

Financial Statements

RYMAN-CARROLL FOUNDATION

For the Year Ended December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ryman-Carroll Foundation

We have audited the accompanying financial statements of Ryman-Carroll Foundation (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
Ryman-Carroll Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ryman-Carroll Foundation as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Ryman-Carroll Foundation's 2013 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Martin Werbelow CPA". The signature is written in a cursive style with a large initial 'M' and a distinct 'CPA' at the end.

September 16, 2015

RYMAN-CARROLL FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
With Comparative Totals for 2013

ASSETS

	2014	2013
Assets		
Cash and cash equivalents	\$ 839,389	\$ 736,793
Accounts receivable	196	560
Grants receivable	11,125	32,875
Unconditional promises to give	201,833	378,931
Prepaid expenses	5,831	12,639
Inventory	9,474	11,738
Investments	1,834,521	1,322,153
Property and equipment, net	8,868	10,778
Art collection	-	-
	\$ 2,911,237	\$ 2,506,467

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	\$ 46,084	\$ 52,390
Net Assets		
Unrestricted net deficit	(271,994)	(284,143)
Temporarily restricted net assets	981,852	635,975
Permanently restricted net assets	2,155,295	2,102,245
Total Net Assets	2,865,153	2,454,077
Total Liabilities and Net Assets	\$ 2,911,237	\$ 2,506,467

The accompanying notes are an integral part of these financial statements.

RYMAN-CARROLL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and Support					
Private grants	\$ 163,615	\$ 577,500	\$ 3,000	\$ 744,115	\$ 901,848
Contributions	90,112	288,000	50,050	428,162	172,729
In-kind contributions	38,115	-	-	38,115	32,834
Government grants	44,225	-	-	44,225	61,718
Interest income from note receivable	-	-	-	-	33,075
Book sales (net of cost of books sold of \$1,552)	534	-	-	534	86
Other income	3,430	-	-	3,430	2,316
Total Revenue and Support	<u>340,031</u>	<u>865,500</u>	<u>53,050</u>	<u>1,258,581</u>	<u>1,204,606</u>
Other Gains and Losses					
Special Events					
Special events contributions	87,279	28,260	-	115,539	106,594
Special events revenue	138,200	7,150	-	145,350	148,111
Special events expense	(97,799)	(827)	-	(98,626)	(77,861)
Net Special Events	<u>127,680</u>	<u>34,583</u>	<u>-</u>	<u>162,263</u>	<u>176,844</u>
Net Assets Released from Restrictions					
Satisfaction of Program Restrictions	<u>585,155</u>	<u>(585,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Support and Gains	<u>1,052,866</u>	<u>314,928</u>	<u>53,050</u>	<u>1,420,844</u>	<u>1,381,450</u>
Expenses					
Program services	763,249	-	-	763,249	692,098
Management and general	180,978	-	-	180,978	392,123
Fundraising	108,740	-	-	108,740	107,282
Total Expenses	<u>1,052,967</u>	<u>-</u>	<u>-</u>	<u>1,052,967</u>	<u>1,191,503</u>
Changes Related to Art Collection					
Items Not Capitalized					
Proceeds from sale of art collection	<u>12,250</u>	<u>-</u>	<u>-</u>	<u>12,250</u>	<u>11,200</u>
Change in Net Assets from Operations	<u>12,149</u>	<u>314,928</u>	<u>53,050</u>	<u>380,127</u>	<u>201,147</u>
Net Investment Return					
Interest and dividend income	-	91,376	-	91,376	35,084
Net unrealized losses on partnership interests	-	(4,759)	-	(4,759)	(14,294)
Net realized and unrealized gains (losses) on investments other than partnership interests	-	(55,668)	-	(55,668)	55,543
Net Investment Return	<u>-</u>	<u>30,949</u>	<u>-</u>	<u>30,949</u>	<u>76,333</u>
Change in Net Assets	<u>12,149</u>	<u>345,877</u>	<u>53,050</u>	<u>411,076</u>	<u>277,480</u>
Net Assets (Deficit), Beginning of Year	<u>(284,143)</u>	<u>635,975</u>	<u>2,102,245</u>	<u>2,454,077</u>	<u>2,176,597</u>
Net Assets (Deficit), End of Year	<u>\$ (271,994)</u>	<u>\$ 981,852</u>	<u>\$2,155,295</u>	<u>\$2,865,153</u>	<u>\$2,454,077</u>

The accompanying notes are an integral part of these financial statements.

