

The Henry Luce Foundation, Inc.

Financial Statements

December 31, 2020

The Henry Luce Foundation, Inc.

Index

December 31, 2020

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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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2020 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.

September 28, 2021

Owen J. Flanagan & Co.

The Henry Luce Foundation, Inc.

Statement of Financial Position

December 31, 2020

ASSETS

Cash	\$	1,283,994
Dividends and interest receivable		378,846
Investments		1,030,698,456
Furniture, fixtures, and leasehold improvements, net of accumulated depreciation and amortization of \$1,473,482		189,452
Interest in Charitable Remainder Unitrust		1,007,567
Other Assets		1,813,176
		<hr/>
	\$	<u>1,035,371,491</u>

LIABILITIES

Accounts payable and accrued expenses	\$	2,313,978
Grants payable		26,100,560
Postretirement medical benefits		2,455,158
Deferred federal excise tax		5,080,661
		<hr/>
Total liabilities		<u>35,950,357</u>

NET ASSETS

Without donor restrictions		<u>811,379,701</u>
With donor restrictions:		
Time - Principal Fund		1,007,567
Purpose - Clare Boothe Luce Fund		118,688,502
Endowment - Clare Boothe Luce Fund		68,345,364
		<hr/>
Total with donor restrictions		<u>188,041,433</u>
Total net assets		<u>999,421,134</u>
Total liabilities and net assets	\$	<u>1,035,371,491</u>

See notes to financial statements

The Henry Luce Foundation, Inc.

Statement of Activities

Year Ended December 31, 2020

	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	\$ 7,226,259	\$ -	\$ 7,226,259	\$ -	\$ 1,624,049	\$ -	\$ 1,624,049	\$ 8,850,308
Unrealized appreciation on investments	72,713,429	-	72,713,429	-	15,715,492	-	15,715,492	88,428,921
Net realized gain on sale of investments	52,585,413	-	52,585,413	-	11,975,215	-	11,975,215	64,560,628
Less: Directly reported investment counseling and custody fees	(4,238,779)	-	(4,238,779)	-	(952,744)	-	(952,744)	(5,191,523)
Net investment revenue	128,286,322	-	128,286,322	-	28,362,012	-	28,362,012	156,648,334
Contribution revenue	-	-	-	102,304	-	-	102,304	102,304
Net assets released from restrictions	-	8,175,263	8,175,263	-	(8,175,263)	-	(8,175,263)	-
Excise Tax	(1,870,215)	-	(1,870,215)	-	(419,906)	-	(419,906)	(2,290,121)
Total revenues, gains and other support	126,416,107	8,175,263	134,591,370	102,304	19,766,843	-	19,869,147	154,460,517
Expenses								
Grants	37,448,625	7,520,745	44,969,370	-	-	-	-	44,969,370
Program	3,635,476	41,184	3,676,660	-	-	-	-	3,676,660
Subtotal program expenses	41,084,101	7,561,929	48,646,030	-	-	-	-	48,646,030
Administrative	3,649,736	613,334	4,263,070	-	-	-	-	4,263,070
Total expenses	44,733,837	8,175,263	52,909,100	-	-	-	-	52,909,100
Change in net assets	81,682,270	-	81,682,270	102,304	19,766,843	-	19,869,147	101,551,417
Net assets, beginning of year	729,697,431	-	729,697,431	905,263	98,921,659	68,345,364	168,172,286	897,869,717
Net assets, end of year	\$ 811,379,701	\$ -	\$ 811,379,701	\$ 1,007,567	\$ 118,688,502	\$ 68,345,364	\$ 188,041,433	\$ 999,421,134

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

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	\$ 7,637,800	\$ 8,631,973	\$ 4,306,757	\$ 2,610,831	\$ 1,523,189	\$ 6,785,424	\$ 5,952,651	\$ 37,448,625	\$ -	\$ 7,520,745	\$ -	\$ 7,520,745	\$ 44,969,370
	7,637,800	8,631,973	4,306,757	2,610,831	1,523,189	6,785,424	5,952,651	37,448,625	-	7,520,745	-	7,520,745	44,969,370
Salary, benefits and taxes	351,766	516,219	376,519	156,684	520,631	379,265	297,412	2,598,496	2,361,620	-	482,794	482,794	5,442,910
Pensions and related benefits	-	-	-	-	-	-	-	-	84,700	-	-	-	84,700
Rent	59,041	86,644	63,196	26,298	87,384	63,657	49,918	436,138	380,339	-	81,033	81,033	897,510
Professional fees	-	-	-	-	-	-	-	-	136,100	-	-	-	136,100
Directors' fees	-	-	-	-	-	-	-	-	351,250	-	5,000	5,000	356,250
Registration fees and dues	3,003	3,199	174	-	-	297	95	6,768	38,970	1,694	-	1,694	47,432
Travel and meetings	3,539	12,198	5,470	2,594	213,930	2,717	6,497	246,945	29,096	14,490	3,016	17,506	293,547
Computer, office supplies and maintenance	20,392	29,926	21,827	9,083	30,181	21,986	17,242	150,637	131,365	-	27,989	27,989	309,991
Depreciation and amortization	9,579	14,057	10,253	4,267	14,177	10,327	8,099	70,759	61,706	-	13,147	13,147	145,612
Insurance and sundry	259	380	277	115	383	279	219	1,912	74,590	-	355	355	76,857
Evaluations and honoraria	46,871	39,250	-	-	27,700	10,000	-	123,821	-	25,000	-	25,000	148,821
	494,450	701,873	477,716	199,041	894,386	488,528	379,482	3,635,476	3,649,736	41,184	613,334	654,518	7,939,730
Total expenses	\$ 8,132,250	\$ 9,333,846	\$ 4,784,473	\$ 2,809,872	\$ 2,417,575	\$ 7,273,952	\$ 6,332,133	\$ 41,084,101	\$ 3,649,736	\$ 7,561,929	\$ 613,334	\$ 8,175,263	\$ 52,909,100

