



Report of Independent Auditors and Financial Statements

**The Frank Lloyd Wright Foundation**

July 31, 2024 and 2023

## **Table of Contents**

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	<b>Page</b>
<b>Report of Independent Auditors</b>	<b>1</b>
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

## **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, 2024 and 2023, 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, 2024 and 2023, 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.

#### ***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.

The image shows a handwritten signature in dark ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Phoenix, Arizona  
November 11, 2024

## **Financial Statements**

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**The Frank Lloyd Wright Foundation**  
**Statements of Financial Position**  
**July 31, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 657,371	\$ 3,448,269
Accounts receivable	261,394	246,647
Pledges receivable	-	95,915
Investments	2,651,534	2,725,567
Retail inventories	247,509	296,381
Prepaid expenses	163,865	135,796
Total current assets	3,981,673	6,948,575
Investments, held for donor-restricted endowments	3,059,725	2,773,634
Property, plant, and equipment, net	12,190,405	10,517,838
Archives, art objects, and drawing library collections	2,959,379	2,959,379
Other assets	38,457	38,335
Total assets	<u>\$ 22,229,639</u>	<u>\$ 23,237,761</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of finance lease payable	\$ 14,016	\$ 13,456
Accounts payable	226,326	424,724
Accrued expenses	606,407	362,047
Deferred revenue	202,592	262,211
Total current liabilities	1,049,341	1,062,438
Finance lease payable, less current maturities	23,219	39,524
Long-term benefit payable	7,500	10,000
Total liabilities	<u>1,080,060</u>	<u>1,111,962</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	14,898,233	15,970,427
Board-designated for funded projects	1,909,744	1,781,503
Board-designated quasi-endowment for future projects	656,061	461,274
Total net assets without donor restrictions	17,464,038	18,213,204
With donor restrictions	3,685,541	3,912,595
Total net assets	<u>21,149,579</u>	<u>22,125,799</u>
Total liabilities and net assets	<u>\$ 22,229,639</u>	<u>\$ 23,237,761</u>

See accompanying notes.

**The Frank Lloyd Wright Foundation**  
**Statements of Activities**  
**Years Ended July 31, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Public tours and access	\$ 4,454,362	\$ -	\$ 4,454,362	\$ 4,189,928	\$ -	\$ 4,189,928
Memberships	383,254	-	383,254	356,765	-	356,765
Licensing program	1,074,504	-	1,074,504	1,271,675	-	1,271,675
Retail program	2,592,754	-	2,592,754	2,644,694	-	2,644,694
Contributed financial assets and grants	1,163,167	495,400	1,658,567	1,121,088	1,576,082	2,697,170
Contributed nonfinancial assets	13,943	-	13,943	28,121	-	28,121
Investment income, net						
Interest and dividends	144,386	74,293	218,679	103,726	65,007	168,733
Realized and unrealized gains	210,781	245,798	456,579	140,503	119,694	260,197
Other income	219,992	-	219,992	242,911	-	242,911
Net assets released from restrictions	1,042,545	(1,042,545)	-	1,128,311	(1,128,311)	-
Total revenues and other support	11,299,688	(227,054)	11,072,634	11,227,722	632,472	11,860,194
Expenses and other losses						
Preservation and stewardship	3,748,561	-	3,748,561	3,266,782	-	3,266,782
Retail program	2,294,972	-	2,294,972	2,312,257	-	2,312,257
Public tours and access	2,787,868	-	2,787,868	2,630,764	-	2,630,764
Taliesin fellowship	177,996	-	177,996	209,243	-	209,243
Licensing program	533,924	-	533,924	584,378	-	584,378
Education program	608,789	-	608,789	526,597	-	526,597
Total program	10,152,110	-	10,152,110	9,530,021	-	9,530,021
Fundraising and membership	1,624,060	-	1,624,060	1,440,353	-	1,440,353
Management and general	272,684	-	272,684	262,432	-	262,432
Total expenses and other losses	12,048,854	-	12,048,854	11,232,806	-	11,232,806
Change in net assets	(749,166)	(227,054)	(976,220)	(5,084)	632,472	627,388
NET ASSETS, beginning of year	18,213,204	3,912,595	22,125,799	18,218,288	3,280,123	21,498,411
NET ASSETS, end of year	\$ 17,464,038	\$ 3,685,541	\$ 21,149,579	\$ 18,213,204	\$ 3,912,595	\$ 22,125,799

See accompanying notes.

