

THE ELEPHANT SANCTUARY IN  
TENNESSEE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020 AND 2019

THE ELEPHANT SANCTUARY IN  
TENNESSEE AND SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
AND  
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DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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 CONSOLIDATED 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, 2020 and 2019, 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 CPAs PLLC*

Nashville, Tennessee  
June 23, 2021

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 3,667,485	\$ 5,290,886
Contributions receivable, net	3,659,787	2,111,747
Prepaid expenses	94,318	102,876
Inventory	15,893	26,190
Investments	42,427,586	35,697,042
Property and equipment, net	13,063,221	11,291,440
Beneficial interest in charitable remainder trust	91,705	138,031
Beneficial interest in trusts	<u>2,386,915</u>	<u>2,269,023</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 65,406,910</u></b>	<b><u>\$ 56,927,235</u></b>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 11,096	\$ 38,873
Accrued expenses	<u>6,192</u>	<u>918</u>
<b>TOTAL LIABILITIES</b>	<b><u>17,288</u></b>	<b><u>39,791</u></b>
NET ASSETS		
Without donor restrictions:		
Undesignated	10,529,888	5,458,847
Board designated	<u>49,887,979</u>	<u>46,136,636</u>
Total without donor restrictions	60,417,867	51,595,483
Total with donor restrictions	<u>4,971,755</u>	<u>5,291,961</u>
<b>TOTAL NET ASSETS</b>	<b><u>65,389,622</u></b>	<b><u>56,887,444</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 65,406,910</u></b>	<b><u>\$ 56,927,235</u></b>

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Public support:						
Contributions and grants	\$ 9,559,179	\$ 327,415	\$ 9,886,594	\$ 7,848,261	\$ 266,518	\$ 8,114,779
Change in value of beneficial interest agreements	-	194,981	194,981	-	352,188	352,188
In-kind revenue	75,436	-	75,436	47,147	-	47,147
Merchandise sales	100,369	-	100,369	110,768	-	110,768
Less: cost of merchandise sales	(38,583)	-	(38,583)	(36,390)	-	(36,390)
Investment income	3,568,027	115,688	3,683,715	4,394,360	225,894	4,620,254
Miscellaneous income	-	-	-	4,666	-	4,666
Gain (loss) on restricted contributions receivable	-	86,086	86,086	-	(29,588)	(29,588)
Net assets released from restrictions	1,044,376	(1,044,376)	-	711,998	(711,998)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>14,308,804</b>	<b>(320,206)</b>	<b>13,988,598</b>	<b>13,080,810</b>	<b>103,014</b>	<b>13,183,824</b>
<b>EXPENSES</b>						
Program	4,673,903	-	4,673,903	4,855,631	-	4,855,631
Management and general	535,257	-	535,257	290,135	-	290,135
Fundraising	277,260	-	277,260	254,360	-	254,360
<b>TOTAL EXPENSES</b>	<b>5,486,420</b>	<b>-</b>	<b>5,486,420</b>	<b>5,400,126</b>	<b>-</b>	<b>5,400,126</b>
<b>CHANGE IN NET ASSETS</b>	<b>8,822,384</b>	<b>(320,206)</b>	<b>8,502,178</b>	<b>7,680,684</b>	<b>103,014</b>	<b>7,783,698</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>51,595,483</b>	<b>5,291,961</b>	<b>56,887,444</b>	<b>43,914,799</b>	<b>5,188,947</b>	<b>49,103,746</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 60,417,867</b>	<b>\$ 4,971,755</b>	<b>\$ 65,389,622</b>	<b>\$ 51,595,483</b>	<b>\$ 5,291,961</b>	<b>\$ 56,887,444</b>

