

The Henry Luce Foundation, Inc.

Financial Statements

December 31, 2016

The Henry Luce Foundation, Inc.

Index

December 31, 2016

Report of Independent Auditors	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 19
Supplemental Schedule	
Supplemental Schedule of Program and Administrative Expenses	20

OWEN J. FLANAGAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
60 EAST 42ND STREET, SUITE 1536
NEW YORK, NEW YORK 10165

OWEN J. FLANAGAN, CPA
(1925-1996)

KEVIN C. SUNKEL, CPA
JOHN L. CORCORAN, CPA
MEREDITH A.F. KORN, CPA

(212) 682-2783
FACSIMILE (212) 697-5843
WWW.OJFLANAGAN.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

DONALD F. SCHERER

Independent Auditor's Report

To the Board of Directors of
The Henry Luce Foundation, Inc.

We have audited the accompanying financial statements of The Henry Luce Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

Auditor's 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 risk 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Henry Luce Foundation as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of program and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Owen J. Flanagan & Co." The signature is written in black ink and is positioned to the right of the main text.

May 30, 2017

The Henry Luce Foundation, Inc.

Statement of Financial Position

December 31, 2016

Assets

Cash	\$ 1,016,658
Dividends and interest receivable	233,184
Investments	813,303,934
Furniture, fixtures and leasehold improvements, net of accumulated depreciation and amortization of \$1,016,300	597,552
Other assets	<u>2,099,374</u>
	<u>\$ 817,250,702</u>

Liabilities and net assets

Accounts payable and accrued expenses	\$ 615,626
Grants payable	27,283,210
Postretirement medical benefits	2,615,904
Unfunded supplemental pension	679,547
Deferred federal excise tax	<u>2,081,850</u>
Total liabilities	<u>33,276,137</u>

Unrestricted - Principal Fund	638,827,650
Temporarily restricted - Clare Boothe Luce Fund	76,801,551
Permanently restricted - Clare Boothe Luce Fund	<u>68,345,364</u>

Total net assets 783,974,565

Total liabilities and net assets \$ 817,250,702

See notes to financial statements

The Henry Luce Foundation, Inc.

Statement of Activities

Year Ended December 31, 2016

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Principal Fund	Clare Boothe Luce Fund	Total	Clare Boothe Luce Fund	Clare Boothe Luce Fund	
Revenues, gains and other support						
Dividends, interest and partnership income	\$ 491,175	\$ -	\$ 491,175	\$ 99,458	\$ -	\$ 590,633
Unrealized appreciation on investments	14,683,600	-	14,683,600	2,959,018	-	17,642,618
Net realized gain on sale of investments	11,583,532	-	11,583,532	3,035,726	-	14,619,258
Less:						
Directly reported investment counseling and custody fees	(2,779,329)	-	(2,779,329)	(628,825)	-	(3,408,154)
Excise tax, net of recovery	97,954	-	97,954	37,211	-	135,165
Net assets released from restrictions:						
Satisfaction of Clare Boothe Luce Fund restrictions	-	7,581,656	7,581,656	(7,581,656)	-	-
Total revenues, gains and other support	<u>24,076,932</u>	<u>7,581,656</u>	<u>31,658,588</u>	<u>(2,079,068)</u>	<u>-</u>	<u>29,579,520</u>
Expenses						
Program:						
Grants	31,696,368	7,026,934	38,723,302	-	-	38,723,302
Other	518,617	59,096	577,713	-	-	577,713
	<u>32,214,985</u>	<u>7,086,030</u>	<u>39,301,015</u>	<u>-</u>	<u>-</u>	<u>39,301,015</u>
Administrative	5,721,276	495,626	6,216,902	-	-	6,216,902
Total expenses	<u>37,936,261</u>	<u>7,581,656</u>	<u>45,517,917</u>	<u>-</u>	<u>-</u>	<u>45,517,917</u>
Change in net assets	(13,859,329)	-	(13,859,329)	(2,079,068)	-	(15,938,397)
Net assets, beginning of year	652,686,979	-	652,686,979	78,880,619	68,345,364	799,912,962
Net assets, end of year	<u>\$ 638,827,650</u>	<u>\$ -</u>	<u>\$ 638,827,650</u>	<u>\$ 76,801,551</u>	<u>\$ 68,345,364</u>	<u>\$ 783,974,565</u>

See notes to financial statements

The Henry Luce Foundation, Inc.

