

THE ELEPHANT SANCTUARY IN
TENNESSEE AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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, 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.

Nashville, Tennessee

[OPEN DATE]

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>ASSETS</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 5,290,886	\$ 7,952,631
Contributions receivable, net	2,111,747	1,841,603
Prepaid expenses	102,876	99,801
Inventory	26,190	22,885
Investments	35,697,042	26,050,189
Property and equipment, net	11,291,440	10,967,193
Beneficial interest in charitable remainder trust	138,031	158,930
Beneficial interest in trusts	<u>2,269,023</u>	<u>2,017,856</u>
TOTAL ASSETS	<u>\$ 56,927,235</u>	<u>\$ 49,111,088</u>
	<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES		
Accounts payable	\$ 38,873	\$ 3,923
Accrued expenses	<u>918</u>	<u>3,419</u>
TOTAL LIABILITIES	<u>39,791</u>	<u>7,342</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	5,458,847	4,381,764
Board designated	<u>46,136,636</u>	<u>39,533,035</u>
Total without donor restrictions	51,595,483	43,914,799
Total with donor restrictions	<u>5,291,961</u>	<u>5,188,947</u>
TOTAL NET ASSETS	<u>56,887,444</u>	<u>49,103,746</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 56,927,235</u>	<u>\$ 49,111,088</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,783,698	\$ 3,343,137
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,093,069	1,096,576
Loss on restricted contributions receivable	29,588	30,507
Realized and unrealized (gain) loss on investments	(3,924,024)	1,930,110
Change in value of beneficial interest agreements	(352,188)	158,818
Noncash contributions of investments	(38,273)	(45,415)
(Increase) decrease in:		
Contributions receivable	(299,732)	390,183
Prepaid expenses	(3,075)	13,948
Inventory	(3,305)	(9,584)
Increase (decrease) in:		
Accounts payable	34,950	(69,890)
Accrued expenses	(2,501)	(819)
TOTAL ADJUSTMENTS	(3,465,491)	3,494,434
NET CASH PROVIDED BY OPERATING ACTIVITIES	4,318,207	6,837,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,417,316)	(666,442)
Distributions received from beneficial interest agreements	121,920	125,764
Purchases of investments	(18,056,217)	(6,577,116)
Sales of investments	12,371,661	5,837,617
NET CASH USED IN INVESTING ACTIVITIES	(6,979,952)	(1,280,177)
NET INCREASE (DECREASE) IN CASH	(2,661,745)	5,557,394
CASH - BEGINNING OF YEAR	7,952,631	2,395,237
CASH - END OF YEAR	\$ 5,290,886	\$ 7,952,631

