REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

THE FRANK LLOYD WRIGHT FOUNDATION

July 31, 2021 and 2020

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Report of Independent Auditors

To the Board of Trustees
The Frank Lloyd Wright Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Frank Lloyd Wright Foundation (the "Foundation"), which comprise the statements of financial position as of July 31, 2021 and 2020, 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, 2021 and 2020, 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.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, as of August 1, 2020, The Frank Lloyd Wright Foundation adopted Topic 606, *Revenue from Contracts with Customers*, using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Phoenix, Arizona
November 9, 2021

ASSETS

	July 31, 2021	July 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	$ 2,364,871	$ 1,877,176
Accounts receivable	147,493	140,186
Pledge receivables	210,029	318,697
Retail inventories	238,955	281,506
Prepaid expenses	118,578	119,895
Total current assets	3,079,926	2,737,460
Investments	4,969,444	3,728,335
Property, plant, and equipment, net	9,229,203	9,577,793
Archives, art objects, and drawing library collections	2,887,067	2,887,067
Other assets	38,191	38,191
Total assets	$ 20,203,831	$ 18,968,846

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Current maturities of capital lease payable	$ 19,812	$ 19,046
Accounts payable	107,141	84,504
Accrued expenses	173,086	151,153
Deferred revenue	294,920	65,890
Line of credit	-	807,675
Total current liabilities	594,959	1,128,268
Capital lease payable, less current maturities	1,687	21,498
Paycheck Protection Plan Loan	735,482	735,400
Economic Injury Disaster Loan	-	150,000
Long-term benefit payable	25,000	17,500
Total liabilities	1,357,128	2,052,666
NET ASSETS		
Without donor restrictions		
General	13,669,796	11,532,502
Board designated	1,603,503	1,579,062
Total net assets without donor restrictions	15,273,299	13,111,564
With donor restrictions	3,573,404	3,804,616
Total net assets	18,846,703	16,916,180
Total liabilities and net assets	$ 20,203,831	$ 18,968,846

The Frank Lloyd Wright Foundation
Statements of Activities

	Year Ended July 31, 2021			Year Ended July 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support						
Public tours and access	$ 1,198,157	$ -	$ 1,198,157	$ 2,770,829	$ -	$ 2,770,829
Memberships	280,019	-	280,019	395,809	-	395,809
Licensing program	861,581	-	861,581	799,131	-	799,131
Retail program	1,252,192	-	1,252,192	1,347,236	-	1,347,236
Contributions and grants	3,354,459	74,244	3,428,703	763,591	2,565,646	3,329,237
Donated assets and services	53,195	-	53,195	105,920	-	105,920
Investment income, net						
Interest and dividends	14,805	48,302	63,107	54,914	22,836	77,750
Realized and unrealized gains	7,143	117,403	124,546	51,273	68,756	120,029
Other income	1,181,530	-	1,181,530	158,836	-	158,836
Net assets released from restrictions	471,161	(471,161)	-	575,028	(575,028)	-
Total revenues and other support	8,674,242	(231,212)	8,443,030	7,022,567	2,082,210	9,104,777
Expenses and other losses						
Preservation and stewardship	2,557,130	-	2,557,130	2,011,081	-	2,011,081
Retail program	1,221,736	-	1,221,736	1,217,182	-	1,217,182
Public tours and access	1,221,332	-	1,221,332	1,684,844	-	1,684,844
Taliesin fellowship	232,039	-	232,039	276,085	-	276,085
Licensing program	454,384	-	454,384	443,591	-	443,591
K-12 education program	159,944	-	159,944	349,195	-	349,195
School support	-	-	-	1,096,128	-	1,096,128
Total program	5,846,565	-	5,846,565	7,078,106	-	7,078,106
Fundraising and membership	1,100,149	-	1,100,149	900,212	-	900,212
Management and general	301,193	-	301,193	308,048	-	308,048
Total expenses and other losses	7,247,907	-	7,247,907	8,286,366	-	8,286,366
Other changes in net assets						
Gain on forgiveness of debt	735,400	-	735,400	-	-	-
Change in net assets	2,161,735	(231,212)	1,930,523	(1,263,799)	2,082,210	818,411
NET ASSETS, beginning of year	13,111,564	3,804,616	16,916,180	14,375,363	1,722,406	16,097,769
NET ASSETS, end of year	$ 15,273,299	$ 3,573,404	$ 18,846,703	$ 13,111,564	$ 3,804,616	$ 16,916,180

See accompanying notes.

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

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

	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.

