



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

THE FRANK LLOYD WRIGHT FOUNDATION

July 31, 2022 and 2021



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Report of Independent Auditors

The Board of Trustees
The Frank Lloyd Wright Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Frank Lloyd Wright Foundation, which comprise the statements of financial position as of July 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Frank Lloyd Wright Foundation as of July 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Frank Lloyd Wright Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Frank Lloyd Wright Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Frank Lloyd Wright Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Frank Lloyd Wright Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Moss Adams LLP

Phoenix, Arizona
November 8, 2022

The Frank Lloyd Wright Foundation
Statements of Financial Position

ASSETS		July 31,	
		<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	3,787,449	\$ 2,364,871
Accounts receivable		266,854	147,493
Pledges receivable		178,134	210,029
Retail inventories		275,105	238,955
Prepaid expenses		<u>135,311</u>	<u>118,578</u>
Total current assets		4,642,853	3,079,926
Investments		5,637,701	4,969,444
Property, plant, and equipment, net		9,221,925	9,229,203
Archives, art objects, and drawing library collections		2,887,067	2,887,067
Other assets		<u>38,335</u>	<u>38,191</u>
Total assets	\$	<u><u>22,427,881</u></u>	<u><u>20,203,831</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current maturities of capital lease payable	\$	12,994	\$ 19,812
Accounts payable		233,850	107,141
Accrued expenses		231,448	173,086
Deferred revenue		<u>375,698</u>	<u>294,920</u>
Total current liabilities		853,990	594,959
Capital lease payable, less current maturities		52,980	1,687
Paycheck Protection Program loan		-	735,482
Long-term benefit payable		<u>22,500</u>	<u>25,000</u>
Total liabilities		<u>929,470</u>	<u>1,357,128</u>
NET ASSETS			
Without donor restrictions			
Undesignated		16,005,835	13,669,796
Board-designated for funded projects		1,781,503	1,603,503
Board-designated quasi-endowment for future projects		<u>430,950</u>	<u>-</u>
Total net assets without donor restrictions		18,218,288	15,273,299
With donor restrictions		<u>3,280,123</u>	<u>3,573,404</u>
Total net assets		<u>21,498,411</u>	<u>18,846,703</u>
Total liabilities and net assets	\$	<u><u>22,427,881</u></u>	<u><u>20,203,831</u></u>

The Frank Lloyd Wright Foundation

Statements of Activities

	Year Ended July 31, 2022			Year Ended July 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Public tours and access	\$ 5,257,208	\$ -	\$ 5,257,208	\$ 1,198,157	\$ -	\$ 1,198,157
Memberships	444,807	-	444,807	280,019	-	280,019
Licensing program	1,112,193	-	1,112,193	861,581	-	861,581
Retail program	2,712,450	-	2,712,450	1,252,192	-	1,252,192
Contributed financial assets and grants	2,895,075	232,050	3,127,125	3,354,459	74,244	3,428,703
Contributed nonfinancial assets	20,295	-	20,295	53,195	-	53,195
Investment income, net						
Interest and dividends	47,575	57,811	105,386	14,805	48,302	63,107
Realized and unrealized (losses) gains	(176,029)	(252,046)	(428,075)	7,143	117,403	124,546
Other income	211,285	-	211,285	1,181,530	-	1,181,530
Net assets released from restrictions	331,096	(331,096)	-	471,161	(471,161)	-
Total revenues and other support	<u>12,855,955</u>	<u>(293,281)</u>	<u>12,562,674</u>	<u>8,674,242</u>	<u>(231,212)</u>	<u>8,443,030</u>
Expenses and other losses						
Preservation and stewardship	2,964,708	-	2,964,708	2,557,130	-	2,557,130
Retail program	2,302,598	-	2,302,598	1,221,736	-	1,221,736
Public tours and access	2,599,464	-	2,599,464	1,221,332	-	1,221,332
Taliesin fellowship	210,910	-	210,910	232,039	-	232,039
Licensing program	619,972	-	619,972	454,384	-	454,384
K-12 education program	301,270	-	301,270	159,944	-	159,944
Total program	<u>8,998,922</u>	<u>-</u>	<u>8,998,922</u>	<u>5,846,565</u>	<u>-</u>	<u>5,846,565</u>
Fundraising and membership	1,454,490	-	1,454,490	1,100,149	-	1,100,149
Management and general	193,036	-	193,036	301,193	-	301,193
Total expenses and other losses	<u>10,646,448</u>	<u>-</u>	<u>10,646,448</u>	<u>7,247,907</u>	<u>-</u>	<u>7,247,907</u>
Other changes in net assets						
Gain on forgiveness of debt	735,482	-	735,482	735,400	-	735,400
Change in net assets	<u>2,944,989</u>	<u>(293,281)</u>	<u>2,651,708</u>	<u>2,161,735</u>	<u>(231,212)</u>	<u>1,930,523</u>
NET ASSETS, beginning of year	<u>15,273,299</u>	<u>3,573,404</u>	<u>18,846,703</u>	<u>13,111,564</u>	<u>3,804,616</u>	<u>16,916,180</u>
NET ASSETS, end of year	<u>\$ 18,218,288</u>	<u>\$ 3,280,123</u>	<u>\$ 21,498,411</u>	<u>\$ 15,273,299</u>	<u>\$ 3,573,404</u>	<u>\$ 18,846,703</u>

