

Financial Statements

RYMAN-CARROLL FOUNDATION

For the Year Ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ryman-Carroll Foundation

We have audited the accompanying financial statements of Ryman-Carroll Foundation (a California nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Ryman-Carroll Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ryman-Carroll Foundation as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Ryman-Carroll Foundation's 2012 financial statements, and our report dated December 9, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Martin Werbelow LLP". The signature is written in a cursive, flowing style.

May 7, 2014

**RYMAN-CARROLL FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
With Comparative Totals for 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 736,793	\$ 312,176
Accounts receivable	560	334
Grants receivable	32,875	-
Unconditional promises to give	378,931	222,195
Prepaid expenses	12,639	10,078
Inventory	11,738	12,454
Investments	1,322,153	1,875,039
Note receivable - related party	-	457,033
Property and equipment, net	10,778	5,292
Art collection	-	-
	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 2,506,467</u></u>	<u><u>\$ 2,894,601</u></u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued liabilities	\$ 52,390	\$ 111,796
Note payable	-	606,208
	<u> </u>	<u> </u>
Total Liabilities	<u>52,390</u>	<u>718,004</u>
Net Assets		
Unrestricted net deficit	(284,143)	(230,158)
Temporarily restricted net assets	635,975	304,635
Permanently restricted net assets	2,102,245	2,102,120
	<u> </u>	<u> </u>
Total Net Assets	<u>2,454,077</u>	<u>2,176,597</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$ 2,506,467</u></u>	<u><u>\$ 2,894,601</u></u>

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

RYMAN-CARROLL FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Totals for 2012

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and Support					
Private grants	\$ 176,462	\$ 725,386	\$ -	\$ 901,848	\$ 526,173
Contributions	128,104	44,500	125	172,729	145,182
Investment return designated for current operations	-	-	-	-	-
In-kind contributions	32,834	-	-	32,834	10,247
Government grants	61,718	-	-	61,718	55,185
Interest income from note receivable	33,075	-	-	33,075	17,351
Book sales (net of cost of books sold of \$2,167)	86	-	-	86	814
Other income	2,316	-	-	2,316	2,547
Total Revenue and Support	<u>434,595</u>	<u>769,886</u>	<u>125</u>	<u>1,204,606</u>	<u>757,499</u>
Other Gains and Losses					
Special Events					
Special events contributions	61,243	45,351	-	106,594	55,589
Special events revenue	148,111	-	-	148,111	113,848
Special events expense	(77,861)	-	-	(77,861)	(64,767)
Net Special Events	<u>131,493</u>	<u>45,351</u>	<u>-</u>	<u>176,844</u>	<u>104,670</u>
Net Assets Released from Restrictions					
Satisfaction of Program Restrictions	<u>513,137</u>	<u>(513,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Support and Gains	<u>1,079,225</u>	<u>302,100</u>	<u>125</u>	<u>1,381,450</u>	<u>862,169</u>
Expenses					
Program services	692,098	-	-	692,098	540,996
Management and general	392,123	-	-	392,123	267,663
Fundraising	107,282	-	-	107,282	83,556
Total Expenses	<u>1,191,503</u>	<u>-</u>	<u>-</u>	<u>1,191,503</u>	<u>892,215</u>
Changes Related to Art Collection					
Items Not Capitalized					
Proceeds from sale of art collection	<u>11,200</u>	<u>-</u>	<u>-</u>	<u>11,200</u>	<u>11,200</u>
Change in Net Assets from Operations	<u>(101,078)</u>	<u>302,100</u>	<u>125</u>	<u>201,147</u>	<u>(18,846)</u>
Net Investment Return					
Interest and dividend income	35,084	-	-	35,084	24,215
Net unrealized gains (losses) on partnership interests	(14,294)	-	-	(14,294)	(9,406)
Net realized and unrealized gains on investments other than partnership interests	<u>26,303</u>	<u>29,240</u>	<u>-</u>	<u>55,543</u>	<u>90,480</u>
Net Investment Return	<u>47,093</u>	<u>29,240</u>	<u>-</u>	<u>76,333</u>	<u>105,289</u>
Less Investment Return Designated for Current Operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investment Return Reduced by the Portion of Cumulative Net Appreciation Designated for Current Operations	<u>47,093</u>	<u>29,240</u>	<u>-</u>	<u>76,333</u>	<u>105,289</u>
Change in Net Assets	<u>(53,985)</u>	<u>331,340</u>	<u>125</u>	<u>277,480</u>	<u>86,443</u>
Net Assets (Deficit), Beginning of Year	<u>(230,158)</u>	<u>304,635</u>	<u>2,102,120</u>	<u>2,176,597</u>	<u>2,090,154</u>
Net Assets (Deficit), End of Year	<u>\$ (284,143)</u>	<u>\$ 635,975</u>	<u>\$ 2,102,245</u>	<u>\$ 2,454,077</u>	<u>\$ 2,176,597</u>