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, 2019 AND 2018

	2019									
	PROGRAM SERVICES							MANAGEMENT AND FUNDRAISING		
	ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	VOLUNTEER OUTREACH EDUCATION	INTERN	TOTAL	GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 644,425	\$ 164,510	\$ 494,864	\$ 321,855	\$ 65,955	\$ 9,220	\$ 1,700,829	\$ 118,391	\$ 85,328	\$ 1,904,548
Payroll taxes	50,464	11,204	38,289	25,039	5,192	867	131,055	9,144	6,640	146,839
Employee benefit - insurance	125,646	15,756	74,893	50,466	10,129	-	276,890	14,651	5,259	296,800
Employee benefit - retirement	15,644	3,994	12,013	7,813	1,601	224	41,289	2,874	2,071	46,234
Other payroll expenses	5,453	1,392	4,188	2,724	558	78	14,393	1,002	722	16,117
SALARIES AND RELATED EXPENSES	841,632	196,856	624,247	407,897	83,435	10,389	2,164,456	146,062	100,020	2,410,538
Advertising	199	-	-	7,172	-	-	7,371	-	-	7,371
Bank service charges	-	-	1	31,743	-	-	31,744	1,500	11,151	44,395
Conferences and meetings	1,320	1,150	550	1,352	765	-	5,137	1,533	-	6,670
Depreciation	-	-	1,027,485	43,722	-	-	1,071,207	21,862	-	1,093,069
Donated materials and supplies	-	-	-	-	-	-	-	-	8,873	8,873
Donations	-	-	-	-	-	-	-	100	-	100
Dues and subscriptions	-	2,005	190	68	95	-	2,358	2,142	150	4,650
Education	-	-	-	5,550	-	-	5,550	-	-	5,550
Employee assistance program	431	42	263	157	21	-	914	95	42	1,051
Employee relocation	1,473	-	-	-	-	-	1,473	-	-	1,473
Employee recruitment and testing	446	45	1,348	513	130	204	2,686	160	37	2,883
Feed and supplements	137,247	-	-	-	-	-	137,247	-	-	137,247
Insurance - liability	37,570	12,881	26,836	9,016	2,684	-	88,987	5,367	1,610	95,964
Insurance - workers' compensation	13,693	4,564	6,846	3,400	1,027	228	29,758	2,282	639	32,679
International elephant habitat and care programs	154,800	-	-	-	-	-	154,800	-	-	154,800
Licenses	1,657	750	2,327	1,090	-	-	5,824	1,295	10,000	17,119
Meals	3,039	510	564	573	127	70	4,883	2,134	1,267	8,284
Merchandise	-	-	-	36,390	-	-	36,390	-	-	36,390
Mileage reimbursement	709	439	741	182	367	-	2,438	217	125	2,780
Miscellaneous	-	-	-	-	1,002	-	1,002	-	242	1,244
Newsletter	-	-	-	48,750	-	-	48,750	-	82,331	131,081
Office supplies and small equipment	75,993	33,085	38,422	15,177	1,660	215	164,552	4,534	4,040	173,126
Printing	69	223	-	7,580	70	-	7,942	-	5,269	13,211
Postage and delivery	20	4,202	674	45,398	32	-	50,326	-	5,251	55,577
Professional development	5,765	1,843	3,959	1,024	674	-	13,265	1,614	1,197	16,076
Professional fees	254,200	70,262	4,063	23,723	438	107	352,793	83,735	11,675	448,203
Repairs and maintenance	23,914	560	9,020	2,325	-	-	35,819	430	224	36,473
Security	1,459	115	508	463	112	-	2,657	270	-	2,927
Taxes	-	126	18,552	356	-	-	19,034	-	356	19,390
Technology	10,218	11,050	6,645	40,940	1,840	-	70,693	4,385	7,726	82,804
Telephone and internet	2,835	1,685	4,544	852	105	-	10,021	2,490	418	12,929
Travel	21,212	3,298	849	1,918	1,157	-	28,434	4,002	66	32,502
Utilities	61,037	3,825	11,194	8,009	3,420	-	87,485	1,799	750	90,034
Vehicle	14,124	1,396	54,067	-	-	-	69,587	2,127	901	72,615
Veterinary services and medicines	-	176,438	-	-	-	-	176,438	-	-	176,438
TOTAL EXPENSES	1,665,062	527,350	1,843,895	745,340	99,161	11,213	4,892,021	290,135	254,360	5,436,516
Less: expenses included with revenues on the consolidated statements of activities	-	-	-	(36,390)	-	-	(36,390)	-	-	(36,390)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES	\$ 1,665,062	\$ 527,350	\$ 1,843,895	\$ 708,950	\$ 99,161	\$ 11,213	\$ 4,855,631	\$ 290,135	\$ 254,360	\$ 5,400,126

See accompanying notes to consolidated financial statements.

