Financial Statements
December 31, 2015 and 2014

The Frank Lloyd Wright Foundation

EideBailly
CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Trustees
The Frank Lloyd Wright Foundation
Scottsdale, Arizona

Report on the Financial Statements
We have audited the accompanying financial statements of The Frank Lloyd Wright Foundation (the Foundation) which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Frank Lloyd Wright Foundation as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP
Phoenix, Arizona
May 04, 2016

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	$ 1,312,503	$ 1,051,562
Accounts receivable, net	715,894	716,852
Other receivables	1,000,000	1,000,000
Promises to give	398,040	523,349
Bookstore inventories	329,262	492,950
Prepaid expenses	173,472	215,991
Total current assets	3,929,171	4,000,704
Investments	1,899,543	2,016,776
Promises to Give, Net	1,214,933	148,471
Other Receivables, Net	-	907,030
Property, Plant and Equipment, Net	9,952,044	9,831,955
Archives, Art Objects and Drawing Library Collection	2,721,481	2,625,953
Total assets	$ 19,717,172	$ 19,530,889
Liabilities and Net Assets		
Current Liabilities		
Current maturities of annuity contract payable	$ -	$ 89,637
Current maturities of capital lease obligation	19,917	18,985
Accounts payable	248,019	176,779
Accrued expenses	346,774	412,301
Deferred revenue		
Architectural school tuition	219,713	232,204
Other deferred revenue	78,411	67,791
Total current liabilities	912,834	997,697
Annuity Contract Payable, Less Current Maturities	-	437,970
Capital Leases Payable, Less Current Maturities	29,900	49,817
Long-Term Benefit Payable	27,500	32,500
Total liabilities	970,234	1,517,984
Net Assets		
Unrestricted - general	12,918,791	12,308,667
Unrestricted - board designated	3,198,553	4,076,817
Total unrestricted net assets	16,117,344	16,385,484
Temporarily restricted	2,498,924	1,496,751
Permanently restricted	130,670	130,670
Total net assets	18,746,938	18,012,905
Total liabilities and net assets	$ 19,717,172	$ 19,530,889

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Public tours and access	$ 2,958,211	$ -	$ -	$ 2,958,211
Licensing program	824,734	-	-	824,734
Bookstore program	1,790,288	-	-	1,790,288
Contributions, grants and membership	1,581,316	1,637,952	-	3,219,268
School of architecture	622,125	-	-	622,125
Collections and exhibition programs	174,040	-	-	174,040
Investment loss	(20,017)	(2,678)	-	(22,695)
Rental income	47,816	-	-	47,816
K-12 education program	71,777	-	-	71,777
Annual access fee	50,000	-	-	50,000
Other income	573,999	-	-	573,999
Net assets released from restrictions	633,101	(633,101)	-	-
Total revenues and other support	9,307,390	1,002,173	-	10,309,563
Expenses and Other Losses				
Preservation and stewardship	1,887,252	-	-	1,887,252
Public tours and access	1,183,092	-	-	1,183,092
Collections and exhibition	438,546	-	-	438,546
School of architecture/Taliesin fellowship	2,524,634	-	-	2,524,634
Bookstore program	1,593,200	-	-	1,593,200
Licensing program	456,883	-	-	456,883
Outreach, partnerships and publications	536,140	-	-	536,140
K-12 education program	239,910	-	-	239,910
Total program	8,859,657	-	-	8,859,657
Fundraising and membership	360,400	-	-	360,400
Management and general, including interest expense of $28,057	355,473	-	-	355,473
Total expenses and other losses	9,575,530	-	-	9,575,530
Change in Net Assets	(268,140)	1,002,173	-	734,033
Net Assets, Beginning of Year	16,385,484	1,496,751	130,670	18,012,905
Net Assets, End of Year	$ 16,117,344	$ 2,498,924	$ 130,670	$ 18,746,938

