

The Henry Luce Foundation, Inc.

Financial Statements

December 31, 2021

The Henry Luce Foundation, Inc.

Index

December 31, 2021

Report of Independent Auditors	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 22

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INDEPENDENT AUDITOR'S REPORT

**The Board of Directors of
The Henry Luce Foundation, Inc.**

Opinion

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, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Henry Luce Foundation, Inc. as of December 31, 2021 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Henry Luce Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Henry Luce Foundation Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Henry Luce Foundation Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Henry Luce Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.



September 16, 2022

The Henry Luce Foundation, Inc.

Statement of Financial Position

December 31, 2021

ASSETS

Cash	\$	2,426,372
Dividends and interest receivable		309,348
Investments		1,219,937,630
Furniture, fixtures, and leasehold improvements, net of accumulated depreciation and amortization of \$1,619,098		43,837
Interest in Charitable Remainder Unitrust		1,267,401
Other Assets		2,293,292
		<hr/>
	\$	<u>1,226,277,880</u>

LIABILITIES

Accounts payable and accrued expenses	\$	3,929,237
Grants payable		26,175,881
Postretirement medical benefits		2,365,910
Deferred federal excise tax		7,361,168
		<hr/>
Total liabilities		<u>39,832,196</u>

NET ASSETS

Without donor restrictions		<u>963,069,312</u>
With donor restrictions:		
Time - Principal Fund		1,267,401
Purpose - Clare Boothe Luce Fund		153,763,607
Endowment - Clare Boothe Luce Fund		68,345,364
		<hr/>
Total with donor restrictions		<u>223,376,372</u>
Total net assets		<u>1,186,445,684</u>
Total liabilities and net assets	\$	<u>1,226,277,880</u>

See notes to financial statements

The Henry Luce Foundation, Inc.

Statement of Activities

Year Ended December 31, 2021

	Without donor restrictions			With donor restrictions				Total
	Principal Fund	Clare Boothe Luce Fund	Total	Principal Fund	Clare Boothe Luce Fund	Endowment	Total	
Revenues, gains (losses) and other support								
Dividends, interest, and partnership income	\$ 2,407,816	\$ -	\$ 2,407,816	\$ -	\$ 612,047	\$ -	\$ 612,047	\$ 3,019,863
Unrealized appreciation on investments	133,510,528	-	133,510,528	-	30,554,701	-	30,554,701	164,065,229
Net realized gain on sale of investments	66,404,178	-	66,404,178	-	15,134,194	-	15,134,194	81,538,372
Less: Directly reported investment counseling and custody fees	(4,997,131)	-	(4,997,131)	-	(1,142,000)	-	(1,142,000)	(6,139,131)
Net investment revenue	197,325,391	-	197,325,391	-	45,158,942	-	45,158,942	242,484,333
Contribution revenue	-	-	-	259,834	-	-	259,834	259,834
Net assets released from restrictions	-	9,564,851	9,564,851	-	(9,564,851)	-	(9,564,851)	-
Excise Tax	(2,366,159)	-	(2,366,159)	-	(518,986)	-	(518,986)	(2,885,145)
Total revenues, gains and other support	194,959,232	9,564,851	204,524,083	259,834	35,075,105	-	35,334,939	239,859,022
Expenses								
Grants	35,432,708	8,889,986	44,322,694	-	-	-	-	44,322,694
Program	3,456,190	57,475	3,513,665	-	-	-	-	3,513,665
Subtotal program expenses	38,888,898	8,947,461	47,836,359	-	-	-	-	47,836,359
Administrative	4,380,723	617,390	4,998,113	-	-	-	-	4,998,113
Total expenses	43,269,621	9,564,851	52,834,472	-	-	-	-	52,834,472
Change in net assets	151,689,611	-	151,689,611	259,834	35,075,105	-	35,334,939	187,024,550
Net assets, beginning of year	811,379,701	-	811,379,701	1,007,567	118,688,502	68,345,364	188,041,433	999,421,134
Net assets, end of year	\$ 963,069,312	\$ -	\$ 963,069,312	\$ 1,267,401	\$ 153,763,607	\$ 68,345,364	\$ 223,376,372	\$ 1,186,445,684

