Financial Statements
December 31, 2016 and 2015

The Frank Lloyd Wright Foundation

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Independent Auditor's Report

The Board of Trustees
The Frank Lloyd Wright Foundation
Scottsdale, Arizona

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 December 31, 2016 and 2015, 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 audit 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 December 31, 2016 and 2015, 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.

Eide Bailly LLP

Phoenix, Arizona
April 20, 2017

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 1,634,300	$ 1,312,503
Accounts receivable, net	480,073	715,894
Other receivables	-	1,000,000
Promises to give	366,298	398,040
Bookstore inventories	248,695	329,262
Prepaid expenses	207,571	173,472
Total current assets	2,936,937	3,929,171
Investments	2,411,386	1,899,543
Promises to Give, Net	698,581	1,214,933
Property, Plant and Equipment, Net	9,865,866	9,952,044
Archives, Art Objects and Drawing Library Collection	2,775,898	2,721,481
Total assets	$ 18,688,668	$ 19,717,172
Liabilities and Net Assets		
Current Liabilities		
Current maturities of capital lease obligation	$ 20,894	$ 19,917
Accounts payable	349,798	248,019
Accrued expenses	251,398	346,774
Deferred revenue		
Architectural school tuition	230,025	219,713
Other deferred revenue	123,310	78,411
Total current liabilities	975,425	912,834
Capital Leases Payable, Less Current Maturities	9,006	29,900
Long-Term Benefit Payable	27,500	27,500
Total liabilities	1,011,931	970,234
Net Assets		
Unrestricted - general	13,642,088	12,918,791
Unrestricted - board designated	2,074,244	3,198,553
Total unrestricted net assets	15,716,332	16,117,344
Temporarily restricted	1,624,432	2,498,924
Permanently restricted	335,973	130,670
Total net assets	17,676,737	18,746,938
Total liabilities and net assets	$ 18,688,668	$ 19,717,172

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Public tours and access	$ 3,185,008	$ -	$ -	$ 3,185,008
Licensing program	723,171	-	-	723,171
Retail program	1,552,654	-	-	1,552,654
Contributions, grants and membership	1,341,262	257,222	200,000	1,798,484
School of architecture	444,782	-	-	444,782
Collections and exhibition programs	7,983	-	-	7,983
Investment income	80,109	6,930	5,303	92,342
Rental income	53,028	-	-	53,028
Annual access fee	50,000	-	-	50,000
Other income	48,903	-	-	48,903
Net assets released from restrictions	1,138,644	(1,138,644)	-	-
Total revenues and other support	8,625,544	(874,492)	205,303	7,956,355
Expenses and Other Losses				
Preservation and stewardship	2,010,245	-	-	2,010,245
Public tours and access	1,211,263	-	-	1,211,263
Collections and exhibition	206,782	-	-	206,782
School of architecture/Taliesin fellowship	2,698,349	-	-	2,698,349
Retail program	1,332,741	-	-	1,332,741
Licensing program	491,959	-	-	491,959
Outreach, partnerships and publications	264,873	-	-	264,873
Total program	8,216,212	-	-	8,216,212
Fundraising and membership	537,052	-	-	537,052
Management and general, including interest expense of $1,787	273,292	-	-	273,292
Total expenses and other losses	9,026,556	-	-	9,026,556
Change in Net Assets	(401,012)	(874,492)	205,303	(1,070,201)
Net Assets, Beginning of Year	16,117,344	2,498,924	130,670	18,746,938
Net Assets, End of Year	$ 15,716,332	$ 1,624,432	$ 335,973	$ 17,676,737

