



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

THE FRANK LLOYD WRIGHT FOUNDATION

July 31, 2020 and 2019



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Report of Independent Auditors

To the Board of Trustees
The Frank Lloyd Wright Foundation

Report on Financial Statements

We have audited the accompanying financial statements of The Frank Lloyd Wright Foundation (the “Foundation”), which comprise the statements of financial position as of July 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Frank Lloyd Wright Foundation as of July 31, 2020 and 2019, 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.

Moss Adams LLP

Phoenix, Arizona
October 26, 2020

The Frank Lloyd Wright Foundation
Statements of Financial Position

ASSETS	July 31,	
	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,877,176	\$ 664,274
Accounts receivable	140,186	243,689
Pledge receivables	318,697	903,173
Retail inventories	281,506	209,604
Prepaid expenses	119,895	154,105
Total current assets	2,737,460	2,174,845
Investments	3,728,335	2,139,710
Property, plant, and equipment, net	9,577,793	10,086,475
Archives, art objects, and drawing library collection	2,887,067	2,859,567
Other assets	38,191	38,191
Total assets	\$ 18,968,846	\$ 17,298,788
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of capital lease payable	\$ 19,046	\$ 18,309
Accounts payable	84,504	194,058
Accrued expenses	151,153	331,373
Deferred revenue	65,890	77,092
Line of credit	807,675	522,143
Total current liabilities	1,128,268	1,142,975
Capital lease payable, less current maturities	21,498	40,544
Paycheck Protection Plan Loan	735,400	-
Economic Injury Disaster Loan	150,000	-
Long-term benefit payable	17,500	17,500
Total liabilities	2,052,666	1,201,019
NET ASSETS		
Without donor restrictions		
General	11,532,502	12,706,313
Board designated	1,579,062	1,669,050
Total net assets without donor restrictions	13,111,564	14,375,363
With donor restrictions	3,804,616	1,722,406
Total net assets	16,916,180	16,097,769
Total liabilities and net assets	\$ 18,968,846	\$ 17,298,788

The Frank Lloyd Wright Foundation

Statements of Activities

	Year Ended July 31, 2020			Year Ended July 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Public tours and access	\$ 2,770,829	\$ -	\$ 2,770,829	\$ 3,902,544	\$ -	\$ 3,902,544
Licensing program	799,131	-	799,131	1,004,354	-	1,004,354
Retail program	1,347,236	-	1,347,236	1,919,831	-	1,919,831
Contributions, grants, and membership	1,170,452	2,565,646	3,736,098	946,627	1,559,769	2,506,396
Investment income						
Interest and dividends	54,914	22,836	77,750	68,098	-	68,098
Realized and unrealized gains	51,273	68,756	120,029	80,259	-	80,259
Other income	253,704	-	253,704	353,991	-	353,991
Net assets released from restrictions	575,028	(575,028)	-	412,290	(412,290)	-
Total revenues and other support	7,022,567	2,082,210	9,104,777	8,687,994	1,147,479	9,835,473
Expenses and other losses						
Preservation and stewardship	2,011,081	-	2,011,081	2,056,393	-	2,056,393
Retail program	1,217,182	-	1,217,182	1,463,608	-	1,463,608
Public tours and access	1,684,844	-	1,684,844	1,716,242	-	1,716,242
Taliesin fellowship	276,085	-	276,085	417,426	-	417,426
Licensing program	443,591	-	443,591	536,993	-	536,993
K-12 education program	349,195	-	349,195	382,070	-	382,070
School support	1,096,128	-	1,096,128	1,169,864	-	1,169,864
Total program	7,078,106	-	7,078,106	7,742,596	-	7,742,596
Fundraising and membership	900,212	-	900,212	937,051	-	937,051
Management and general	308,048	-	308,048	244,399	-	244,399
Total expenses and other losses	8,286,366	-	8,286,366	8,924,046	-	8,924,046
Change in net assets	(1,263,799)	2,082,210	818,411	(236,052)	1,147,479	911,427
NET ASSETS, beginning of year	14,375,363	1,722,406	16,097,769	14,611,415	574,927	15,186,342
NET ASSETS, end of year	\$ 13,111,564	\$ 3,804,616	\$ 16,916,180	\$ 14,375,363	\$ 1,722,406	\$ 16,097,769

