

LUMINA FOUNDATION FOR EDUCATION, INC.

Financial Statements
For the Years Ended December 31, 2021 and 2020
With Independent Auditor's Report



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

LUMINA FOUNDATION FOR EDUCATION, INC.
Financial Statements
For the Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lumina Foundation for Education, Inc.

Opinion

We have audited the financial statements of Lumina Foundation for Education, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Mitchell Titus, LLP

June 16, 2022

LUMINA FOUNDATION FOR EDUCATION, INC.
 Statements of Financial Position
 December 31, 2021 and 2020
 (\$ in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 25,429	\$ 33,113
Investment proceeds receivable	3,736	54,060
Investments (Notes 6 and 7)	1,571,427	1,326,777
Accrued interest and dividends	384	578
Property and equipment, net	296	620
Beneficial interest in charitable remainder trusts (Note 9)	728	672
Other assets	581	938
Total assets	<u>\$ 1,602,581</u>	<u>\$ 1,416,758</u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Grants payable	\$ 4,082	\$ 1,347
Accounts payable and accrued expenses	5,791	3,237
Pension, payroll, and related liabilities	3,000	4,740
Federal excise tax payable	6,638	5,022
Total liabilities	19,511	14,346
Net assets without donor restrictions	<u>1,583,070</u>	<u>1,402,412</u>
Total liabilities and net assets	<u>\$ 1,602,581</u>	<u>\$ 1,416,758</u>

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
 Statements of Activities
 Years Ended December 31, 2021 and 2020
 (\$ in thousands)

	<u>2021</u>	<u>2020</u>
REVENUE		
Interest and dividends, net of expenses	\$ 3,501	\$ 971
Contributions and other	61	90
	<u>3,562</u>	<u>1,061</u>
EXPENSES		
Grants and program related contracts	68,003	40,434
Salaries and related benefits	10,102	11,755
Convening	981	453
Federal excise tax	4,437	4,883
Consulting and professional fees	1,869	2,159
Travel and communication	208	301
Occupancy	652	728
Printing and supplies	607	527
Technology services and equipment	674	591
Depreciation and amortization	341	435
Sponsorships and dues	385	398
Other	542	555
	<u>88,801</u>	<u>63,219</u>
Expenses in excess of revenue	(85,239)	(62,158)
Investment realized/unrealized gains	<u>265,897</u>	<u>213,579</u>
Change in net assets	180,658	151,421
Net assets without donor restrictions, beginning of year	<u>1,402,412</u>	<u>1,250,991</u>
Net assets without donor restrictions, end of year	<u><u>\$ 1,583,070</u></u>	<u><u>\$ 1,402,412</u></u>

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020
 (\$ in thousands)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 180,658	\$ 151,421
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	366	464
Net realized gain on sale of investments	(166,346)	(116,673)
Net unrealized gain on investments	(99,551)	(96,906)
<i>Changes in operating assets and liabilities</i>		
Accrued interest and dividends	194	137
Beneficial interest in charitable remainder trusts	(56)	(37)
Other assets	357	173
Grants payable	2,735	(10,566)
Accounts payable and accrued expenses	2,554	576
Pension, payroll and related liabilities	(1,740)	271
Federal excise tax payable	1,616	963
Net cash used in operating activities	<u>(79,213)</u>	<u>(70,177)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,121,833	713,897
Purchase of investments	(1,050,262)	(625,632)
Purchase of property and equipment	(42)	(289)
Net cash provided by investing activities	<u>71,529</u>	<u>87,976</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from draws on line of credit facility	-	45,000
Repayments of line of credit facility	-	(45,000)
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	(7,684)	17,799
Cash and cash equivalents, beginning of year	33,113	15,314
Cash and cash equivalents, end of year	<u>\$ 25,429</u>	<u>\$ 33,113</u>