The Frank Lloyd Wright Foundation Statements of Functional Expenses

	Year Ended July 31, 2022									
	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	K-12 Education Program	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	\$ 4,792	\$ 237	\$ 235,679	\$ 14	\$ 20,462	\$ 9,413	\$ 270,597	\$ 20,205	\$ 115	\$ 290,917
Salaries and related taxes	1,429,414	464,266	1,209,285	33,091	157,669	110,377	3,404,102	809,843	89,806	4,303,751
Fringe benefits	173,823	45,990	91,742	13,353	13,516	13,055	351,479	77,085	8,787	437,351
Depreciation and amortization	316,944	36,982	101,026	47,718	7,458	29,029	539,157	20,502	29,456	589,115
Printing	1,172	1,587	14,352	48	120	172	17,451	21,757	386	39,594
Professional and other fees	372,807	34,101	125,694	2,167	354,839	93,679	983,287	232,996	15,288	1,231,571
Interest/bank fees	1,891	77,538	160,044	144	281	2,167	242,065	17,447	720	260,232
Postage	784	74,422	28,752	15	52	50	104,075	16,503	118	120,696
Office supplies	41,791	20,404	63,512	433	1,001	8,156	135,297	14,627	1,860	151,784
Advertising and public relations	5,502	123,239	237,294	231	39,221	7,852	413,339	105,110	1,846	520,295
Travel	15,794	3,398	12,848	239	3,212	1,129	36,620	10,674	1,913	49,207
Telephone	14,118	3,059	9,276	4,446	728	970	32,597	6,376	801	39,774
Repairs and maintenance	361,000	1,655	4,034	150	344	308	367,491	1,479	1,203	370,173
Data processing	39,383	41,804	112,905	1,538	11,910	11,638	219,178	56,221	12,307	287,706
Insurance	61,560	32,258	78,632	2,931	6,709	6,003	188,093	28,831	23,451	240,375
Utilities	91,073	9,088	24,401	13,622	1,766	6,659	146,609	5,202	2,580	154,391
Dues	9,089	1,844	5,164	776	288	258	17,419	4,989	1,007	23,415
Rent expense	12,246	2,297	6,947	626	103	93	22,312	3,385	361	26,058
Cost of goods sold	-	1,307,297	7,750	-	-	-	1,315,047	-	-	1,315,047
Miscellaneous/other	11,525	21,132	70,127	89,368	293	262	192,707	1,258	1,031	194,996
Total	\$ 2,964,708	\$ 2,302,598	\$ 2,599,464	\$ 210,910	\$ 619,972	\$ 301,270	\$ 8,998,922	\$ 1,454,490	\$ 193,036	\$ 10,646,448

See accompanying notes.

