



Financial Statements
December 31, 2018

Ryman-Carroll Foundation dba Ryman
Arts

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Independent Auditor's Report

Board of Directors
Ryman-Carroll Foundation dba Ryman Arts
Los Angeles, California

We have audited the accompanying financial statements of the Ryman-Carroll Foundation dba Ryman Arts (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ryman-Carroll Foundation dba Ryman Arts as of December 31, 2018, 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.

Other Matter

The financial statements as of December 31, 2017, were audited by Vavrinek, Trine, Day & Co., LLP, who joined Eide Bailly LLP as of July 22, 2019, and whose report dated February 13, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented here as of and for the year ended December 31, 2017, 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 "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Pasadena, California
February 6, 2020

Ryman-Carroll Foundation dba Ryman Arts
Statement of Financial Position
December 31, 2018 (With Comparative Totals for 2017)

| | 2018 | 2017 |
|---------------------------------------|--------------|--------------|
| Assets | | |
| Cash and cash equivalents | \$ 339,562 | \$ 396,864 |
| Accounts receivable | 3,311 | 3,011 |
| Grants receivable | 32,609 | - |
| Unconditional promises to give, net | 275,429 | 348,516 |
| Prepaid expenses | 16,307 | 18,506 |
| Inventory | 6,360 | 6,543 |
| Investments | 2,193,032 | 2,373,608 |
| Property and equipment, net | 7,170 | 14,929 |
| Art collection | - | - |
| | \$ 2,873,780 | \$ 3,161,977 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 123,708 | \$ 64,945 |
| Net Assets | | |
| Without donor restrictions | (188,306) | (4,283) |
| With donor restrictions | 2,938,378 | 3,101,315 |
| Total net assets | 2,750,072 | 3,097,032 |
| | \$ 2,873,780 | \$ 3,161,977 |

Ryman-Carroll Foundation dba Ryman Arts

Statement of Activities

Year Ended December 31, 2018 (With Comparative Totals for 2017)

| | 2018 | | | 2017 |
|---|----------------------------|-------------------------|------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Revenue and Support | | | | |
| Private grants | \$ 256,859 | \$ 47,000 | \$ 303,859 | \$ 299,441 |
| Contributions | 220,119 | 161,450 | 381,569 | 302,014 |
| Investment return designated for current operations | 114,361 | - | 114,361 | 100,000 |
| In-kind contributions | 32,082 | - | 32,082 | 30,460 |
| Government grants | 75,685 | - | 75,685 | 80,880 |
| Book sales (net of cost of books sold of \$371) | 728 | - | 728 | 757 |
| Other income | 2,781 | - | 2,781 | 6,595 |
| Total revenue and support | 702,615 | 208,450 | 911,065 | 820,147 |
| Other Gains and Losses | | | | |
| Special events | | | | |
| Special events contributions | 324,224 | - | 324,224 | 285,784 |
| Special events revenue | 42,598 | - | 42,598 | 36,996 |
| Special events expense | (105,714) | - | (105,714) | (60,192) |
| Net special events | 261,108 | - | 261,108 | 262,588 |
| Net Assets Released from Restrictions | | | | |
| Satisfaction of use and time restrictions | 128,575 | (128,575) | - | - |
| Total revenue, support, and gains | 1,092,298 | 79,875 | 1,172,173 | 1,082,735 |
| Expenses | | | | |
| Program services | 859,359 | - | 859,359 | 831,017 |
| Management and general | 261,180 | - | 261,180 | 194,100 |
| Fundraising | 146,711 | - | 146,711 | 139,515 |
| Total expenses | 1,267,250 | - | 1,267,250 | 1,164,632 |
| Changes Related to Art Collection | | | | |
| Items Not Capitalized | | | | |
| Proceeds from sale of art collection | 5,000 | - | 5,000 | 35,000 |
| Change in Net Assets from Operations | (169,952) | 79,875 | (90,077) | (46,897) |

Ryman-Carroll Foundation dba Ryman Arts

Statement of Activities (continued)

