LUMINA FOUNDATION FOR EDUCATION, INC.

FINANCIAL STATEMENTS
December 31, 2012 and 2011

LUMINA FOUNDATION FOR EDUCATION, INC.
Indianapolis, Indiana

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Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lumina Foundation for Education, Inc.
Indianapolis, Indiana

Report on Financial Statements

We have audited the accompanying financial statements of Lumina Foundation for Education, Inc. (the Foundation) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities 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 Lumina Foundation for Education, Inc. as of December, 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
August 8, 2013

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
	($ in thousands)	
ASSETS		
Cash and cash equivalents	$ 45,699	$ 59,437
Investment proceeds receivable	40,907	-
Investments (Notes 2 and 5)	1,046,990	1,019,456
Accrued interest and dividends	1,124	996
Property and equipment, net	1,508	1,813
Other assets	1,555	474
Total assets	$ 1,137,783	$ 1,082,176
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 12,206	$ 28,708
Accounts payable and accrued expenses	828	385
Payroll and related liabilities	324	255
Other liabilities	3,490	4,424
Federal excise tax payable	1,131	1,208
Total liabilities	17,979	34,980
Unrestricted net assets	1,119,804	1,047,196
Total liabilities and net assets	$ 1,137,783	$ 1,082,176

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2012 and 2011

	2012	2011
	($ in thousands)	
Revenues		
Interest and dividends	$ 26,083	$ 23,033
Expenses		
Grants	30,429	48,738
Salaries and related benefits	8,341	10,370
Investment manager fees	5,737	7,012
Consulting and professional fees	7,401	5,590
Convening	1,306	1,425
Federal excise tax	472	556
Occupancy	593	616
Communication and travel	821	883
Depreciation and amortization	440	678
Printing and supplies	461	546
Insurance	110	106
Equipment rental and maintenance	368	341
Other	813	645
	57,292	77,506
Change in net assets before net realized/unrealized gain (loss) on investments	(31,209)	(54,473)
Net realized/unrealized gain (loss) on investments	103,817	(24,920)
Change in net assets	72,608	(79,393)
Net assets, beginning of year	1,047,196	1,126,589
Net assets, end of year	$ 1,119,804	$ 1,047,196

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2012 and 2011

	2012	2011
	($ in thousands)	
Operating activities		
Change in net assets	$ 72,608	$ (79,393)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	440	678
Net realized gain on sale of investments	(35,127)	(63,044)
Net unrealized (gain) loss on investments	(68,690)	87,964
Changes in operating assets and liabilities:		
Investment proceeds receivable	(40,907)	-
Accrued interest and dividends	(128)	11
Other assets	(1,081)	432
Grants payable	(16,502)	2,895
Accounts payable and accrued expenses	443	(185)
Federal excise tax payable	(77)	(224)
Payroll and related liabilities	69	(5)
Other liabilities	(934)	2,249
Net cash from operating activities	(89,886)	(48,622)
Investing activities		
Proceeds from sale of investments	1,049,237	548,718
Purchase of investments	(972,954)	(508,695)
Purchase of property and equipment	(135)	(98)
Net cash from investing activities	76,148	39,925
Net decrease in cash and cash equivalents	(13,738)	(8,697)
Cash and cash equivalents, beginning of year	59,437	68,134
Cash and cash equivalents, end of year	$ 45,699	$ 59,437

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Lumina Foundation for Education, Inc. (the Foundation) is a private, non-stock, not-for-profit corporation organized under and pursuant to the provisions of the General Corporation Law of the state of Delaware. The Foundation is committed to increasing the proportion of Americans who have high-quality, college-level learning. The Foundation's mission is defined by a specific goal: to increase the proportion of Americans with high-quality college degrees, certificates and credentials to 60 percent by 2025. Lumina's outcomes-based approach focuses on helping to design and build an accessible, responsive and accountable higher education system while fostering a national sense of urgency to achieve this goal, known as Goal 2025.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The Internal Revenue Service has determined that the Foundation is exempt from federal income tax on related income under Section 501 (a) of the Internal Revenue Code. The Foundation is a private foundation subject to federal excise tax on net investment income. Federal excise tax payable at December 31, 2012 and 2011 represents deferred excise taxes of $1,131 and $1,208, respectively, on unrealized appreciation of investments. The Foundation has also recorded a tax-related asset at December 31, 2012 and 2011 of $596 and $313, respectively, in relation to estimated payments made in excess of estimated taxes due.