Statement of Cash Flows

Year Ended December 31, 2016

Cash flows from operating activities:

Change in net assets	\$ (15,938,397)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	126,399
Net realized gain on sale of investments	(14,619,258)
Unrealized appreciation on investments	(17,642,618)
Changes in operating assets and liabilities:	
Decrease in dividends and interest receivable	19,116
Increase in other assets	(1,497,879)
Increase in accounts payable and accrued expenses	11,798
Increase in postretirement medical benefits	63,906
Increase in grants payable	4,865,232
Increase in deferred federal excise tax	352,852

Net cash used by operating activities (44,258,849)

Cash flows from investing activities:

Purchases of investments	(123,557,059)
Proceeds from sales and maturities of investments	177,438,936
Net changes in cash equivalents	(9,747,829)
Purchases of furniture, fixtures, and leasehold improvements	-

Net cash provided by investing activities 44,134,048

Net decrease in cash (124,801)

Cash, beginning of year 1,141,459

Cash, end of year \$ 1,016,658

Supplemental disclosure:

Federal and state taxes paid \$ 1,020,250

See notes to financial statements

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

1. Organization

The Henry Luce Foundation, Inc. (the "Foundation") is a private, nonprofit organization incorporated under the Not-for-Profit Corporation Law of New York. The Foundation was formed in 1936 exclusively for charitable, religious, educational, scientific, literary and cultural purposes, as specified in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), including making contributions to organizations which qualify as exempt organizations under Section 501(c)(3) of the Code. The primary source of the Foundation's revenue is investment income.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Code. For 2016, federal excise taxes have been provided at the rate of 1% of net investment income in accordance with provisions of the Tax Reform Act of 1984. Net investment income for tax purposes includes dividends, interest and net realized gains on security transactions less related expenses. The Foundation's deferred excise tax liability at December 31, 2016, computed in accordance with current regulations, has been recorded at 2% of the unrealized appreciation on investments.

The Internal Revenue Code provides that each year the Foundation must make certain minimum qualifying distributions equal to approximately 5% of the average fair value of its assets. The minimum distribution requirements for 2016 have been met.

2. Summary of Significant Accounting Policies

Basis of Presentation

To comply with the terms of the last will and testament of Clare Boothe Luce, the Foundation established the Clare Boothe Luce Fund, which is dedicated exclusively to the funding of scholarships, fellowships and professorships in the areas of the sciences and engineering for women students and professors at educational institutions.

The last will and testament of Clare Boothe Luce provides that amounts paid in furtherance of the purposes of the Clare Boothe Luce Fund, set forth above, be paid solely from the income of such fund and that the entire income of such fund be expended in each annual fiscal period. Under section 513 of the Not-for-Profit Corporation Law of New York (N-PCL), a direction in a gift instrument that "only income" of an endowment fund may be expended - such as the direction in the last will and testament of Clare Boothe Luce - does not restrict the governing board of a not-for-profit corporation from appropriating the realized and unrealized net appreciation of such fund for expenditure in respect of the purposes for which an endowment fund is established.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Accordingly, the net assets of the Foundation and changes therein are classified and reported as follows:

- Unrestricted net assets are utilized to account for revenues and gains that are unrestricted in nature.
- Temporarily restricted net assets consist of the Clare Boothe Luce Fund's investment appreciation (realized and unrealized) which have not yet been expended in accordance with the Fund's purpose.
- Permanently restricted net assets consist of the amount of the bequest from Clare Boothe Luce, which must be kept intact in perpetuity.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of Credit Risk