Year Ended December 31, 2018 (With Comparative Totals for 2017)

| | 2018 | | | 2017 |
|---|----------------------------|-------------------------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Net Investment Return | | | | |
| Interest and dividend income | \$ 10 | \$ 132,284 | \$ 132,294 | \$ 101,044 |
| Net realized and unrealized gains (losses) on partnership interests | - | (4,536) | (4,536) | 299 |
| Net realized and unrealized gains (losses) on investments other than partnership interests | - | (256,199) | (256,199) | 192,695 |
| Investment fees | (14,081) | - | (14,081) | (13,229) |
| Net investment return | (14,071) | (128,451) | (142,522) | 280,809 |
| Less Investment Return Designated for Current Operations | - | (114,361) | (114,361) | (100,000) |
| Investment return reduced by the portion of cumulative net return designated for current operations | (14,071) | (242,812) | (256,883) | 180,809 |
| Change in Net Assets (Deficit) | (184,023) | (162,937) | (346,960) | 133,912 |
| Net Assets (Deficit), Beginning of Year | (4,283) | 3,101,315 | 3,097,032 | 2,963,120 |
| Net Assets (Deficit), End of Year | \$ (188,306) | \$ 2,938,378 | \$ 2,750,072 | \$ 3,097,032 |

Ryman-Carroll Foundation dba Ryman Arts
Statement of Functional Expenses
Year Ended December 31, 2018 (With Comparative Totals for 2017)

| | 2018 | | | | 2017 |
|--|---------------------|---------------------------|-------------------|---------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total | Total |
| Salaries | \$ 496,313 | \$ 82,994 | \$ 87,875 | \$ 667,182 | \$ 624,204 |
| Payroll taxes and employee benefits | 94,447 | 18,834 | 21,671 | 134,952 | 138,231 |
| Total personnel costs | 590,760 | 101,828 | 109,546 | 802,134 | 762,435 |
| Professional fees | 33,925 | 133,561 | 6,526 | 174,012 | 113,147 |
| Art class supplies | 79,911 | 423 | 458 | 80,792 | 72,584 |
| Rent | 42,984 | 6,877 | 7,450 | 57,311 | 57,568 |
| Miscellaneous | 26,016 | 4,248 | 2,330 | 32,594 | 29,637 |
| Printing and copying | 11,820 | 2,149 | 12,895 | 26,864 | 29,009 |
| In-kind facility | 22,082 | - | - | 22,082 | 20,460 |
| Computer expense | 14,445 | 2,311 | 2,504 | 19,260 | 21,510 |
| Accounting | - | 17,141 | - | 17,141 | 16,230 |
| In-kind supplies | 10,000 | - | - | 10,000 | 10,000 |
| Insurance | 7,406 | 1,185 | 1,283 | 9,874 | 12,145 |
| Parking and mileage | 6,433 | 1,739 | 521 | 8,693 | 6,008 |
| Depreciation | 6,307 | 1,009 | 1,093 | 8,409 | 10,575 |
| Postage and shipping | 1,711 | 1,901 | 1,142 | 4,754 | 10,062 |
| Payroll service fees | 3,318 | 530 | 575 | 4,423 | 3,744 |
| Telephone | 2,240 | 359 | 389 | 2,988 | 2,747 |
| Total expenses | 859,359 | 275,261 | 146,711 | 1,281,331 | 1,177,861 |
| Less expenses included with net investment return in the statement of activities | - | (14,081) | - | (14,081) | (13,229) |
| Total expenses included in the expenses section of the statement of activities | <u>\$ 859,359</u> | <u>\$ 261,180</u> | <u>\$ 146,711</u> | <u>\$ 1,267,250</u> | <u>\$ 1,164,632</u> |

Ryman-Carroll Foundation dba Ryman Arts

Statement of Cash Flows

Year Ended December 31, 2018 (With Comparative Totals for 2017)