**The Frank Lloyd Wright Foundation**  
**Statements of Functional Expenses**  
**Years Ended July 31, 2024 and 2023**

	2024									
	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	Education Program	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	\$ 4,716	\$ 338	\$ 1,599	\$ -	\$ 11,588	\$ 15,243	\$ 33,484	\$ 73,596	\$ 267	\$ 107,347
Salaries and related taxes	1,922,715	612,882	1,599,132	4,602	178,614	385,200	4,703,145	846,555	141,502	5,691,202
Fringe benefits	216,633	50,401	188,145	3,708	22,903	66,628	548,418	58,716	15,855	622,989
Depreciation and amortization	299,605	38,340	102,374	49,797	13,625	38,178	541,919	17,245	31,289	590,453
Printing	1,313	359	4,508	-	31	434	6,645	73,057	148	79,850
Professional and other fees	294,056	33,661	169,694	60	258,466	18,432	774,369	295,786	21,114	1,091,269
Interest/bank fees	2,562	76,765	141,410	-	608	3,784	225,129	12,856	1,025	239,010
Postage	2,380	79,535	21,263	-	251	196	103,625	21,038	303	124,966
Office supplies	71,738	10,613	46,557	26	1,040	10,566	140,540	8,408	1,245	150,193
Advertising and public relations	19,560	74,994	190,956	-	18,650	10,844	315,004	80,179	7,634	402,817
Travel	19,085	4,068	13,634	-	5,257	15,228	57,272	11,788	2,872	71,932
Telephone	13,074	3,403	9,843	6,300	602	2,852	36,074	5,603	989	42,666
Repairs and maintenance	640,997	525	1,250	-	92	224	643,088	455	439	643,982
Data processing	52,022	44,546	149,589	-	12,225	15,293	273,675	79,424	16,084	369,183
Insurance	67,561	32,331	76,972	-	5,654	13,777	196,295	28,007	27,024	251,326
Utilities	101,445	11,427	30,254	16,374	3,900	10,872	174,272	5,510	3,075	182,857
Dues	11,455	2,264	9,985	650	352	871	25,577	5,507	1,485	32,569
Rent expense	5,047	5,898	674	-	50	121	11,790	245	237	12,272
Cost of goods sold	-	1,199,259	3,507	-	-	-	1,202,766	-	-	1,202,766
Miscellaneous/other	2,597	13,363	26,522	96,479	16	46	139,023	85	97	139,205
Total	<u>\$ 3,748,561</u>	<u>\$ 2,294,972</u>	<u>\$ 2,787,868</u>	<u>\$ 177,996</u>	<u>\$ 533,924</u>	<u>\$ 608,789</u>	<u>\$ 10,152,110</u>	<u>\$ 1,624,060</u>	<u>\$ 272,684</u>	<u>\$ 12,048,854</u>

See accompanying notes.



