

The Henry Luce Foundation, Inc.

Financial Statements

December 31, 2022

The Henry Luce Foundation, Inc.

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December 31, 2022

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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, 2022 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, 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

October 11, 2023



The Henry Luce Foundation, Inc.

Statement of Financial Position

December 31, 2022

ASSETS

Cash	\$	2,164,800
Dividends and interest receivable		526,459
Investments		1,049,381,562
Furniture, fixtures, and leasehold improvements, net of accumulated depreciation and amortization of \$196,417		1,746,443
Interest in Charitable Remainder Unitrust		775,293
Other Assets		3,396,147
Right of Use Asset		12,362,615
		<u>12,362,615</u>
	\$	<u>1,070,353,319</u>

LIABILITIES

Accounts payable and accrued expenses	\$	1,098,213
Grants payable		24,336,228
Postretirement medical benefits		1,964,873
Deferred federal excise tax		4,548,764
Lease Liability		12,889,852
		<u>12,889,852</u>
Total liabilities		<u>44,837,930</u>

NET ASSETS

Without donor restrictions		<u>832,238,157</u>
With donor restrictions:		
Time - Principal Fund		775,293
Purpose - Clare Boothe Luce Fund		124,156,575
Endowment - Clare Boothe Luce Fund		68,345,364
		<u>68,345,364</u>
Total with donor restrictions		<u>193,277,232</u>
Total net assets		<u>1,025,515,389</u>

Total liabilities and net assets \$ 1,070,353,319

See notes to financial statements

The Henry Luce Foundation, Inc.

Statement of Activities

Year Ended December 31, 2022

	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	\$ 8,210,740	\$ -	\$ 8,210,740	\$ -	\$ 1,871,053	\$ -	\$ 1,871,053	\$ 10,081,793
Unrealized depreciation on investments	(159,498,578)	-	(159,498,578)	-	(36,438,100)	-	(36,438,100)	(195,936,678)
Net realized gain on sale of investments	67,035,736	-	67,035,736	-	15,314,587	-	15,314,587	82,350,323
Less: Directly reported investment counseling and custody fees	(3,094,433)	-	(3,094,433)	-	(710,073)	-	(710,073)	(3,804,506)
Net investment revenue	(87,346,535)	-	(87,346,535)	-	(19,962,533)	-	(19,962,533)	(107,309,068)
Change in value of split interest assets	-	-	-	(492,108)	-	-	(492,108)	(492,108)
Net assets released from restrictions	-	9,938,201	9,938,201	-	(9,938,201)	-	(9,938,201)	-
Excise Tax	1,437,901	-	1,437,901	-	293,702	-	293,702	1,731,603
Total revenues, gains and other support	(85,908,634)	9,938,201	(75,970,433)	(492,108)	(29,607,032)	-	(30,099,140)	(106,069,573)
Expenses								
Grants	36,194,662	9,378,818	45,573,480	-	-	-	-	45,573,480
Program	3,946,407	109,914	4,056,321	-	-	-	-	4,056,321
Subtotal program expenses	40,141,069	9,488,732	49,629,801	-	-	-	-	49,629,801
Administrative	4,781,452	449,469	5,230,921	-	-	-	-	5,230,921
Total expenses	44,922,521	9,938,201	54,860,722	-	-	-	-	54,860,722
Change in net assets	(130,831,155)	-	(130,831,155)	(492,108)	(29,607,032)	-	(30,099,140)	(160,930,295)
Net assets, beginning of year	963,069,312	-	963,069,312	1,267,401	153,763,607	68,345,364	223,376,372	1,186,445,684
Net assets, end of year	\$ 832,238,157	\$ -	\$ 832,238,157	\$ 775,293	\$ 124,156,575	\$ 68,345,364	\$ 193,277,232	\$ 1,025,515,389

