

The Henry Luce Foundation, Inc.

Financial Statements

December 31, 2014

The Henry Luce Foundation, Inc.

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December 31, 2014

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DONALD F. SCHERER

Independent Auditor's Report

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

We have audited the accompanying financial statements of The Henry Luce Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Henry Luce Foundation as of December 31, 2014 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of program and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Owen J. Flanagan + Co.

May 20, 2015

The Henry Luce Foundation, Inc.

Statement of Financial Position

December 31, 2014

	2014
Assets	
Cash	\$ 566,448
Dividends and interest receivable	209,731
Investments	870,844,205
Furniture, fixtures and leasehold improvements, net of accumulated depreciation and amortization of \$774,929	849,742
Other assets	549,918
	<hr/>
	\$ 873,020,044
	<hr/> <hr/>
Liabilities and net assets	
Accounts payable and accrued expenses	\$ 554,899
Grants payable	20,022,892
Postretirement medical benefits	2,464,484
Unfunded supplemental pension	755,233
Deferred federal excise tax	3,555,111
	<hr/>
Total liabilities	27,352,619
	<hr/>
Unrestricted - Principal Fund	690,379,485
Temporarily restricted - Clare Boothe Luce Fund	86,942,576
Permanently restricted - Clare Boothe Luce Fund	68,345,364
	<hr/>
Total net assets	845,667,425
	<hr/>
Total liabilities and net assets	\$ 873,020,044
	<hr/> <hr/>

See notes to financial statements.

The Henry Luce Foundation, Inc.

Statement of Activities

Year Ended December 31, 2014

	Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	Principal Fund	Clare Boothe Luce Fund	Total	Clare Boothe Luce Fund	Clare Boothe Luce Fund	
Revenues, gains and other support						
Dividends, interest and partnership income	\$ 5,336,351	\$ -	\$ 5,336,351	\$ 1,217,091	\$ -	\$ 6,553,442
Unrealized appreciation on investments	4,826,803	-	4,826,803	1,542,426	-	6,369,229
Net realized gain on sale of investments	33,510,799	-	33,510,799	6,799,927	-	40,310,726
Less:						
Directly reported investment counseling and custody fees	(2,756,663)	-	(2,756,663)	(631,555)	-	(3,388,218)
Excise tax	(650,201)	-	(650,201)	(145,619)	-	(795,820)
Net assets released from restrictions:						
Satisfaction of Clare Boothe Luce Fund restrictions	-	8,008,801	8,008,801	(8,008,801)	-	-
Total revenues, gains and other support	<u>40,267,089</u>	<u>8,008,801</u>	<u>48,275,890</u>	<u>773,469</u>	<u>-</u>	<u>49,049,359</u>
Expenses						
Program:						
Grants	29,928,371	7,461,566	37,389,937	-	-	37,389,937
Other	456,899	68,450	525,349	-	-	525,349
	<u>30,385,270</u>	<u>7,530,016</u>	<u>37,915,286</u>	<u>-</u>	<u>-</u>	<u>37,915,286</u>
Administrative	5,138,113	478,785	5,616,898	-	-	5,616,898
Total expenses	<u>35,523,383</u>	<u>8,008,801</u>	<u>43,532,184</u>	<u>-</u>	<u>-</u>	<u>43,532,184</u>
Change in net assets	4,743,706	-	4,743,706	773,469	-	5,517,175
Net assets, beginning of year	<u>685,635,779</u>	<u>-</u>	<u>685,635,779</u>	<u>86,169,107</u>	<u>68,345,364</u>	<u>840,150,250</u>
Net assets, end of year	<u>\$ 690,379,485</u>	<u>\$ -</u>	<u>\$ 690,379,485</u>	<u>\$ 86,942,576</u>	<u>\$ 68,345,364</u>	<u>\$ 845,667,425</u>

See notes to financial statements

The Henry Luce Foundation, Inc.

