THE ELEPHANT SANCTUARY IN
TENNESSEE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015 AND 2014

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KraftCPAs PLLC

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, 2015 and 2014, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

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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, 2015 and 2014, 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.

KraftCPAs PLLC

Nashville, Tennessee
June 1, 2016

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

ASSETS

	2015	2014
ASSETS		
Cash	$ 4,247,237	$ 3,967,057
Contributions receivable, net	2,047,142	2,077,547
Prepaid expenses	73,419	36,212
Inventory	9,541	14,988
Investments	18,363,322	17,123,301
Property and equipment, net	9,807,661	9,032,450
Beneficial interest in charitable remainder trust	163,091	171,162
Beneficial interest in trust	1,909,281	2,025,455
TOTAL ASSETS	$ 36,620,694	$ 34,448,172

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable	$ 51,098	$ 68,293
Accrued expenses	2,326	3,553
TOTAL LIABILITIES	53,424	71,846
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Undesignated	3,289,722	4,202,955
Designated for operational reserves	17,600,000	15,200,000
Designated for property and equipment	9,807,661	9,032,450
Designated for education	1,288,000	1,288,000
Total unrestricted	31,985,383	29,723,405
Temporarily restricted	2,998,295	3,147,278
Permanently restricted	1,583,592	1,505,643
TOTAL NET ASSETS	36,567,270	34,376,326
TOTAL LIABILITIES AND NET ASSETS	$ 36,620,694	$ 34,448,172

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Public support:				
Contributions and grants	$ 6,201,951	$ 352,589	$ 77,949	$ 6,632,489
Change in value of beneficial interest agreements	-	48	-	48
In-kind revenue	120,871	-	-	120,871
Merchandise sales	147,595	-	-	147,595
Less: cost of merchandise sales	(43,553)	-	-	(43,553)
Investment income	410,254	-	-	410,254
Realized and unrealized gain (loss) on investments	(602,919)	-	-	(602,919)
Miscellaneous income	6,307	-	-	6,307
Recovery (loss) on restricted contributions receivable	-	(110,516)	-	(110,516)
Net assets released from restrictions	391,104	(391,104)	-	-
TOTAL SUPPORT AND REVENUE	6,631,610	(148,983)	77,949	6,560,576
EXPENSES				
Program	3,600,763	-	-	3,600,763
Management and general	503,383	-	-	503,383
Fundraising	265,486	-	-	265,486
TOTAL EXPENSES	4,369,632	-	-	4,369,632
CHANGE IN NET ASSETS	2,261,978	(148,983)	77,949	2,190,944
NET ASSETS - BEGINNING OF YEAR	29,723,405	3,147,278	1,505,643	34,376,326
NET ASSETS - END OF YEAR	$ 31,985,383	$ 2,998,295	$ 1,583,592	$ 36,567,270

See accompanying notes to consolidated financial statements.

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 4,304,708	$ 465,009	$ 59,733	$ 4,829,450
-	116,201	-	116,201
92,306	-	-	92,306
211,123	-	-	211,123
(76,348)	-	-	(76,348)
325,511	-	-	325,511
539,075	-	-	539,075
8,703	-	-	8,703
-	40,555	-	40,555
533,569	(533,569)	-	-
5,938,647	88,196	59,733	6,086,576
3,470,660	-	-	3,470,660
470,409	-	-	470,409
274,468	-	-	274,468
4,215,537	-	-	4,215,537
1,723,110	88,196	59,733	1,871,039
28,000,295	3,059,082	1,445,910	32,505,287
$ 29,723,405	$ 3,147,278	$ 1,505,643	$ 34,376,326