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

RYMAN-CARROLL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Totals for 2012

	2013			2012	
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 368,415	\$ 69,625	\$ 54,967	\$ 493,007	\$ 402,931
Payroll taxes and employee benefits	78,341	16,464	13,033	107,838	87,869
Total Personnel Costs	446,756	86,089	68,000	600,845	490,800
Professional fees	34,527	264,108	1,540	300,175	160,643
Art class supplies	58,177	653	513	59,343	46,436
Rent	26,092	4,870	3,827	34,789	34,369
Computer expense	20,851	3,892	3,058	27,801	11,642
Interest	-	22,969	-	22,969	31,526
Printing and copying	14,015	1,509	6,037	21,561	20,643
In-kind facility	20,459	-	-	20,459	10,247
In-kind supplies	12,375	-	-	12,375	-
Accounting	9,600	1,792	1,408	12,800	9,546
Postage and shipping	5,348	621	5,141	11,110	8,861
Insurance	7,851	1,466	1,151	10,468	7,849
Parking and mileage	6,038	64	321	6,423	4,306
Depreciation expense	4,496	839	659	5,994	4,528
Telephone	3,206	598	470	4,274	3,358
Payroll service fees	2,361	441	346	3,148	2,671
Bad debt	-	-	-	-	11,000
Miscellaneous	19,946	2,212	14,811	36,969	33,790
Total Expenses	\$ 692,098	\$ 392,123	\$ 107,282	\$ 1,191,503	\$ 892,215

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

**RYMAN-CARROLL FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
With Comparative Totals for 2012**

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 277,480	\$ 86,443
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,994	4,528
Amortization of discount on unconditional promises to give	(8,834)	(2,746)
Bad debt	-	11,000
Non-cash contributions	(26,996)	(20,938)
Proceeds from sale of art collection	(11,200)	(11,200)
Contributions restricted for long-term investments	(125)	(44,504)
Net unrealized losses on partnership interests	14,294	9,406
Net realized and unrealized gains on investments other than partnership interests	(55,543)	(90,480)
(Increase) decrease in:		
Accounts receivable	(226)	7,291
Grants receivable	(32,875)	35,943
Unconditional promises to give	(147,902)	67,440
Prepaid expenses	(2,561)	(1,592)
Inventory	716	783
Interest receivable	(14,175)	14,175
Increase (decrease) in:		
Accounts payable and accrued liabilities	(59,406)	68,435
Net Cash Provided by (Used in) Operating Activities	(61,359)	133,984
Cash Flows from Investing Activities		
Payments received from advances in partnership interests	400,000	-
Proceeds from sale of investments	150,719	121,390
Purchases on investments	(35,032)	-
Proceeds from partnership interests capital distributions	105,444	135,966
Contributions to partnership interests	-	(278,573)
Proceeds from repayment of related party note receivable	415,000	-
Payments made on note payable	(550,000)	-
Purchases of property and equipment	(11,480)	(888)
Proceeds from sale of art collection	11,200	11,200
Net Cash Provided by (Used in) Investing Activities	485,851	(10,905)
Cash Flows from Financing Activities		
Contributions restricted for long-term investments	125	44,504
Net Increase in Cash and Cash Equivalents	424,617	167,583
Cash and Cash Equivalents, Beginning of Year	312,176	144,593
Cash and Cash Equivalents, End of Year	\$ 736,793	\$ 312,176