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

Expenses	Principal Fund								Clare Boothe Luce Fund				
	American Art	Asian Affairs	HRL Initiative on Religion and International Affairs	Initiative on Native American Intellectual Leadership	Luce Scholars	Theology	Other Programs	Total Grants and Programs	Administrative	Grants and Programs	Administrative	Total	Grand Total
Grants	\$ 7,224,590	\$ 7,859,252	\$ 1,866,433	\$ 3,211,490	\$ 1,531,773	\$ 6,426,681	\$ 7,312,490	\$ 35,432,708	\$ -	\$ 8,889,986	\$ -	\$ 8,889,986	\$ 44,322,694
	7,224,590	7,859,252	1,866,433	3,211,490	1,531,773	6,426,681	7,312,490	35,432,708	-	8,889,986	-	8,889,986	44,322,694
Salary, benefits and taxes	346,894	557,912	318,246	157,926	579,501	376,221	193,898	2,530,598	2,769,116	-	473,111	473,111	5,772,825
Rent	56,750	91,272	52,063	25,836	94,804	61,547	31,722	413,994	379,375	-	77,399	77,399	870,768
Professional fees	-	-	-	-	-	-	-	-	433,884	3,977	-	3,977.00	437,861
Directors' fees	-	-	-	-	-	-	-	-	370,000	-	5,000	5,000	375,000
Registration fees and dues	3,900	1,223	258	-	-	355	-	5,736	32,346	1,338	-	1,338	39,420
Travel and meetings	2,419	7,258	3,555	1,417	64,732	2,504	4,894	86,779	25,778	3,827	2,473	6,300	118,857
Computer, office supplies and maintenance	33,764	54,304	30,976	15,371	56,405	36,619	18,872	246,311	225,715	-	46,051	46,051	518,077
Depreciation and amortization	9,491	15,263	8,706	4,320	15,852	10,293	5,304	69,229	63,442	-	12,943	12,943	145,614
Insurance and sundry	303	487	278	138	506	328	169	2,209	81,067	-	413	413	83,689
Evaluations and honoraria	8,000	42,000	-	-	33,434	17,900	-	101,334	-	48,333	-	48,333	149,667
	461,521	769,719	414,082	205,008	845,234	505,767	254,859	3,456,190	4,380,723	57,475	617,390	674,865	8,511,778
Total expenses	\$ 7,686,111	\$ 8,628,971	\$ 2,280,515	\$ 3,416,498	\$ 2,377,007	\$ 6,932,448	\$ 7,567,349	\$ 38,888,898	\$ 4,380,723	\$ 8,947,461	\$ 617,390	\$ 9,564,851	\$ 52,834,472

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Cash Flows

Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	\$ 187,024,550
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	145,614
Net realized gain on sale of investments	(81,538,372)
Unrealized appreciation on investments	(164,065,229)
Changes in operating assets and liabilities:	
Decrease in dividends and interest receivable	69,498
Increase in interest in charitable remainder unitrust	(259,834)
Increase in other assets	(480,116)
Increase in accounts payable and accrued expenses	1,615,259
Decrease in postretirement medical benefits	(89,248)
Increase in grants payable	75,321
Increase in deferred federal excise tax	<u>2,280,507</u>
Net cash used by operating activities	<u>(55,222,050)</u>
 Cash flows from investing activities:	
Purchases of investments	(393,658,391)
Proceeds from sales and maturities of investments	456,495,965
Net changes in cash held for investment	<u>(6,473,146)</u>
Net cash provided by investing activities	<u>56,364,428</u>
Net increase in cash	1,142,378
Cash, beginning of year	<u>1,283,994</u>
Cash, end of year	<u>\$ 2,426,372</u>
 Supplemental disclosure:	
Federal and state taxes paid	<u>\$ 1,870,847</u>

See notes to financial statements

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

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(a) of the Code. For 2021, federal excise taxes have been provided at the rate of 1.39% of net investment income. 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, 2021, computed in accordance with current Code, has been recorded at 1.39% 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 2021 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.

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

- Net assets without donor restrictions are utilized to account for revenues and gains that are unrestricted in nature.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

2. Summary of Significant Accounting Policies (continued)

- Net assets with donor restrictions are comprised of two categories:
 1. Time or purpose restriction – These assets are donor restricted for either a specific purpose or a future time period. They also include the Clare Boothe Luce Fund’s investment appreciation (realized and unrealized) which has not yet been expended in accordance with the Fund’s purpose; and
 2. Endowment restriction – These assets were restricted by the bequest from Clare Boothe Luce, which must be kept intact in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor 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.

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.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

2. Summary of Significant Accounting Policies (continued)

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, unconditional grants are recorded at the time of approval by the Board of Directors.

Functional Allocation of Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, payroll taxes and employee benefits, and are based on the estimates of time and effort per employee.

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.