The Frank Lloyd Wright Foundation Statements of Functional Expenses

Year Ended July 31, 2020

	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	K-12 Education Program	School Support	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	\$ 8,783	\$ 1,189	\$ 27,119	\$ 785	\$ 19,192	\$ 2,146	\$ 662	\$ 59,876	\$ 3,036	\$ 1,474	\$ 64,386
Salaries and related taxes	1,464,200	320,155	802,249	70,587	245,787	247,124	66,678	3,216,780	556,696	148,465	3,921,941
Fringe benefits	162,793	23,502	53,647	5,065	14,888	22,322	5,171	287,388	35,440	11,515	334,343
Depreciation and amortization	177,053	37,282	90,659	45,942	15,675	17,373	284,680	668,664	18,371	28,601	715,636
Printing	30	207	3,813	-	30	622	-	4,702	8,145	-	12,847
Professional and other fees	253,754	27,557	82,384	29,476	74,343	15,270	32,961	515,745	122,368	55,470	693,583
Interest/bank fees	9,751	38,139	9,196	2,882	1,627	1,303	2,446	65,344	9,093	5,447	79,884
Postage	226	20,367	40,689	33	231	17	28	61,591	3,277	62	64,930
Office supplies	48,972	11,102	10,434	12	901	20,418	644	92,483	4,238	1,435	98,156
Advertising and public relations	812	50,436	120,412	242	25,642	1,784	204	199,532	27,711	454	227,697
Travel	21,363	3,117	5,947	1,220	7,909	760	1,073	41,389	3,459	2,389	47,237
Telephone	13,130	3,103	6,576	720	2,034	1,134	938	27,635	4,773	2,089	34,497
Repairs and maintenance	337,880	1,225	3,584	1,395	707	627	1,177	346,595	1,576	2,620	350,791
Data processing	35,183	19,316	36,966	8,260	20,376	5,646	6,965	132,712	43,209	15,508	191,429
Insurance	48,946	12,798	37,454	14,582	7,392	6,551	12,296	140,019	16,473	27,378	183,870
Utilities	34,844	8,516	20,913	9,355	3,646	3,987	57,257	138,518	4,525	886	143,929
Dues	8,523	1,353	4,447	894	1,537	441	827	18,022	5,018	1,841	24,881
Rent expense	2,355	2,011	2,251	40	122	108	203	7,090	272	452	7,814
Support of School of Architecture at Taliesin	(621,037)	-	-	-	-	-	621,037	-	-	-	-
Cost of goods sold	-	622,341	4,168	-	-	-	-	626,509	-	-	626,509
Reservation expense	-	-	210,210	-	-	1,093	-	211,303	-	-	211,303
Miscellaneous/other	3,520	13,466	111,726	84,595	1,552	469	881	216,209	32,532	1,962	250,703
Total	\$ 2,011,081	\$ 1,217,182	\$ 1,684,844	\$ 276,085	\$ 443,591	\$ 349,195	\$ 1,096,128	\$ 7,078,106	\$ 900,212	\$ 308,048	\$ 8,286,366

See accompanying notes.

The Frank Lloyd Wright Foundation

Statements of Functional Expenses (continued)

