

The Henry Luce Foundation, Inc.

Financial Statements

December 31, 2011

The Henry Luce Foundation, Inc.

Index

December 31, 2011

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

OWEN J. FLANAGAN, CPA
(1925-1996)

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

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS

DONALD F. SCHERER

Report of Independent Auditors

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

We have audited the statement of financial position of The Henry Luce Foundation, Inc. (the "Foundation") as of December 31, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2011 and its changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of program and administrative expenses is presented for additional analysis and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

June 6, 2012

Owen J. Flanagan & Co.

The Henry Luce Foundation, Inc.

Statement of Financial Position

December 31, 2011

Assets

Cash	\$	897,790
Dividends and interest receivable		1,119,475
Investments		709,861,043
Furniture, fixtures and leasehold improvements, net of accumulated depreciation and amortization of \$622,225		928,062
Other assets		299,188
Total assets	\$	713,105,558

Liabilities and net assets

Accounts payable and accrued expenses	\$	631,950
Grants payable		21,015,861
Postretirement medical benefits		2,404,228
Unfunded supplemental pension		903,284
Deferred federal excise tax		178,616
Total liabilities		25,133,939
Unrestricted - Principal Fund		561,538,664
Temporarily restricted - Clare Boothe Luce Fund		58,087,591
Permanently restricted - Clare Boothe Luce Fund		68,345,364
Total net assets		687,971,619
Total liabilities and net assets	\$	713,105,558

See notes to financial statements.

The Henry Luce Foundation, Inc.

Statement of Activities

Year Ended December 31, 2011

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Principal Fund	Clare Boothe Luce Fund	Total	Clare Boothe Luce Fund	Clare Boothe Luce Fund	
Revenues, gains (losses) and other support						
Dividends and interest	\$ 7,069,094	\$ -	\$ 7,069,094	\$ 1,578,730	\$ -	\$ 8,647,824
Securities lending income	2,222	-	2,222	532	-	2,754
Unrealized depreciation on investments	(51,974,915)	-	(51,974,915)	(9,407,161)	-	(61,382,076)
Net realized gain on sale of investments	37,676,540	-	37,676,540	4,672,675	-	42,349,215
Less:						
Directly reported investment counseling and custody fees	(2,112,585)	-	(2,112,585)	(498,711)	-	(2,611,296)
Excise tax, net of recovery	614,938	-	614,938	130,611	-	745,549
Net assets released from restrictions:						
Satisfaction of Clare Boothe Luce Fund restrictions	-	6,728,032	6,728,032	(6,728,032)	-	-
Total revenues, gains (losses) and other support	\$ (8,724,706)	\$ 6,728,032	\$ (1,996,674)	\$ (10,251,356)	\$ -	\$ (12,248,030)
Expenses						
Program:						
Grants	24,601,790	6,110,450	30,712,240	-	-	30,712,240
Other	420,292	58,309	478,601	-	-	478,601
	<u>25,022,082</u>	<u>6,168,759</u>	<u>31,190,841</u>	<u>-</u>	<u>-</u>	<u>31,190,841</u>
Administrative	4,987,241	559,273	5,546,514	-	-	5,546,514
Total expenses	30,009,323	6,728,032	36,737,355	-	-	36,737,355
Change in net assets	(38,734,029)	-	(38,734,029)	(10,251,356)	-	(48,985,385)
Net assets, beginning of year	600,272,693	-	600,272,693	68,338,947	68,345,364	736,957,004
Net assets, end of year	\$ 561,538,664	\$ -	\$ 561,538,664	\$ 58,087,591	\$ 68,345,364	\$ 687,971,619

See notes to financial statements.

The Henry Luce Foundation, Inc.

