



THE LUMINOS FUND

Financial Statements

December 31, 2020 and 2019



Kevin P. Martin & Associates, P.C.

THE LUMINOS FUND

Index

December 31, 2020 and 2019

Independent Auditors' Report

Financial Statements:

Statements of Financial Position as of December 31, 2020 and 2019	1
Statements of Activities for the Years Ended December 31, 2020 and 2019	2-3
Statements of Cash Flows for the Years Ended December 31, 2020 and 2019	4
Statements of Functional Expenses for the Years Ended December 31, 2020 and 2019	5
Notes to Financial Statements	6-16



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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 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 audits 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, 2020 and 2019, 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.

Nevin P. Martini & Chute, P.C.

Braintree, Massachusetts
April 29, 2021

THE LUMINOS FUND

Statements of Financial Position

As of December 31, 2020 and 2019

Current Assets	<u>2020</u>	<u>2019</u>
Cash and cash equivalents		
Operations	\$ 2,053,183	\$ 2,818,838
Board designated operating reserve	<u>1,260,000</u>	<u>-</u>
Total cash and cash equivalents	3,313,183	2,818,838
Accounts receivable	1,203	8,124
Contributions receivable, current portion	4,894,526	3,344,987
Prepaid expenses	21,312	16,056
Advances	<u>102,863</u>	<u>79,839</u>
Total current assets	<u>8,333,087</u>	<u>6,267,844</u>
Contributions receivable, net and non-current portion	<u>992,330</u>	<u>2,194,584</u>
Total Assets	\$ <u>9,325,417</u>	\$ <u>8,462,428</u>
Current Liabilities		
Accounts payable	\$ 24,437	\$ 33,510
Accrued expenses	<u>69,884</u>	<u>81,524</u>
Total current liabilities	<u>94,321</u>	<u>115,034</u>
Total liabilities	<u>94,321</u>	<u>115,034</u>
Net Assets		
Net assets without donor restrictions		
Undesignated net assets without donor restrictions	2,699,587	2,067,853
Board designated net assets	<u>1,260,000</u>	<u>-</u>
Total net assets without donor restrictions	3,959,587	2,067,853
Net assets with donor restrictions	<u>5,271,509</u>	<u>6,279,541</u>
Total net assets	<u>9,231,096</u>	<u>8,347,394</u>
Total Liabilities and Net Assets	\$ <u>9,325,417</u>	\$ <u>8,462,428</u>

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

THE LUMINOS FUND

Statements of Activities

For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>
Revenue and Support			
Contributions	\$ 2,657,972	\$ 1,439,367	\$ 4,097,339
Net assets released from restrictions	<u>2,560,746</u>	<u>(2,560,746)</u>	<u>-</u>
Total revenue and support	<u>5,218,718</u>	<u>(1,121,379)</u>	<u>4,097,339</u>
Expenses			
Program services	2,698,307	-	2,698,307
General and administrative	341,321	-	341,321
Fundraising	<u>300,379</u>	<u>-</u>	<u>300,379</u>
Total expenses	<u>3,340,007</u>	<u>-</u>	<u>3,340,007</u>
Change in net assets from operating activities	<u>1,878,711</u>	<u>(1,121,379)</u>	<u>757,332</u>
Changes in Net Assets from Non-Operating Activities			
Net foreign currency transaction gain	<u>13,023</u>	<u>113,347</u>	<u>126,370</u>
Change in net assets from non-operating activities	13,023	113,347	126,370
Total Change in Net Assets	1,891,734	(1,008,032)	883,702
Net Assets at Beginning of Year	<u>2,067,853</u>	<u>6,279,541</u>	<u>8,347,394</u>
Net Assets at End of Year	<u>\$ 3,959,587</u>	<u>\$ 5,271,509</u>	<u>\$ 9,231,096</u>

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

THE LUMINOS FUND

Statements of Activities

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 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

