EISNERAMPER

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February 27, 2019

Members of the Board of Directors
F.M. Kirby Foundation, Inc.
17 Dehart Street
Morristown, NJ 07963

Ladies and Gentlemen:

We have audited the financial statement of F.M. Kirby Foundation, Inc. (the "Foundation") as of and for the year ended December 31, 2018, and have issued our report thereon dated February 27, 2019. Professional standards require that we advise you of the following matters relating to our audit.

Other Services Provided

We provide assistance with the preparation and submission of the Foundation's federal Forms 990 and 990-T.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated October 30, 2018, our responsibility, as prescribed by professional standards and as described above, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, was to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether financial statements and related disclosures are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Foundation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control, and we express no opinion on the effectiveness of internal control over financial reporting.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing that we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

Generally accepted auditing standards require independence for all audits. The auditor should communicate to those charged with governance circumstances or relationships (for example, financial interests, business or family relationships, or non-audit services provided or expected to be provided) that, in the auditor's professional judgment, may reasonably be thought to bear on independence, and to which the auditors gave significant consideration in reaching the conclusion that independence had not been impaired.

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Foundation is included in Note A to the financial statements. For the year ended December 31, 2018, the Foundation adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. No other matters have come to our attention that would require us, under professional standards, to inform you about (i) the methods used to account for significant unusual transactions, or (ii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements is the estimated fair value of investments. Management's estimate of the fair value is based on pricing information obtained from a third-party subscription based service and information received from investment managers. We evaluated the key factors and assumptions used to develop the fair value of investments and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. We consider the disclosures in the Foundation's financial statements to be adequate and neutral in content, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no encumbrances or other difficulties in dealing with management relating to the performance of our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements or unadjusted matters of financial statement disclosure identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Foundation's financial statements or to the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated February 27, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with F.M. Kirby Foundation, Inc., we have generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. However, these discussions occurred in the normal course of our professional relationship and none of the matters discussed resulted in a condition to our retention as the Foundation's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Foundation's audited financial statements does not extend beyond the financial information identified in our audit report, and we are not required to perform any procedures to corroborate such other information. We have been informed by management that there are no such documents where complete audited financial-statement information is included and our report thereon is present.

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This letter is intended solely for the information and use of the Board of Directors and management of the Foundation and is not intended to be used, and should not be used, for any other purpose.

Very truly yours,

EISNERAMPER LLP

EisnerAmper LLP

cc: The Management of F.M. Kirby Foundation, Inc.

Attachment:
Management Representation Letter

F. M. Kirby Foundation, Inc.
17 DeHart Street
P.O. Box 151
Morristown, N.J. 07963-0151
973-538-4800

February 27, 2019

EisnerAmper LLP
111 Wood Avenue South,
Iselin, NJ 08830

Ladies and Gentlemen:

This representation letter is provided in connection with your audits of the financial statements of the F.M. Kirby Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, 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. Your audit was conducted for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

Accordingly, we confirm the following information, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of February 27, 2019.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 30, 2018.

2. The financial statements referred to above are fairly presented in accordance with U.S. GAAP, consistently applied.

3. We acknowledge our responsibility for the design, implementation, and maintenance of (i) internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and (ii) internal control to prevent and detect fraud.

4. We understand that you have examined or tested accounting records of the Foundation and obtained other supporting evidence by methods (and to the extent) you deemed appropriate, for the purpose of expressing an opinion on the financial statements, but that such procedures would not necessarily disclose all fraud, should any exist.

5. We confirm the following regarding fair-value measurements and disclosures:

   a. appropriate measurement methods, including related assumptions, were used in determining fair value and were consistently applied;

   b. disclosures related to fair values are complete and adequate; and

   c. no subsequent events have occurred that require adjustments to the fair-value measurements and disclosures included in the financial statements.

6. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that "near term" means the period within approximately one year of the date of the financial statements.

7. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

8. All of the following have been properly recorded or disclosed in the financial statements in accordance with U.S. GAAP:

   a. relationships with other entities (including, but not limited to, affiliates, equities in privately held corporations, membership in a controlled group, etc.);

   b. related-party transactions and related amounts receivable or payable, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees (including, but not limited to all transactions with Board members, affiliated organizations, or other organizations controlled by or under common control with the Foundation);

   c. Capital call commitments regarding the Foundation's investments

9. There are no:

   a. guarantees, whether written or oral, under which the Foundation is contingently liable;

   b. other liabilities or gain or loss contingencies that are required to be accrued or disclosed;

   c. designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements; or

   d. agreements to repurchase assets previously sold or otherwise disposed.

10. We have evaluated and classified any subsequent events as recognized or non-recognized and disclosed the date through which this determination was made. No events, including instances of noncompliance, have occurred subsequent to December 31, 2018 and through the date of this letter, that would require adjustment to or disclosure in the financial statements.

11. In regard to the preparation of Form 990-PF performed by you, we have designated an individual with suitable skill, knowledge, and/or experience to oversee your services and have made all management decisions and performed all management functions. Accordingly, we have evaluated the adequacy and results of the services performed and have accepted responsibility for the results of those services.

12. We manage our investments in accordance with our investment policies. All investments and earnings thereon have been properly recorded in our financial records and reported in the financial statements.

    We review and evaluate the values provided by the managers of our limited partnership investments that are not publicly traded and believe the carrying amounts of that investment is reported at a reasonable estimate of its fair values. We acknowledge that those estimated values may differ significantly from the value that would have been used had a ready market for those instruments existed.

    The Financial Accounting Standards Board provides accounting guidance on measuring the fair value of certain investments such as private equity funds and hedge funds, to offer investors a practical expedient for measuring the fair value of investments in certain entities that calculate net asset value ("NAV"). Under this practical expedient, the Foundation is permitted to use NAV without adjustment for certain investments that qualified under the guidance. The Foundation's investments in funds fitting this description are carried at fair value based on NAV.

13. Only assets available for general operating purposes are reported as unrestricted in the financial statements. Assets subject to donors' and grantors' restrictions or use for limited purposes are included in the financial statements as temporarily and permanently restricted, as appropriate.

14. The financial statements referred to above include all assets under the Foundation's control. The Foundation does not have a relationship with another entity in which the elements of control and economic benefit would require that the financial statements of the other entity be combined or consolidated with those of the Foundation.

15. The Foundation has satisfactory title to all reported assets. No security agreements have been executed under the provisions of the Uniform Commercial Code and there are no liens or encumbrances on assets nor has any asset been pledged

Information Provided

16. We have provided you with:

    a. access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters

    b. additional information that you have requested from us for the purpose of the audit;

    c. unrestricted access to persons within the Foundation from whom you determined it necessary to obtain audit evidence; and

    d. all minutes of the meetings of governing board and related committees, or summaries of actions of recent meetings for which minutes were not yet prepared.

17. All transactions have been recorded in the accounting records and are reflected in the financial statements

18. Management acknowledges its responsibility for adopting sound accounting policies, the design and implementation of internal control over financial reporting, and programs and controls to prevent and detect fraud. We confirm that management has no knowledge of any:

a. fraud or suspected fraud, or allegations of fraud or suspected fraud affecting the Foundation, involving members of the Board of Directors or management, current or former employees who have or have had significant roles in internal control over financial reporting, or any other persons or entities, where the fraud could have a material effect on the financial statements; or

b. communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have disclosed to you:

    a. the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;

    b. we are not aware of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements;

    c. we are not aware of any pending or threatened litigation, claims and assessment whose effects should be considered when preparing the financial statements;

    d. all known related parties and/or related-party relationships and transactions; and,

    e. that there are no known violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, as a basis for recording a loss contingency, or for reporting on noncompliance.

