

EISNERAMPER

F.M. KIRBY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 and 2020



F.M. KIRBY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
F.M. Kirby Foundation, Inc.

Report on the Financial Statements

Opinion

We have audited the financial statements of F.M. Kirby Foundation, Inc., (the "Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of F.M. Kirby Foundation, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditors' 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore



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is not a guarantee that an audit conducted in accordance with U.S. 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 U.S. 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.

A stylized, handwritten signature of EisnerAmper LLP in black ink.

EISNERAMPER LLP
Iselin, New Jersey
March 10, 2022



F.M. KIRBY FOUNDATION, INC.**Statements of Financial Position**

	December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	\$ 393,727	\$ 226,942
Investments	390,133,354	356,228,280
Accrued investment income	624,596	423,691
Art and other collectible items	<u>20,705</u>	<u>20,705</u>
Total assets	<u>\$ 391,172,382</u>	<u>\$ 356,899,618</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 579,041	\$ 111,333
Excise taxes payable	134,340	-
Promises to give	<u>1,025,250</u>	<u>763,000</u>
Total liabilities	1,738,631	874,333
NET ASSETS		
Without donor restrictions	<u>389,433,751</u>	<u>356,025,285</u>
Total liabilities and net assets	<u>\$ 391,172,382</u>	<u>\$ 356,899,618</u>

F.M. KIRBY FOUNDATION, INC.**Statements of Activities**

	Year Ended December 31,	
	2021	2020
Investment income:		
Net realized and unrealized gains on investments	\$ 29,222,287	\$ 29,162,829
Dividends and interest, net of investment management fees	<u>20,226,105</u>	<u>9,652,936</u>
Total investment income	<u>49,448,392</u>	<u>38,815,765</u>
Expenses:		
Program services	15,184,944	12,872,741
Supporting services	<u>854,982</u>	<u>389,696</u>
Total expenses	<u>16,039,926</u>	<u>13,262,437</u>
Change in net assets without donor restrictions	33,408,466	25,553,328
Net assets without donor restrictions, beginning of year	<u>356,025,285</u>	<u>330,471,957</u>
Net assets without donor restrictions, end of year	<u>\$ 389,433,751</u>	<u>\$ 356,025,285</u>

F.M. KIRBY FOUNDATION, INC.

Statements of Functional Expenses

	Year Ended December 31, 2021		
	Program	Supporting	Total
Grants	\$ 14,398,500	\$ -	\$ 14,398,500
Federal excise tax	-	541,746	541,746
Salaries	528,712	176,238	704,950
Tax deferred retirement plan contributions	51,339	17,113	68,452
Payroll taxes and related expenses	41,601	13,868	55,469
Insurance	77,187	25,729	102,916
Accounting and legal	-	51,090	51,090
Software maintenance and support	31,426	10,475	41,901
Office and related expenses	56,179	18,723	74,902
	<u>\$ 15,184,944</u>	<u>\$ 854,982</u>	<u>\$ 16,039,926</u>

	Year Ended December 31, 2020		
	Program	Supporting	Total
Grants	\$ 12,074,900	\$ -	\$ 12,074,900
Federal excise tax	-	74,612	74,612
Salaries	534,284	178,095	712,379
Tax deferred retirement plan contributions	53,428	17,809	71,237
Payroll taxes and related expenses	40,912	13,637	54,549
Insurance	79,724	26,575	106,299
Accounting and legal	-	49,137	49,137
Software maintenance and support	26,291	8,764	35,055
Office and related expenses	63,202	21,067	84,269
	<u>\$ 12,872,741</u>	<u>\$ 389,696</u>	<u>\$ 13,262,437</u>

F.M. KIRBY FOUNDATION, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2021	2020
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 33,408,466	\$ 25,553,328
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Net realized and unrealized gains on investments	(29,222,287)	(29,162,829)
Changes in:		
Accrued investment income	(200,905)	271,784
Accounts payable and accrued expenses	467,708	12,849
Excise tax payable	134,340	-
Promises to give	262,250	(1,700,250)
Net cash provided by (used in) in operating activities	<u>4,849,572</u>	<u>(5,025,118)</u>
Cash flows from investing activities:		
Proceeds from sales of investments and returns of capital	46,006,628	26,683,680
Purchases of investments	<u>(50,689,415)</u>	<u>(21,502,597)</u>
Net cash (used in) provided by investing activities	<u>(4,682,787)</u>	<u>5,181,083</u>
Change in cash and cash equivalents	166,785	155,965
Cash and cash equivalents, beginning of year	<u>226,942</u>	<u>70,977</u>
Cash and cash equivalents, end of year	\$ <u>393,727</u>	\$ <u>226,942</u>
Supplemental disclosure of cash flow information:		
Excise tax paid	\$ 407,406	\$ 74,612

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] The Foundation:

The F.M. Kirby Foundation, Inc. (the "Foundation") is a private foundation incorporated in Delaware and established in 1931. The Foundation aims effectively to manage and utilize that which has been entrusted to it over multiple generations of the Kirby family. It strives to make thoughtful and prudent philanthropic commitments to highly selective grantee partners. The goal is to invest in opportunities that foster self-reliance or otherwise create strong, healthy communities. The Foundation is supported predominantly through investment income.