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Public tours and access	$ 2,958,211	$ -	$ -	$ 2,958,211
Licensing program	824,734	-	-	824,734
Retail program	1,790,288	-	-	1,790,288
Contributions, grants and membership	1,581,316	1,637,952	-	3,219,268
School of architecture	622,125	-	-	622,125
Collections and exhibition programs	174,040	-	-	174,040
Investment loss	(20,017)	(2,678)	-	(22,695)
Rental income	47,816	-	-	47,816
K-12 education program	71,777	-	-	71,777
Annual access fee	50,000	-	-	50,000
Other income	573,999	-	-	573,999
Net assets released from restrictions	633,101	(633,101)	-	-
Total revenues and other support	9,307,390	1,002,173	-	10,309,563
Expenses and Other Losses				
Preservation and stewardship	1,887,252	-	-	1,887,252
Public tours and access	1,183,092	-	-	1,183,092
Collections and exhibition	438,546	-	-	438,546
School of architecture/Taliesin fellowship	2,524,634	-	-	2,524,634
Retail program	1,593,200	-	-	1,593,200
Licensing program	456,883	-	-	456,883
Outreach, partnerships and publications	536,140	-	-	536,140
K-12 education program	239,910	-	-	239,910
Total program	8,859,657	-	-	8,859,657
Fundraising and membership	360,400	-	-	360,400
Management and general, including interest expense of $32,996	355,473	-	-	355,473
Total expenses and other losses	9,575,530	-	-	9,575,530
Change in Net Assets	(268,140)	1,002,173	-	734,033
Net Assets, Beginning of Year	16,385,484	1,496,751	130,670	18,012,905
Net Assets, End of Year	$ 16,117,344	$ 2,498,924	$ 130,670	$ 18,746,938

The Frank Lloyd Wright Foundation

Statements of Functional Expenses

Years Ended December 31, 2016 and 2015

	2016										
	Preservation & Stewardship	Public Tours & Access	Collections & Exhibition	School of Architecture/ Taliesin Fellowship	Retail Program	Licensing Program	Outreach, Partnerships & Publications	Total Program	Fundraising & Membership	Management & General	Total Expenses
Program and special activities	$ 19,394	$ 37,696	$ 1,362	$ 76,182	$ 8,305	$ 5,473	$ 7,814	$ 156,226	$ 21,066	$ 11,929	$ 189,221
Salaries and related taxes	951,993	615,056	87,186	982,437	328,059	355,402	18,501	3,338,634	248,557	152,709	3,739,900
Fringe benefits	131,760	27,019	16,718	101,866	30,634	34,652	1,256	343,905	21,381	7,797	373,083
Depreciation	82,097	68,435	69,418	298,596	25,504	1,847	7,608	553,505	13,063	18,130	584,698
Printing	1,930	15,362	115	5,740	956	3,499	324	27,926	6,445	1,290	35,661
Professional and other fees	83,122	166,826	4,089	87,830	25,149	29,140	16,892	413,048	68,614	13,692	495,354
Interest/bank fees	3,486	3,143	200	464	37,551	1,389	325	46,558	5,386	2,246	54,190
Postage	1,221	3,671	1,794	1,215	36,895	2,300	187	47,283	16,677	611	64,571
Office supplies	72,909	8,054	3,792	205,912	10,746	3,227	656	305,296	4,942	2,950	313,188
Advertising and public relations	7,833	155,386	306	27,374	7,453	16,816	181	215,349	48,241	3,438	267,028
Travel	17,790	6,070	501	61,500	8,899	11,367	2,431	108,558	2,391	3,662	114,611
Telephone	8,848	6,625	2,733	5,238	3,902	3,461	189	30,996	2,559	1,968	35,523
Repairs and maintenance	498,788	2,502	6,307	9,121	1,751	610	174	519,253	427	1,804	521,484
Data processing	15,579	18,475	1,364	4,281	17,906	4,303	825	62,733	2,567	8,482	73,782
Insurance	46,688	32,747	2,056	319	16,027	7,947	2,220	108,004	3,962	23,071	135,037
Utilities	37,479	18,264	7,761	76,626	6,923	1,930	1,999	150,982	4,690	579	156,251
Dues	18,292	12,068	720	45,724	5,452	2,639	7,323	92,218	12,384	7,567	112,169
Rent expense	1,767	908	58	5,561	2,246	221	63	10,824	155	655	11,634
Miscellaneous/COGS/Other	9,269	12,956	302	702,363	758,383	5,736	195,905	1,684,914	53,545	10,712	1,749,171
Total	$ 2,010,245	$ 1,211,263	$ 206,782	$ 2,698,349	$ 1,332,741	$ 491,959	$ 264,873	$ 8,216,212	$ 537,052	$ 273,292	$ 9,026,556

