

**THE HENRY LUCE FOUNDATION, INC.**  
New York, New York

**FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
The Henry Luce Foundation, Inc.  
New York, New York

**Opinion**

We have audited the financial statements of The Henry Luce Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

**Other Matter**

The financial statements of The Henry Luce Foundation, Inc. for the year ended December 31, 2022, were audited by other auditors, whose report thereon dated October 11, 2023 expressed an unmodified opinion on the financial statements.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Foundation's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

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(Continued)

## ***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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 Foundation'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 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.



Crowe LLP

New York, New York  
September 18, 2024

THE HENRY LUCE FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash	\$ 6,021,311	\$ 2,164,800
Investments	1,066,686,135	1,049,908,021
Property and equipment, net	1,659,071	1,746,443
Operating lease right of use of asset	11,741,274	12,362,615
Beneficial interest in trust held by others	776,161	775,293
Other assets	<u>3,988,475</u>	<u>3,396,147</u>
 Total assets	 <u>\$ 1,090,872,427</u>	 <u>\$ 1,070,353,319</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,112,536	\$ 3,063,086
Grants payable, net	26,725,719	24,336,228
Deferred federal excise tax	4,773,186	4,548,764
Operating lease liability	<u>13,063,782</u>	<u>12,889,852</u>
 Total liabilities	 46,675,223	 44,837,930
Net assets		
Without donor restrictions	846,390,488	832,238,157
With donor restrictions	<u>197,806,716</u>	<u>193,277,232</u>
 Total net assets	 <u>1,044,197,204</u>	 <u>1,025,515,389</u>
 Total liabilities and net assets	 <u>\$ 1,090,872,427</u>	 <u>\$ 1,070,353,319</u>

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See accompanying notes to financial statements.

THE HENRY LUCE FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2023 (with comparative total for 2022)

	Without Donor Restrictions			With Donor Restrictions				Total 2023	Total 2022
	Principal Fund	Clare Boothe Luce Fund	Total	Principal Fund	Clare Boothe Luce Fund	Endowment	Total		
<b>Revenues</b>									
Dividends, interest, and partnership income, net	\$ 6,048,431	\$ -	\$ 6,048,431	\$ -	\$ 1,346,941	\$ -	\$ 1,346,941	\$ 7,395,372	\$ 10,081,793
Net realized gain on investments	44,628,380	-	44,628,380	-	10,195,281	-	10,195,281	54,823,661	78,545,817
Unrealized gain (loss) on investments	13,105,198	-	13,105,198	-	2,993,937	-	2,993,937	16,099,135	(195,936,678)
Change in value of beneficial interest in trust held by others	-	-	-	868	-	-	868	868	(492,108)
Excise tax	(1,020,106)	-	(1,020,106)	-	(244,102)	-	(244,102)	(1,264,208)	1,731,603
Net assets released from restrictions	-	9,763,441	9,763,441	-	(9,763,441)	-	(9,763,441)	-	-
<b>Total revenues</b>	<b>62,761,903</b>	<b>9,763,441</b>	<b>72,525,344</b>	<b>868</b>	<b>4,528,616</b>	<b>-</b>	<b>4,529,484</b>	<b>77,054,828</b>	<b>(106,069,573)</b>
<b>Expenses</b>									
Program services									
Grants	39,056,666	8,955,898	48,012,564	-	-	-	-	48,012,564	45,573,480
Program	4,810,040	259,870	5,069,910	-	-	-	-	5,069,910	4,056,321
<b>Total program expenses</b>	<b>43,866,706</b>	<b>9,215,768</b>	<b>53,082,474</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,082,474</b>	<b>49,629,801</b>
Management and general	4,742,866	547,673	5,290,539	-	-	-	-	5,290,539	5,230,921
<b>Total expenses</b>	<b>48,609,572</b>	<b>9,763,441</b>	<b>58,373,013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,373,013</b>	<b>54,860,722</b>
<b>Change in net assets</b>	<b>14,152,331</b>	<b>-</b>	<b>14,152,331</b>	<b>868</b>	<b>4,528,616</b>	<b>-</b>	<b>4,529,484</b>	<b>18,681,815</b>	<b>(160,930,295)</b>
Net assets, beginning of year	832,238,157	-	832,238,157	775,293	124,156,575	68,345,364	193,277,232	1,025,515,389	1,186,445,684
<b>Net assets, end of year</b>	<b>\$ 846,390,488</b>	<b>\$ -</b>	<b>\$ 846,390,488</b>	<b>\$ 776,161</b>	<b>\$ 128,685,191</b>	<b>\$ 68,345,364</b>	<b>\$ 197,806,716</b>	<b>\$ 1,044,197,204</b>	<b>\$ 1,025,515,389</b>

See accompanying notes to financial statements.

