

Luminate Foundation, Inc.

Financial Statements

December 31, 2020 and 2019

Luminate Foundation, Inc.

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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, 2020 and 2019, 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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

September 30, 2021

Luminate Foundation, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 56,069,782	\$ 53,482,648
Marketable securities	-	1,805,500
Interest receivable	103,000	-
Program and mission related investments	1,715,488	-
Total assets	<u>\$ 57,888,270</u>	<u>\$ 55,288,148</u>
Liabilities and Net Assets		
Accrued expenses	\$ -	\$ 45,000
Grant payable	22,153,333	-
Federal excise tax payable	671,729	56,053
Total liabilities	<u>22,825,062</u>	<u>101,053</u>
Net assets		
Without donor restrictions	(18,866,325)	48,094,128
With donor restrictions	53,929,533	7,092,967
Total net assets	<u>35,063,208</u>	<u>55,187,095</u>
Total liabilities and net assets	<u>\$ 57,888,270</u>	<u>\$ 55,288,148</u>

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

Luminate Foundation, Inc.
Statements of Activities
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues and support without donor restrictions		
Contributed services	\$ 10,581,350	\$ 396,300
Investment income:		
Dividend income	219,309	594,677
Interest income	103,749	81,649
Investment loss	(2,279,605)	-
Net assets released from restriction	<u>7,092,967</u>	<u>49,338,855</u>
Total revenues and support without donor restrictions	<u>15,717,770</u>	<u>50,411,481</u>
 Expenses		
Grants awarded	62,085,349	770,000
Other grantmaking expenses	<u>6,463,478</u>	<u>-</u>
Total grantmaking expenses	68,548,827	770,000
Management and general	4,096,989	421,300
Federal excise tax	<u>745,676</u>	<u>66,053</u>
Total expenses	<u>73,391,492</u>	<u>1,257,353</u>
Increase/(decrease) in net assets without donor restrictions	(57,673,722)	49,154,128
 Revenues with donor restrictions		
Contributions of marketable securities	52,776,798	7,151,750
Net assets released from restriction	(7,092,967)	(49,338,855)
Net realized (losses)/gain on contributions of marketable securities	1,152,735	(88,533)
Net unrealized (losses)/gain on contributions of marketable securities	<u>-</u>	<u>29,750</u>
Increase/(decrease) in net assets with donor restrictions	46,836,566	(42,245,888)
Increase/(decrease) in net assets	<u>(10,837,156)</u>	<u>6,908,240</u>
Total net assets at beginning of year	55,187,095	48,278,855
Less assumed grants from an affiliate	<u>(9,286,731)</u>	<u>-</u>
Total net assets at end of year	<u>\$ 35,063,208</u>	<u>\$ 55,187,095</u>

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

Luminate Foundation, Inc.
Statements of Cash Flows
Years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (10,837,156)	\$ 6,908,240
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Noncash contributions of marketable securities received	(52,776,798)	(7,151,750)
Proceeds from sale of contributed marketable securities	55,735,033	5,287,467
Net realized losses/(gain) on contributions of marketable securities	(1,152,735)	88,533
Net unrealized gains on contributions of marketable securities	-	(29,750)
Investment loss	2,279,605	-
Assumed grants from an affiliate	(9,286,731)	-
Change in operating assets and liabilities		
Interest receivable	(103,000)	-
Accrued expenses	(45,000)	25,000
Grants payable	22,153,333	-
Prepaid federal excise tax	-	(983,947)
Federal excise tax payable	615,676	-
Net cash provided by operating activities	<u>6,582,227</u>	<u>4,143,793</u>
Cash flows from investing activities		
Purchase of investments	<u>(3,995,093)</u>	-
Net cash provided by investing activities	<u>(3,995,093)</u>	-
Net increase/(decrease) in cash and cash equivalents	2,587,134	4,143,793
Cash and cash equivalents		
Cash and cash equivalents at beginning of year	53,482,648	49,338,855
Cash and cash equivalents at end of year	<u>\$ 56,069,782</u>	<u>\$ 53,482,648</u>
Supplemental schedule of noncash activities		
Contributions of marketable securities	\$ 52,776,798	\$ 7,151,750
Assumed grants from an affiliate	\$ 9,286,731	-
Contributed services	\$ 10,581,350	\$ 396,300

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

Luminate Foundation, Inc.
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1. Organization

Luminate Foundation, Inc. (“Luminate”) is a global philanthropic organization with the goal of empowering people and institutions to work together to build just and fair societies. Luminate does this by funding and supporting non-profit organizations and advocating for policies and actions that will help people participate in and shape the issues affecting their lives, and make those in power more transparent, responsive, and accountable. Luminate prioritizes delivering impact in four connected areas that underpin strong societies: Civic Empowerment, Data & Digital Rights, Financial Transparency, 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 entity’s name from GCE Private Foundation to Luminate Foundation. 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, 2020 and 2019, Luminate’s net assets with donor restrictions consist entirely of gifts from a related party restricted to the subsequent year’s operations.