2018

PROGRAM SERVICES					MANAGEMENT AND		
ELEPHANT					GENERAL	FUNDRAISING	TOTAL
CARE	VET CARE	FACILITIES	EDUCATION	TOTAL			
\$ 644,060	\$ 124,866	\$ 431,840	\$ 317,508	\$ 1,518,274	\$ 165,847	\$ 93,254	\$ 1,777,375
51,637	10,343	33,602	25,467	121,049	11,423	7,184	139,656
107,053	14,233	66,786	36,068	224,140	19,194	11,023	254,357
15,491	3,003	10,387	7,637	36,518	3,937	2,295	42,750
3,807	738	2,552	1,877	8,974	1,031	500	10,505
822,048	153,183	545,167	388,557	1,908,955	201,432	114,256	2,224,643
50	-	236	4,917	5,203	-	1,003	6,206
-	-	13	25,522	25,535	1,500	23,000	50,035
3,905	645	-	1,229	5,779	4,714	-	10,493
-	-	1,025,305	48,947	1,074,252	22,324	-	1,096,576
-	-	-	-	-	-	7,628	7,628
-	-	-	-	-	1,723	-	1,723
565	1,341	-	364	2,270	2,698	-	4,968
-	-	-	-	-	1,954	-	1,954
439	49	244	171	903	98	49	1,050
3,750	-	-	572	4,322	-	-	4,322
1,095	125	1,070	265	2,555	115	-	2,670
142,252	-	-	-	142,252	-	-	142,252
35,441	14,177	23,627	12,699	85,944	5,161	1,772	92,877
22,041	4,898	8,326	4,751	40,016	2,449	686	43,151
79,300	-	-	-	79,300	-	-	79,300
1,448	759	2,439	397	5,043	1,274	9,436	15,753
1,821	390	817	1,050	4,078	821	1,448	6,347
-	-	-	38,524	38,524	-	-	38,524
948	630	598	651	2,827	371	133	3,331
-	-	-	753	753	-	3,276	4,029
-	-	-	70,118	70,118	-	72,260	142,378
88,249	34,201	32,035	17,291	171,776	3,101	5,194	180,071
180	23	50	14,148	14,401	72	7,365	21,838
29	3,519	153	39,116	42,817	13	4,420	47,250
2,275	-	1,887	1,835	5,997	-	296	6,293
223,032	72,209	8,193	16,097	319,531	102,048	9,977	431,556
28,186	343	9,371	6,017	43,917	170	175	44,262
1,393	75	631	914	3,013	75	-	3,088
-	-	18,415	-	18,415	-	-	18,415
12,714	9,545	6,469	38,243	66,971	6,571	17,109	90,651
5,292	1,439	4,595	789	12,115	2,333	145	14,593
12,664	1,744	406	2,397	17,211	4,563	3,051	24,825
71,982	4,501	13,463	11,294	101,240	2,223	500	103,963
15,786	2,227	43,777	-	61,790	2,330	555	64,675
-	199,659	-	-	199,659	-	-	199,659
1,576,885	505,682	1,747,287	747,628	4,577,482	370,133	283,734	5,231,349
-	-	-	(38,524)	(38,524)	-	-	(38,524)
\$ 1,576,885	\$ 505,682	\$ 1,747,287	\$ 709,104	\$ 4,538,958	\$ 370,133	\$ 283,734	\$ 5,192,825

THE ELEPHANT SANCTUARY IN
TENNESSEE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

NOTE 1 - ORGANIZATION AND GENERAL

The Elephant Sanctuary in Tennessee is a nonprofit organization which was organized on December 30, 1994, primarily to provide captive elephants with individualized care, companionship of a herd and the opportunity to live out their lives in a safe haven dedicated to their well-being. Other goals related to the captive elephants include conducting noninvasive research, practicing progressive management and care techniques, and sharing knowledge through education, consultation and collaboration. The majority of the Organization's revenues for the years ended December 31, 2019 and 2018 represent support from the general public, primarily from citizens of or entities located in the United States.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of The Elephant Sanctuary in Tennessee and its wholly-owned for-profit subsidiary, Highland Lake Properties, Inc. (collectively, the "Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation. Highland Lake Properties, Inc.'s assets consist of 701 acres of real estate adjacent to other real estate owned by The Elephant Sanctuary in Tennessee and used as part of the natural habitat refuge for elephants.

Basis of Presentation

The consolidated 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 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, where by the donor has stipulated the funds be maintained in perpetuity.

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 Consolidated Statements of Activities.

THE ELEPHANT SANCTUARY IN
TENNESSEE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made.