THE HENRY LUCE FOUNDATION, INC.  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2022

	Without Donor Restrictions			With Donor Restrictions				
	Principal Fund	Clare Boothe Luce Fund	Total	Principal Fund	Clare Boothe Luce Fund	Endowment	Total	Total
<b>Revenues</b>								
Dividends, interest, and partnership income, net	\$ 8,210,740	\$ -	\$ 8,210,740	\$ -	\$ 1,871,053	\$ -	\$ 1,871,053	\$ 10,081,793
Net realized gain on investments	63,941,303	-	63,941,303	-	14,604,514	-	14,604,514	78,545,817
Unrealized loss on investments	(159,498,578)	-	(159,498,578)	-	(36,438,100)	-	(36,438,100)	(195,936,678)
Change in value of beneficial interest in trust held by others	-	-	-	(492,108)	-	-	(492,108)	(492,108)
Excise tax	1,437,901	-	1,437,901	-	293,702	-	293,702	1,731,603
Net assets released from restrictions	-	9,938,201	9,938,201	-	(9,938,201)	-	(9,938,201)	-
<b>Total revenues</b>	<u>(85,908,634)</u>	<u>9,938,201</u>	<u>(75,970,433)</u>	<u>(492,108)</u>	<u>(29,607,032)</u>	<u>-</u>	<u>(30,099,140)</u>	<u>(106,069,573)</u>
<b>Expenses</b>								
Program services								
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
Total program expenses	40,141,069	9,488,732	49,629,801	-	-	-	-	49,629,801
Management and general	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
<b>Change in net assets</b>	(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
<b>Net assets, end of year</b>	<u>\$ 832,238,157</u>	<u>\$ -</u>	<u>\$ 832,238,157</u>	<u>\$ 775,293</u>	<u>\$ 124,156,575</u>	<u>\$ 68,345,364</u>	<u>\$ 193,277,232</u>	<u>\$ 1,025,515,389</u>

See accompanying notes to financial statements.

THE HENRY LUCE FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2023

	Principal Fund										Clare Boothe Luce Fund			Grand Total	
	American Art	Asian Affairs	Indigenous Knowledge	Luce Scholars	Public Policy	Theology	Democracy and Public Trust	HLF S.T.E.M. Convergence	Other Programs	Total Grants and Programs	Total Management and General	Grants and Programs	Management and General		Total
Grants	\$ 7,867,592	\$ 9,315,976	\$ 5,835,515	\$ 372,708	\$ 1,368,657	\$ 7,086,602	\$ 3,909,844	\$ 2,574,528	\$ 725,244	\$ 39,056,666	\$ -	\$ 8,955,898	\$ -	\$ 8,955,898	\$ 48,012,564
Salaries, benefits and taxes	535,293	586,422	492,949	540,668	56,490	383,780	217,451	101,586	-	2,914,639	2,777,022	-	415,139	415,139	6,106,800
Lease costs	90,278	98,900	83,136	91,184	9,527	64,725	36,673	17,132	-	491,555	503,525	-	70,013	70,013	1,065,093
Professional fees	-	-	-	-	-	-	-	-	-	-	258,442	17,325	-	17,325	275,767
Directors' fees	-	-	-	-	-	-	-	-	-	-	346,250	-	5,000	5,000	351,250
Registration fees and dues	311	778	1,765	1,294	1,361	250	892	1,324	-	7,975	49,457	1,675	-	1,675	59,107
Travel and meetings	121,923	79,897	53,152	384,626	35,842	26,956	21,698	22,793	-	746,887	265,833	73,846	4,253	78,099	1,090,819
Computer, office supplies and maintenance	54,215	59,394	49,926	54,760	5,721	38,870	22,024	10,289	-	295,199	302,380	-	42,046	42,046	639,625
Depreciation and amortization	17,891	19,600	16,476	18,070	1,888	12,827	7,268	3,395	-	97,415	102,541	-	11,120	11,120	211,076
Insurance and sundry	130	143	120	132	14	93	53	25	-	710	137,416	-	102	102	138,228
Evaluation and honoraria	8,000	104,750	-	138,910	-	4,000	-	-	-	255,660	-	167,024	-	167,024	422,684
	<u>828,041</u>	<u>949,884</u>	<u>697,524</u>	<u>1,229,644</u>	<u>110,843</u>	<u>531,501</u>	<u>306,059</u>	<u>156,544</u>	<u>-</u>	<u>4,810,040</u>	<u>4,742,866</u>	<u>259,870</u>	<u>547,673</u>	<u>807,543</u>	<u>10,360,449</u>
Total expenses	<u>\$ 8,695,633</u>	<u>\$ 10,265,860</u>	<u>\$ 6,533,039</u>	<u>\$ 1,602,352</u>	<u>\$ 1,479,500</u>	<u>\$ 7,618,103</u>	<u>\$ 4,215,903</u>	<u>\$ 2,731,072</u>	<u>\$ 725,244</u>	<u>\$ 43,866,706</u>	<u>\$ 4,742,866</u>	<u>\$ 9,215,768</u>	<u>\$ 547,673</u>	<u>\$ 9,763,441</u>	<u>\$ 58,373,013</u>

See accompanying notes to financial statements.