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Public tours and access	$ 2,870,602	$ -	$ -	$ 2,870,602
Licensing program	1,092,926	-	-	1,092,926
Bookstore program	1,784,506	-	-	1,784,506
Contributions, grants and membership	1,135,816	1,042,614	-	2,178,430
School of architecture	663,037	-	-	663,037
Collections and exhibition programs	196,781	-	-	196,781
Investment income	141,966	12,518	-	154,484
Rental income	67,623	-	-	67,623
K-12 education program	77,764	-	-	77,764
Annual access fee	50,000	-	-	50,000
Other income	27,920	-	-	27,920
Net assets released from restrictions	306,628	(306,628)	-	-
Total revenues and other support	8,415,569	748,504	-	9,164,073
Expenses and Other Losses				
Preservation and stewardship	1,831,142	-	-	1,831,142
Public tours and access	1,185,255	-	-	1,185,255
Collections and exhibition	510,314	-	-	510,314
School of architecture/Taliesin fellowship	2,656,796	-	-	2,656,796
Bookstore program	1,467,108	-	-	1,467,108
Licensing program	493,830	-	-	493,830
Outreach, partnerships and publications	342,477	-	-	342,477
K-12 education program	279,699	-	-	279,699
Total program	8,766,621	-	-	8,766,621
Fundraising and membership	342,222	-	-	342,222
Management and general, including interest expense of $32,996	285,555	-	-	285,555
Total expenses and other losses	9,394,398	-	-	9,394,398
Change in Net Assets	(978,829)	748,504	-	(230,325)
Net Assets, Beginning of Year	17,364,313	748,247	130,670	18,243,230
Net Assets, End of Year	$ 16,385,484	$ 1,496,751	$ 130,670	$ 18,012,905

The Frank Lloyd Wright Foundation
Statements of Functional Expenses
Year Ended December 31, 2015

	2015											
	Preservation & Stewardship	Public Tours & Access	Collections & Exhibition	School of Architecture/ Taliesin Fellowship	Bookstore Program	Licensing Program	Outreach, Partnerships & Publications	K-12 Education Program	Total Program	Fundraising & Membership	Management & General	Total Expenses
Program and special activities	$ 16,405	$ 32,668	$ 22,664	$ 119,500	$ 8,572	$ 5,842	$ 102,597	$ 3,370	$ 311,618	$ 45,151	$ 12,144	$ 368,913
Salaries and related taxes	896,321	597,888	225,131	989,161	355,650	297,310	43,112	136,992	3,541,565	160,470	158,589	3,860,624
Fringe benefits	154,290	39,532	25,243	138,826	45,163	40,917	5,168	21,711	470,850	18,801	18,580	508,231
Depreciation	45,364	44,014	83,349	262,136	22,388	5,962	6,678	16,035	485,926	11,505	54,520	551,951
Printing	5,528	29,036	245	12,205	592	634	519	541	49,300	8,806	680	58,786
Professional and other fees	151,540	124,362	8,826	40,456	19,858	35,839	10,563	11,900	403,344	4,976	20,111	428,431
Interest/bank fees	7,420	6,579	1,672	542	41,710	1,687	556	1,340	61,506	4,231	6,005	71,742
Postage	2,019	4,191	1,956	2,071	56,364	3,168	96	449	70,314	8,354	1,154	79,822
Office supplies	82,261	9,203	5,208	195,991	7,480	3,981	392	4,899	309,415	3,419	3,081	315,915
Advertising and public relations	44,993	203,173	5,940	19,446	30,819	17,897	1,763	19,859	343,890	4,683	21,335	369,908
Travel	23,506	11,296	1,781	42,184	7,540	6,403	484	5,087	98,281	1,452	6,397	106,130
Telephone	14,940	5,361	2,718	3,690	3,420	2,879	127	564	33,699	3,249	1,676	38,624
Repairs and maintenance	348,484	4,063	10,848	3,736	1,718	569	158	481	370,057	459	2,091	372,607
Data processing	13,960	13,079	3,136	20,955	39,884	3,333	721	3,208	98,276	8,550	8,852	115,678
Insurance	39,970	31,798	8,080	-	17,126	7,730	2,194	6,437	113,335	6,370	29,197	148,902
Utilities	16,267	14,248	27,893	84,446	7,271	2,016	2,095	5,061	159,297	3,675	733	163,705
Dues	12,540	7,436	1,156	40,166	3,354	6,593	2,469	1,556	75,270	12,351	3,011	90,632
Rent expense	3,165	2,043	2,407	15,965	2,000	497	141	414	26,632	409	2,499	29,540
Miscellaneous/COGS/Other	8,279	3,122	293	533,158	922,291	13,626	356,307	6	1,837,082	53,489	4,818	1,895,389
Total	$ 1,887,252	$ 1,183,092	$ 438,546	$ 2,524,634	$ 1,593,200	$ 456,883	$ 536,140	$ 239,910	$ 8,859,657	$ 360,400	$ 355,473	$ 9,575,530