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 a 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.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift. 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 these amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (1.71% and 2.63% for promises made in 2019 and 2018, respectively). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

The Organization is required to make significant estimates and exercise judgment in determining the net contributions receivable. The Organization reviewed all documentation received to determine the estimated amount to be received in future periods and recognized the related estimated revenues in the Consolidated Statements of Activities for the years ended December 31, 2019 and 2018. Annually, the Organization evaluates its assumptions, judgments and estimates that can have a significant impact on its reported contributions receivable based on the most recent information available, and when necessary, adjusts the balance accordingly. It is at least reasonably possible, that this estimate will change within one year of the date of the financial statements due to one or more confirming events and the effect of that change could be material.

Revenue Recognition on Sale of Inventory

Revenues are recognized when control of products is transferred to customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products and services, less an estimate of variable consideration for return rights and discounts. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. Costs incurred to obtain a contract are expensed as incurred when the

THE ELEPHANT SANCTUARY IN
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition on Sale of Inventory (Continued)

amortization period is less than a year. The nature of the Organization's business does not give rise to variable consideration.

For performance obligations related to the sale of general merchandise and educational materials such as caps, artwork, publications, and other merchandise promoting the Organization, which is the sole source of contract revenue, control transfers to the customer at a point in time. The Organization's principal terms of sale are Freight On Board (FOB) Shipping Point and the Organization transfers control and records revenue for product sales upon shipment to the customer.

Cash

Cash consists principally of checking and savings account balances. Cash and other short-term investments held in brokerage accounts are classified as investments.

Inventory

Inventory is stated at the lower of cost or net realizable value. Inventory primarily consists of general merchandise and educational materials such as caps, artwork, publications and other merchandise promoting the Organization. Cost of sales, including shipping and handling, is classified as program services expenses in the Consolidated Statements of Functional Expenses.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 14 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income (loss) is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Changes in unrealized gains and losses are recognized currently in the Consolidated Statements of Activities.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at the date of gift to the Organization. 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. Costs of maintenance and repairs are charged to expense. When depreciable assets are disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the operations for the period. Depreciation is calculated by the straight-line method or over the asset's estimated useful lives.

THE ELEPHANT SANCTUARY IN
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales Taxes Collected

Sales tax collected and remitted to governmental authorities are excluded from sales and costs and presented on a net basis in the consolidated financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to \$7,371 and \$6,206 for the years ended December 31, 2019 and 2018, respectively.

Income Taxes

The Elephant Sanctuary in Tennessee qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided. The Elephant Sanctuary in Tennessee files a U.S. Federal Form 990 for organizations exempt from income tax.

Highland Lake Properties, Inc. ("HLPI") is classified as a C corporation under the Internal Revenue Code. HLPI has no operating activities and incurs no income tax. In the event HLPI sells or distributes its assets, any realized gain would be subject to federal and state corporate income taxes. Highland Lake Properties, Inc. files income tax returns in the U.S. federal jurisdiction and the state of Tennessee.

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 returns 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 consolidated financial statements.

Donated Goods and Services

Donated goods are recorded as support and either an asset or expense in the period received at fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by the donor who possesses such skills, and would have been purchased by the Organization if not provided by the donor. Such services are recognized at fair value as support and expense in the period the services are performed. Donated goods and services recognized amounted to \$47,147 and \$53,044 in 2019 and 2018, respectively.

THE ELEPHANT SANCTUARY IN
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services (Continued)

In addition, during 2019 and 2018, many unpaid volunteers contributed their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

Program and Supporting Services

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

Program Services:

Elephant Care, Vet Care and Facilities - provides captive elephants a natural habitat, individualized care and the opportunity to live out their lives in safe haven dedicated to their well-being.

Education and Volunteer Outreach Education - raise public awareness by providing educational opportunities for the public relating to elephant care and habitat; this includes providing materials and other programs to those who have an interest.

Intern - twelve-week program focused on providing experimental learning opportunities to individuals seeking to understand, develop, and establish careers in the fields of elephant care and conservation.