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 8,502,178	\$ 7,783,698
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,165,716	1,093,069
(Gain) loss on contributions receivable	(86,086)	29,588
Realized and unrealized gain on investments	(3,086,777)	(3,924,024)
Change in value of beneficial interest agreements	(194,981)	(352,188)
Noncash contributions of investments	(69,224)	(38,273)
(Increase) decrease in:		
Contributions receivable	(1,461,954)	(299,732)
Prepaid expenses	8,558	(3,075)
Inventory	10,297	(3,305)
Increase (decrease) in:		
Accounts payable	(27,777)	34,950
Accrued expenses	5,274	(2,501)
<b>TOTAL ADJUSTMENTS</b>	<u>(3,736,954)</u>	<u>(3,465,491)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>4,765,224</u>	<u>4,318,207</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	(2,937,497)	(1,417,316)
Distributions received from beneficial interest agreements	123,415	121,920
Purchases of investments	(12,264,681)	(18,056,217)
Sales of investments	8,690,138	12,371,661
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(6,388,625)</u>	<u>(6,979,952)</u>
<b>NET DECREASE IN CASH</b>	(1,623,401)	(2,661,745)
<b>CASH - BEGINNING OF YEAR</b>	<u>5,290,886</u>	<u>7,952,631</u>
<b>CASH - END OF YEAR</b>	<u>\$ 3,667,485</u>	<u>\$ 5,290,886</u>

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

2020

	PROGRAM SERVICES								
	ELEPHANT				VOLUNTEER		MANAGEMENT		
	CARE	VET CARE	FACILITIES	EDUCATION	EDUCATION	TOTAL	GENERAL	FUNDRAISING	TOTAL
Salaries and wages	\$ 601,564	\$ 131,951	\$ 474,106	\$ 293,891	\$ 68,588	\$ 1,570,100	\$ 308,408	\$ 103,497	\$ 1,982,005
Payroll taxes	48,227	10,028	36,637	23,268	5,444	123,604	22,813	8,081	154,498
Employee benefit - insurance	124,030	14,117	80,178	51,139	10,098	279,562	20,758	5,007	305,327
Employee benefit - retirement	15,374	3,372	12,116	7,511	1,753	40,126	7,882	2,645	50,653
Other payroll expenses	3,439	754	2,710	1,680	392	8,975	1,763	592	11,330
<b>SALARIES AND RELATED EXPENSES</b>	<b>792,634</b>	<b>160,222</b>	<b>605,747</b>	<b>377,489</b>	<b>86,275</b>	<b>2,022,367</b>	<b>361,624</b>	<b>119,822</b>	<b>2,503,813</b>
Advertising	-	-	448	643	-	1,091	-	-	1,091
Bank service charges	-	-	-	54,265	-	54,265	6,677	12,094	73,036
Conferences and meetings	-	792	-	550	275	1,617	636	-	2,253
Depreciation	-	-	1,095,773	46,629	-	1,142,402	23,314	-	1,165,716
Donated materials and supplies	-	-	-	-	-	-	-	28,627	28,627
Donations	-	-	-	-	50	50	-	-	50
Dues and subscriptions	307	2,403	264	683	95	3,752	2,829	89	6,670
Education	-	-	-	5,000	3,176	8,176	-	-	8,176
Employee assistance program	441	42	252	158	21	914	95	42	1,051
Employee recruitment and testing	1,042	70	681	183	107	2,083	128	30	2,241
Feed and supplements	112,290	-	-	-	-	112,290	-	-	112,290
Insurance - liability	41,968	16,191	31,476	10,510	2,605	102,750	5,243	2,096	110,089
Insurance - workers' compensation	39,055	9,762	19,525	11,136	2,930	82,408	3,903	1,951	88,262
International elephant habitat and care programs	183,000	-	-	-	-	183,000	-	-	183,000
Licenses	3,151	1,804	2,928	1,012	129	9,024	1,237	9,109	19,370
Meals	1,257	64	226	130	16	1,693	167	76	1,936
Merchandise	-	-	-	38,583	-	38,583	-	-	38,583
Mileage reimbursement	627	100	133	138	145	1,143	-	-	1,143
Miscellaneous	-	-	-	-	1,399	1,399	-	-	1,399
Newsletter	-	-	-	36,966	-	36,966	-	70,089	107,055
Office supplies and small equipment	66,823	31,286	32,453	16,381	1,062	148,005	3,354	4,007	155,366
Printing	102	2	10	6,807	43	6,964	4	3,118	10,086
Postage and delivery	21	3,218	-	28,099	71	31,409	-	3,499	34,908
Professional development	4,084	5,189	756	2,766	968	13,763	1,090	188	15,041
Professional fees	53,264	70,293	5,329	21,772	30	150,688	107,821	8,987	267,496
Repairs and maintenance	22,394	1,465	4,909	5,110	-	33,878	30	240	34,148
Security	1,538	88	291	360	125	2,402	644	156	3,202
Taxes	-	-	18,989	2,278	-	21,267	-	315	21,582
Technology	23,023	9,466	18,152	64,049	4,051	118,741	10,711	10,835	140,287
Telephone and internet	1,930	1,216	3,562	816	212	7,736	1,952	183	9,871
Travel	1,557	1,203	-	-	-	2,760	1,269	-	4,029
Utilities	57,521	4,473	12,973	5,480	2,432	82,879	1,572	1,707	86,158
Vehicle	13,655	1,410	57,235	-	-	72,300	957	-	73,257
Veterinary services and medicines	-	213,721	-	-	-	213,721	-	-	213,721
<b>TOTAL EXPENSES</b>	<b>1,421,684</b>	<b>534,480</b>	<b>1,912,112</b>	<b>737,993</b>	<b>106,217</b>	<b>4,712,486</b>	<b>535,257</b>	<b>277,260</b>	<b>5,525,003</b>
Less: expenses included with revenues on the consolidated statements of activities	-	-	-	(38,583)	-	(38,583)	-	-	(38,583)
<b>TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES</b>	<b>\$ 1,421,684</b>	<b>\$ 534,480</b>	<b>\$ 1,912,112</b>	<b>\$ 699,410</b>	<b>\$ 106,217</b>	<b>\$ 4,673,903</b>	<b>\$ 535,257</b>	<b>\$ 277,260</b>	<b>\$ 5,486,420</b>