The Foundation is subject to accounting guidance related to accounting for uncertainty in income taxes. This guidance requires the Foundation to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely- than-not test, no tax benefit is recorded. The Foundation has examined this issue and has determined there are no material contingent income tax liabilities or questionable income tax positions.

The Foundation is no longer subject to examination by taxing authorities for years before 2009. The Foundation does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Foundation recognizes interest and/or penalties related to income tax matters in income tax expense. The Foundation did not have any amounts accrued for interest and penalties at December 31, 2012 and 2011.

Required Distributions: The Internal Revenue Code provides that the Foundation generally must distribute in the current year for charitable purposes 5% of the average market value of its invested assets as of the previous year. At December 31, 2012, the Foundation has met the minimum distribution requirements based on the average market value of its invested assets as of December 31, 2011. In order to meet its minimum distribution requirement for 2012, the Foundation must distribute (grants and qualifying expenses) approximately $2,342 prior to January 1, 2014.

Cash Equivalents: Cash equivalents include financial instruments with an original maturity of three months or less when purchased. The Foundation routinely invests in money market funds. These funds generally invest in highly liquid United States government obligations. Cash equivalents are carried at cost, which approximates fair value. The first $250 of deposits per financial institution is insured by a government agency.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Proceeds Receivable: Investment receivable represents the sale of a marketable alternative investment that was initiated prior to, but had not settled as of, December 31, 2012.

Investments: Investments in securities are measured at fair value, which are generally determined by reference to quoted market prices. Securities traded in less active markets may be valued by reference to other inputs such as dealer quotes, transactions in less active markets or models using observable market information. Investment gain or loss (including realized and unrealized gains and losses on investments, equity earnings on investments, interest, and dividends) is included in the statements of activities, which is prepared on an accrual basis.

The fair value of investments in marketable alternatives, limited partnerships, limited liability companies, and certain pooled equities is estimated by management based upon net asset value per share or its equivalent provided by an independent investment advisor, or a partnership general partner or advisory committee (approximately 52% and 46% of fair value of investments at December 31, 2012 and 2011, respectively).

Grants: Grants are recognized as expenses in the period approved. Grants payable over multiple years are discounted to present value.

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The financial statements include investments valued at $547,322 and $466,563 as of December 31, 2012 and 2011, respectively, whose values have been estimated by an independent investment manager or a partnership general partner or advisory committee in the absence of readily ascertainable market values. Due to inherent uncertainty of the valuation process, the estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material to the financial statements.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2012 to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2012. Management has performed their analysis through August 8, 2013 the date the financial statements were available to be issued.

(Continued)

($ in thousands)

NOTE 2 - INVESTMENTS

Following is a summary of investments at fair value:

	2012	2011
US Government and government agency bonds	$ 29,439	$ -
Corporate bonds and asset-backed securities	64,459	48,715
International bond fund	-	41,787
Equities	441,516	489,183
Marketable alternative investments	246,909	199,777
Buyout and venture capital partnerships	170,276	139,502
Real estate and energy-related partnerships	94,371	101,011
Swaps and foreign exchange contracts	20	(519)
	$ 1,046,990	$ 1,019,456

NOTE 3 - EMPLOYEE BENEFIT PLANS

The Foundation sponsors a noncontributory, defined-benefit pension plan, a discretionary plan, and a savings investment plan. During 2012 and 2011, the Foundation recognized expenses of $622 and $3,392, respectively, for these plans. All benefit plans remain active during the period covered.

NOTE 4 - LEASES

The Foundation leases certain property and equipment under various non-cancelable operating leases. Rental expense under these leases was $687 and $706 for 2012 and 2011, respectively. Future minimum lease commitments under the leases at December 31, 2012, are as follows:

2013	$ 664
2014	649
2015	649
2016	649
2017	649
Thereafter	1,947
	$ 5,207

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

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($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Assets measured at fair value on a recurring basis are summarized by major category below:

