



Report of Independent Auditors and Financial Statements

The Frank Lloyd Wright Foundation

July 31, 2023 and 2022

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Report of Independent Auditors

**Report on the Audit of the Financial Statements
Opinion**

Basis for Opinion

Responsibilities of Management for the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements

The Frank Lloyd Wright Foundation
Statements of Financial Position
July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,448,269	\$ 3,787,449
Accounts receivable	246,647	266,854
Pledges receivable	95,915	178,134
Retail inventories	296,381	275,105
Prepaid expenses	135,796	135,311
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Total current assets	4,223,008	4,642,853
Investments	5,499,201	5,637,701
Property, plant, and equipment, net	10,517,838	9,221,925
Archives, art objects, and drawing library collections	2,959,379	2,887,067
Other assets	38,335	38,335
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Total assets	<u>\$ 23,237,761</u>	<u>\$ 22,427,881</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of finance lease payable	\$ 13,456	\$ -
Current maturities of capital lease payable	-	12,994
Accounts payable	424,724	233,850
Accrued expenses	362,047	231,448
Deferred revenue	262,211	375,698
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Total current liabilities	1,062,438	853,990
Finance lease payable, less current maturities	39,524	-
Capital lease payable, less current maturities	-	52,980
Long-term benefit payable	10,000	22,500
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Total liabilities	1,111,962	929,470
NET ASSETS		
Without donor restrictions		
Undesignated	15,970,427	16,005,835
Board-designated for funded projects	1,781,503	1,781,503
Board-designated quasi-endowment for future projects	461,274	430,950
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Total net assets without donor restrictions	18,213,204	18,218,288
With donor restrictions	3,912,595	3,280,123
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Total net assets	22,125,799	21,498,411
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Total liabilities and net assets	<u>\$ 23,237,761</u>	<u>\$ 22,427,881</u>

See accompanying notes.

The Frank Lloyd Wright Foundation
Statements of Activities
Years Ended July 31, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Public tours and access	\$ 4,189,928	\$ -	\$ 4,189,928	\$ 5,257,208	\$ -	\$ 5,257,208
Memberships	356,765	-	356,765	444,807	-	444,807
Licensing program	1,271,675	-	1,271,675	1,112,193	-	1,112,193
Retail program	2,644,694	-	2,644,694	2,712,450	-	2,712,450
Contributed financial assets and grants	1,121,088	1,576,082	2,697,170	2,895,075	232,050	3,127,125
Contributed nonfinancial assets	28,121	-	28,121	20,295	-	20,295
Investment income, net						
Interest and dividends	103,726	65,007	168,733	47,575	57,811	105,386
Realized and unrealized gains (losses)	140,503	119,694	260,197	(176,029)	(252,046)	(428,075)
Other income	242,911	-	242,911	211,285	-	211,285

See accompanying notes.

The Frank Lloyd Wright Foundation
Statements of Functional Expenses (Continued)
Years Ended July 31, 2023 and 2022

	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	\$ 4,792	\$ 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

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See accompanying notes.

The Frank Lloyd Wright Foundation
Statements of Cash Flows
Years Ended July 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 627,388	\$ 2,651,708
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	558,599	589,115
Realized and unrealized (gains) losses	(260,197)	428,075
Loss on disposal of assets	2,729	-
Contributed property, plant, and equipment	(12,435)	-
Contributed archives, art objects	1,959,721	6,283,786

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 Frank Lloyd Wright Foundation

Notes to Financial Statements

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.

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, 2023 and 2022.

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 – Effective August 1, 2023, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The standard establishes a right-of-use model that requires a lessee to recognize a right-of-use (ROU) asset and a lease liability on the statement of financial position for all leases with lease terms longer than 12 months. The Foundation adopted this new lease standard using a modified retrospective transition as of the effective date. The Foundation also elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things allowed the Foundation to carry

The Frank Lloyd Wright Foundation

Notes to Financial Statements

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. 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.

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 \$1,781,503 as of July 31, 2023 and 2022, 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 \$461,274 and \$430,950 as of July 31, 2023 and 2022, 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 – str39959temenits

The Frank Lloyd Wright Foundation

Notes to Financial Statements

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.

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

The Frank Lloyd Wright Foundation
Notes to Financial Statements

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

	2023	2022
Property, plant, and equipment	\$ 12,435	\$ -
Professional fees		
Capitalized as archives, art objects, and drawing library collections	3,600	-
Expensed	12,086	20,295
Contributed nonfinancial assets	\$ 28,121	\$ 20,295

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, 2023 and 2022, were 3,163 and 4,076 (unaudited), respectively.

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, 2023 and 2022, deferred revenue representing contract liabilities under contracts with customers totaled \$69,600 and \$51,063, respectively. Contract liabilities as of August 1, 2022, was \$91,738.

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

The Frank Lloyd Wright Foundation

Notes to Financial Statements

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.

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 13, 2023, which is the date the financial statements are available to be issued.

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 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

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

	2023	2022
Taliesin West Accessibility	\$ 54,172	\$ 32,196

The Frank Lloyd Wright Foundation
Notes to Financial Statements

Supplemental quantitative information related to leases is as follows for the year ended July 31, 2023:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases (i.e. interest)	\$	2,385
Financing cash flows from finance leases (i.e. principal portion)		<u>12,994</u>
Total	\$	<u><u>15,379</u></u>

Maturities of finance lease liabilities are as follows as of July 31, 2023:

Years Ending July 31,		
2024	\$	15,096
2025		15,096
2026		15,096
2027		<u>11,167</u>
Total minimum lease payments		56,455
Less: Present value discount		<u>(3,475)</u>
Present value of minimum lease payments	\$	<u><u>52,980</u></u>

For the year ended July 31, 2022, leases were accounted for under Topic 840. As of July 31, 2022, assets under capital leases were recorded at a net carrying amount of \$64,269, representing capitalized furniture, fixtures, and equipment of \$72,303 less accumulated amortization of \$8,034. Capital lease liabilities totaled \$65,974 as of July 31, 2022.

Note 7 – Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specific purpose		
Preservation and restoration	\$ 1,070,800	\$ 632,190
Technology upgrade	3,415	18,000
Education program	<u>64,746</u>	<u>8,000</u>
Total subject to expenditure for specific purpose	1,138,961	658,190
Subject to endowment spending policy	733,998	582,297
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><u>\$ 3,912,595</u></u>	<u><u>\$ 3,280,123</u></u>

The Frank Lloyd Wright Foundation
Notes to Financial Statements

The Frank Lloyd Wright Foundation

Notes to Financial Statements

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, 2023, there were no underwater funds. 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.

Endowment net asset composition by type of fund as of July 31, 2023 and 2022, is as follows:

	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	\$ 461,274	\$ 2,773,634	\$ 3,234,908
	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	\$ 430,950	\$ 2,621,933	\$ 3,052,883

The Frank Lloyd Wright Foundation
Notes to Financial Statements

	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		