

RYMAN-CARROLL FOUNDATION

**FINANCIAL STATEMENTS
WITH INDEPENDENT
AUDITOR'S REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

RYMAN-CARROLL FOUNDATION

DECEMBER 31, 2017

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ryman-Carroll Foundation
Los Angeles, California

We have audited the accompanying financial statements of the Ryman-Carroll Foundation (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2017, 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 as of December 31, 2017, 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

The financial statements as of December 31, 2016, were audited by Martin Werbelow LLP, who merged with Vavrinek, Trine, Day & Co, LLP as of June 1, 2018, and whose report dated December 4, 2017, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Vavrinek, Trine, Day & Co., LLP

Pasadena, California
February 13, 2019

RYMAN-CARROLL FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016

ASSETS	2017	2016
Cash and cash equivalents	\$ 396,864	\$ 514,554
Accounts receivable	3,011	5,768
Grants receivable	-	34,475
Unconditional promises to give	348,516	490,801
Prepaid expenses	18,506	20,203
Inventory	6,543	7,459
Investments	2,373,608	1,902,185
Property and equipment, net	14,929	25,504
Art collection	-	-
	Total Assets	Total Assets
	\$ 3,161,977	\$ 3,000,949
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 64,945	\$ 37,829
Net Assets		
Unrestricted net deficit	(4,283)	(52,228)
Temporarily restricted net assets	494,648	520,968
Permanently restricted net assets	2,606,667	2,494,380
	Total Net Assets	Total Net Assets
	\$ 3,097,032	\$ 2,963,120
	\$ 3,161,977	\$ 3,000,949

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

RYMAN-CARROLL FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and Support					
Private grants	\$ 218,941	\$ 80,500	\$ -	\$ 299,441	\$ 311,504
Contributions	189,727	-	112,287	302,014	369,722
Investment return designated for current operations	100,000	-	-	100,000	78,226
In-kind contributions	30,460	-	-	30,460	123,678
Government grants	80,880	-	-	80,880	69,385
Book sales (net of cost of books sold of \$1,352)	757	-	-	757	9
Other income	6,595	-	-	6,595	3,549
Total Revenue and Support	<u>627,360</u>	<u>80,500</u>	<u>112,287</u>	<u>820,147</u>	<u>956,073</u>
Other Gains and Losses					
Special events					
Special events contributions	285,784	-	-	285,784	110,504
Special events revenue	36,996	-	-	36,996	30,734
Special events expense	(60,192)	-	-	(60,192)	(6,079)
Net Special Events	<u>262,588</u>	<u>-</u>	<u>-</u>	<u>262,588</u>	<u>135,159</u>
Net Assets Released from Restrictions					
Satisfaction of program restrictions	287,208	(287,208)	-	-	-
Total Revenue, Support, and Gains	<u>1,177,156</u>	<u>(206,708)</u>	<u>112,287</u>	<u>1,082,735</u>	<u>1,091,232</u>
Expenses					
Program services	831,017	-	-	831,017	840,427
Management and general	207,329	-	-	207,329	225,165
Fundraising	139,515	-	-	139,515	145,626
Total Expenses	<u>1,177,861</u>	<u>-</u>	<u>-</u>	<u>1,177,861</u>	<u>1,211,218</u>
Changes Related to Art Collection					
Items Not Capitalized					
Proceeds from sale of art collection	35,000	-	-	35,000	-
Change in Net Assets from Operations	<u>34,295</u>	<u>(206,708)</u>	<u>112,287</u>	<u>(60,126)</u>	<u>(119,986)</u>

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

RYMAN-CARROLL FOUNDATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016
(CONTINUED)**