	Fair Value Measurements at December 31, 2012			
	2012 Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government and government agency bonds	$ 29,439	$ -	$ 29,439	-
Corporate bonds and asset-backed securities	64,459	-	64,459	-
Equities:				
Consumer discretionary	20,495	20,495	-	-
Consumer staples	7,297	7,297	-	-
Energy	6,050	6,050	-	-
Financials	10,765	10,765	-	-
Health Care	12,260	12,260	-	-
Industrials	26,425	26,425	-	-
Information and other technology	31,610	31,610	-	-
Materials	3,743	3,743	-	-
Pooled domestic	708	708	-	-
Pooled international	101,131	21,864	79,076	191
Pooled global	124,477	6,336	82,566	35,575
Pooled emerging and frontier markets	34,872	3,295	31,577	-
Pooled real estate	37,345	-	37,345	-
Pooled commodities	24,338	-	24,338	-
Marketable alternative assets	246,909	-	-	246,909
Partnerships:				
Buyout and venture capital	170,276	-	-	170,276
Real estate and energy-related	94,371	-	-	94,371
Swaps and foreign exchange contracts:				
Assets	74	-	74	-
Liabilities	(54)	-	(54)	-
Total investments	$ 1,046,990	$ 150,848	$ 348,820	$ 547,322

(Continued)

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurements at December 31, 2011			
	2011 Total	Level 1	Level 2	Level 3
Investments:				
Corporate bonds and asset-backed securities	$ 48,715	$ 2,113	$ 46,602	$ -
International bond funds	41,787	-	41,787	-
Equities:				
Consumer discretionary	32,675	32,675	-	-
Consumer staples	10,216	10,216	-	-
Energy	16,984	16,984	-	-
Financials	49,079	49,079	-	-
Health Care	24,699	24,699	-	-
Industrials	23,201	23,201	-	-
Information and other technology	39,898	39,898	-	-
Materials	11,570	11,570	-	-
Telecommunications	1,709	1,709	-	-
Utilities	1,250	1,250	-	-
Pooled international	88,091	-	88,091	-
Pooled global	114,259	-	86,398	27,861
Pooled emerging markets	24,839	-	24,839	-
Pooled real estate	27,603	-	27,603	
Pooled commodities	23,110	-	23,110	-
Marketable alternative assets	199,777	-	1,588	198,189
Partnerships:				
Buyout and venture capital	139,502	-	-	139,502
Real estate and energy-related	101,011	-	-	101,011
Swaps and foreign exchange contracts:				
Assets	4,382	-	4,382	-
Liabilities	(4,901)	-	(4,901)	-
Total investments	$ 1,019,456	$ 213,394	$ 339,499	$ 466,563

Inputs and Valuation Techniques:

Government bonds, corporate bonds, asset-backed securities and bond funds: U.S. government bonds and actively traded corporate debt are valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Government agency, other corporate bonds, asset-backed securities and bond funds are valued without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities or on models using market information (Level 2 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

Equity securities: Equity investments are separately managed accounts principally invested in common stocks. The fair values of common stocks are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

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NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Pooled equity and commodities funds: Pooled equity investments consist of mutual funds and common trust funds which are invested in equity securities in the specified geography or market strategy. The fair values of these funds, which are readily redeemable, are determined by obtaining daily quoted net asset value (NAV) (Level 1 inputs) using the market approach. In some instances, NAVs are not determined daily, but are valued at different frequencies up to every three months (Level 2 inputs). Certain funds are subject to lock-ups of up to 3 years (Level 3 inputs). Foundation management has full transparency to the holdings of these funds. The commodity fund is a publicly traded fund with daily pricing and liquidity. The fund invests in commodity-linked derivative instruments, including commodity index-linked notes, swap agreements, options and futures that provide exposure to the investment returns of commodities without directly investing in physical commodities (Level 2 inputs). The fund may also invest in the equity of issuers in commodity related industries.

Marketable alternative investments: Marketable alternative investments comprise investments in hedge funds that employ a variety of strategies which include U.S. and global long/short, event and diversified arbitrage, credit strategies and fund of funds. The funds seek to generate positive risk-adjusted returns across a range of market environments. The Foundation uses the NAV to determine fair value using the market approach. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. In some instances, the Foundation possesses the ability to redeem its investment at the NAV on a short-term basis (Level 2 inputs).

Redemptions may be made monthly, quarterly, or annually with notice periods ranging from 30 to 180 days. In a few instances, however, lock-ups of up to three years are in place, or the fund balance is in illiquid side pocket investments (Level 3 inputs). At December 31, 2012 and 2011, the Foundation had an unfunded commitment of $16,700 and $25,000 to a domestic strategy, respectively.