See accompanying notes to consolidated financial statements.



THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

2019

PROGRAM SERVICES

	PROGRAM SERVICES				VOLUNTEER OUTREACH		MANAGEMENT AND FUNDRAISING			TOTAL
	ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	EDUCATION	INTERN	TOTAL	GENERAL	FUNDRAISING	
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
<b>SALARIES AND RELATED EXPENSES</b>	<b>841,632</b>	<b>196,856</b>	<b>624,247</b>	<b>407,897</b>	<b>83,435</b>	<b>10,389</b>	<b>2,164,456</b>	<b>146,062</b>	<b>100,020</b>	<b>2,410,538</b>
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
<b>TOTAL EXPENSES</b>	<b>1,665,062</b>	<b>527,350</b>	<b>1,843,895</b>	<b>745,340</b>	<b>99,161</b>	<b>11,213</b>	<b>4,892,021</b>	<b>290,135</b>	<b>254,360</b>	<b>5,436,516</b>
Less: expenses included with revenues on the consolidated statements of activities	-	-	-	(36,390)	-	-	(36,390)	-	-	(36,390)
<b>TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENTS OF ACTIVITIES</b>	<b>\$ 1,665,062</b>	<b>\$ 527,350</b>	<b>\$ 1,843,895</b>	<b>\$ 708,950</b>	<b>\$ 99,161</b>	<b>\$ 11,213</b>	<b>\$ 4,855,631</b>	<b>\$ 290,135</b>	<b>\$ 254,360</b>	<b>\$ 5,400,126</b>

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN  
TENNESSEE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020 and 2019 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 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.

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, 2020 AND 2019

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 (0.18% and 1.71% for promises made in 2020 and 2019, 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, 2020 and 2019. 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 consolidated financial statements due to one or more confirming events and the effect of that change could be material.

THE ELEPHANT SANCTUARY IN  
TENNESSEE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

*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 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 12 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1,091 and \$7,371 for the years ended December 31, 2020 and 2019, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$75,436 and \$47,147 in 2020 and 2019, respectively.

In addition, during 2020 and 2019, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

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 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.

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.

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

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position 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. 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, 2022, 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.