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 Organization. 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 primarily for expansion of physical facilities, the purchase of additional land, hiring additional trained keepers and establishing endowments for the care of elephants. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

THE ELEPHANT SANCTUARY IN
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 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 service based on objectively evaluated and non-financial data or reasonable subjective methods determined by management. The expenses that are allocated include salaries and related benefits, which are allocated on the basis of estimates of time expended on those resources, and depreciation and occupancy expenses, which are allocated on the basis of estimates of the related use of the property.

Use of Estimates in the Preparation of Financial Statements

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Authoritative Accounting 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 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 July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11 *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Organization expects to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2021, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Organization expects to elect all the practical expedients available. The Organization does not expect the adoption of the new standard to have a material impact on the financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Authoritative Accounting Guidance (Continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization is currently evaluating the impact of this new standard on its consolidated financial statements.

Reclassifications

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the change in net assets or net assets as previously reported.

Events Occurring after Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2019 and [OPEN DATE], the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in GAAP. The ASU requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization's fiscal year, using the modified retrospective approach.

As part of the adoption of the ASU, the Organization did not elect to use any practical expedients as there were no open contracts from prior periods requiring adjustment.

The adoption of this ASU did not have a significant impact on the Organization's financial statements. The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods. Based on the Organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported amounts as a result of the adoption.

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NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES (CONTINUED)

On January 1, 2019 the Organization adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improve guidance to better distinguish between conditional and unconditional contributions. The adoption of the ASU did not materially impact the financial statements and related disclosures.

NOTE 4 - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$ 5,290,886	\$ 7,952,631
Contributions receivable - due within one year	1,967,200	1,649,822
Investments	35,697,042	26,050,189
Anticipated distribution from beneficial interest agreements	<u>122,000</u>	<u>125,000</u>
	<u>43,077,128</u>	<u>35,777,642</u>
Less amounts not available to be used within one year:		
Testamentary bequests	1,899,230	1,555,176
Donor restricted endowment funds	1,966,310	1,722,361
Donor restricted for a specific purpose	707,784	1,011,900
Board designated endowment funds	2,345,196	242,434
Board designated operating reserves	20,500,000	25,153,408
Board designated capital reserves	3,000,000	2,000,000
Board designated for completion of specified projects underway	6,000,000	1,170,000
Board designated for elephant transition	<u>3,000,000</u>	<u>-</u>
	<u>39,418,520</u>	<u>32,855,279</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,658,608</u>	<u>\$ 2,922,363</u>

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DECEMBER 31, 2019 AND 2018

NOTE 4 - LIQUIDITY (CONTINUED)

The Organization has a goal to set aside unrestricted financial operational reserves of approximately 3.5 times its budgeted expenses to ensure the lifetime care and safe haven for an undetermined number of elephants (five times budgeted expenses for 2018). Elephants have an expected lifespan of 50-70 years and the Organization is committed to providing food, shelter, veterinary care, medicine, caregivers, property maintenance and security. Along with the public's continued support, these funds are needed to provide for the elephants currently in our care and for those that will come to the Organization.

All categories of board designated amounts included in the liquidity calculation could be made available if necessary.

Due to the nature of the testamentary bequests, timing of collection is uncertain and thus not included in financial assets available to meet general expenditures over the next twelve months. Amounts will be available when received.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 2,330,546	\$ 1,983,580
Due in two to five years	<u>150,377</u>	<u>198,824</u>
	2,480,923	2,182,404
Less: discount to net present value	(5,830)	(7,043)
Less: allowance for uncollectible accounts	<u>(363,346)</u>	<u>(333,758)</u>
Total contributions receivable, net	<u>\$ 2,111,747</u>	<u>\$ 1,841,603</u>

Contributions receivable due within one year include approximately \$1,900,000 and \$1,560,000 in testamentary bequests at December 31, 2019 and 2018, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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NOTE 6 - INVESTMENTS

