

Luminate Foundation, Inc.
Financial Statements
December 31, 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 statement of financial position as of December 31, 2018, and the related statements of activities and of cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

January 8, 2020

Luminate Foundation, Inc.
Statement of Financial Position
December 31, 2018

	2018
Assets	
Cash	\$ 49,338,855
Total assets	<u>\$ 49,338,855</u>
Liabilities and Net Assets	
Accrued expenses	\$ 20,000
Federal excise tax payable	1,040,000
Total liabilities	<u>1,060,000</u>
 Net assets	
Without donor restrictions	(1,060,000)
With donor restrictions	49,338,855
Total net assets	<u>48,278,855</u>
Total liabilities and net assets	<u>\$ 49,338,855</u>

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

Luminate Foundation, Inc.
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains			
Contributions from related parties	\$ -	\$ 50,880,600	\$ 50,880,600
Net realized gains (losses) on sales of marketable securities	-	(1,541,745)	(1,541,745)
Total revenues and gains	<u>-</u>	<u>49,338,855</u>	<u>49,338,855</u>
Expenses and losses			
Management and general	20,000	-	20,000
Federal excise tax	1,040,000	-	1,040,000
Total expenses and losses	<u>1,060,000</u>	<u>-</u>	<u>1,060,000</u>
Increase (decrease) in net assets	(1,060,000)	49,338,855	48,278,855
Net assets at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ (1,060,000)</u>	<u>\$ 49,338,855</u>	<u>\$ 48,278,855</u>

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

Luminate Foundation, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

	2018
Cash flows from operating activities	
Change in net assets	\$ 48,278,855
Adjustments to reconcile change in total net assets to net cash provided by operating activities	
Noncash contributions of marketable securities received	(50,880,600)
Proceeds from sale of contributed marketable securities	49,338,855
Net realized losses on contributions of marketable securities	1,541,745
Accrued expenses	20,000
Federal excise tax payable	1,040,000
Net cash provided by operating activities	<u>49,338,855</u>
Net increase in cash	<u>49,338,855</u>
Cash	
Cash at beginning of year	<u>-</u>
Cash at end of year	<u>\$ 49,338,855</u>

Supplemental schedule of noncash activities	
Contributed marketable securities	\$ 50,880,600

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

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

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 have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") applicable to non-profit organizations.

Revenues are reported as increases in net assets without donor restrictions, unless there are donor-imposed purposes and/or time restrictions on the gifted assets. Expenses are reported as decreases in net assets without donor restrictions. Other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

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, 2018, net assets with donor restrictions consisted of \$49,338,855, to provide support for activities beginning in 2019.

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, 2018

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. At December 31, 2018, Luminate had no cash equivalents.

Contributions

Contributions are recognized as revenue at fair value in the period irrevocably pledged or received. Contributions of stock are valued at the average of the high and low price on the date transferred.

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.

Luminate has been funded through contributions received from The Pierre M. Omidyar Trust (the "Trust"), a related party. In 2018, these contributions were restricted for use in 2019 and beyond.

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.

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.

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

As of December 31, 2018, cash was classified as level 1 within the valuation hierarchy. Luminate had no level 2 or level 3 investments as of December 31, 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 ending December 31, 2018. The federal excise tax expense incurred in the year ending December 31, 2018 was \$1,040,000. The amount was paid in May 2019. There was no deferred excise tax recorded for 2018, as Luminate has no net unrealized gains or losses at December 31, 2018.

5. Related Party Transactions

The Trust donated marketable securities with total fair value of \$50,880,600 to Luminate in 2018.

6. Liquidity

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

	Amount
Cash	\$ 49,338,855
Available financial assets	<u>\$ 49,338,855</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.

7. Subsequent Events

Management has performed an evaluation of subsequent events through January 8, 2020, which is the date Luminate's financial statements were available to be issued.

On November 27, 2019, the Trust donated marketable securities with total fair value of \$7,151,750 to Luminate which are restricted for use in 2020 and beyond.