THE HENRY LUCE FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2022

	Principal Fund									Clare Boothe Luce Fund			Grand Total
	American Art	Asian Affairs	Indigenous Knowledge	Luce Scholars	Public Policy	Theology	Other Programs	Total Grants and Programs	Total Management and General	Grants and Programs	Management and General	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
Salaries, 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
Evaluation and honoraria	8,000	41,000	-	98,740	-	4,875	13,250	165,865	-	100,120	-	100,120	265,985
	<u>700,769</u>	<u>836,915</u>	<u>365,812</u>	<u>784,344</u>	<u>96,461</u>	<u>634,201</u>	<u>527,905</u>	<u>3,946,407</u>	<u>4,781,452</u>	<u>109,914</u>	<u>449,469</u>	<u>559,383</u>	<u>9,287,242</u>
Total expenses	<u>\$ 8,177,185</u>	<u>\$ 9,001,763</u>	<u>\$ 4,525,977</u>	<u>\$ 1,080,628</u>	<u>\$ 1,290,352</u>	<u>\$ 7,633,051</u>	<u>\$ 8,432,113</u>	<u>\$ 40,141,069</u>	<u>\$ 4,781,452</u>	<u>\$ 9,488,732</u>	<u>\$ 449,469</u>	<u>\$ 9,938,201</u>	<u>\$ 54,860,722</u>

See accompanying notes to financial statements.

THE HENRY LUCE FOUNDATION, INC.  
STATEMENT OF CASH FLOWS  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 18,681,815	\$ (160,930,295)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	211,076	240,254
Deferred federal excise tax	224,422	(2,812,404)
Net realized gain on sale of investments	(54,823,661)	(78,545,817)
Unrealized gain on sale of investments	(16,099,135)	195,936,678
Changes in operating assets and liabilities:		
Beneficial interest in trust held by others	(868)	492,108
Operating lease right of use asset and liability, net	795,271	612,344
Other assets	(592,328)	(1,319,966)
Accounts payable and accrued expenses	(950,550)	(3,232,061)
Grants payable	2,389,491	(1,839,653)
Net cash used in operating activities	<u>(50,164,467)</u>	<u>(51,398,812)</u>
 <b>Cash flows from investing activities</b>		
Purchase of property and equipment	(123,704)	(1,942,860)
Purchases of investments	(306,773,479)	(288,269,908)
Proceeds from sale of investments	345,032,517	329,161,568
Net changes in cash held for investment	<u>15,885,644</u>	<u>12,188,440</u>
Net cash provided by investing activities	<u>54,020,978</u>	<u>51,137,240</u>
 <b>Change in cash</b>	 3,856,511	 (261,572)
Cash, beginning of year	<u>2,164,800</u>	<u>2,426,372</u>
 <b>Cash, end of year</b>	 <u>\$ 6,021,311</u>	 <u>\$ 2,164,800</u>
 <b>Supplemental disclosures of cash flow information</b>		
Cash paid for excise and other taxes	\$ 1,488,630	\$ 2,438,617

See accompanying notes to financial statements.

## NOTE 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.

To provide guidance on the grant making from the Principal Fund, the Board passed a policy in November 2022 that specified that the grants spending target for each year is 5.0% of the average year-end unrestricted fund balance for the preceding five years (excepting the year of calculation).

Significant restricted assets were contributed to the Foundation from the estate of Clare Boothe Luce, the wife of Henry Luce. 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 to the funding of scholarships, fellowships and professorships in the areas of the sciences and engineering as well as funding programs to support individuals studying or working in these fields.

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.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). GAAP requires, among other things, that the financial statements report changes in and total of each net asset classes, based upon donor restrictions, as applicable. Net assets are classified as without donor restrictions or with donor restrictions as described below:

*Without donor restrictions* - are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Foundation.

*With donor restrictions* - are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

The Foundation’s 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
2. Endowment restriction – These assets were restricted by the bequest from Clare Boothe Luce, which must be kept intact in perpetuity.

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(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Cash: Cash consists of bank deposits in accounts that are federally insured up to \$250,000 per financial institution.

Concentration of Credit Risk: Cash in financial institutions at times may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. It is the Foundation's policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. At December 31, 2023 and 2022, the Foundation maintains account with a financial institution with balances exceeding the FDIC limit.

Investments: Investments are reported at fair value, changes in unrealized gains and losses reflected in the statements of activities as part of net unrealized gain (loss) on investments. Realized gains and losses resulting from sales of securities are calculated on an adjusted cost based on the trade date for publicly traded investments or upon closing of the transaction for private investments. Dividend and interest income are accrued when earned. Fair value of equity securities and mutual funds is based upon published quotations. Alternative investments and global equity funds are valued at net asset value per unit or percentage of ownership as reported by the funds

Investments, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Beneficial Interest in Trust Held by Others: 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 beneficial interest in trust held by others has been recognized at the present value of the expected future cash flow payments discounted at a rate of 8.50% and 7.50% at December 31, 2023 and 2022, respectively.