**RYMAN-CARROLL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for 2013**

	2014			2013	
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 400,769	\$ 72,060	\$ 58,329	\$ 531,158	\$ 493,007
Payroll taxes and employee benefits	91,921	22,385	15,098	129,404	107,838
Total Personnel Costs	492,690	94,445	73,427	660,562	600,845
Professional fees	60,429	48,238	11,151	119,818	300,175
Art class supplies	65,760	505	397	66,662	59,343
Rent	23,695	4,423	3,475	31,593	34,789
Printing and copying	14,686	506	10,129	25,321	21,561
Accounting	-	24,075	-	24,075	12,800
In-kind facility	20,459	-	-	20,459	20,459
In-kind supplies	17,656	-	-	17,656	12,375
Computer expense	12,308	2,298	1,805	16,411	27,801
Postage and shipping	8,031	709	3,071	11,811	11,110
Insurance	7,319	1,366	1,073	9,758	10,468
Parking and mileage	5,923	258	258	6,439	6,423
Depreciation	3,427	640	503	4,570	5,994
Telephone	2,680	500	393	3,573	4,274
Payroll service fees	2,432	454	357	3,243	3,148
Interest	-	-	-	-	22,969
Miscellaneous	25,754	2,561	2,701	31,016	36,969
Total Expenses	<u>\$ 763,249</u>	<u>\$ 180,978</u>	<u>\$ 108,740</u>	<u>\$1,052,967</u>	<u>\$1,191,503</u>

The accompanying notes are an integral part of these financial statements.

RYMAN-CARROLL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Totals for 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 411,076	\$ 277,480
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,570	5,994
Amortization of discount on unconditional promises to give	(5,017)	(8,834)
Non-cash contributions	(22,973)	(26,996)
Proceeds from sale of art collection	(12,250)	(11,200)
Contributions restricted for long-term investments	(53,050)	(125)
Net realized and unrealized losses on partnership interests	4,759	14,294
Net realized and unrealized gains on investments other than partnership interests	55,668	(55,543)
(Increase) decrease in:		
Accounts receivable	364	(226)
Grants receivable	21,750	(32,875)
Unconditional promises to give	182,115	(147,902)
Prepaid expenses	6,808	(2,561)
Inventory	2,264	716
Interest receivable	-	(14,175)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(6,306)	(59,406)
Net Cash Provided by (Used in) Operating Activities	589,778	(61,359)
Cash Flows from Investing Activities		
Payments received from advances in partnership interests	-	400,000
Proceeds from sale of investments	23,143	150,719
Purchases on investments	(879,577)	(35,032)
Proceeds from partnership interests capital distributions	306,612	105,444
Proceeds from repayment of related party note receivable	-	415,000
Payments made on note payable	-	(550,000)
Purchases of property and equipment	(2,660)	(11,480)
Proceeds from sale of art collection	12,250	11,200
Net Cash Provided by (Used in) Investing Activities	(540,232)	485,851
Cash Flows from Financing Activities		
Contributions restricted for long-term investments	53,050	125
Net Increase in Cash and Cash Equivalents	102,596	424,617
Cash and Cash Equivalents, Beginning of Year	736,793	312,176
Cash and Cash Equivalents, End of Year	\$ 839,389	\$ 736,793

The accompanying notes are an integral part of these financial statements.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 1 – Nature of Organization

Ryman Arts is:

MEETING A VITAL NEED to foster the education of young artists

- ✓ We provide professional fine art classes on a college campus, free of charge, to gifted teens.
- ✓ More than 80% of our students are from low-income families.
- ✓ We fill the gap left by the dramatic decline in high school art programs.

TRANSFORMING LIVES by creating opportunities for artistic and personal growth

- ✓ We are open to any high school student with talent, passion, and motivation.
- ✓ Almost all of our students go on to higher education – many are the first in their families.
- ✓ Our students are challenged with rigorous training, mentored by working artists, and inspired to build the skills, discipline, and confidence for college and beyond.