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

Expenses	Principal Fund								Clare Boothe Luce Fund				
	American Art	Asian Affairs	Indigenous Knowledge	Luce Scholars	Public Policy	Theology	Other Programs	Total Grants and Programs	Administrative	Grants and Programs	Administrative	Total	Grand Total
Grants	\$ 7,476,416	\$ 8,164,848	\$ 4,160,165	\$ 296,284	\$ 1,193,891	\$ 6,998,850	\$ 7,904,208	\$ 36,194,662	\$ -	\$ 9,378,818	\$ -	\$ 9,378,818	\$ 45,573,480
	7,476,416	8,164,848	4,160,165	296,284	1,193,891	6,998,850	7,904,208	36,194,662	-	9,378,818	-	9,378,818	45,573,480
Salary, benefits and taxes	417,591	551,100	251,221	394,339	66,470	452,484	271,086	2,404,291	2,449,459	-	324,222	324,222	5,177,972
Rent	79,547	104,979	47,855	75,118	12,662	86,193	51,639	457,993	463,016	-	61,761	61,761	982,770
Professional fees	-	-	-	-	-	-	-	-	490,489	8,579	-	8,579	499,068
Directors' fees	-	-	-	-	-	-	-	-	369,583	-	5,000	5,000	374,583
Registration fees and dues	695	1,461	-	-	-	-	555	2,711	37,939	-	-	-	40,650
Travel and meetings	120,198	39,741	21,774	145,570	5,433	9,666	142,858	485,240	194,630	1,215	3,213	4,428	684,298
Computer, office supplies and maintenance	54,643	72,113	32,873	51,600	8,698	59,209	35,472	314,608	318,059	-	42,425	42,425	675,092
Depreciation and amortization	19,446	25,664	11,699	18,364	3,095	21,071	12,624	111,963	115,947	-	12,344	12,344	240,254
Insurance and sundry	649	857	390	613	103	703	421	3,736	342,330	-	504	504	346,570
Evaluations and honoraria	8,000	41,000	-	98,740	-	4,875	13,250	165,865	-	100,120	-	100,120	265,985
	700,769	836,915	365,812	784,344	96,461	634,201	527,905	3,946,407	4,781,452	109,914	449,469	559,383	9,287,242
Total expenses	\$ 8,177,185	\$ 9,001,763	\$ 4,525,977	\$ 1,080,628	\$ 1,290,352	\$ 7,633,051	\$ 8,432,113	\$ 40,141,069	\$ 4,781,452	\$ 9,488,732	\$ 449,469	\$ 9,938,201	\$ 54,860,722

See notes to financial statements

The Henry Luce Foundation, Inc.
Statement of Cash Flows

Year Ended December 31, 2022

Cash flows from operating activities:

Change in net assets	\$ (160,930,295)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	240,254
Net realized gain on sale of investments	(82,350,323)
Decrease in unrealized gain on investments	195,936,678
Lease cost in excess of amount paid	612,344
Changes in operating assets and liabilities:	
Increase in dividends and interest receivable	(217,111)
Decrease in value of interest in charitable remainder unitrust	492,108
Increase in other assets	(1,102,855)
Decrease in accounts payable and accrued expenses	(2,831,024)
Decrease in postretirement medical benefits	(401,037)
Decrease in grants payable	(1,839,653)
Decrease in deferred federal excise tax	(2,812,404)
Net cash used by operating activities	(55,203,318)

Cash flows from investing activities:

Purchases of investments	(284,465,402)
Proceeds from sales and redemptions of investments	329,161,568
Purchase of equipment and leasehold improvements	(1,942,860)
Net changes in cash held for investment	12,188,440
Net cash provided by investing activities	54,941,746
Net decrease in cash	(261,572)

Cash, beginning of year	2,426,372
Cash, end of year	\$ 2,164,800

Supplemental disclosures:

Federal and state taxes paid	\$ 2,438,617
Amount paid for rent expense	\$ 370,426

See notes to financial statements

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

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 2022, 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, 2022, 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 2022 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, 2022

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, 2022

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 7.50%.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

Leases

The Foundation recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Foundation is a lessee in a non-cancellable operating lease for its office space. Pursuant to ASC 842, the Foundation determines if an arrangement is a lease at the inception of a contract and when the terms of an existing contract are changed. The Foundation recognizes a lease liability and a right of use (ROU) asset at the commencement date of a lease. The lease liability is initially and subsequently recognized based on the present value of future lease payments. Variable payments are included in the future lease payments when those variable payments are based upon an index or a rate. The discount rate is the risk-free rate at the inception of any lease and based upon the lease term. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., the present value of the remaining lease payments), plus unamortized direct costs, plus (minus) any prepaid (accrued lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease expense is recognized on a straight-line basis over the lease term.

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, 2022 is comprised of the following:

Current year federal and state provisions	\$ 1,266,834
Prior year federal and state tax adjustments	(186,032)
Deferred excise tax (Recovery of expense booked in prior years)	<u>(2,812,405)</u>
	<u>\$ (1,731,603)</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, 2022

4. Investments

The fair value, cost and unrealized appreciation (depreciation) of investments at December 31, 2022 were as follows:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds, t-bills and cash held for investment	\$ 16,421,627	\$ 16,421,627	\$ -
Equity securities:			
Commingled or mutual funds			
Global	140,245,102	122,098,514	18,146,588
Other	2,000,000	1,100,000	900,000
Fixed income securities:			
Managed accounts			
U.S. government	60,834,651	64,505,383	(3,670,732)
Futures Contracts	2,621,020	2,599,959	21,061
Marketable alternative partnerships:			
Global	254,602,505	130,344,247	124,258,258
Liquidating	66,689	79,226	(12,537)
Non-marketable limited partnerships:			
Multi-strategy	544,690,846	357,003,669	187,687,177
Global distressed	1,156,667	2	1,156,665
Private equity	14,129,738	14,622,556	(492,818)
Venture	9,242,565	6,897,879	2,344,686
Natural resources	3,282,570	6,368,622	(3,086,052)
Liquidating	22,072	25,195	(3,123)
	1,049,316,052	722,066,879	327,249,173
Net pending trades	65,510	65,510	-
Total Investments	\$ 1,049,381,562	\$ 722,132,389	\$ 327,249,173

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

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. 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 over the next several years.

