LUMINA FOUNDATION FOR EDUCATION, INC.

FINANCIAL STATEMENTS
December 31, 2014 and 2013

LUMINA FOUNDATION FOR EDUCATION, INC.
Indianapolis, Indiana

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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, 2014 and 2013, 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.

(Continued)

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, 2014 and 2013, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 25, 2015

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
	($ in thousands)	
ASSETS		
Cash and cash equivalents	$ 57,538	$ 53,236
Investment proceeds receivable	62,572	769
Investments (Notes 2 and 5)	1,142,082	1,201,805
Accrued interest and dividends	973	816
Property and equipment, net	1,123	1,311
Other assets	1,643	1,004
Total assets	$ 1,265,931	$ 1,258,941
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 26,394	$ 23,310
Accounts payable and accrued expenses	1,034	381
Payroll and related liabilities	379	341
Other liabilities	2,486	976
Federal excise tax payable	1,479	1,553
Total liabilities	31,772	26,561
Unrestricted net assets	1,234,159	1,232,380
Total liabilities and net assets	$ 1,265,931	$ 1,258,941

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2014 and 2013

	2014	2013
	($ in thousands)	
Revenues		
Interest and dividends	$ 22,355	$ 21,099
Expenses		
Grants and program related contracts	50,199	72,279
Salaries and related benefits	11,068	6,608
Investment manager fees	8,460	6,088
Federal excise tax	2,347	1,999
Consulting and professional fees	3,300	1,604
Convening	1,599	1,427
Communication and travel	1,042	972
Sponsorships and dues	815	862
Occupancy	603	666
Printing and supplies	563	381
Depreciation and amortization	262	331
Equipment rental and maintenance	329	304
Other	504	397
	81,091	93,918
Change in net assets before net realized/unrealized gain on investments	(58,736)	(72,819)
Net realized/unrealized gain on investments	60,515	185,395
Change in net assets	1,779	112,576
Net assets, beginning of year	1,232,380	1,119,804
Net assets, end of year	$ 1,234,159	$ 1,232,380

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2014 and 2013

	2014	2013
	($ in thousands)	
Operating activities		
Change in net assets	$ 1,779	$ 112,576
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	262	331
Net realized gain on sale of investments	(96,366)	(66,306)
Net unrealized (gain) loss on investments	35,851	(119,089)
Changes in operating assets and liabilities:		
Investment proceeds receivable	(61,803)	40,138
Accrued interest and dividends	(157)	308
Other assets	(639)	551
Grants payable	3,084	11,104
Accounts payable and accrued expenses	653	(447)
Payroll and related liabilities	38	17
Other liabilities	1,510	(2,514)
Federal excise tax payable	(74)	422
Net cash from operating activities	(115,862)	(22,909)
Investing activities		
Proceeds from sale of investments	595,353	426,074
Purchase of investments	(475,115)	(395,494)
Purchase of property and equipment	(74)	(134)
Net cash from investing activities	120,164	30,446
Net change in cash and cash equivalents	4,302	7,537
Cash and cash equivalents, beginning of year	53,236	45,699
Cash and cash equivalents, end of year	$ 57,538	$ 53,236

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, 2014 and 2013 represents deferred excise taxes of $1,479 and $1,553, respectively, on unrealized appreciation of investments. The Foundation has also recorded a tax-related asset at December 31, 2014 and 2013 of $1,288 and $816, respectively, in relation to estimated payments made in excess of estimated taxes due.

The Foundation is subject to 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 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, 2014 and 2013.

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, 2014, the Foundation has met the minimum distribution requirements based on the average market value of its invested assets as of December 31, 2013. No additional distributions (grants or qualifying expense) are required prior to January 1, 2016. In addition, the Foundation has made $16,559 in distributions toward the minimum distribution to be made prior to January 1, 2017.

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.