INVESTING IN THE FUTURE to ensure a thriving creative economy

- ✓ We develop a diverse community of accomplished young artists who invigorate the arts.
- ✓ Our alumni pursue professional careers in the creative fields of graphic design, architecture, entertainment, fine art, fashion, and others.
- ✓ We identify and connect new talent with business and the community through internships and other career programs.

History and Overview

Ryman-Carroll Foundation (“Ryman Arts”) is a California based non-profit organization dedicated to teaching classical drawing and painting skills to talented, motivated young people as a bridge to a lifetime that expresses and appreciates the arts. Over the past twenty-five years, Ryman Arts has harnessed the talent and promise of over 24,000 youth, who would otherwise not have access to advanced art education, through its core program and outreach efforts. This 1½-year long program integrates rigorous instruction, college and career counseling, and mentoring to help participants build transferable life skills, strengthen their self-discipline and self-confidence, and prepare for a positive, productive future. At absolutely no cost to the student, Ryman Arts offers intensive out-of-school studio classes taught by inspirational teaching artists, field trips, art supplies, and support services. Students come from five Southern California counties, over 150 zip codes, and more than 80% live in low-income neighborhoods where schools provide little access to art and dropout rates are high. Ryman Arts collaborates with two institutions of higher education to provide the studio locations for the classes. Accepted students choose the location best for them: Saturdays at California State University, Fullerton, or Sundays at Otis College of Art & Design in Los Angeles.

Drawn from all communities in Southern California, the competitively selected studio classes are organized into 12-week spring and fall semesters. Each selected student receives a scholarship that covers the entire cost of instruction, art materials, guest artists, models, field trips, and, when needed, public transportation. Classes are open to all high school students in the 9th through 12th grades in public, private, and parochial schools throughout Southern California. The program does extensive outreach to under-served high schools and communities to ensure that they reach students who may have no other opportunities to develop their potential. Ryman Arts also provides college guidance services, including one-on-one counseling, application workshops, and a college day with representatives from art schools and universities who review each student’s portfolio.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 1 – Nature of Organization (continued)

History and Overview (continued)

As a result of their participation, teens:

- ✓ Achieve significant artistic skill development;
- ✓ Are prepared to pursue visual art in higher education and as a career;
- ✓ Gain a deeper sense of themselves as artists;
- ✓ Develop their personal strengths in areas including self-confidence, work habits, risk-taking, perseverance, and goal attainment.

Ryman Arts was formed in 1990 as a tribute to the late Herbert D. Ryman, noted art director, artist, and mentor to young artists, who championed classical art training for a successful art career. From a single drawing class of 12 students, Ryman Arts grew to 40 classes in 2014 and has awarded over 5,000 scholarships to Southern California teens.

2014 Program Highlights

- In 2014, Ryman Arts served 514 young artists in its core weekend program, reached approximately 2,300 in its outreach programs in local urban schools, and served numerous alumni through internships and part time jobs.
- 45% of the enrolled students came from Title I high schools.
- The retention rate for students in the core program was 95%.
- 96% of graduating students reported acceptances at colleges and art schools. Art Center College of Design and Otis College of Art & Design both offered scholarships designated for Ryman Arts graduates.
- Ryman Arts was named a National Program of Excellence by the President’s Committee on the Arts & Humanities.
- Ryman Arts students made significant progress in their artistic skill development and in follow-up surveys participants cited increased capacity in time management and goal setting, and many alumni are pursuing careers in the arts.
- The class of 2014 finished the academic year with a professional exhibition at the California African American Museum where over 200 works were displayed in the galleries.
- Ryman Arts hosted career tours to Garner Holt Productions, Knott’s Berry Farm, Walt Disney Animation Research Library, Walt Disney Animation Studios, and Walt Disney Imagineering.
- Ryman Arts coordinated 3 paid internships for alumni at creative businesses.
- Ryman Arts spearheaded the fifth annual The Big Draw LA, a month-long series of 99 free, public art making events across Los Angeles County at schools, galleries, parks, and museums attended by over 14,000; this included the 2014 “Make Your Mark in the Park” flagship event at Grand Park in downtown Los Angeles. This project is funded by the James Irvine Foundation.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Nature of Organization (continued)