Investments consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 2,135,646	\$ 967,396
U.S. treasury obligations	2,137,867	1,205,737
Equities	3,745,503	3,648,964
Mutual funds	18,436,992	12,643,050
Corporate bonds	9,140,494	7,389,414
Real estate investment trusts	<u>100,540</u>	<u>195,628</u>
Total investments	<u>\$ 35,697,042</u>	<u>\$ 26,050,189</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 4,036,236	\$ 3,753,591
Buildings and improvements	10,360,383	9,655,057
Fencing	6,628,806	6,468,480
Furniture and equipment	1,837,266	1,592,249
Vehicles	<u>674,427</u>	<u>656,700</u>
	23,537,118	22,126,077
Less: accumulated depreciation	<u>(12,245,678)</u>	<u>(11,158,884)</u>
	<u>\$ 11,291,440</u>	<u>\$ 10,967,193</u>

Fully depreciated property and equipment amounted to approximately \$7,800,000 and \$4,440,000 as of December 31, 2019 and 2018, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 8 - BENEFICIAL INTEREST AGREEMENTS

The Organization and its donors have established two types of split-interest agreements. Under these agreements, the Organization receives benefits that are shared with other beneficiaries designated by the donors.

Beneficial Interest in Charitable Remainder Trust

The Organization is a twenty-five percent remainder beneficiary in an irrevocable charitable remainder trust. Under the terms of the trust, income payments are made to family members of the donor. Following the death of the last surviving family member, twenty-five percent of the trust's assets will be distributed to the Organization. At December 31, 2019 and 2018, the Organization's beneficial interest in the charitable remainder trust was \$138,031 and \$158,930, respectively.

The beneficial interest in charitable remainder trust is valued by using an income approach based on calculating the present value of the future distribution expected to be received and the quoted market prices of the investments held by a third-party trustee. This approach takes into account the Organization's determination of an appropriate risk-adjusted discount rate, equal to 2.25% and 2.87% at December 31, 2019 and 2018, respectively, and expected cash flows. The Organization remeasures the fair value of its beneficial interest in charitable remainder trust annually and adjusts the measurement inputs based on market conditions and other relevant data.

Beneficial Interest in Trusts

A donor has established an irrevocable trust naming the Organization as a forty-percent beneficiary. The beneficial interest in trust value is based on the quoted market prices of the investments held by the third-party trustee. Under the terms of the trust, the third-party trustee must pay the Organization an annual distribution and has the discretion to pay the Organization, upon request, distributions from both the corpus and the income earned by the trust. During 2019 and 2018, the trustee distributed \$121,920 and \$125,764, respectively, to the Organization. The trust terminates in 2047, at which time forty percent of any undistributed corpus or income from the trust will be distributed to the Organization. At December 31, 2019 and 2018, the Organization's beneficial interest in the trust was \$2,028,312 and \$1,782,545, respectively.

A donor has established an irrevocable trust naming the Organization as a 10.5% percent beneficiary. The beneficial interest in trust value is based on the quoted market prices of the investments held by the third-party trustee. The trust terminates in 2029, at which time 10.5% of any undistributed corpus or income from the trust will be distributed to the Organization. At December 31, 2019 and 2018, the Organization's beneficial interest in the trust was \$240,711 and \$235,311, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 9 - NET ASSETS

Net assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 5,458,847	\$ 4,381,764
Board designated		
Operating reserves	20,500,000	25,153,408
Property and equipment	11,291,440	10,967,193
Capital reserves	3,000,000	2,000,000
Completion of specified projects underway	6,000,000	1,170,000
Elephant transition	3,000,000	-
Endowment	2,345,196	242,434
	<u>46,136,636</u>	<u>39,533,035</u>
Total net assets without donor restrictions	<u>51,595,483</u>	<u>43,914,799</u>
Specific Purpose		
Storer Grant - Education Center	36,747	56,747
Barbara J. Mapp Foundation - Curriculum	16,000	16,000
International conservation and welfare	200,000	200,000
Elephant Healthcare Center	455,037	739,153
	<u>707,784</u>	<u>1,011,900</u>
Passage of Time		
Contributions receivable	210,813	277,900
Beneficial interest in charitable remainder trust	138,031	158,930
Beneficial interest in trusts	2,269,023	2,017,856
	<u>2,617,867</u>	<u>2,454,686</u>
Endowments		
Subject to endowment spending policy and appropriation:		
Education endowment	56,776	45,199
Elephant endowment	1,909,534	1,677,162
	<u>1,966,310</u>	<u>1,722,361</u>
Total net assets with donor restrictions	<u>5,291,961</u>	<u>5,188,947</u>
Total net assets	<u>\$ 56,887,444</u>	<u>\$ 49,103,746</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 10 - ENDOWMENT FUNDS