**The Frank Lloyd Wright Foundation**  
**Statements of Functional Expenses (Continued)**  
**Years Ended July 31, 2024 and 2023**

	2023									
	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	Education Program	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	\$ 10,520	\$ 2,842	\$ 3,870	\$ 61	\$ 21,899	\$ 23,116	\$ 62,308	\$ 19,794	\$ 675	\$ 82,777
Salaries and related taxes	1,758,953	538,766	1,480,215	35,896	164,964	330,662	4,309,456	834,959	130,276	5,274,691
Fringe benefits	210,260	66,278	167,090	14,876	18,617	51,074	528,195	80,524	14,344	623,063
Depreciation and amortization	283,442	36,271	96,851	47,110	12,890	36,118	512,682	16,315	29,602	558,599
Printing	636	335	4,287	8	120	166	5,552	76,854	87	82,493
Professional and other fees	323,186	27,493	104,404	2,419	302,701	14,691	774,894	211,814	24,018	1,010,726
Interest/bank fees	2,529	76,484	128,084	99	272	2,762	210,230	12,139	1,084	223,453
Postage	3,853	83,322	28,183	15	260	102	115,735	20,891	164	136,790
Office supplies	84,373	25,192	80,243	678	1,414	8,191	200,091	6,659	1,450	208,200
Advertising and public relations	8,767	88,848	230,523	258	29,186	10,329	367,911	38,140	2,837	408,888
Travel	32,424	8,291	19,460	326	12,435	10,622	83,558	12,869	3,586	100,013
Telephone	12,078	3,352	10,193	5,337	896	1,863	33,719	5,922	1,101	40,742
Repairs and maintenance	308,561	781	2,170	71	149	292	312,024	738	783	313,545
Data processing	37,362	33,707	104,964	1,135	8,009	11,799	196,976	47,222	12,481	256,679
Insurance	64,395	29,417	81,788	2,683	5,614	10,995	194,892	27,807	29,515	252,214
Utilities	101,196	10,291	27,558	16,362	3,537	9,793	168,737	4,991	3,191	176,919
Dues	9,609	1,977	9,128	770	290	1,818	23,592	5,289	1,319	30,200
Rent expense	1,350	4,644	952	31	65	128	7,170	7,177	344	14,691
Cost of goods sold	-	1,248,514	4,870	-	-	-	1,253,384	-	-	1,253,384
Miscellaneous/other	13,288	25,452	45,931	81,108	1,060	2,076	168,915	10,249	5,575	184,739
Total	<u>\$ 3,266,782</u>	<u>\$ 2,312,257</u>	<u>\$ 2,630,764</u>	<u>\$ 209,243</u>	<u>\$ 584,378</u>	<u>\$ 526,597</u>	<u>\$ 9,530,021</u>	<u>\$ 1,440,353</u>	<u>\$ 262,432</u>	<u>\$ 11,232,806</u>

See accompanying notes.

**The Frank Lloyd Wright Foundation**  
**Statements of Cash Flows**  
**Years Ended July 31, 2024 and 2023**

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (976,220)	\$ 627,388
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities		
Depreciation and amortization	590,453	558,599
Realized and unrealized gains	(456,579)	(260,197)
Loss on disposal of assets	-	2,729
Contributed property, plant, and equipment	-	(12,435)
Contributed archives, art objects, and drawing library collections	-	(3,600)
Change in assets and liabilities		
Accounts receivable	(14,747)	20,207
Pledge receivables	95,915	82,219
Retail inventories	48,872	(21,276)
Prepaid expenses	(28,069)	(485)
Other assets	(122)	-
Accounts payable	(198,398)	190,874
Accrued expenses	244,360	130,599
Deferred revenue	(59,619)	(113,487)
Long-term benefit payable	(2,500)	(12,500)
Net cash (used in) provided by operating activities	<u>(756,654)</u>	<u>1,188,635</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant, and equipment	(2,263,020)	(1,844,806)
Purchases of archives, art objects, and drawing library collections	-	(68,712)
Purchase of investments	(2,506,153)	(1,432,126)
Proceeds from sale of investments	<u>2,750,674</u>	<u>1,830,823</u>
Net cash used in investing activities	<u>(2,018,499)</u>	<u>(1,514,821)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on finance lease payable	<u>(15,745)</u>	<u>(12,994)</u>
Net cash used in financing activities	<u>(15,745)</u>	<u>(12,994)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,790,898)</u>	<u>(339,180)</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>3,448,269</u>	<u>3,787,449</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 657,371</u></u>	<u><u>\$ 3,448,269</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u><u>\$ 1,587</u></u>	<u><u>\$ 2,385</u></u>

See accompanying notes.