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

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 1 – Nature of Organization

Ryman Arts is:

MEETING A VITAL NEED to foster the education of young artists

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

TRANSFORMING LIVES by creating opportunities for artistic and personal growth

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

INVESTING IN THE FUTURE to ensure a thriving creative economy

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

History and Overview

Ryman-Carroll Foundation (“Ryman Arts”) is a California based non-profit organization dedicated to teaching classical drawing and painting skills to talented, motivated young people as a bridge to a lifetime that expresses and appreciates the arts. Over the past twenty-five years, Ryman Arts has harnessed the talent and promise of over 21,000 youth, who would otherwise not have access to advanced art education, through its core program and outreach efforts. This 1½-year long program integrates rigorous instruction, college and career counseling, and mentoring to help participants build transferable life skills, strengthen their self-discipline and self-confidence, and prepare for a positive, productive future. At absolutely no cost to the student Ryman Arts offers intensive out-of-school studio classes taught by inspirational teaching artists, field trips, art supplies, and support services. Students come from five Southern California counties, over 150 zip codes, and more than 80% live in low-income neighborhoods where schools provide little access to art and dropout rates are high.

In January 2013, Ryman Arts expanded its program to reach more high potential youth by opening a second program site on the campus of California State University, Fullerton (CSUF), launching a new collaboration with the university there. This expansion allowed accepted students to choose the location best for them: Saturdays at CSUF or Sundays at Otis College of Art & Design.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 1 – Nature of Organization (continued)

History and Overview (continued)

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 9th-12th grades in public, private, and parochial schools throughout Southern California. The program does extensive outreach to under-served high schools and communities to ensure that they reach students who may have no other opportunities to develop their potential. Ryman Arts also provides college guidance services, including one-on-one counseling, application workshops, and a college day with representatives from art schools and universities who review each student's portfolio.

As a result of their participation, teens:

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

Ryman Arts was formed in 1990 as a tribute to the late Herbert D. Ryman, noted art director, artist, and mentor to young artists, who championed classical art training for a successful art career. From a single drawing class of 12 students, Ryman Arts grew to 36 classes in 2013 and has awarded over 5,000 scholarships to Southern California teens.

2013 Program Highlights

- In 2013, Ryman Arts served 400+ young artists in its core weekend program, reached approximately 4,350 in its outreach programs in local urban schools, and served numerous alumni through internships and part time jobs.
- 45% of the enrolled students came from Title I high schools.
- The retention rate for students in the core program was 95%.
- 96% of graduating students reported acceptances at colleges and art schools. Art Center College of Design and Otis College of Art & Design both offered scholarships designated for Ryman Arts graduates.
- Ryman Arts was named a National Program of Excellence by the President's Committee on the Arts & Humanities.
- Ryman Arts students made significant progress in their artistic skill development and in follow-up surveys participants cited increased capacity in time management and goal setting, and many alumni are pursuing careers in the arts.
- The class of 2013 finished the academic year with a professional exhibition at the California African American Museum where over 200 works were displayed in the galleries. Other exhibitions of student work were held at the Grand Central Art Center in Santa Ana and Farm Stand Restaurant in El Segundo.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 1 – Nature of Organization (continued)

2013 Program Highlights (continued)

- Ryman Arts hosted career tours to Mazda USA Automotive Design, Fox Sports TV Studios, Jerde Partnership Architects, Walt Disney Animation Research Library, Walt Disney Animation Studios, and Walt Disney Imagineering.
- We coordinated 3 paid internships for alumni at creative businesses.
- Ryman Arts spearheaded the fourth annual The Big Draw LA, a month-long series of 75+ free, public art making events across Los Angeles County at schools, galleries, parks, and museums; this included the 2013 “Make Your Mark in the Park” flagship event at Grand Park in downtown Los Angeles. This project is funded by the James Irvine Foundation.