Interest in Charitable Remainder Unitrust

The Foundation is a remainder beneficiary of a charitable remainder unitrust. The income beneficiary is to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to a percentage of the net fair market value of the trust assets as of the first day of the trust year. Upon the death of the beneficiary, the remaining principal is to be distributed to the Foundation. An asset for the interest in charitable remainder unitrust has been recognized at the present value of the expected future cash flow payments discounted at a rate of 3.25%.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

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, 2021 is comprised of the following:

Current year federal and state provisions	\$ 1,119,104
Prior year federal and state tax adjustments	(514,466)
Deferred excise tax	<u>2,280,507</u>
	<u>\$ 2,885,145</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, 2021

4. Investments

The fair value, cost and unrealized appreciation (depreciation) of investments at December 31, 2021 were as follows:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds, t-bills and cash held for investment	\$ 31,111,203	\$ 31,111,203	\$ -
Equity securities:			
Commingled or mutual funds			
Global	144,817,326	107,232,108	37,585,218
Emerging markets	85,823,635	60,594,487	25,229,148
Other	2,000,000	1,100,000	900,000
Fixed income securities:			
Managed accounts			
U.S. government	68,962,817	70,028,152	(1,065,335)
Futures Contracts	143,222	-	143,222
Marketable alternative partnerships:			
Global	317,256,317	124,984,649	192,271,668
Liquidating	52,599	62,119	(9,520)
Non-marketable limited partnerships:			
Multi-strategy	529,130,069	273,502,330	255,627,739
Global distressed	1,277,672	2	1,277,670
Private equity	20,670,169	13,031,806	7,638,363
Venture	14,222,876	4,016,255	10,206,621
Natural resources	4,094,197	3,713,956	380,241
Liquidating	24,473	629,062	(604,589)
	1,219,586,575	690,006,129	529,580,446
Net pending trades	351,055	351,055	-
Total Investments	\$ 1,219,937,630	\$ 690,357,184	\$ 529,580,446

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

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 80% and 20% 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. Global marketable alternative investment is a fund with quarterly liquidity with 90 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.

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 2022 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 nine funds. The first fund, valued at \$15,283,338, has annual liquidity with 180 days' notice. The second through seventh funds, valued at a total of \$513,846,731 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 fifteen years. They are illiquid and have terms remaining of five to ten 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, 2021

4. Investments (continued)

The unfunded commitments to these funds are as follows:

Multi-strategy	\$ 269,855,210
Global distressed	3,379,900
Private equity	2,720,745
Venture	360,000
Natural resources	180,000
	<u>\$ 276,495,855</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, 2021

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	\$ 31,111,203	\$ -	\$ -	\$ -	\$ 31,111,203
Equity securities:					
Commingled or mutual funds	-	-	-	-	-
Global	-	-	-	144,817,326	144,817,326
Emerging markets	-	-	-	85,823,635	85,823,635
Other	-	-	2,000,000	-	2,000,000
Fixed income securities:					
Managed accounts					
U.S. government	68,962,817	-	-	-	68,962,817
Futures Contracts	143,222	-	-	-	143,222
Marketable alternative partnerships:					
Global	-	-	-	317,256,317	317,256,317
Liquidating	-	-	-	52,599	52,599
Non-marketable limited partnerships:					
Multi-strategy	-	-	-	529,130,069	529,130,069
Global distressed	-	-	-	1,277,672	1,277,672
Private equity	-	-	-	20,670,169	20,670,169
Venture	-	-	-	14,222,876	14,222,876
Natural resources	-	-	-	4,094,197	4,094,197
Liquidating	-	-	-	24,473	24,473
	100,217,242	-	2,000,000	1,117,369,333	1,219,586,575
Net pending trades	351,055	-	-	-	351,055
Total Investments	\$ 100,568,297	\$ -	\$ 2,000,000	\$ 1,117,369,333	\$ 1,219,937,630

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

4. Investments (continued)

This investment has been valued using historical and projected cash flows. 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	\$ 1,800,000	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ 2,000,000
Total	<u>\$ 1,800,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</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 \$66.0 million in 2021.

5. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are as follows:

Furniture and fixtures	\$ 135,512
Leasehold improvements	<u>1,527,423</u>
	1,662,935
Less: accumulated depreciation and amortization	<u>(1,619,098)</u>
	<u>\$ 43,837</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

6. Grants Approved and Grants Payable

The grants approved during 2021, before the change in discount of \$45,980 and grants payable at December 31, 2021 consisted of the following:

	Grants Approved	Grants Payable
Principal Fund		
American Art	\$ 7,228,000	\$ 1,700,000
Asian Affairs	7,878,000	9,246,500
Asian Studies and the Environment Initiative	-	100,000
HRL Initiative on Religion and International Affairs	1,870,000	1,628,250
Initiative on Native American Intellectual Leadership	3,215,000	1,750,000
Luce Scholars	1,531,773	-
Religion and Theology	6,435,000	4,297,500
Other programs:		
Higher Education	-	340,000
Public Policy	5,259,500	1,785,000
HLF Stem Convergence	975,000	260,000
Special Projects	360,000	-
Matching Grants	442,774	106,472
Directors' Discretionary Grants	280,000	-
Subtotal other programs	7,317,274	2,491,472
Total Principal Fund	35,475,047	21,213,722
Clare Boothe Luce Fund	8,893,627	5,078,387
Grand total	\$ 44,368,674	\$ 26,292,109