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

Cash Flows from Operating Activities	<u>2020</u>	<u>2019</u>
Total change in net assets	\$ 883,702	\$ 3,573,401
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Net present value discount	32,837	20,005
Net foreign currency transaction gain	(126,370)	(5,734)
Increase (decrease) in assets		
Accounts receivable	6,921	(8,124)
Contributions receivable	(253,752)	(2,034,982)
Prepaid expenses	(5,256)	26,310
Advances	(23,024)	(50,837)
Increase (decrease) in liabilities		
Accounts payable	(9,073)	8,166
Accrued expenses	(11,640)	41,776
Net Cash Provided by Operating Activities	<u>494,345</u>	<u>1,569,981</u>
Net Increase in Cash and Cash Equivalents	494,345	1,569,981
Cash and Cash Equivalents - Beginning	<u>2,818,838</u>	<u>1,248,857</u>
Cash and Cash Equivalents - Ending	<u>\$ 3,313,183</u>	<u>\$ 2,818,838</u>

Supplement Disclosure of Cash Flow Information

No amounts were paid for interest and income taxes during the years ended December 31, 2020 and 2019.

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

THE LUMINOS FUND

Statements of Functional Expenses

For the Year Ended December 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Functional Expenses				
Grants expense	\$ 1,429,515	\$ -	\$ -	\$ 1,429,515
Salaries and benefits	693,867	237,561	241,404	1,172,832
Program delivery	460,730	-	-	460,730
Travel and transportation	11,998	3,740	16,850	32,588
Consultants & professional fees	48,447	75,980	-	124,427
Marketing and public outreach	19,087	142	21,931	41,160
Occupancy	18,935	6,789	8,381	34,105
Office supplies and expense	6,867	14,719	6,828	28,414
Insurance	8,861	2,390	4,985	16,236
Total Functional Expenses	\$ 2,698,307	\$ 341,321	\$ 300,379	\$ 3,340,007

For the Year Ended December 31, 2019

	Program Services	General and Administrative	Fundraising	Total
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	\$ 2,232,363	\$ 253,081	\$ 290,802	\$ 2,776,246

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

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

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

The Luminos Fund p/k/a The Speed School Fund (“Luminos”) was incorporated in August 2015 in the Commonwealth of Pennsylvania. In February 2017, The Speed School Fund adopted its new name, The Luminos Fund. Luminos provides transformative education programs to thousands of out-of-school children, helping them to catch up to grade level, reintegrate into local schools, and prepare for lifelong learning. Luminos was founded to ensure children everywhere get a chance to experience joyful learning, especially those denied an education by crisis, poverty, and discrimination. Their vision is of a world where no child is ever denied the chance to learn. To date, Luminos has set over 150,000 children across Ethiopia, Liberia, and Lebanon on a path to lifelong learning. As Luminos 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 following is a summary of significant accounting policies followed by Luminos 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 (U.S. GAAP).

(b) Standards of Accounting and Reporting

Luminos’ 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 statements of financial position present two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statements of activities display the change in each class of net assets. The classes of net assets applicable to Luminos 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. From time to time, the Board may vote to set aside a certain dollar amount or percentage of net assets without donor restrictions for use at a specific time or for a specific purpose, as it sees fit. These board-designated net assets may become undesignated with the passage of time or when used for their intended purpose. In addition, the Board may undesignate these net assets at its discretion if the originally intended time period or purpose is deemed no longer relevant or applicable to the needs of Luminos.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 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 Luminos 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 statements 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 years ended December 31, 2020 and 2019, Luminos did not have any net assets with permanent donor restrictions.

(c) Cash and Cash Equivalents

Luminos 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.

Luminos 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, Luminos 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, 2020 and 2019.

(d) Revenue Recognition

Luminos 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. Conditional promises to give totaled \$200,000 as of December 31, 2020 and are contingent upon the full payment of a multi-year pledge from one of Luminos' funders.

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, 2020 and 2019

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

(d) *Revenue Recognition - continued*

Luminos 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 - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, Luminos must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that Luminos should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

During the years ended December 31, 2020 and 2019, Luminos 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, 2020 and 2019, management has determined any allowance would be immaterial.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

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

(f) 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, 2020 and 2019, Luminos has awarded \$690,679 and \$1,164,385, respectively, in conditional grants for which the program deliverable contingencies had not been met by year-end. Luminos will recognize these amounts as grant expenses when the associated conditions are met by the grant recipients in future periods.

(g) 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 Luminos. 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 Luminos.

(h) Income Taxes

Luminos 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.

Luminos has no unrecognized income tax benefits at December 31, 2020 and 2019. In addition, Luminos has no income tax related penalties or interest for the periods reported in these financial statements.