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Net Investment Return					
Interest and dividend income	\$ 13,811	\$ 87,233	\$ -	\$ 101,044	\$ 56,169
Net realized and unrealized gains (losses) on partnership interests	-	299	-	299	(538)
Net realized and unrealized gains (losses) on investments other than partnership interests	(161)	192,856	-	192,695	68,442
Net Investment Return	<u>13,650</u>	<u>280,388</u>	<u>-</u>	<u>294,038</u>	<u>124,073</u>
Less Investment Return Designated for Current Operations	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>	<u>(78,226)</u>
Investment Return Reduced by the Portion of Cumulative Net Return Designated for Current Operations	<u>13,650</u>	<u>180,388</u>	<u>-</u>	<u>194,038</u>	<u>45,847</u>
Change in Net Assets (Deficit)	47,945	(26,320)	112,287	133,912	(74,139)
Net Assets (Deficit), Beginning of Year	<u>(52,228)</u>	<u>520,968</u>	<u>2,494,380</u>	<u>2,963,120</u>	<u>3,037,259</u>
Net Assets (Deficit), End of Year	<u>\$ (4,283)</u>	<u>\$ 494,648</u>	<u>\$2,606,667</u>	<u>\$3,097,032</u>	<u>\$2,963,120</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, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	2017			2016	
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 468,780	\$ 82,280	\$ 73,144	\$ 624,204	\$ 586,410
Payroll taxes and employee benefits	97,728	19,592	20,911	138,231	124,605
Total Personnel Costs	566,508	101,872	94,055	762,435	711,015
Professional fees	30,342	70,148	12,657	113,147	94,769
Art class supplies	71,890	361	333	72,584	76,422
Rent	43,176	7,484	6,908	57,568	56,851
Printing and copying	15,955	580	12,474	29,009	38,184
Computer expense	16,133	2,796	2,581	21,510	26,784
In-kind facility	20,460	-	-	20,460	20,460
Accounting	-	16,230	-	16,230	16,255
Insurance	9,109	1,579	1,457	12,145	11,034
Depreciation	7,931	1,375	1,269	10,575	10,750
Postage and shipping	6,238	604	3,220	10,062	7,432
In-kind supplies	10,000	-	-	10,000	22,305
Parking and mileage	4,987	240	781	6,008	6,526
Payroll service fees	2,808	487	449	3,744	3,653
Telephone	2,059	357	331	2,747	2,581
In-kind services	-	-	-	-	80,913
Miscellaneous	23,421	3,216	3,000	29,637	25,284
Total Expenses	\$ 831,017	\$ 207,329	\$ 139,515	\$1,177,861	\$1,211,218

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

RYMAN-CARROLL FOUNDATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets (deficit)	\$ 133,912	\$ (74,139)
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:		
Depreciation	10,575	10,750
Amortization of discount on unconditional promises to give	(6,371)	(11,406)
Non-cash contributions	(18,362)	(29,741)
Proceeds from sale of art collection	(35,000)	-
Contributions restricted for long-term investments	(112,287)	(262,060)
Net realized and unrealized (gains) losses on partnership interests	(299)	538
Net realized and unrealized gains on investments other than partnership interests	(192,695)	(68,442)
(Increase) decrease in:		
Accounts receivable	2,757	(4,499)
Grants receivable	34,475	435
Unconditional promises to give	148,656	145,101
Prepaid expenses	1,697	2,231
Inventory	916	333
Increase (decrease) in:		
Accounts payable and accrued liabilities	27,116	4,240
Net Cash Used in Operating Activities	<u>(4,910)</u>	<u>(286,659)</u>
 Cash Flows from Investing Activities		
Proceeds from sale of investments	12,346	40,303
Purchases on investments	(293,182)	(88,558)
Proceeds from partnership interests capital distributions	20,769	22,075
Purchases of property and equipment	-	(1,633)
Proceeds from sale of art collection	35,000	-
Net Cash Used in Investing Activities	<u>(225,067)</u>	<u>(27,813)</u>
 Cash Flows from Financing Activities		
Contributions restricted for long-term investments	<u>112,287</u>	<u>262,060</u>
 Net Decrease in Cash and Cash Equivalents	<u>(117,690)</u>	<u>(52,412)</u>
Cash and Cash Equivalents, Beginning of Year	<u>514,554</u>	<u>566,966</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$ 396,864</u></u>	<u><u>\$ 514,554</u></u>

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

RYMAN-CARROLL FOUNDATION

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1 – Nature of Organization

2017 Program Highlights

- In 2017, Ryman-Carroll Foundation (Ryman Arts) served 600 young artists in its core weekend program, reached approximately 2,000 in its outreach programs in local urban schools, 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, 49% of students enrolled in Ryman Arts' classes were from Title I schools. Students are now coming from five counties and represent more than 150 zip codes.
- The retention rate for students in the program was consistent with the previous year at 90%.
- A pilot program to increase the array of college preparation services included an expanded college program for all students in the fall, an additional series of college preparation workshops offered in the summer (attended by approximately 150 students and parents.) In addition, a cohort of 15 Ryman Arts seniors worked one-on-one with a professional college counselor to ensure they stay on track with college applications, continuing to acceptance and ultimately matriculation. This pilot project is intended to identify effective strategies that can be applied to more students in future years.
- 95% 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.
- We celebrated 189 Ryman Arts graduates in June 2017 and displayed their work in a professional exhibition at Maker City LA.
- Ryman Arts spearheaded the eighth 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 8, 2017 in Grand Park on the CicLAvia route and attracted approximately 3,000 visitors.