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

6. Grants Approved and Grants Payable (continued)

At December 31, 2021, the unpaid grant liability is expected to be paid as follows:

Unpaid Grant Liability:

Years Ending December 31,

2022	\$	15,816,898
2023		7,952,412
2024		1,850,012
2025		652,787
2026		<u>20,000</u>
		26,292,109
Less: Discount to present value		<u>(116,228)</u>
	\$	<u>26,175,881</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, 2021, the Foundation has discounted the amount of unpaid grant liability by applying interest rate factors for grants from 0.16% to 2.56%.

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 \$513,090.

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 on or after January 1, 2008.) 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, 2021

8. Postretirement Medical Benefits (continued)

The present value of the estimated accrued benefits at December 31, 2021 was \$2,365,910. 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 2021 was \$75,188.

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

2022	\$ 107,768
2023	111,951
2024	117,548
2025	136,160
2026	142,968
2027-2031	<u>948,616</u>
	<u>\$ 1,565,011</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

9. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of December 31, 2021, reduced by amounts not available for general expenditures within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

Cash	\$ 2,426,372
Dividends and interest receivable	309,348
Investments	1,219,937,630
Interest in Charitable Remainder Unitrust	1,267,401
Other assets	<u>1,351,173</u>
Total financial assets	1,225,291,924
Contractual or donor-imposed restrictions:	
Endowment funds	(68,345,364)
Time restrictions	(1,267,401)
Purpose restrictions	(153,763,607)
Non-marketable limited partnerships	<u>(432,780,828)</u>
Financial assets available to meet cash needs	<u>\$ 569,134,724</u>

The Foundation manages its liquidity and cash needs by establishing a budget for each fiscal year based on expected revenues to fund anticipated expenses. The invested portfolio assets that are not restricted (without donor restrictions) are intended to support the programs and mission of the Foundation in the near-term, as well as in perpetuity. Disbursements from the net assets without donor restrictions are determined by the Foundation's Board of Directors, as needed. The annual withdrawal rate will vary from year to year and the portfolio should have sufficient liquidity to meet requests for distributions in full within seven business days.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

10. 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 2021 was \$870,768.

The minimum lease commitment under this lease is as follows:

2022	<u>\$ 324,920</u>
	<u>\$ 324,920</u>

In September 2021, the Foundation decided that its current lease will not be renewed. A new lease was signed with an effective date of May 1, 2022. Rent will be approximately \$1,021,274 annually for the next 16 years and 3 months. The rent expense will be subject to escalation and taxes. Additionally, the Foundation will receive 15 months of free rent.

The Henry Luce Foundation, Inc.
Notes to Financial Statements

December 31, 2021

11. Endowment

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

	Without Donor Restrictions	Purpose	Endowment	Total
Donor restricted funds	\$ -	\$ 153,763,607	\$ 68,345,364	\$ 222,108,971
Available for future spending and investment	997,828,659	-	-	997,828,659
Total	\$ 997,828,659	\$ 153,763,607	\$ 68,345,364	\$ 1,219,937,630

The changes in the endowment fund were as follows:

Balance, January 1, 2021	\$ 843,664,590	\$ 118,688,502	\$ 68,345,364	\$ 1,030,698,456
Revenues, gains (losses) and other support				
Dividends, interest and partnership income/loss	2,407,816	612,047	-	3,019,863
Unrealized appreciation on investments	133,510,528	30,554,701	-	164,065,229
Net realized gains gain on investments	66,404,178	15,134,194	-	81,538,372
Less: Directly reported investment investment and custody fees	(4,997,131)	(1,142,000)	-	(6,139,131)
Excise tax, net of recovery	(2,366,159)	(518,986)	-	(2,885,145)
Total revenues, gains (losses) and other support	194,959,232	44,639,956	-	239,599,188
Expenses and appropriations for spending	(40,795,163)	(9,564,851)	-	(50,360,014)
Balance, December 31, 2021	\$ 997,828,659	\$ 153,763,607	\$ 68,345,364	\$ 1,219,937,630

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2021

12. 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, 2021, through September 16, 2022, which was the date the financial statements were available to be issued.

Subsequent to year end, concerns over recession and inflation have cause volatility in the financial markets. Overall markets have suffered declines of over 15%. The impact of these events on the Foundation's investments in the future is uncertain.