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets (deficit) | \$ (346,960) | \$ 133,912 |
| Adjustments to reconcile change in net assets (deficit) to net cash used for operating activities | | |
| Depreciation | 8,409 | 10,575 |
| Amortization of discount on unconditional promises to give | (2,690) | (5,045) |
| Non-cash contributions | (5,147) | (18,362) |
| Proceeds from sale of art collection | (5,000) | (35,000) |
| Contributions restricted for long-term investments | (156,250) | (112,287) |
| Net realized and unrealized (gains) losses on partnership interests | 4,536 | (299) |
| Net realized and unrealized (gains) losses on investments other than partnership interests | 256,199 | (192,695) |
| (Increase) decrease in | | |
| Accounts receivable | (300) | 2,757 |
| Grants receivable | (32,609) | 34,475 |
| Unconditional promises to give | 75,777 | 147,330 |
| Prepaid expenses | 2,199 | 1,697 |
| Inventory | 183 | 916 |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | 58,763 | 27,116 |
| Net cash used for operating activities | <u>(142,890)</u> | <u>(4,910)</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sale of investments | 231,147 | 12,346 |
| Purchases on investments | (322,201) | (293,182) |
| Proceeds from partnership interests capital distributions | 16,042 | 20,769 |
| Purchases of property and equipment | (650) | - |
| Proceeds from sale of art collection | 5,000 | 35,000 |
| Net cash used for investing activities | <u>(70,662)</u> | <u>(225,067)</u> |
| Cash Flows from Financing Activities | | |
| Contributions restricted for long-term investments | 156,250 | 112,287 |
| Net decrease in cash and cash equivalents | (57,302) | (117,690) |
| Cash and Cash Equivalents, Beginning of Year | <u>396,864</u> | <u>514,554</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 339,562</u> | <u>\$ 396,864</u> |

Note 1 - Nature of Organization

Ryman-Carroll Foundation dba Ryman Arts (Ryman Arts) transforms lives by creating access and opportunity for a diverse community of young artists through rigorous education in fundamental art skills and mentoring.

Ryman Arts is:

Transforming lives by creating opportunities for artistic and personal growth

- Open to any high school student with talent, passion and motivation.
- 95% of students go on to higher education -- many are the first in their families.
- Students are challenged with rigorous training, mentored by working artists, and inspired to build the skills, discipline and confidence for college and beyond.

Meeting a vital need to foster the education of young artists

- Provides professional fine art classes, free of charge, to gifted teens.
- More than 80% of our students are from low-income families.
- Fill the gap left by the dramatic decline in high school art programs.

Investing in the future to ensure a thriving creative economy

- A diverse community of accomplished young artists who invigorate the arts.
- Alumni pursue professional careers in the creative fields of graphic design, architecture, entertainment, fine art, fashion and others.
- Identifies and connects new talent with business and the community through internships and other career programs.

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 has grown to 40 classes and about 600 students each year.

Over the past twenty-nine years, Ryman Arts has harnessed the talent and promise of over 20,000 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 190 zip codes, and many 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.

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 including self-confidence, work habits, risk-taking, and perseverance.

2018 Program Highlights

In 2018, Ryman Arts served over 600 young artists in its core weekend program, reached approximately 2,400 in its outreach programs, and served numerous alumni through internships and part time jobs.

Expanding outreach efforts, Ryman Arts continued to host its Application Day event - a drawing workshop led by a Ryman Arts faculty member, targeting 8th – 11th grade students and their teachers interested in learning more about or applying to the program. In conjunction with this effort, Ryman Arts has also created a Spanish application that is available online, in print, and distributed at events and outreach presentations. These outreach efforts are showing positive impact in alignment with Ryman Arts' site expansion, as seen in the diversity of student demographics. This year, 56% of students enrolled in Ryman Arts' classes were from Title 1 schools. Students are now coming from five counties and represent 190 zip codes.

The retention rate for students in the program was consistent with the previous year at 90%.

174 students graduated from Ryman Arts in 2018. 95% of graduating seniors 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 spearheaded the ninth annual The Big Draw LA, a month-long series of free, public art making events across Los Angeles County at schools, galleries, parks, and museums. Our flagship event, Make Your Mark in the Park was held on October 7, 2018 in Grand Park and attracted approximately 3,000 visitors.

Note 2 - Summary of Significant Accounting Policies

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU modified the current guidance over several criteria of which the following affected Ryman Arts' financial statements:

- Net assets are to be segregated into two categories, “with donor restrictions” and “without donor restrictions,” as opposed to the previous requirement of three classes of net assets.
- Disclosure of qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the statement of financial position date.
- Disclosures related to underwater endowment funds including: the policy concerning appropriation from underwater funds, aggregate fair value of such funds, aggregate of the original gift amounts, and aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.
- Investment expenses are reported net of investment returns.