Ryman Arts is:

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.

RYMAN-CARROLL FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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 and approximately half attend Title 1 schools.
- ✓ We fill the gap left by the dramatic decline in high school art programs.

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 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. 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 approximately 600 students each year.

Over the past twenty-eight years, Ryman Arts has harnessed the talent and promise of over 23,000 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 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. Students are selected on merit and all receive 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-CARROLL FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

In 2017, Ryman Arts continued a pilot program designed to increase college preparation services for its neediest youth. The project included the addition of a professional college counselor as a consultant, and additional workshops for students and parents on financial aid, the college application process, and writing the college essay. Ryman Arts also presents a college day with representatives from art schools and universities who review each student's portfolio.

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.

During the year, 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. Ryman Arts hosted career tours to numerous entertainment and design studios and coordinated 3 paid internships for alumni at creative businesses.

Personnel make up the largest component of program expenses because of the intensive level of direct service and teaching. As of December 31, 2017, there were 6 full-time staff, 2 part-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.

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.

RYMAN-CARROLL FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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

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.

Accounts Receivable

Accounts receivable 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, 2017; therefore, no allowance for uncollectible accounts receivable has been established.

Inventory

Inventory, which consists of 393 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 9 for discussion of fair value measurements.

RYMAN-CARROLL FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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 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. During 2017, total sales for the art collection was \$35,000.

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 on the accompanying financial statements as net assets released from program restrictions. Temporarily restricted net assets were \$494,648 as of December 31, 2017.

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 \$2,606,667 as of December 31, 2017.

RYMAN-CARROLL FOUNDATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

Unrestricted Net Deficit

As shown in the accompanying financial statements, Ryman Arts had an unrestricted net deficit of \$4,283 as of December 31, 2017. As of December 31, 2017, Ryman Arts had temporarily restricted net assets of \$494,648. Temporarily restricted net assets totaling \$475,309 will be released for general operations during 2018 – 2020.

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. During 2017 and 2016, Ryman Arts received \$30,460 and \$42,765 of donated facilities and supplies, respectively. During 2016, Ryman Arts also received \$80,913 in donated legal services.

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 FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017, 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.

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, 2016, from which the summarized information was derived.

Note 3 – Unconditional Promises to Give

Unconditional promises to give consist of the following at December 31, 2017, and 2016:

	<u>2017</u>	<u>2016</u>
Unconditional promises to give to be collected in one year or less	\$ 123,200	\$ 162,771
Unconditional promises to give to be collected in one to five years	<u>231,687</u>	<u>339,446</u>
Gross unconditional promises to give	354,887	502,217
Less discount to present value	<u>6,371</u>	<u>11,416</u>
Unconditional promises to give at present value	<u>\$ 348,516</u>	<u>\$ 490,801</u>

RYMAN-CARROLL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Unconditional promises to give were deemed collectible at December 31, 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, 2017, and 2016 were 2.20% and 1.47%, respectively.

Note 4 – Conditional Promises to Give

In 2015, Ryman Carroll 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 Carroll, not to exceed seven years. These payments will be recorded as contributions when the conditions are substantially met. During 2017 and 2016, Ryman Carroll received \$100,000 in matching contributions each year, which were recorded as contributions.

Note 5 – Investments

Investments as of December 31, 2017, and 2016 are as follows:

	2017	2016
Equity securities	\$ 1,566,117	\$ 233,708
Equity mutual funds	732,685	955,421
Fixed income	-	623,357
Partnership interests	74,806	89,699
	<u>\$ 2,373,608</u>	<u>\$ 1,902,185</u>

The following schedule summarizes investment return and its classification in the statement of activities for 2017 and 2016:

	2017	2016
Interest and dividend income	\$ 101,044	\$ 56,169
Net unrealized gains (losses) on partnership interests	299	(538)
Net realized and unrealized gains on investments other than partnership interests	<u>192,695</u>	<u>68,442</u>
Net Investment Return	<u>\$ 294,038</u>	<u>\$ 124,073</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.