Property and Equipment: Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation and amortization. Items with a cost of \$20,000 and an estimated useful life of greater than one year are capitalized. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease. Routine maintenance and repairs are expensed as incurred.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Furniture and fixtures	3 - 10 years
Leasehold improvements	3 - 25 years

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(Continued)

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-lived Asset Impairment: The Foundation evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment loss was recognized during the years ended December 31, 2023 and 2022.

Grants Payable, Net and Grant Related Activities: Grants payable and grant related activities are recorded in the accompanying financial statements when the Foundation has an obligation to transfer assets to a grantee, normally when a grant contract is executed. Grants are recorded based on the present value of estimated future cash flows, discounted at an average annual market rate of interest in the year of approval.

Leases, Right of Use of Assets and Lease Liabilities: At the inception of an arrangement, the Foundation determines if an arrangement is a lease based on all relevant facts and circumstances. Leases are classified as operating or finance leases at the lease commencement date. Operating leases are included in operating right-of-use (“ROU”) assets and operating lease liabilities in the consolidated statement of financial position. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Leases with a term of 12 months or less (short-term leases) are not recorded on the statement of financial position.

ROU assets represent the Foundation’s right to use the underlying assets for the lease term and lease liabilities represent the net present value of the Foundation’s obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the implicit lease interest rate or, when unknown, the Foundation’s incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the Foundation will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less (“short-term leases”) are not recorded on the accompanying statement of financial position.

Variable lease payments consist primarily of common area maintenance, utilities, and taxes, which are not included in the recognition of ROU asset and related lease liability. Variable lease payments and short-term lease expenses were immaterial to the Foundation’s financial statements for the year ended December 31, 2023. The Foundation’s lease agreement does not contain material restrictive covenants.

Income Taxes: The Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax under IRC Sec. 501(a), as evidenced by a determination letter received from the Internal Revenue Service (IRS) dated October 13, 1937.

The Foundation is subject to federal excise tax on its investment income. A provision for federal excise tax is accrued. Deferred taxes are recorded on the unrealized gain on investments (see Note 3).

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(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a private foundation, no provision for federal income taxes is recorded in the accompanying consolidated financial statements. In accordance with U.S. generally accepted accounting principles, the Foundation recognizes the income tax benefits, if any, of uncertain tax positions only when the position is “more likely than not” to be sustained assuming examination by federal taxing authorities. Management has analyzed the Foundation’s tax positions taken on federal income tax returns subject to possible examination by federal taxing authorities (years ended December 31, 2019 through 2022) and concluded the Foundation did not require a provision for any uncertain tax positions as of December 31, 2023 and 2022.

Functional Allocation of Expenses: The costs of providing the Foundation’s programs and supporting services have been summarized on a functional basis on the accompanying statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Grants and grant related activities, net are allocated solely to program services. Operating expenses, other than salaries, benefits and taxes, are allocated to the program services, management and general categories benefited based direct salaries and wages attributable to the function. Salaries, benefits and taxes are based on the estimates of time and effort. There were no fund raising costs during the years ended December 31, 2023 and 2022.

Reclassifications: Certain reclassifications have been made to present last year’s financial statements on a basis comparable to the current year’s financial statements. These reclassifications had no effect on the change in net assets or total net assets.

**NOTE 3 – FEDERAL EXCISE TAX**

The Foundation is exempt from federal income taxes under Section 501(a) of the Code. Under IRS regulations the Foundation was subject to an excise tax rate of 1.39% on its net investment income for the years ended December 31, 2023 and 2022.

Deferred excise taxes arise primarily from the unrealized tax basis gains on investments and are calculated at the effective rate expected to be paid by the Foundation. Additionally, some of the Foundation’s investment partnerships have underlying investments which generate unrelated business income. The total deferred federal excise tax liability was \$4,773,186 and \$4,548,764 at December 31, 2023 and 2022, respectively

For the years ended December 31, 2023 and 2022, the expenses (benefits) for income taxes are comprised of the following:

	<u>2023</u>	<u>2022</u>
Current year federal and state provisions	\$ 1,040,431	\$ 1,266,834
Prior year federal and state tax adjustments	-	(186,032)
Deferred excise tax (benefit)	<u>223,777</u>	<u>(2,812,405)</u>
Total	<u>\$ 1,264,208</u>	<u>\$ (1,731,603)</u>

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(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 4 – INVESTMENTS AND FAIR VALUE DISCLOSURES**

Composition: Investments presented in the accompanying financial statements are as follows at December 31:

	<u>2023</u>	<u>2022</u>
Money market funds, treasury bills and cash held for investment	\$ 7,606,771	\$ 16,948,086
Fixed income securities:		
Managed accounts		
U.S. government	61,092,624	60,900,161
Global derivatives	10,631,397	2,621,020
Fund of funds:		
Hedge funds - multi strategy	397,847,008	394,847,607
Private equity funds - multi-strategy	587,433,091	572,502,386
Other Investments		
Interest in royalties	2,000,000	2,000,000
Non-marketable private partnership investments in liquidation	<u>75,244</u>	<u>88,761</u>
Total Investments	<u>\$ 1,066,686,135</u>	<u>\$ 1,049,908,021</u>