Statement of Cash Flows

Year Ended December 31, 2014

Cash flows from operating activities:	
Change in net assets	\$ 5,517,175
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	128,994
Net realized gain on sale of investments	(40,310,726)
Unrealized appreciation on investments	(6,369,229)
Loss on sales of furniture, fixtures, and leasehold improvements	1,865
Changes in operating assets and liabilities:	
Decrease in dividends and interest receivable	42,945
Increase in other assets	(111,372)
Decrease in accounts payable and accrued expenses	(259,542)
Decrease in postretirement medical benefits	(124,442)
Decrease in unfunded supplemental pension	(10,436)
Increase in grants payable	352,138
Increase in deferred federal excise tax	127,384
Net cash used by operating activities	<u>(41,015,246)</u>
Cash flows from investing activities:	
Purchases of investments	(155,860,458)
Proceeds from sales and maturities of investments	189,871,668
Net changes in cash equivalents	6,201,548
Purchases of furniture, fixtures, and leasehold improvements	(181,129)
Proceeds from sales of furniture, fixtures, and leasehold improvements	1,197
Net cash provided by investing activities	<u>40,032,826</u>
Net decrease in cash	(982,420)
Cash, beginning of year	<u>1,548,868</u>
Cash, end of year	<u><u>\$ 566,448</u></u>
Supplemental disclosure:	
Federal and state taxes paid	<u><u>\$ 780,250</u></u>

See notes to financial statements

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

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 2014, 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, 2014, 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 2014 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, 2014

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, 2014

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 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.

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, 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.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

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, 2014 is comprised of the following:

Current year provision (including prior year tax adjustments)	\$ 668,436
Deferred excise tax	<u>127,384</u>
	<u>\$ 795,820</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. 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 2011.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

4. Investments

The fair value, cost and unrealized appreciation (depreciation) of investments at December 31, 2014 were as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds and cash held for investment	\$ 13,918,699	\$ 13,918,699	\$ -
Equity securities:			
Commingled or mutual funds			
Global	390,262,848	287,271,564	102,991,284
Emerging markets	71,073,308	55,326,202	15,747,106
Other	1,800,000	1,100,000	700,000
Fixed income securities:			
Managed accounts			
U.S. government	27,841,181	27,671,581	169,600
Commingled or mutual funds			
Global fixed income hedge	25,912,450	27,500,000	(1,587,550)
Marketable alternative partnerships			
Global	210,996,478	148,000,000	62,996,478
Liquidating	580,076	582,451	(2,375)
Non-marketable limited partnerships:			
Multi-strategy	67,030,220	66,559,163	471,057
Global distressed	8,395,295	4,232,514	4,162,781
Private equity	22,468,683	16,673,431	5,795,252
Venture	15,760,127	8,344,315	7,415,812
Natural resources	6,858,307	6,374,310	483,997
Liquidating	7,820,361	29,408,226	(21,587,865)
	<u>870,718,033</u>	<u>692,962,456</u>	<u>177,755,577</u>
Net pending trades	<u>126,172</u>	<u>126,172</u>	<u>-</u>
Total Investments	<u><u>\$ 870,844,205</u></u>	<u><u>\$ 693,088,628</u></u>	<u><u>\$ 177,755,577</u></u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

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 81% and 19% of these co-investments, respectively.

Global equity securities consists of one fund and can be redeemed monthly with 100 days' notice. Emerging markets securities consist of one fund with quarterly liquidity with 120 days' notice.

The 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 global fixed income hedge is one fund with a 36 month rolling lock-up requiring 90 days' notice.

Global marketable alternative investment is a fund with quarterly liquidity with 90 days' notice.

Liquidating marketable alternative partnerships consist of funds previously under the direction of a manager who was terminated at the end of 2011. These amounts represent holdbacks on final liquidation or amounts that cannot yet be redeemed due to lockups. The Foundation anticipates these funds will be fully redeemed by the end of 2015 with some residual holdbacks and side pockets amounts to be received as the remaining investments in these funds are liquidated.

Non-marketable limited investment partnerships consist of several components. The multi-strategy investment is four funds. The first fund, valued at \$29,104,085, has annual liquidity with 180 days' notice. The second, third, and fourth funds, valued at \$15,489,958, \$13,249,764, and \$9,186,413, 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 seven years. They are illiquid and have terms remaining of four to six years. The liquidating partnerships represent primarily private equity investments entered into in the late 1990's and early 2000's. They are currently winding down their affairs. The Foundation estimates they will be fully redeemed by 2016.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

4. Investments (continued)

The unfunded commitments to these funds are as follows:

Multi-strategy	\$ 74,212,263
Global distressed	3,379,900
Private equity	14,093,248
Venture	1,740,000
Natural resources	<u>1,610,000</u>
	<u>\$ 95,035,411</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, 2014