	Years Ended July 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,930,523	$ 818,411
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation and amortization	630,563	715,636
Unrealized/realized gain on investments	(124,546)	(120,029)
Loss on disposal of assets	26,332	-
In-kind contributions of assets	(24,000)	(7,622)
Gain on forgiveness of debt	(735,400)	-
Change in assets and liabilities		
Accounts receivable	(7,307)	115,591
Pledge receivables	108,668	(22,183)
Retail inventories	42,551	(71,902)
Prepaid expenses	1,317	34,210
Accounts payable	22,637	(109,554)
Accrued expenses	21,933	(180,220)
Deferred revenue	229,030	(11,202)
Long-term benefit payable	7,500	-
Net cash provided by operating activities	2,129,801	1,161,136
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(284,530)	(199,332)
Proceeds from sale of property, plant, and equipment	225	-
Additions to archive, art objects, and drawing library collections	-	(27,500)
Purchase of investments	(1,187,586)	(2,574,395)
Proceeds from sale of investments	71,023	1,700,370
Net cash used for investing activities	(1,400,868)	(1,100,857)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable	(19,045)	(18,309)
Borrowings on long-term debt	735,482	885,400
Payments on long-term debt	(150,000)	-
Borrowings on line of credit	1,136,422	770,000
Payments on line of credit	(1,944,097)	(484,468)
Net cash (used in) provided by financing activities	(241,238)	1,152,623
NET CHANGE IN CASH AND CASH EQUIVALENTS	487,695	1,212,902
CASH AND CASH EQUIVALENTS, beginning of year	1,877,176	664,274
CASH AND CASH EQUIVALENTS, end of year	$ 2,364,871	$ 1,877,176
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 26,422	$ 28,725
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Investments received as settlement of pledge receivables	$ -	$ 574,327

See accompanying notes.

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, 2021 and 2020, no allowance was recorded.

Pledge receivables – Pledge receivables represents future amounts the Foundation will receive from donors as well as amounts to be received from government agencies related to grants for which conditions have been satisfied. The Foundation records pledges receivable when revenue recognition criteria are met. Management provides an allowance for doubtful pledges based upon prior experience and management's assessment of the collectability of existing specified accounts through a charge to earnings and a credit to a valuation allowance. As of July 31, 2021 and 2020, no allowance was recorded. All pledge receivables as of July 31, 2021 and 2020, were due to be received within one year and as a result, amounts were not discounted.

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

Investments – Investments include cash and cash equivalents held for investment purposes or for donor-restricted endowment funds. Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment gain/(loss) is reported in the statements of activities and consists of interest and dividend income and realized and unrealized gains and losses.

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

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

Property, plant, and equipment – Property, plant, and equipment items that are purchased are recorded at cost. Donations of property and equipment are recorded as in-kind revenues at the asset's fair value on the date of donation. The Foundation follows the practice of capitalizing all expenditures for equipment in excess of $5,000. Property, plant, and equipment are depreciated over the estimated useful lives of the related assets principally on an accelerated method using the following lives:

	Years
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 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, 2021 and 2020.

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. During the year ended July 31, 2021, the Foundation sold certain objects for a total of $1,000,000, included in other income on the statements of activities.

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.

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

Net assets without donor restrictions are net assets not subject to stipulations imposed by the donor and are currently available for expenditures. Net assets without donor restrictions include net assets transferred from net assets with donor restrictions after restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. Net assets without donor restrictions include those funds presently available for use by the Foundation at the discretion of management. The board of trustees of the Foundation have placed a designation on certain funds in the amount of $1,603,503 and $1,579,062 as of July 31, 2021 and 2020, 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.

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

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

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

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

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

Contributions 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.

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, 2021, of $53,195, of which $24,000 was capitalized as property, plant, and equipment. 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.

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, 2021 and 2020, were 4,048 and 11,304 (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 1, 2021 and 2020, deferred revenue representing contract liabilities under contracts with customers totaled $91,738 and $41,637, 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.

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

Advertising – Advertising costs are charged to operations as incurred. Advertising expense for the years ended July 31, 2021 and 2020, was $222,896 and $227,697, 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 U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently adopted accounting pronouncements – As of August 1, 2020, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The provisions of the ASU clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Foundation to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Foundation expects to be entitled in exchange for those goods and services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The Foundation adopted this ASU using the modified retrospective approach. There was determined to be no cumulative effect to opening net assets after applying the new guidance to all contracts with customers that were not completed as of July 1, 2020. The adoption of this guidance did not have a significant impact on the financial statements.

Reclassifications – Certain amounts were reclassified in the 2020 financial statements to conform to the 2021 presentation. Such reclassifications had no impact on previously reported net assets or change in net assets.

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

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

The Foundation has evaluated subsequent events through November 9, 2021, 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, 2021, the Foundation also had an available line of credit in the amount of $3,200,000, of which $3,200,000 was available.

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

	2021	2020
Financial assets at year end		
Cash and cash equivalents	$ 2,364,871	$ 1,877,176
Accounts receivable	147,493	140,186
Pledge receivables	210,029	318,697
Investments	4,969,444	3,728,335
Total financial assets	7,691,837	6,064,394
Less: amounts not available to be used for general expenditures		
Net assets with donor restrictions	3,573,404	3,804,616
Total financial assets available	$ 4,118,433	$ 2,259,778

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

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 of October 15, 2020.

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 (CARES) 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 applied for and was granted forgiveness for the PPP loan in November 2020. The Foundation repaid the Economic Injury Disaster Loan in full in July 2021;

- In August 2020, obtaining an increase in the available line of credit to cover potential operating losses;

- Obtaining a second PPP loan for $735,482 in January 2021. The Foundation applied for forgiveness of this loan in September 2021 and is awaiting notification of forgiveness from the SBA; and

- Obtaining a grant for $2,481,000 in July 2021 under the Shuttered Venue Operators Grant (SVOG) program that was established in the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act (Economic Aid Act) and amended by the American Rescue Plan.