The Frank Lloyd Wright Foundation
Statements of Functional Expenses
Year Ended December 31, 2014

	2014											
	Preservation & Stewardship	Public Tours & Access	Collections & Exhibition	School of Architecture/ Taliesin Fellowship	Bookstore Program	Licensing Program	Outreach, Partnerships & Publications	K-12 Education Program	Total Program	Fundraising & Membership	Management & General	Total Expenses
Program and special activities	$ 22,089	$ 41,906	$ 50,063	$ 235,213	$ 16,252	$ 31,212	$ 137,644	$ 7,238	$ 541,617	$ 49,899	$ 15,225	$ 606,741
Salaries and related taxes	827,375	593,467	251,968	1,307,512	356,285	277,399	104,894	166,054	3,884,954	148,461	161,135	4,194,550
Fringe benefits	89,542	29,115	30,601	133,659	22,788	25,757	19,678	20,866	372,006	24,642	10,901	407,549
Depreciation	46,882	46,696	86,160	271,337	23,607	6,680	10,878	16,792	509,032	5,749	15,592	530,373
Printing	860	15,400	256	6,656	393	210	3,217	5,008	32,000	6,466	491	38,957
Professional and other fees	230,968	194,940	9,194	110,161	19,626	55,209	3,061	9,427	632,586	2,953	11,290	646,829
Interest/bank fees	8,106	7,335	1,992	13,568	45,104	1,734	4,160	3,511	85,510	3,215	6,039	94,764
Postage	1,707	4,155	6,857	3,315	45,842	1,163	13,530	413	76,982	14,193	735	91,910
Office supplies	102,637	11,243	5,754	212,204	12,726	11,678	4,295	8,428	368,965	3,946	4,676	377,587
Advertising and public relations	13,471	139,338	7,046	44,446	11,087	5,319	1,037	11,700	233,444	1,499	3,172	238,115
Travel	19,876	12,839	5,198	61,637	12,113	23,384	2,819	8,022	145,888	3,832	6,547	156,267
Telephone	15,792	6,012	3,369	8,974	3,520	2,751	1,116	749	42,283	2,564	1,909	46,756
Repairs and maintenance	346,140	4,458	10,481	7,884	3,727	519	309	609	374,127	447	2,053	376,627
Data processing	14,927	16,269	3,932	30,636	20,364	4,239	1,700	4,656	96,723	12,445	9,019	118,187
Insurance	33,859	30,637	8,301	55,251	15,536	6,383	3,792	7,482	161,241	5,497	25,225	191,963
Utilities	18,231	14,882	23,370	93,344	7,588	2,156	3,427	5,291	168,289	1,916	712	170,917
Dues	8,001	3,886	741	26,706	2,137	581	495	795	43,342	9,658	2,107	55,107
Rent expense	3,442	1,681	5,031	13,745	1,602	350	208	411	26,470	302	1,384	28,156
Miscellaneous/COGS/Other	27,237	10,996	-	20,548	846,811	37,106	26,217	2,247	971,162	44,538	7,343	1,023,043
Total	$ 1,831,142	$ 1,185,255	$ 510,314	$ 2,656,796	$ 1,467,108	$ 493,830	$ 342,477	$ 279,699	$ 8,766,621	$ 342,222	$ 285,555	$ 9,394,398

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 734,033	$ (230,325)
Adjustments to reconcile change in net assets to cash used for operating activities		
Depreciation	551,951	530,373
Discount on long-term receivable	(168,337)	(63,133)
Bad debt expense	7,848	-
Unrealized/realized (gain)/loss on investments	82,153	(118,479)
Gain on disposal of assets	(850)	-
In-kind contributions of assets	(86,948)	(191,425)
Increase (decrease) in annuity contract payable	(460,821)	51,675
Changes in assets and liabilities		
Accounts receivable	958	285,083
Promises to give	(873,634)	-
Beneficial interest in trust receivable	-	10,225
Bookstore inventories	163,688	(2,603)
Prepaid expenses	42,519	(50,420)
Accounts payable	71,240	(196,563)
Accrued expenses	(70,527)	(67,907)
Deferred revenue	(1,871)	(25,964)
Net Cash used for Operating Activities	(8,598)	(69,463)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(584,242)	(1,070,333)
Proceeds on other receivable	1,000,000	778,500
Additions to archive, art objects, and drawing library	(95,528)	(27,344)
Purchase of investments	(2,005,336)	(46,889)
Proceeds from sale of investments	2,040,416	1,054,592
Net Cash from Investing Activities	355,310	688,526
Cash Flows from Financing Activities		
Contributions restricted for long-term purposes	-	(523,349)
Payments on capital lease obligations	(18,985)	(28,653)
Payments on annuity contract	(66,786)	(87,660)
Payments on line of credit	(200,000)	-
Borrowings on line of credit	200,000	-
Net Cash used for Financing Activities	(85,771)	(639,662)
Net Increase (Decrease) in Cash and Cash Equivalents	260,941	(20,599)
Cash and Cash Equivalents, Beginning of Year	1,051,562	1,072,161
Cash and Cash Equivalents, End of Year	$ 1,312,503	$ 1,051,562
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 28,057	$ 32,996