# The Frank Lloyd Wright Foundation

## Notes to Financial Statements

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### 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 credit losses based on relevant available information, including past experience, current conditions, and reasonable and supportable forecasts as a decrease in net assets 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, 2024 and 2023, no allowance was recorded. As of July 31, 2024 and 2023, accounts receivable totaled \$261,394 and \$246,647, respectively. Accounts receivable as of August 1, 2022, was \$266,854.

**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. The Foundation had no pledge receivables as of July 31, 2024. As of July 31, 2023 no allowance was recorded. All pledge receivables as of July 31, 2023, 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. Endowments held for donor-restricted endowment funds are classified as noncurrent assets 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 net of expenses.

## The Frank Lloyd Wright Foundation

### Notes to Financial Statements

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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 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.

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, 2024 and 2023.

**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.

**Leases** – The Foundation determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the statements of financial position and lease expense is recognized on a straight-line basis over the lease term. Right-of-use (ROU) assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at their commencement date, the date the Foundation gains access to the property or underlying asset, based on the present value of lease payments over the lease term. In determining the present value, the Foundation discounts lease payments based on the risk-free interest rate at the lease commencement date unless the rate implicit in the lease is known. The lease terms include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

## The Frank Lloyd Wright Foundation

### Notes to Financial Statements

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**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.

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 \$1,909,744 and \$1,781,503 as of July 31, 2024 and 2023, 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 \$656,061 and \$461,274 as of July 31, 2024 and 2023, respectively.

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 100% of the sales price upon order. 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

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**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. 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, including preservation and restoration costs capitalized as archives, art objects, and drawing library collections, 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:

	<u>2024</u>	<u>2023</u>
Property, plant, and equipment	\$ -	\$ 12,435
Professional fees		
Capitalized as archives, art objects, and drawing library collections	-	3,600
Expensed	<u>13,943</u>	<u>12,086</u>
Contributed nonfinancial assets	<u>\$ 13,943</u>	<u>\$ 28,121</u>

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, 2024 and 2023, were 2,935 and 3,163 (unaudited), respectively.

## The Frank Lloyd Wright Foundation

### Notes to Financial Statements

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**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, 2024 and 2023, deferred revenue representing contract liabilities under contracts with customers totaled \$85,275 and \$69,600, respectively. Contract liabilities as of August 1, 2022, was \$51,063.

**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, 2024 and 2023, was \$402,817 and \$408,888, 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 standards** – In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*, which requires the establishment of an allowance for estimated credit losses on financial assets, including trade and other receivables and contract assets, at each reporting date. The Foundation adopted the new standard on August 1, 2023, using the modified-retrospective approach, which did not have a significant effect on the financial statements.

# The Frank Lloyd Wright Foundation

## Notes to Financial Statements

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**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 11, 2024, which is the date the financial statements are available to be issued.

**Reclassifications** – Certain amounts were reclassified in the 2023 financial statements to conform to the 2024 presentation. Such reclassifications had no impact on previously reported net assets or change in net assets.

### 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, 2024, 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:

	2024	2023
Financial assets at year end		
Cash and cash equivalents	\$ 657,371	\$ 3,448,269
Accounts receivable	261,394	246,647
Pledge receivables	-	95,915
Investments	2,651,534	2,725,567
Investments held for donor-restricted endowments	3,059,725	2,773,634
Total financial assets	6,630,024	9,290,032
Less: amounts not available to be used for general expenditures		
Net assets with donor restrictions	3,685,541	3,912,595
Total financial assets available	\$ 2,944,483	\$ 5,377,437

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



## The Frank Lloyd Wright Foundation

### Notes to Financial Statements

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The total financial assets available to meet general expenditures decreased by \$2,432,954 from July 31, 2023 to July 31, 2024. During the year ended July 31, 2024 the Foundation invested \$2,263,020 in property, plant and equipment for preservation projects, including the water and sewer replacement project at Taliesin West and the Hillside Theater preservation at Taliesin. Prior to July 31, 2023, funds were moved from investments to cash to reduce market risk related to the funds that were used to pay for the preservation projects. This raised the cash balance beyond a normal level at July 31, 2023. Payment for those improvements subsequently reduced the cash during the year ended July 31, 2024.