Interest and dividends and realized and unrealized gains and losses, net of fees, on investments are comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Dividends, interest, and partnership income, net	\$ 7,395,372	\$ 10,081,793
Net realized gain on investments	54,823,661	78,545,817
Unrealized gain (loss) on investments	<u>16,099,135</u>	<u>(195,936,678)</u>
Total realized and unrealized gain (loss) on investments	<u>70,922,796</u>	<u>(117,390,861)</u>
Total investment income (loss), net	<u>\$ 78,318,168</u>	<u>\$ (107,309,068)</u>

Investment fees for custodial and management services for the years ended December 31, 2023 and 2022, were \$2,834,661 and \$3,804,506, respectively. Investment fees are presented in the net realized gain on investments in the statement of activities.

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(Continued)

**NOTE 4 – INVESTMENTS AND FAIR VALUE DISCLOSURES** (Continued)

The investments 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 for the years ended December 31, 2023 and 2022.

Fair Value Measurements: Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

GAAP establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describes three levels of inputs that may be used to measure fair value:

Level 1: Based upon quoted prices in active markets that the Foundation has the ability to access for identical assets and liabilities. Market price data is obtained from exchange or dealer markets. The Foundation does not adjust the quoted price for such assets and liabilities.

Level 2: Based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3: Based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. There have been no significant changes in the valuation techniques employed during the years ended December 31, 2023 and 2022.

For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, or appraisals.

For other investments for which there is no active market, generally referred to as alternative investments, fair values are initially based on valuations determined by the investment managers using audited net asset values ("NAV") as of their most recent audited financial statements, adjusted for cash receipts, cash disbursements, and other anticipated income or loss through December 31<sup>st</sup>. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV.

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(Continued)



THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 4 – INVESTMENTS AND FAIR VALUE DISCLOSURES** (Continued)

Transfers of investments between different levels of the fair value hierarchy are recorded at the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2023 and 2022, there were no transfers between levels.

Fair Value Hierarchy Tables: The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements at December 31, 2023 and 2022:

	2023			Total
	Level 1	Level 2	Level 3	
Money market funds, treasury bills and cash held for investment	\$ 7,606,771	\$ -	\$ -	\$ 7,606,771
Fixed income securities:				
Managed accounts				
U.S. government	61,092,624	-	-	61,092,624
Global derivatives	-	10,631,397	-	10,631,397
Other Investments				
Interest in royalties	-	-	2,000,000	2,000,000
Beneficial interest in charitable trust	-	-	776,161	776,161
	<u>\$ 68,699,395</u>	<u>\$ 10,631,397</u>	<u>\$ 2,776,161</u>	<u>82,106,953</u>
Investments reported at net asset value				
Fund of funds:				
Hedge funds - multi strategy				397,847,008
Private equity funds - multi-strategy				587,433,091
Other Investments				
Non-marketable private partnership investments in liquidation				<u>75,244</u>
Total Investments				<u>\$ 1,067,462,296</u>

(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 4 – INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)**

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds, treasury bills and cash held for investment	\$ 16,948,086	\$ -	\$ -	\$ 16,948,086
Fixed income securities:				
Managed accounts				
U.S. government	60,900,161	-	-	60,900,161
Global derivatives	-	2,621,020	-	2,621,020
Other Investments				
Interest in royalties	-	-	2,000,000	2,000,000
Beneficial interest in charitable trust	-	-	775,293	775,293
	<u>\$ 77,848,247</u>	<u>\$ 2,621,020</u>	<u>\$ 2,775,293</u>	<u>83,244,560</u>
Investments reported at net asset value				
Fund of funds:				
Hedge funds - multi strategy				394,847,607
Private equity funds - multi-strategy				572,502,386
Other Investments				
Non-marketable private partnership investments in liquidation				<u>88,761</u>
Total Investments				<u>\$ 1,050,683,314</u>

Information on Levels 2 and 3 Assets and Assets Using NAV: Additional information as of December 31, 2023 and 2022 is provided below for investments classified as either Level 2 or 3 in the fair value hierarchy or valued using the NAV:

	December 31, 2023				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Expected Liquidation Term</u>	<u>Redemption Terms</u>	<u>Redemption Restrictions</u>
<u>Level 2 Investments</u>					
Global derivatives	<u>\$ 10,631,397</u>	<u>\$ -</u>	Daily	None	None
<u>Level 3 Investments</u>					
Interest in royalties	2,000,000	-	1 year	None	None
Assets held in trust by others	776,161	-	3-4 years	Upon death of trust beneficiary	None
	<u>2,776,161</u>	<u>-</u>			
<u>Investments valued using NAV</u>					
Hedge funds - multi strategy	397,847,008	-	Ongoing	100 days and 90 days notice unless current investment manager is acting on Foundation's behalf	None
Private equity funds - multi strategy	587,433,091	292,991,486	1-10 years	See discussion below	See discussion below
Non-marketable private partnerships in liquidation	<u>75,244</u>	<u>-</u>	1-3 years	upon liquidation	None
Total fund of funds	<u>\$ 985,355,343</u>	<u>\$ 292,991,486</u>			