Non-marketable limited investment partnerships consist of several components. The multi-strategy investment is ten funds. The first fund, valued at \$8,740,967, has annual liquidity with 180 days' notice. The second through ninth funds, valued at a total of \$535,949,879 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 made in the late 1990's and early 2000's that are currently winding down their affairs.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

4. Investments (continued)

The unfunded commitments to these funds are as follows:

Multi-strategy	\$ 210,563,959
Global distressed	3,379,900
Private equity	2,375,746
Venture	260,000
Natural resources	125,000
	<u>\$ 216,704,605</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, 2022

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	\$ 16,421,627	\$ -	\$ -	\$ -	\$ 16,421,627
Equity securities:					
Commingled or mutual funds	-	-	-	-	-
Global	-	-	-	140,245,102	140,245,102
Other	-	-	2,000,000	-	2,000,000
Fixed income securities:					
Managed accounts					
U.S. government	60,834,651	-	-	-	60,834,651
Futures Contracts	2,621,020	-	-	-	2,621,020
Marketable alternative partnerships:					
Global	-	-	-	254,602,505	254,602,505
Liquidating	-	-	-	66,689	66,689
Non-marketable limited partnerships:					
Multi-strategy	-	-	-	544,690,846	544,690,846
Global distressed	-	-	-	1,156,667	1,156,667
Private equity	-	-	-	14,129,738	14,129,738
Venture	-	-	-	9,242,565	9,242,565
Natural resources	-	-	-	3,282,570	3,282,570
Liquidating	-	-	-	22,072	22,072
	79,877,298	-	2,000,000	967,438,754	1,049,316,052
Net pending trades	65,510	-	-	-	65,510
Total Investments	\$ 79,942,808	\$ -	\$ 2,000,000	\$ 967,438,754	\$ 1,049,381,562

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

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	\$2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,000,000
Total	<u>\$2,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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 \$7.0 million in 2022.

5. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are as follows:

Furniture and fixtures	\$890,962
Leasehold improvements	<u>1,051,898</u>
	1,942,860
Less: accumulated depreciation and amortization	<u>(196,417)</u>
	<u><u>\$1,746,443</u></u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

6. Right of Use Asset and Lease Liability

The Foundation moved its offices during 2022 after the end of the lease on its former office space and has obligations as a lessee in a non-cancellable operating lease on its new office space at 41 Madison Avenue, New York, NY. The lease ends August 27, 2038, and does not contain renewal options, termination provisions, nor any restrictive financial covenants. The lease requires fixed payments plus variable payments for the Foundation's proportionate share of the building's property taxes, insurance and common area charges for maintenance and security. The fixed lease rate is \$85,106 per month rising to \$92,007 per month in May 2027 and to \$98,907 in May 2032. The variable lease payments are not included in the lease payments used to determine the lease liability and are recognized as period expenses as incurred. As an inducement to enter into the lease, the Foundation received 15.4 months of free rent at the beginning of the lease and is not responsible for the payment of taxes or common area maintenance charges (i.e. the variable charges) during the period of free rent.

Total rent expense for the year ended December 31, 2022 was \$982,770 which includes \$612,344 of operating lease cost for the new office space, no variable lease costs, \$15,618 of costs for direct charges for the new office space and \$354,808 of rent related to the former office space and other office related charges.

Amounts reported on the balance sheet as of December 31, 2022 include an operating lease right of use asset of \$12,362,615 and an operating lease liability of \$12,889,852. As of December 31, 2022 there were 15.7 years remaining on the lease. The discount rate used to value the lease liability was 3.135%.