Note 1 - Nature of Organization and Significant Accounting Policies

Description of Organization

The Frank Lloyd Wright Foundation (the Foundation) was formed under the laws of the State of Arizona as a nonprofit corporation. As of July 1, 1983, the Foundation applied for and received exemption from income taxes from the Internal Revenue Service and the Arizona Department of Revenue. The exemption was granted to the Foundation as an educational organization (The Frank Lloyd Wright School of Architecture) under Internal Revenue Code Section 501(c)(3).

The Frank Lloyd Wright Foundation owns both Taliesin West in Arizona and Taliesin in Wisconsin (which are designated as national historic landmarks), operates the Frank Lloyd Wright School of Architecture, owns and stewards the intellectual property and approved use of everything Wright designed or created (including licensed products and reproductions), jointly steers the Frank Lloyd Wright Foundation Archives (The Museum of Modern Art | Avery Architectural & Fine Arts Library, Columbia University, New York), and engages in a variety of meaningful outreach programs and partnerships.

In 1987, The Frank Lloyd Wright School of Architecture was accredited by the North Central Association of Colleges and Schools for its Master of Architecture Program and in August 1992 for its Bachelor of Architectural Studies. The Professional Master of Architecture was granted accreditation by the National Architectural Accrediting Board (NAAB) in 1996. Presently, the Foundation only offers a Master of Architecture Program degree.

Cash and Cash Equivalents and Concentration of Risk

The Foundation classifies all highly liquid short-term investments with an original maturity of 90 days or less as cash equivalents. Periodically during the year, the Foundation maintains cash in financial institutions in excess of federally insured limits. The Foundation has not experienced any losses in such accounts.

Accounts Receivable

The Foundation grants unsecured credit to its students, licensees and others, without interest. Management considers student accounts receivable over 90 days to be past due and all other accounts over 60 days to be past due. Management provides an allowance for doubtful accounts based upon prior experience and management's assessment of the collectability of existing specified accounts through a charge to earnings and a credit to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Foundation generally does not charge interest on overdue customer account balances. At December 31, 2015 and 2014, the allowance was $0 and $37,693, respectively.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for the uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2015 and 2014, the allowance for promises to give was $28,286 and $0, respectively.

Bookstore Inventories

Inventories are stated at the lower of cost or market determined by the first-in first-out method.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Property, Plant and Equipment

Property, plant and equipment items that are purchased are recorded at cost. Donations of property and equipment are recorded as in-kind revenues at the asset's fair market value on the date of donation. The Foundation follows the practice of capitalizing all expenditures for equipment in excess of $1,000. Property, plant and equipment are depreciated over the estimated useful lives of the related assets principally on an accelerated method using the following lives:

	Years
Buildings and improvements	5 - 39
Furniture, fixtures and equipment	5 - 10
Transportation equipment	5
Land improvements	5 - 19

When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Maintenance and repairs are charged to expense and renewals and betterments are capitalized.

Equipment leased under capital leases are stated at the lesser of the present value of the minimum lease payments during the lease term or the fair market value at the date they were placed into service. Amortization is provided using the straight-line method over the lesser of the term of the lease or the estimated useful lives of the assets and is included with depreciation expense on owned assets.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2015 and 2014.

Collections, Art Objects and Drawing Library Collections

The Foundation capitalizes contributions to its archive, art object and drawing library collections. The original archive is recognized at a nominal value of $1. Subsequent additions to the collections are recognized at the cost of the acquired items. Ongoing preservation and restoration costs are capitalized as incurred. Standard guidelines for works of art on paper are used to protect and preserve the collection.