(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 4 – INVESTMENTS AND FAIR VALUE DISCLOSURES (Continued)**

	December 31, 2022				
	Fair Value	Unfunded Commitments	Expected Liquidation Term	Redemption Terms	Redemption Restrictions
<u>Level 2 Investments</u>					
Global derivatives	\$ 2,621,020	\$ -	Daily	None	None
<u>Level 3 Investments</u>					
Interest in royalties	2,000,000	-	1 year	None	None
Assets held in trust by others	775,293	-	3-4 years	Upon death of trust beneficiary	None
	<u>\$ 2,775,293</u>	<u>\$ -</u>			
<u>Investments valued using NAV</u>					
Hedge funds - multi strategy	394,847,607	-	Ongoing	100 days and 90 days notice unless current investment manager is acting on Foundation's behalf	None
Private equity funds - multi strategy	572,502,386	216,704,605	1-10 years	See discussion below	See discussion below
Non-marketable private partnerships in liquidation	88,761	-	1-3 years	upon liquidation	None
Total fund of funds	<u>\$ 967,349,993</u>	<u>\$ 216,704,605</u>			

The following are descriptions of the valuation methods and inputs used by the Foundation to estimate the fair values of investments and other financial instruments:

*Money market, treasury bills and cash held for investment:* The value of the money market funds are based on quoted prices in active markets (Level 1 inputs). The fair value of treasury bills are generally classified within Level 1 of the fair value hierarchy because they are estimated to approximate deposit account balances, payable on demand, as no discount for credit quality or liquidity were determined to be applicable.

*Fixed income:* Investments in fixed income securities are carried at market value, which is generally based on the closing sales price on the last trading date in each year.

*Global derivatives (Level 2):* The value of these investments were determined by an outside firm using models designed for valuing derivatives based on contract terms and market information.

*Interest in royalties (Level 3):* The interest in royalties is valued by the Foundation using discounted cash flows. There is only a limited secondary market for this investment.

*Beneficial interest in trust held by others (Level 3):* This is valued based on the estimated future cash flow from the liquidation of the trust calculated using the life expectancies of the beneficiary.

(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 4 – INVESTMENTS AND FAIR VALUE DISCLOSURES** (Continued)

*Fund of funds - Hedge funds – multi strategy:* This category is comprised of two private partnership interests which invest in domestic and international equities employing a variety of investment strategies. One investment requires 100-days notice and the other 90-days for redemptions. In each case the notice requirement is waived if the current investment manager is acting in its capacity as the Foundation’s investment manager, in which case monthly redemptions without notice are available.

*Fund of funds – Private equity funds – multi strategy:* The amount presented is comprised of 17 private partnership investments that employ a wide variety of strategies such as venture capital investments, private equity investments, investments in natural resources, and investments in distressed situations. Two funds with a total value of \$10,924,159 at December 31, 2023 permit annual redemptions with 180-days’ notice. The other funds, with a total value of \$576,508,932, have no investor-directed liquidity. Distributions are only available upon the dissolution of the partnership or as distributions are made available from the partnership.

Level 3 Valuation Process and Activity: Fair value determinations for Level 3 measurements of securities are the responsibility of Foundation management. Management estimates the fair value using discounted expected future cash flows.

There were no purchases for Level 3 investments for the years ended December 31, 2023 and 2022, respectively. There were no transfers in or out of Level 3 investments.

Rollforward of Level III investment assets for the year ended December 31:

	<u>Interest in Royalties</u>	<u>Beneficial Interest in Charitable Trust</u>	<u>Total</u>
Beginning balance, January 1, 2022	\$ 2,000,000	\$ 1,267,401	\$ 3,267,401
Unrealized appreciation (depreciation)	-	(492,108)	(492,108)
Ending balance, December 31, 2022	2,000,000	775,293	2,775,293
Unrealized appreciation (depreciation)	-	868	868
Ending balance, December 31, 2023	<u>\$ 2,000,000</u>	<u>\$ 776,161</u>	<u>\$ 2,776,161</u>

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(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 934,579	\$ 890,962
Leasehold improvements	1,131,985	1,051,898
	2,066,564	1,942,860
Less: accumulated depreciation and amortization	(407,493)	(196,417)
	\$ 1,659,071	\$ 1,746,443

Depreciation expense for property and equipment for the years ended June 30, 2023 and 2022 was \$211,076 and \$240,254, respectively.

**NOTE 6 – LEASES**

The Foundation leases office space from third-party lessor under a noncancellable lease. The Foundation's lease agreement ends on 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.

The Foundation's lease agreement does not provide an implicit rate, so the Foundation uses an estimated incremental borrowing rate, which is derived from third-party information available at the lease commencement date, in determining the present value of lease payments. The rate used is the risk-free-rate.