Other information related to the lease as of December 31, 2022 is as follows:

Supplemental Cash Flow information: Cash paid for amounts included in the measurement of the lease operating liability: \$85,107 (due to the lease incentives described above)

Maturity of lease liabilities as of December 31, 2022, are as follows:

2023	\$	320,567
2024		1,021,274
2025		1,021,274
2026		1,021,274
2027		1,076,478
Thereafter		12,288,529
Total	\$	<u>16,749,396</u>
Imputed Interest	\$	<u>(3,859,544)</u>
Lease liability	\$	<u><u>12,889,852</u></u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

7. Grants Approved and Grants Payable

The grants approved during 2022, before the change in discount of \$220,682 and grants payable at December 31, 2022 consisted of the following:

	Grants Approved	Grants Payable
Principal Fund		
American Art	\$ 7,490,000	\$ 1,900,000
Asian Affairs	8,230,000	9,112,750
Democracy, Ethics and Public Trust	4,330,000	1,225,000
Indigenous Knowledge	4,175,000	2,075,000
Luce Scholars	296,284	-
Public Policy	1,195,500	225,000
Religion and Theology	7,025,000	3,682,500
Other programs:		
HLF Stem Convergence	1,880,000	248,000
HRL Initiative on Religion and International Affairs	-	632,000
Special Projects	1,028,000	450,000
Matching Grants	404,653	132,904
Directors' Discretionary Grants	280,000	9,500
Subtotal other programs	3,592,653	1,472,404
Total Principal Fund	36,334,437	19,692,654
Clare Boothe Luce Fund	9,459,724	4,980,484
Grand total	\$ 45,794,161	\$ 24,673,138

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Notes to Financial Statements

December 31, 2022

7. Grants Approved and Grants Payable (continued)

At December 31, 2022, the unpaid grant liability is expected to be paid as follows:

Unpaid Grant Liability:

Years Ending December 31,

2023	\$	16,669,615
2024		5,806,012
2025		1,771,611
2026		386,450
2027		39,450
		<hr/>
		24,673,138
Less: Discount to present value		<hr/> (336,910)
		<hr/>
	\$	<u>24,336,228</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, 2022, the Foundation has discounted the amount of unpaid grant liability by applying interest rate factors for grants from 0.25% to 4.73%.

8. Retirement Plan

The Foundation has a qualified defined contribution retirement plan that covers all full-time employees with a two-year vesting provision. Retirement plan costs, representing 15% of compensation, are charged to expense currently and funded by monthly contributions. Retirement expense under this plan was \$493,482. The Foundation also has a 457b plan that covers the President and CEO. It is funded annually. The 457b expense under this plan was \$20,500.

9. 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, 2022

9. Postretirement Medical Benefits (continued)

The present value of the estimated accrued benefits at December 31, 2022 was \$1,964,873. 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 2022 was \$80,534.

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

2023	\$ 92,132
2024	99,199
2025	119,035
2026	121,672
2027	124,441
2028-2032	<u>720,162</u>
	<u>\$1,276,641</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2022

10. Liquidity and Availability of Financial Assets

The following reflects the Foundation's financial assets as of December 31, 2022, 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	\$ 2,164,800
Dividends and interest receivable	526,459
Investments	1,049,381,562
Interest in Charitable Remainder Unitrust	775,293
Other assets	596,633
Total financial assets	<u>1,053,444,747</u>
Contractual or donor-imposed restrictions:	
Endowment funds	(68,345,364)
Time restrictions	(775,293)
Purpose restrictions	(124,156,575)
Non-marketable limited partnerships	<u>(445,041,398)</u>
Financial assets available to meet cash needs	<u>\$ 415,126,117</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, 2022

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	\$ -	\$ 124,156,575	\$ 68,345,364	\$ 192,501,939
Available for future spending and investment	856,879,623	-	-	856,879,623
Total	<u>\$ 856,879,623</u>	<u>\$ 124,156,575</u>	<u>\$ 68,345,364</u>	<u>\$ 1,049,381,562</u>

The changes in the endowment fund were as follows:

Balance, January 1, 2022	\$ 997,828,659	\$ 153,763,607	\$ 68,345,364	\$ 1,219,937,630
Revenues, gains (losses) and other support				
Dividends, interest and partnership income/loss	8,166,903	1,871,053	-	10,037,956
Unrealized depreciation on investments	(159,498,578)	(36,438,100)	-	(195,936,678)
Net realized gains on investments	67,035,736	15,314,587	-	82,350,323
Less: Directly reported investment investment and custody fees	(3,094,433)	(710,074)	-	(3,804,507)
Excise tax, net of recovery	<u>1,437,901</u>	<u>293,702</u>	<u>-</u>	<u>1,731,603</u>
Total revenues, gains (losses) and other support	(85,952,471)	(19,668,832)	-	(105,621,303)
Expenses and appropriations for spending	(54,996,565)	(9,938,200)	-	(64,934,765)
Balance, December 31, 2022	<u>\$ 856,879,623</u>	<u>\$ 124,156,575</u>	<u>\$ 68,345,364</u>	<u>\$ 1,049,381,562</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, 2022, through October 11, 2023, which was the date the financial statements were available to be issued.