	2015											
	Preservation & Stewardship	Public Tours & Access	Collections & Exhibition	School of Architecture/ Taliesin Fellowship	Retail Program	Licensing Program	Outreach, Partnerships & Publications	K-12 Education Program	Total Program	Fundraising & Membership	Management & General	Total Expenses
Program and special activities	$ 16,405	$ 32,668	$ 22,664	$ 119,500	$ 8,572	$ 5,842	$ 102,597	$ 3,370	$ 311,618	$ 45,151	$ 12,144	$ 368,913
Salaries and related taxes	896,321	597,888	225,131	989,161	355,650	297,310	43,112	136,992	3,541,565	160,470	158,589	3,860,624
Fringe benefits	154,290	39,532	25,243	138,826	45,163	40,917	5,168	21,711	470,850	18,801	18,580	508,231
Depreciation	45,364	44,014	83,349	262,136	22,388	5,962	6,678	16,035	485,926	11,505	54,520	551,951
Printing	5,528	29,036	245	12,205	592	634	519	541	49,300	8,806	680	58,786
Professional and other fees	151,540	124,362	8,826	40,456	19,858	35,839	10,563	11,900	403,344	4,976	20,111	428,431
Interest/bank fees	7,420	6,579	1,672	542	41,710	1,687	556	1,340	61,506	4,231	6,005	71,742
Postage	2,019	4,191	1,956	2,071	56,364	3,168	96	449	70,314	8,354	1,154	79,822
Office supplies	82,261	9,203	5,208	195,991	7,480	3,981	392	4,899	309,415	3,419	3,081	315,915
Advertising and public relations	44,993	203,173	5,940	19,446	30,819	17,897	1,763	19,859	343,890	4,683	21,335	369,908
Travel	23,506	11,296	1,781	42,184	7,540	6,403	484	5,087	98,281	1,452	6,397	106,130
Telephone	14,940	5,361	2,718	3,690	3,420	2,879	127	564	33,699	3,249	1,676	38,624
Repairs and maintenance	348,484	4,063	10,848	3,736	1,718	569	158	481	370,057	459	2,091	372,607
Data processing	13,960	13,079	3,136	20,955	39,884	3,333	721	3,208	98,276	8,550	8,852	115,678
Insurance	39,970	31,798	8,080	-	17,126	7,730	2,194	6,437	113,335	6,370	29,197	148,902
Utilities	16,267	14,248	27,893	84,446	7,271	2,016	2,095	5,061	159,297	3,675	733	163,705
Dues	12,540	7,436	1,156	40,166	3,354	6,593	2,469	1,556	75,270	12,351	3,011	90,632
Rent expense	3,165	2,043	2,407	15,965	2,000	497	141	414	26,632	409	2,499	29,540
Miscellaneous/COGS/Other	8,279	3,122	293	533,158	922,291	13,626	356,307	6	1,837,082	53,489	4,818	1,895,389
Total	$ 1,887,252	$ 1,183,092	$ 438,546	$ 2,524,634	$ 1,593,200	$ 456,883	$ 536,140	$ 239,910	$ 8,859,657	$ 360,400	$ 355,473	$ 9,575,530