Ryman Arts has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all prior periods presented. The Organization has elected to omit the liquidity disclosures for 2017. The adoption of this ASU did not impact the Ryman Arts' net asset balance, change in net assets, or cash flows for the year ended December 31, 2017.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with Ryman Arts' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

Ryman Arts considers all short-term, highly liquid investments that are (a) readily convertible to known amounts of cash, and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates to be cash equivalents.

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.

Grants Receivable

Grants receivable are recorded as current at their net realizable value when they are awarded. No allowance for doubtful grants receivable has been established as of December 31, 2018, as management believes that the remaining grants receivable are fully collectable.

Inventory

Inventory, which consists of 382 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 net realizable value.

Investments

Investments are stated at fair value. 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 10 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 an asset on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as net assets with donor restrictions 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. During 2018, total sales for the art collection was \$5,000.

Net Assets

Ryman Arts' net assets comprise the following:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent the portion of expendable net assets that are available for support of Ryman Arts' operations. These net assets are available for support of the ordinary operations and administration of Ryman Arts.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, or other events specified by the donor. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying financial statements as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Net assets with donor restrictions includes Ryman Arts' endowment fund (see Note 9).

Net Assets Without Donor Restrictions Net Deficit

As shown in the accompanying financial statements, Ryman Arts had a deficit in net assets without donor restrictions of \$188,306 as of December 31, 2018. This is due to the one-time settlement of \$100,000 accrued in 2018 and a large amount of contributions with donor restrictions that will be released for general operations during 2019-2020 totaling \$237,885. To address this issue, management has implemented various strategic planning reductions such as decreasing class enrollment for 2019 as well as increasing fundraising activities.

Revenue and Support

Contributions, including unconditional promises to give, are recorded as made. All contributions 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 the donor for specific purposes are reported as donor-restricted support that increases net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 grants revenue is reported as an exchange transaction. 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. During 2018 and 2017, Ryman Arts received \$32,082 and \$30,460 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 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. 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.

Functional Allocation of Expenses

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.

Reclassifications

Certain amounts in the 2017 financial statements and related notes have been reclassified for comparative purposes to conform to the presentation in the 2018 financial statements.

Note 3 - Liquidity and Availability of Resources

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

| | 2018 |
|--------------------------------|-------------------|
| Cash and cash equivalents | \$ 93,013 |
| Grants receivable | 32,609 |
| Unconditional promises to give | 110,500 |
| | <u>\$ 236,122</u> |

Ryman Arts maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash and cash equivalents are comprised of unrestricted cash in operating accounts immediately available for operations. Grants receivable and unconditional promises to give consist of cash receivable within one year of the statement of financial position date for unrestricted operational use or specific uses that fall within the scope of normal operations. The Ryman Arts endowment fund, which is comprised of donor-restricted contributions, is subject to an annual spending rate of 5% (see Note 9). This provides the organization with additional cash flow during the year.

Note 4 - Unconditional Promises to Give

Unconditional promises to give consist of the following at December 31, 2018, and 2017:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Unconditional promises to give to be collected in one year or less | \$ 129,500 | \$ 123,200 |
| Unconditional promises to give to be collected in one to five years | 149,610 | 231,687 |
| Gross unconditional promises to give | 279,110 | 354,887 |
| Less discount to present value | 3,681 | 6,371 |
| | <u>\$ 275,429</u> | <u>\$ 348,516</u> |

Unconditional promises to give were deemed collectible at December 31, 2018 and 2017; therefore, no allowance for uncollectible unconditional promises to give has been established.

The discount rates used to determine the present value of unconditional promises to give as of December 31, 2018, and 2017 ranged from 2.20% to 2.51%.

Note 5 - Conditional Promises to Give

In 2015, Ryman Arts received a conditional promise to give of \$500,000 for the endowment fund in the form of a matching grant, payable up to \$100,000 per year, as determined by the annual match funds received by Ryman Arts, not to exceed seven years. These payments are recorded as contributions when the conditions are substantially met. During 2018 and 2017, Ryman Arts received \$100,000 in matching contributions each year, which were recorded as contributions.