Investment Proceeds Receivable: Investment proceeds receivable represents the sale of investments initiated prior to, but not settled as of December 31. At December 31, 2014 and 2013 this included the sales of limited partnerships and marketable alternative investments.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective December 31, 2014, the Foundation entered into an agreement of purchase and sale to sell partnership investments on the secondary market. The agreement included terms requiring payment of 50% of the sale proceeds upon closing of the individual partnership sales and 50% one year from the closing dates. As of December 31, 2014, the Foundation had received $3,758 of the sales proceeds for closed sales under the agreement and recorded investments proceeds receivable in the amount of $57,023 for the remaining secondary-market sales proceeds. 50% of the outstanding balance was received upon the closing of all sales by March 31, 2015 and the remaining 50% will be received by March 31, 2016. There was no allowance recorded for investment proceeds receivable at December 31, 2014 and 2013.

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 are 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 83% and 79% of fair value of investments at December 31, 2014 and 2013, respectively).

Grants and Program Related Contracts: Grants are recognized as expenses in the period approved. Grants payable over multiple years are discounted to present value. The Foundation contracts with various entities to further its mission. Program related contracts are expensed as the services are performed. As of December 31, 2014 and 2013 outstanding commitments on program related contracts totaled $10,723 and $5,115, respectively.

Line of Credit: During 2014, the Foundation entered into a line of credit agreement with a bank in the amount of $75,000 with a maturity date of May 8, 2016. The interest rate is prime plus 3% or LIBOR at the 30, 60, 90 day rate plus 45 basis points at the election of the Foundation upon borrowing. At December 31, 2014, there were no outstanding borrowings on the agreement. Subsequent to December 31, 2014, the Foundation extended the maturity date of the line of credit to April 1, 2017.

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 $947,291 and $949,928 as of December 31, 2014 and 2013, 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 the 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.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2014 to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2014. Management has performed their analysis through June 25, 2015, 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:

	2014	2013
US Government and government agency bonds	$ 24,905	$ 27,350
Corporate bonds and asset-backed securities	62,759	57,335
Fixed income fund	-	11,769
Equities	358,381	479,153
Marketable alternative investments	388,019	311,040
Partnerships	308,018	315,158
	$ 1,142,082	$ 1,201,805

NOTE 3 - EMPLOYEE BENEFIT PLANS

The Foundation sponsors a noncontributory, defined-benefit pension plan, a discretionary plan, and a savings investment plan. During 2014 and 2013, the Foundation recognized expenses for the discretionary and saving investment plans of $328 and $279, respectively. During 2014 and 2013, for the defined-benefit pension plan, the Foundation recognized a net actuarial change in the liability of $2,328 and ($1,893), respectively. 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 $612 and $680 for 2014 and 2013, respectively. Future minimum lease commitments under the leases at December 31, 2014 are as follows:

2015	$ 660
2016	647
2017	642
2018	603
2019	547
Thereafter	1,232
	$ 4,331

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:

(Continued)

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

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, 2014			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government and government agency bonds	$ 24,905	$ 16,602	$ 8,303	$ -
Corporate bonds and asset-backed securities	62,759	-	62,759	-
Equities:				
Consumer discretionary	9,146	9,146	-	-
Energy	1,129	1,129	-	-
Health Care	4,382	4,382	-	-
Industrials	25,369	25,369	-	-
Information and other technology	23,982	23,982	-	-
Materials	6,830	6,830	-	-
Pooled domestic	37,471	1,089	36,382	-
Pooled international	78,686	16,505	62,181	-
Pooled global	98,946	7,467	48,235	43,244
Pooled emerging and frontier markets	46,788	3,147	35,668	7,973
Pooled real estate	13,441	-	13,441	-
Pooled commodities	12,211	12,211	-	-
Marketable alternative assets	388,019	-	153,402	234,617
Partnerships:				
Buyout and venture capital	121,425	-	-	121,425
Real estate and resource related	154,043	-	-	154,043
Other strategies	23,803	-	-	23,803
Education related	8,747	-	-	8,747
Total investments	$ 1,142,082	$ 127,859	$ 420,371	$ 593,852

(Continued)

