LUMINA FOUNDATION FOR EDUCATION, INC.

FINANCIAL STATEMENTS
December 31, 2016 and 2015

LUMINA FOUNDATION FOR EDUCATION, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2016 and 2015

CONTENTS

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, 2016 and 2015, 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, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 20, 2017

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
	($ in thousands)	
ASSETS		
Cash and cash equivalents	$ 25,375	$ 18,717
Investment proceeds receivable	-	24,860
Investments (Notes 2 and 5)	1,171,514	1,146,004
Accrued interest and dividends	582	551
Property and equipment, net	1,420	939
Other assets	1,857	2,247
Total assets	$ 1,200,748	$ 1,193,318
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 15,571	$ 12,066
Accounts payable and accrued expenses	726	1,094
Pension, payroll and related liabilities	4,828	5,043
Line of credit	-	15,000
Federal excise tax payable	2,164	1,688
Total liabilities	23,289	34,891
Unrestricted net assets	1,177,459	1,158,427
Total liabilities and net assets	$ 1,200,748	$ 1,193,318

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2016 and 2015

	2016	2015
	($ in thousands)	
Revenues		
Interest and dividends	$ 11,972	$ 17,450
Expenses		
Grants and program related contracts	59,156	39,283
Salaries and related benefits	10,557	11,969
Investment manager fees	4,238	4,924
Federal excise tax	1,472	460
Consulting and professional fees	2,107	2,585
Convening	1,318	1,976
Communication and travel	930	976
Sponsorships and dues	534	790
Occupancy	699	660
Printing and supplies	331	362
Depreciation and amortization	259	226
Technology services and equipment	568	463
Other	471	498
	82,640	65,172
Change in net assets before net realized/unrealized gain (loss) on investments	(70,668)	(47,722)
Net realized/unrealized gain (loss) on investments	89,700	(28,010)
Change in net assets	19,032	(75,732)
Net assets, beginning of year	1,158,427	1,234,159
Net assets, end of year	$ 1,177,459	$ 1,158,427

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

	2016	2015
	($ in thousands)	
Operating activities		
Change in net assets	$ 19,032	$ (75,732)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	259	226
Net realized gain on sale of investments	(2,683)	(51,859)
Net unrealized (gain) loss on investments	(87,017)	79,869
Changes in operating assets and liabilities:		
Investment proceeds receivable	24,860	37,712
Accrued interest and dividends	(31)	422
Other assets	390	(604)
Grants payable	3,505	(14,328)
Accounts payable and accrued expenses	(368)	60
Pension, payroll and related liabilities	(215)	2,178
Federal excise tax payable	476	209
Net cash from operating activities	(41,792)	(21,847)
Investing activities		
Proceeds from sale of investments	455,334	469,938
Purchase of investments	(391,144)	(501,870)
Purchase of property and equipment	(740)	(42)
Net cash from investing activities	63,450	(31,974)
Financing activities		
Payments on the line of credit	(15,000)	-
Proceeds from borrowings on the line of credit	-	15,000
Net cash from financing activities	(15,000)	15,000
Net change in cash and cash equivalents	6,658	(38,821)
Cash and cash equivalents, beginning of year	18,717	57,538
Cash and cash equivalents, end of year	$ 25,375	$ 18,717

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 works to make opportunities for learning beyond high school available to all. The Foundation is supporting the creation of a system that is easy to navigate, delivers fair results, and meets the nation's need for talent through a broad range of credentials. The goal is to prepare people for informed citizenship and for success in a global economy.

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, 2016 and 2015 represents deferred excise taxes of $2,164 and $1,688, respectively, on unrealized appreciation of investments. The Foundation has also recorded a tax-related asset at December 31, 2016 and 2015 of $1,378 and $1,927, 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, 2016 and 2015.

Required Distributions: The Internal Revenue Code provides that the Foundation generally must distribute for charitable purposes 5% of the average market value of its invested assets. At December 31, 2016, the Foundation has met the minimum distribution requirements. No additional distributions are required prior to January 1, 2017. Further, as of January 1, 2017 the Foundation has $46,000 of qualified distributions (grants and qualifying expenses) in excess of the required distributed amount to carry forward for use for up to five years.

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, including the sales of limited partnerships and marketable alternative investments, represents the sale of investments initiated prior to, but not settled as of December 31.

(Continued)

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, 2016 the Foundation had fully collected the remaining proceeds from the sale. Investments proceeds receivable in the amount of $24,860 were recorded at December 31, 2015 for the secondary-market sales proceeds. There was no allowance recorded for investment proceeds receivable at December 31, 2016 and 2015.

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 86% and 87% of fair value of investments at December 31, 2016 and 2015, 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, 2016 and 2015 outstanding commitments on program related contracts totaled $2,465 and $6,880, respectively.

Line of Credit: During 2016, the Foundation renegotiated the line of credit agreement with a bank which provides a credit line of $75,000 consisting of funding of $40,000 fully committed and $35,000 uncommitted. The Foundation extended the maturity date of the line of credit to April 1, 2018. The interest rate is prime plus 3% or LIBOR at the overnight, 7, 30, 60, 90-day rate plus 45 basis points at the election of the Foundation upon borrowing. As of December 31, 2016, the Foundation did not have any outstanding borrowings. As of December 31, 2015, the Foundation had an outstanding balance of $15,000.

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 $1,006,317 and $993,091 as of December 31, 2016 and 2015, 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.

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.