The change in net assets for the year ended July 31, 2024 was a loss of \$976,220. Management made expenditures based on a budget that grant revenue would be consistent with the prior year. The Foundation recognized \$1,038,603 less in grant revenue during the year ended July 31, 2024 than in the year ended.

#### **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.

## The Frank Lloyd Wright Foundation

### Notes to Financial Statements

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

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

2024				
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 51,517	\$ 51,517	\$ -	\$ -
Mutual funds and exchange-traded funds				
Equity funds	4,223,770	4,223,770	-	-
Fixed income funds	1,296,677	1,296,677	-	-
Real estate funds	139,295	139,295	-	-
Total investments	<u>\$ 5,711,259</u>	<u>\$ 5,711,259</u>	<u>\$ -</u>	<u>\$ -</u>
2023				
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 64,837	\$ 64,837	\$ -	\$ -
Mutual funds and exchange-traded funds				
Equity funds	3,753,798	3,753,798	-	-
Fixed income funds	1,542,769	1,542,769	-	-
Real estate funds	137,797	137,797	-	-
Total investments	<u>\$ 5,499,201</u>	<u>\$ 5,499,201</u>	<u>\$ -</u>	<u>\$ -</u>

#### Note 4 – Property, Plant, and Equipment

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

	2024	2023
Buildings and improvements	\$ 12,354,216	\$ 11,680,335
Furniture, fixtures, and equipment	5,553,370	5,446,857
Transportation equipment	130,549	69,414
Land improvements	<u>4,037,758</u>	<u>1,961,157</u>
Total depreciable property, plant, and equipment	22,075,893	19,157,763
Less: accumulated depreciation and amortization	<u>(11,964,690)</u>	<u>(11,374,240)</u>
Total depreciable property, plant, and equipment, net	10,111,203	7,783,523
Construction in progress	1,201,176	1,856,289
Land	<u>878,026</u>	<u>878,026</u>
Total property, plant, and equipment, net	<u>\$ 12,190,405</u>	<u>\$ 10,517,838</u>

# The Frank Lloyd Wright Foundation

## Notes to Financial Statements

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

	2024	2023
Taliesin West		
Accessibility	\$ -	\$ 54,172
Water and sewer infrastructure	-	751,008
Building preservation	262,670	226,516
Master plan	215,737	-
Taliesin		
Hillside theater	-	371,625
Main house restoration	494,092	225,342
Dam restoration	48,122	47,071
Conservation master plan	180,555	180,555
	<u>\$ 1,201,176</u>	<u>\$ 1,856,289</u>
Total construction in progress		

### Note 5 – Line of Credit

The Foundation has an available revolving line of credit of \$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% (6.25% and 6.75% as of July 31, 2024 and 2023, respectively). The line is collateralized by investments held with the lending institution. As of July 31, 2024 and 2023, there was no outstanding balance on the line of credit.

### Note 6 – Leases

The Foundation leases certain copiers through March 2027 under a finance lease. As of July 31, 2024 and 2023, finance lease ROU assets, recognized in property, plant, and equipment, net, on the statements of financial position, was \$34,926 and \$49,806, respectively. Finance lease liabilities for the lease totaled \$37,235 and \$52,980 as of July 31, 2024 and 2023, respectively. As of July 31, 2024, the discount rate was 3.50% and the remaining lease term was 2.6 years for this lease.

