

# **Luminate Foundation, Inc.**

**Financial Statements**

**December 31, 2019 and 2018**



## Report of Independent Auditors

To the Board of Directors of Luminate Foundation, Inc.

We have audited the accompanying financial statements of Luminate Foundation, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and of cash flows for the years then ended.

### *Management's Responsibility 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; 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company'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 Company'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 Luminate Foundation, Inc. as of December 31, 2019 and 2018, 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.

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", is written over a dotted line.

October 16, 2020

**Luminate Foundation, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

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	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 53,482,648	\$ 49,338,855
Marketable securities	1,805,500	-
Total assets	<u>55,288,148</u>	<u>49,338,855</u>
<b>Liabilities and Net Assets</b>		
Accrued expenses	45,000	20,000
Federal excise tax payable	56,053	1,040,000
Total liabilities	<u>101,053</u>	<u>1,060,000</u>
Net assets		
Without donor restrictions	48,094,128	(1,060,000)
With donor restrictions	7,092,967	49,338,855
Total net assets	<u>55,187,095</u>	<u>48,278,855</u>
Total liabilities and net assets	<u>\$ 55,288,148</u>	<u>\$ 49,338,855</u>

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

**Luminate Foundation, Inc.**  
**Statements of Activities**  
**Years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenues and support without donor restrictions</b>		
Contributed services	\$ 396,300	\$ -
Investment income:		
Dividend income	594,677	-
Interest income	81,649	-
Net assets released from restriction	49,338,855	-
Total revenues and support without donor restrictions	<u>50,411,481</u>	<u>-</u>
 <b>Expenses</b>		
Management and general	421,300	20,000
Federal excise tax	66,053	1,040,000
Grants	770,000	-
Total expenses	<u>1,257,353</u>	<u>1,060,000</u>
Increase/(decrease) in net assets without donor restrictions	49,154,128	(1,060,000)
 <b>Revenues with donor restrictions</b>		
Contributions of marketable securities	7,151,750	50,880,600
Net assets released from restriction	(49,338,855)	-
Net realized (losses)/gain on contributions of marketable securities	(88,533)	(1,541,745)
Net unrealized (losses)/gain on contributions of marketable securities	29,750	-
Increase/(decrease) in net assets with donor restrictions	<u>(42,245,888)</u>	<u>49,338,855</u>
Increase in total net assets	<u>6,908,240</u>	<u>48,278,855</u>
 Total net assets at beginning of year	<u>48,278,855</u>	<u>-</u>
Total net assets at end of year	<u>\$ 55,187,095</u>	<u>\$ 48,278,855</u>

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

**Luminate Foundation, Inc.**  
**Statements of Cash Flows**  
**Years ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,908,240	\$ 48,278,855
Adjustments to reconcile change in total net assets to net cash provided by operating activities		
Noncash contributions of marketable securities received	(7,151,750)	(50,880,600)
Proceeds from sale of contributed marketable securities	5,287,467	49,338,855
Net realized losses on contributions of marketable securities	88,533	1,541,745
Net unrealized gains on contributions of marketable securities	(29,750)	-
Change in operating assets and liabilities		
Accrued expenses	25,000	20,000
Federal excise tax payable	(983,947)	1,040,000
Net cash provided by operating activities	<u>4,143,793</u>	<u>49,338,855</u>
Net increase/(decrease) in cash and cash equivalents	<u>4,143,793</u>	<u>49,338,855</u>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents at beginning of year	49,338,855	-
Cash and cash equivalents at end of year	<u>\$ 53,482,648</u>	<u>\$ 49,338,855</u>
<b>Supplemental schedule of noncash activities</b>		
Contributions of marketable securities	\$ 7,151,750	\$ 50,880,600
Contributed services	\$ 396,300	\$ -

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

**Luminate Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**1. Organization**

Luminate Foundation, Inc. (“Luminate”) is a private foundation organized to carry out charitable and educational focus by advancing governance and citizen engagement. Luminate will make grants and program-related investments to seek to empower individuals to improve their lives by strengthening the relationship between citizens and their governments, focusing on data and digital rights, financial transparency, civic empowerment and independent media.

Luminate is a non-profit, non-stock corporation formed on December 21, 2017 in the state of Delaware. On August 7, 2018 a second amended and restated certificate of incorporation was filed to change the company’s name to Luminate. Luminate is organized and operates exclusively for exempt purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code (“Code”). On May 30, 2019, Luminate received its official 501(c)(3) status with the Internal Revenue Service retroactive to December 21, 2017.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of Luminate have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America (“US GAAP”).

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent resources that are not subject to donor-imposed restrictions and are available to support Luminate’s activities. These net assets may be designated for specific purposes by action of the Board of Directors or otherwise limited by contractual arrangements with outside parties.

**Net Assets With Donor Restrictions**

Net assets with donor restrictions represent resources that are subject to donor-imposed restrictions which can be fulfilled by actions of Luminate pursuant to those stipulations and/or expire with the passage of time. Upon the passage of time and/or satisfaction of donor-imposed stipulations, the associated net assets are released and recognized as net assets without donor restrictions.

As of December 31, 2019 and 2018, Luminate’s net assets with donor restrictions consist entirely of gifts from a related party restricted to the subsequent year’s operations. Net assets with donor restrictions of \$48,278,855 and \$0 were released from restriction due to the expiration of time restrictions during the years ended December 31, 2019 and 2018, respectively.

**Uses of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Luminate Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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**Cash and Cash Equivalents**

Cash and cash equivalents consist of short-term, highly liquid investments purchased with a remaining maturity of three months or less. At times, cash balances may exceed federally insured limits.