The following table summarizes the details for the Foundation's operating leases recorded on the statements of financial position as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
Operating right of use asset	\$ 11,741,274	\$ 12,362,615
Operating lease liability	\$ 13,063,782	\$ 12,889,852
Weighted average remaining lease terms	14.67 years	16.25 years
Weighted average discount rate	2.95%	2.95%

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(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 6 – LEASES** (Continued)

The following table summarizes maturities of the Foundation's operating lease liabilities as of December 31, which reconciles to total lease liabilities included on the Foundation's statement of financial position.

2024	\$ 1,021,274
2025	1,021,274
2026	1,021,274
2027	1,076,478
2028	1,104,080
Thereafter	<u>11,184,449</u>
Total lease payments	16,428,829
Imputed interest	<u>(3,365,047)</u>
Lease liability	<u>\$ 13,063,782</u>

**NOTE 7 – GRANTS PAYABLE AND GRANTS APPROVED**

Grants payable and grant related activities are recorded on a discounted present value basis. The discount rate is determined during the year in which the grant is approved. At December 31, 2023 and 2022, the Foundation has discounted the amount of unpaid grant payable by applying interest rate factors for grants from 0.25% to 4.79%. At December 31, the grant contracts and discount were as follows:

	<u>2023</u>	<u>2022</u>
Grant contracts	\$ 27,063,963	\$ 24,673,138
Discount to present value	<u>(338,244)</u>	<u>(336,910)</u>
Grants payable	<u>\$ 26,725,719</u>	<u>\$ 24,336,228</u>

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(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 7 – GRANTS PAYABLE AND GRANTS APPROVED** (Continued)

The grants approved during 2023, before the discount to present value of \$338,244 and grants payable at December 31 consisted of the following:

	2023	
	Grants Approved	Grants Payable
<b>Principal Fund</b>		
American Art	\$ 7,862,868	\$ 1,975,000
Asian Affairs	9,297,500	7,723,500
Democracy, Ethics and Public Trust	3,905,000	2,025,000
Indigenous Knowledge	5,827,920	3,175,000
Luce Scholars	372,708	-
Public Policy	1,367,700	400,000
Religion and Theology	7,075,000	4,850,000
	35,708,696	20,148,500
 Other programs:		
HLF Stem Convergence	2,573,440	455,000
Special Projects	32,000	-
Matching Grants	402,950	117,528
Directors' Discretionary Grants	290,000	5,000
Total other programs	3,298,390	577,528
 Total Principal Fund	39,007,086	20,726,028
 Clare Boothe Luce Fund	9,006,812	6,337,935
 Total	\$ 48,013,898	\$ 27,063,963

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(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 7 – GRANTS APPROVED AND GRANTS PAYABLE (Continued)**

The grants approved during 2022, before the discount to present value of \$336,910 and grants payable at December 31 consisted of the following:

	2022	
	Grants Approved	Grants Payable
<b>Principal Fund</b>		
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
	32,741,784	18,220,250
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
Total 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
Total	\$ 45,794,161	\$ 24,673,138

At December 31, 2023, the unpaid grant liability is expected to be paid as follows:

2024	\$ 20,429,040
2025	5,085,975
2026	1,240,675
2027	199,450
2028	108,823
	\$ 27,063,963

(Continued)



THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

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**NOTE 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 semi-monthly contributions. At December 31, 2023 and 2022, retirement expense under this plan was \$612,946 and \$493,482, respectively. The Foundation also has a 457(b) plan that covers the President and CEO. It is funded annually. At December 31, 2023 and 2022, the 457(b) expense under this plan was \$22,500 and \$20,500, respectively.

**NOTE 9 – POSTRETIREMENT MEDICAL BENEFITS**

The Foundation provides retiree medical insurance reimbursements to employees hired prior to 2024 retiring from the Foundation after attaining at least age 55 (age 65 if hired on or after January 1, 2008) if the employee meets the minimum years of service requirement. The percentage of insurance premiums paid varies with age at retirement and years of service to the Foundation. The plan was closed to employees hired after 2023.

The present value of the estimated accrued benefits at December 31, 2023 and 2022 was \$1,234,439 and \$1,964,873, respectively, and is included in the accounts payable and accrued expenses in the statement of financial position. This amount has not been separately funded by the Foundation. A discount rate of 6.0% was applied in 2023 and 2022.

Actual cash paid during 2023 and 2022 was \$80,901 and \$80,534, respectively.

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

2024	\$	107,550
2025		124,050
2026		124,050
2027		124,050
2028		124,050
Thereafter		734,250
		<u>\$ 1,338,000</u>

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(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 10 – LIQUIDITY AND AVAILABILITY**

The Foundation's financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position as of December 31 comprise:

	<u>2023</u>	<u>2022</u>
Cash	\$ 6,021,311	\$ 2,164,800
Investments	1,066,686,135	1,049,908,021
Total financial assets	<u>1,072,707,446</u>	<u>1,052,072,821</u>
Less amounts not available for general expenditure within one year:		
Other assets with liquidity horizons greater than one year	(691,218)	(891,606)
Investments with liquidity horizons greater than one year	(589,508,335)	(574,591,147)
Distributions from restricted funds within one year	<u>(10,650,000)</u>	<u>-</u>
Financial assets not available to be used within one year	<u>(600,849,553)</u>	<u>(575,482,753)</u>
	<u>\$ 471,857,893</u>	<u>\$ 476,590,068</u>

As part of the Foundation's liquidity management, the Foundation invests its financial assets to be available as general expenditures, liabilities, and other obligations come due.

