Financial Statements For the Years Ended December 31, 2020 and 2019 With Independent Auditor's Report



Financial Statements
For the Years Ended December 31, 2020 and 2019

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1–2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6–17



INDEPENDENT AUDITOR'S REPORT

Board of Directors Lumina Foundation for Education, Inc.

We have audited the accompanying financial statements of Lumina Foundation for Education, Inc. (the Foundation), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements (collectively, 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 audit. We conducted our audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Lumina Foundation for Education, Inc. for the year ended December 31, 2019 were audited by other auditors who expressed an unmodified opinion on those statements on June 18, 2020.

June 24, 2021

Mitchell : Titus LLP

Statements of Financial Position December 31, 2020 and 2019 (\$ in thousands)

	 2020		2019			
ASSETS						
Cash and cash equivalents	\$ 33,113	\$	15,314			
Investment proceeds receivable	54,060		35,254			
Investments (Notes 3 and 6)	1,326,777		1,220,269			
Accrued interest and dividends	578		715			
Property and equipment, net	620		795			
Beneficial interest in charitable remainder trusts						
(Note 9)	672		635			
Other assets	 938	-	1,111			
Total assets	\$ 1,416,758	\$	1,274,093			
LIABILITIES AND NET ASSETS Liabilities						
Grants payable	\$ 1,347	\$	11,913			
Accounts payable and accrued expenses	3,237		2,661			
Pension, payroll, and related liabilities	4,740		4,469			
Federal excise tax payable	 5,022		4,059			
Total liabilities	14,346		23,102			
Net assets without donor restrictions	 1,402,412		1,250,991			
Total liabilities and net assets	\$ 1,416,758	\$	1,274,093			

Statements of Activities Years Ended December 31, 2020 and 2019 (\$ in thousands)

	2020	2019		
REVENUE				
Interest and dividends, net of expenses	\$ 971	\$ 5,368		
Contributions and other	90	73		
	1,061	5,441		
EXPENSES				
Grants and program related contracts	40,434	57,099		
Salaries and related benefits	11,755	11,764		
Convening	453	3,201		
Federal excise tax	4,883	2,695		
Consulting and professional fees	2,159	2,430		
Travel and communication	301	1,164		
Occupancy	728	687		
Printing and supplies	527	664		
Technology services and equipment	591	583		
Depreciation and amortization	435	456		
Sponsorships and dues	398	358		
Other	555	563		
	63,219	81,664		
Expenses in excess of revenue	(62,158)	(76,223)		
Investment realized/unrealized gains	213,579	152,286		
Change in net assets	151,421	76,063		
Net assets without donor restrictions, beginning of year	1,250,991	1,174,928		
Net assets without donor restrictions, end of year	\$ 1,402,412	\$ 1,250,991		

Statements of Cash Flows Years Ended December 31, 2020 and 2019 (\$ in thousands)

	2020	2019
CACH ELONG EDOM ODEDATINO ACTIVITIES		
CASH FLOWS FROM OPERATING ACTIVITIES	\$ 151,42	1 \$ 76,063
Change in net assets	\$ 151,42	1 \$ 76,063
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	46	4 484
Net realized gain on sale of investments	(116,67	•
Net unrealized gain on investments	(110,07	, , , ,
Changes in operating assets and liabilities	(90,90	(30,003)
Accrued interest and dividends	13	7 8
Beneficial interest in charitable remainder trusts		7) (46)
Other assets	17	, , ,
Grants payable	(10,56	- /
Accounts payable and accrued expenses	(10,50	
Pension, payroll and related liabilities	27	,
Federal excise tax payable	96	
Net cash used in operating activities	(70,17	7) (80,866)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	713,89	7 460,969
Purchase of investments	(625,63	•
Purchase of property and equipment	(28	, , , ,
Net cash provided by investing activities	87,97	6 68,888
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from draws on line of credit facility	45,00	0 -
Repayments of line of credit facility	(45,00	
Net cash provided by financing activities		
Net change in cash and cash equivalents	17,79	9 (11,978)
Cash and cash equivalents, beginning of year	15,31	4 27,292
Cash and cash equivalents, end of year	\$ 33,11	3 \$ 15,314

See accompanying notes to financial statements.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 1 NATURE OF 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 supports 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 success in a global economy.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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, 2020 and 2019 represents deferred excise taxes of \$5,022 and \$4,059, respectively, on unrealized appreciation of investments. The Foundation has also recorded a tax-related asset at December 31, 2020 and 2019 of \$503 and \$375, 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.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020, the Foundation has met the minimum distribution requirements. No additional distributions are required prior to January 1, 2020. Further, as of January 1, 2020, the Foundation has \$92,200 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.

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, and interest and dividends, net of investment expenses) is included in the statements of activities, which are prepared on an accrual basis. Investment proceeds receivable represent sales of investments initiated but not yet settled as of December 31.

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 82% and 84% of fair value of investments as of December 31, 2020 and 2019, respectively).

