

GLOBAL SANCTUARY FOR ELEPHANTS

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020, 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.

King HCPAs PLLC

Nashville, Tennessee
December 21, 2021

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash	\$ 469,518	\$ 374,306
Prepaid expenses	-	4,165
Property and equipment, net	<u>3,889</u>	<u>1,578</u>
 TOTAL ASSETS	 <u>\$ 473,407</u>	 <u>\$ 380,049</u>
 <u>LIABILITIES AND NET ASSETS</u>		
 LIABILITIES		
Accounts payable and accrued expenses	\$ 20,749	\$ 3,843
Paycheck Protection Program loan	<u>-</u>	<u>9,983</u>
 TOTAL LIABILITIES	 <u>20,749</u>	 <u>13,826</u>
 NET ASSETS		
Without donor restrictions	342,658	256,223
With donor restrictions	<u>110,000</u>	<u>110,000</u>
 TOTAL NET ASSETS	 <u>452,658</u>	 <u>366,223</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 473,407</u>	 <u>\$ 380,049</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Contributions	\$ 1,184,092	\$ -	\$ 1,184,092	\$ 1,214,150	\$ 110,000	\$ 1,324,150
Gain on forgiveness of Paycheck Protection Program loans	28,977	-	28,977	-	-	-
Miscellaneous	6,102	-	6,102	3,652	-	3,652
Net assets released from restrictions	-	-	-	7,870	(7,870)	-
TOTAL SUPPORT AND REVENUE	<u>1,219,171</u>	<u>-</u>	<u>1,219,171</u>	<u>1,225,672</u>	<u>102,130</u>	<u>1,327,802</u>
EXPENSES						
Program services	976,626	-	976,626	963,205	-	963,205
Supporting services:						
Management and general	123,238	-	123,238	63,564	-	63,564
Fundraising	32,872	-	32,872	14,852	-	14,852
TOTAL EXPENSES	<u>1,132,736</u>	<u>-</u>	<u>1,132,736</u>	<u>1,041,621</u>	<u>-</u>	<u>1,041,621</u>
CHANGE IN NET ASSETS	86,435	-	86,435	184,051	102,130	286,181
NET ASSETS - BEGINNING OF YEAR	<u>256,223</u>	<u>110,000</u>	<u>366,223</u>	<u>72,172</u>	<u>7,870</u>	<u>80,042</u>
NET ASSETS - END OF YEAR	<u>\$ 342,658</u>	<u>\$ 110,000</u>	<u>\$ 452,658</u>	<u>\$ 256,223</u>	<u>\$ 110,000</u>	<u>\$ 366,223</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 86,435	\$ 286,181
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Gain on forgiveness of Paycheck Protection Program loans	(28,977)	-
Depreciation	706	402
(Increase) decrease in:		
Prepaid expenses	4,165	-
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>16,906</u>	<u>(15,079)</u>
TOTAL ADJUSTMENTS	<u>(7,200)</u>	<u>(14,677)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>79,235</u>	<u>271,504</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(3,017)</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(3,017)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loans	<u>18,994</u>	<u>9,983</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>18,994</u>	<u>9,983</u>
NET INCREASE IN CASH	95,212	281,487
CASH - BEGINNING OF YEAR	<u>374,306</u>	<u>92,819</u>
CASH - END OF YEAR	<u>\$ 469,518</u>	<u>\$ 374,306</u>

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>				<u>Supporting Services</u>		
	<u>Brazil</u>	<u>International Elephant Support</u>	<u>Global Outreach</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 32,100	\$ 19,019	\$ 72,855	\$ 123,974	\$ 41,891	\$ 25,800	\$ 191,665
Payroll taxes and benefits	2,455	460	5,576	8,491	3,340	1,961	13,792
SALARIES AND RELATED EXPENSES	34,555	19,479	78,431	132,465	45,231	27,761	205,457
Grants and direct expenses	812,766	7,151	-	819,917	-	-	819,917
Business expenses	-	-	-	-	6,402	1,896	8,298
Contract services	-	6,914	34	6,948	53,804	15	60,767
Credit card fees	17	-	-	17	4,583	-	4,600
Depreciation	118	70	269	457	154	95	706
Printing and postage	15	-	9,828	9,843	85	2,628	12,556
Subscription fees	544	-	1,224	1,768	10,792	477	13,037
Supplies	-	-	-	-	-	-	-
Travel	5,211	-	-	5,211	2,187	-	7,398
TOTAL EXPENSES	\$ 853,226	\$ 33,614	\$ 89,786	\$ 976,626	\$ 123,238	\$ 32,872	\$ 1,132,736