Cash in financial institutions at times may be in excess of the Federal Deposit Insurance Corporation insurance limit. Management of the Foundation does not consider any such amounts to be at serious risk.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

2. Summary of Significant Accounting Policies (continued)

Investments

The Foundation invests using a total return approach with the primary objective being to preserve and, if possible, enhance its real (inflation-adjusted) value while providing a relatively stable (in real terms) stream of earnings for grant payments and expenses.

Investments in fixed income securities and mutual funds are carried at market value, which is generally based on the closing sales price on the last trading date in each year. The fair value of interests in limited partnerships ordinarily is the value determined by the general partner and agents based upon the valuation reported by the Fund Administrators in accordance with policies established by relevant limited partnerships.

Valuations provided to the Foundation by a limited partnership may be based upon estimated or unaudited reports, and may be subject to later adjustment or revision. Any such adjustment or revision will either increase or decrease the net asset value of the Foundation at the time the Foundation is provided with information regarding the adjustment. The Foundation does not expect to restate its previous net asset values to reflect an adjustment or revision by a limited partnership.

Realized and unrealized gains and losses are determined by a comparison of cost, determined by average cost method, with proceeds or market value, respectively.

Income and Expenses

Income is recorded when earned and expenses when incurred. For financial reporting purposes, grants are recorded at the time of approval by the Board of Directors.

Cash

For purposes of cash flows, the Foundation defines cash as cash held in checking accounts and operating money market accounts.

Fixed Assets

The Foundation capitalizes the cost of leasehold improvements and acquisitions of furniture and fixtures and depreciates and amortizes these costs using the straight-line method over the estimated useful lives or the life of the lease, whichever is shorter.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

The fair value of some funds has been estimated using the Net Asset Value (“NAV”) as reported by the management of the fund. FASB guidance provides for the use of the NAV as a “practical expedient” for estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation’s interest in the fund. During 2016, the Foundation adopted the guidance in Accounting Standards Update (“ASU”) 2015-07 that removes investments valued using the practical expedient from the fair value hierarchy levels. 2015 has been reclassified to conform to the 2016 presentation.

3. Federal Excise Tax

Deferred federal excise taxes are the result of unrealized appreciation on investments being reported for financial reporting purposes in different periods than for excise tax purposes.

The excise tax expense for the year ended December 31, 2016 is comprised of the following:

Current year federal and state provisions	\$ 115,716
Prior year federal and state tax adjustments	(603,733)
Deferred excise tax	<u>352,852</u>
	<u>\$ (135,165)</u>

Some of the Foundation’s investment partnerships have underlying investments which generate “unrelated business taxable income.” This income is subject to Federal and State income taxes at “for-profit” corporation income tax rates.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

4. Investments

The fair value, cost and unrealized appreciation (depreciation) of investments at December 31, 2016 were as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds and cash held for investment	\$ 25,491,137	\$ 25,491,137	\$ -
Equity securities:			
Commingled or mutual funds			
Global	276,343,417	251,428,749	24,914,668
Emerging markets	62,475,310	58,477,065	3,998,245
Other	6,712,452	5,933,457	778,995
Fixed income securities:			
Managed accounts			
U.S. government	22,754,697	23,766,005	(1,011,308)
Commingled or mutual funds			
Global fixed income hedge	25,113,486	27,500,000	(2,386,514)
Futures Contracts	(24,402)	-	(24,402)
Marketable alternative partnerships:			
Global	229,985,451	158,713,665	71,271,786
Liquidating	390,389	389,165	1,224
Non-marketable limited partnerships:			
Multi-strategy	112,400,041	105,864,044	6,535,997
Global distressed	4,751,719	641,732	4,109,987
Private equity	26,154,691	19,006,457	7,148,234
Venture	15,189,823	7,501,412	7,688,411
Natural resources	6,966,562	6,258,748	707,814
Liquidating	2,442,046	22,082,687	(19,640,641)
	817,146,819	713,054,323	104,092,496
Net pending trades	(3,842,885)	(3,842,885)	-
Total Investments	<u>\$813,303,934</u>	<u>\$709,211,438</u>	<u>\$104,092,496</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

