



LUMINA FOUNDATION FOR EDUCATION, INC.

Financial Statements
For the Years Ended December 31, 2022 and 2021
With Independent Auditor's Report



MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

LUMINA FOUNDATION FOR EDUCATION, INC.
Financial Statements
For the Years Ended December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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.

Change in Accounting Principle

As discussed in Notes 2 and 5 to the financial statements, in the year ended December 31, 2022, the Foundation adopted new accounting guidance as it relates to leases. Our opinion is not modified with respect to this matter.

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.

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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.

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.



MITCHELL TITUS

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 23, 2023

LUMINA FOUNDATION FOR EDUCATION, INC.
 Statements of Financial Position
 As of December 31, 2022 and 2021
 (\$ in thousands)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 22,670	\$ 25,429
Investment proceeds receivable	28,309	3,736
Investments (Notes 6 and 7)	1,357,504	1,571,427
Accrued interest and dividends	366	384
Property and equipment, net	332	296
Beneficial interest in charitable remainder trusts (Note 9)	608	728
Operating lease right-of-use assets	3,041	-
Other assets	381	581
Total assets	<u>\$ 1,413,211</u>	<u>\$ 1,602,581</u>
LIABILITIES AND NET ASSETS		
<i>Liabilities</i>		
Grants payable	\$ 355	\$ 4,082
Accounts payable and accrued expenses	2,057	5,791
Pension, payroll, and related liabilities	1,798	3,000
Operating lease liabilities	3,168	-
Line of credit	30,000	-
Federal excise tax payable	2,848	6,638
Total liabilities	40,226	19,511
Net assets without donor restrictions	<u>1,372,985</u>	<u>1,583,070</u>
Total liabilities and net assets	<u>\$ 1,413,211</u>	<u>\$ 1,602,581</u>

The accompanying notes are an integral part of these financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
 Statements of Activities
 Years Ended December 31, 2022 and 2021
 (\$ in thousands)

	<u>2022</u>	<u>2021</u>
REVENUE		
Interest and dividends, net of expenses	\$ 4,962	\$ 3,501
Contributions and other	36	61
	<u>4,998</u>	<u>3,562</u>
EXPENSES		
Grants and program-related contracts	39,896	68,003
Salaries and related benefits	11,090	10,102
Convening	2,840	981
Federal excise tax (benefit) provision	(1,677)	4,437
Consulting and professional fees	2,662	1,869
Travel and communication	751	208
Occupancy	780	652
Printing and supplies	701	607
Technology services and equipment	772	674
Depreciation and amortization	198	341
Sponsorships and dues	408	385
Other	1,247	542
	<u>59,668</u>	<u>88,801</u>
Expenses in excess of revenue	(54,670)	(85,239)
Investment realized/unrealized (losses) gains	<u>(155,415)</u>	<u>265,897</u>
Change in net assets	(210,085)	180,658
Net assets without donor restrictions, beginning of year	<u>1,583,070</u>	<u>1,402,412</u>
Net assets without donor restrictions, end of year	<u>\$ 1,372,985</u>	<u>\$ 1,583,070</u>

The accompanying notes are an integral part of these financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.
 Statements of Cash Flows
 Years Ended December 31, 2022 and 2021
 (\$ in thousands)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (210,085)	\$ 180,658
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	213	366
Non-cash lease expense	655	-
Net realized gain on sale of investments	(92,088)	(166,346)
Net unrealized loss (gain) on investments	247,891	(99,551)
<i>Changes in operating assets and liabilities</i>		
Accrued interest and dividends	18	194
Beneficial interest in charitable remainder trusts	120	(56)
Other assets	200	357
Grants payable	(3,727)	2,735
Accounts payable and accrued expenses	(3,734)	2,554
Pension, payroll and related liabilities	(1,202)	(1,740)
Operating lease liabilities, net	(528)	-
Federal excise tax payable	(3,790)	1,616
Net cash used in operating activities	<u>(66,057)</u>	<u>(79,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	541,637	1,121,833
Purchase of investments	(508,089)	(1,050,262)
Purchase of property and equipment	(250)	(42)
Net cash provided by investing activities	<u>33,298</u>	<u>71,529</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from draws on line of credit facility	30,000	-
Net cash provided by financing activities	<u>30,000</u>	<u>-</u>
Net change in cash and cash equivalents	(2,759)	(7,684)
Cash and cash equivalents, beginning of year	25,429	33,113
Cash and cash equivalents, end of year	<u>\$ 22,670</u>	<u>\$ 25,429</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 432</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LUMINA FOUNDATION FOR EDUCATION, INC.