2014 Program Highlights (continued)

Personnel make up the largest component of Program expenses because of the intensive level of direct service and teaching. As of December 31, 2014, there were 6 full time staff, 15 faculty, and 7 alumni teaching assistants. All staff members serve as role models to the student and alumni participants. Ryman Arts is committed to the highest standards of program delivery, and thus hires highly qualified teaching artists and management staff with extensive experience and top-notch artistic and academic credentials. The organization follows a multi-year strategic plan that calls for incrementally increasing the number of students served from 300 in 2012 to 600 students by 2015 while maintaining the quality of the intensive learning experience.

Note 2 – Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the financial statements of Ryman Arts.

Basis of Accounting

Ryman Arts accounts for financial transactions on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which the revenues are earned regardless of when cash is received and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed.

Basis of Presentation

Ryman Arts' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under U.S. GAAP, Ryman Arts is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, Ryman Arts considers cash in banks and other financial instruments with an original maturity date of three months or less to be cash and cash equivalents. Cash and cash equivalents include money market funds of approximately \$188,000, at December 31, 2014.

Ryman Arts maintains its cash and investments in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. Ryman Arts has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash, cash equivalents, or investments.

Inventory

Inventory, which consists of 569 copies of a limited edition art book, "A Brush with Disney" that will be sold at Ryman Arts through various outlets, is stated at the lower of cost (first-in, first-out) or market value. At December 31, 2014, inventory was valued at \$9,474.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2 – Summary of Significant Accounting Policies Concentration of Credit Risk (continued)

Investments

Investments in equity securities with readily determinable fair values, all investments in debt securities, and partnership interests are stated at fair value. Investments also include cash and cash equivalents restricted for long-term purpose. The cost assigned to investments received by gift is the fair value at the date the gift is received. The net realized and unrealized gains and losses on investments are reflected in the statement of activities. See Note 9 for discussion of fair value measurements.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets as follows:

Furniture and equipment	5 Years
Computers	5 Years
Computer software	3 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized.

Art Collection

Ryman Arts' art collection, which was acquired through contributions since the organization's inception, is not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed items are not reflected on the financial statements. Proceeds from sales of art collection, deaccessions, or insurance recoveries are reflected as increases in the appropriate net asset classes.

Net Assets

Ryman Arts' net assets comprise the following:

Unrestricted Net Assets – Unrestricted net assets represent the portion of expendable net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions. These net assets are available for support of the ordinary operations and administration of Ryman Arts.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent net assets that result from gifts of cash and other assets whose use by Ryman Arts is limited by donor-imposed restrictions that either expire by the passage of time or can be satisfied by actions of Ryman Arts. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from program restrictions. Temporarily restricted net assets were \$981,852 as of December 31, 2014.

Permanently Restricted Net Assets – Permanently restricted net assets represent net assets that result from contributions and other inflows of assets whose use by Ryman Arts is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled and removed by actions of Ryman Arts pursuant to these restrictions. These net assets are permanently restricted by donors for investment in perpetuity. Generally, the donors of these assets permit Ryman Arts to use all or part of the income earned on related investments for general or specific purposes. Permanently restricted net assets were \$2,155,295 as of December 31, 2014.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Unrestricted Net Deficit

As shown in the accompanying financial statements, Ryman Arts had an unrestricted net deficit of \$271,994 as of December 31, 2014. This deficit is due to (1) the retiring of the line of credit in 2013; and (2) 2014 gains on investments were not sufficient to offset the previous accumulated declines in the endowment market value over the past several years. In addition, as of December 31, 2014, Ryman Arts has temporarily restricted net assets of \$981,852. A significant portion of these temporarily restricted net assets will be released from restriction in 2015.

Revenue and Support

Donations, including unconditional promises to give, are recorded as made. All donations are considered to be available for unrestricted use unless specifically restricted by the donor.

Unconditional promises to give are recorded when verifiable documentation of a promise is received. Promises to give that are due in the next year are recorded as current at their net realizable value; those due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, discounted using the appropriate risk-adjusted interest rates applicable to the year in which the promise was received.