Net Assets

Unrestricted net assets include those funds presently available for use by the Foundation at the discretion of management. The Board of Trustees of the Foundation has placed a designation on certain funds in the amount of $3,198,553 and $4,076,817 at December 31, 2015 and 2014, respectively, which is designated for the preservation of buildings and other assets owned by the Foundation and the funding of certain projects within the Foundation.

Temporarily restricted net assets are comprised of contributions subject to donor restrictions which will be satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted net assets consist of funds that are subject to the donor's specifications that the principal balance be invested and only the interest and dividend income or a portion of the income is available for restricted purposes as specified by the donor or, if not specified, for unrestricted purposes of the discretion of management.

Gifts of cash and other assets are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Advertising

Advertising costs are charged to operations as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was $159,631 and $111,276, respectively.

Income Taxes

The Frank Lloyd Wright Foundation is organized as an Arizona nonprofit organization and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and has been determined not to be a private foundation under Section 509(a)(1). The Foundation files annually a Return of Organizations Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Foundation has no taxable unrelated business income and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T).

The Foundation believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

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

Revenue Recognition and Deferred Revenue

The Foundation recognizes revenue from the bookstore, visitation, and collections and exhibition programs when services are provided or when the goods and merchandise are sold. Licensing program (royalty) revenue is recognized as a percentage of product sales made by licensees of the Foundation. The Foundation recognizes architectural school tuition revenue ratably over the duration of the school year.

Under the Foundation's non-traditional approach to architectural studies, students may enter and leave the program at any time. Deferred tuition revenue represents a liability for the billed portion of tuition revenue not earned as of year-end. The future revenues will be earned as students progress through the semester. In addition, cash payments received for future orders of sculptures are recorded as deposits.

Fair Value Measurements

The Foundation reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 — Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

Subsequent events have been evaluated through May 04, 2016, the date which the financial statements were available to be issued.

Note 2 - Accounts Receivable

At December 31, 2015 and 2014, receivables consisted of:

	2015	2014
Royalties	$ 309,526	$ 399,274
Students	316,678	208,346
Tours	6,915	2,760
Online ticket sales	41,238	91,749
Other, including reimbursable expenses	41,537	52,416
Less allowance for doubtful accounts	-	(37,693)
	$ 715,894	$ 716,852

Note 3 - Other Receivables

The Foundation entered into a long-term agreement with two well-established museums in September 2012. The receivable has been discounted using a rate of 5%. The final payment due on the receivable at December 31, 2015 is $1,000,000 and is due September 2016. Amounts due on the receivable at December 31, 2014 was $1,907,030 of which $1,000,000 was current.

Note 4 - Conditional Promises to Give

The Foundation has been named the beneficiary of a charitable remainder unitrust. Upon the death of both donors listed in the trust, the Foundation would receive $40,000 of the fair market value of the trust. The fair market value was $165,530 for the year ended December 31, 2015. The distribution of the proceeds is conditional upon the death of both donors listed in the trust and the Foundation can be replaced as a beneficiary, therefore, the Foundation has not recognized a promise to give.

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31, 2015 and 2014:

	2015	2014
Within one year	$ 398,040	$ 523,349
In one to five years	1,407,085	96,000
Over five years	77,500	125,500
	1,882,625	744,849
Less discount to net present value 5.25% - 8.00%	(241,366)	(73,029)
Less allowance for uncollectible promises to give	(28,286)	-
Total	1,612,973	671,820
Current portion	(398,040)	(523,349)
Long-term portion	$ 1,214,933	$ 148,471

A signed gift agreement was received from a Scottsdale residential home builder on December 1, 2014. For each home sold by this builder at the planned Cavalliere Ranch in North Scottsdale, $500 will be provided in as-sold quarterly installments after closing and will be gifted for all planned phases of the project. Expected receipts are discounted at a rate of 8%. The amount due net of discounts, included above totaled $158,338 and $148,471 as of December 31, 2015 and 2014, respectively.

The School of Architecture conducted a fundraising “campaign for independence” that began in early December 2014 in order to fund the creation of a new independent school entity as mandated by the Higher Learning Commission by-laws. Cash received was being held in a separate bank account and recorded as a liability on the Foundation’s financial statements in 2014. The balance of the liability at December 31, 2014 was $31,657.

In addition, contingent pledges were received from individuals for the campaign. Some were one time gifts and others extend to a five-year period. Promises to give at December 31, 2014 were $45,000 and were not recorded in the financial statements due to their contingent nature. Had fundraising efforts not met the goals and deadlines established by the Board of Trustees, the cash received would have been returned to the rightful donor unless explicitly directed to other Foundation programs.