Year Ended July 31, 2019

	Preservation and Stewardship	Retail Program	Public Tours and Access	Taliesin Fellowship	Licensing Program	K-12 Education Program	School Support	Total Program	Fundraising and Membership	Management and General	Total Expenses
Program and special activities	\$ 17,779	\$ 1,160	\$ 27,151	\$ 1,688	\$ 20,402	\$ 3,024	\$ 1,018	\$ 72,222	\$ 36,972	\$ 1,198	\$ 110,392
Salaries and related taxes	1,408,347	318,637	780,500	179,337	298,620	259,463	114,682	3,359,586	590,787	134,842	4,085,215
Fringe benefits	150,444	23,514	44,633	16,324	26,388	25,390	8,232	294,925	37,729	9,679	342,333
Depreciation and amortization	169,048	31,138	70,069	82,584	8,898	21,317	257,409	640,463	12,794	20,093	673,350
Printing	635	465	2,162	132	489	312	127	4,322	28,405	149	32,876
Professional and other fees	202,696	12,521	33,701	18,176	102,786	8,780	25,700	404,360	40,506	19,402	464,268
Interest/bank fees	6,400	48,462	9,538	2,915	1,153	916	2,793	72,177	7,728	3,284	83,189
Postage	6,450	25,655	56,152	415	231	85	264	89,252	9,941	310	99,503
Office supplies	77,200	22,056	8,096	5,376	2,050	14,050	1,845	130,673	6,029	2,170	138,872
Advertising and public relations	3,953	28,572	187,602	1,697	19,241	2,876	1,728	245,669	23,865	2,031	271,565
Travel	22,423	5,238	7,516	3,131	12,693	2,189	2,729	55,919	8,053	3,209	67,181
Telephone	11,774	2,904	6,147	2,687	3,041	1,141	1,448	29,142	5,171	1,702	36,015
Repairs and maintenance	476,877	1,246	3,454	2,237	728	602	1,922	487,066	1,671	2,259	490,996
Data processing	39,019	20,624	31,667	14,121	27,580	25,241	14,391	172,643	53,765	16,921	243,329
Insurance	45,986	13,033	36,127	19,722	7,614	6,301	20,099	148,882	17,475	23,633	189,990
Utilities	44,611	8,376	19,032	21,727	2,499	5,663	66,478	168,386	3,770	640	172,796
Dues	9,935	1,289	5,217	1,162	1,971	400	1,164	21,138	5,979	1,368	28,485
Rent expense	4,029	2,009	5,055	783	122	101	323	12,422	281	380	13,083
Support of School of Architecture at Taliesin	(646,555)	-	-	-	-	-	646,555	-	-	-	-
Cost of goods sold	-	884,161	-	-	-	-	-	884,161	-	-	884,161
Reservation expense	-	-	295,064	-	-	3,919	-	298,983	-	-	298,983
Miscellaneous/other	5,342	12,548	87,359	43,212	487	300	957	150,205	46,130	1,129	197,464
Total	\$ 2,056,393	\$ 1,463,608	\$ 1,716,242	\$ 417,426	\$ 536,993	\$ 382,070	\$ 1,169,864	\$ 7,742,596	\$ 937,051	\$ 244,399	\$ 8,924,046

The Frank Lloyd Wright Foundation Statements of Cash Flows

	Years Ended July 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 818,411	\$ 911,427
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	715,636	673,350
Unrealized/realized gain on investments	(120,029)	(80,259)
In-kind contributions of assets	(7,622)	(138,631)
Change in assets and liabilities		
Accounts receivable	115,591	(35,308)
Pledge receivables	(22,183)	(903,173)
Retail inventories	(71,902)	(5,761)
Prepaid expenses	34,210	2,220
Other assets	-	(38,191)
Accounts payable	(109,554)	(175,338)
Accrued expenses	(180,220)	30,911
Deferred revenue	(11,202)	(27,670)
Net cash provided by operating activities	<u>1,161,136</u>	<u>213,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(199,332)	(906,608)
Additions to archive, art objects, and drawing library collection	(27,500)	(2,620)
Purchase of investments	(2,574,395)	(79,046)
Proceeds from sale of investments	1,700,370	402,575
Net cash used for investing activities	<u>(1,100,857)</u>	<u>(585,699)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(18,309)	(17,601)
Borrowings on long-term debt	885,400	-
Payments on line of credit	(484,468)	(697,857)
Borrowings on line of credit	770,000	1,220,000
Net cash provided by financing activities	<u>1,152,623</u>	<u>504,542</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,212,902	132,420
CASH AND CASH EQUIVALENTS, beginning of year	<u>664,274</u>	<u>531,854</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,877,176</u>	<u>\$ 664,274</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 28,725</u>	<u>\$ 15,858</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Investments received as settlement of pledge receivables	<u>\$ 574,327</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 Frank Lloyd Wright 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 (U.S. 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, 2020 and 2019, no allowance was recorded.

Pledge receivables – Pledge receivables represents future amounts the Foundation will receive from donors and government agencies. 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, 2020 and 2019, no allowance was recorded.

Retail inventories – The Foundation measures inventory at the lower of cost and 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 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 statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses.

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 consolidated 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 market value on the date of donation. The Foundation follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Property, plant, and equipment are depreciated over the estimated useful lives of the related assets principally on an accelerated method using the following lives:

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

The Foundation reviews the carrying values of property, 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, 2020 and 2019.

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

Net assets – 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 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 \$1,579,062 and \$1,669,050 as of July 31, 2020 and 2019, 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 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 includes 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.