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

(\$ 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 Code). The Foundation is a private foundation subject to federal excise tax on net investment income. Federal excise tax payable at December 31, 2022 and 2021 includes deferred excise taxes of \$2,848 and \$5,888, respectively, on unrealized appreciation of investments. The Foundation has also recorded a tax-related asset at December 31, 2022 and 2021 of \$0 and \$150, 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 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, 2022 and 2021
(\$ in thousands)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Required Distributions

The Code provides that the Foundation generally must distribute for charitable purposes 5% of the average market value of its invested assets. At December 31, 2022, the Foundation has met the minimum distribution requirements. No additional distributions are required prior to January 1, 2023. Further, as of January 1, 2023, the Foundation has an estimated \$71,500 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 U.S. Government obligations. Cash equivalents are carried at cost, which approximates fair value. The first \$250 of deposits per financial institution is insured by a U.S. 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 84% and 85% of the fair value of investments as of December 31, 2022 and 2021, 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, 2022 and 2021
(\$ 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, 2022 and 2021, outstanding commitments on program-related contracts totaled \$2,438 and \$7,172, 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 \$1,146,470 and \$1,340,024 as of December 31, 2022 and 2021, 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.

Reclassification

Certain prior-period financial information has been reclassified to conform with the current-period presentation.

Recently Issued Accounting Standards Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which among other things, requires the lessee to recognize most leases on their statements of financial position related to the rights and obligations created by those leases. Additional qualitative disclosures, along with specific quantitative disclosures, are also required. In 2020, the FASB voted to delay the effective date for non-public business entities for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Foundation adopted Topic 842, effective January 1, 2022. The provisions of this ASU are applied using a modified retrospective approach (Comparatives Under 840 Option). The Comparatives Under 840 Option includes recognizing a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Comparatives Under 840 Option requires recognition under the new standard in Accounting Standard Codification (ASC) 842, *Leases* ("Leases (Topic 842)") to be applied as of the date of adoption (January 1, 2022) with all prior periods being presented under ASC 840, *Leases* ("Leases (Topic 840)"). Disclosures required by Leases (Topic 842) are required to be applied as of the date of adoption.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(\$ in thousands)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recently Issued Accounting Standards Adopted *(continued)*

All prior periods presented under Leases (Topic 840) will include the disclosures required under Leases (Topic 840). Adoption of Leases (Topic 842) did not materially impact the Foundation's change in net assets and had no impact on cash flows. The most significant impact was the recognition of right-of-use (ROU) assets and lease liabilities for operating leases.

Adoption of *Leases* (Topic 842) resulted in the recording of additional ROU assets and lease liabilities for operating leases of approximately \$1,229 as of January 1, 2022. There was no difference between the additional lease assets and lease liabilities that resulted in an adjustment to net assets. In addition, the Foundation elected the package of practical expedients permitted under the transition guidance within *Leases* (Topic 842), which among other things, allowed the Foundation to carry forward the historical lease classification. See Note 5 for further disclosures related to the Foundation's leases pursuant to *Leases* (Topic 842).

Subsequent Events

The Foundation has performed an analysis of the activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2022.

Subsequent to year end, the Foundation entered into investment purchase agreements with 15 investment managers totaling \$37,981.

This analysis has been performed through June 23, 2023, the date the financial statements were available to be issued.

NOTE 3 INVESTMENTS

The following is a summary of investments at fair value:

	<u>2022</u>	<u>2021</u>
U.S. Government and U.S. Government agency bonds	\$ 9,382	\$ 28,480
Corporate bonds and asset-backed securities	44,753	43,730
Equities	373,651	582,616
Marketable alternative investments	356,468	374,573
Partnerships	<u>573,250</u>	<u>542,028</u>
	<u>\$ 1,357,504</u>	<u>\$ 1,571,427</u>

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(*\$ 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 2022 and 2021, the Foundation recognized expenses for the savings investment plan of \$447 and \$461, respectively. During 2022 and 2021, the Foundation recognized a net actuarial change for the defined-benefit pension plan, resulting in a change in the liability each year of \$899 and \$2,108, respectively. All benefit plans remain active during the period covered.

NOTE 5 LEASES

Pursuant to *Leases* (Topic 842), the Foundation determines if an arrangement is a lease at inception. Lease classification as a finance or operating lease is assessed on the lease commencement date. Operating leases are included in operating lease ROU assets and operating lease liabilities in the statements of financial position. Finance leases, to the extent executed, are included in property, plant and equipment and other liabilities in the statements of financial position. The Foundation is not associated with any finance lease arrangements as of December 31, 2022.