Requirements for independence as established by the Board were $400,000 in cash and $2,000,000 in promises to give by December 31, 2015. These thresholds were met and independence is being pursued through the Higher Learning Commission. All amounts contributed have been recognized in 2015 net of discounts on pledges. The discount rate used is 5.25% with an additional percentage for potential uncollectible amounts. Amounts to be received in the future have been recorded as a temporarily restricted net asset due to time restrictions. The amount due, net of discounts, included above totaled $1,417,140 at December 31, 2015.

Note 6 - Fair Value Measurements

Fair value of assets measured on a recurring basis at December 31, 2015 and 2014 are as follows:

	2015			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds and Bond Funds				
Total Return Bond Fund	$ 404,206	$ 404,206	$ -	$ -
Income Opportunity Fund	318,801	318,801	-	-
Total Bond Market Index Fund	242,552	242,552	-	-
500 Index Fund	230,454	230,454	-	-
Bond Fund Retail	226,556	226,556	-	-
Total Stock Market Fund	157,146	157,146	-	-
Global Dividend Portfolio Fund	100,447	100,447	-	-
Short Term Invest Grade Fund	100,328	100,328	-	-
Multi-asset Income Fund	96,988	96,988	-	-
Brokerage assets	22,065	22,065	-	-
	$ 1,899,543	$ 1,899,543	$ -	$ -

	2014			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds and Bond Funds				
500 Index Fund	$ 523,011	$ 523,011	$ -	$ -
Balanced Index Fund	516,704	516,704	-	-
Prime Money Market Fund	208,840	208,840	-	-
Short Term Bond Index	205,084	205,084	-	-
Short Term Invest Grade Fund	402,782	402,782	-	-
Short Term Treasury	9,124	9,124	-	-
Total Bond Market Index Fund	151,231	151,231	-	-
	$ 2,016,776	$ 2,016,776	$ -	$ -

The fair values of the mutual funds and bond funds are determined using Level 1 inputs, which are derived from readily available pricing sources and third-party pricing services for identical or comparable instruments.

Note 7 - Net Investment Return

The following schedules summarize the investment return and its classification in the statement of activities for the years ended December 31, 2015 and 2014.

Investment return consisted of the following:

	2015		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 51,457	$ 8,001	$ 59,458
Realized and unrealized losses	(71,474)	(10,679)	(82,153)
	$ (20,017)	$ (2,678)	$ (22,695)

	2014		
	Unrestricted	Temporarily Restricted	Total
Interest and dividends	$ 33,559	$ 11,052	$ 44,611
Realized and unrealized gains	108,407	1,466	109,873
	$ 141,966	$ 12,518	$ 154,484

Note 8 - Property and Equipment

At December 31, 2015 and 2014, property and equipment consisted of:

	2015	2014
Buildings and improvements	$ 9,487,586	$ 9,284,686
Furniture, fixtures and equipment	4,365,371	3,827,639
Transportation equipment	134,286	134,286
Land improvements	1,555,523	1,544,044
	15,542,766	14,790,655
Less accumulated depreciation	(7,476,311)	(6,922,250)
	8,066,455	7,868,405
Construction in progress	1,015,016	1,092,977
Land	870,573	870,573
	$ 9,952,044	$ 9,831,955

Construction in progress consisted of the following items at December 31, 2015 and 2014:

	2015	2014
Taliesin West		
Preservation master plan	$ -	$ 106,719
Foundation website	-	107,083
Taliesin		
Guest wing renovation	452,886	197,000
Tan y Deri	406,660	396,090
Midway	82,622	-
Residence wing restoration	72,848	48,544
Hillside theater interior restoration	-	35,433
Iovanna Wright's apartment	-	1,356
Michel's farm	-	5,389
Loggia terrace	-	3,937
TPI capital additions to Taliesin	-	191,426
	$ 1,015,016	$ 1,092,977

Note 9 - Lines of Credit

At December 31, 2015, the Foundation had two available revolving lines of credit for $500,000. Interest on the first line with the Foundation's servicing bank, is charged at the bank's index rate plus 2% (5.25% at December 31, 2015). The bank line of credit is unsecured and expires on August 10, 2016, at which time is expected to be extended for another year. There was $0 outstanding on this line of credit at December 31, 2015 and 2014. The bank agreement also contains a letter of credit sub-feature in an amount not to exceed the available principal amount of the line of credit. Standby letters of credit are conditional commitments issued by a bank to guarantee the Foundation's payment of purchases from certain suppliers. There were no amounts outstanding on the letter of credit sub-feature at December 31, 2015 and 2014.