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 ASU is effective for the Organization beginning on January 1, 2022. The Organization is currently evaluating the impact of this new guidance 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.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring after Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2020 and June 23, 2021, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - 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>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 3,667,485	\$ 5,290,886
Contributions receivable - due within one year, net	3,478,985	1,967,200
Investments	42,427,586	35,697,042
Anticipated distribution from beneficial interest agreements	122,000	122,000
	<u>49,696,056</u>	<u>43,077,128</u>
Less amounts not available to be used within one year:		
Testamentary bequests	3,324,827	1,899,230
Donor restricted endowment funds	1,757,184	1,966,310
Donor restricted for a specific purpose	400,991	707,784
Board designated endowment funds	2,824,758	2,345,196
Board designated operating reserves	25,000,000	20,500,000
Board designated capital reserves	2,000,000	3,000,000
Board designated for completion of specified projects underway	4,000,000	6,000,000
Board designated for elephant transition	3,000,000	3,000,000
	<u>42,307,760</u>	<u>39,418,520</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,388,296</u>	<u>\$ 3,658,608</u>

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

DECEMBER 31, 2020 AND 2019

NOTE 3 - LIQUIDITY (CONTINUED)

The Organization has set aside unrestricted financial operational reserves of approximately 5 times its budgeted expenses to ensure the lifetime care and safe haven for an undetermined number of elephants. 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 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 3,756,245	\$ 2,330,546
Due in two to five years	<u>184,472</u>	<u>150,377</u>
	3,940,717	2,480,923
Less: discount to net present value	(3,670)	(5,830)
Less: allowance for uncollectible accounts	<u>(277,260)</u>	<u>(363,346)</u>
Total contributions receivable, net	<u>\$ 3,659,787</u>	<u>\$ 2,111,747</u>

Contributions receivable due within one year include approximately \$3,325,000 and \$1,900,000 in testamentary bequests at December 31, 2020 and 2019, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 5 - INVESTMENTS

Investments consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 5,291,021	\$ 2,135,646
U.S. treasury obligations	2,108,789	2,137,867
Equities	3,587,928	3,745,503
Mutual funds	23,407,170	18,436,992
Corporate bonds	8,016,911	9,140,494
Real estate investment trusts	<u>15,767</u>	<u>100,540</u>
Total investments	<u>\$ 42,427,586</u>	<u>\$ 35,697,042</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 4,307,371	\$ 4,036,236
Buildings and improvements	12,648,365	10,360,383
Fencing	6,634,598	6,628,806
Furniture and equipment	2,202,077	1,837,266
Vehicles	<u>682,204</u>	<u>674,427</u>
	26,474,615	23,537,118
Less: accumulated depreciation	<u>(13,411,394)</u>	<u>(12,245,678)</u>
	<u>\$ 13,063,221</u>	<u>\$ 11,291,440</u>

Fully depreciated property and equipment amounted to approximately \$8,990,000 and \$7,800,000 as of December 31, 2020 and 2019, respectively.

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

DECEMBER 31, 2020 AND 2019

NOTE 7 - 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, 2020 and 2019, the Organization's beneficial interest in the charitable remainder trust was \$91,705 and \$138,031, 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 1.45% and 2.25% at December 31, 2020 and 2019, 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 2020 and 2019, the trustee distributed \$123,415 and \$121,920, 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, 2020 and 2019, the Organization's beneficial interest in the trust was \$2,139,042 and \$2,028,312, 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, 2020 and 2019, the Organization's beneficial interest in the trust was \$247,873 and \$240,711, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 8 - NET ASSETS