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,190,944	$ 1,871,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	808,666	843,256
(Recovery) loss on restricted contributions receivable	110,516	(40,555)
Realized and unrealized (gain) loss on investments	602,919	(539,075)
Change in value of beneficial interest agreements	(48)	(116,201)
Distributions received from beneficial interest agreements	124,293	123,587
Noncash contributions of investments	(33,654)	(34,610)
Noncash contributions of property and equipment	-	(23,661)
(Increase) decrease in:		
Contributions receivable	(80,111)	215,174
Prepaid expenses	(37,207)	(27,069)
Inventory	5,447	10,240
Increase (decrease) in:		
Accounts payable	(17,195)	(15,463)
Accrued expenses	(1,227)	(1,498)
TOTAL ADJUSTMENTS	1,482,399	394,125
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,673,343	2,265,164
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(1,583,877)	(535,242)
Purchases of investments	9,040,134	(7,780,861)
Sales of investments	(10,849,420)	6,461,778
NET CASH USED IN INVESTING ACTIVITIES	(3,393,163)	(1,854,325)
NET INCREASE IN CASH	280,180	410,839
CASH - BEGINNING OF YEAR	3,967,057	3,556,218
CASH - END OF YEAR	$ 4,247,237	$ 3,967,057

See accompanying notes to consolidated financial statements.

THE ELEPHANT SANCTUARY IN TENNESSEE AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015							
	PROGRAM SERVICES					MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	TOTAL			
Salaries and wages	$ 536,663	$ 100,386	$ 301,285	$ 258,800	$ 1,197,134	$ 216,129	$ 81,376	$ 1,494,639
Payroll taxes	43,228	6,941	24,458	20,312	94,939	16,913	6,572	118,424
Employee benefit - insurance	95,152	9,370	38,405	47,768	190,695	14,593	10,451	215,739
Employee benefit - retirement	14,074	2,633	7,901	6,787	31,395	5,667	2,134	39,196
Other payroll expenses	3,832	717	2,151	1,848	8,548	1,543	581	10,672
SALARIES AND RELATED EXPENSES	692,949	120,047	374,200	335,515	1,522,711	254,845	101,114	1,878,670
Advertising	600	-	96	1,289	1,985	-	6,341	8,326
Bank service charges	-	13	7	36,820	36,840	1,500	15,000	53,340
Conferences and meetings	-	-	-	-	-	754	50	804
Depreciation	-	-	774,936	8,433	783,369	25,297	-	808,666
Donated materials and supplies	31,319	5,858	17,582	15,103	69,862	12,613	4,749	87,224
Donations	-	-	-	-	-	400	-	400
Dues and subscriptions	-	990	-	80	1,070	1,522	-	2,592
Education	-	-	11	1,183	1,194	-	55	1,249
Employee assistance program	387	55	249	221	912	83	-	995
Employee relocation	2,195	-	-	-	2,195	-	-	2,195
Employee recruitment and testing	659	83	574	180	1,496	60	-	1,556
Feed and supplements	112,111	-	-	-	112,111	-	-	112,111
Insurance - liability	19,394	8,626	16,535	8,626	53,181	10,182	785	64,148
Insurance - workers' compensation	19,178	7,636	11,579	6,697	45,090	2,754	976	48,820
International elephant habitat and care program	34,463	-	-	-	34,463	-	-	34,463
Licenses	1,084	195	245	203	1,727	1,215	6,333	9,275
Meals	1,783	282	295	946	3,306	1,915	588	5,809
Merchandise	-	-	-	7,840	7,840	-	35,713	43,553
Mileage reimbursement	893	1,147	2,113	988	5,141	1,063	5	6,209
Miscellaneous	-	-	-	73	73	-	3,312	3,385
Newsletter	-	-	-	82,622	82,622	-	79,880	162,502
Office supplies and small equipment	76,135	28,246	31,155	13,980	149,516	4,595	3,354	157,465
Printing	38	-	5	13,652	13,695	129	15,900	29,724
Postage and delivery	33	3,207	268	49,112	52,620	105	8,798	61,523
Professional development	8,140	717	987	1,679	11,523	632	244	12,399
Professional fees	5,000	82,287	2,000	43,743	133,030	162,646	12,993	308,669
Repairs and maintenance	28,430	906	12,872	7,209	49,417	918	500	50,835
Security	1,338	20	20	230	1,608	119	5	1,732
Taxes	-	-	8,965	5,245	14,210	1,523	-	15,733
Technology	22,919	3,000	4,485	34,691	65,095	8,769	2,788	76,652
Telephone and internet	3,000	1,745	4,000	4,088	12,833	4,965	541	18,339
Travel	16,135	2,125	25	1,991	20,276	35	475	20,786
Utilities	78,203	379	8,247	7,949	94,778	3,191	440	98,409
Vehicle	13,012	1,557	62,082	-	76,651	1,553	260	78,464
Veterinary services and medicines	-	146,163	-	-	146,163	-	-	146,163
TOTAL EXPENSES	1,169,398	415,284	1,333,533	690,388	3,608,603	503,383	301,199	4,413,185
Less: expenses included with revenues on the statement of activities	-	-	-	(7,840)	(7,840)	-	(35,713)	(43,553)
TOTAL EXPENSES INCLUDED IN EXPENSE SECTION OF THE STATEMENT OF ACTIVITIES	$ 1,169,398	$ 415,284	$ 1,333,533	$ 682,548	$ 3,600,763	$ 503,383	$ 265,486	$ 4,369,632