4. Investments (continued)

The investments, other than the liquidating non-marketable limited partnerships, are co-investments of the Henry Luce Fund and the Clare Boothe Luce Fund, which hold approximately 81% and 19% of these co-investments, respectively.

Global equity securities consists of one fund and can be redeemed monthly with 100 days' notice. Emerging markets securities consist of one fund with quarterly liquidity with 120 days' notice.

The investments listed as other in commingled or mutual funds under equity securities consist of an interest in royalties and an S&P 500 fund. The interest in royalties is valued by the Foundation using cash flows and there is only a limited secondary market for this investment. The S&P 500 fund has daily liquidity.

The global fixed income hedge is one fund with a 36 month rolling lock-up requiring 90 days' notice.

Global marketable alternative investment is a fund with quarterly liquidity with 90 days' notice.

Liquidating marketable alternative partnerships consist of funds previously under the direction of a manager who was terminated at the end of 2011. These amounts represent holdbacks on final liquidation or amounts that cannot yet be redeemed due to lockups. The Foundation anticipates these funds will be fully redeemed by the end of 2017 with some residual holdbacks and side pockets amounts to be received as the remaining investments in these funds are liquidated.

Non-marketable limited investment partnerships consist of several components. The multi-strategy investment is six funds. The first fund, valued at \$15,185,655, has annual liquidity with 180 days' notice. The second through sixth funds, valued at \$19,772,421, \$17,476,158, \$23,896,775, \$27,114,849, and \$8,954,183 are illiquid and will be redeemed at the termination of the funds, which is in approximately 10 years. The investments in global distressed, private equity, venture and natural resources were funds invested in the last nine years. They are illiquid and have terms remaining of four to six years. The liquidating partnerships represent primarily private equity investments entered into in the late 1990's and early 2000's. They are currently winding down their affairs.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

4. Investments (continued)

The unfunded commitments to these funds are as follows:

Multi-strategy	\$ 166,025,213
Global distressed	3,379,900
Private equity	8,709,498
Venture	830,000
Natural resources	900,000
	<u>\$ 179,844,611</u>

The Foundation follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based on input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The fair value of some funds has been estimated using the Net Asset Value (“NAV”) as reported by the management of the fund. FASB guidance provides for the use of the NAV as a “practical expedient” for estimating the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation’s interest in the fund.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

4. Investments (continued)

Investments are categorized as follows:

	Level 1	Level 2	Level 3	Valued Using NAV	Total
Money market funds and cash held for investment	\$ 25,491,137	\$ -	\$ -	\$ -	\$ 25,491,137
Equity securities:					
Commingled or mutual funds					
Global		-	-	276,343,417	276,343,417
Emerging markets		-	-	62,475,310	62,475,310
Other	4,912,452	-	1,800,000	-	6,712,452
Fixed income securities:					
Managed accounts					
U.S. government	22,754,697	-	-	-	22,754,697
Commingled or mutual funds					
Global fixed income hedge		-	-	25,113,486	25,113,486
Futures Contracts	(24,402)	-	-	-	(24,402)
Marketable alternative partnerships:					
Global	-	-	-	229,985,451	229,985,451
Liquidating	-	-	-	390,389	390,389
Non-marketable limited partnerships:					
Multi-strategy	-	-	-	112,400,041	112,400,041
Global distressed	-	-	-	4,751,719	4,751,719
Private equity	-	-	-	26,154,691	26,154,691
Venture	-	-	-	15,189,823	15,189,823
Natural resources	-	-	-	6,966,562	6,966,562
Liquidating	-	-	-	2,442,046	2,442,046
	53,133,884	-	1,800,000	762,212,936	817,146,819
Net pending trades	(3,842,885)	-	-	-	(3,842,885)
Total Investments	\$ 49,290,999	\$ -	\$ 1,800,000	\$ 762,212,936	\$ 813,303,934