($ in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2016 to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2016. Management has performed their analysis through June 20, 2017, the date the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

Following is a summary of investments at fair value:

	2016	2015
US Government and government agency bonds	$ 24,032	$ 20,805
Corporate bonds and asset-backed securities	43,287	48,314
Equities	377,420	383,112
Marketable alternative investments	392,911	362,881
Partnerships	333,864	330,892
	$ 1,171,514	$ 1,146,004

NOTE 3 - EMPLOYEE BENEFIT PLANS

The Foundation sponsors a noncontributory, defined-benefit pension plan, a discretionary plan, and a savings investment plan. During 2016 and 2015, the Foundation recognized expenses for the discretionary and saving investment plans of $377 and $345, respectively. During 2016 and 2015, for the defined-benefit pension plan, the Foundation recognized a net actuarial change in the liability of $268 and $2,154, 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 $698 and $678 for 2016 and 2015, respectively. Future minimum lease commitments under the leases at December 31, 2016 are as follows:

2017	$ 643
2018	604
2019	547
2020	547
2021	547
Thereafter	137
	$ 3,025

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.

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.

Certain investments are valued using the net asset value (NAV) (or its equivalent) provided by the fund as a practical expedient. Those investments include pooled equities, marketable alternative assets, and partnerships and are excluded from the valuation hierarchy, pursuant to ASU 2015-07, *Fair Value Measurement*.

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

	Fair Value Measurements at December 31, 2016				
	Total Investments	Level 1	Level 2	Level 3	Valued Using NAV Expedient
Investments:					
U.S. Government and government agency bonds	$ 24,032	$ 18,560	$ 5,472	$ -	$ -
Corporate bonds and asset-backed securities	43,287	-	43,287	-	-
Equities:					
Consumer discretionary	6,766	6,766	-	-	-
Energy	28,670	28,670	-	-	-
Health Care	2,914	2,914	-	-	-
Industrials	12,644	12,644	-	-	-
Information and other technology	15,332	15,332	-	-	-
Materials	26,556	26,556	-	-	-
Utilities	2,996	2,996	-	-	-
Pooled domestic	30,846	-	-	-	30,846
Pooled international	114,662	-	-	-	114,662
Pooled global	79,927	-	-	-	79,927
Pooled emerging and frontier markets	45,746	-	-	-	45,746
Pooled real estate	8,361	-	-	-	8,361
Private education related	2,000	-	-	2,000	-
Marketable alternative assets	392,911	-	-	-	392,911
Partnerships:					
Buyout and venture capital	138,865	-	-	-	138,865
Real estate and resource related	145,577	-	-	-	145,577
Other strategies	35,418	-	-	-	35,418
Education related	14,004	-	-	-	14,004
Total investments	$ 1,171,514	$ 114,438	$ 48,759	$ 2,000	$ 1,006,317

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Fair Value Measurements at December 31, 2015				
	Total Investments	Level 1	Level 2	Level 3	Valued Using NAV Expedient
Investments:					
U.S. Government and government agency bonds	$ 20,805	$ 14,780	$ 6,025	$ -	$ -
Corporate bonds and asset-backed securities	48,314	-	48,314	-	-
Equities:					
Consumer discretionary	5,036	5,036	-	-	-
Energy	20,111	20,111	-	-	-
Health Care	3,178	3,178	-	-	-
Industrials	13,862	13,862	-	-	-
Information and other technology	10,942	10,942	-	-	-
Materials	21,593	21,593	-	-	-
Commodities fund	9,072	9,072	-	-	-
Pooled domestic	36,427	-	-	-	36,427
Pooled international	108,999	-	-	-	108,999
Pooled global	89,947	-	-	-	89,947
Pooled emerging and frontier markets	50,731	-	-	-	50,731
Pooled real estate	13,214	-	-	-	13,214
Marketable alternative assets	362,881	-	-	-	362,881
Partnerships:					
Buyout and venture capital	143,027	-	-	-	143,027
Real estate and resource related	147,118	-	-	-	147,118
Other strategies	28,580	-	-	-	28,580
Education related	12,167	-	-	-	12,167
Total investments	$ 1,146,004	$ 98,574	$ 54,339	$ -	$ 993,091

Inputs and Valuation Techniques:

Government Bonds, Corporate Bonds and Asset-Backed Securities: 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.

Equity Securities

Public Equity: Public equity investments are held in 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).

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Commodities Fund: The commodities 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. The fund was sold during 2016.

Pooled Equity: Pooled equity investments consist of mutual funds and common trust funds which are invested in equity securities in the specified geography or market strategy. These funds are valued by the managers utilizing 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; Foundation management has full transparency to the holdings of these funds. NAVs are generally determined monthly and the Foundation possesses the ability to redeem its investment at the NAV. Certain funds are subject to lock-ups of up to 3 years.

Private Education Related: Private education related equities consist of equity ownership interests in three private corporations operating in the education sector. The investments were acquired in 2016 at a cost of $2,000 and are currently valued at cost due to the lack of availability of readily determinable fair market values (Level 3 inputs).

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 expedient to determine fair value. 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.

The Foundation possesses the ability to redeem its investment at the NAV. 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.

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 received if sold.

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.

($ in thousands)

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Unfunded commitments:

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

	2016	2015
Buyout and venture capital partnerships	$ 53,366	$ 50,836
Real estate and resource related partnerships	87,187	87,523
Other Strategies	17,430	23,135
Education related partnerships	15,525	18,705
	$ 173,508	$ 180,199

The Foundation has no other unfunded commitments to make investments.

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, 2016 and 2015, disbursements to the entities described above primarily included grants paid totaling approximately $8,527 and $4,443.

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, 2016 and 2015, respectively. For the years ended December 31, 2016 and 2015, amounts paid to related entities as described above were $578 and $511.

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, 2016 and 2015, 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, 2016 and 2015, amounts contributed under this program to related entities as described above totaled $179 and $163.