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions, however, no such gifts have been received by the Foundation.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Program Related Contracts

The full amount of 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, 2020 and 2019 outstanding commitments on program related contracts totaled \$2,578 and \$7,961, respectively.

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 \$1,086,111 and \$1,024,792 as of December 31, 2020 and 2019, 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

The Foundation has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2020. This analysis has been performed through June 24, 2021, the date the financial statements were available to be issued.

NOTE 3 INVESTMENTS

Following is a summary of investments at fair value:

	 2020	 2019	
Short-term bond mutual fund Government and government agency bonds Corporate bonds and asset-backed securities Equities Marketable alternative investments Partnerships	\$ 45,075 27,953 58,786 552,644 242,803 399,516	\$ 26,819 31,567 51,772 432,772 286,019 391,320	
	\$ 1,326,777	\$ 1,220,269	

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 4 EMPLOYEE BENEFIT PLANS

The Foundation sponsors a noncontributory, defined-benefit pension plan, a discretionary plan, and a savings investment plan. During 2020 and 2019, the Foundation recognized expenses for the discretionary plan of \$407 and \$388, respectively. During 2020 and 2019, the Foundation recognized a net actuarial change for the defined-benefit pension plan resulting in an increase in the liability each year of \$468 and \$457, respectively. All benefit plans remain active during the period covered.

NOTE 5 LEASES

The Foundation leases certain property and equipment under various non-cancelable operating leases. Rental expense under these leases was \$791 and \$696 for 2020 and 2019, respectively. Future minimum lease commitments under the leases at December 31, 2020 are as follows:

2021	\$ 739
2022	315
2023	166
2024	 13
	\$ 1,233

NOTE 6 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 (*i.e.*, 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.

U.S. 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. U.S. GAAP describes three levels of inputs that may be used to measure fair value:

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

<u>Level 2:</u> 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.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

<u>Level 3:</u> 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.

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

Fair Value Measurements at December 31, 2020

	Total Investments	Level 1	Level 2	Level 3	Valued Using NAV Expedient
Investments					
Short-term bond mutual fund	\$ 45,075	45,075	\$ -	\$ -	\$ -
Government and government agency	<i>'</i>				
bonds	27,953	-	27,953	-	-
Corporate bonds and asset-backed					
securities	58,786	-	58,786	-	-
Equities					
Consumer discretionary	-	-	-	-	-
Energy	124	124	-	-	-
Financials	-	-	-	-	-
Health care	-	-	-	-	-
Industrials	-	-	-	-	-
Information and other technology	-	-	-	-	-
Materials	-	-	-	-	-
Domestic exchange-traded fund	-	-	-	-	-
Funds and mutual funds	92,405	92,405	-	-	-
Pooled domestic	122,847	-	-	-	122,847
Pooled international	57,402	-	-	-	57,402
Pooled global	214,471	-	-	-	214,471
Pooled emerging and frontier market	49,071	-	-	-	49,071
Private education related	16,323	-	-	16,323	-
Marketable alternative investments	242,803	-	-	-	242,803
Partnerships					
Buyout and venture capital	191,675	-	-	-	191,675
Real estate and resource related	140,682	-	-	-	140,682
Other strategies	37,554	-	-	-	37,554
Education related	29,606				29,606
Total investments	\$ 1,326,777	\$ 137,604	\$ 86,739	\$ 16,323	\$ 1,086,111

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Measurements at December 31, 2019

	Total Investments	 Level 1	L	evel 2	L	evel 3	alued Using V Expedient
Investments							
Short-term bond mutual fund	\$ 26,819	\$ 26,819	\$	-	\$	-	\$ -
Government and government agency							
bonds	31,567	-		31,567		-	-
Corporate bonds and asset-backed							
securities	51,772	-		51,772		-	-
Equities							
Consumer discretionary	16,524	16,524		-		-	-
Energy	2,542	2,542		-		-	-
Financials	1,887	1,887		-		-	-
Health Care	1,852	1,852		-		-	-
Industrials	3,651	3,651		-		-	-
Information and other technology	16,370	16,370		-		-	-
Materials	17,172	17,172		-		-	-
Domestic exchange-traded fund	13,879	13,879		-		-	-
Pooled domestic	77,720	-		-		-	77,720
Pooled international	106,037	-		-		-	106,037
Pooled global	122,461	-		-		-	122,461
Pooled emerging and frontier market	41,235	-		-		-	41,235
Private education related	11,442	-		-		11,442	-
Marketable alternative investments	286,019	-		-		-	286,019
Partnerships							
Buyout and venture capital	169,794	-		-		-	169,794
Real estate and resource related	149,989	-		-		-	149,989
Other strategies	41,161	-		-		-	41,161
Education related	30,376	 -		-		-	 30,376
Total investments	\$ 1,220,269	\$ 100,696	\$	83,339	\$	11,442	\$ 1,024,792

Inputs and Valuation Techniques

Bond mutual fund, government bonds, corporate bonds and asset-backed securities: The short-term bond mutual fund is valued at the closing price reported in the active market in which the bond fund is traded (Level 1 inputs). Government bonds and agency bonds, 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 the 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).