Note 6 - Investments

Investments as of December 31, 2018, and 2017 are as follows:

| | 2018 | 2017 |
|-----------------------|---------------------|---------------------|
| Equity securities | \$ 243,995 | \$ 1,566,117 |
| Mutual funds | 1,821,575 | 732,685 |
| Exchange traded funds | 67,634 | - |
| Partnership interests | 59,828 | 74,806 |
| | <u>\$ 2,193,032</u> | <u>\$ 2,373,608</u> |

Partnership interests consist of Ryman Arts' interest in two "fund of funds" 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.

Note 7 - Property and Equipment

Property and equipment at December 31, 2018, and 2017 consist of the following:

| | 2018 | 2017 |
|-------------------------------|-----------------|------------------|
| Furniture and equipment | \$ 55,990 | \$ 55,990 |
| Computers | 47,855 | 47,205 |
| Computer software | 11,288 | 11,288 |
| | <u>115,133</u> | <u>114,483</u> |
| Less accumulated depreciation | 107,963 | 99,554 |
| | <u>\$ 7,170</u> | <u>\$ 14,929</u> |

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2018, and 2017:

| | 2018 | 2017 |
|---|--------------|--------------|
| Subject to expenditure for specified purpose or period | | |
| Time | \$ 198,270 | \$ 294,920 |
| Purpose | 39,615 | 19,340 |
| Accumulated appreciation (depreciation) of endowment fund | (62,424) | 180,388 |
| Restricted in perpetuity | | |
| Endowment fund | 2,762,917 | 2,606,667 |
| | \$ 2,938,378 | \$ 3,101,315 |

Note 9 - 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. In 2015, The Sharon D. Lund Foundation made a \$500,000 pledge to the Ryman Arts endowment that is contingent upon receiving matching gifts to the endowment from other sources. This pledge will be recognized in the Ryman Arts’ financial statements as matching gifts are received. Matching funds of \$100,000 each year were received and realized in 2018 and 2017.

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 (the 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 31 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 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.

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, 2018, 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%.

Funds with Deficiencies

From time to time, the fair value of endowment funds associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Ryman Arts to retain as a fund of perpetual duration, also known as underwater endowments. As of December 31, 2018, deficiency of this nature existed in the endowment fund created with an original gift of \$2,762,917. The fair value of assets held in the fund was \$2,700,493 as of December 31, 2018, which generated an amount underwater of \$62,424. This deficiency is reported in net assets with donor restrictions. This deficiency resulted from the endowment incurring large unrealized losses at the end of 2018, which was not taken into consideration when the 2018 endowment transfer of \$114,361 was made. The endowment transfer was determined at the end of 2017 based on 5% of the trailing three-year average of the fair value of the endowment according to the spending policy. For the year ending 2019, Ryman Arts will conduct a close analysis of the underwater status of the endowment and adjust future endowment transfers as necessary.

Endowment net asset composition by type of fund as of December 31, 2018, is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|--------------|
| Donor-restricted endowment funds | \$ - | \$ 2,700,493 | \$ 2,700,493 |

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| Endowment net assets, beginning of year | \$ - | \$ 2,787,055 | \$ 2,787,055 |
| Investment return, net | - | (128,451) | (128,451) |
| Contributions | - | 156,250 | 156,250 |
| Appropriation of endowment assets for expenditure | - | (114,361) | (114,361) |
| Endowment net assets, end of year | \$ - | \$ 2,700,493 | \$ 2,700,493 |

Endowment net asset composition by type of fund as of December 31, 2017, is as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|----------------------------------|-------------------------------|----------------------------|--------------|
| Donor-restricted endowment funds | \$ - | \$ 2,787,055 | \$ 2,787,055 |

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| Endowment net assets, beginning of year | \$ - | \$ 2,480,646 | \$ 2,480,646 |
| Investment return, net | - | 294,122 | 294,122 |
| Contributions | - | 112,287 | 112,287 |
| Appropriation of endowment assets for expenditure | - | (100,000) | (100,000) |
| | <hr/> | <hr/> | <hr/> |
| Endowment net assets, end of year | \$ - | \$ 2,787,055 | \$ 2,787,055 |

Note 10 - Fair Value Measurements

U.S. GAAP provides the 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 (Level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Ryman Arts has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Equity securities: valuation is based on unadjusted quoted prices for identical assets in active markets that Ryman Arts can access.

