

The Henry Luce Foundation, Inc.

Financial Statements

December 31, 2019

The Henry Luce Foundation, Inc.

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December 31, 2019

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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, 2019, 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, 2019 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.

August 19, 2020

A handwritten signature in black ink, appearing to read "PwC" or similar, followed by "+ Co." in a cursive style.

The Henry Luce Foundation, Inc.

Statement of Financial Position

December 31, 2019

ASSETS

Cash	\$	1,201,390
Dividends and interest receivable		336,953
Investments		922,482,381
Furniture, fixtures, and leasehold improvements, net of accumulated depreciation and amortization of \$1,331,327		335,064
Interest in Charitable Remainder Unitrust		905,263
Other Assets		<u>2,266,935</u>
	\$	<u>927,527,986</u>

LIABILITIES

Accounts payable and accrued expenses	\$	914,548
Grants payable		22,563,485
Postretirement medical benefits		2,319,853
Unfunded supplemental pension		8,884
Deferred federal excise tax		<u>3,851,499</u>
		<u>29,658,269</u>

NET ASSETS

Without donor restrictions		<u>729,697,431</u>
With donor restrictions:		
Time - Principal Fund		905,263
Purpose - Clare Boothe Luce Fund		98,921,659
Endowment - Clare Boothe Luce Fund		<u>68,345,364</u>
		<u>168,172,286</u>
		<u>897,869,717</u>

Total liabilities and net assets \$ 927,527,986

See notes to financial statements

The Henry Luce Foundation, Inc.

Statement of Activities

Year Ended December 31, 2019

	<u>Without donor restrictions</u>			<u>With donor restrictions</u>				<u>Total</u>
	<u>Principal Fund</u>	<u>Clare Boothe Luce Fund</u>	<u>Total</u>	<u>Principal Fund</u>	<u>Clare Boothe Luce Fund</u>	<u>Endowment</u>	<u>Total</u>	
Revenues, gains (losses) and other support								
Dividends, interest, and partnership income	\$ 3,854,161	\$ -	\$ 3,854,161	\$ -	\$ 884,637	\$ -	\$ 884,637	\$ 4,738,798
Unrealized appreciation on investments	99,675,566	-	99,675,566	-	22,933,561	-	22,933,561	122,609,127
Net realized gain on sale of investments	17,977,512	-	17,977,512	-	4,260,010	-	4,260,010	22,237,522
Less: Directly reported investment counseling and custody fees	(4,153,860)	-	(4,153,860)	-	(956,261)	-	(956,261)	(5,110,121)
Net investment revenue	117,353,379	-	117,353,379	-	27,121,947	-	27,121,947	144,475,326
Contribution revenue	-	-	-	197,201	-	-	197,201	197,201
Net assets released from restrictions	-	8,346,805	8,346,805	-	(8,346,805)	-	(8,346,805)	-
Excise Tax	(849,411)	-	(849,411)	-	(130,023)	-	(130,023)	(979,434)
Total revenues, gains and other support	<u>116,503,968</u>	<u>8,346,805</u>	<u>124,850,773</u>	<u>197,201</u>	<u>18,645,119</u>	<u>-</u>	<u>18,842,320</u>	<u>143,693,093</u>
Expenses								
Grants	31,550,192	7,734,644	39,284,836	-	-	-	-	39,284,836
Program	3,869,559	64,953	3,934,512	-	-	-	-	3,934,512
Subtotal program expenses	<u>35,419,751</u>	<u>7,799,597</u>	<u>43,219,348</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,219,348</u>
Administrative	2,758,576	547,208	3,305,784	-	-	-	-	3,305,784
Total expenses	<u>38,178,327</u>	<u>8,346,805</u>	<u>46,525,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,525,132</u>
Change in net assets	78,325,641	-	78,325,641	197,201	18,645,119	-	18,842,320	97,167,961
Net assets, beginning of year	651,371,790	-	651,371,790	708,062	80,276,540	68,345,364	149,329,966	800,701,756
Net assets, end of year	<u>\$ 729,697,431</u>	<u>\$ -</u>	<u>\$ 729,697,431</u>	<u>\$ 905,263</u>	<u>\$ 98,921,659</u>	<u>\$ 68,345,364</u>	<u>\$ 168,172,286</u>	<u>\$ 897,869,717</u>