Luminate Foundation, Inc.
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Net assets with donor restrictions of \$7,092,967 and \$49,338,855 were released from restriction due to the expiration of time restrictions during the years ended December 31, 2020 and 2019, respectively.

Net assets without donor restrictions of (\$18,866,325) was the result of grants assumed from Omidyar Network Fund, Inc. The Board of Directors of Luminate approved an additional \$8 million of funding to cover part of the commitments related to the grants assumed from Omidyar Network Fund, Inc. The management of Luminate incorporated the remaining commitments in their 2021 and 2022 budgets.

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.

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.

Investments

Investments, including program related investments (PRIs) and mission related investments (MRIs), are reported at fair value. Fair value is defined as the amount at which an asset could be exchanged between unrelated willing market participants, in an orderly transaction at the measurement date (i.e., the exit price). Investments are classified as program or mission related investments when they have a direct link to the Luminate's strategic purpose.

Concentrations of Credit Risk

Financial instruments that potentially subject Luminate to credit risk consist primarily of cash, cash equivalents, investments, and unsettled investment trades. Luminate maintains cash and cash equivalents primarily with major financial institutions. Cash equivalents include investments in money market funds and certificates of deposit. Such amounts may exceed Federal Deposit Insurance Corporation limits. Luminate's readily marketable securities have been placed with major financial institutions.

Grants

Grants awarded 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

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recognized as grant expense in the period in which the recipient meets the terms of the grant.

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 receives contributed services from Luminate Holdings, LLC, a related party. Such amounts, which are based upon information provided by the related parties, are recorded at their estimated fair value determined on the date of contribution and are reported as contributed services on the accompanying statements of activities.

Allocation of Functional Expenses

U.S. GAAP requires Luminate to present its expenses on a functional basis, separating program services from management and general and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on management's estimates of the program that benefited from the services.

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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.

Luminate follows the authoritative accounting standard on accounting for and disclosure of uncertainty in tax positions, which requires Luminate to determine whether each tax position of Luminate is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. There are no uncertain tax positions as of December 31, 2020.

Investment Income

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

3. Program and Mission Related Investments

Program and mission related investments are strategic investments aligned with Luminate's mission. These investments are primarily composed of equities, equity funds and debt.

Program and mission related investments held at December 31:

	2020	2019
Private equity funds	\$ 715,488	\$ -
Private debt	1,000,000	-
Total program and mission related investments	<u>\$ 1,715,488</u>	<u>\$ -</u>

Luminate had no unfunded commitments as of December 31, 2020 and 2019.

4. 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

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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.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in investment funds that do not have a readily determinable fair value may be valued at NAV as a practical expedient.

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.

An investment’s categorization within the valuation hierarchy is based upon the lowest level input that is significant to the fair value measurement.

The following table presents the investments carried at fair value on the Statement of Financial Position as of December 31, 2020 and 2019 (as described above):

Assets at Fair Value as of December 31, 2020					
	Level 1	Level 2	Level 3	NAV	Total
Private equity and debt - funds	\$ -	\$ -	\$ -	\$ 715,488	\$ 715,488
Private notes	-	-	1,000,000	-	1,000,000
Total investments	\$ -	\$ -	\$ 1,000,000	\$ 715,488	\$ 1,715,488

Assets at Fair Value as of December 31, 2019					
	Level 1	Level 2	Level 3	NAV	Total
Marketable securities	\$ 1,805,500	\$ -	\$ -	\$ -	\$ 1,805,500

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Luminate uses NAV to determine the fair value of its investments in limited partnerships. The following table lists such investments by major category at December 31, 2020:

	Number of funds	Fair Value	Unfunded Commitments	Redemption Terms	Redemption Restrictions in Place at Year End
(a) Private equity funds - U.S.	1	\$ 715,488	\$ -	not applicable	not applicable

5. Federal Excise Tax

Luminate Foundation, Inc. is a private foundation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, and from state income taxes under Section 23701(d) of the Revenue and Taxation Code of the State of California, respectively. Beginning January 1, 2020, with the enactment of the 2019 Taxpayer Certainty and Disaster Tax Relief Act, private foundations are subject to a flat rate federal excise tax of 1.39%.