Revenue recognition and deferred revenue – The Foundation recognizes revenue from the retail store, visitation, and education programs when services are provided or when the goods and merchandise are sold. Licensing program (royalty) revenue is recognized as a percentage of product sales made by licensees of the Foundation. Cash payments received for future tours or orders of sculptures are recorded as deferred revenue.

Contributions received, including unconditional promises to give, are recognized as revenue in the period the promise is received. All contributions are considered to be without donor restrictions 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.

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

Contributed building and land improvements are recorded at fair value at the date of donation as 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.

The Foundation recorded in-kind donations and contributed services for the year ended July 31, 2020, of \$105,920, of which \$7,662 was capitalized as property, plant, and equipment. For the year ended July 31, 2019, the Foundation recorded in-kind donations and contributed services of \$170,132, of which \$61,776 was capitalized as property, plant, and equipment and \$76,855 of in-kind art object restoration services was capitalized.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

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

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, 2020 and 2019, were 11,304 and 19,832 (unaudited), 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 statement of activities and statement 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, 2020 and 2019, was \$227,697 and \$271,565, 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 generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting pronouncements – The Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit-Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* effective August 1, 2019, using the modified retrospective method. The adoption of this guidance did not have a significant impact on the financial statements.

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 financial statements are available to be issued.

The Foundation has evaluated subsequent events through October 26, 2020, 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, 2020, the Foundation also had an available line of credit in the amount of \$1,000,000, of which \$192,325 was available. In August 2020, the Foundation amended the line of credit to increase the capacity to \$3,200,000.

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

	2020	2019
Financial assets at year end		
Cash and cash equivalents	\$ 1,877,176	\$ 664,274
Accounts receivable, net	140,186	243,689
Pledge receivables	318,697	903,173
Investments	3,728,335	2,139,710
	<hr/>	<hr/>
Total financial assets	6,064,394	3,950,846
Less amounts not available to be used for general expenditures		
Net assets with donor restrictions	3,804,616	1,722,406
	<hr/>	<hr/>
Total financial assets available	<u>\$ 2,259,778</u>	<u>\$ 2,228,440</u>

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. In response to the public health crisis posed by COVID-19, on March 17, 2020, the Foundation closed Taliesin West to the public, including cancelling all tours and public events, eliminating facility rentals, and closing the retail store operations. The site remained closed until a public reopening date scheduled for October 15, 2020.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 2 – Availability and Liquidity (continued)

In response to the potential impacts and uncertainty about the duration of the COVID-19 pandemic, the Foundation took a number of precautionary measures, including, among other things:

- Significantly reducing operating expenses;
- Furloughing visitor-facing and non-essential employees, and, in some instances, layoffs;
- Obtaining a loan under the Paycheck Protection Program (PPP) offered by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), section 7(a)(36) of the Small Business Act for \$735,400; and under the SBA Economic Injury Disaster Loan in the amount of \$150,000. The provisions of the PPP loan include forgiveness of the loan provided the proceeds have been spent on expenses allowed under the program. The Foundation will apply for this forgiveness in October 2020; and
- An increase in the available line of credit to cover anticipated operating losses in August 2020.

Development of the Foundation's budget for fiscal 2021 included conservative and increasing visitation estimates as the pandemic subsides, reductions in capital expenditures, permanent layoffs of certain employees, and continued expense control. The Foundation continues to monitor developments, including government requirements and recommendations at the national, state, and local levels to evaluate potential cancellation of programs and other possible changes to our business.

The Foundation considered the potential impact that the COVID-19 pandemic would have on the assumptions and estimates used to prepare these financial statements including, but not limited to, the Foundation's fair value measurements and potential asset impairment charges. These assumptions and estimates may change in the future as new events occur and additional information is obtained. If economic conditions caused by COVID-19 do not recover as currently estimated by management, such future changes may have a material adverse impact on the Foundation's changes in net assets, financial position, and liquidity.

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.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 3 – Fair Value Measurements (continued)

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.

Corporate bonds and notes are valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Common stock is valued at the closing price reported on the active market on which the individual securities are traded. 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.