The Frank Lloyd Wright Foundation Statements of Functional Expenses (Continued)

	Year Ended July 31, 2021									
	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	K-12 Education Program	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	\$ 2,010	\$ 691	\$ 5,467	\$ 108	\$ 18,743	\$ 5,901	\$ 32,920	\$ 3,400	\$ 781	\$ 37,101
Salaries and related taxes	1,251,770	339,011	617,049	37,047	118,673	76,260	2,439,810	754,133	158,198	3,352,141
Fringe benefits	147,230	24,932	42,761	11,672	11,442	6,536	244,573	49,955	14,554	309,082
Depreciation and amortization	334,692	38,252	103,635	48,230	17,485	37,304	579,598	22,402	28,563	630,563
Printing	732	485	2,765	16	96	77	4,171	9,968	186	14,325
Professional and other fees	310,074	18,705	40,232	1,917	238,708	5,463	615,099	48,925	19,810	683,834
Interest/bank fees	11,638	39,214	43,397	527	883	2,154	97,813	15,526	6,178	119,517
Postage	2,449	67,149	24,970	13	44	14	94,639	4,272	157	99,068
Office supplies	30,735	8,516	6,470	711	402	2,902	49,736	2,869	1,056	53,661
Advertising and public relations	9,993	49,619	101,344	292	19,353	2,668	183,269	36,204	3,423	222,896
Travel	8,489	1,737	1,786	116	267	202	12,597	3,234	1,354	17,185
Telephone	16,817	4,220	6,931	5,554	1,312	847	35,681	7,966	1,996	45,643
Repairs and maintenance	230,772	1,920	2,645	255	413	352	236,357	3,400	2,983	242,740
Data processing	41,691	34,380	105,985	1,652	15,913	6,993	206,614	59,973	19,354	285,941
Insurance	66,695	22,851	31,480	3,032	4,917	4,188	133,163	40,475	35,507	209,145
Utilities	73,758	8,054	20,990	10,163	3,531	7,361	123,857	5,456	969	130,282
Dues	10,120	1,921	3,021	857	1,311	286	17,516	6,278	2,427	26,221
Rent expense	1,197	2,186	531	1,518	83	71	5,586	683	599	6,868
Cost of goods sold	-	545,788	1,250	-	-	-	547,038	-	-	547,038
Reservation expense	-	-	5,308	-	-	-	5,308	-	-	5,308
Miscellaneous/other	6,268	12,105	53,315	108,359	808	365	181,220	25,030	3,098	209,348
Total	\$ 2,557,130	\$ 1,221,736	\$ 1,221,332	\$ 232,039	\$ 454,384	\$ 159,944	\$ 5,846,565	\$ 1,100,149	\$ 301,193	\$ 7,247,907

The Frank Lloyd Wright Foundation Statements of Cash Flows

	Years Ended July 31,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,651,708	\$ 1,930,523
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	589,115	630,563
Realized and unrealized losses (gains)	428,075	(124,546)
Loss on disposal of assets	-	26,332
Contributed property, plant, and equipment	-	(24,000)
Gain on forgiveness of debt	(735,482)	(735,400)
Change in assets and liabilities		
Accounts receivable	(119,361)	(7,307)
Pledge receivables	31,895	108,668
Retail inventories	(36,150)	42,551
Prepaid expenses	(16,733)	1,317
Other assets	(144)	-
Accounts payable	126,709	22,637
Accrued expenses	58,362	21,933
Deferred revenue	80,778	229,030
Long-term benefit payable	(2,500)	7,500
	<u>3,056,272</u>	<u>2,129,801</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(526,152)	(284,530)
Proceeds from sale of property, plant, and equipment	-	225
Purchase of investments	(5,975,103)	(1,187,586)
Proceeds from sale of investments	4,878,771	71,023
	<u>(1,622,484)</u>	<u>(1,400,868)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(11,210)	(19,045)
Borrowings on long-term debt	-	735,482
Payments on long-term debt	-	(150,000)
Borrowings on line of credit	-	1,136,422
Payments on line of credit	-	(1,944,097)
	<u>(11,210)</u>	<u>(241,238)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,422,578	487,695
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,364,871</u>	<u>1,877,176</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,787,449</u>	<u>\$ 2,364,871</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 1,691</u>	<u>\$ 26,422</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Property, plant, and equipment financed through capital lease	<u>\$ 72,303</u>	<u>\$ -</u>

See accompanying notes.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

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.