Development of the Foundation’s budget for fiscal 2022 included conservative and increasing visitation estimates as the pandemic subsides, reductions in capital expenditures, 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.

A three-tier hierarchy categorizes the inputs as follows:

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

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

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Foundation develops inputs using the best information available in the circumstances.

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

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

Note 3 – Fair Value Measurements (continued)

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

	2021			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 2,506,804	$ 2,506,804	$ -	$ -
Mutual funds and bond funds	2,313,923	2,313,923	-	-
Close-end funds and exchange-traded funds	148,717	148,717	-	-
Total investments	$ 4,969,444	$ 4,969,444	$ -	$ -

	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	$ 3,728,335	$ 3,728,335	$ -	$ -

Note 4 – Property, Plant, and Equipment

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

	2021	2020
Buildings and improvements	$ 11,636,450	$ 11,605,908
Furniture, fixtures, and equipment	4,818,617	5,140,108
Transportation equipment	69,414	111,588
Land improvements	1,964,698	1,945,527
Total depreciable property, plant, and equipment	18,489,179	18,803,131
Less: accumulated depreciation and amortization	(10,343,175)	(10,204,724)
Total depreciable property, plant, and equipment, net	8,146,004	8,598,407
Construction in progress	205,173	101,360
Land	878,026	878,026
Total property, plant, and equipment, net	$ 9,229,203	$ 9,577,793

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

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

	2021	2020
Furniture, fixtures, and equipment	$ 96,131	$ 96,131
Less: accumulated amortization	(67,236)	(51,109)
Total capital leases, net of accumulated amortization	$ 28,895	$ 45,022

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

	2021	2020
Taliesin West		
Fabric roof study	$ -	$ 33,238
Accessibility	17,330	34,033
Taliesin		
Hillside theater	132,596	3,356
Hillside drainage	3,855	3,855
Main house restoration	6,360	6,360
Dam restoration	45,032	19,722
Miscellaneous	-	796
Total construction in progress	$ 205,173	$ 101,360

Note 5 – Line of Credit

The Foundation had an available revolving line of credit of $1,000,000. In August 2020, the Foundation amended the line of credit to increase the capacity to $3,200,000. The line of credit has a variable rate based on the LIBOR rate plus 1.75% (1.84% and 1.91% as of July 31, 2021 and 2020, respectively). The line is collateralized by investments held with the lending institution. As of July 31, 2021, there was no outstanding balance on the line of credit. As of July 31, 2020, $807,675 was outstanding on the line of credit.

Note 6 – Long-Term Debt

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

In January 2021, the Foundation was granted a second loan under the PPP. Under the original terms, the loan bears interest at 1.0% and requires monthly payments of principal and interest beginning 10 months after the end of the covered period (between 8 and 24 weeks) and continuing through maturity in January 2026, if required. The loan 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 Foundation submitted its application for forgiveness in September 2021.

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

Note 7 – Capital Lease Payable

The Foundation 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:

Year Ending July 31,	
2022	$ 20,305
Total minimum lease payments	20,305
Amount representing interest	(1,194)
Present value of minimum lease payments	$ 21,499

Note 8 – Related-Party Transactions

During the year ended July 31, 2020, 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. There were no such donations during the year ended July 31, 2021.

Note 8 – Related-Party Transactions (continued)

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 total support provided to the School during the fiscal year ended July 31, 2020, is as follows:

Facilities use	$ 962,974
Administrative services	133,154
Total donated services	1,096,128
Food service expenses	101,560
Reimbursed food service expenses	(101,560)
Administrative services	125,503
Reimbursed administrative services	(125,503)
Total related-party transactions	$ 1,096,128

As of July 31, 2020, $966 was receivable from the School and was received during the year ended July 31, 2021.

Note 9 – Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specific purpose		
Preservation and restoration	$ 773,595	$ 1,123,817
Education program	8,000	8,000
Miscellaneous	5,641	5,000
Total subject to expenditure for specific purpose	787,236	1,136,817
Subject to time restriction		
Future operations	20,000	20,000
Subject to endowment spending policy	776,532	658,163
Required to be maintained in perpetuity		
Endowment funds	1,989,636	1,989,636
Total net assets with donor restrictions	$ 3,573,404	$ 3,804,616

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

	2021	2020
Satisfaction of purpose restrictions		
Preservation and restoration	$ 382,222	$ 444,817
Technology upgrade	-	7,474
Education program	19,500	60,027
Miscellaneous	22,103	5,000
Satisfaction of time restrictions		
Future operations	-	29,710
Subject to endowment spending policy	47,336	28,000
Total releases from restriction	$ 471,161	$ 575,028

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 mutual funds, bond funds, close-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, 2021 and 2020, there were no underwater funds.

Note 10 – Endowment Funds (continued)

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

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

	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	$ -	$ 2,647,799	$ 2,647,799

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, 2021 and 2020, totaled $15,412 and $17,551, respectively.