The Organization's endowment consists of funds established by the board of directors and 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 perpetual care of the elephants. The Organization's endowment funds are based on the spending policies described below which follow the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and the State of Tennessee's State Uniform Prudent Management of Institutional Funds Act ("SUPMIFA").

Interpretation of applicable law - The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Spending policy - The Board of Directors has formally adopted an endowment spending policy. The policy allows an annual distribution from the endowment fund based on the lesser of 5% of the prior year's investable funds or the actual interest and dividend income earned in the prior year, unless stated otherwise in the donor specified agreement. If the maximum allowable distribution is not made in a particular year, the balance remains in the corpus of the endowment fund, and is classified in the without donor restrictions category.

Investment policy - The purpose and objectives of the investment policy is preservation of capital and real (inflation adjusted) growth, without undue investment risk. The policy allows substantial discretion in the asset allocation and diversification of the assets for the purposes of increasing investment return and/or reducing risk exposure. The policy includes a definition of certain prohibited investments. The target investment allocation follows:

Cash and cash equivalents	0% - 10%
Equity	30% - 60%
Fixed income	20% - 50%
Alternative investments	0% - 5%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 10 - ENDOWMENT FUNDS (CONTINUED)

A summary of changes in endowments follows for the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	\$ 242,434	\$ 1,722,361	\$1,964,795
Contributions	-	18,055	18,055
Investment income	-	328,656	328,656
Transfer to create board designated endowment funds	2,000,000	-	2,000,000
Appropriation of endowment assets	102,762	(102,762)	-
Endowment net assets, December 31, 2019	<u>\$ 2,345,196</u>	<u>\$ 1,966,310</u>	<u>\$4,311,506</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2018	\$ 242,434	\$ 1,761,373	\$2,003,807
Contributions	-	186,882	186,882
Investment loss	-	(225,894)	(225,894)
Appropriation of endowment assets	-	-	-
Endowment net assets, December 31, 2018	<u>\$ 242,434</u>	<u>\$ 1,722,361</u>	<u>\$1,964,795</u>

Donor restricted endowment funds include \$1,966,310 and \$1,948,255 at December 31, 2019 and 2018, respectively, that are required by the donor to be maintained in perpetuity.

In December 2019, the Organization's board allocated \$2,000,000 to establish two board designated endowment funds. These endowments include \$1,000,000 to support international welfare and conservation elephant projects and \$1,000,000 to support education and ongoing support of the Elephant Discovery Center in Hohenwald, Tennessee.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

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 balance 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 also maintains investment balances at various brokerage and investment companies. Generally, these investments are not insured by the FDIC or any other government agency and are subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to \$500,000, including up to \$250,000 in cash. The SIPC does not insure against market risk.

Contributions receivable consist of individual and corporate contribution pledges. Contributions receivable from two donors amounted to \$626,000 (30%) and \$471,000 (24%) of total contributions receivable (before the present value discount) at December 31, 2019 and 2018, respectively. No single donor contribution exceeded 10% of total support and revenues in 2019 or 2018.

NOTE 12 - RETIREMENT PLAN

The Organization adopted a 401(k) plan that allows eligible employees to make voluntary contributions, subject to limitations under the Internal Revenue Code.

The plan allows for discretionary employer matching contributions. The amount is to be determined annually. For 2018 and 2019, the matching contribution equaled 100% of the first 3% of compensation that is deferred by the employee. The plan also allows for discretionary employer non-elective contributions. Employer contributions fully vest after 3 years of service.