Personnel make up the largest component of Program expenses because of the intensive level of direct service and teaching. Two program positions were added in 2013: a Site Coordinator for the Orange County location and a Big Draw LA Coordinator. All staff members serve as role models to the student and alumni participants. Ryman Arts is committed to the highest standards of program delivery, and thus hires highly qualified teaching artists and management staff with extensive experience and top-notch artistic and academic credentials. The organization follows a multi-year strategic plan that calls for incrementally increasing the number of students served from 300 in 2012 to 600 students by 2015 while maintaining the quality of the intensive learning experience.

Note 2 – Summary of Significant Accounting Policies

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

Basis of Accounting

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

Basis of Presentation

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

Cash and Cash Equivalents

For the purpose of the statement of cash flows, Ryman Arts considers cash in banks and other financial instruments with an original maturity date of three months or less to be cash and cash equivalents. Cash and cash equivalents include money market funds of approximately \$211,000, at December 31, 2013.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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

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

Inventory

Inventory, which consists of 748 copies of a limited edition art book, “A Brush with Disney” that will be sold at Ryman Arts through various outlets, is stated at the lower of cost (first-in, first-out) or market value. At December 31, 2013, inventory was valued at \$11,738.

Investments

Investments in equity securities with readily determinable fair values, all investments in debt securities, and partnership interests are stated at fair value. Investments also include cash and cash equivalents restricted for long-term purpose. The cost assigned to investments received by gift is the fair value at the date the gift is received. The net realized and unrealized gains and losses on investments are reflected in the statement of activities. See Note 11 for discussion of fair value measurements.

Property and Equipment

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

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

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

Art Collection

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

Net Assets

Ryman Arts’ net assets comprise the following:

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

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

Temporarily Restricted Net Assets – Temporarily restricted net assets represent net assets that result from gifts of cash and other assets whose use by Ryman Arts is limited by donor-imposed restrictions that either expire by the passage of time or can be satisfied by actions of Ryman Arts. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from program restrictions. Temporarily restricted net assets were \$635,975 as of December 31, 2013.

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 \$2,102,245 as of December 31, 2013.

Unrestricted Net Deficit

As shown in the accompanying financial statements, Ryman Arts had an unrestricted net deficit of \$284,143 as of December 31, 2013. This deficit is due to (1) the retiring of the line of credit in 2013; and (2) 2013 gains on investments were not sufficient to offset the previous accumulated declines in the endowment market value over the past several years. In addition, as of December 31, 2013, Ryman Arts has temporarily restricted net assets of \$635,975. A significant portion of these temporarily restricted net assets will be released from restriction in 2014.

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.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

In-kind Contributions

Contributions of in-kind noncash assets are recorded at fair values in the period received. As of December 31, 2013 and 2012, Ryman Arts received \$32,834 and \$10,247 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. For the year ended December 31, 2013, management believes the income tax positions taken more likely than not will be sustained under examination by the applicable tax authorities. Since tax matters are subject to some degree of uncertainty, there can be no assurance that Ryman Arts' tax returns will not be challenged by the taxing authorities and that Ryman Arts will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, Ryman Arts' tax returns remain open for three years for federal income tax examination and four years for state income tax examination.

Expense Allocation

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

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Ryman Arts' financial statements for the year ended December 31, 2012, from which the summarized information was derived.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 3 – Accounts Receivable

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, represents the estimated net realizable value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivable balances and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. Accounts receivable are deemed collectible at December 31, 2013; therefore, no allowance for uncollectible accounts receivable has been established.

Note 4 – Unconditional Promises to Give

Unconditional promises to give consist of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Unconditional promises to give to be collected in one year or less	\$ 204,765	\$ 99,441
Unconditional promises to give to be collected in one to five years	<u>183,000</u>	<u>125,500</u>
Gross unconditional promises to give	387,765	224,941
Less discount to present value	<u>8,834</u>	<u>2,746</u>
Unconditional promises to give at present value	<u>\$ 378,931</u>	<u>\$ 222,195</u>

Unconditional promises to give are deemed collectible at December 31, 2013; therefore, no allowance for uncollectible unconditional promises to give has been established.

The discount to present value rate used to determine the present value of unconditional promises to give recognized as revenue as of December 31, 2013 and 2012 are 1.7% and 0.8%, respectively.