Luminos is subject to a services tax on payments made in Liberia by the Liberia Revenue Authority. During the year ended December 31, 2019, Luminos 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 statements of functional expenses.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

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

(i) *Accounting Standards Adopted*

On January 1, 2020, Luminos adopted ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update removed the following disclosure requirements from Topic 820: (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels, (3) the valuation processes for Level 3 fair value measurements and (4) the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the reporting period. The following disclosure requirements were modified in Topic 820: (1) in lieu of a roll forward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities, (2) for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly and (3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. Adoption of this standard did not have any impact on Luminos' fair value measurements disclosure as of and for the year ended December 31, 2020.

(j) *Recent Accounting Standards*

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. Luminos is currently evaluating the impact the adoption of this new standard will have on its financial statements.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

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

(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

Luminos 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, 2020 and 2019.

	<u>December 31, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributions Receivable	\$ <u>-</u>	\$ <u>1,193,456</u>	\$ <u>-</u>	\$ <u>1,193,456</u>
	\$ <u>-</u>	\$ <u>1,193,456</u>	\$ <u>-</u>	\$ <u>1,193,456</u>

	<u>December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributions Receivable	\$ <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 contributions receivable are discounted using the U.S. Treasury yield curve rate of 0.48% and 1.69% as of December 31, 2020 and 2019, respectively.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

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

(i) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to Luminos. Fundraising expenses as a percentage of total contribution revenue was 7% and 5% for the years ended December 31, 2020 and 2019, respectively. 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, 2020 and 2019:

<u>December 31, 2020</u>					
	<u>Gross Promise</u>	<u>Allowance</u>	<u>Net Promise</u>	<u>Unamortized Discount</u>	<u>Total</u>
Receivable less than 1 year	\$ 4,894,526	\$ -	\$ 4,894,526	\$ -	\$ 4,894,526
Receivable in 1 to 5 years	<u>998,646</u>	<u>-</u>	<u>998,646</u>	<u>6,316</u>	<u>992,330</u>
	<u>\$ 5,893,172</u>	<u>\$ -</u>	<u>\$ 5,893,172</u>	<u>\$ 6,316</u>	<u>\$ 5,886,856</u>
<u>December 31, 2019</u>					
	<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, 2020, 99% of the contributions receivable are due from international foundations and 1% are due from domestic donors. As of December 31, 2019, 100% of the contributions receivable are due from international foundations.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

(3) Retirement Plan

Luminos 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. Luminos may amend the percentage of the matching contributions annually subject to the rules and regulations of the Simple IRA plan. Luminos contributes 3% of an employee's salary on a monthly basis. Total expense for the year ended December 31, 2020 and 2019 was \$28,029 and \$21,716, respectively.

(4) Board Designated Net Assets

In December of 2020, the Board of Directors established a policy designating funds to be set aside for particular purposes, including but not limited to, funding future operating deficits, financing significant fixed asset purchases, and any other future financing needs. These amounts are deposited in a cash account and presented separately from operating cash and cash equivalents on the statements of financial position. Board designated net assets are also presented separately from other net assets without donor restrictions on the statements of financial position. As of December 31, 2020 and 2019, the balance of the board designated operating reserve was \$1,260,000 and zero, respectively.

(5) 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, 2020 and 2019, net assets with donor restrictions are restricted for the following purposes:

	<u>2020</u>	<u>2019</u>
Lebanon	\$1,241,497	\$1,693,182
Liberia	1,940,842	2,502,601
New Program Development	1,004,825	-
Luminos Capacity Building	-	136,117
Ethiopia	1,084,345	1,820,930
Education Pilot	-	126,711
Total	<u>\$5,271,509</u>	<u>\$6,279,541</u>

Net assets were released from restrictions for the following purposes during the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Lebanon	\$ 751,723	\$ 621,432
Liberia	854,758	747,141
Luminos Capacity Building	78,107	17,883
Ethiopia	649,447	393,482
Education Pilot	26,711	119,300
Withdrawal of restriction	<u>200,000</u>	<u>-</u>
Total	<u>\$2,560,746</u>	<u>\$1,899,238</u>

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

(6) Liquidity and Availability of Resources

The following reflects Luminos' financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statements of financial position date.