See accompanying notes to consolidated financial statements.

2014							
PROGRAM SERVICES					MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
ELEPHANT CARE	VET CARE	FACILITIES	EDUCATION	TOTAL			
$ 406,479	$ 79,024	$ 230,137	$ 268,093	$ 983,733	$ 191,940	$ 85,191	$ 1,260,864
32,740	5,965	18,409	21,922	79,036	15,459	6,265	100,760
68,169	6,567	27,613	47,013	149,362	8,557	14,540	172,459
12,570	2,443	7,117	8,291	30,421	5,936	2,634	38,991
2,298	447	1,302	1,516	5,563	1,086	482	7,131
522,256	94,446	284,578	346,835	1,248,115	222,978	109,112	1,580,205
1,897	-	31	34	1,962	150	6,875	8,987
-	-	-	25,073	25,073	10,512	12,396	47,981
356	-	-	357	713	357	-	1,070
-	-	822,175	843	823,018	19,395	843	843,256
10,817	2,103	6,125	7,135	26,180	5,108	2,267	33,555
1,000	-	-	125	1,125	2,050	100	3,275
-	378	-	750	1,128	1,320	22	2,470
-	-	-	708	708	-	37	745
399	158	262	157	976	52	21	1,049
2,454	878	-	-	3,332	-	-	3,332
1,448	113	1,165	338	3,064	92	10	3,166
113,281	-	-	-	113,281	-	-	113,281
12,471	5,434	8,367	5,513	31,785	5,952	563	38,300
32,521	12,898	21,497	12,191	79,107	5,014	2,005	86,126
26,485	-	-	-	26,485	2,500	-	28,985
1,488	283	1,088	68	2,927	2,675	7,675	13,277
3,236	520	449	938	5,143	2,305	698	8,146
-	-	-	13,743	13,743	-	62,605	76,348
1,011	2,179	2,283	1,528	7,001	3,963	-	10,964
-	-	-	-	-	-	255	255
-	-	-	65,578	65,578	-	92,636	158,214
64,832	25,057	14,779	14,095	118,763	4,292	5,231	128,286
-	38	-	11,543	11,581	185	12,456	24,222
36	3,100	9	47,500	50,645	307	9,059	60,011
5,384	-	99	2,394	7,877	204	1,306	9,387
46,603	97,107	3,659	9,256	156,625	149,427	5,409	311,461
37,379	1,661	71,835	10,491	121,366	5,607	750	127,723
896	-	20	747	1,663	625	3	2,291
3,769	-	8,156	2,346	14,271	403	-	14,674
29,727	2,930	9,425	41,992	84,074	9,385	2,561	96,020
1,196	2,401	2,581	6,319	12,497	4,826	570	17,893
19,554	1,269	3,344	862	25,029	797	1,134	26,960
125,219	85	9,770	7,271	142,345	6,783	224	149,352
15,949	500	28,101	240	44,790	3,145	250	48,185
-	212,433	-	-	212,433	-	-	212,433
1,081,664	465,971	1,299,798	636,970	3,484,403	470,409	337,073	4,291,885
-	-	-	(13,743)	(13,743)	-	(62,605)	(76,348)
$ 1,081,664	$ 465,971	$ 1,299,798	$ 623,227	$ 3,470,660	$ 470,409	$ 274,468	$ 4,215,537

NOTE 1 - ORGANIZATION AND GENERAL

The Elephant Sanctuary in Tennessee is a nonprofit organization which was organized on December 30, 1994, primarily to provide food, shelter and medical treatment to sick and needy captive elephants retired from zoos and circuses. 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, 2015 and 2014 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 accompanying consolidated financial statements present the financial position and change in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

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

- *Unrestricted net assets* are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction.