During 2019 and 2018, the Organization contributed \$46,234 and \$42,750 to the plan, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 13 - FAIR VALUE MEASUREMENTS

The Organization classifies its investments based on a hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market but for which observable market inputs are readily available) and Level 3 (valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Real estate investment trusts and equities are valued at the closing price reported on the active market on which the individual funds are traded.

Mutual funds are valued using the net asset value per unit as quoted in active markets at the valuation date.

Fixed income investments, including corporate bonds and U.S. treasury obligations, for which quotations are readily available in active markets are valued at the most recent quote in the principal market in which such securities are normally traded. These investments also include securities valued on the basis of information provided by pricing services that employ valuation matrices that may incorporate both broker/dealer-supplied valuations as well as valuation models reflecting such factors as benchmark yields, reported trades, broker/dealer quotes, bid/offer data and other relevant elements.

There have been no changes in the valuation methodologies used at December 31, 2019 and 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31, 2019:

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Investments measured at fair value:				
U.S. treasury obligations	\$ 2,137,867	\$ -	\$ 2,137,867	\$ -
Equities:				
Call options	(244,082)	-	(244,082)	-
Conglomerates	135,900	135,900	-	-
Consumer goods	934,660	934,660	-	-
Energy	320,866	320,866		
Financial	717,333	717,333	-	-
Healthcare	445,090	445,090	-	-
Industrial	202,063	202,063	-	-
Services	86,778	86,778	-	-
Technology	1,006,755	1,006,755	-	-
Utilities	140,140	140,140	-	-
Mutual funds:				
Commodities	64,133	64,133	-	-
Emerging markets	561,926	561,926	-	-
Equity - income	26,354	26,354		
Futures	135,348	135,348	-	-
Growth	2,056,147	2,056,147	-	-
International	2,754,760	2,754,760	-	-
Large value/blend	6,638,865	6,638,865	-	-
Mid-cap blend	328,728	328,728	-	-
Multialternative	695,878	695,878	-	-
Short term bonds	1,163,054	1,163,054	-	-
Small blend	576,047	576,047	-	-
Specialty - financial	3,047,647	3,047,647	-	-
Ultrashort bond	388,105	388,105	-	-
Corporate bonds	9,140,494	-	9,140,494	-
Real estate investment trusts	100,540	100,540	-	-
	<u>\$ 33,561,396</u>	<u>\$ 22,527,117</u>	<u>\$ 11,034,279</u>	<u>\$ -</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31, 2018:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments measured at fair value:				
U.S. treasury obligations	\$ 1,205,737	\$ -	\$ 1,205,737	\$ -
Equities:				
Call options	(73,918)	-	(73,918)	-
Conglomerates	245,016	245,016	-	-
Consumer goods	989,413	989,413	-	-
Energy	295,616	295,616	-	-
Financial	651,931	651,931	-	-
Healthcare	181,671	181,671	-	-
Industrial	277,186	277,186	-	-
Services	126,921	126,921	-	-
Technology	858,504	858,504	-	-
Utilities	96,624	96,624	-	-
Mutual funds:				
Commodities	234,535	234,535	-	-
Convertible bonds	95,940	95,940	-	-
Emerging markets	419,493	419,493	-	-
Equity - income	23,762	23,762	-	-
Futures	214,278	214,278	-	-
Growth	772,398	772,398	-	-
High yield bond	46,961	46,961	-	-
International	2,392,397	2,392,397	-	-
Large value/blend	5,538,417	5,538,417	-	-
Mid-cap blend	345,450	345,450	-	-
Multialternative	477,858	477,858	-	-
Short term bonds	306,928	306,928	-	-
Small blend	456,781	456,781	-	-
Specialty - financial	955,329	955,329	-	-
Ultrashort bond	362,523	362,523	-	-
Corporate bonds	7,389,414	-	7,389,414	-
Real estate investment trusts	195,628	195,628	-	-
	<u>\$ 25,082,793</u>	<u>\$ 16,561,560</u>	<u>\$ 8,521,233</u>	<u>\$ -</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2019 AND 2018

NOTE 14 - SUBSEQUENT EVENTS

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 included 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, management is continuing to evaluate the evolving situation and will implement appropriate counter measures as needed.