The second line was issued through the Foundation's investment firm in June 2015 and had a variable line interest rate (1.9% at December 31, 2015). The investment firm line of credit was collateralized by the investments held with the firm. The investment firm line of credit has no expiration date, however, the line was cancelled to facilitate the move of the underlying assets to a new investment firm in February 2016. $200,000 was borrowed on the line and repaid along with interest in the amount of $1,137 in November 2015. No amounts were outstanding at December 31, 2015.

Note 10 - Charitable Annuity Obligation

Under the will of Olgivanna Wright, the Foundation received a one-half interest in a collection of certain works of art. On July 1, 1994, the Foundation entered into an agreement with a Wright descendent to acquire the remaining one-half interest in this property, which was appraised in its entirety at approximately $2,742,000. In return, the Foundation is to pay, in the form of a charitable annuity obligation, $9,600 monthly until the descendant's death.

For financial reporting purposes, the charitable annuity obligation was recorded based upon the descendant's life expectancy, which exceeds the minimum payment period, discounted at 5.25%. Annual adjustments in the annuity obligation will be made based upon the remaining life expectancy of the descendent. The descendant passed away on September 3, 2015 and the gain of $460,821 on the remaining annuity balance was reflected in miscellaneous revenue during 2015.

Interest expense on the annuity obligation was $21,696 and $27,540 for the years ended December 31, 2015 and 2014, respectively.

Note 11 - Capital Lease Payable

The Foundation has entered into capital lease agreements for copiers. The lease requires monthly payments of $1,823, including interest at 4.80%. The maturing date of the copier lease is May 2018. Annual maturities of capital leases are as follows:

	Principal	Interest	Total
2016	$ 19,917	$ 1,957	$ 21,874
2017	20,894	980	21,874
2018	9,006	108	9,114
	$ 49,817	$ 3,045	$ 52,862

The assets reported on the Foundation's balance sheet and related amortization for these leases are as follows:

Furniture and equipment	$ 101,333
Less accumulated amortization	(47,500)
	$ 53,833

Note 12 - Property Taxes

The Foundation has received notice from Maricopa County that it is exempt from property taxes for the years ended December 31, 2015 and 2014. Taxes are still assessed and paid for several parcels in Wisconsin. Efforts are being made to exempt the remaining Wisconsin parcels in the future.

Note 13 - Related Party Transactions

The Foundation and Taliesin Preservation, Inc. (TPI) were related through common board membership until March 2012. As of December 31, 2015, the Foundation and TPI have one board member in common. In-kind gift contributions of $191,426 were predominately for construction projects in progress during calendar year 2014. There were no in-kind contributions made during 2015. The Foundation paid approximately $50,000 and $55,000 in payroll expenses for employees of TPI during 2015 and 2014, respectively. In partnership with the Foundation, it is the mission of Taliesin Preservation, Inc. to conserve the masterful buildings and landscape of the Taliesin estate and to educate the public on Frank Lloyd Wright the man, the architect, his architecture, and the ideas that continue to inspire other architects around the world.

A member of the Board of Trustees donated in-kind art conservation and restoration services on two Asian screens that are an integral part of the art collection installed at Taliesin, the house located in Wisconsin. The value of these in-kind services totaled $51,862 as of December 31, 2015.

Note 14 - Endowment Funds

The Foundation's endowment consists of seven donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management. In Arizona, those laws are found in Arizona Revised Statutes Sections 10-11801 through 10-11805.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the law as requiring the preservation of the fair value of corpus of a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets (that is, its net unspent appreciation and income) is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the law.

In accordance with state statutes, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Foundation and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the organization.
7. The investment policies of the organization.