ROU assets represent the right to use an asset for the lease term, and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Foundation uses the rate implicit in the lease whenever such rate is readily determinable. When the rate implicit in the lease is not determinable, the Foundation uses the risk-free rate as the discount rate for leases to determine the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. In addition, leasehold improvements are amortized over the shorter of the useful life and the remaining lease term, unless the lease transfers ownership of the underlying asset to the Foundation or the Foundation is reasonably certain to exercise an option to purchase the underlying asset, in which case the Foundation amortizes the leasehold improvements to the end of their useful life. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

To the extent that our lease agreements include rental payments based on usage or other changes in metrics, such as inflation, such payments are treated as variable lease payments. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(\$ in thousands)

NOTE 5 LEASES (continued)

The Foundation has certain lease agreements with an initial term of 12 months or less, which are not expected to be renewed beyond one year. With respect to these types of agreements, short-term leases are not recorded on the statements of financial position and are recognized as lease expense on a straight-line basis over the lease term.

The Foundation has lease agreements with lease and non-lease components. The Foundation has elected the practical expedient to not separate non-lease components from lease components, and instead accounts for each lease component and associated non-lease components as a single lease component for all classes of underlying assets.

The Foundation leases certain offices, office equipment, and other equipment under long-term operating leases, which may be renewed in the ordinary course of business. The Washington, DC lease commenced in 2022 and extends for 111 months. It is expected that, in the normal course of business, leases that expire will be renewed or replaced by leases on other property and equipment. Our leases have remaining lease terms of one year to 10 years, some of which include options to extend the leases for up to 10 years.

The Foundation has certain lease costs associated with third-party operating leases.

Lease expense associated with third-party operating leases were as follows:

<u>Year Ended December 31</u>	<u>2022</u>
<i>Operating lease cost</i>	
Fixed lease cost	\$ 690
Variable lease cost	<u>81</u>
Total operating cost	<u>\$ 757</u>

The Foundation held no related-party leases for the years ended December 31, 2022 and 2021.

Supplemental statements of financial position information related to leases was as follows:

<u>Year Ended December 31</u>	<u>2022</u>
<i>Operating leases</i>	
Operating lease ROU assets	\$ 3,041
Operating lease liabilities	3,168

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(\$ in thousands)

NOTE 5 LEASES (continued)

Supplemental cash flow information related to leases was as follows:

<u>Year Ended December 31</u>	<u>2022</u>
<i>Cash paid for amounts included in the measurement of lease liabilities</i>	
Operating cash flows from operating leases	\$ 564
<i>ROU assets and lease obligations – additions and modifications</i>	
Operating leases	\$ 2,467

Treasury bills, notes, and bonds from the U.S. Department of Treasury will serve as the source of the risk-free rates used for the discount rate for leases to determine the present value of lease payments. As leases are executed, the Foundation incorporates that period's applicable risk-free rate (based on the term of the lease and the nature of the underlying asset) into the calculation of the lease liability.

As of December 31, 2022, the weighted-average remaining lease term and weighted-average discount rates associated with the Foundation's leases were as follows:

<i>Weighted-average remaining lease term</i>	
Operating leases	7.42 years
<i>Weighted-average discount rate</i>	
Operating leases	2.28%

The following is a schedule of future minimum lease payments required under third-party operating leases and finance leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2022 (in thousands):

<u>Years Ended</u>	<u>Operating Leases</u>
2023	\$ 737
2024	445
2025	314
2026	321
2027	330
Thereafter	1,342
	<u>3,489</u>
Less: Imputed interest	(321)
Total	\$ 3,168

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
Years Ended December 31, 2022 and 2021
(\$ in thousands)

NOTE 5 LEASES (continued)

The Foundation entered into a property lease for office space in Indianapolis, IN during 2021, with total noncancelable lease payments of approximately \$8,083 in aggregate over the lease term. The timing of lease commencement is dependent on the completion of construction of the building in which the office space will reside and when such space is made available to the Foundation. In accordance with *Leases* (Topic 842), fixed minimum lease payments related to the Indianapolis, IN office are not included in the ROU assets and lease liabilities as of December 31, 2022, given the lease commencement date had not yet occurred. The lease commencement date is currently scheduled for the fourth quarter of 2023 and is anticipated to continue for a term of 128 months.