The federal excise tax expense incurred in the years ending December 31, 2020 and 2019 were \$745,676 and \$66,053 respectively.

Luminate believes that it has appropriate support for the excise and other tax positions taken and, as such, does not have any uncertain tax positions that result in a material impact on the Luminate's financial position or increase (decrease) in net assets.

6. Related Party Transactions

The Trust donated marketable securities with total fair value of \$52,776,798 and \$7,151,750 to Luminate for the years ended 2020 and 2019.

On December 19, 2019 the board of Luminate unanimously approved a resolution to assume certain grants and purchase investments related to the governance and citizen engagement initiative of Omidyar Network Fund, Inc, a related party. In total, \$9,286,731 of grants payable and \$20,856,223 in unfunded commitments were assumed with an effective date of January 1, 2020. Program and mission related investments valued at \$3,995,093 were purchased by Luminate from Omidyar Network Fund, Inc.

In addition, Luminate Holdings LLC and other affiliated entities contributed services related to program and administrative support, tax, investment management, governance and operational support of \$10,581,350 and \$396,300 during 2020 and 2019 respectively, to Luminate.

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7. Grants and Support

Grant expenses for the year ended December 31 are as follows:

	2020	2019
Grant payments	\$ 45,588,683	\$ 770,000
Future payments committed in the current year on unconditional grants	12,130,000	-
Unpaid conditional grants with conditions met in current year	4,366,666	-
Grant expenses	<u>\$ 62,085,349</u>	<u>\$ 770,000</u>

Grant payable are due as follows:

Year Ending December 31,	2020	2019
2021	\$ 17,608,333	\$ -
2022	4,545,000	-
Grants payable	<u>\$ 22,153,333</u>	<u>\$ -</u>

All grants payable are recorded at face value, which, as of December 31, 2020 and 2019, was immaterially different from present value. As of December 31, 2020, and 2019, Luminate had unfunded commitments of \$9,248,433 and \$330,000 respectively, related to conditional grants. Future installments are expensed and payable as the conditions have been met, as per accounting guidance.

8. Analysis of Expenses

Luminate expenses have been allocated between grantmaking, and operational support activities, based on the function that benefited from the incurred expenses and estimates made by management. Grantmaking expenses pertain to the general grantmaking activities of Luminate, such as reviewing proposals and awarding, monitoring, and evaluating grants. Operational support expenses include costs related to managing Luminate.

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The total functional expenses, displayed by natural expense classification, for the years ended December 31, 2020 and 2019 were as follows:

	2020		
	Program Activities	Supporting Activities	Total Expenses
	Grantmaking	Management and General	
Grants awarded	\$ 62,085,349	\$ -	\$ 62,085,349
Other expenses			
Salaries and employee benefits	3,339,668	1,922,134	5,261,802
Consultants, advisors and other professional fees	3,123,810	243,532	3,367,342
Other operating expenses	-	2,676,999	2,676,999
Subtotal of other expenses	<u>6,463,478</u>	<u>4,842,665</u>	<u>11,306,143</u>
Total expenses	<u>\$ 68,548,827</u>	<u>\$ 4,842,665</u>	<u>\$ 73,391,492</u>

	2019		
	Program Activities	Supporting Activities	Total Expenses
	Grantmaking	Management and General	
Grants awarded	<u>\$ 770,000</u>	<u>\$ -</u>	<u>\$ 770,000</u>
Other expenses			
Salaries and employee benefits	-	366,300	366,300
Other operating expenses	-	66,053	66,053
Consultants, advisors and other professional fees	-	55,000	55,000
Total expenses	<u>\$ 770,000</u>	<u>\$ 487,353</u>	<u>\$ 1,257,353</u>

9. Liquidity

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

	2020	2019
Cash and cash equivalents	\$ 56,069,782	\$ 53,482,648
Marketable securities	-	1,805,500
Interest receivable	103,000	-
Available financial assets	<u>\$ 56,172,782</u>	<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.

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10. Subsequent Events

Luminate has evaluated subsequent events for the period from December 31, 2020 through September 30, 2021, the date the consolidated financial statements were available to be issued, and believes no additional disclosures are required.