Note 5 – Investments

Investments as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Equity securities	\$ 10,543	\$ 31,432
Equity mutual funds	556,280	563,605
Fixed income	275,891	280,825
Partnership interests	<u>479,439</u>	<u>999,177</u>
	<u>\$ 1,322,153</u>	<u>\$ 1,875,039</u>

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 5 – Investments (continued)

The following schedule summarizes investment return and its classification in the statement of activities as of December 31, 2013 and 2012:

	2013	2012
Interest and dividend income	\$ 35,084	\$ 24,215
Net realized and unrealized gains on investments other than partnership interests	55,543	90,480
Net unrealized losses on partnership interests	(14,294)	(9,406)
Total Return on Investments	76,333	105,289
Less investment returns designated for current operations	-	-
Investment Return Reduced by the Portion of Cumulative Net Appreciation Designated for Current Operations	\$ 76,333	\$ 105,289

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

As of December 31, 2012, partnership interests included \$400,000 of advances in the Partnerships that were collected in October 2013.

Note 6 – Note Receivable - Related Party

On March 15, 2004, Ryman Arts entered into an unsecured promissory note agreement with a foundation, which is a family foundation of a former Board member (see Notes 8 and 13). The purpose of entering into both the note receivable-related party and note payable transactions was to obtain short-term cash flow financing at no net annual cost to Ryman Arts. Under this agreement, the note bore interest at a variable rate on the original amount. The variable interest rate at December 31, 2012 was 5.25%. The note receivable was payable in quarterly interest-only installments with a balloon payment of unpaid principal and accrued interest due upon expiration of the note. The rate of interest to be paid for the year was determined so that when the rate is applied to the principal balance, the dollar amount of interest earned shall equal the dollar amount of interest paid by Ryman Arts on its note payable (see Note 8). The note carried an expiration date of March 31, 2023, or the date that Ryman Arts' note payable was repaid, whichever was sooner. The note was paid in full, including interest, in September 2013.

For the years ended December 31, 2013 and 2012, the interest income from the foundation was \$33,075 and \$17,351, respectively and the interest expense to Ryman Arts for the unpaid balance on the note payable was \$22,969 and \$31,526, respectively.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 7 – Property and Equipment

Property and equipment at December 31, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 19,711	\$ 19,711
Computers	42,098	30,618
Computer software	11,288	11,288
	<u>73,097</u>	<u>61,617</u>
Less: Accumulated depreciation	62,319	56,325
	<u>\$ 10,778</u>	<u>\$ 5,292</u>

Note 8 – Note Payable

In February 2004, Ryman Arts established a variable interest note payable to a corporation to borrow up to \$600,000. The interest rate varied from a minimum of 0.50% to a maximum of 2.50% above the National Financial Base Lending Rate (“NFBLR”) depending upon the outstanding loan balance. The NFBLR was set at the discretion of the lender with references to commercially recognized interest rates, industry conditions regarding the extension of margin credit, and general credit conditions. The loan was collateralized by Ryman Arts’ investment accounts and was due on demand. The note payable was paid in full, including interest, in September 2013.

To offset the cost of borrowing these funds, \$415,000 of the total funds received through this loan was loaned to a former Board member’s family foundation for investment (see Note 6). Ryman Arts received repayment in full, of the note receivable from a related party, including interest, in September 2013.

Note 9 – Net Assets

Temporarily restricted net assets are available for the following purpose and time restrictions at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Drawing Our Future	\$ 473,847	\$ 217,635
Big Draw LA	119,351	1,000
Technology	13,537	56,000
Temporarily restricted endowment earnings	29,240	-
Other assets received in 2012 restricted for use during 2013	-	30,000
	<u>\$ 635,975</u>	<u>\$ 304,635</u>

An endowment fund was established by Ryman Arts in 1996. Permanently restricted net assets at December 31, 2013 consist of \$2,102,245 of accumulated donor contributions to this endowment fund since 1996.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 9 – Net Assets (continued)

Included in permanently restricted net assets at December 31, 2013, is approximately \$68,000 unconditional promise to give, which is restricted as an endowment for the Sharon Disney Lund Master Teacher Endowment and the Marty Sklar Legacy Scholarship Fund.