4. Investments (continued)

Investments are categorized as follows:

	Level 1	Level 2	Level 3	Total
Money market funds and cash held for investment	\$ 13,918,699	\$ -	\$ -	\$ 13,918,699
Equity securities:				
Commingled or mutual funds				
Global	-	390,262,848	-	390,262,848
Emerging markets	-	71,073,308	-	71,073,308
Other	-	-	1,800,000	1,800,000
Fixed income securities:				
Managed accounts				
U.S. government	27,841,181	-	-	27,841,181
Commingled or mutual funds				
Global fixed income hedge	-	-	25,912,450	25,912,450
Marketable alternative partnerships:				
Global	-	-	210,996,478	210,996,478
Liquidating	-	-	580,076	580,076
Non-marketable limited partnerships:				
Multi-strategy	-	-	67,030,220	67,030,220
Global distressed	-	-	8,395,295	8,395,295
Private equity	-	-	22,468,683	22,468,683
Venture	-	-	15,760,127	15,760,127
Natural resources	-	-	6,858,307	6,858,307
Liquidating	-	-	7,820,361	7,820,361
	41,759,880	461,336,156	367,621,997	870,718,033
Net pending trades	126,172	-	-	126,172
Total Investments	\$ 41,886,052	\$ 461,336,156	\$ 367,621,997	\$ 870,844,205

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

4. Investments (continued)

The change in Level 3 investments is as follows:

	Beginning of Year	Capital Additions	Income	Realized Gains	Unrealized Appreciation (Depreciation)	Capital Withdrawals	End of Year
Equity securities							
Commingled							
Other	\$ 1,800,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800,000
Fixed income securities							
Commingled							
Global fixed income hedge	24,997,121	1,500,000	-	-	(584,671)	-	25,912,450
Marketable alternative partnerships							
Global	200,906,401	-	-	-	10,090,077	-	210,996,478
Liquidating	6,757,594	2,863	-	1,645,241	(1,244,997)	(6,580,625)	580,076
Non-marketable							
limited partnerships							
Multi-strategy	43,423,221	21,856,007	4,537,495	18,216,167	(19,379,596)	(1,623,074)	67,030,220
Global distressed	10,462,178	-	605,006	712,574	(256,825)	(3,127,638)	8,395,295
Private equity	18,089,602	3,731,251	(326,428)	1,708,930	2,085,832	(2,820,504)	22,468,683
Venture	12,286,223	1,180,000	(224,169)	1,589,690	2,757,983	(1,829,600)	15,760,127
Natural resources	7,014,923	1,040,000	(49,319)	(2,593)	(517,817)	(626,887)	6,858,307
Liquidating	13,221,366	63,249	-	3,836,997	411,337	(9,712,588)	7,820,361
Total	\$ 338,958,629	\$29,373,370	\$4,542,585	\$ 27,707,006	\$ (6,638,677)	\$ (26,320,916)	\$367,621,997

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 \$20.9 million in 2014.

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

5. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are as follows:

Furniture and fixtures	\$	206,974
Leasehold improvements		<u>1,417,697</u>
		1,624,671
Less: accumulated depreciation and amortization		<u>(774,929)</u>
	\$	<u>849,742</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

6. Grants Approved and Grants Payable

The grants approved during 2014, before the change in discount of \$43,821 and grants payable at December 31, 2014 consisted of the following:

	<u>Grants Approved</u>	<u>Grants Payable</u>
Principal Fund		
American Art	\$ 7,222,000	\$ 1,800,000
Asia	6,159,250	4,152,000
Asian Studies & the Environment Initiative	2,250,000	1,410,000
HRL Initiative on Religion & International Affairs	3,956,000	3,116,800
Higher Education	520,000	425,000
Luce Scholars	3,304,264	500,000
Public Policy	273,000	-
Theology	5,456,500	3,166,750
Special Projects	100,000	-
Matching	475,102	222,752
Directors' Discretionary	240,000	-
	<u>29,956,116</u>	<u>14,793,302</u>
Clare Boothe Luce Program for Women in Science and Engineering	<u>7,477,642</u>	<u>5,326,430</u>
Total	<u>\$ 37,433,758</u>	<u>\$ 20,119,732</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

6. Grants Approved and Grants Payable (continued)

At December 31, 2014, the unpaid grant liability is expected to be paid as follows:

Unpaid Grant Liability:	
Years Ending December 31,	
2014	\$ 12,928,090
2015	4,746,837
2016	2,046,035
2017	318,770
2018	<u>80,000</u>
	20,119,732
Less: Discount to present value	<u>(96,840)</u>
	<u>\$ 20,022,892</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, 2014, the Foundation has discounted the amount of unpaid grant liability by applying interest rate factors for grants from 0.53% to 1.66%.