[2] Federal excise tax:

The Internal Revenue Service (the "IRS") has recognized the Foundation as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, it is not subject to federal income tax. However, the Foundation is subject to an excise tax of 1.39% on net investment income, including interest, dividends and net realized gains, as defined in the Code. In addition, the Foundation must make certain minimum qualifying distributions in an amount equal to 5% of the average fair market value of its assets held during the year. On December 31, 2021, the Foundation had excess distributions carryover of approximately \$91,675,000.

[3] Basis of accounting:

The Foundation's financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

[4] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP 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 the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

[5] Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with maturities of three months or less when acquired. Cash and cash equivalents that are designated to be part of the Foundation's long-term investment portfolio are recorded as investments in the statements of financial position.

[6] Art and other collectibles:

Art and other collectibles consist of nondepreciable assets contributed to the Foundation by certain board members and one non-board member. The Foundation recorded these contributed assets at their estimated fair value, as provided by an independent third-party appraiser.

[7] Net assets:

These financial statements have been prepared to focus on the Foundation as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

(i) Net assets without donor restrictions:

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Net assets: (continued)

(ii) Net assets with donor restrictions:

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related asset 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 donor stipulation or by law.

As of December 31, 2021 and 2020, the Foundation had no net assets with donor restrictions.

[8] Grants and promises to give:

Promises to give are recognized in the accompanying financial statements at the time of the Foundation's approval. The Foundation's promises to give at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 585,250	\$ 135,250
One to five years	<u>440,000</u>	<u>627,750</u>
Promises to give, net	<u>\$ 1,025,250</u>	<u>\$ 763,000</u>

Promises to give, which are payable in more than one year, are discounted at a risk-free rate of return appropriate for the expected term of the promise to give. Discounts to net present value for the years ended December 31, 2021 and 2020 were not material to the financial statements and therefore have not been recorded. Conditional grants and promises to give, if any, are not reported as expenses until the conditions are substantially met.

For the years ended December 31, 2021 and 2020, cash paid for grants was \$14,136,250 and \$13,775,150, respectively.

[9] Income taxes:

Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2021 and 2020, there are no uncertain tax positions taken or expected to be taken that would require the recognition of a liability or disclosure in the financial statements. The Foundation recognizes accrued interest and penalties associated with income taxes, if any, in interest and administrative expenses, respectively. There were no income tax related interest or penalties recorded for the years ended December 31, 2021 and 2020.

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statement of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, insurance, professional services, technology support and general office expenses, which are allocated based on estimates of time and effort.

[11] Upcoming accounting pronouncement:

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. Under the new standard's requirements, gifts-in-kind are to be presented as a separate line item, instead of remaining grouped among contributions of cash and other financial assets, on the statement of activities. The ASU requires the new standard to be applied retrospectively, with amendments taking effect for annual reporting periods beginning after June 15, 2021. We do not expect the adoption of this standard to have a material impact on the financial statements.

[12] Subsequent events:

The Foundation evaluated subsequent events through March 10, 2022, the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

Investments in equities, mutual funds and debt securities with readily determinable market prices are stated at their fair values. Unrealized gains and losses are included as changes in net assets without donor restrictions in the accompanying statements of activities. Investments received by gift, if any, are initially recorded at fair value at the date of receipt. Fair value for equities, mutual funds and debt securities are based on quoted market prices. Investments in limited partnerships (the "partnerships") which are exchange traded are stated at market prices, and for those that are non-marketable, at management's estimated fair value using the net asset value ("NAV") of the Foundation's ownership interest in partners' capital as provided by the management of the partnerships.

The preceding methods described may produce a fair value estimate that may not be indicative of net realizable value or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with the practices of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The fair value estimate of these assets does not necessarily represent amounts that might be realized upon their ultimate disposition, and the difference may be material.

Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of the Foundation's investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

F.M. KIRBY FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2021 and 2020**

NOTE B - INVESTMENTS (CONTINUED)

Gains and losses on sales of investments are determined using the average cost method. The fair value and realized and unrealized gains and losses of the Foundation's investments as of and for the years ended December 31, 2021 and 2020 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Year Ended December 31, 2021:			
Balance at end of year	<u>\$ 302,455,589</u>	<u>\$ 390,133,354</u>	<u>\$ 87,677,765</u>
Balance at beginning of year	<u>\$ 284,974,488</u>	<u>\$ 356,228,280</u>	<u>71,253,792</u>
Increase in unrealized gain			<u>16,423,973</u>
Realized net gain for year			<u>12,798,314</u>
Total net gain (realized and unrealized) on investments			<u>\$ 29,222,287</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Year Ended December 31, 2020:			
Balance at end of year	<u>\$ 284,974,488</u>	<u>\$ 356,228,280</u>	<u>\$ 71,253,792</u>
Balance at beginning of year	<u>\$ 291,853,802</u>	<u>\$ 332,246,534</u>	<u>40,392,732</u>
Increase in unrealized gain			<u>30,861,060</u>
Realized net loss for year			<u>(1,698,231)</u>
Total net gain (realized and unrealized) on investments			<u>\$ 29,162,829</u>

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE C - FAIR VALUE MEASUREMENTS

In determining fair value, the Foundation uses various approaches, including market, income and/or cost approaches. For most investments, the Foundation uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy and the Foundation's related classification of investments are described below:

Level 1 - Values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The financial instruments within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following tables set forth, by level, the Foundation's assets at fair value, within the fair value hierarchy, as of December 31, 2021 and 2020:

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 7,723,064	\$ -	\$ -	\$ 7,723,064
Global tactical asset allocation funds	84,283,606	-	-	84,283,606
Equity securities – domestic	60,913,569	-	-	60,913,569
Equity securities – foreign	42,499,908	-	-	42,499,908
Mutual funds	<u>192,801,207</u>	<u>-</u>	<u>-</u>	<u>192,801,207</u>
Totals	<u>\$ 388,221,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>388,221,354</u>
Limited partnership interests measured at NAV (A):				
Private lending funds for financially distressed companies				<u>1,912,000</u>
Total investments				<u>\$ 390,133,354</u>

F.M. KIRBY FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2021 and 2020**

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

	December 31, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 4,101,312	\$ -	\$ -	\$ 4,101,312
Global tactical asset allocation funds	83,591,745	-	-	83,591,745
Equity securities – domestic	55,108,160	-	-	55,108,160
Equity securities – foreign	42,937,446	-	-	42,937,446
Mutual funds	<u>168,908,132</u>	<u>-</u>	<u>-</u>	<u>168,908,132</u>
Totals	<u>\$ 354,646,795</u>	<u>\$ -</u>	<u>\$ -</u>	354,646,795
Limited partnership interests measured at NAV (A):				
Private lending funds for financially distressed companies				<u>1,581,485</u>
Total investments				<u>\$ 356,228,280</u>

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Information regarding the nature and risk of certain investments reported at NAV as of December 31, 2021 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Private lending funds for financially distressed companies:		
Fund I	\$ 168,940	\$ 859,864
Fund II	1,743,060	6,578,888

The Foundation is not permitted to borrow or make withdrawals from the private lending funds. The Foundation may recover its investment through distributions made at the discretion of the funds.

The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such circumstances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2021 and 2020, there were no significant transfers into or out of Levels 1, 2 or 3.

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2021 and 2020

NOTE D - LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing activities of grants, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates generating sufficient investment income to cover general expenditures.

As of December 31, 2021 and 2020, the following financial assets could readily be made available within one year of the statements of financial position date to meet general expenditures:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 393,727	\$ 226,942
Investments not subject to liquidity restrictions	<u>388,221,354</u>	<u>354,646,795</u>
Total	<u>\$ 388,615,081</u>	<u>\$ 354,873,737</u>

NOTE E - EMPLOYEE BENEFIT PLANS

The Foundation offers a tax deferred retirement plan, as defined in Section 403(b) of the Code, to all employees eligible under the provisions of the plan. Eligible employees may make discretionary contributions to the plan, and the Foundation matches employee contributions dollar-for-dollar in an amount up to 10% of each employee's eligible salary. Matching contributions for the years ended December 31, 2021 and 2020 were \$68,452 and \$71,237, respectively.

NOTE F - RELATED PARTIES

For the years ended December 31, 2021 and 2020, a member of the Foundation's Board of Directors served as the Foundation's legal counsel. Fees or reimbursed expenses paid to the law firm for the years ended December 31, 2021 and 2020 were \$2,163 and \$1,637, respectively.

NOTE G - RISKS AND UNCERTAINTIES

[1] Concentrations of cash balances:

The Foundation maintains its cash and cash equivalents in financial institutions that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in these accounts and, as such, believes it is not exposed to any significant credit risk on cash and cash equivalents.

[2] COVID-19:

The extent of the impact and effects of COVID-19 on the operations and financial performance of the Foundation's business are unknown. However, the Foundation does not expect that it will have a material adverse effect on its business or financial results at this time.