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	$ (1,070,201)	$ 734,033
Adjustments to reconcile change in net assets to cash from (used for) operating activities		
Depreciation	584,698	551,951
Discount on long-term receivable	(5,097)	(168,337)
Bad debt expense	324,471	7,848
Unrealized/realized (gain)/loss on investments	(61,737)	82,153
Gain on disposal of assets	21,682	(850)
In-kind contributions of assets	(139,191)	(86,948)
Increase (decrease) in annuity contract payable	-	(460,821)
Changes in assets and liabilities		
Accounts receivable	208,521	958
Promises to give	256,020	(873,634)
Bookstore inventories	80,567	163,688
Prepaid expenses	(34,099)	42,519
Accounts payable	101,779	71,240
Accrued expenses	(95,376)	(70,527)
Deferred revenue	55,211	(1,871)
Net Cash from (used for) Operating Activities	227,248	(8,598)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(406,081)	(584,242)
Proceeds from sale of property, plant and equipment	3,277	-
Proceeds on other receivable	1,000,000	1,000,000
Additions to archive, art objects, and drawing library	(32,624)	(95,528)
Purchase of investments	(2,344,838)	(2,005,336)
Proceeds from sale of investments	1,894,732	2,040,416
Net Cash from Investing Activities	114,466	355,310
Cash Flows from Financing Activities		
Payments on capital lease obligations	(19,917)	(18,985)
Payments on annuity contract	-	(66,786)
Payments on line of credit	(400,000)	(200,000)
Borrowings on line of credit	400,000	200,000
Net Cash used for Financing Activities	(19,917)	(85,771)
Net Change in Cash and Cash Equivalents	321,797	260,941
Cash and Cash Equivalents, Beginning of Year	1,312,503	1,051,562
Cash and Cash Equivalents, End of Year	$ 1,634,300	$ 1,312,503
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,818	$ 28,057

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. As of July 1, 1983, the Foundation applied for and received exemption from income taxes from the Internal Revenue Service and the Arizona Department of Revenue. The exemption was granted to the Foundation as an educational organization (The Frank Lloyd Wright School of Architecture) under Internal Revenue Code Section 501(c)(3).

The Frank Lloyd Wright Foundation owns both Taliesin West in Arizona and Taliesin in Wisconsin (which are designated as national historic landmarks), operates the Frank Lloyd Wright School of Architecture, owns and stewards the intellectual property and approved use of everything Wright designed or created (including licensed products and reproductions), jointly steers the Frank Lloyd Wright Foundation Archives (The Museum of Modern Art | Avery Architectural & Fine Arts Library, Columbia University, New York), and engages in a variety of meaningful outreach programs and partnerships.

In 1987, The Frank Lloyd Wright School of Architecture was accredited by the North Central Association of Colleges and Schools for its Master of Architecture Program and in August 1992 for its Bachelor of Architectural Studies. The Professional Master of Architecture was granted accreditation by the National Architectural Accrediting Board (NAAB) in 1996. Presently, the Foundation only offers a Master of Architecture Program degree.

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 students, licensees and others, without interest. Management considers student accounts receivable over 90 days to be past due and all other 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. At December 31, 2016 and 2015, the allowance was $27,300 and $0, respectively.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for the uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2016 and 2015, the allowance for promises to give was $148,772 and $28,286, respectively.

Bookstore Inventories

Inventories are stated at the lower of cost or market determined by the first-in first-out method.

Investments

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, less investment management and custodial fees.

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:

	Years
Buildings and improvements	5 - 39
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 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 December 31, 2016 and 2015.

Collections, 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

Unrestricted net assets include those funds presently available for use by the Foundation at the discretion of management. The Board of Trustees of the Foundation has placed a designation on certain funds in the amount of $2,074,244 and $3,198,553 at December 31, 2016 and 2015, 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.

Temporarily restricted net assets are comprised of contributions subject to donor restrictions which will be satisfied either by the passage of time or by actions of the Foundation.

Permanently restricted net assets consist of funds that are subject to the donor's specifications that the principal balance be invested 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 unrestricted purposes of the discretion of management.

Gifts of cash and other assets are recognized as restricted support if they are pledged or received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Advertising

Advertising costs are charged to operations as incurred. Advertising expense for the years ended December 31, 2016 and 2015 was $185,978 and $159,631, respectively.

Income Taxes

The Frank Lloyd Wright 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. Management has determined the Foundation has no taxable unrelated business income and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T).

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.