Note 10 – 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 2000, the Board approved an endowment spending policy that established the amount of funds that could be spent for operations each year from the endowment earnings. The amount is calculated as 5% of the average of the cumulative market value of the endowment over the previous 12 quarters (3 years). The Endowment Spending Policy Analysis, which was created at that time, is maintained to calculate the annual endowment transfer for budgeting purposes.

Ryman Arts endowment assets are currently invested in an investment portfolio managed by Ryman Arts’ professional money managers. The primary long-term investment objective is to preserve and grow the real purchasing power of the assets. A secondary objective is to provide a relatively predictable ongoing revenue stream to augment Ryman Arts’ operating income. These funds are invested with a moderate risk tolerance to achieve these objectives over a 5-10 year period. The funds are invested with the care, skill, and diligence that a prudent investor acting in like capacity would use in the investment of similar funds and with similar objectives.

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor requires Ryman Arts to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$47,093 as of December 31, 2012. These deficiencies resulted from unfavorable market fluctuations and certain advances in the Partnerships that were not collectable and have been written off by management in the prior year. As of December 31, 2013, the value of assets associated with the donor-restricted endowment fund have risen above the corpus value by \$29,240.

The current target asset allocation is under review at December 31, 2013.

RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 10 – Endowment (continued)

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

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

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

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

Endowment net asset composition by type of fund as of December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (47,093)	\$ -	\$ 2,102,120	\$ 2,055,027

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 10 – Endowment (continued)

Changes in endowment net assets for the fiscal year ended December 31, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (152,382)	\$ -	\$ 2,057,616	\$ 1,905,234
Investment return:				
Investment income	24,215	-	-	24,215
Realized and unrealized gains on investments	81,074	-	-	81,074
Total Investment Gains	<u>105,289</u>	<u>-</u>	<u>-</u>	<u>105,289</u>
Contributions	-	-	44,504	44,504
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ (47,093)</u>	<u>\$ -</u>	<u>\$ 2,102,120</u>	<u>\$ 2,055,027</u>

Note 11 – 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 of assets measured on a recurring basis at December 31, 2013 are as follows:

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

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.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 11 – Fair Value Measurements (continued)

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

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

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Equity securities, equity mutual funds, fixed income	\$ 875,862	\$ 875,862	\$ -	\$ -
Partnership interests	999,177	-	-	999,177
	<u>\$ 1,875,039</u>	<u>\$ 875,862</u>	<u>\$ -</u>	<u>\$ 999,177</u>

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

	<u>Partnership Interests</u>
Balance, January 1, 2012	\$ 865,976
Additions	278,573
Withdrawals and distributions	(135,966)
Change in value	(9,406)
Balance, December 31, 2012	<u>\$ 999,177</u>

As of December 31, 2013 and 2012, 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 12 – Retirement Plan

Ryman Arts has a qualified, contributory retirement plan for the benefit of all employees meeting the eligibility requirements as set forth in the plan. Under the plan, participating employees may contribute up to 10% of their pre-tax compensation limited by an annual deferral limit prescribed by the Internal Revenue Code annual limits. Ryman Arts matches 50% of the employees' contributions up to 10% of their compensation. As of December 31, 2013 and 2012, Ryman Arts contributed \$12,770 and \$15,196 to the retirement plan, respectively.

**RYMAN-CARROLL FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013**

Note 13 – Related-party Transactions

As of December 31, 2012, Ryman Arts had a note receivable from a related party in the amount of \$457,033 (see Note 6). The note receivable from related party was due from the former Board treasurer's family foundation. Ryman Arts received repayment in full, including interest, of the note receivable in September 2013.

During the year ended December 31, 2004, with the help of the former Board treasurer, Ryman Arts established a variable interest note payable with a corporation to borrow up to \$600,000 (see Note 8). Ryman Arts has repaid the note payable in full, including interest in September 2013.

Note 14 – Subsequent Events

Management has evaluated subsequent events through May 7, 2014, the date Ryman Arts' financial statements were available to be issued. No subsequent events requiring disclosures were noted.