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services				Supporting Services		
	Brazil	International Elephant Support	Global Outreach	Total	Management and		Total
					General	Fundraising	
Salaries	\$ 38,129	\$ -	\$ 13,243	\$ 51,372	\$ 18,772	\$ 4,875	\$ 75,019
Payroll taxes and benefits	3,149	-	1,094	4,243	790	366	5,399
SALARIES AND RELATED EXPENSES	41,278	-	14,337	55,615	19,562	5,241	80,418
Grants and direct expenses	892,160	10,100	-	902,260	-	-	902,260
Advertising	-	-	-	-	958	20	978
Business expenses	-	-	-	-	1,200	316	1,516
Contract services	-	-	-	-	30,792	9,000	39,792
Credit card fees	2,149	-	-	2,149	310	-	2,459
Depreciation	204	-	71	275	101	26	402
Printing and postage	-	-	160	160	208	-	368
Subscription fees	32	-	-	32	10,255	249	10,536
Supplies	2,714	-	-	2,714	-	-	2,714
Travel	-	-	-	-	178	-	178
TOTAL EXPENSES	\$ 938,537	\$ 10,100	\$ 14,568	\$ 963,205	\$ 63,564	\$ 14,852	\$ 1,041,621

See accompanying notes to financial statements.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 collaborated with Ecopolis Disciplinas Integradas, a Chilean non-governmental organization, to oversee the daily care of Ramba the elephant prior to Ramba’s relocation to the sanctuary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization 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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions 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. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

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.

International Elephant Support - overseeing the daily care of elephants outside of Elephant Sanctuary Brazil and providing pivotal funding to help maintain consistent and qualified elephant care staff. Working and consulting with international collaborators for the recovery and wellbeing of captive elephants globally.

Global Outreach - relates to lectures and education programs to increase awareness and understanding of the impact of captivity, the process of recovery, the necessity for change and the importance of protecting wild populations.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

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. The expenses that are allocated include salaries and related taxes and benefits and depreciation, 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.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Recent Authoritative Guidance

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 statement of activities 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 statement of activities. The new standard will be effective for the Organization on July 1, 2022. The adoption of this guidance is not expected to have a material impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021, and for interim periods within annual periods beginning after June 15, 2022. The adoption of ASU 2020-07 is not expected to have a significant impact on the Organization’s financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2021 and December 21, 2021, 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, 2021 AND 2020

NOTE 3 - LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 469,518	\$ 374,306
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>110,000</u>	<u>110,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 359,518</u>	<u>\$ 264,306</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 16% of its contribution revenue from one donor for the year ending June 30, 2021 (30% from two donors for the year ending June 30, 2020).

NOTE 5 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Equipment	\$ 5,027	\$ 2,010
Less: accumulated depreciation	<u>(1,138)</u>	<u>(432)</u>
	<u>\$ 3,889</u>	<u>\$ 1,578</u>

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 6 - PAYCHECK PROTECTION PROGRAM LOANS

The Organization entered into a Paycheck Protection Program (“PPP”) loan of \$9,983 on May 13, 2020, and a second PPP loan of \$18,994 on March 10, 2021. The loans were fully forgivable if at least 60% of the funds are used for payroll costs, and if certain other terms are met.

Both PPP loans were fully forgiven in September 2021. Since the loans have been fully forgiven, the Organization is not responsible for any payments, and the balance of the loans were reclassified to income on the statements of activities.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Specific purpose:		
Land purchase	<u>\$ 110,000</u>	<u>\$ 110,000</u>
Total net assets with donor restrictions	<u><u>\$ 110,000</u></u>	<u><u>\$ 110,000</u></u>

NOTE 8 - GRANTS

During the years ending June 30, 2021 and 2020, the Organization provided \$812,766 and \$892,160 respectively, in grants and other direct expenses paid 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 other third-party organizations with \$7,151 and \$10,100 in grants and other direct expenditures to oversee the daily care of international elephants not living at the Elephant Sanctuary Brazil for the years ending June 30, 2021 and 2020, respectively.

GLOBAL SANCTUARY FOR ELEPHANTS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2021 AND 2020

NOTE 9 - COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is maintaining close contact with its leadership teams to evaluate the evolving situation and will implement appropriate countermeasures as needed.