Amounts received or promised that are designated for future periods or restricted by donor for specific purposes are reported as temporarily restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give are not included as support until the conditions are substantially met.

Government grant revenues are reported as exchange transactions. Accordingly, revenues are recognized when Ryman Arts has established its right to the revenue. In the case of cost reimbursement grants, this is normally at the time an expense has been incurred for an authorized purpose.

In-kind Contributions

Contributions of in-kind noncash assets are recorded at fair values in the period received. As of December 31, 2014 and 2013, Ryman Arts received \$38,115 and \$32,834 of donated facilities and supplies, respectively.

Income Taxes

Ryman Arts is a non-profit organization, qualifying under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code and is not classified as a private foundation. Non-profit organizations are not generally liable for taxes on income; therefore, no provision is made for such taxes in the financial statements.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

Ryman Arts evaluates its uncertain tax positions using provisions in conformity with U.S. GAAP. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. For the year ended December 31, 2014, management believes the income tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Since tax matters are subject to some degree of uncertainty, there can be no assurance that Ryman Arts' tax returns will not be challenged by the taxing authorities and that Ryman Arts will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, Ryman Arts' tax returns remain open for three years for federal income tax examination and four years for state income tax examination.

Expense Allocation

Costs of providing Ryman Arts' programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect expenses. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount 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.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Ryman Arts' financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Note 3 – Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents the estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivable balances and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Accounts receivable are deemed collectible at December 31, 2014; therefore, no allowance for uncollectible accounts receivable has been established.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4 – Unconditional Promises to Give

Unconditional promises to give consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Unconditional promises to give to be collected in one year or less	\$ 86,100	\$ 204,765
Unconditional promises to give to be collected in one to five years	<u>120,750</u>	<u>183,000</u>
Gross unconditional promises to give	206,850	387,765
Less discount to present value	<u>5,017</u>	<u>8,834</u>
Unconditional promises to give at present value	<u>\$ 201,833</u>	<u>\$ 378,931</u>

Unconditional promises to give are deemed collectible at December 31, 2014; therefore, no allowance for uncollectible unconditional promises to give has been established.

The discount to present value rate used to determine the present value of unconditional promises to give recognized as revenue as of December 31, 2014 and 2013 are 1.6% and 1.7%, respectively.

Note 5 – Investments

Investments as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Equity securities	\$ 194,415	\$ 10,543
Equity mutual funds	877,597	556,280
Fixed income	600,620	275,891
Partnership interests	<u>161,889</u>	<u>479,439</u>
	<u>\$ 1,834,521</u>	<u>\$ 1,322,153</u>

The following schedule summarizes investment return and its classification in the statement of activities as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 91,376	\$ 35,084
Net realized and unrealized gains (losses) on investments other than partnership interests	(55,668)	55,543
Net unrealized losses on partnership interests	<u>(4,759)</u>	<u>(14,294)</u>
Net Investment Return	<u>\$ 30,949</u>	<u>\$ 76,333</u>

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5 – Investments (continued)

Partnership interests consist of Ryman Arts' interest in two "fund of funds" partnerships ("Partnerships"). Each of these is a separate limited liability company formed for the purpose of creating a vehicle that allows its members to create a diversified portfolio of alternative assets including real estate and energy funds.

As of December 31, 2013, \$400,000 of advances in the Partnerships that were collected in October 2013 remained in cash, pending investment. In 2014, those funds were invested and are included in investments as of December 31, 2014.

Note 6 – Property and Equipment

Property and equipment at December 31, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 19,711	\$ 19,711
Computers	44,758	42,098
Computer software	11,288	11,288
	<u>75,757</u>	<u>73,097</u>
Less: Accumulated depreciation	66,889	62,319
	<u>\$ 8,868</u>	<u>\$ 10,778</u>

Note 7 – Net Assets

Temporarily restricted net assets are available for the following purpose and time restrictions at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Drawing Our Future	\$ 646,663	\$ 473,847
Big Draw LA	-	119,351
Technology	-	13,537
Temporarily restricted endowment earnings	60,189	29,240
Other assets received in 2014 restricted for use during 2015 to 2017	275,000	-
	<u>\$ 981,852</u>	<u>\$ 635,975</u>

An endowment fund was established by Ryman Arts in 1996. Permanently restricted net assets at December 31, 2014 consist of \$2,155,295 of accumulated donor contributions to this endowment fund since 1996.