Statement of Cash Flows

Year Ended December 31, 2011

Cash flows from operating activities:	
Change in net assets	\$ (48,985,385)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	118,575
Net realized gain on sale of investments	(42,349,215)
Unrealized depreciation on investments	61,382,076
Changes in operating assets and liabilities:	
Increase in dividends and interest receivable	(365,414)
Decrease in other assets	62,161
Increase in accounts payable and accrued expenses	276,620
Increase in postretirement medical benefits	126,794
Increase in unfunded supplemental pension	37,208
Increase in grants payable	274,420
Decrease in deferred federal excise tax	(1,227,641)
Net cash used by operating activities	<u>(30,649,801)</u>
Cash flows from investing activities:	
Purchases of investments	(227,126,021)
Proceeds from sales and maturities of investments	327,088,828
Net changes in cash equivalents	(68,957,522)
Purchases of furniture, fixtures, and leasehold improvements	(16,810)
Net cash provided by investing activities	<u>30,988,475</u>
Net increase in cash	338,674
Cash, beginning of year	<u>559,116</u>
Cash, end of year	<u>\$ 897,790</u>
Supplemental disclosure:	
Federal excise taxes paid	<u>\$ 400,000</u>

See notes to financial statements.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

1. Organization

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

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Code. For 2011, 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, 2011, computed in accordance with current regulations, has been recorded at 2% of the unrealized appreciation on investments.

The Internal Revenue Code provides that each year the Foundation must make certain minimum qualifying distributions equal to approximately 5% of the average fair value of its assets. The minimum distribution requirements for 2011 have been met.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

2. Summary of Significant Accounting Policies (continued)

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

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

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

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of Credit Risk

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

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

2. Summary of Significant Accounting Policies (continued)

Investments

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

Investments in marketable equity securities, 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 interest 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. As a general matter, the fair value of the Foundation's interest in limited partnerships will represent the amount that the Foundation could reasonably expect to receive from the limited partnerships if the Foundation's interest were redeemed at the time of valuation, based upon information reasonably available at the time the valuation was made.

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.

Securities Lending

The Foundation previously loaned its securities to broker/dealers that had completed the Foundation's investment custodian's (State Street Bank) formal credit approval and review process. The loans were collateralized at all times with cash or securities with a market value at least equal to 102% of the market value of the securities on loan. The Foundation received compensation, net of related expenses, for lending its securities which was included in the Statement of Activities. The Foundation has terminated its securities lending program. At December 31, 2011, there were no securities loaned by the Foundation.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

2. Summary of Significant Accounting Policies (continued)

Income and Expenses

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

Cash

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

Fixed Assets

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

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, 2011 is comprised of the following:

Current year provision	\$ 482,092
Deferred excise tax recovery	<u>(1,227,641)</u>
	<u>\$ (745,549)</u>

Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2008.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

4. Investments

The fair value, cost and unrealized appreciation (depreciation) of investments at December 31, 2011 were as follows:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Money market funds and cash held for investment	\$ 75,873,900	\$ 75,873,900	\$ -
Equity securities:			
Managed accounts			
Large cap	125,497,869	108,492,370	17,005,499
Commingled or mutual funds			
Large cap	46,373,602	52,131,867	(5,758,265)
Global	160,995,632	171,628,256	(10,632,624)
Emerging markets	40,900,412	27,984,911	12,915,501
Other	1,700,000	1,100,000	600,000
Fixed income securities:			
Managed accounts			
U.S. government	42,967,068	41,824,413	1,142,655
U.S. government agency	8,368,424	7,840,722	527,702
State agency	603,600	588,684	14,916
Corporate	10,623,485	10,290,673	332,812
Commingled or mutual funds			
Global	33,598,488	24,606,096	8,992,392
Global fixed income hedge	20,000,000	20,000,000	-
Marketable alternative partnerships	82,556,246	81,358,407	1,197,839
Non-marketable limited partnerships:			
Global distressed	13,838,550	12,419,800	1,418,750
Private equity	9,043,020	8,872,947	170,073
Venture	6,896,700	5,828,796	1,067,904
Natural resources	3,747,018	2,960,951	786,067
Liquidating	15,857,776	36,708,217	(20,850,441)
	699,441,790	690,511,010	8,930,780
Net pending trades	10,419,253	10,419,253	-
Total Investments	\$ 709,861,043	\$ 700,930,263	\$ 8,930,780

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

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.