- *Temporarily restricted net assets* subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Consolidated Statements of Activities as net assets released from restrictions. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the Consolidated Statements of Activities as unrestricted.

Noncash gifts of equipment or materials are reported at fair value as unrestricted support, unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on these amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (1.01% and 0.88% for promises made in 2015 and 2014, respectively). Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions Receivable (Continued)

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, 2015 and 2014. 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.

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 under program services and fundraising 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. Investment income has been reduced by investment fees of $108,759 and $99,237 for the years ended December 31, 2015 and 2014, respectively.

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 included in the operations for the period. Depreciation is calculated by the straight-line method or over the asset's estimated useful lives.

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 $8,326 and $8,987 for the years ended December 31, 2015 and 2014, 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 $120,878 and $92,306 in 2015 and 2014, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED*)*

Donated Goods and Services (Continued)

In addition, during 2015 and 2014, 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 wellbeing.

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

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 program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2015, Financial Accounting Standards Board (FASB), issued guidance that reporting entities apply when evaluating whether certain legal entities should be consolidated. The Organization will be required to adopt the Accounting Standards Update (ASU), as of January 1, 2017. Early adoption is permitted, including adoption in an interim period. The Organization may either apply the amendments retrospectively or use a modified retrospective approach. The Organization is currently evaluating the effects, if any, adoption of this guidance will have on its consolidated financial statements. The Organization does not expect the adoption of the ASU to have a material impact on the Organization's consolidated financial statements.

In July 2015, the FASB issued guidance that requires entities that measure inventory using the first-in, first out or average cost methods to measure inventory at the lower of cost or net realizable value. Net realizable value is defined as estimated selling price in the ordinary course of business less reasonably predicable costs of completion, disposal and transportation. This ASU will be effective for years beginning after December 15, 2016. Early adoption of the ASU is permitted. The Organization has elected to early adopt this ASU. The adoption of this ASU did not have a material effect on the Organization's consolidated financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year's presentation. Such reclassifications had no effect on the results of operations or retained earnings as previously reported.

Events Occurring after Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2015 and June 1, 2016, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	2015	2014
Due within one year	$ 1,964,589	$ 1,931,711
Due in two to five years	288,099	224,155
Due in more than five years	90,000	100,000
	2,342,688	2,255,866
Less: discount to net present value	(62,603)	(55,892)
Less: allowance for uncollectible accounts	(232,943)	(122,427)
Total contributions receivable, net	$ 2,047,142	$ 2,077,547

Contributions receivable due within one year include approximately $1,617,000 and $1,629,000 in testamentary bequests at December 31, 2015 and 2014, respectively.

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31:

	2015	2014
Money market funds	$ 1,295,509	$ 1,130,036
Government funds	608,620	296,216
Equities	1,148,892	1,108,018
Mutual funds	13,065,741	11,636,538
Corporate bonds	2,228,428	2,174,134
Real estate investment trust	16,132	17,415
Pooled alternative investment	-	760,944
Total investments	$ 18,363,322	$ 17,123,301

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2015	2014
Land and improvements	$ 3,193,146	$ 3,110,740
Buildings and improvements	7,719,863	7,121,138
Fencing	5,416,765	4,904,648
Furniture and equipment	1,143,918	918,225
Vehicles	442,571	327,635
Capital projects in process	50,000	-
	17,966,263	16,382,386
Less: accumulated depreciation	(8,158,602)	(7,349,936)
	$ 9,807,661	$ 9,032,450

Fully depreciated property and equipment amounted to approximately $2,616,000 as of December 31, 2015 and 2014.