**Grants**

Grants expense consists of unconditional grants. Unconditional grants are expensed as of the effective date of the grant agreement. Certain grants may be subject to the grantee fulfilling specific conditions. Such conditional grants are considered commitments and are recognized as grant expense in the period in which the recipient meets the terms of the grant. There was \$330,000 of unfunded commitments related to conditional grants as of December 31, 2019.

Effective January 1, 2020, Luminate assumed certain grants from Omidyar Network Fund, Inc. as disclosed within the related party transactions footnote.

**Contributions**

Contributions are recognized as revenue at fair value in the period irrevocably pledged or received. Luminate reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions with donor restrictions are reported as contributions without donor restrictions when the restriction is met in the same period as the contribution is received.

Contributions, including unconditional promises to give, are recorded in the period made. Conditional promises to give, which depend on the occurrence of a specific future or uncertain event, such as meeting specific milestones set by the donor, are recognized when the conditions are substantially met.

Contributions of stock are valued at the average of the high and low price on the date transferred.

Luminate has been funded through contributions received from The Pierre M. Omidyar Trust (the "Trust"), a related party.

**Contributed Services**

Contributed services are recognized if the services received either create or enhance long-lived assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Luminate received contributed services related to tax, investment management, governance and operational support of \$396,300 and \$0 for the years ended December 31, 2019 and 2018, respectively. Such amounts, which are based upon information provided by the third-party service provider, are

**Luminate Foundation, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

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recorded at their estimated fair value determined on the date of contribution and are reported as contributed services on the accompanying statements of activities.

**Income Taxes**

Luminate, as a qualified private foundation, is exempt from federal income taxes under Section 501(c)(3) of the Code. Contributions to it may be deductible by donors for federal and state income tax purposes. Accordingly, no provision for income taxes has been made in the accompanying financial statements. However, Luminate is subject to a federal excise tax. Luminate follows the policy of providing for federal excise tax on the net appreciation (both realized and unrealized) of investments.

**Investment Income**

Dividend Income is recognized on the ex-dividend date. Interest income is recognized on the accrual basis.

**3. Fair Value of Investments**

In accordance with the authoritative guidance on fair value measurements and disclosures under US GAAP, Luminate discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Luminate has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by management. Management considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market

As of December 31, 2019 and 2018, all cash and cash equivalents and marketable securities were classified as level 1 within the valuation hierarchy. Luminate had no level 2 or level 3 investments as of December 31, 2019 and 2018.



#### **4. Federal Excise Tax**

The Code imposes an excise tax on private foundations equal to 2% of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). This tax may be reduced to 1% for foundations that meet certain distribution requirements under Section 4940(e) of the Code. Luminate was subject to the 2% rate for the year ended December 31, 2019. Deferred excise taxes arise primarily from unrealized tax basis gains on investments and are calculated at the effective rate expected to be paid by Luminate. The federal excise tax expense incurred in the years ending December 31, 2019 and 2018 were \$66,053 and \$1,040,000 and the deferred excise tax were \$25,096 and \$0 respectively. The federal excise tax was paid in May 2020.

On December 20, 2019, the Further Consolidated Appropriation Act of 2020 (the “Act”) was signed into law simplifying the federal excise tax on private foundations. The Act eliminate the two-tiered system of excise tax on net investment income and replaced it with a flat excise tax rate of 1.39%. This flat rate is effective January 1, 2020 for Luminate.

#### **5. Related Party Transactions**

The Trust donated marketable securities with total fair value of \$7,151,750 and \$50,880,600 to Luminate for the years ended 2019 and 2018.

On December 19, 2019 the board of Luminate unanimously approved a resolution to assume certain grants and receive certain investments related to the Governance & Citizen Engagement initiative of Omidyar Network Fund, Inc, a related party of Luminate. In total, \$21,826,223 of conditional grants and \$8,866,731 of unconditional grants were accepted with an effective date for the receipt and assumption of January 1, 2020. The value of investments accepted under this resolution was \$3,995,094 as of the effective date.

In addition, other affiliated entities and related parties provided in-kind services related to investment management, governance and operation support of \$396,300 during 2019 to Luminate.

Luminate Foundation, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

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**6. Liquidity**

Luminate's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>Amount</u>
Cash and cash equivalents	\$ 53,482,648
Marketable securities	<u>1,805,500</u>
Available financial assets	<u>\$ 55,288,148</u>

Luminate's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Luminate Foundation, Inc.  
Notes to Financial Statements  
December 31, 2019 and 2018

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**7. Analysis of Expenses**

Luminate expenses have been allocated among grants, management and general activities, based on the function that benefited from the incurred expenses and estimates made by management.

The total functional expenses displayed by natural expense classification, for the year ended December 31, 2019 and 2018 were as follows:

<b>2019</b>				
	<b>Grants</b>	<b>Management and General</b>	<b>Federal Excise Tax</b>	<b>Total</b>
Grants awarded	\$ 770,000	-	-	770,000
Salary and benefits	-	366,300	-	366,300
Taxes	-	-	66,053	66,053
Professional fees	-	55,000	-	55,000
	<u>\$ 770,000</u>	<u>421,300</u>	<u>66,053</u>	<u>1,257,353</u>

<b>2018</b>				
		<b>Management and General</b>	<b>Federal Excise Tax</b>	<b>Total</b>
Taxes	\$	-	1,040,000	1,040,000
Professional fees		20,000	-	20,000
	<u>\$</u>	<u>20,000</u>	<u>1,040,000</u>	<u>1,060,000</u>

## **8. Subsequent Events**

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as closing our physical locations and having all employees work remotely as they can).

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

Management has performed an evaluation of subsequent events through October 16, 2020 which is the date Luminate's financial statements were available to be issued.