

Kevin P. Martin & Associates, P.C.



THE LUMINOS FUND

Financial Statements

December 31, 2019

Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors of
The Luminos Fund

We have audited the accompanying financial statements of The Luminos Fund (a nonprofit organization), (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 these 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 the Organization as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 1(j) to the financial statements, the Organization has adopted *ASU No. 2014-09, Revenue from Contracts with Customers* and *ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink that reads "Numin P. Martini & Company, P.C." The signature is written in a cursive, flowing style.

Braintree, Massachusetts
June 9, 2020

THE LUMINOS FUND

Statement of Financial Position

As of December 31, 2019

Current Assets

Cash and cash equivalents	\$	2,818,838
Accounts receivable		8,124
Contributions receivable, current portion		3,344,987
Prepaid expenses		16,056
Advances		<u>79,839</u>
Total current assets		<u>6,267,844</u>
Contributions receivable, net and non-current portion		<u>2,194,584</u>
Total Assets	\$	<u><u>8,462,428</u></u>

Current Liabilities

Accounts payable	\$	33,510
Accrued expenses		<u>81,524</u>
Total current liabilities		<u>115,034</u>
Total liabilities		<u>115,034</u>

Net Assets

Net assets without donor restrictions		2,067,853
Net assets with donor restrictions		<u>6,279,541</u>
Total net assets		<u>8,347,394</u>
Total Liabilities and Net Assets	\$	<u><u>8,462,428</u></u>

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

THE LUMINOS FUND

Statement of Activities

For the Year Ended December 31, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 1,097,091	\$ 5,246,822	\$ 6,343,913
Net assets released from restrictions	<u>1,899,238</u>	<u>(1,899,238)</u>	<u>-</u>
Total revenue and support	<u>2,996,329</u>	<u>3,347,584</u>	<u>6,343,913</u>
Expenses			
Program services	2,232,363	-	2,232,363
General and administrative	253,081	-	253,081
Fundraising	<u>290,802</u>	<u>-</u>	<u>290,802</u>
Total expenses	<u>2,776,246</u>	<u>-</u>	<u>2,776,246</u>
Change in net assets from operating activities	<u>220,083</u>	<u>3,347,584</u>	<u>3,567,667</u>
Changes in Net Assets from Non-Operating Activities			
Net foreign currency transaction gain	<u>311</u>	<u>5,423</u>	<u>5,734</u>
Change in net assets from non-operating activities	311	5,423	5,734
Total Change in Net Assets	220,394	3,353,007	3,573,401
Net Assets at Beginning of Year	<u>1,847,459</u>	<u>2,926,534</u>	<u>4,773,993</u>
Net Assets at End of Year	<u>\$ 2,067,853</u>	<u>\$ 6,279,541</u>	<u>\$ 8,347,394</u>

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

THE LUMINOS FUND

Statement of Cash Flows

For the Year Ended December 31, 2019

Cash Flows from Operating Activities

Change in net assets from operating activities	\$ 3,573,401
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Net present value discount	20,005
Net foreign currency transaction gain	(5,734)
Increase (decrease) in assets	
Accounts receivable	(8,124)
Contributions receivable	(2,034,982)
Prepaid expenses	26,310
Advances	(50,837)
Increase (decrease) in liabilities	
Accounts payable	8,166
Accrued expenses	41,776
Net Cash Provided by Operating Activities	<u>1,569,981</u>
Net Increase in Cash and Cash Equivalents	1,569,981
Cash and Cash Equivalents - Beginning	<u>1,248,857</u>
Cash and Cash Equivalents - Ending	<u>\$ 2,818,838</u>

Supplement Disclosure of Cash Flow Information

No amounts were paid for interest and income taxes during the year ended December 31, 2019.

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

THE LUMINOS FUND

Statement of Functional Expenses

For the Year Ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Functional Expenses				
Grants expense	\$ 1,225,759	\$ -	\$ -	\$ 1,225,759
Salaries and benefits	523,243	129,288	251,631	904,162
Program delivery	280,857	-	-	280,857
Travel and transportation	76,870	22,242	13,573	112,685
Consultants & professional fees	15,419	84,363	-	99,782
Marketing and public outreach	66,631	1,117	6,676	74,424
Occupancy	23,836	4,547	9,094	37,477
Office supplies and expense	10,543	9,303	5,384	25,230
Insurance	9,205	2,221	4,444	15,870
Total Functional Expenses	\$ <u>2,232,363</u>	\$ <u>253,081</u>	\$ <u>290,802</u>	\$ <u>2,776,246</u>

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

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(1) Nature of Activities and Summary of Significant Accounting Policies

The Luminos Fund p/k/a The Speed School Fund (the “Organization”) was incorporated in August 2015 in the Commonwealth of Pennsylvania. In February 2017, The Speed School Fund adopted its new name, The Luminos Fund. The Organization is dedicated to creating education innovations to unlock the light within every child. By developing and scaling innovative approaches to learning for the most vulnerable children, The Luminos Fund is able to work at the margins of the education system, in a space where they can create real change. As the Organization scales pioneering new approaches to bring quality education to children in the greatest need, they work together with local governments to drive systems-level change.