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Note 6 – Property and Equipment

Property and equipment at December 31, 2017, and 2016 consist of the following:

	2017	2016
Furniture and equipment	\$ 55,990	\$ 55,990
Computers	47,205	47,205
Computer software	11,288	11,288
	114,483	114,483
Less: Accumulated depreciation	99,554	88,979
	\$ 14,929	\$ 25,504

Note 7 – Net Assets

Temporarily restricted net assets are available for the following purpose and time restrictions at December 31, 2017, and 2016:

	2017	2016
Drawing Our Future	\$ -	\$ 9,482
Core Program and College Planning	-	30,000
Other assets received in 2014 restricted for use during 2016 to 2017	-	81,486
Hani El-Masri Scholarship	19,340	-
Endowment earnings above corpus	180,388	-
Other assets received in 2015 restricted for use during 2018 to 2020	294,920	400,000
	\$ 494,648	\$ 520,968

An endowment fund was established by Ryman Arts in 1996. Permanently restricted net assets at December 31, 2017, consisted of \$2,606,667 of accumulated donor contributions made to this endowment fund since 1996.

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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. 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 2017 and 2016.

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.

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NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

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, 2017, 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%.

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Funds with Deficiencies

From time to time, the fair value of assets 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. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. The aggregated deficiencies of this nature for all donor-restricted endowment funds totaled \$13,734 as of December 31, 2016. There were no funds with deficiencies as of December 31, 2017.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 180,388	\$ 2,606,667	\$ 2,787,055

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (13,734)	\$ -	\$ 2,494,380	\$ 2,480,646
Investment return:				
Investment income	13,734	87,532	-	101,266
Realized and unrealized gains on investments	-	192,856	-	192,856
Total Investment Gains	<u>13,734</u>	<u>280,388</u>	<u>-</u>	<u>294,122</u>
Contributions	-	-	112,287	112,287
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 180,388</u>	<u>\$ 2,606,667</u>	<u>\$ 2,787,055</u>

Endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (13,734)	\$ -	\$ 2,494,380	\$ 2,480,646

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Changes in endowment net assets for the year ended December 31, 2016, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (59,555)	\$ -	\$ 2,232,320	\$ 2,172,765
Investment return:				
Investment income	-	55,605	-	55,605
Realized and unrealized gains on investments	45,821	22,621	-	68,442
Total Investment Gains	<u>45,821</u>	<u>78,226</u>	-	<u>124,047</u>
Contributions	-	-	262,060	262,060
Appropriation of endowment assets for expenditure	-	(78,226)	-	(38,601)
Endowment net assets, end of year	<u>\$ (13,734)</u>	<u>\$ -</u>	<u>\$ 2,494,380</u>	<u>\$ 2,480,646</u>

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, 2017, and 2016.

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Fair values of assets measured on a recurring basis at December 31, 2017, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Total	Level 1	Level 2	Level 3
Equity securities, equity mutual funds, fixed income	\$ 2,298,802	\$ 2,298,802	\$ -	\$ -
Partnership interests	74,806	-	-	74,806
	\$ 2,373,608	\$ 2,298,802	\$ -	\$ 74,806

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
Balance, December 31, 2017	\$ 74,806

Fair values of assets measured on a recurring basis at December 31, 2016, are as follows:

	Fair Value Measurements at Reporting Date Using			
	Total	Level 1	Level 2	Level 3
Equity securities, equity mutual funds, fixed income	\$ 1,812,486	\$ 1,812,486	\$ -	\$ -
Partnership interests	89,699	-	-	89,699
	\$ 1,902,185	\$ 1,812,486	\$ -	\$ 89,699

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

	Partnership Interests
Balance, January 1, 2016	\$ 105,135
Withdrawals and distributions	(22,075)
Purchases	7,177
Change in value	(538)
Balance, December 31, 2016	\$ 89,699

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As of December 31, 2017, and 2016, 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. For 2017 and 2016, Ryman Arts contributed \$21,815, and \$14,532 to the retirement plan, respectively.

Note 11 – Lease Commitments

Ryman Arts has a non-cancelable operating lease agreement for their office space expiring in January 2020.

At December 31, 2017, 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>	
2018	\$ 51,562
2019	53,108
2020	<u>4,436</u>
Total minimum future rental payments	<u>\$ 109,106</u>

Note 12 – Subsequent Events

Management has evaluated subsequent events through February 13, 2019, the date Ryman Arts' financial statements were available to be issued. Ryman Arts has been named in a lawsuit between a former investment advisor to Ryman Arts and a client of the advisor. Ryman Arts denies all of the plaintiff's allegations. In November 2018, Ryman Arts negotiated a financial settlement with the plaintiff for \$100,000 resolving these claims prior to the scheduled start of trial.