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, 2022 and 2021
(\$ 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, 2022

	Total Investments	Level 1	Level 2	Level 3	Valued Using NAV Expedient
<i>Investments</i>					
U.S. Government and U.S. Government agency bonds	\$ 9,382	\$ -	\$ 9,382	\$ -	\$ -
Corporate bonds asset-backed securities	44,753	-	44,753	-	-
<i>Equities</i>					
Energy	182	182	-	-	-
Materials	389	389	-	-	-
Domestic exchange-traded funds	25,520	25,520	-	-	-
Global exchange-traded funds	49,210	49,210	-	-	-
Funds and mutual funds	46,252	46,252	-	-	-
Pooled domestic	125,451	-	-	-	125,451
Pooled international	25,628	-	-	-	25,628
Pooled global	36,759	-	-	-	36,759
Pooled emerging and frontier markets	28,914	-	-	-	28,914
Private education related	35,346	-	-	35,346	-
Marketable alternative assets	356,468	-	-	-	356,468
<i>Partnerships</i>					
Buyout and venture capital	301,243	-	-	-	301,243
Real estate and resource related	174,433	-	-	-	174,433
Other strategies	49,031	-	-	-	49,031
Education related	48,543	-	-	-	48,543
Total investments	\$ 1,357,504	\$ 121,553	\$ 54,135	\$ 35,346	\$ 1,146,470

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 U.S. 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, 2022 and 2021
(\$ in thousands)

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Inputs and Valuation Techniques

Bond mutual fund, U.S. 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). U.S. Government bonds and U.S. Government 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).

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; the Foundation's 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 16 and 14 entities operating in the education sector as of December 31, 2022 and 2021, respectively. Such investments are stated at fair value as estimated in an inactive market. These investments include securities of companies that may not be immediately liquid. The valuations of these investments are based upon values provided by the investment managers, based on guidelines established with those investment managers and in consideration of other factors related to the Foundation's interests in these investments. The investments in 2022 and 2021 are valued at estimated market values of \$35,346 and \$32,415, respectively, (Unobservable inputs level 3 measurement).

LUMINA FOUNDATION FOR EDUCATION, INC.
Notes to Financial Statements
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(\$ in thousands)

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

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.

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.

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Notes to Financial Statements
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(\$ in thousands)

NOTE 6 FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

Unfunded Commitments

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

	<u>2022</u>	<u>2021</u>
Buyout and venture capital partnerships	\$ 196,027	\$ 167,886
Real estate and resource-related partnerships	48,428	54,965
Other strategies partnerships	30,429	24,775
Education-related partnerships	22,383	13,495
	<u>\$ 297,267</u>	<u>\$ 261,121</u>

The Foundation has no other unfunded commitments to make investments.

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>2022</u>	<u>2021</u>
Cash	\$ 22,670	\$ 25,429
Investment proceeds receivable	28,309	3,736
Investments	1,357,504	1,571,427
Accrued interest and dividends	366	384
	1,408,849	1,600,976
<i>Less: Investments with liquidity in excess of one year</i>	<u>(826,573)</u>	<u>(817,478)</u>
	<u>\$ 582,276</u>	<u>\$ 783,498</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 \$125 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.

LUMINA FOUNDATION FOR EDUCATION, INC.

Notes to Financial Statements

Years Ended December 31, 2022 and 2021

(\$ in thousands)

NOTE 7 LIQUIDITY AND AVAILABILITY *(continued)*

Effective April 2022, the Foundation increased the lines of credit facilities totaling \$125 million with two banking institutions. 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. As of December 31, 2022 and 2021, the Foundation had outstanding borrowings of \$30,000 and \$0, respectively.

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 the Foundation'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, 2022 and 2021, disbursements to the entities described above primarily included grants paid totaling approximately \$3,163 and \$9,579, 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 Code, and not a private foundation under Section 509(a) of the Code. Matching gifts may not be credited toward participant pledges or 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, 2022 and 2021, amounts paid to related entities as described above were \$202 and \$794, 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, 2022 and 2021, 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, 2022 and 2021, amounts contributed under this program to related entities as described above totaled \$165 and \$205, respectively.

LUMINA FOUNDATION FOR EDUCATION, INC.
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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 \$608 and \$728 as of December 31, 2022 and 2021, respectively.

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, 2022, are as follows:

	Grants and Programs	Management and General	Total
Grants and program-related contracts	\$ 39,896	\$ -	\$ 39,896
Salaries and related benefits	8,317	2,773	11,090
Convening	2,840	-	2,840
Federal excise tax (benefit) provision	-	(1,677)	(1,677)
Consulting and professional fees	1,051	1,611	2,662
Communication and travel	564	187	751
Occupancy	585	195	780
Printing and supplies	526	175	701
Technology services and equipment	579	193	772
Depreciation and amortization	148	50	198
Sponsorships and dues	306	102	408
Other	966	281	1,247
	<u>\$ 55,778</u>	<u>\$ 3,890</u>	<u>\$ 59,668</u>

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NOTE 10 **FUNCTIONAL EXPENSES** *(continued)*

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 and supplies	465	142	607
Depreciation and amortization	261	80	341
Technology services and equipment	517	157	674
Other	415	127	542
	\$ 79,750	\$ 9,051	\$ 88,801