Revenue Recognition and Deferred Revenue

The Foundation recognizes revenue from the bookstore, visitation, and collections and exhibition 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. The Foundation recognizes architectural school tuition revenue ratably over the duration of the school year.

Under the Foundation's non-traditional approach to architectural studies, students may enter and leave the program at any time. Deferred tuition revenue represents a liability for the billed portion of tuition revenue not earned as of year-end. The future revenues will be earned as students progress through the semester. In addition, cash payments received for future orders of sculptures are recorded as deposits.

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 we 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, we develop 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 our assessment of the quality, risk or liquidity profile of the asset or liability.

Note 2 - Accounts Receivable

Accounts receivable as of December 31 consisted of:

	2016	2015
Royalties	$ 262,878	$ 309,526
Students	207,476	316,678
Tours	-	6,915
Online ticket sales	-	41,238
Other, including reimbursable expenses	37,019	41,537
Less allowance for doubtful accounts	(27,300)	-
	$ 480,073	$ 715,894

Note 3 - Other Receivables

The Foundation entered into a long-term agreement with two well-established museums in September 2012. The receivable has been discounted using a rate of 5%. The final payment of $1,000,000, due on the receivable at December 31, 2015, was received in September 2016.

Note 4 - Conditional Promises to Give

The Foundation has been named the beneficiary of a charitable remainder unitrust. Upon the death of both donors listed in the trust, the Foundation would receive $40,000 of the fair market value of the trust. The fair market value was $163,773 and $165,530 for the years ended December 31, 2016 and 2015, respectively. The distribution of the proceeds is conditional upon the death of both donors listed in the trust and the Foundation can be replaced as a beneficiary, therefore, the Foundation has not recognized a promise to give.

Note 5 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at December 31:

	2016	2015
Within one year	$ 410,474	$ 398,040
In one to five years	830,925	1,407,085
Over five years	65,500	77,500
	1,306,899	1,882,625
Less discount to net present value 2.63% - 8.00%	(93,248)	(241,366)
Less allowance for uncollectible promises to give	(148,772)	(28,286)
Total	1,064,879	1,612,973
Current portion	(366,298)	(398,040)
Long-term portion	$ 698,581	$ 1,214,933

A signed gift agreement was received from a Scottsdale residential home builder on December 1, 2014. For each home sold by this builder at the planned Cavalliere Ranch in North Scottsdale, $500 will be provided in as-sold quarterly installments after closing and will be gifted for all planned phases of the project. Expected receipts are discounted at a rate of 8%. The amount due net of discounts, included above totaled $153,293 and $158,338 as of December 31, 2016 and 2015, respectively.

The School of Architecture conducted a fundraising "campaign for independence" that began in early December 2014 in order to fund the creation of a new independent school entity as mandated by the Higher Learning Commission by-laws.

Requirements for independence as established by the Board were $400,000 in cash and $2,000,000 in promises to give by December 31, 2015. These thresholds were met and independence is being pursued through the Higher Learning Commission. All amounts contributed were recognized in 2015 net of discounts on pledges. The discount rate used is 2.63%. Amounts to be received in the future have been recorded as a temporarily restricted net asset due to time restrictions. The amount due, net of discounts and allowances, included above totaled $911,585 and $1,417,140 at December 31, 2016.

Note 6 - Fair Value Measurements

Fair value of assets measured on a recurring basis are as follows for the years ended December 31:

	2016			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Operating Investments				
Corporate Bonds and Notes	$ 846,257	$ 846,257	$ -	$ -
Marketable Equities - Common Stock	322,048	322,048	-	-
Mutual Funds and Bond Funds				
Total Stock Market Fund	141,747	141,747	-	-
Short term Investment Grade Fund	128,554	128,554	-	-
Global Dividend Portfolio Fund	106,508	106,508	-	-
Doubleline Total Return	89,515	89,515	-	-
Blackrock Strategic Income	46,942	46,942	-	-
Bond Market Index Fund	45,271	45,271	-	-
	1,726,842	1,726,842	-	-
Endowment and Scholarship Investments				
Mutual Funds and Bond Funds				
Short term Investment Grade Fund	224,643	224,643	-	-
Value Index Fund	62,260	62,260	-	-
Total Stock Market Fund	60,803	60,803	-	-
Total World stock Index Fund	49,049	49,049	-	-
Growth Index Fund	48,657	48,657	-	-
Growth Dividend Fund	47,619	47,619	-	-
Doubleline Total Return	46,003	46,003	-	-
Intermediate Term Corporate Bond	45,892	45,892	-	-
Long Term Bond Index	45,280	45,280	-	-
Small Cap Index Fund	32,253	32,253	-	-
Brokerage assets	22,085	22,085	-	-
	684,544	684,544	-	-
	$ 2,411,386	$ 2,411,386	$ -	$ -

The fair values of the mutual funds and bond funds are determined using Level 1 inputs, which are derived from readily available pricing sources and third-party pricing services for identical or comparable instruments.

	2015			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual Funds and Bond Funds				
Total Return Bond Fund	$ 404,206	$ 404,206	$ -	$ -
Income Opportunity Fund	318,801	318,801	-	-
Total Bond Market Index Fund	242,552	242,552	-	-
500 Index Fund	230,454	230,454	-	-
Bond Fund Retail	226,556	226,556	-	-
Total Stock Market Fund	157,146	157,146	-	-
Global Dividend Portfolio Fund	100,447	100,447	-	-
Short Term Invest Grade Fund	100,328	100,328	-	-
Multi-asset Income Fund	96,988	96,988	-	-
Brokerage assets	22,065	22,065	-	-
	$ 1,899,543	$ 1,899,543	$ -	$ -

Note 7 - Net Investment Return

The following schedules summarize the investment return and its classification in the statement of activities for the years ended December 31, 2016 and 2015.

Investment return consisted of the following:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 24,508	$ 3,454	$ 2,643	$ 30,605
Realized and unrealized losses	55,601	3,476	2,660	61,737
	$ 80,109	$ 6,930	$ 5,303	$ 92,342

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 51,457	$ 8,001	$ -	$ 59,458
Realized and unrealized gains	(71,474)	(10,679)	-	(82,153)
	$ (20,017)	$ (2,678)	$ -	$ (22,695)

Note 8 - Property and Equipment

Property and equipment at December 31 consisted of:

	2016	2015
Buildings and improvements	$ 9,821,575	$ 9,487,586
Furniture, fixtures and equipment	4,443,009	4,365,371
Transportation equipment	131,386	134,286
Land improvements	1,555,523	1,555,523
	15,951,493	15,542,766
Less accumulated depreciation	(7,991,117)	(7,476,311)
	7,960,376	8,066,455
Construction in progress	1,034,917	1,015,016
Land	870,573	870,573
	$ 9,865,866	$ 9,952,044

Construction in progress consisted of the following items at December 31, 2016 and 2015:

	2016	2015
Taliesin West		
Foundation website	$ 15,750	$ -
Taliesin		
Guest wing renovation	501,634	452,886
Tan y Deri	436,059	406,660
Midway	-	82,622
Residence wing restoration	81,474	72,848
	$ 1,034,917	$ 1,015,016

Note 9 - Lines of Credit

At December 31, 2016, the Foundation had an available revolving lines of credit for $1,000,000 and had a variable line rate (2.52% at December 31, 2016). The investment firm line of credit was collateralized by the investments held with the firm. The investment firm has no expiration date. $400,000 was borrowed on the line and repaid along with interest in the amount of $1,787. No amounts were outstanding at December 31, 2016.

The Foundation also had a line of credit with an investment firm at December 31, 2015. This line was cancelled in 2016 and is no longer in effect at December 31, 2016.

Note 10 - Charitable Annuity Obligation

Under the will of Olgivanna Wright, the Foundation received a one-half interest in a collection of certain works of art. On July 1, 1994, the Foundation entered into an agreement with a Wright descendent to acquire the remaining one-half interest in this property, which was appraised in its entirety at approximately $2,742,000. In return, the Foundation is to pay, in the form of a charitable annuity obligation, $9,600 monthly until the descendant's death.