Included in permanently restricted net assets at December 31, 2014, is a \$26,750 unconditional promise to give, which is restricted as an endowment for the Sharon Disney Lund Master Teacher Endowment, and the Marty Sklar Legacy Scholarship Fund.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 8 – Endowment

An endowment fund was established by the Board of Directors of Ryman Arts in 1996 to support the long-term operations of the organization. Contributions were made at inception and continue to be made by donors. In addition, in 2005, a pledge was made to form the Sharon Disney Lund Master Teacher Endowment to support a teaching artist position and award. In 2009, in honor of the retirement of co-founder Marty Sklar, multiple gifts were made to form the Marty Sklar Legacy Scholarship Fund within the endowment to support a class at Ryman Arts. In 2011, in memory of co-founder Harrison “Buzz” Price, Ryman Arts created the Buzz Price TEA Ryman Arts Endowment Fund within the endowment to support a student at Ryman Arts each year.

Spending Policy

Distributions from the endowment fund are to be made in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which permits the institution to determine the prudent amount to be allocated for expenditure from endowment funds subject to the restrictions of any gift agreements. The Ryman Arts Investment Committee is to set the rate at which funds are released for current spending and may, in response to changing economic circumstances, raise or lower the distribution percentage in any given year. It is the objective of the endowment fund to spend up to 5% of the trailing three-year average of the market value of the endowment fund as of December 31st of each year. Spending is based upon a total return strategy, which includes both appreciation (realized and unrealized gains) and income. In a given year, should total return fall below the targeted annual distribution, accumulated realized gains may be utilized as a supplement.

Investment Policy

The following principles, consistent with the purpose of the endowment fund, have been adopted:

Total Return

Endowment assets will be managed on a total return basis, taking into account the level of investment income required. While the Investment Committee recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with ancillary returns over the long-term.

Diversification

Endowment assets will be diversified among classes of assets, as well as within each asset class including diversification among sectors and industries, quality, market capitalization, and investment strategy on the premise that portfolio diversification and equity style diversification provide protection against a single security or class of securities having a disproportionate impact on aggregate performance.

Social Responsibility

Management of the endowment fund assets shall be consistent with the vision, mission, and values of Ryman Arts.

Investment Objectives

Return

The long-term return objective for the endowment fund is to exceed a custom benchmark made up of 70% MSCI ACWI and 30% Barclays U. S. Aggregate Index.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 8 – Endowment (continued)

Investment Objectives (continued)

Policy Portfolio Objective

The total return of the endowment fund's investment portfolio will be evaluated periodically against the return of a Portfolio Policy Index consisting of 70% MSCI ACWI and 30% Barclays U.S. Aggregate Index. The total portfolio over the long term will be expected to exceed the Portfolio Policy Index return over rolling five-year periods.

Risk

In light of the endowment fund's long-term time horizon, the fund can invest in individual assets, which may have high volatility as long as the aggregate portfolio is in line with that expected of a prudently managed endowment. Reasonable consistency of returns is desirable as a means of providing stability to the process of managing all Ryman Arts' financial assets. The fund should experience risk as measured by volatility and variability of return, commensurate with that of the market as expressed by the Portfolio Policy Index.

Asset Allocation

Strategic Targets

The asset allocation targets for this endowment are developed to facilitate the achievement of the endowment's long-term investment objectives within the established risk parameters. Endowment assets shall be invested in accordance with the target percentage and allowable ranges for each asset class as shown below. It is recognized that unanticipated, short-term market shifts or changes in economic conditions may cause the asset mix to vary from the policy target. The Committee will review these targets at least annually and whenever the investment horizon for any portion of the endowment changes. There will be an orderly process to reach strategic targets. The endowment shall currently be divided into the asset classes set forth below:

As of December 31, 2014, the target allocation policy of the Ryman Arts' endowment is as follows: US Equity – 35%; Non-US Equity – 15%; Fixed Income – 30%; Private Equity – 6%; Hedge Funds – 2%; Real Estate (Public and Private) – 5%; Commodities/Natural Resources – 5%; Cash – 2%.