Net assets consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 10,529,888	\$ 5,458,847
Board designated		
Operating reserves	25,000,000	20,500,000
Property and equipment	13,063,221	11,291,440
Capital reserves	2,000,000	3,000,000
Completion of specified projects underway	4,000,000	6,000,000
Elephant transition	3,000,000	3,000,000
Endowment	2,824,758	2,345,196
	<u>49,887,979</u>	<u>46,136,636</u>
Total net assets without donor restrictions	<u>60,417,867</u>	<u>51,595,483</u>
Specific Purpose		
Storer Grant - Education Center	-	36,747
Frog Crossing Foundation	2,991	-
Barbara J. Mapp Foundation - Curriculum	16,000	16,000
International conservation and welfare	17,000	200,000
Elephant Healthcare Center	365,000	455,037
	<u>400,991</u>	<u>707,784</u>
Passage of Time		
Contributions receivable	334,960	210,813
Beneficial interest in charitable remainder trust	91,705	138,031
Beneficial interest in trusts	2,386,915	2,269,023
	<u>2,813,580</u>	<u>2,617,867</u>
Endowments		
Subject to endowment spending policy and appropriation:		
Education endowment	66,260	56,776
Elephant endowment	1,690,924	1,909,534
	<u>1,757,184</u>	<u>1,966,310</u>
Total net assets with donor restrictions	<u>4,971,755</u>	<u>5,291,961</u>
Total net assets	<u>\$ 65,389,622</u>	<u>\$ 56,887,444</u>

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

DECEMBER 31, 2020 AND 2019

NOTE 9 - 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%

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

DECEMBER 31, 2020 AND 2019

NOTE 9 - ENDOWMENT FUNDS (CONTINUED)

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2020	\$ 2,345,196	\$ 1,966,310	\$4,311,506
Contributions	-	16,768	16,768
Investment income	137,980	115,688	253,668
Appropriation of endowment assets	341,582	(341,582)	-
Endowment net assets, December 31, 2020	<u>\$ 2,824,758</u>	<u>\$ 1,757,184</u>	<u>\$4,581,942</u>
	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	102,762	225,894	328,656
Transfer to create board designated endowment funds	2,000,000	-	2,000,000
Endowment net assets, December 31, 2019	<u>\$ 2,345,196</u>	<u>\$ 1,966,310</u>	<u>\$4,311,506</u>

Donor restricted endowment funds include \$1,757,184 and \$1,966,310 at December 31, 2020 and 2019, 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, 2020 AND 2019

NOTE 10 - 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 three and two donors amounted to \$1,444,000 (37%) and \$626,000 (30%) of total gross contributions receivable at December 31, 2020 and 2019, respectively. No single donor contribution exceeded 10% of total support and revenues in 2020 or 2019.

NOTE 11 - 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 2019 and 2020, 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 2020 and 2019, the Organization contributed \$50,653 and \$46,234 to the plan, respectively.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 12 - 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, 2020 and 2019.

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, 2020 AND 2019

NOTE 12 - 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, 2020:

	<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	\$ 2,108,789	\$ -	\$ 2,108,789	\$ -
Equities:				
Call options	(47,153)	-	(47,153)	-
Conglomerates	139,122	139,122	-	-
Consumer goods	1,056,203	1,056,203	-	-
Energy	400,541	400,541	-	-
Financial	870,839	870,839	-	-
Healthcare	370,959	370,959	-	-
Services	144,944	144,944	-	-
Technology	517,327	517,327	-	-
Utilities	135,146	135,146	-	-
Mutual funds:				
Emerging markets	613,438	613,438	-	-
Equity - income	27,306	27,306	-	-
Growth	2,557,640	2,557,640	-	-
International	2,697,402	2,697,402	-	-
Large value/blend	7,985,125	7,985,125	-	-
Mid-cap blend	574,433	574,433	-	-
Multialternative	1,402,557	1,402,557	-	-
Real Estate	168,322	168,322	-	-
Short term bonds	2,092,284	2,092,284	-	-
Small blend	740,049	740,049	-	-
Specialty - financial	3,655,984	3,655,984	-	-
Ultrashort bond	892,630	892,630	-	-
Corporate bonds	8,016,911	-	8,016,911	-
Real estate investment trusts	15,767	15,767	-	-
	<u>\$ 37,136,565</u>	<u>\$ 27,058,018</u>	<u>\$ 10,078,547</u>	<u>\$ -</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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NOTE 12 - 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>

THE ELEPHANT SANCTUARY IN  
TENNESSEE AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2020 AND 2019

NOTE 13 - 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 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.