Mutual funds: valued at the net asset value (NAV) of shares held by Ryman Arts at year-end. The NAV is quoted at market prices in active markets for identical assets.

Exchange traded funds: valued at fair value by reference to quoted prices in active markets for identical assets or liabilities (unadjusted) that Ryman Arts has the ability to access at the measurement date.

Partnership interests: valuation based on fair value information received from the partnership.

The method 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 Ryman Arts believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2018:

| | Assets at Fair Value at December 31, 2018 | | | |
|-----------------------|---|---------------------|-------------|------------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Equity securities | \$ 243,995 | \$ 243,995 | \$ - | \$ - |
| Mutual funds | 1,821,575 | 1,821,575 | - | - |
| Exchange traded funds | 67,634 | 67,634 | - | - |
| Partnership interests | 59,828 | - | - | 59,828 |
| | <u>\$ 2,193,032</u> | <u>\$ 2,133,204</u> | <u>\$ -</u> | <u>\$ 59,828</u> |

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

| | |
|-------------------------------|--------------------------|
| | Partnership Interests |
| Balance, January 1, 2018 | \$ 74,806 |
| Withdrawals and distributions | (16,042) |
| Purchases | 5,600 |
| Change in value | <u>(4,536)</u> |
| Balance, December 31, 2018 | <u>\$ 59,828</u> |

The following table sets forth by level, within the fair value hierarchy, assets at fair value at December 31, 2017:

| | Assets at Fair Value at December 31, 2017 | | | |
|-----------------------|---|---------------------|-------------|------------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Equity securities | \$ 1,566,117 | \$ 1,566,117 | \$ - | \$ - |
| Mutual funds | 732,685 | 732,685 | - | - |
| Partnership interests | 74,806 | - | - | 74,806 |
| | <u>\$ 2,373,608</u> | <u>\$ 2,298,802</u> | <u>\$ -</u> | <u>\$ 74,806</u> |

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

| | Partnership Interests |
|-------------------------------|-----------------------|
| Balance, January 1, 2017 | \$ 89,699 |
| Withdrawals and distributions | (20,769) |
| Purchases | 5,577 |
| Change in value | 299 |
| | <u>\$ 74,806</u> |
| Balance, December 31, 2017 | |

As of December 31, 2018, and 2017, 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 11 - 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 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. For 2018 and 2017, Ryman Arts contributed \$19,312 and \$21,815 to the retirement plan, respectively.

Note 12 - Lease Commitments

Ryman Arts has a non-cancelable operating lease agreement for their office space expiring in January 2020, as well as two non-cancelable operating lease agreements for office equipment expiring in 2020 and 2021.

At December 31, 2018, future minimum lease commitments required under the non-cancelable leases with initial or remaining terms in excess of one year were as follows:

| <u>Year Ending December 31,</u> | |
|--------------------------------------|------------------|
| 2019 | \$ 56,418 |
| 2020 | 6,561 |
| 2021 | <u>235</u> |
| Total minimum future rental payments | <u>\$ 63,214</u> |

Rent expense for the years ended December 31, 2018 and 2017 was \$57,311 and \$57,568, respectively.

Note 13 - Related Party Transactions

During the years ended December 31, 2018 and 2017, total grants and contributions received from Board members, Board members' family foundations, or immediate family members was approximately \$238,000 and \$186,000, respectively.

Note 14 - Concentrations

Ryman Arts has concentrations in the following areas:

Unconditional promises to give: One donor accounted for approximately 73% and 86% of unconditional promises to give as of December 31, 2018 and 2017, respectively.

Grants and contributions: In 2018, approximately 38% of total grants and contributions were derived from four funding sources. In 2017, approximately 29% of total grants and contributions were derived from two funding sources.

Note 15 - Subsequent Events

Management has evaluated subsequent events through February 6, 2020, the date Ryman Arts' financial statements were available to be issued.