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 60,189	\$ 2,155,295	\$ 2,215,484

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 8 – Endowment (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 29,240	\$ 2,102,245	\$ 2,131,485
Investment return:				
Investment income	-	86,617	-	86,617
Realized and unrealized losses on investments	-	(55,668)	-	(55,668)
Total Investment Gains	-	30,949	-	30,949
Contributions	-	-	53,050	53,050
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 60,189</u>	<u>\$ 2,155,295</u>	<u>\$ 2,215,484</u>

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 29,240	\$ 2,102,245	\$ 2,131,485

Changes in endowment net assets for the fiscal year ended December 31, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (47,093)	\$ -	\$ 2,102,120	\$ 2,055,027
Investment return:				
Investment income	35,084	-	-	35,084
Realized and unrealized gains on investments	12,009	29,240	-	41,249
Total Investment Gains	47,093	29,240	-	76,333
Contributions	-	-	125	125
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 29,240</u>	<u>\$ 2,102,245</u>	<u>\$ 2,131,485</u>

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 9 – Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs in which little or no market data exists (Level 3 measurements). Ryman Arts uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Ryman Arts measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for other observable inputs other than Level 1 prices in active markets that are either directly or indirectly observable. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the partnership interests is based on information received from the partnership.

There have been no changes in the methodologies used at December 31, 2014 and 2013.

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Level 1	Level 2	Level 3
Equity securities, equity mutual funds, fixed income	\$ 1,672,632	\$ 1,672,632	\$ -	\$ -
Partnership interests	161,889	-	-	161,889
	<u>\$ 1,834,521</u>	<u>\$ 1,672,632</u>	<u>\$ -</u>	<u>\$ 161,889</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Partnership Interests
Balance, January 1, 2014	\$ 479,439
Withdrawals and distributions	(306,612)
Change in value	(10,938)
Balance, December 31, 2014	<u>\$ 161,889</u>

Fair values of assets measured on a recurring basis at December 31, 2013 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Fair Value	Level 1	Level 2	Level 3
Equity securities, equity mutual funds, fixed income	\$ 842,714	\$ 842,714	\$ -	\$ -
Partnership interests	479,439	-	-	479,439
	<u>\$ 1,322,153</u>	<u>\$ 842,714</u>	<u>\$ -</u>	<u>\$ 479,439</u>

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014**

Note 9 – Fair Value Measurements (continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Partnership Interests</u>
Balance, January 1, 2013	\$ 999,177
Withdrawals and distributions	(505,444)
Change in value	<u>(14,294)</u>
Balance, December 31, 2013	<u>\$ 479,439</u>

As of December 31, 2014 and 2013, all assets measured at fair value using significant unobservable inputs (Level 3), have quantitative unobservable inputs that are not developed by Ryman Arts when measuring fair value, such as prices from prior transactions or third party pricing information, without adjustment.

Note 10 – Retirement Plan

Ryman Arts has a qualified, contributory retirement plan for the benefit of all employees meeting the eligibility requirements as set forth in the plan. Under the plan, participating employees may contribute up to 10% of their pre-tax compensation limited by an annual deferral limit prescribed by the Internal Revenue Code annual limits. Ryman Arts matches 50% of the employees' contributions up to 10% of their compensation. As of December 31, 2014 and 2013, Ryman Arts contributed \$22,337 and \$12,770 to the retirement plan, respectively.

Note 11 – Lease Commitments

In September 2014, Ryman Arts entered into a non-cancelable operating lease agreement for a new office space starting from March 2015 and expiring in January 2020.

At December 31, 2014, future minimum lease commitments required under the non-cancelable lease with initial or remaining terms in excess of one year were as follows:

<u>Year Ending December 31,</u>	
2015	\$ 38,570
2016	48,720
2017	50,060
2018	51,562
2019 and thereafter	<u>53,108</u>
Total minimum future rental payments	<u>\$ 242,020</u>

**RYMAN-CARROLL FOUNDATION
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DECEMBER 31, 2014**

Note 12 – Subsequent Events

Management has evaluated subsequent events through September 16, 2015, the date Ryman Arts' financial statements were available to be issued. No subsequent events requiring disclosures were noted.