During 2011, the Foundation re-evaluated its investment policy and made significant changes to the management and custody of its investments. A new overall investment advisor was hired in September 2011. In connection with this hiring, the Foundation modified its asset allocation strategy in 2011 and terminated relationships with many of its established investment managers in 2011 and the first half of 2012. A new custodian was hired as of January 1, 2012.

The investment listed as other in commingled or mutual funds under equity securities is an interest in royalties. There is only a limited secondary market for this investment.

The marketable alternative partnerships consist of numerous hedge fund partnership investments overseen and managed by one investment advisor. At December 31, 2011, the fair value shown above consisted of the following:

Partnership investments	\$ 52,271,942
Cash held by the advisor	6,783,489
Receivables for partnership withdrawals	23,748,425
Investment fees payable	<u>(247,610)</u>
	<u>\$ 82,556,246</u>

The partnership investments can be further classified as follows:

Absolute return	\$ 11,753,468
Event driven	24,431,368
Equity hedge	15,894,135
Tactical trading	84,502
Other	<u>108,469</u>
	<u>\$ 52,271,942</u>

The relationship with this investment advisor was terminated prior to December 31, 2011 and these investments are in the process of being liquidated. Due to underlying fund lockups, the final liquidation of all of these investments will not be completed until 2013.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

4. Investments (continued)

The non-marketable limited investment partnerships consist of two types of investments. 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 Foundation estimates they will be fully redeemed by 2013.

The remaining non-marketable limited partnership interests are investments made within the most recent four years. The term of these investments will expire in approximately six to eight years.

The unfunded commitments to these funds are as follows:

Global distressed	\$ 4,080,200
Private equity	26,627,001
Venture	6,140,000
Natural resources	<u>6,975,000</u>
	<u>\$ 43,822,201</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. Its classification within level 2 or 3 is based on the Foundation's ability to redeem its interest in the near term.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

4. Investments (continued)

Investments are categorized as follows:

	Level 1	Level 2	Level 3	Total
Money market funds and cash held for investment	\$ 68,373,900	\$ 7,500,000	\$ -	\$ 75,873,900
Equity securities:				
Managed accounts				
Large cap	125,497,869	-	-	125,497,869
Commingled or mutual funds				
Large cap	46,373,602	-	-	46,373,602
Global	27,926,548	133,069,084	-	160,995,632
Emerging markets	-	40,900,412	-	40,900,412
Other	-	-	1,700,000	1,700,000
Fixed income securities:				
Managed accounts				
U.S. government	42,967,068	-	-	42,967,068
U.S. government agency	-	8,368,424	-	8,368,424
State agency	-	603,600	-	603,600
Corporate	-	10,623,485	-	10,623,485
Commingled or mutual funds				
Global	-	33,598,488	-	33,598,488
Global fixed income hedge	-	-	20,000,000	20,000,000
Marketable alternative partnerships	-	6,783,489	75,772,757	82,556,246
Non-marketable limited partnerships:				
Global distressed	-	-	13,838,550	13,838,550
Private equity	-	-	9,043,020	9,043,020
Venture	-	-	6,896,700	6,896,700
Natural resources	-	-	3,747,018	3,747,018
Liquidating	-	-	15,857,776	15,857,776
	311,138,987	241,446,982	146,855,821	699,441,790
Net pending trades	10,419,253	-	-	10,419,253
Total Investments	\$ 321,558,240	\$ 241,446,982	\$ 146,855,821	\$ 709,861,043

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

4. Investments (continued)

The change in Level 3 investments is as follows:

	Beginning of Year	Capital Additions	Realized Gains	Unrealized Appreciation (Depreciation)	Capital Withdrawals	Transfer to Level 2	End of Year
Equity securities							
Commingled							
Other	\$ 1,700,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,700,000
Fixed income securities							
Commingled							
Global fixed income hedge	-	20,000,000	-	-	-	-	20,000,000
Marketable alternative partnerships	136,430,286	-	-	(3,874,040)	(50,000,000)	(6,783,489)	75,772,757
Non-marketable limited partnerships							
Global distressed	11,009,659	2,947,650	-	(118,759)	-	-	13,838,550
Private equity	5,312,132	3,542,499	-	188,389	-	-	9,043,020
Venture	3,858,255	2,320,000	28,800	749,645	(60,000)	-	6,896,700
Natural resources	2,259,662	1,350,000	23,011	154,226	(39,881)	-	3,747,018
Liquidating	40,738,646	182,000	17,401,544	(12,699,764)	(29,764,650)	-	15,857,776
Total	<u>\$201,308,640</u>	<u>\$30,342,149</u>	<u>\$17,453,355</u>	<u>\$(15,600,303)</u>	<u>\$(79,864,531)</u>	<u>\$(6,783,489)</u>	<u>\$146,855,821</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 2011.

5. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are as follows:

Furniture and fixtures	\$ 326,623
Leasehold improvements	1,223,664
	<u>1,550,287</u>
Less: accumulated depreciation and amortization	<u>(622,225)</u>
	<u>\$ 928,062</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

6. Grants Approved and Grants Payable

The grants approved during 2011, before the change in discount of \$90,310 and grants payable at December 31, 2011 consisted of the following:

	<u>Grants Approved</u>	<u>Grants Payable</u>
Principal Fund		
American Art	\$ 5,197,000	\$ 1,300,000
Asia	5,708,500	4,393,500
Asian Studies & the Environment Initiative	300,000	20,000
East and Southeast Asian Archeology Initiative	-	1,205,000
Henry R. Luce Professors	-	175,000
HRL Initiative on Religion & International Affairs	3,160,000	2,798,200
Higher Education	748,000	513,750
75th Anniversary Initiative	2,500,000	500,000
Luce Scholars	562,619	480,000
Public Policy	399,450	150,000
Theology	5,225,000	4,070,250
Special Projects	75,000	-
Matching	446,312	146,783
Directors' Discretionary	240,000	-
	<u>24,561,881</u>	<u>15,752,483</u>
Total Principal Fund		
	24,561,881	15,752,483
Clare Boothe Luce Program for Women in Science and Engineering	<u>6,060,048</u>	<u>5,338,356</u>
	<u>\$ 30,621,929</u>	<u>\$ 21,090,839</u>
Total		

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

6. Grants Approved and Grants Payable (continued)

At December 31, 2011, the unpaid grant liability is expected to be paid as follows:

Years Ending December 31,	
2012	\$ 13,173,864
2013	6,072,859
2014	1,638,630
2015	155,486
2016	50,000
	<hr/>
	21,090,839
Less: Discount to present value	(74,978)
	<hr/>
	\$ 21,015,861
	<hr/>

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, 2011, the Foundation has discounted the amount of unpaid grant liability by applying interest rate factors for grants from 3.60% to 0.24%.

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 \$362,115.

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

8. Postretirement Medical Benefits

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

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

8. Postretirement Medical Benefits (continued)

The present value of the estimated accrued benefits at December 31, 2011 was \$2,404,228. This amount has not been separately funded by the Foundation. Health insurance costs have been projected to increase at the rate of 5% per annum. A discount rate of 6.00% was applied.

Actual cash paid during 2011 was \$36,127.

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

2012	\$	50,705
2013		53,240
2014		55,902
2015		71,431
2016		75,003
2017-2021		<u>721,773</u>
		<u>\$1,028,054</u>

9. Lease Commitments

The Foundation has a lease for primary office space for a term of fifteen years which began on October 23, 2006 and will expire on October 22, 2021. Under the terms of the lease, the Foundation maintains a letter of credit in the amount of \$186,692 in lieu of a security deposit. Rent expense for this lease during 2011 was \$637,450.