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Cash Flows

Year Ended December 31, 2020

Cash flows from operating activities:

Change in net assets	\$	101,551,417
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization		145,612
Net realized gain on sale of investments		(64,560,628)
Unrealized appreciation on investments		(88,428,921)
Changes in operating assets and liabilities:		
Increase in dividends and interest receivable		(41,893)
Increase in interest in charitable remainder unitrust		(102,304)
Decrease in other assets		453,759
Increase in accounts payable and accrued expenses		1,399,430
Increase in postretirement medical benefits		135,305
Increase in grants payable		3,537,075
Decrease in unfunded supplemental pension		(8,884)
Increase in deferred federal excise tax		1,229,162

Net cash used by operating activities (44,690,870)

Cash flows from investing activities:

Purchases of investments		(281,872,781)
Proceeds from sales and maturities of investments		336,717,337
Net changes in cash held for investment		(10,071,082)
Net cash provided by investing activities		<u>44,773,474</u>

Net increase in cash 82,604

Cash, beginning of year 1,201,390

Cash, end of year \$ 1,283,994

Supplemental disclosure:

Federal and state taxes paid \$ 1,371,623

See notes to financial statements

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2020

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 2020, federal excise taxes have been provided at the rate of 1.39% 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, 2020, 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 2020 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, 2020

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, 2020

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, 2020

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, 2020 is comprised of the following:

Current year federal and state provisions	\$ 961,518
Prior year federal and state tax adjustments	99,441
Deferred excise tax	<u>1,229,162</u>
	<u>\$ 2,290,121</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, 2020

4. Investments

The fair value, cost and unrealized appreciation (depreciation) of investments at December 31, 2020 were as follows:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds, t-bills and cash held for investment	\$ 24,638,057	\$ 24,638,057	\$ -
Equity securities:			
Commingled or mutual funds			
Global	205,234,970	164,303,346	40,931,624
Emerging markets	85,123,325	69,320,538	15,802,787
Other	6,621,627	4,295,559	2,326,068
Fixed income securities:			
Managed accounts			
U.S. government	56,075,541	56,902,439	(826,898)
Futures Contracts	189,137	-	189,137
Marketable alternative partnerships:			
Global	292,424,192	112,264,428	180,159,764
Liquidating	72,948	66,456	6,492
Non-marketable limited partnerships:			
Multi-strategy	319,464,549	211,976,940	107,487,609
Global distressed	1,512,422	2	1,512,420
Private equity	23,443,090	15,054,855	8,388,235
Venture	15,288,664	4,437,366	10,851,298
Natural resources	3,234,536	3,944,935	(710,399)
Liquidating	46,466	649,386	(602,920)
	1,033,369,524	667,854,307	365,515,217
Net pending trades	(2,671,068)	(2,671,068)	-
Total Investments	\$ 1,030,698,456	\$ 665,183,239	\$ 365,515,217

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2020

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 2021 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 \$17,645,716, has annual liquidity with 180 days' notice. The second through seventh funds, valued at a total of \$301,818,833 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, 2020

4. Investments (continued)

The unfunded commitments to these funds are as follows:

Multi-strategy	\$ 207,335,231
Global distressed	3,379,900
Private equity	2,911,995
Venture	370,000
Natural resources	290,000
	<u>\$ 214,287,126</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, 2020

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	\$ 24,638,057	\$ -	\$ -	\$ -	\$ 24,638,057
Equity securities:					
Commingled or mutual funds					
Global	-	-	-	205,234,970	205,234,970
Emerging markets	-	-	-	85,123,325	85,123,325
Other	4,821,627	-	1,800,000	-	6,621,627
Fixed income securities:					
Managed accounts					
U.S. government	56,075,541	-	-	-	56,075,541
Futures Contracts	189,137	-	-	-	189,137
Marketable alternative partnerships:					
Global	-	-	-	292,424,192	292,424,192
Liquidating	-	-	-	72,948	72,948
Non-marketable limited partnerships:					
Multi-strategy	-	-	-	319,464,549	319,464,549
Global distressed	-	-	-	1,512,422	1,512,422
Private equity	-	-	-	23,443,090	23,443,090
Venture	-	-	-	15,288,664	15,288,664
Natural resources	-	-	-	3,234,536	3,234,536
Liquidating	-	-	-	46,466	46,466
	85,724,362	-	1,800,000	945,845,162	1,033,369,524
Net pending trades	(2,671,068)	-	-	-	(2,671,068)
Total Investments	\$ 83,053,294	\$ -	\$ 1,800,000	\$ 945,845,162	\$ 1,030,698,456

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2020

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 \$37.0 million in 2020.

5. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are as follows:

Furniture and fixtures	\$ 135,511
Leasehold improvements	1,527,423
	1,662,934
Less: accumulated depreciation and amortization	(1,473,482)
	\$ 189,452

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2020

6. Grants Approved and Grants Payable

The grants approved during 2020, before the change in discount of \$163,498 and grants payable at December 31, 2020 consisted of the following:

	Grants Approved	Grants Payable
Principal Fund		
American Art	\$ 7,625,000	\$ 2,275,000
Asian Affairs	8,583,700	8,479,250
Asian Studies and the Environment Initiative	-	100,000
HRL Initiative on Religion and International Affairs	4,293,000	2,445,000
Initiative on Native American Intellectual Leadership	2,600,000	1,925,000
Luce Scholars	1,523,189	-
Theology	6,765,000	3,630,000
Other programs:		
Higher Education	3,600,000	1,430,000
Public Policy	1,397,970	125,000
Special Projects	223,000	-
Matching Grants	457,932	94,793
Directors' Discretionary Grants	265,000	-
Subtotal other programs	5,943,902	1,649,793
Total Principal Fund	37,333,791	20,504,043
Clare Boothe Luce Fund	7,472,081	5,666,765
Grand total	\$ 44,805,872	\$ 26,170,808

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2020

6. Grants Approved and Grants Payable (continued)

At December 31, 2020, the unpaid grant liability is expected to be paid as follows:

Unpaid Grant Liability:

Years Ending December 31,

2021	\$	17,463,539
2022		6,120,585
2023		2,175,035
2024		208,012
2025		203,637
		<hr/>
		26,170,808
Less: Discount to present value		<hr/> (70,248)
		<hr/>
	\$	26,100,560

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, 2020, the Foundation has discounted the amount of unpaid grant liability by applying interest rate factors for grants from 0.12% to 2.52%.

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 \$486,166.

Supplemental pension payments for former employees were \$9,417.

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, 2020

8. Postretirement Medical Benefits (continued)

The present value of the estimated accrued benefits at December 31, 2020 was \$2,455,158. 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 2020 was \$74,864.

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

2021	\$	106,883
2022		112,227
2023		123,902
2024		130,097
2025		149,973
2026-2030		<u>1,028,083</u>
	\$	<u>1,651,165</u>

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9. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of December 31, 2020, 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	\$ 1,283,994
Dividends and interest receivable	378,846
Investments	1,030,698,456
Interest in Charitable Remainder Unitrust	1,007,567
Other assets	<u>1,656,542</u>
Total financial assets	1,035,025,405
Contractual or donor-imposed restrictions:	
Endowment funds	(68,345,364)
Time restrictions	(1,007,567)
Purpose restrictions	(118,688,502)
Non-marketable limited partnerships	<u>(262,429,580)</u>
Financial assets available to meet cash needs	<u>\$ 584,554,392</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.

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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 2020 was \$897,511.

The minimum lease commitment under this lease is as follows:

2021	\$ 817,979
2022	<u>324,920</u>
	<u>\$1,142,899</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 \$1,021,000 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.

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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	\$ -	\$ 118,688,502	\$ 68,345,364	\$ 187,033,866
Available for future spending and investment	843,664,590	-	-	843,664,590
Total	<u>\$ 843,664,590</u>	<u>\$ 118,688,502</u>	<u>\$ 68,345,364</u>	<u>\$ 1,030,698,456</u>

The changes in the endowment fund were as follows:

Balance, January 1, 2020	\$ 755,215,358	\$ 98,921,659	\$ 68,345,364	\$ 922,482,381
Revenues, gains (losses) and other support				
Dividends, interest and partnership income/loss	7,226,259	1,624,049	-	8,850,308
Unrealized appreciation on investments	72,713,430	15,715,493	-	88,428,923
Net realized gains gain on investments	52,585,413	11,975,215	-	64,560,628
Less: Directly reported investment investment and custody fees	(4,238,779)	(952,744)	-	(5,191,523)
Excise tax, net of recovery	<u>(1,870,215)</u>	<u>(419,906)</u>	<u>-</u>	<u>(2,290,121)</u>
Total revenues, gains (losses) and other support	126,416,108	27,942,107	-	154,358,215
Expenses and appropriations for spending	(37,966,876)	(8,175,264)	-	(46,142,140)
Balance, December 31, 2020	<u>\$ 843,664,590</u>	<u>\$ 118,688,502</u>	<u>\$ 68,345,364</u>	<u>\$ 1,030,698,456</u>

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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, 2020 through September 28, 2021 which was the date the financial statements were available to be issued.

The COVID-19 pandemic continues to disrupt operations and cause 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.