See accompanying notes to financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(*\$ 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 (U.S. 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, 2021 and 2020 includes deferred excise taxes of \$5,888 and \$4,622, respectively, on unrealized appreciation of investments. The Foundation has also recorded a tax-related asset at December 31, 2021 and 2020 of \$150 and \$503, 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.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ 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, 2021, the Foundation has met the minimum distribution requirements. No additional distributions are required prior to January 1, 2022. Further, as of January 1, 2022, the Foundation has an estimated \$75,500 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 85% and 82% of fair value of investments as of December 31, 2021 and 2020, 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.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ 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, 2021 and 2020, outstanding commitments on program-related contracts totaled \$7,172 and \$2,578, 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 \$1,340,024 and \$1,086,111 as of December 31, 2021 and 2020, respectively, whose values have been estimated by an independent investment manager or a partnership general partner or valuation 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, 2021, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2021. The Foundation entered into new line of credit facilities totaling \$125,000 in April 2022. See footnote 7 for additional details. This analysis has been performed through June 16, 2022, the date the financial statements were available to be issued.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ in thousands)

NOTE 3 INVESTMENTS

The following is a summary of investments at fair value:

	<u>2021</u>	<u>2020</u>
Short-term bond mutual fund	\$ -	\$ 45,075
Government and government agency bonds	28,480	27,953
Corporate bonds and asset-backed securities	43,730	58,786
Equities	582,616	552,644
Marketable alternative investments	374,573	242,803
Partnerships	542,028	399,516
	<u>\$ 1,571,427</u>	<u>\$ 1,326,777</u>

NOTE 4 EMPLOYEE BENEFIT PLANS

The Foundation sponsors a noncontributory, defined-benefit pension plan, a discretionary plan, and a savings investment plan. During 2021 and 2020, the Foundation recognized expenses for the savings investment plan of \$461 and \$407, respectively. During 2021 and 2020, the Foundation recognized a net actuarial change for the defined-benefit pension plan, resulting in a change in the liability each year of \$2,108 and \$468, 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 \$718 and \$791 for 2021 and 2020, respectively. The Foundation entered into new property leases for the Washington, DC and Indianapolis, IN locations during 2021. The Washington, DC lease commences in 2022 and extends for 111 months. The Indianapolis office is moving locations and the lease begins in 2024 and extends until 2034. Future minimum lease commitments under the leases at December 31, 2021 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2022	\$ 696
2023	756
2024	825
2025	1,057
2026	1,082
Thereafter	8,243
	<u>\$ 12,659</u>

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ in thousands)

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:

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.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ in thousands)

NOTE 6 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, 2021

	Total Investments	Level 1	Level 2	Level 3	Valued Using NAV Expedient
<i>Investments</i>					
Short-term bond mutual fund	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government and government agency bonds	28,480	-	28,480	-	-
Corporate bonds asset-backed securities	43,730	-	43,730	-	-
<i>Equities</i>					
Energy	111	111	-	-	-
Financials	-	-	-	-	-
Health Care	-	-	-	-	-
Industrials	-	-	-	-	-
Information and other technology	1,689	1,689	-	-	-
Materials	-	-	-	-	-
Domestic exchange-traded funds	101,874	101,874	-	-	-
Global exchange-traded funds	23,104	23,104	-	-	-
Funds and mutual funds	-	-	-	-	-
Pooled domestic	145,394	-	-	-	145,394
Pooled international	29,620	-	-	-	29,620
Pooled global	200,335	-	-	-	200,335
Pooled emerging and frontier markets	48,074	-	-	-	48,074
Private education related	32,415	-	-	32,415	-
Marketable alternative assets	374,573	-	-	-	374,573
<i>Partnerships</i>					
Buyout and venture capital	271,015	-	-	-	271,015
Real estate and resource related	176,751	-	-	-	176,751
Other strategies	44,245	-	-	-	44,245
Education related	50,017	-	-	-	50,017
Total investments	\$ 1,571,427	\$ 126,778	\$ 72,210	\$ 32,415	\$ 1,340,024

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ in thousands)

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair Value Measurements at December 31, 2020