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

Expenses	Principal Fund							Clare Boothe Luce Fund				Grand Total	
	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
Grants	\$ 7,332,999	\$ 7,449,277	\$ 4,191,116	\$ 1,651,585	\$ 1,446,176	\$ 7,055,364	\$ 2,423,675	\$ 31,550,192	\$ -	\$ 7,734,644	\$ -	\$ 7,734,644	\$ 39,284,836
	<u>7,332,999</u>	<u>7,449,277</u>	<u>4,191,116</u>	<u>1,651,585</u>	<u>1,446,176</u>	<u>7,055,364</u>	<u>2,423,675</u>	<u>31,550,192</u>	<u>-</u>	<u>7,734,644</u>	<u>-</u>	<u>7,734,644</u>	<u>39,284,836</u>
Salary, benefits and taxes	385,929	515,347	332,617	139,053	478,063	377,009	250,762	2,478,780	1,286,393	-	416,666	416,666	4,181,839
Pensions and related benefits	-	-	-	-	-	-	-	-	164,302	-	-	-	164,302
Rent	69,627	92,976	60,009	25,087	86,249	68,017	45,241	447,206	357,168	-	75,172	75,172	879,546
Professional fees	-	-	-	-	-	-	-	-	169,618	-	-	-	169,618
Directors' fees	-	-	-	-	-	-	-	-	345,000	-	5,000	5,000	350,000
Registration fees and dues	3,730	2,731	848	400	-	330	674	8,713	35,333	2,124	-	2,124	46,170
Travel and meetings	14,530	40,433	27,330	8,972	373,991	10,684	26,852	502,792	115,100	32,744	6,933	39,677	657,569
Computer, office supplies and maintenance	28,401	37,925	24,477	10,233	35,181	27,744	18,454	182,415	145,687	-	30,663	30,663	358,765
Depreciation and amortization	11,582	15,466	9,982	4,173	14,345	11,314	7,526	74,388	59,412	-	12,504	12,504	146,304
Insurance and sundry	251	335	216	90	310	245	163	1,610	80,563	-	270	270	82,443
Evaluations and honoraria	37,640	35,415	12,415	-	31,000	57,185	-	173,655	-	30,085	-	30,085	203,740
	<u>551,690</u>	<u>740,628</u>	<u>467,894</u>	<u>188,008</u>	<u>1,019,139</u>	<u>552,528</u>	<u>349,672</u>	<u>3,869,559</u>	<u>2,758,576</u>	<u>64,953</u>	<u>547,208</u>	<u>612,161</u>	<u>7,240,296</u>
Total expenses	<u>\$ 7,884,689</u>	<u>\$ 8,189,905</u>	<u>\$ 4,659,010</u>	<u>\$ 1,839,593</u>	<u>\$ 2,465,315</u>	<u>\$ 7,607,892</u>	<u>\$ 2,773,347</u>	<u>\$ 35,419,751</u>	<u>\$ 2,758,576</u>	<u>\$ 7,799,597</u>	<u>\$ 547,208</u>	<u>\$ 8,346,805</u>	<u>\$ 46,525,132</u>

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Cash Flows

Year Ended December 31, 2019

Cash flows from operating activities:

Change in net assets	\$ 97,167,961
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	146,304
Net realized gain on sale of investments	(22,237,522)
Unrealized appreciation on investments	(122,609,127)
Changes in operating assets and liabilities:	
Increase in dividends and interest receivable	(34,969)
Increase in interest in charitable remainder unitrust	(197,201)
Increase in other assets	(140,897)
Increase in accounts payable and accrued expenses	31,549
Decrease in postretirement medical benefits	(155,776)
Decrease in grants payable	(876,564)
Decrease in unfunded supplemental pension	(637,410)
Increase in deferred federal excise tax	761,956

Net cash used by operating activities (48,781,696)

Cash flows from investing activities:

Purchases of investments	(368,013,596)
Proceeds from sales and maturities of investments	416,287,183
Purchases of furniture, fixtures, and leasehold improvements	(123,815)
Net changes in cash held for investment	201,599

Net cash provided by investing activities 48,351,371

Net decrease in cash (430,325)

Cash, beginning of year 1,631,715

Cash, end of year \$ 1,201,390

Supplemental disclosure:

Federal and state taxes paid \$ 1,190,137

See notes to financial statements

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2019

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 2019, 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, 2019, 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 2019 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, 2019

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, 2019

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

During 2018, the Foundation became aware that it was named 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 4.75%.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2019

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, 2019 is comprised of the following:

Current year federal and state provisions	\$ 321,896
Prior year federal and state tax adjustments	(104,418)
Deferred excise tax	<u>761,956</u>
	<u>\$ 979,434</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, 2019

4. Investments

The fair value, cost and unrealized appreciation (depreciation) of investments at December 31, 2019 were as follows:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds, t-bills and cash held for investment	\$ 14,566,975	\$ 14,566,975	\$ -
Equity securities:			
Commingled or mutual funds			
Global	189,763,968	146,432,358	43,331,610
Emerging markets	93,101,697	78,139,044	14,962,653
Other	6,689,278	4,865,014	1,824,264
Fixed income securities:			
Managed accounts			
U.S. government	50,769,248	50,558,225	211,023
Futures Contracts	45,198	-	45,198
Marketable alternative partnerships:			
Global	265,500,817	127,335,536	138,165,281
Liquidating	126,455	144,231	(17,776)
Non-marketable limited partnerships:			
Multi-strategy	261,069,905	197,564,399	63,505,506
Global distressed	1,594,454	-	1,594,454
Private equity	22,939,200	16,561,248	6,377,952
Venture	13,346,121	5,073,110	8,273,011
Natural resources	4,008,997	4,286,707	(277,710)
Liquidating	142,440	1,051,610	(909,170)
	923,664,753	646,578,457	277,086,296
Net pending trades	(1,182,372)	(1,182,372)	-
Total Investments	\$ 922,482,381	\$ 645,396,085	\$277,086,296

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2019

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.

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.

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 2020 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 eight funds. The first fund, valued at \$20,830,167, has annual liquidity with 180 days' notice. The second through seventh funds, valued at a total of \$240,239,738 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 three to five 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, 2019

4. Investments (continued)

The unfunded commitments to these funds are as follows:

Multi-strategy	\$ 245,379,976
Global distressed	3,379,900
Private equity	3,396,995
Venture	450,000
Natural resources	350,000
	<u>\$ 252,956,871</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, 2019

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	\$ 14,566,975	\$ -	\$ -	\$ -	\$ 14,566,975
Equity securities:					
Commingled or mutual funds					
Global	-	-	-	189,763,968	189,763,968
Emerging markets	-	-	-	93,101,697	93,101,697
Other	4,889,278	-	1,800,000	-	6,689,278
Fixed income securities:					
Managed accounts					
U.S. government	50,769,248	-	-	-	50,769,248
Futures Contracts	45,198	-	-	-	45,198
Marketable alternative partnerships:					
Global	-	-	-	265,500,817	265,500,817
Liquidating	-	-	-	126,455	126,455
Non-marketable limited partnerships:					
Multi-strategy	-	-	-	261,069,905	261,069,905
Global distressed	-	-	-	1,594,454	1,594,454
Private equity	-	-	-	22,939,200	22,939,200
Venture	-	-	-	13,346,121	13,346,121
Natural resources	-	-	-	4,008,997	4,008,997
Liquidating	-	-	-	142,440	142,440
	70,270,699	-	1,800,000	851,594,054	923,664,753
Net pending trades	(1,182,372)	-	-	-	(1,182,372)
Total Investments	\$ 69,088,327	\$ -	\$ 1,800,000	\$ 851,594,054	\$ 922,482,381

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2019

4. Investments (continued)

This investment has been valued using historical and projected cash flows. The change in Level 3 investments is as follows:

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

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 \$27.7 million in 2019.

5. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are as follows:

Furniture and fixtures	\$ 138,968
Leasehold improvements	1,527,423
	1,666,391
Less: accumulated depreciation and amortization	(1,331,327)
	\$ 335,064

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2019

6. Grants Approved and Grants Payable

The grants approved during 2019, before the change in discount of \$25,962 and grants payable at December 31, 2019 consisted of the following:

	<u>Grants Approved</u>	<u>Grants Payable</u>
Principal Fund		
American Art	\$ 7,330,000	\$ 2,555,000
Asian Affairs	7,441,000	6,852,000
Asian Studies and the Environment Initiative	-	200,000
HRL Initiative on Religion and International Affairs	4,190,000	951,000
Initiative on Native American Intellectual Leadership	1,650,000	1,350,000
Luce Scholars	1,446,176	-
Theology	7,050,000	4,570,000
Other programs:		
Higher Education	1,450,000	305,000
Public Policy	238,000	50,000
Special Projects	50,500	-
Matching Grants	424,758	192,079
Directors' Discretionary Grants	260,000	20,000
Subtotal other programs	<u>2,423,258</u>	<u>567,079</u>
Total Principal Fund	<u>31,530,434</u>	<u>17,045,079</u>
Clare Boothe Luce Fund	<u>7,728,440</u>	<u>5,752,152</u>
Grand total	<u>\$ 39,258,874</u>	<u>\$ 22,797,231</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2019

6. Grants Approved and Grants Payable (continued)

At December 31, 2019, the unpaid grant liability is expected to be paid as follows:

Unpaid Grant Liability:

Years Ending December 31,

2020	\$ 12,850,547
2021	6,974,246
2022	2,347,426
2023	613,000
2024	<u>12,012</u>
	22,797,231
Less: Discount to present value	<u>(233,746)</u>
	<u>\$ 22,563,485</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, 2019, the Foundation has discounted the amount of unpaid grant liability by applying interest rate factors for grants from 1.61% 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 \$486,649.

Supplemental pension payments for former employees were \$87,667.

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, 2019

8. Postretirement Medical Benefits (continued)

The present value of the estimated accrued benefits at December 31, 2019 was \$2,319,853. 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 2019 was \$74,958.

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

2020	\$ 85,864
2021	100,389
2022	105,409
2023	117,046
2024	122,899
2025-2029	<u>903,208</u>
	<u>\$1,434,815</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2019

9. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of December 31, 2019, 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	\$ 1,201,390
Dividends and interest receivable	336,953
Investments	922,482,381
Interest in Charitable Remainder Unitrust	905,263
Other assets	<u>2,167,506</u>
Total financial assets	927,093,493
Contractual or donor-imposed restrictions:	
Endowment funds	(68,345,364)
Time restrictions	(905,263)
Purpose restrictions	(98,921,659)
Non-marketable limited partnerships	<u>(213,580,774)</u>
Financial assets available to meet cash needs	<u>\$ 545,340,433</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, 2019

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 2019 was \$879,546.

The minimum lease commitment under this lease is as follows:

2020	\$	805,891
2021		817,979
2022		<u>324,920</u>
	\$	<u>1,948,790</u>

The Henry Luce Foundation, Inc.
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December 31, 2019

11. Endowment

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

	<u>Without Donor Restrictions</u>	<u>Purpose</u>	<u>Endowment</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 98,921,659	\$ 68,345,364	\$ 167,267,023
Available for future spending and investment	755,215,358	-	-	755,215,358
Total	<u>\$ 755,215,358</u>	<u>\$ 98,921,659</u>	<u>\$ 68,345,364</u>	<u>\$ 922,482,381</u>

The changes in the endowment fund were as follows:

Balance, January 1, 2019	\$ 677,489,014	\$ 80,276,540	\$ 68,345,364	\$ 826,110,918
Revenues, gains (losses) and other support				
Dividends, interest and partnership income/loss	3,854,161	884,637	-	4,738,798
Unrealized appreciation on investments	99,675,566	22,933,561	-	122,609,127
Net realized gains gain on investments	17,977,512	4,260,010	-	22,237,522
Less: Directly reported investment investment and custody fees	(4,153,860)	(956,261)	-	(5,110,121)
Excise tax, net of recovery	(849,411)	(130,023)	-	(979,434)
Total revenues, gains (losses) and other support	116,503,968	26,991,924	-	143,495,892
Expenses and appropriations for spending	(38,777,624)	(8,346,805)	-	(47,124,429)
Balance, December 31, 2019	<u>\$ 755,215,358</u>	<u>\$ 98,921,659</u>	<u>\$ 68,345,364</u>	<u>\$ 922,482,381</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

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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, 2019 through August 19, 2020 which was the date the financial statements were available to be issued.

Subsequent to year end, the COVID-19 pandemic has resulted in substantial volatility in the global financial markets. Because the value of the Foundation's individual investments has and will fluctuate in response to changing market conditions, the amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.