Partnerships: The fair values of the investments in buyout and venture partnership and in real estate and energy–related partnerships have been estimated using the NAV of the Foundation's ownership interest in partners' capital under the market approach. For partnership holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. The Foundation management has reviewed the valuations reported by investment managers and determined that NAV is a reasonable and prudent estimate of fair value. These investments cannot be redeemed at NAV with the fund managers. Partnership investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair value for such investments existed (Level 3 inputs).

At December 31, 2012 and 2011, unfunded commitments to buyout and venture capital partnerships were $111,461 and $135,222, respectively. Unfunded commitments to real estate and energy-related funds were $75,387 for 2012 and $43,327 for 2011.

(Continued)

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Swaps and foreign exchange contracts: Certain managers are permitted to use credit swaps to manage exposure in their portfolios without buying or selling the securities outright and to use foreign exchange contracts to hedge non-dollar exposure. These contracts are valued with reference to the underlying security or currency (Level 2 inputs).

Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 10 years.

Transfers into Level 3 investments represent the balance of terminated hedge funds and pooled international equities, previously considered to be Level 2 investments, held in illiquid side pockets for which the redemption date is unknown. The Foundation recognizes these transfers at the end of the reporting period.

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2012 and 2011:

	Fair Value Measurements Using Significant Unobservable Inputs as of December 31, 2012: (Level 3)				
	Pooled Equity Funds	Marketable Alternatives	Buyout and Venture Capital Partnerships	Real Estate and Energy – Related Partnerships	2012 Total
Beginning balance	$ 27,861	$ 198,189	$ 139,502	$ 101,011	$ 466,563
Net unrealized gains and losses	7,714	16,565	174	(14,110)	10,343
Purchases	-	76,933	43,193	24,196	144,322
Sales	-	(44,778)	(12,593)	(16,726)	(74,097)
Transfers	191	-	-	-	191
Ending balance	$ 35,766	$ 246,909	$ 170,276	$ 94,371	$ 547,322

(Continued)

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurements Using Significant Unobservable Inputs as of December 31, 2011: (Level 3)				
	Pooled Equity Funds	Marketable Alternatives	Buyout and Venture Capital Partnerships	Real Estate and Energy – Related Partnerships	2011 Total
Beginning balance	$ -	$ 197,250	$ 109,252	$ 100,299	$ 406,801
Net unrealized gains and losses	(2,139)	2,303	12,597	8,719	21,480
Purchases	30,000	39,000	35,757	11,370	116,127
Sales	-	(42,568)	(18,104)	(19,377)	(80,049)
Transfers	-	2,204	-	-	2,204
Ending balance	$ 27,861	$ 198,189	$ 139,502	$ 101,011	$ 466,563

Total unrealized gains related to Level 3 investments held at December 31, 2012 and 2011 are $7,408 and $21,491.

NOTE 6 - RELATED PARTIES

The Foundation requires all covered persons to annually disclose all relationships in which a person has an interest or relationship, whether business, professional, charitable, or familial. Covered persons include Directors, officers of the Foundation, and members of committees created by the Board of Directors. In all business or funding decisions made with respect to entities in which a covered member has a relationship, the covered member is excluded from the decision making process. Under Lumina's conflict of interest policy, all transactions between the Foundation and entities where a covered person has a key or influential role are tracked and reviewed by the Board of Directors, and steps are taken by the Board to ensure that the transactions are appropriate. For the years ended December 31, 2012 and 2011, the primary activities of this nature included rent and grants paid, which totaled approximately $8,147 and $3,860.

Under the Foundation's grant matching program, current and former employees and Directors are eligible to have personal contributions matched by the Foundation to non-profit entities under Section 501(c)(3) of the Internal Revenue Code, and not a private foundation under Section 509(a) of the Code. Contributions are matched on a three to one basis with the total match amount paid by the Foundation in one year not to exceed $60 for the years ended December 31, 2012 and 2011, respectively. For the years ended December 31, 2012 and 2011, amounts paid to related entities as described above were $438 and $452.

Under the Foundation's grant designation program, members of the Foundation's Board of Directors may designate up to $25 in educational or charitable grants annually for the years ended December 31, 2012 and 2011, respectively. The donee organizations must meet the same requirements as the grant matching program. These grants may not satisfy a personal pledge or be in exchange for any goods, services or other benefits of the Director, such as use for payment for tuition or other personal obligation. For the years ended December 31, 2012 and 2011, amounts contributed under this program to related entities as described above totaled $95 and $103.