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 \$377,515.

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, 2014

8. Postretirement Medical Benefits (continued)

The present value of the estimated accrued benefits at December 31, 2014 was \$2,464,484. 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 2014 was \$60,850.

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

2015	\$ 71,258
2016	92,146
2017	108,881
2018	114,325
2019	120,041
2020-2024	<u>809,865</u>
	<u>\$1,316,516</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 May 22, 2022. Under the terms of the lease, the Foundation maintains a letter of credit in the amount of \$46,673 in lieu of a security deposit. Rent expense for this lease during 2014 was \$735,591.

The minimum lease commitment under this lease is as follows:

2015	\$ 686,122
2016	696,414
2017	745,708
2018	782,247
2019	793,981
2020-2024	<u>1,948,790</u>
	<u>\$5,653,262</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

10. Endowment

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted funds	\$ -	\$ 86,942,576	\$ 68,345,364	\$ 155,287,940
Available for future spending and investment	715,556,265	-	-	715,556,265
Total	<u>\$ 715,556,265</u>	<u>\$ 86,942,576</u>	<u>\$ 68,345,364</u>	<u>\$ 870,844,205</u>

The changes in the endowment fund were as follows:

Balance, January 1, 2014	\$ 709,862,531	\$ 86,169,107	\$ 68,345,364	\$ 864,377,002
Revenues, gains and other support				
Dividends, interest and partnership income	5,336,351	1,217,091	-	6,553,442
Unrealized appreciation	4,826,803	1,542,426	-	6,369,229
Realized gains	33,510,799	6,799,927	-	40,310,726
Directly reported investment counseling and custody fees	(2,756,663)	(631,555)	-	(3,388,218)
Excise tax	(650,201)	(145,619)	-	(795,820)
Total revenues, gains and other support	40,267,089	8,782,270	-	49,049,359
Expenses and appropriations for spending	(34,573,355)	(8,008,801)	-	(42,582,156)
Balance, December 31, 2014	<u>\$ 715,556,265</u>	<u>\$ 86,942,576</u>	<u>\$ 68,345,364</u>	<u>\$ 870,844,205</u>

The Henry Luce Foundation, Inc.

Notes to Financial Statements

December 31, 2014

11. 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, 2014 through May 20, 2015 which was the date the financial statements were available to be issued.

The Henry Luce Foundation, Inc.
Supplemental Schedule of Program and Administrative Expenses
Year Ended December 31, 2014

	Unrestricted Principal Fund	Clare Boothe Luce Fund	Total
Program expenses			
Grants	\$ 29,928,371	\$ 7,461,566	\$ 37,389,937
Other program expenses			
Luce Scholars	322,124	-	322,124
Asian Affairs	31,658	-	31,658
American Art	10,815	-	10,815
HRL Initiative on Religion and International Affairs	74,829	-	74,829
Theology	17,473	-	17,473
Other programs	-	68,450	68,450
Total other program expenses	<u>456,899</u>	<u>68,450</u>	<u>525,349</u>
Total program expenses	<u>30,385,270</u>	<u>7,530,016</u>	<u>37,915,286</u>
Administrative expenses			
Salaries	2,417,612	294,145	2,711,757
Pensions and related benefits	393,915	20,112	414,027
Insurance - employees' benefits	570,379	79,754	650,133
Payroll taxes	146,999	15,187	162,186
Rent	671,004	64,587	735,591
Professional fees	99,704	-	99,704
Directors' fees	320,000	5,000	325,000
Registration fees and dues	31,781	-	31,781
Travel and meetings	120,702	-	120,702
Computer, office supplies and maintenance	202,168	-	202,168
Depreciation and amortization	128,994	-	128,994
Insurance and sundry	34,855	-	34,855
Total administrative expenses	<u>5,138,113</u>	<u>478,785</u>	<u>5,616,898</u>
Total expenses	<u>\$ 35,523,383</u>	<u>\$ 8,008,801</u>	<u>\$ 43,532,184</u>