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 3,313,183	\$ 2,818,838
Contributions receivable	5,886,856	5,539,571
Accounts receivable	1,203	8,124
Advances to vendors	102,863	79,839
	<u>9,304,105</u>	<u>8,446,372</u>
Less amounts unavailable for general expenditures within one year:		
Non-current portion of contributions receivable	(992,330)	(2,194,584)
Board designated operating reserve	(1,260,000)	-
Other amounts restricted by donors as to time or purpose	<u>(4,354,591)</u>	<u>(4,168,673)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,697,184</u>	<u>\$ 2,083,115</u>

Luminos 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, Luminos 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 Luminos' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition, Board designated net assets consist of funds held as an additional means of liquidity and totaled \$1,260,000 and zero as of December 31, 2020 and 2019, respectively, as disclosed in Note 4.

(7) Lease Agreements

Luminos leases office space in Massachusetts, New Jersey, Maryland, and Monrovia, Liberia under short-term agreements. Luminos had a lease agreement for office space in Boston, Massachusetts that extended in six-month intervals from December 2018 through May 2020. The lease was then extended from June 1, 2020 through May 31, 2021.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

(7) Lease Agreements - continued

Luminos had a lease agreement for office space in New Jersey that ran from March 2018 through February 2019, was extended from March 2019 through February 2020, and then was extended again from March 1, 2020 through February 21, 2021. During 2020, the New Jersey lease was terminated effective November 30, 2020. No lease breakage fee was required to be paid upon lease termination.

Luminos had a lease agreement for office space in Maryland whose term extended from November 2018 from October 2019. Beginning in November 2019, Luminos became a tenant-at-will for the office in Maryland as it worked to negotiate a lease extension. Luminos remained a tenant-at-will until Luminos discontinued its lease in this space effective August 31, 2020.

Luminos also leased an office in Monrovia, Liberia under a short-term lease agreement extending from March 2019 through February 2020. This lease was extended from March 1, 2020 through February 28, 2021. After year-end, Luminos entered into an office space lease in Monrovia, Liberia at a different location for a term that extends from February 1, 2021 through January 31, 2022 in exchange for a rent payment of \$7,500.

Lease expense for the year ended December 31, 2020 was \$39,660. Future minimum lease payments due under lease agreements in 2021 as of December 31, 2020 are \$14,405.

(8) Net Foreign Currency Transaction Gains

Luminos receives pledges and contributions from international donors in foreign currency denominations. When pledges are funded, Luminos 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, 2020 and 2019, Luminos experienced net foreign currency transaction gains in the amount of \$126,370 and \$5,734, respectively, 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 each year-end date. These amounts have been reported on the statements of activities as a change in net assets from non-operating activities for the years ended December 31, 2020 and 2019.

(9) Commitments and Contingencies

During the year ended December 31, 2019, Luminos 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 Luminos' Ethiopia government adoption program from September 2019 through August 2022. Unfulfilled payment obligations on the long-term service contract totaled \$481,105 and \$785,865 as of December 31, 2020 and 2019, respectively. Payments made in advance on this contract totaled \$87,976 and \$73,469 as of December 31, 2020 and 2019, respectively, which are reported as Advances on the statements of financial position. Contract expenses totaling \$325,253 and \$41,183 have been reported as a component of Program delivery expense on the statements of functional expenses for the years ended December 31, 2020 and 2019, respectively.

THE LUMINOS FUND

Notes to Financial Statements

December 31, 2020 and 2019

(10) COVID-19 - Risks and Uncertainties

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. Luminos 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 Luminos' operations continue for an extended period of time Luminos may have to seek alternative measures to finance its operations. Luminos does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

In addition, Luminos is currently undergoing an audit with the Liberian Revenue Authority relative to Luminos' tax withholding obligations with this agency. Management is unable to estimate the likelihood of an adverse outcome once this matter is resolved. Management believes that an adverse outcome would not have a material impact on Luminos' financial position.

(11) Subsequent Events

Luminos has performed an evaluation of subsequent events through April 29, 2021, which is the date Luminos' financial statements were available to be issued. No material subsequent events, other than the item disclosed below, have occurred since December 31, 2020 that required recognition or disclosure in these financial statements.

Subsequent to year-end, Luminos entered into a lease in Monrovia, Liberia for a term that extends from February 1, 2021 through January 31, 2022, as disclosed in Note 7.