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	$ -	$ -	$ 130,670	$ 130,670
Investment return	-	(10,297)	-	(10,297)
Investment income	-	7,619	-	7,619
	-	(2,678)	130,670	127,992
Appropriation of assets for expense	-	(7,619)	-	(7,619)
Other changes	-	10,297	-	10,297
Endowment net assets, End of year	$ -	$ -	$ 130,670	$ 130,670

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	$ -	$ -	$ 130,670	$ 130,670
Investment income	-	11,374	1,144	12,518
	-	11,374	131,814	143,188
Appropriation of assets for expense	-	(11,374)	(1,144)	(12,518)
Endowment net assets, End of year	$ -	$ -	$ 130,670	$ 130,670

Permanently restricted net assets at December 31, 2015, are resources invested in perpetuity, the income of which is available for the following purposes:

	2015	2014
Endowed gift to be held in perpetuity with the income to be used for scholarships	$ 126,670	$ 126,670
Endowed gift to be held in perpetuity with the income unrestricted in use	4,000	4,000
	$ 130,670	$ 130,670

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 the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. There were no deficiencies at December 31, 2015 and 2014.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate, aggregate costs of portfolio management, the long-term inflation rate and any growth factor that the Board may, from time to time, determine appropriate while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately five percent net of inflation annually. Actual returns in any given year may vary from this amount. Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets an asset allocation that places a greater emphasis on bonds and government investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policies and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year five percent of its temporarily restricted scholarship funds and a portion of the interest earned on permanently restricted scholarship funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to stay at a level base. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 15 - Board Designated Funds

At December 31, 2015 and 2014, board designations on unrestricted net assets were as follows:

	2015	2014
General Reserve Fund	$ 724,309	$ 844,615
School Capital Transition Fund	-	75,172
2015 Restoration/Preservation Fund	-	500,000
2016 Restoration/Preservation Fund	250,000	250,000
Preservation/Restoration Reserve	2,224,244	2,407,030
	$ 3,198,553	$ 4,076,817

Note 16 - Temporarily restricted Net Assets

Temporarily restricted net assets at December 31, 2015, are available for the following purposes or periods.

	2015	2014
Purpose Restrictions, Available for Spending		
School scholarships	$ 276,207	$ 294,695
Student activities	22,323	9,853
Preservation and restoration	124,916	143,180
Web development	-	37,183
Other	-	11,840
Total purpose-restricted net assets	423,446	496,751
Time Restrictions		
Tour sponsorship	500,000	1,000,000
Future operations	158,338	-
School campaign	1,417,140	-
Total time restrictions	2,075,478	1,000,000
	2,498,924	1,496,751

Net assets were released from restrictions as follows during the years ended December 31, 2015 and 2014:

	2015	2014
Satisfaction of purpose restrictions		
School scholarships	$ 15,809	$ 11,089
Student activities	10,124	84,350
Preservation and restoration	58,145	100,000
Web development	37,183	92,817
Other	11,840	8,147
Expiration of time restrictions	500,000	10,225
	$ 633,101	$ 306,628

Note 17 - Retirement Plan

The Foundation has a defined contribution retirement plan for the benefit of its employees. Employees are eligible to participate in the plan if they are 18 years or older and have completed one month of service. The plan provides for discretionary employer contributions. Discretionary matching contributions for the years ended December 31, 2015 and 2014 amounted to $18,681 and $17,405, respectively.

Note 18 - Donations In-Kind and Contributed Services

Items donated as gifts in-kind that are used in the Foundation’s programs are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service. Donations of library books, collections or items which meet the capitalization threshold are recorded as assets.

Contributed building and land improvements are recorded at fair value at the date of donation as unrestricted support and revenue unless the use of the assets is limited by a donor-imposed restriction. Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing such specialized skills. The Foundation recorded the following in-kind donations and contributed services for the years ended December 31, 2015 and 2014:

	2015	2014
Building and land improvements from Taliesin Preservation, Inc.	$ 83,648	$ 191,426
Restoration of Asian screens for Taliesin	51,862	-
Professional engineering services	49,010	65,248
Development services	29,536	-
Legal services	16,557	-
Restoration of Taliesin West	13,300	-
Other in-kind donations	2,000	7,220
Energy efficient light bulbs	-	44,734
Protective acrylic covering for Japanese screens	-	39,000
Board governance consulting services	-	25,000
6 air conditioner units and installation	-	20,095
Design studio chairs	-	15,000
Font package for new Foundation website	-	12,000
Window	-	5,001
	$ 245,913	$ 424,724

Community members in Arizona and Wisconsin volunteered as tour guides, administrative assistants and facilities technicians. A dollar valuation of their effort is not reflected in the financial statements because it does not meet the criteria for recognition. However, volunteer hours for the years ended December 31, 2015 and 2014 were approximately as follows:

	2015	2014
Total volunteer hours	6,471	7,144