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

	2020			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 1,439,038	\$ 1,439,038	\$ -	\$ -
Mutual funds and bond funds	2,184,925	2,184,925	-	-
Close-end funds and exchange-traded funds	104,372	104,372	-	-
Total investments	<u>\$ 3,728,335</u>	<u>\$ 3,728,335</u>	<u>\$ -</u>	<u>\$ -</u>

The Frank Lloyd Wright Foundation Notes to Financial Statements

Note 3 – Fair Value Measurements (continued)

	2019			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds and bond funds	\$ 1,236,349	\$ 1,236,349	\$ -	\$ -
Marketable equities - common stock	575,624	575,624	-	-
Corporate bonds and notes	308,146	308,146	-	-
Close-end funds and exchange-traded funds	19,591	19,591	-	-
Total investments	<u>\$ 2,139,710</u>	<u>\$ 2,139,710</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 – Property, Plant, and Equipment

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

	2020	2019
Buildings and improvements	\$ 11,605,908	\$ 11,605,908
Furniture, fixtures, and equipment	5,140,108	5,007,102
Transportation equipment	111,588	111,761
Land improvements	1,945,527	1,890,506
Total depreciable property, plant, and equipment	18,803,131	18,615,277
Less accumulated depreciation and amortization	<u>(10,204,724)</u>	<u>(9,508,336)</u>
Total depreciable property, plant, and equipment, net	8,598,407	9,106,941
Construction in progress	101,360	101,508
Land	<u>878,026</u>	<u>878,026</u>

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

	2020	2019
Furniture, fixtures, and equipment	\$ 96,131	\$ 96,131
Less accumulated amortization	<u>(51,109)</u>	<u>(34,982)</u>
Total capital leases, net of accumulated amortization	<u>\$ 45,022</u>	<u>\$ 61,149</u>

The Frank Lloyd Wright Foundation

Notes to Financial Statements

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

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

	<u>2020</u>	<u>2019</u>
Taliesin West		
Fabric roof study	\$ 33,238	\$ 33,238
Technology upgrade	-	43,701
Accessibility	34,033	-
Taliesin		
Hillside theater	3,356	-
Hillside drainage	3,855	3,855
Main house restoration	6,360	5,036
Dam restoration	19,722	14,221
Miscellaneous	796	1,457
	<u>\$ 101,360</u>	<u>\$ 101,508</u>

Note 5 – Line of Credit

The Foundation has an available revolving line of credit of \$1,000,000 that has a variable rate based on the LIBOR rate plus 1.75% (1.91% and 3.97% as of July 31, 2020 and 2019, respectively). The line is collateralized by investments held with the lending institution. As of July 31, 2020, and 2019, \$807,675 and \$522,143, respectively, was outstanding on the line of credit. The line is due on demand, although management believes there is no intention by the lending institution to demand payment in the near term. In August 2020, the Foundation amended the line of credit to increase the capacity to \$3,200,000.

Note 6 – Long-Term Debt

In April 2020, the Foundation was granted a loan under PPP offered by the SBA under the CARES Act, for \$735,400. The loan bears interest at 1.0% with no payments for the first 6 months. Monthly payments of principal and interest begin in November 2020 and continue through maturity in April 2022, if required. The loan is subject to partial or full forgiveness if the Foundation uses all proceeds for eligible purposes, maintains certain employment levels, and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance. The SBA subsequently extended the payment terms of loans received by June 25, 2020 from two years to five years, modifying the maturity date to April 2025.

In May 2020, the Foundation was granted a SBA Economic Injury Disaster Loan for \$150,000. The loan bears interest at 2.75% with no payments for the first 12 months. Monthly payments of principal and interest of \$641 begin in May 2021 and continue through maturity in May 2050. The loan is collateralized by certain tangible and intangible personal property of the Foundation.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 7 – Capital Lease Payable

The Foundation has entered into a capital lease agreement for copiers. The lease requires monthly payments of \$1,692, including interest at 3.95%. The maturing date of the copier lease is August 2022. Annual payments of the capital lease are as follows:

Years Ending July 31,		
2021	\$	20,305
2022		<u>20,305</u>
Total minimum lease payments		40,610
Amount representing interest		<u>66</u>
Present value of minimum lease payments	\$	<u><u>40,544</u></u>

Note 8 – Related-Party Transactions

A member of the board of trustees donated in-kind art conservation and restoration services on Asian screens that are an integral part of the art collection installed at Taliesin and Taliesin West. The value of these in-kind services totaled \$64,742 during the year ended July 31, 2019. There were no such donations during the year ended July 31, 2020.