The Foundation owns both Taliesin West in Arizona and Taliesin in Wisconsin (which are designated as national historic landmarks and UNESCO World Heritage sites), owns and stewards the intellectual property and approved use of everything Wright designed or created (including licensed products and reproductions), and engages in a variety of meaningful outreach programs and partnerships.

Basis of accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 licensees and others, without interest. Management considers 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. As of July 31, 2022 and 2021, no allowance was recorded.

Pledge receivables – Pledge receivables represent future amounts the Foundation will receive from donors as well as amounts to be received from government agencies related to grants for which conditions have been satisfied. The Foundation records pledges receivable when revenue recognition criteria are met. Management provides an allowance for doubtful pledges 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. As of July 31, 2022 and 2021, no allowance was recorded. All pledge receivables as of July 31, 2022 and 2021, were due to be received within one year and, as a result, amounts were not discounted.

Retail inventories – The Foundation measures inventory at the lower of cost or net realizable value. Cost is determined using the FIFO (first-in, first-out) method.

Investments – Investments include cash and cash equivalents held for investment purposes or for donor-restricted endowment funds. 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 statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

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 value on the date of donation. The Foundation follows the practice of capitalizing all expenditures for equipment in excess of \$5,000. Property, plant, and equipment are depreciated over the estimated useful lives of the related assets principally on an accelerated method using the following lives:

	<u>Years</u>
Buildings and improvements	5–30
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 is stated at the lesser of the present value of the minimum lease payments during the lease term or the fair 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, plant, 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 July 31, 2022 and 2021.

Archives, art objects, and drawing library collections – The Foundation capitalizes contributions to its archive, art objects, 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. During the year ended July 31, 2021, the Foundation sold certain art objects for a total of \$1,000,000, which is included in other income on the statements of activities. The proceeds from deaccession of collection items may be used for acquisitions of new collection items or the direct care of existing collections.

Net assets – The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Net assets without donor restrictions are net assets not subject to stipulations imposed by the donor and are currently available for expenditures. Net assets without donor restrictions include net assets transferred from net assets with donor restrictions after restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. Net assets without donor restrictions include those funds presently available for use by the Foundation at the discretion of management. The Board of Trustees of the Foundation have placed a designation on certain funds in the amount of \$1,781,503 and \$1,603,503 as of July 31, 2022 and 2021, 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. Net assets without donor restrictions also included board-designated endowment funds of \$430,950 as of July 31, 2022. There were no board-designated endowment funds as of July 31, 2021.

Net assets with donor restrictions are assets subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. The restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. Net assets with donor restrictions also include assets that are subject to the donor's specifications that the principal balance be maintained in perpetuity 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 general purposes at the discretion of management.

Public tours and access – Revenue from public tours and access is recorded based on standalone selling prices and is recognized at the point in time in which the tour is provided or the event is held. Fees are paid in full upon purchase of the tour ticket or booking of the event and are non-refundable. Cash payments received for future tours or events are recorded as deferred revenue.

Memberships – Memberships represent amounts paid up front by members to access the properties over the 12-month membership period. Memberships are nonrefundable and are recognized over time using a straight-line method over the membership period. Unearned memberships are included in deferred revenue.

Licensing program – The Foundation licenses its intellectual property to others who produce and/or sell products incorporating the licensed property, in exchange for a royalty based on actual or anticipated sales, or other good and valuable consideration. Licensing revenue is recognized at the point in time in which the products are sold. Licensing program revenue is typically billed and collected on a monthly or quarterly basis and is based on actual sales occurring in the period.

Retail program – Revenue for retail sales is recorded based on the standalone selling prices of the product sold. Revenue from the retail store is recognized at the point in time in which the product is sold. For online sales, revenue is recognized at the point in time in which control is transferred to the customer, which generally occurs upon shipment of the product to the customer. For sales of sculptures, the Foundation collects 50% of the sales price upon order and the remaining 50% upon delivery of the sculpture. Revenue is recognized at the point in time in which the sculpture is delivered to the customer. Amounts received in advance of delivery are recorded as deferred revenue. The Foundation accounts for shipping and handling as activities to fulfill its performance obligations and records these costs as program service expenses.