**NOTE 11 – NET ASSETS AND ENDOWMENT**

Net assets with donor restrictions at December 31 consist of the following:

	<u>2023</u>	<u>2022</u>
<u>With donor restrictions of a temporary nature:</u>		
Principal Fund	\$ 776,161	\$ 775,293
Clare Boothe Luce fund	<u>128,685,191</u>	<u>124,156,575</u>
	129,461,352	124,931,868
<u>With donor restrictions to be kept in perpetuity:</u>		
Clare Boothe Luce fund	<u>68,345,364</u>	<u>68,345,364</u>
	<u>\$ 197,806,716</u>	<u>\$ 193,277,232</u>

Net assets released due to satisfaction of time or purpose restrictions in the years ended December 31 were as follows:

	<u>2023</u>	<u>2022</u>
Grants and programs	\$ 9,215,768	\$ 9,488,732
Administrative	<u>547,673</u>	<u>449,469</u>
	<u>\$ 9,763,441</u>	<u>\$ 9,938,201</u>

(Continued)

THE HENRY LUCE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022

**NOTE 11 – NET ASSETS AND ENDOWMENT** (Continued)

Endowment: The Foundation's net asset classification is comprised of two components, a with donor restrictions fund referred to as the Clare Boothe Luce Fund, and a Principal Fund, which has its origin from the without donor restrictions gifts to the Foundation from its founder, Henry Luce.

The Foundation adopted standards regarding net asset classification of endowment funds and enhanced disclosures for all endowment funds as required by US GAAP. The information provided below regarding the Foundation's interpretation of the relevant law and the composition of the endowment and similar funds has been included to comply with the disclosure requirements of the standard.

During September 2010, New York State enacted the Prudent Management of Institutional Funds Act (NYPMIFA). The Board of Directors of the Foundation has interpreted NYPMIFA requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. At December 31, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity the value of initial of the original bequest to the Foundation. Income earned from these investments is available for expenditure according to restrictions imposed by donors and consideration of the appropriation for expenditure criteria by the Foundation pursuant to the NYPMIFA. 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.

The Foundation classifies as with donor restrictions net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Unspent appropriations related to the donor restricted endowment fund are also classified as with donor restrictions net assets until the amounts are expended by the Foundation in a manner consistent with the donor's intent

Endowment net asset composition by type of fund as of December 31 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted funds	-	197,030,555	197,030,555
Total	\$ -	\$ 197,030,555	\$ 197,030,555
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted funds	-	192,501,939	192,501,939
Total	\$ -	\$ 192,501,939	\$ 192,501,939

(Continued)

THE HENRY LUCE FOUNDATION, INC.  
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**NOTE 11 – NET ASSETS AND ENDOWMENT** (Continued)

Changes in the endowment net assets for the year ended December 31 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	\$ -	\$ 222,108,971	\$ 222,108,971
Investment return, net	-	(19,668,831)	(19,668,831)
Appropriation of endowment assets pursuant to spending-rate policy	-	(9,938,201)	(9,938,201)
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>\$ 192,501,939</u>	<u>\$ 192,501,939</u>
Investment return, net	-	14,292,057	14,292,057
Appropriation of endowment assets pursuant to spending-rate policy	-	(9,763,441)	(9,763,441)
Endowment net assets, December 31, 2023	<u>\$ -</u>	<u>\$ 197,030,555</u>	<u>\$ 197,030,555</u>

Endowment Investment and Spending Policies: Endowment funds are maintained in a pooled diversified investment portfolio. Interest, dividends, and realized and unrealized gains and losses in the various investments are allocated to the funds in proportion to the donor-restricted and Principal Fund share in the endowment. The Clare Boothe Luce fund was established by Clare Boothe Luce to provide annual funding for a group of institutions specified by Ms. Luce in her will and for grants that meet the donor's restrictions. The spending policy determines the amount of money annually distributed from the Foundation's endowed funds, for grant making and operations.

Return Objectives and Risk Parameters: The Foundation has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's investment allocation.

Strategies Employed for Achieving Investment Objectives: To achieve its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Foundation targets a diversified asset allocation comprised of publicly traded equities and debt instruments as well as significant private investments to achieve its long-term objectives within prudent risk constraints.

**NOTE 12 – SUBSEQUENT EVENTS**

Management has performed an analysis of the activities and transactions subsequent to December 31, 2023, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2023. Management has performed their analysis through September 18, 2024, the date the financial statements were available to be issued.