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurements at December 31, 2013			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government and government agency bonds	$ 27,350	$ 19,593	$ 7,757	$ -
Corporate bonds and asset-backed securities	57,335	-	57,335	-
Fixed income fund	11,769	11,769	-	-
Equities:				
Consumer discretionary	17,761	17,761	-	-
Consumer staples	7,740	7,740	-	-
Energy	3,227	3,227	-	-
Financials	8,283	8,283	-	-
Health Care	9,542	9,542	-	-
Industrials	34,339	34,339	-	-
Information and other technology	26,551	26,551	-	-
Materials	3,848	3,848	-	-
Pooled domestic	1,153	1,153	-	-
Pooled international	121,257	17,075	104,182	-
Pooled global	154,353	7,866	146,487	-
Pooled emerging and frontier markets	54,901	3,061	45,203	6,637
Pooled real estate	21,296	75	21,221	-
Pooled commodities	14,902	14,902	-	-
Marketable alternative assets	311,040	-	90,810	220,230
Partnerships:				
Buyout and venture capital	170,075	-	-	170,075
Real estate and resource related	123,335	-	-	123,335
Other strategies	16,943	-	-	16,943
Education related	4,805	-	-	4,805
Total investments	$ 1,201,805	$ 186,785	$ 472,995	$ 542,025

Unfunded commitments:

The Foundation's unfunded commitments at December 31 are summarized below:

	2014	2013
Buyout and venture capital partnerships	$ 95,001	$ 112,615
Real estate and resource related partnerships	89,394	70,275
Education related partnerships	8,571	7,200
Marketable alternative investments	-	16,667
	$ 192,966	$ 206,757

(Continued)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Inputs and Valuation Techniques:

Government Bonds, Corporate Bonds, Asset-Backed Securities and Fixed Income Fund: U.S. government bonds are valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Government agency, corporate bonds, and asset-backed securities 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.

Fixed Income Fund: The fixed income fund is a publicly traded pooled fund with daily pricing and liquidity. The fund invests in bonds through a flexible approach without benchmark constraints. (Level 1 input). The Foundation exited this fund in 2014.

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).

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 1 input). 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 regional- focus. These funds may invest in a mixture of public and private securities. The funds seek to generate positive risk-adjusted returns across the market cycle. 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).

(Continued)

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Partnerships: The fair values of the investments in 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).

Distributions from each partnership 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 and out of Level 3 pooled equity funds and marketable alternatives are principally due to the expiration and application of restrictions on redemptions due to the passage of time. 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, 2014 and 2013:

	Fair Value Measurements Using Significant Unobservable Inputs as of December 31, 2014: Level 3				
	Pooled Equity Funds	Marketable Alternatives	Buyout and Venture and Other Partnerships	Real Estate and Resource Related Partnerships	2014 Total
Beginning balance	$ 6,637	$ 220,230	$ 191,823	$ 123,335	$ 542,025
Net unrealized gains	1,336	19,757	28,103	16,188	65,384
Purchases	-	75,115	46,813	51,317	173,245
Sales	-	(9,420)	(112,764)	(36,797)	(158,981)
Transfers	43,244	(71,065)	-	-	(27,821)
Ending balance	$ 51,217	$ 234,617	$ 153,975	$ 154,043	$ 593,852

(Continued)

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurements Using Significant Unobservable Inputs as of December 31, 2013: Level 3				
	Pooled Equity Funds	Marketable Alternatives	Buyout and Venture Capital Partnerships	Real Estate and Energy Related Partnerships	2013 Total
Beginning balance	$ 35,766	$ 246,909	$ 170,276	$ 94,371	$ 547,322
Net unrealized gains	11,066	53,328	28,604	6,384	99,382
Purchases	-	9,500	31,742	33,784	75,026
Sales	-	(31,780)	(38,799)	(11,204)	(81,783)
Transfers	(40,195)	(57,727)	-	-	(97,922)
Ending balance	$ 6,637	$ 220,230	$ 191,823	$ 123,335	$ 542,025

Total unrealized gains related to Level 3 investments held at December 31, 2014 and 2013 are $112,986 and $70,254.

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, members of committees created by the Board of Directors and current and former employees. 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, 2014 and 2013, disbursements to the entities described above primarily included rent and grants paid totaling approximately $5,703 and $13,070.

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 per person for the years ended December 31, 2014 and 2013, respectively. For the years ended December 31, 2014 and 2013, amounts paid to related entities as described above were $507 and $496.

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, 2014 and 2013, respectively. The done 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, 2014 and 2013, amounts contributed under this program to related entities as described above totaled $113 and $88.