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

4. Investments (continued)

The change in Level 3 investments is as follows:

	<u>Beginning of Year</u>	<u>Capital Additions</u>	<u>Income</u>	<u>Realized Gains</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Capital Withdrawals</u>	<u>End of Year</u>
Equity securities							
Commingled							
Other	<u>\$ 1,800,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800,000</u>
Total	<u>\$ 1,800,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800,000</u>

Investment fees of certain mutual funds, commingled funds and alternative investments are not reported separately. They are included in the net income or appreciation of the investment. The approximate amount of these fees was \$15.3 million in 2016.

5. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are as follows:

Furniture and fixtures	\$ 196,155
Leasehold improvements	<u>1,417,697</u>
	1,613,852
Less: accumulated depreciation and amortization	<u>(1,016,300)</u>
	<u>\$ 597,552</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

6. Grants Approved and Grants Payable

The grants approved during 2016, before the change in discount of \$13,228 and grants payable at December 31, 2016 consisted of the following:

	<u>Grants Approved</u>	<u>Grants Payable</u>
Principal Fund		
American Art	\$ 7,753,000	\$ 5,505,000
Asia	6,851,405	5,499,000
Asian Studies & the Environment Initiative	1,600,000	2,326,000
HRL Initiative on Religion & International Affairs	5,043,000	2,527,024
Higher Education	1,456,091	300,000
Luce Scholars	591,945	-
Public Policy	193,000	-
Theology	7,349,500	4,785,000
Special Projects	117,500	750,000
Matching	498,100	98,994
Directors' Discretionary	245,334	-
	<u>31,698,875</u>	<u>21,791,018</u>
Clare Boothe Luce Program for Women in Science and Engineering	<u>7,037,655</u>	<u>5,676,474</u>
Total	<u>\$ 38,736,530</u>	<u>\$ 27,467,492</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

6. Grants Approved and Grants Payable (continued)

At December 31, 2016, the unpaid grant liability is expected to be paid as follows:

Unpaid Grant Liability:

Years Ending December 31,

2017	\$ 17,258,675
2018	7,241,162
2019	2,436,392
2020	496,538
2021	<u>34,725</u>
	27,467,492
Less: Discount to present value	<u>(184,282)</u>
	<u>\$ 27,283,210</u>

Unpaid grants are recorded at the present value of future cash flows. The discount rate is determined during the year in which the grant is approved. At December 31, 2016, the Foundation has discounted the amount of unpaid grant liability by applying interest rate factors for grants from 0.87% to 2.13%.

7. Pensions

The Foundation has a qualified defined contribution pension plan that covers all full-time employees with a two-year vesting provision. Pension costs, representing 15% of compensation, are charged to expense currently and funded by monthly contributions. Pension expense under this plan was \$417,862.

Supplemental pension payments for former employees were \$121,000.

8. Postretirement Medical Benefits

The Foundation provides retiree medical insurance to employees retiring from the Foundation after attaining at least age 55 (age 65 if hired after January 1, 2009.) The percentage of insurance premiums paid varies with age at retirement and years of service to the Foundation.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

8. Postretirement Medical Benefits (continued)

The present value of the estimated accrued benefits at December 31, 2016 was \$2,615,904. This amount has not been separately funded by the Foundation. Health insurance costs have been projected to increase at the rate of 5.00% per annum. A discount rate of 6.00% was applied.

Actual cash paid during 2016 was \$73,565.

