$ 19,685	\$ 795,783

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are currently no donor restrictions that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost at the date of purchase or, if donated, at the approximate fair value at the date of donation. The Organization's policy is to capitalize purchases with a cost of \$1,000 or more and an estimated useful life greater than one year. Depreciation is computed by the straight-line method over the estimated useful lives of the assets.

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.

Education - relates to lectures and education programs to increase awareness and understanding of captivity, the process of recovery and the importance of protecting wild populations.

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.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The expenses that are allocated include salaries and related taxes and benefits, advertising, printing and postage, contract services, depreciation, miscellaneous, subscription fees, travel, and website design and maintenance, which are allocated on the basis of estimates of time expended on those resources.

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.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Additionally, ASU 2016-14 requires all not for profit organizations to present expenses by their natural and functional classification. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Guidance

In May 2014, the FASB issued Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, 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 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 Organization is currently evaluating the effect that the updated standard will have 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. In October 2019, the FASB voted to delay the effective date of the new standard to fiscal years beginning after December 15, 2020, 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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the organization is a resource recipient, the ASU is effective for annual periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Where the organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2020. The Organization is currently evaluating the impact of the adoption of this guidance on its financial statements.

Reclassifications

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation. The reclassifications had no effect on prior year's change in net assets.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2019 and January 7, 2020, 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, 2019 AND 2018

NOTE 3 - LIQUIDITY

The following represents the Organization's financial assets available to meet general expenditures over the next twelve months at June 30, 2019:

Financial assets at year end:	
Cash	\$ 92,819
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>7,870</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 84,949</u>

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and contributions 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 Organization received approximately 15% and 40% of its contribution revenue from one donor and two donors for the year ending June 30, 2019 and 2018, respectively.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 2,010	\$ -
Less: accumulated depreciation	<u>(30)</u>	<u>-</u>
	<u>\$ 1,980</u>	<u>\$ -</u>

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Specific purpose:		
Mendoza Four program	<u>\$ 7,870</u>	<u>\$ -</u>
	<u>\$ 7,870</u>	<u>\$ -</u>

NOTE 7 - GRANTS

During the years ending June 30, 2019 and 2018, the Organization provided \$449,933 and \$644,067, respectively, in grants to Elephant Sanctuary Brazil to assist in the building and operation of the first and only elephant sanctuary in South America. Certain board members of the Organization also serve on the board of Elephant Sanctuary Brazil. Additionally, management of the Organization performs certain oversight functions for Elephant Sanctuary Brazil.

The Organization also provided Ecopolis Disciplinas Integradas with \$35,785 and \$39,508 to oversee the daily care of Ramba the elephant for the years ending June 30, 2019 and 2018, respectively.