The first innovative solution was The Speed School program, an accelerated learning, back-to-school program. This program has enabled over 100,000 children in sub-Saharan Africa to get a second chance at an education.

The following is a summary of significant accounting policies followed by The Luminos Fund (the Organization) in the preparation of the financial statements:

(a) Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP).

(b) Standards of Accounting and Reporting

The Organization’s net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(1) Nature of Activities and Summary of Significant Accounting Policies - continued

(b) Standards of Accounting and Reporting - continued

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

Net assets with donor restrictions also includes the original amount of gifts and earnings required by the donor to be permanently retained. As of and for the year ended December 31, 2019, the Organization did not have any net assets with permanent donor restrictions.

(c) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The Organization maintains its cash balances at a financial institution located in Pennsylvania. The cash balances are insured by the Federal Deposit Insurance Corporation. At times, such balances may be in excess of federal insured limits, however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2019.

(d) Revenue Recognition

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. Conditional promises to give are not included as support until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using short and mid-term applicable federal rates. Amortization of the discounts is included in contribution revenue.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(1) Nature of Activities and Summary of Significant Accounting Policies - continued

(d) Revenue Recognition - continued

The Organization recognizes revenue as follows:

Grants – Grants are recorded as revenue at the time that the unconditional award is made. Conditional grants are only recognized as assets if and when the specified conditions are met.

Contributions – Unconditional contributions are recorded upon receipt or pledge as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

During the year ended December 31, 2019, the Organization derived substantially all of its total revenue from foundations and individual donors. All revenue is recorded at the estimated net realizable amounts.

(e) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2019, management has determined any allowance would be immaterial.

(f) Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Organization to review its plans for future operations from time to time and to designate appropriate amounts of net assets without donor restrictions to ensure adequate funds are available for future operating activities.

(g) Grant Expenses

Grants are recorded when the disbursement is authorized by management or the Board of Directors depending on the nature of the grant award. As of December 31, 2019, the Organization has awarded \$1,164,385 in conditional grants for which the contingencies had not been met by year-end. The Organization will recognize these amounts as grant expenses when the associated conditions are met by the grant recipients in future periods.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(1) Nature of Activities and Summary of Significant Accounting Policies - continued

(h) Functional Allocation of Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities and changes in net assets. Grant disbursements and related expenses are directly charged to program services. For salaries, payroll taxes and fringe benefits, allocations by department are decided on an individual basis, based on the functions of each position and the time spent performing functions under the umbrella of a particular department. These allocations may be updated on a periodic basis based on the evolving responsibilities of a position, and by nature some positions will be split across multiple departments while others will be more compartmentalized. The allocation for salaries also serve as a general guideline for how other expenditures are parceled out across the Organization. Occupancy, IT & telecommunications, travel, events and meetings, office expense, marketing, and bank fees are allocated on the basis of time and effort percentages unless directly incurred by one department receiving the benefit. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

(i) Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been recorded in the financial statements.

The Organization has no unrecognized income tax benefits at December 31, 2019. In addition, the Organization has no income tax related penalties or interest for the periods reported in these financial statements.

The Organization is subject to a services tax on payments made in Liberia by the Liberia Revenue Authority. During the year ended December 31, 2019, the Organization recognized tax expenses as well as penalties and interest on said taxes in the aggregate amount of \$33,441. This is presented as a component of grants expense in the Statement of Functional Expenses.

(j) Recent Accounting Standards Adopted

On January 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"). The modifications under ASU 2014-09 were applied to all of the Organization's contracts with customers. No practical expedients were applied. The Organization's services that fall within the scope of ASU 2014-09 are recognized as the Organization satisfies its obligation to the customer. Adopting this standard did not have a significant impact on recognition of revenue of the Organization during the years presented or on opening balances of net assets as of January 1, 2019.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(1) Nature of Activities and Summary of Significant Accounting Policies – continued

(j) *Recent Accounting Standards Adopted - continued*

On January 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The modifications under ASU 2018-08 were applied to all grants and contributions received by the Organization during the year ended December 31, 2019. Grants and contributions that the Organization received in 2019 have been reported as support on these financial statements in accordance with the recognition criteria for contributions received under the ASU, which include the absence of both a barrier and a right of return or release directly linked with the accomplishment of that barrier. Adoption of this standard did not have a significant impact on recognition of contribution revenue in 2019 or on the Organization's opening net asset balance as of January 1, 2019.