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Equity Securities (continued)

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. Redemptions may be made daily, monthly, quarterly, or annually with notice periods ranging from 10 days to 12 months. Certain funds are subject to lockups of up to two years.

Private education related: Private education-related equities consist of equity ownership interests in 15 and 13 entities operating in the education sector as of December 31, 2020 and 2019, respectively. The investments in 2020 and 2019 are valued at estimated market values of \$16,323 and \$11,442, respectively, (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 150 days. In certain instances, however, lock-ups of up to three years are in place, or the fund balance is in illiquid side pocket investments.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 6 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. 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's 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 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.

Unfunded Commitments

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

	 2020	 2019
Buyout and venture capital partnerships Real estate and resource-related partnerships Other strategies partnerships Education-related partnerships	\$ 103,798 57,452 21,650 9,198	\$ 78,856 68,963 23,314 8,112
	\$ 192,098	\$ 179,245

The Foundation has no other unfunded commitments to make investments.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 7 LIQUIDITY AND AVAILABILITY

The Foundation's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	 2020	 2019
Cash	\$ 33,113	\$ 15,314
Investment proceeds receivable	54,060	35,254
Investments	1,326,777	1,220,269
Accrued interest and dividends	 578	 715
	1,414,528	1,271,552
Less: Investments with liquidity in excess		
of one year	 (576,556)	 (465,217)
	\$ 837,972	\$ 806,335

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, the Foundation has committed lines of credit in the total amount of \$100 million, which it could draw upon to facilitate operations. The use of these lines of credit is generally restricted to the extent that the Foundation is in need of liquidity to fund program-related obligations and administrative functions.

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, 2020 and 2019, the Foundation did not have any outstanding borrowings.

NOTE 8 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 person is excluded from the decision-making process.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 8 RELATED PARTIES (continued)

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, and steps are taken by the Board to ensure that the transactions are appropriate. For the years ended December 31, 2020 and 2019, disbursements to the entities described above primarily included grants paid totaling approximately \$8,957 and \$6,106, respectively.

Under the Foundation's grant-matching program, current and retired 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 (the Code), and not a private foundation under Section 509(a) of the Code. Matching gifts may not be credited toward participant pledges and may not be credited to a participant controlled donor-advised fund. 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, 2020 and 2019, amounts paid to related entities as described above were \$847 and \$682, respectively.

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, 2020 and 2019, 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 to be used for payment for tuition or other personal obligations. For the years ended December 31, 2020 and 2019, amounts contributed under this program to related entities as described above totaled \$175 and \$200, respectively.

NOTE 9 BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

The Foundation is a designated beneficiary of two charitable remainder unitrusts (trusts). The trusts provide for the payment of distributions to other designated beneficiaries over the lifetimes of the named beneficiaries. At the end of the trusts' terms, the Foundation is designated to receive 50% of the remaining assets. A discount rate of 5% was applied to calculate the portion of the trusts attributable to the beneficial interest of the Foundation of \$672 and \$635 as of December 31, 2020 and 2019, respectively.

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 10 FUNCTIONAL EXPENSES

Grants and program costs are considered the activities focused on the Foundation mission of learning beyond high school and include direct and indirect costs such as salaries, benefits, professional fees and others. Management and general expenses are defined as general overhead expenses providing direct support to operations.

The majority of expenses is directly applied to functions based upon the nature of the expense. Expenses that are allocated are allocated based upon total salaries and benefits applied to the respective functions.

Expenses categorized by their function and type for the year ended December 31, 2020 are as follows:

	Grants and Programs		Management and General		Total	
Grants and program-related contracts	\$	40,434	\$	-	\$	40,434
Salaries and related benefits Convening		8,782 453		2,973 -		11,755 453
Federal excise tax Consulting and professional fees		- 481		4,883 1,678		4,883 2,159
Communication and travel		225 544		76 184		301 728
Occupancy Printing and supplies		394		133		527
Technology services and equipment Depreciation and amortization		441 325		150 110		591 435
Sponsorships and dues Other		297 415		101 140		398 555
Culci	\$	52,791	\$	10,428	\$	63,219

Notes to Financial Statements Years Ended December 31, 2020 and 2019 (\$ in thousands)

NOTE 10 FUNCTIONAL EXPENSES (continued)

Expenses categorized by their function and type for the year ended December 31, 2019 are as follows:

	Grants and Programs		Management and General		Total	
		- J				
Grants and program related contracts	\$	57,099	\$	-	\$	57,099
Salaries and related benefits		8,730		3,034		11,764
Convening		3,201		-		3,201
Federal excise tax		-		2,695		2,695
Consulting and professional fees		528		1,902		2,430
Communication and travel		868		296		1,164
Occupancy		512		175		687
Printing and supplies		495		169		664
Technology services and equipment		435		148		583
Depreciation and amortization		340		116		456
Sponsorships and dues		267		91		358
Other		418		145		563
	\$	72,893	\$	8,771	\$	81,664