	Total Investments	Level 1	Level 2	Level 3	Valued Using NAV Expedient
<i>Investments</i>					
Short-term bond mutual fund	\$ 45,075	45,075	\$ -	\$ -	\$ -
Government and government agency bonds	27,953	-	27,953	-	-
Corporate bonds and asset-backed securities	58,786	-	58,786	-	-
<i>Equities</i>					
Consumer discretionary	-	-	-	-	-
Energy	124	124	-	-	-
Financials	-	-	-	-	-
Health Care	-	-	-	-	-
Industrials	-	-	-	-	-
Information and other technology	-	-	-	-	-
Materials	-	-	-	-	-
Domestic exchange-traded fund	15,602	15,602	-	-	-
Funds and mutual funds	76,803	76,803	-	-	-
Pooled domestic	122,847	-	-	-	122,847
Pooled international	57,402	-	-	-	57,402
Pooled global	214,471	-	-	-	214,471
Pooled emerging and frontier markets	49,071	-	-	-	49,071
Private education related	16,323	-	-	16,323	-
Marketable alternative investments	242,803	-	-	-	242,803
<i>Partnerships</i>					
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

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

Exchange-traded public equity: Exchange-traded public equity investments are direct investments in common stocks and exchange traded funds. The fair values are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ 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 when applicable. Certain funds are subject to lock-ups of up to three years.

Private education related: Private education-related equities consist of equity ownership interests in 14 and 13 entities operating in the education sector as of December 31, 2021 and 2020, respectively. The investments in 2021 and 2020 are valued at estimated market values of \$32,415 and \$16,323, 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 45 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.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ 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:

	<u>2021</u>	<u>2020</u>
Buyout and venture capital partnerships	\$ 167,886	\$ 103,798
Real estate and resource-related partnerships	54,965	57,452
Other strategies partnerships	24,775	21,650
Education-related partnerships	13,495	9,198
	<u>\$ 261,121</u>	<u>\$ 192,098</u>

The Foundation has no other unfunded commitments to make investments.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2021 and 2020
(\$ 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:

	<u>2021</u>	<u>2020</u>
Cash	\$ 25,429	\$ 33,113
Investment proceeds receivable	3,736	54,060
Investments	1,571,427	1,326,777
Accrued interest and dividends	<u>384</u>	<u>578</u>
	1,600,976	1,414,528
Less: Investments with liquidity in excess of one year	<u>(817,478)</u>	<u>(576,556)</u>
	<u>\$ 783,498</u>	<u>\$ 837,972</u>

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, 2021 and 2020, the Foundation did not have any outstanding borrowings.

The Foundation increased the lines of credit facilities totaling \$125 million with two banking institutions subsequent to year end. Effective April 2022, the Foundation secured a fully committed facility of \$100 million at an interest rate of SOFR plus 86 basis points at the time of borrowing. The second facility with a separate financial institution is \$25 million and is uncommitted at an interest rate of SOFR plus 60 basis points at the time of borrowing. The facilities mature in April 2024.

LUMINA FOUNDATION FOR EDUCATION, INC.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(\$ in thousands)

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.

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, 2021 and 2020, disbursements to the entities described above primarily included grants paid totaling approximately \$9,579 and \$8,957, 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, 2021 and 2020, amounts paid to related entities as described above were \$794 and \$847, 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, 2021 and 2020, 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, 2021 and 2020, amounts contributed under this program to related entities as described above totaled \$205 and \$175, 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 \$728 and \$672 as of December 31, 2021 and 2020, respectively.

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NOTE 10 FUNCTIONAL EXPENSES

Grants and program costs are considered the activities focused on the Foundation’s 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, 2021 are as follows:

	Grants and Programs	Management and General	Total
Grants and program-related contracts	\$ 68,003	\$ -	\$ 68,003
Salaries and related benefits	7,743	2,359	10,102
Excise tax	-	4,437	4,437
Consulting and professional fees	411	1,458	1,869
Convening	981	-	981
Communication and travel	159	49	208
Sponsorships and dues	295	90	385
Occupancy	500	152	652
Printing & Supplies	465	142	607
Depreciation and amortization	261	80	341
Technology services and equipment	517	157	674
Other	415	127	542
	<u>\$ 79,750</u>	<u>\$ 9,051</u>	<u>\$ 88,801</u>

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NOTE 10 FUNCTIONAL EXPENSES *(continued)*

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

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