A summary of lease expense is as follows for the years ended July 31:

	2024	2023
Finance lease expense		
Amortization of ROU assets	\$ 14,880	\$ 14,463
Interest on lease liabilities	1,587	2,235
Short-term lease expense	12,272	14,691
	<u>\$ 28,739</u>	<u>\$ 31,389</u>
Total lease expense		

# The Frank Lloyd Wright Foundation

## Notes to Financial Statements

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Cash paid for amounts included in the measurement of lease liabilities is as follows for the years ended July 31:

	2024	2023
Operating cash flows from finance leases (interest)	\$ 1,587	\$ 2,385
Financing cash flows from finance leases (principal portion)	15,745	12,994
Total	<u>\$ 17,332</u>	<u>\$ 15,379</u>

Maturities of finance lease liabilities are as follows as of July 31, 2024:

Years Ending July 31,	
2025	\$ 15,096
2026	15,096
2027	<u>8,918</u>
Total minimum lease payments	39,110
Less: present value discount	<u>(1,875)</u>
Present value of minimum lease payments	<u>\$ 37,235</u>

### Note 7 – Net Assets with Donor Restrictions

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

	2024	2023
Subject to expenditure for specific purpose		
Preservation and restoration	\$ 475,909	\$ 1,070,800
Technology upgrade	62,003	3,415
Education program	<u>87,904</u>	<u>64,746</u>
Total subject to expenditure for specific purpose	625,816	1,138,961
Subject to endowment spending policy	1,020,089	733,998
Required to be maintained in perpetuity		
Endowment funds	<u>2,039,636</u>	<u>2,039,636</u>
Total net assets with donor restrictions	<u>\$ 3,685,541</u>	<u>\$ 3,912,595</u>

## The Frank Lloyd Wright Foundation

### Notes to Financial Statements

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

	2024	2023
Satisfaction of purpose restrictions		
Preservation and restoration	\$ 909,792	\$ 1,073,571
Technology upgrade	63,912	14,585
Education program	34,841	7,155
Subject to endowment spending policy	34,000	33,000
Total releases from restriction	<u>\$ 1,042,545</u>	<u>\$ 1,128,311</u>

#### Note 8 – 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, 2024 and 2023, there were no underwater funds.

# The Frank Lloyd Wright Foundation

## Notes to Financial Statements

Endowment net asset composition by type of fund as of July 31, 2024 and 2023, is as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 3,059,725	\$ 3,059,725
Board-designated endowment funds	656,061	-	656,061
Endowment net assets, end of year	<u>\$ 656,061</u>	<u>\$ 3,059,725</u>	<u>\$ 3,715,786</u>

  

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,773,634	\$ 2,773,634
Board-designated endowment funds	461,274	-	461,274
Endowment net assets, end of year	<u>\$ 461,274</u>	<u>\$ 2,773,634</u>	<u>\$ 3,234,908</u>

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 461,274	\$ 2,773,634	\$ 3,234,908
Board-designations	149,441	-	149,441
Investment income			
Interest and dividends	11,255	74,293	85,548
Realized and unrealized gains	34,091	245,798	279,889
Appropriation of endowment funds for expenditure	<u>-</u>	<u>(34,000)</u>	<u>(34,000)</u>
Endowment net assets, end of year	<u>\$ 656,061</u>	<u>\$ 3,059,725</u>	<u>\$ 3,715,786</u>

# The Frank Lloyd Wright Foundation

## Notes to Financial Statements

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	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 430,950	\$ 2,621,933	\$ 3,052,883
Investment income			
Interest and dividends	10,950	65,007	75,957
Realized and unrealized gains	19,374	119,694	139,068
Appropriation of endowment funds for expenditure	-	(33,000)	(33,000)
Endowment net assets, end of year	<u>\$ 461,274</u>	<u>\$ 2,773,634</u>	<u>\$ 3,234,908</u>

### Note 9 – 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, 2024 and 2023, totaled \$65,374 and \$20,199, respectively.