The Frank Lloyd Wright Foundation Notes to Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Contributed financial assets and grants – Contributions and grants are recognized as revenue when received or unconditionally promised. Grants received are evaluated to determine if they represent nonreciprocal contribution transactions or exchange transactions. Typically, governmental grants contain a right of return or right of release from the respective obligation provision on the part of the grantor and the Foundation has limited discretion over how the funds should be spent. The Foundation recognizes revenues for these conditional contributions and other conditional promises to give when the conditions are substantially met. All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Contributed nonfinancial assets – 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 that meet the capitalization threshold are recorded as assets. The Foundation will evaluate each contributed asset to determine whether it will be utilized or monetized depending on the nature of the asset. Such contributions are reported as increases in net assets without donor restrictions unless the donor has restricted the donated good or service to a specific purpose.

Contributed property, plant, and equipment are recorded at fair value at the date of donation as net assets without donor restrictions 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. Fair value for donated property, plant, and equipment and services is recognized based on the estimated current rates for similar goods or services.

Contributed nonfinancial assets consisted of the following for the years ended July 31:

	2022	2021
Property, plant, and equipment	\$ -	\$ 24,000
Professional fees	20,295	29,195
Contributed nonfinancial assets	\$ 20,295	\$ 53,195

All contributed nonfinancial assets were utilized during the year and none contained donor-imposed restrictions.

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. Volunteer hours for the years ended July 31, 2022 and 2021, were 4,076 and 4,048, respectively.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Deferred revenue – Deferred revenue consists of cash received related to contracts with customers for which performance obligations have not been satisfied and cash received related to conditional contributions and grants for which conditions have not been substantially met. As of July 31, 2022 and 2021, deferred revenue representing contract liabilities under contracts with customers totaled \$51,063 and \$91,738, respectively.

Functional allocation of expenses – The cost of providing the Foundation’s various programs and other activities has been summarized on a functional basis in the accompanying statements of activities and statements of functional expenses. Certain costs have been allocated among the programs and supporting services benefited based on an analysis of time and expenses. Administrative expenses are allocated based on the number of employees assigned to the program or activity. Facility-related expenses are allocated based on actual square footage of space used in each program or activity. All other expenses are recorded directly to the program or supporting service benefited.

Advertising – Advertising costs are charged to operations as incurred. Advertising expense for the years ended July 31, 2022 and 2021, was \$520,295 and \$222,896, respectively.

Income taxes – The 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.

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 GAAP 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.

Recently adopted accounting pronouncements – In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The provisions of the ASU establish new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Foundation adopted this ASU during the year ended July 31, 2022, on a retrospective basis. As a result, nonfinancial asset contributions are separately presented on the statements of activities. There was no impact to previously reported net assets or change in net assets.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Foundation’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

The Foundation has evaluated subsequent events through November 8, 2022, which is the date the financial statements are available to be issued.

Note 2 – Availability and Liquidity

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to conservatively maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments in equity securities, bonds, and money market funds. As of July 31, 2022, the Foundation also had an available line of credit in the amount of \$2,000,000.

The following represents the Foundation’s financial assets available to meet general expenditures over the next twelve months as of July 31:

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 3,787,449	\$ 2,364,871
Accounts receivable	266,854	147,493
Pledge receivables	178,134	210,029
Investments	5,637,701	4,969,444
Total financial assets	9,870,138	7,691,837
Less: amounts not available to be used for general expenditures		
Net assets with donor restrictions	3,280,123	3,573,404
Total financial assets available	\$ 6,590,015	\$ 4,118,433

Board designated net assets are considered available to be used for general expenditures.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 3 – 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 the Foundation 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, the Foundation develops 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 the Foundation's assessment of the quality, risk, or liquidity profile of the asset or liability.

Shares of mutual funds, bond funds, close-end funds, and exchange-traded funds are valued at the daily closing price as reported by the fund.