The estimated remaining expenditures for capital projects are estimated to be approximately $10,000 and will be completed during the second quarter of 2016. Capital projects in process consists of the costs of the projects that have been incurred through December 31, 2015.

NOTE 6 - 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, 2015 and 2014, the Organization’s beneficial interest in the charitable remainder trust was $163,091 and $171,162, respectively.

NOTE 6 - BENEFICIAL INTEREST AGREEMENTS (CONTINUED)

Beneficial Interest in Charitable Remainder Trust (Continued)

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. This approach takes into account the Organization's determination of an appropriate risk-adjusted discount rate, equal to 2.67% and 2.47% at December 31, 2015 and 2014, 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 Trust

A donor has established an irrevocable trust naming the Organization as a forty percent beneficiary. 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 2015 and 2014, the trustee distributed $124,293 and $123,587, 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, 2015 and 2014, the Organization's beneficial interest in the trust was $1,909,281 and $2,025,455, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	2015	2014
Storer Grant - Education Center	$ 167,651	$ 213,885
Lota Memorial	47,189	47,189
Specific property and equipment	280,755	241,611
Time-restricted contributions receivable	430,328	447,976
Beneficial interest in charitable remainder trust	163,091	171,162
Beneficial interest in trust	1,909,281	2,025,455
Total	$ 2,998,295	$ 3,147,278

NOTE 8 - ENDOWMENT FUNDS

The Organization's endowment consists of funds established 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 permanently restricted 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 permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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. If the maximum allowable distribution is not made in a particular year, the balance remains in the corpus of the endowment fund.

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%

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

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

	2015		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	$ 213,715	$1,505,643	$ 1,719,358
Contributions	-	77,949	77,949
Interest and dividend income	49,902	-	49,902
Realized and unrealized losses on investments	(117,479)	-	(117,479)
Fees	(11,268)	-	(11,268)
Endowment net assets, December 31, 2015	$ 134,870	$1,583,592	$ 1,718,462

	2014		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	$ 180,483	$1,445,910	$ 1,626,393
Contributions	-	59,733	59,733
Interest and dividend income	42,621	-	42,621
Realized and unrealized gains on investments	1,399	-	1,399
Fees	(10,788)	-	(10,788)
Endowment net assets, December 31, 2014	$ 213,715	$1,505,643	$ 1,719,358

NOTE 9 - CONCENTRATIONS OF CREDIT RISK AND RELATED PARTY TRANSACTIONS

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. These investments consist of various mutual funds, stocks, and bonds. Generally, they 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 $540,000 (23%) and $521,720 (35%) of total contributions receivable (before the present value discount) at December 31, 2015 and 2014, respectively. No single donor contribution exceeded 10% of total support and revenues in 2015 and 2014.

Contributions receivable from board members and related parties were not significant as of December 31, 2015 and 2014.

During the year ending December 31, 2015, the Organization purchased a building adjacent to the education center for approximately $165,000, which is an amount consistent with comparable buildings in the area. The building was purchased from a board member of the Organizations.

NOTE 10 - OTHER MATTERS

In October 2010, the Organization's former chief executive officer filed a claim for retaliatory discharge. During 2014, the former officer filed an amendment that dropped the employment-related claims, to the Organization's benefit, and substantially narrowed the remaining claims. The Organization intends to continue vigorously defending the claims against it.

In the opinion of legal counsel, it is too early to determine the outcome of the claims. Therefore, no accrual has been recorded at December 31, 2015.

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 employer matching contributions, which are fully and immediately vested, equal to 100% of the employees' contribution, limited to 3% of compensation. Additionally, the Organization contributes a non-elective contribution to all participants equal to 3% of compensation. During 2015 and 2014, the Organization contributed $39,196 and $38,991 to the plan, respectively.

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 trust 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 government funds, 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.

NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

Pooled alternative investment fund is valued utilizing the net asset valuations provided by the underlying private investment companies/or their administrators. Fund management may also consider alternative valuation techniques, if it is probable that an investment will be sold at any amount other than net asset value. Certain investments in the fund, where values are not readily available, are determined in good faith by the investment advisors of those perspective funds. Other factors may also be considered, in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers and overall market conditions in the determination of fair value.