Effective August 1, 2017, the School of Architecture at Taliesin (the “School”) operated as an entity independent from the Foundation, although the Foundation remained as the sole member of the School. Under a Memorandum of Understanding (MOU) between the Foundation and the School, the Foundation provided certain services and facilities for the School. Under the MOU, the Foundation provided the School the use of space at Taliesin and Taliesin West as a donated service. The Foundation also provided certain administrative functions for the School. The Foundation provided food service to the School in both locations subject to the School reimbursing the Foundation for its allocated portion of actual expenses.

In July 2020, the Foundation and School entered into an agreement in which the Foundation withdrew as the sole member of the School effective July 15, 2020, the Foundation appointed members of the School Board of Governors resigned effective July 15, 2020, and the MOU expired effective July 31, 2020. All services and transactions with the School terminated effective July 31, 2020.

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 8 – Related-Party Transactions (continued)

The total support provided to the School during the fiscal years ended July 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Facilities use	\$ 962,974	\$ 970,442
Administrative services	<u>133,154</u>	<u>199,422</u>
Total donated services	1,096,128	1,169,864
Food service expenses	101,560	227,397
Reimbursed food service expenses	(101,560)	(227,397)
Administrative services	125,503	123,272
Reimbursed administrative services	<u>(125,503)</u>	<u>(123,272)</u>
Total related-party transactions	<u>\$ 1,096,128</u>	<u>\$ 1,169,864</u>

As of July 31, 2020 and 2019, \$966 and \$52,406 were receivable from the School, respectively.

During the fiscal year ended July 31, 2018, a donor requested the Foundation process a grant to support the School. The grant, at the wishes of the donor, was passed through the Foundation to the School. During the fiscal year ended July 31, 2019, the donor revised their Endowment Fund Agreement, designating the Foundation as the beneficiary of the endowment, the purpose of which is to preserve and conserve the spaces occupied by the School at the Taliesin property. The agreement allows the fund to be utilized by the Foundation for like purposes (preservation of Taliesin) should the School cease to operate at the Taliesin property. The donor required that the Foundation manage the investments of the endowment, including those resulting from historical donations. To fulfill the requirements of the agreement, the School Board of Governors approved the transfer of the investments totaling \$594,571, to the Foundation prior to July 31, 2019. As of July 31, 2019, although the School had instructed the funds to be transferred to the Foundation, the legal transfer was pending. Accordingly, the total was recorded as a pledge receivable as of July 31, 2019. The funds were received by the Foundation on August 5, 2019.

The Frank Lloyd Wright Foundation
Notes to Financial Statements

Note 9 – Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purpose		
Preservation and restoration	\$ 1,123,817	\$ 1,015,624
Technology upgrade	-	7,474
Education program	8,000	50,027
Miscellaneous	5,000	5,000
	<u>1,136,817</u>	<u>1,078,125</u>
Subject to time restriction		
Future operations	20,000	49,710
Subject to endowment spending policy	658,163	594,571
Required to be maintained in perpetuity		
Endowment funds	<u>1,989,636</u>	<u>-</u>
	<u>\$ 3,804,616</u>	<u>\$ 1,722,406</u>

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Preservation and restoration	\$ 444,817	\$ 132,662
Technology upgrade	7,474	221,897
Education program	60,027	32,731
Miscellaneous	5,000	15,000
Satisfaction of time restrictions		
Future operations	29,710	10,000
Subject to endowment spending policy	<u>28,000</u>	<u>-</u>
	<u>\$ 575,028</u>	<u>\$ 412,290</u>

The Frank Lloyd Wright Foundation

Notes to Financial Statements

Note 10 – Endowment Funds

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions, considering the laws of the state for endowment management. 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 equities, bonds, fixed income accounts, 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 changes in endowment net assets were as follows for the year ended July 31:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 594,571	\$ 594,571
Contributions	-	1,989,636	1,989,636
Investment income			
Interest and dividends	-	22,836	22,836
Realized and unrealized gains	-	68,756	68,756
Appropriation of endowment funds for expenditure	-	(28,000)	(28,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 2,647,799</u>	<u>\$ 2,647,799</u>

The Frank Lloyd Wright Foundation
Notes to Financial Statements

Note 10 – Endowment Funds (continued)

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Contributions	-	594,571	594,571
Endowment net assets, end of year	\$ -	\$ 594,571	\$ 594,571

Note 11 – 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, 2020 and 2019, totaled \$17,551 and \$16,619, respectively.