(k) *Fair Value Measurements*

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Nonrecurring Fair Value Measurements

The Organization records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP. The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a nonrecurring basis as of December 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Promises to Give	\$ <u>-</u>	\$ <u>3,878,137</u>	\$ <u>-</u>	\$ <u>3,878,137</u>
	\$ <u>-</u>	\$ <u>3,878,137</u>	\$ <u>-</u>	\$ <u>3,878,137</u>

The 2019 promises to give are discounted using the U.S. Treasury yield curve rate of 1.69%.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(1) Nature of Activities and Summary of Significant Accounting Policies - continued

(l) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Organization. Fundraising expenses as a percentage of total contribution revenue was 5% for the year ended December 31, 2019. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(2) Contributions Receivable

Contributions receivable consist of the following as of December 31, 2019:

	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivable less than 1 year	\$ 3,344,987	\$ -	\$ 3,344,987	\$ -	\$ 3,344,987
Receivable in 1 to 5 years	<u>2,233,737</u>	<u>-</u>	<u>2,233,737</u>	<u>39,153</u>	<u>2,194,584</u>
	<u>\$ 5,578,724</u>	<u>\$ -</u>	<u>\$ 5,578,724</u>	<u>\$ 39,153</u>	<u>\$ 5,539,571</u>

As of December 31, 2019, 100% of the contributions receivable are due from international foundations.

(3) Retirement Plan

The Organization has a simple Individual Retirement Account (IRA) retirement plan under Section 408(p) of the Internal Revenue Code. All employees are eligible to participate in the plan. The Organization may amend the percentage of the matching contributions annually subject to the rules and regulations of the Simple IRA plan. The Organization contributes 3% of an employee's salary on a monthly basis. Total expense for the year ended December 31, 2019 was \$21,716.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(4) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2019, net assets with donor restrictions are restricted for the following purposes:

Lebanon	\$1,693,182
Liberia	2,502,601
Luminos Capacity Building	136,117
Ethiopia	1,820,930
Education Pilot	<u>126,711</u>
Total	<u>\$6,279,541</u>

Net assets were released from restrictions for the following purposes during the year ended December 31, 2019:

Lebanon	\$ 621,432
Liberia	747,141
Luminos Capacity Building	17,883
Ethiopia	393,482
Education Pilot	<u>119,300</u>
Total	<u>\$1,899,238</u>

(5) Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year end:

Cash	\$ 2,818,838
Contributions receivable	5,539,571
Accounts receivable	8,124
Advances	<u>79,839</u>
	<u>8,446,372</u>
Less amounts unavailable for general expenditures within one year due to:	
Restricted by donors for specific purposes	<u>(6,279,541)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$2,166,831</u>

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(5) Liquidity and Availability of Resources - continued

The Organization is primarily supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The financial assets above are not subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the financial position date. Additionally, grants that are authorized will be paid from cash with donor restrictions and pledges receivable expected to be collected in the subsequent year that are restricted for a purpose. Grants are primarily expected to be paid from those assets and not the financial assets noted above. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(6) Lease Agreements

The Organization leases office space in Massachusetts, New Jersey, and Maryland under short-term agreements. The Organization had a lease agreement for office space in Boston, Massachusetts that extended from December 2018 through May 2019 and was extended from June 2019 through November 2019. The Organization currently has a lease agreement for office space in Boston, Massachusetts that extends from December 2019 through May 2020. The Organization has a lease agreement for office space in New Jersey that extended from March 2018 through February 2019 and was extended from March 2019 through February 2020. The Organization had a lease agreement for office space in Maryland whose term extended from November 2018 from October 2019. Beginning in November 2019, the Organization became a tenant-at-will for the office in Maryland as it worked to negotiate a lease extension. The Organization also leases an office under a short-term lease agreement extending from March 2019 through February 2020 in Monrovia, Liberia. Lease expense for the year ended December 31, 2019 was \$37,477. Future minimum lease payments due under lease agreements in 2020 are \$6,172.

(7) Net Foreign Currency Transaction Gain

The Organization receives pledges and contributions from international donors in foreign currency denominations. When pledges are funded, the Organization sometimes experiences foreign currency transaction gains or losses based on currency differences between the foreign currency amount at the time of the pledge and the U.S. dollar amount once the pledges are realized in cash. During the year ended December 31, 2019, the Organization experienced a net foreign currency transaction gain in the amount of \$5,734 based on exchange rate differences between the foreign currency in which the pledge was denominated, the Swiss franc, and the U.S. dollar from the date of the pledge through December 31, 2019. This amount has been reported on the Statement of Activities as a change in net assets from non-operating activities.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2019

(8) Commitments

During the year ended December 31, 2019, the Organization entered into a long-term contract with a vendor for which it is obligated to make payments totaling \$900,517 for services related to managing the Organization's Ethiopia program from September 2019 through August 2022. Unfulfilled payment obligations on the long-term service contract totaled \$785,865 as of December 31, 2019. Payments made in advance on this contract totaled \$73,469 as of December 31, 2019, which are reported as Advances on the Statement of Financial Position. Contract expenses totaling \$41,183 have been reported as a component of Program delivery expense on the Statement of Functional Expenses for the year ended December 31, 2019.

(9) Subsequent Events

The Organization has performed an evaluation of subsequent events through June 9, 2020, which is the date the Organization's financial statements were available to be issued.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of contribution revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Organization's operations continue for an extended period of time the Organization may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful.

Subsequent to year-end, the Organization extended its lease in New Jersey for a term that extends from March 1, 2020 through February 28, 2021. It also extended its lease for its Boston office for a one year-period that runs from June 1, 2020 through May 31, 2021. The Organization is currently in negotiations to extend its lease in Monrovia, Liberia but became a tenant at will effective March 1, 2020.