The actual cash costs of this plan over the next ten years are estimated to be as follows:

2017	\$	82,433
2018		86,555
2019		90,882
2020		120,894
2021		140,310
2022-2026		<u>827,011</u>
		<u>\$1,348,085</u>

9. Lease Commitments

The Foundation has a lease for primary office space for a term of fifteen years which began on October 23, 2006 and will expire on May 22, 2022. Under the terms of the lease, the Foundation maintains a letter of credit in the amount of \$46,673 in lieu of a security deposit. Rent expense for this lease during 2016 was \$769,635.

The minimum lease commitment under this lease is as follows:

2017	\$	745,708
2018		782,247
2019		793,981
2020		805,891
2021-2022		<u>1,142,899</u>
		<u>\$ 4,270,726</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

10. Endowment

At December 31, the Foundation's endowment is categorized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ -	\$76,801,551	\$68,345,364	\$ 145,146,915
Available for future spending and investment	668,157,019	-	-	668,157,019
Total	\$ 668,157,019	\$76,801,551	\$68,345,364	\$ 813,303,934

The changes in the endowment fund were as follows:

Balance, January 1, 2016	\$ 677,950,123	\$78,880,619	\$68,345,364	\$ 825,176,106
Revenues, gains and other support				
Dividends, interest and partnership income	491,175	99,458	-	590,633
Unrealized appreciation	14,683,600	2,959,018	-	17,642,618
Realized gains	11,583,532	3,035,726	-	14,619,258
Directly reported investment counseling and custody fees	(2,779,329)	(628,825)	-	(3,408,154)
Excise tax	97,954	37,211	-	135,165
Total revenues, gains and other support	24,076,932	5,502,588	-	29,579,520
Expenses and appropriations for spending	(33,870,036)	(7,581,656)	-	(41,451,692)
Balance, December 31, 2016	\$ 668,157,019	\$76,801,551	\$68,345,364	\$ 813,303,934

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2016

11. Subsequent Events

In connection with the preparation of these financial statements the Foundation evaluated subsequent events after the statement of financial position date of December 31, 2016 through May 30, 2017 which was the date the financial statements were available to be issued.

The Henry Luce Foundation, Inc.
Supplemental Schedule of Program and Administrative Expenses
Year Ended December 31, 2016

	Unrestricted Principal Fund	Clare Boothe Luce Fund	Total
Program expenses			
Grants	<u>\$ 31,696,368</u>	<u>\$ 7,026,934</u>	<u>\$ 38,723,302</u>
Other program expenses			
Luce Scholars	380,536	-	380,536
Asian Affairs	46,068	-	46,068
American Art	18,300	-	18,300
HRL Initiative on Religion and International Affairs	26,523	-	26,523
Theology	47,190	-	47,190
Other programs	<u>-</u>	<u>59,096</u>	<u>59,096</u>
Total other program expenses	<u>518,617</u>	<u>59,096</u>	<u>577,713</u>
Total program expenses	<u>32,214,985</u>	<u>7,086,030</u>	<u>39,301,015</u>
Administrative expenses			
Salaries	2,677,258	317,681	2,994,939
Pensions and related benefits	624,789	51,544	676,333
Insurance - employees' benefits	574,531	41,054	615,585
Payroll taxes	152,542	15,912	168,454
Rent	705,200	64,435	769,635
Professional fees	72,605	-	72,605
Directors' fees	336,667	5,000	341,667
Registration fees and dues	31,532	-	31,532
Travel and meetings	124,673	-	124,673
Computer, office supplies and maintenance	228,240	-	228,240
Depreciation and amortization	126,399	-	126,399
Insurance and sundry	<u>66,840</u>	<u>-</u>	<u>66,840</u>
Total administrative expenses	<u>5,721,276</u>	<u>495,626</u>	<u>6,216,902</u>
Total expenses	<u>\$ 37,936,261</u>	<u>\$ 7,581,656</u>	<u>\$ 45,517,917</u>