The Frank Lloyd Wright Foundation Notes to Financial Statements

Note 3 – Fair Value Measurements (continued)

Fair value of assets measured on a recurring basis are as follows as of July 31:

	2022			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 28,337	\$ 28,337	\$ -	\$ -
Mutual funds and bond funds	2,126,698	2,126,698	-	-
Close-end funds and exchange-traded funds	3,482,666	3,482,666	-	-
Total investments	\$ 5,637,701	\$ 5,637,701	\$ -	\$ -
	2021			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 2,506,804	\$ 2,506,804	\$ -	\$ -
Mutual funds and bond funds	2,313,923	2,313,923	-	-
Close-end funds and exchange-traded funds	148,717	148,717	-	-
Total investments	\$ 4,969,444	\$ 4,969,444	\$ -	\$ -

Note 4 – Property, Plant, and Equipment

Property and equipment consisted of the following as of July 31:

	2022	2021
Buildings and improvements	\$ 11,654,947	\$ 11,636,450
Furniture, fixtures, and equipment	4,914,170	4,818,617
Transportation equipment	69,414	69,414
Land improvements	1,964,698	1,964,698
Total depreciable property, plant, and equipment	18,603,229	18,489,179
Less: accumulated depreciation and amortization	(10,852,146)	(10,343,175)
Total depreciable property, plant, and equipment, net	7,751,083	8,146,004
Construction in progress	592,816	205,173
Land	878,026	878,026
Total property, plant, and equipment, net	\$ 9,221,925	\$ 9,229,203

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 4 – Property, Plant, and Equipment (continued)

The assets reported in the table above held under capital lease are as follows as of July 31:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures, and equipment	\$ 72,303	\$ 96,131
Less: accumulated amortization	<u>(8,034)</u>	<u>(67,236)</u>
Total capital leases, net of accumulated amortization	<u>\$ 64,269</u>	<u>\$ 28,895</u>

Amortization expense for assets under capital lease is included in depreciation and amortization expense on the statements of functional expenses.

Construction in progress consisted of the following items as of July 31:

	<u>2022</u>	<u>2021</u>
Taliesin West		
Accessibility	\$ 32,196	\$ 17,330
Water and sewer infrastructure	169,915	-
Apprentice court restoration	34,531	-
Taliesin		
Hillside theater	198,717	132,596
Main house restoration	26,920	6,360
Dam restoration	45,071	45,032
Conservation master plan	78,471	-
Miscellaneous	<u>6,995</u>	<u>3,855</u>
Total construction in progress	<u>\$ 592,816</u>	<u>\$ 205,173</u>

Note 5 – Line of Credit

The Foundation had an available revolving line of credit of \$1,000,000. In May 2022, the Foundation amended the line of credit to \$2,000,000. The line of credit has a variable rate defined as the greater of 1.50% or the prime-based rate minus 1.75%, with prior year terms being the LIBOR rate plus 1.75% (1.50% and 1.84% as of July 31, 2022 and 2021, respectively). The line is collateralized by investments held with the lending institution. As of July 31, 2022, there was no outstanding balance on the line of credit.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 6 – Long-Term Debt

In April 2020, the Foundation was granted a loan under the Paycheck Protection Program (PPP) offered by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for \$735,400. Under the original terms, the loan bore interest at 1.0% with no payments for the first 6 months. Monthly payments of principal and interest were scheduled to begin in November 2020 and continue through maturity in April 2022, if required. The loan was subject to partial or full forgiveness if the Foundation used all proceeds for eligible purposes, maintained certain employment levels, and maintained certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. Loan payments were deferred upon forgiveness. The Foundation was notified by the SBA in November 2020 that the loan was fully forgiven.

In January 2021, the Foundation was granted a second loan under the PPP. Under the original terms, the loan bore interest at 1.0% and required monthly payments of principal and interest beginning 10 months after the end of the covered period (between 8 and 24 weeks) and continuing through maturity in January 2026, if required. The loan was subject to partial or full forgiveness if the Foundation used all proceeds for eligible purposes, maintains certain employment levels, and maintained certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. The Foundation was notified by the SBA in November 2021 that the loan was fully forgiven in November 2021.

In May 2020, the Foundation was granted an SBA Economic Injury Disaster Loan for \$150,000. The loan accrued interest at 2.75% with no payments for the first 12 months. The loan was collateralized by certain tangible and intangible personal property of the Foundation and was paid in full in July 2021.