For financial reporting purposes, the charitable annuity obligation was recorded based upon the descendant's life expectancy, which exceeds the minimum payment period, discounted at 5.25%. Annual adjustments in the annuity obligation will be made based upon the remaining life expectancy of the descendent. The descendant passed away on September 3, 2015 and the gain of $460,821 on the remaining annuity balance was reflected in miscellaneous revenue during 2015.

Interest expense on the annuity obligation was $21,696 for the year ended December 31, 2015. There was no interest expense on obligation as of December 31, 2016.

Note 11 - Capital Lease Payable

The Foundation has entered into capital lease agreements for copiers. The lease requires monthly payments of $1,823, including interest at 4.80%. The maturing date of the copier lease is May 2018. Annual maturities of capital leases are as follows:

	Principal	Interest	Total
2017	$ 20,894	$ 980	$ 21,874
2018	9,006	108	9,114
	$ 29,900	$ 1,088	$ 30,988

The assets reported on the Foundation's balance sheet and related amortization for these leases are as follows:

Furniture and equipment	$ 101,333
Less accumulated amortization	(68,083)
	$ 33,250

Note 12 - Property Taxes

The Foundation has received notice from Maricopa County that it is exempt from property taxes for the years ended December 31, 2016 and 2015. Taxes are still assessed and paid for several parcels in Wisconsin.

Note 13 - Related Party Transactions

The Foundation and Taliesin Preservation, Inc. (TPI) were related through common board membership until March 2012. As of December 31, 2016, the Foundation and TPI have one board member in common. In-kind gift contributions of $69,300 were predominately for construction projects in progress during calendar year 2016. There were $83,648 of in-kind contributions made during 2015. The Foundation paid approximately $50,000 and $50,000 in payroll expenses for employees of TPI during 2016 and 2015, respectively. In partnership with the Foundation, it is the mission of Taliesin Preservation, Inc. to conserve the masterful buildings and landscape of the Taliesin estate and to educate the public on Frank Lloyd Wright the man, the architect, his architecture, and the ideas that continue to inspire other architects around the world.

A member of the Board of Trustees donated in-kind art conservation and restoration services on two Asian screens that are an integral part of the art collection installed at Taliesin, the house located in Wisconsin. The value of these in-kind services totaled $21,973 and $51,862 as of December 31, 2016 and 2015, respectively.

Note 14 - Endowment Funds

The Foundation's endowment consists of seven donor-restricted funds. As required by generally accepted accounting principles, 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. In Arizona, those laws are found in Arizona Revised Statutes Sections 10-11801 through 10-11805.

Interpretation of Relevant Law

The Board of Trustees of the Foundation has interpreted the law as requiring the preservation of the fair value of corpus of a donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets (that is, its net unspent appreciation and income) is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the law.

In accordance with state statutes, 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 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 organization.
7. The investment policies of the organization.

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	$ -	$ -	$ 130,670	$ 130,670
Investment return	-	3,454	2,643	6,097
Investment income	-	3,476	2,660	6,136
	-	6,930	135,973	142,903
Appropriation of assets for expense	-	(6,930)	-	(6,930)
Additions	-	-	200,000	200,000
Endowment net assets, End of year	$ -	$ -	$ 335,973	$ 335,973

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, Beginning of year	$ -	$ -	$ 130,670	$ 130,670
Investment return	-	(10,297)	-	(10,297)
Investment income	-	7,619	-	7,619
	-	(2,678)	130,670	127,992
Appropriation of assets for expense	-	(7,619)	-	(7,619)
Other changes	-	10,297	-	10,297
Endowment net assets, End of year	$ -	$ -	$ 130,670	$ 130,670

Permanently restricted net assets at December 31, 2016, are resources invested in perpetuity, the income of which is available for the following purposes:

	2016	2015
Endowed gift to be held in perpetuity with the income to be used for scholarships	$ 126,670	$ 126,670
Endowed gift to be held in perpetuity with the income to be used for school capital improvements	205,303	-
Endowed gift to be held in perpetuity with the income unrestricted in use	4,000	4,000
	$ 335,973	$ 130,670

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. There were no deficiencies at December 31, 2016 and 2015.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate, aggregate costs of portfolio management, the long-term inflation rate and any growth factor that the Board may, from time to time, determine appropriate while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately five percent net of inflation annually. Actual returns in any given year may vary from this amount. Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets an asset allocation that places a greater emphasis on bonds and government investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policies and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year five percent of its temporarily restricted scholarship funds and a portion of the interest earned on permanently restricted scholarship funds. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to stay at a level base. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 15 - Board Designated Funds

At December 31, 2016 and 2015, board designations on unrestricted net assets were as follows:

	2016	2015
General Reserve Fund	$ -	$ 724,309
2015 Restoration/Preservation Fund	-	250,000
Preservation/Restoration Reserve	2,074,244	2,224,244
	$ 2,074,244	$ 3,198,553

Note 16 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of December 31.

	2016	2015
Purpose Restrictions, Available for Spending		
School scholarships	$ 352,214	$ 276,207
Student activities	24,888	22,323
Preservation and restoration	118,518	124,916
School grant for mining town redevelopment	63,934	-
Total purpose-restricted net assets	559,554	423,446
Time Restrictions		
Tour sponsorship	-	500,000
Future operations	153,293	158,338
School campaign	911,585	1,417,140
Total time restrictions	1,064,878	2,075,478
	$ 1,624,432	$ 2,498,924

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

	2016	2015
Satisfaction of purpose restrictions		
School scholarships	$ -	$ 15,809
Student activities	26,069	10,124
Preservation and restoration	49,627	58,145
Web development	-	37,183
Chief development officer recruitment	55,045	-
Other	-	11,840
Expiration of time restrictions	846,328	500,000
	$ 977,069	$ 633,101

Note 17 - 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 month of service. The plan provides for discretionary employer contributions. Discretionary matching contributions for the years ended December 31, 2016 and 2015 amounted to $17,871 and $18,681, respectively.

Note 18 - Donations In-Kind and Contributed 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 unrestricted support 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 the following in-kind donations and contributed services for the years ended December 31, 2016 and 2015:

	2016	2015
Building and land improvements from Taliesin Preservation, Inc.	$ 69,300	$ 83,648
Restoration of Asian screens for Taliesin	21,793	51,862
Heritage Henredon Furniture	18,450	-
Professional engineering services	15,000	49,010
Professional construction services	14,648	-
Graphic Design services	4,000	-
Other in-kind donations	3,080	2,000
Teaching services	3,000	-
Store visual merchandising design services	352	-
Development services	-	29,536
Legal services	-	16,557
Restoration of Taliesin West	-	13,300
	$ 149,623	$ 245,913

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. However, volunteer hours for the years ended December 31, 2016 and 2015 were approximately as follows:

	2016	2015
Total volunteer hours	6,035	6,471

Note 19 - Subsequent Events

Subsequent events have been evaluated through April 20, 2017, the date which the financial statements were available to be issued.

The Higher Learning Commission (HLC) announced its approval on March 8, 2017 of the Change of Control application submitted by the Frank Lloyd Wright School of Architecture (School). This allows the School to operate as an entity independent from the Frank Lloyd Wright Foundation (Foundation), and thus maintain its accreditation as an institution of higher learning. The Foundation will continue to be a supportive partner as the School works to provide experimental and experiential higher education in architecture. It will continue to donate space at Taliesin and Taliesin West for the School's operations and providing other support to the School. The Foundation plans to legally split the two organizations with operations beginning on August 1, 2017. At the same time the Foundation plans to modify its year end to match the academic year of the School, August 1 through July 31st. As of December 31, 2016, Net assets of approximately $2,400,000 relate to the School. All assets related to the school will be contributed to the school by the Foundation at the time of the split.