There have been no changes in the valuation methodologies used at December 31, 2015 and 2014.

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.

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, 2015:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments:				
Money market funds	$ 1,295,509	$ 1,295,509	$ -	$ -
Government funds	608,620	-	608,620	-
Equities:				
Basic materials	255,098	255,098	-	-
Call options	(14,313)	-	(14,313)	-
Conglomerates	105,632	105,632	-	-
Consumer goods	260,548	260,548	-	-
Energy	82,822	82,822	-	-
Financial	91,907	91,907	-	-
Healthcare	59,697	59,697	-	-
Industrial	56,352	56,352	-	-
Technology	199,680	199,680	-	-
Utilities	51,469	51,469	-	-
Mutual funds:				
Commodities	121,752	121,752	-	-
International	2,566,781	2,566,781	-	-
Growth	611,743	611,743	-	-
Large value/blend	3,461,495	3,461,495	-	-
Long/short equity	433,025	433,025	-	-
Mid-cap blend	300,275	300,275	-	-
Short term bonds	3,729,029	3,729,029	-	-
Small blend	412,580	412,580	-	-
Specialty - financial	1,429,061	1,429,061	-	-
Corporate bonds	2,228,428	-	2,228,428	-
Real estate investment trust	16,132	16,132	-	-
	$ 18,363,322	$ 15,540,587	$ 2,822,735	$ -

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, 2014:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investments:				
Money market funds	$ 1,130,036	$ 1,130,036	$ -	$ -
Government funds	296,216	-	296,216	-
Equities:				
Basic materials	160,916	160,916	-	-
Call options	(27,912)	-	(27,912)	-
Conglomerates	120,120	120,120	-	-
Consumer goods	295,469	295,469	-	-
Energy	148,765	148,765	-	-
Financial	86,453	86,453	-	-
Healthcare	10,189	10,189	-	-
Industrial	110,544	110,544	-	-
Technology	128,507	128,507	-	-
Utilities	74,967	74,967	-	-
Mutual funds:				
Commodities	141,810	141,810	-	-
International	2,049,960	2,049,960	-	-
Growth	391,463	391,463	-	-
Large value/blend	3,384,751	3,384,751	-	-
Long/short equity	725,602	725,602	-	-
Mid-cap blend	308,900	308,900	-	-
Short term bonds	3,130,802	3,130,802	-	-
Small blend	236,275	236,275	-	-
Specialty - financial	1,266,975	1,266,975	-	-
Corporate bonds	2,174,134	-	2,174,134	-
Real estate investment trust	17,415	17,415	-	-
Pooled alternative investment	760,944	-	-	760,944
	$ 17,123,301	$ 13,919,919	$ 2,442,438	$ 760,944

NOTE 12 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 investments for the years ended December 31, 2015 and 2014:

	Pooled Alternative Investment
Balance, January 1, 2014	$ 750,463
Unrealized gains	10,481
Balance, December 31, 2014	760,944
Realized loss	(28,643)
Redemptions	(732,301)
Balance, end of year, December 31, 2015	$ -

Fair value of level 3 investments in certain entities that calculate net asset value per share (or its equivalent):

Investment	Fair Value at December 31, 2015	Fair Value at December 31, 2014	Unfunded Commitment*	Redemption Frequency*	Period*
Woodmont Partners Offshore Fund, LTD.	$0	$760,944	$0	Quarterly	90 Days

*Information noted in these columns is the same for 2015 and 2014.

The investment objective of the pooled alternative investment fund was as follows:

The Woodmont Partners Offshore Fund, LTD.'s (the "Fund") objective was capital appreciation consistent with the return characteristic of alternative investment portfolios of larger endowments. The Fund's secondary objective was to provide capital appreciation with less volatility than that of the equity markets. Generally, the investment manager intends to select underlying fund managers that collectively employ widely diversified investment strategies.

During the year ending December 31, 2015, the balance in the Woodmont Partners Offshore Fund, LTD was redeemed and proceeds were transferred to a domestic Woodmont investment account to be used to purchase various securities.