Note 7 – Capital Lease Payable

The Foundation leases certain copiers. Through December 2021, the lease required monthly payments of \$1,692, including interest at 3.95%. The lease was amended and renewed effective January 2022 and requires monthly payments of \$1,258, including interest at 3.5%. The maturing date of the copier lease is March 2027. Annual payments of the capital lease are as follows:

Year Ending July 31,	
2023	\$ 15,096
2024	15,096
2025	15,096
2026	15,096
2027	<u>10,064</u>
Total minimum lease payments	70,448
Amount representing interest	<u>4,474</u>
Present value of minimum lease payments	<u>\$ 65,974</u>

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 8 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows as of July 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specific purpose		
Preservation and restoration	\$ 632,190	\$ 773,595
Technology upgrade	18,000	-
Education program	8,000	8,000
Miscellaneous	-	5,641
	<u>658,190</u>	<u>787,236</u>
Subject to time restriction		
Future operations	-	20,000
Subject to endowment spending policy	582,297	776,532
Required to be maintained in perpetuity		
Endowment funds	<u>2,039,636</u>	<u>1,989,636</u>
	<u>\$ 3,280,123</u>	<u>\$ 3,573,404</u>

Net assets were released from restrictions as follows during years ended July 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions		
Preservation and restoration	\$ 305,454	\$ 382,222
Education program	-	19,500
Miscellaneous	5,642	22,103
Satisfaction of time restrictions		
Future operations	20,000	-
Subject to endowment spending policy	<u>-</u>	<u>47,336</u>
	<u>\$ 331,096</u>	<u>\$ 471,161</u>

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 9 – Endowment Funds

The Foundation's endowment funds consist of individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management. The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the states of Arizona and Wisconsin as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 endowment 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 Foundation, and (7) the investment policies of the Foundation.

The Foundation has adopted investment and spending policies as directed by the donor for its endowment fund. The objective of these policies is to provide the Foundation a long-term growth of principal and maximum return on investment. Funds are invested in mutual funds, bond funds, closed-end funds, exchange-traded funds, or cash accounts as directed by the donor.

The Foundation may appropriate for expenditure or accumulate so much of the endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The maximum annual appropriation amount is limited to 5% of the fair value of the endowment fund investments as of the beginning of the fiscal year.

The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the funds and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation's policy permits spending from underwater funds in accordance with prudent measures required under the law, unless specifically prohibited by the donor or relevant laws and regulations. As of July 31, 2022, funds with original gift values of \$1,989,636, fair values of \$1,905,744, and deficiencies of \$83,892 were reported in net assets with donor restrictions. As of July 31, 2021, there were no underwater funds.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 9 – Endowment Funds (continued)

Endowment net asset composition by type of fund as of July 31, 2022 and 2021, is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,621,933	\$ 2,621,933
Board-designated endowment funds	430,950	-	430,950
Endowment net assets, end of year	<u>\$ 430,950</u>	<u>\$ 2,621,933</u>	<u>\$ 3,052,883</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,766,168	\$ 2,766,168
Board-designated endowment funds	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,766,168</u>	<u>\$ 2,766,168</u>

The changes in endowment net assets were as follows for the years ended July 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,766,168	\$ 2,766,168
Contributions	-	50,000	50,000
Board-designations	450,000	-	450,000
Investment income			
Interest and dividends	7,055	57,811	64,866
Realized and unrealized losses	(26,105)	(252,046)	(278,151)
Endowment net assets, end of year	<u>\$ 430,950</u>	<u>\$ 2,621,933</u>	<u>\$ 3,052,883</u>

The Frank Lloyd Wright Foundation
Notes to Financial Statements

Note 9 – Endowment Funds (continued)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,647,799	\$ 2,647,799
Contributions	-	-	-
Investment income			
Interest and dividends	-	48,302	48,302
Realized and unrealized gains	-	117,403	117,403
Appropriation of endowment funds for expenditure	-	(47,336)	(47,336)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,766,168</u>	<u>\$ 2,766,168</u>

Note 10 – 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 year of service. The plan provides for discretionary employer contributions. Discretionary matching contributions for the years ended July 31, 2022 and 2021, totaled \$14,827 and \$15,412, respectively.