The minimum lease commitment under this lease is as follows:

2012	\$	639,170
2013		665,968
2014		675,930
2015		686,015
2016		696,355
2017-2021		<u>3,791,588</u>
		<u>\$ 7,155,026</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

10. Endowment

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted funds	\$ -	\$ 58,087,591	\$ 68,345,364	\$ 126,432,955
Available for future spending and investment	583,428,088	-	-	583,428,088
Total	<u><u>\$ 583,428,088</u></u>	<u><u>\$ 58,087,591</u></u>	<u><u>\$ 68,345,364</u></u>	<u><u>\$ 709,861,043</u></u>

The changes in the endowment fund were as follows:

Balance, January 1, 2011	\$ 623,214,878	\$ 68,338,947	\$ 68,345,364	\$ 759,899,189
Revenues, gains (losses) and other support				
Dividends and interest	7,069,094	1,578,730	-	8,647,824
Securities lending income	2,222	532	-	2,754
Unrealized depreciation	(51,974,915)	(9,407,161)	-	(61,382,076)
Realized gains	37,676,540	4,672,675	-	42,349,215
Directly reported investment counseling and custody fees	(2,112,585)	(498,711)	-	(2,611,296)
Excise tax, net of recovery	614,938	130,611	-	745,549
Total revenues, gains (losses) and other support	<u>(8,724,706)</u>	<u>(3,523,324)</u>	<u>-</u>	<u>(12,248,030)</u>
Expenses and appropriations for spending	(31,062,084)	(6,728,032)	-	(37,790,116)
Balance, December 31, 2011	<u><u>\$ 583,428,088</u></u>	<u><u>\$ 58,087,591</u></u>	<u><u>\$ 68,345,364</u></u>	<u><u>\$ 709,861,043</u></u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2011

11. Subsequent Events

In connection with the preparation of the financial statements and in accordance with recently issued guidance, the Foundation evaluated subsequent events after the statement of financial position date of December 31, 2011 through June 6, 2012 which was the date the financial statements were available to be issued.

In January 2012, the Foundation committed to invest approximately \$68 million to non-marketable private equity funds. Of this amount, \$38 million is committed to funds that will expire upon dissolution of the underlying partnership and \$30 million is committed to funds that may be redeemed annually with at least 180 days' notice.

The Henry Luce Foundation, Inc.
Supplemental Schedule of Program and Administrative Expenses
Year Ended December 31, 2011

	Unrestricted Principal Fund	Clare Boothe Luce Fund	Total
Program expenses			
Grants	\$ 24,601,790	\$ 6,110,450	\$ 30,712,240
Other program expenses			
Luce Scholars	264,737	-	264,737
Asian Affairs	96,805	-	96,805
American Art	14,728	-	14,728
HRL Initiative on Religion and International Affairs	30,236	-	30,236
Theology	13,786	-	13,786
Other programs	-	58,309	58,309
Total other program expenses	<u>420,292</u>	<u>58,309</u>	<u>478,601</u>
Total program expenses	<u>25,022,082</u>	<u>6,168,759</u>	<u>31,190,841</u>
Administrative expenses			
Salaries	2,262,489	317,853	2,580,342
Pensions and related benefits	614,639	68,607	683,246
Insurance - employees' benefits	566,313	87,779	654,092
Payroll taxes	131,690	16,192	147,882
Rent	578,608	58,842	637,450
Professional fees	73,113	-	73,113
Directors' fees	290,000	10,000	300,000
Registration fees and dues	21,979	-	21,979
Travel and meetings	81,489	-	81,489
Computer, office supplies and maintenance	182,081	-	182,081
Publications	32,180	-	32,180
Depreciation and amortization	118,575	-	118,575
Insurance and sundry	34,085	-	34,085
Total administrative expenses	<u>4,987,241</u>	<u>559,273</u>	<u>5,546,514</u>
Total expenses	<u>\$ 30,009,323</u>	<u>\$ 6,728,032</u>	<u>\$ 36,737,355</u>