20. With respect to the Foundation's tax status:

    a. the Foundation has met all conditions necessary to maintain tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (including, but not limited to, the filing of all appropriate information returns with all applicable federal, state, and local agencies that are due as of the date of this letter);

    b. we are unaware of, and have not in engaged in, any activities that would jeopardize the Foundation's tax-exempt status;

    c. we are unaware of any activities the Foundation is currently engaging in that would be subject to tax on unrelated business income; and

    d. we believe that, due to the Foundation's general not-for-profit status, accounting and reporting for uncertainty in income taxes, has not had, and is not anticipated to have, a material impact on the Foundation's financial statements.

21. We are responsible for compliance with laws, regulations and provisions of contracts and grant agreements applicable to us, and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial-statement amounts or other financial data significant to the audit objectives.

22. We have responded fully and truthfully to all inquiries made to us by you during your audit.

Very truly yours,

F.M. Kirby Foundation, Inc.

By: ______________________________
S. Dillard Kirby, President

By: ______________________________
Diana Kostas, Treasurer and Secretary

EisnerAmper

F.M. KIRBY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

F.M. KIRBY FOUNDATION, INC.

Contents

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of F.M. Kirby Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 risks 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 organization'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 organization'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 audit opinion.

Opinion

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, 2018 and 2017, 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.

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
February 27, 2019

F.M. KIRBY FOUNDATION, INC.

Statements of Financial Position

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	**$ 342,877**	$ 90,999,907
Investments	**289,991,120**	286,826,105
Accrued investment income	**742,717**	577,635
Art and other collectible items	**20,705**	20,705
	$ 291,097,419	$ 378,424,352
LIABILITIES		
Accounts payable and accrued expenses	**$ 95,572**	$ 95,178
Promises to give	**1,802,500**	55,090,000
	1,898,072	55,185,178
NET ASSETS		
Without donor restrictions	**289,199,347**	323,239,174
	$ 291,097,419	$ 378,424,352

F.M. KIRBY FOUNDATION, INC.

Statements of Activities

	Year Ended December 31, 2018	Year Ended December 31, 2017
Investment income:		
Net realized and unrealized gains on investments	**$ (31,236,503)**	$ 44,911,789
Dividends and interest	**12,461,102**	10,032,178
Total investment (losses) income	**(18,775,401)**	54,943,967
Expenses:		
Program services	**14,368,316**	67,182,754
Supporting services	**896,110**	2,070,082
Total expenses	**15,264,426**	69,252,836
Change in net assets without donor restrictions	**(34,039,827)**	(14,308,869)
Net assets without donor restrictions, beginning of year	**323,239,174**	337,548,043
Net assets without donor restrictions, end of year	**$ 289,199,347**	$ 323,239,174

F.M. KIRBY FOUNDATION, INC.

Statements of Functional Expenses
Year Ended December 31, 2018

	Program Services	Supporting Services	Total
Grants	**$ 13,624,500**	**$ -**	**$ 13,624,500**
Investment management fees	**-**	**448,687**	**448,687**
Federal excise tax	**-**	**152,000**	**152,000**
Salaries	**512,430**	**170,810**	**683,240**
Tax deferred retirement plan contributions	**51,243**	**17,081**	**68,324**
Payroll taxes and related expenses	**37,556**	**12,519**	**50,075**
Insurance	**60,775**	**20,258**	**81,033**
Accounting and legal	**-**	**47,484**	**47,484**
Software maintenance and support	**27,902**	**9,301**	**37,203**
Office and related expenses	**53,910**	**17,970**	**71,880**
	$ 14,368,316	**$ 896,110**	**$ 15,264,426**

Year Ended December 31, 2017

	Program Services	Supporting Services	Total
Grants	$ 66,437,500	$ -	$ 66,437,500
Investment management fees	-	1,266,589	1,266,589
Federal excise tax	-	506,576	506,576
Salaries	499,087	166,362	665,449
Tax deferred retirement plan contributions	48,809	16,270	65,079
Payroll taxes and related expenses	36,447	12,149	48,597
Insurance	69,346	23,115	92,461
Accounting and legal	-	48,499	48,499
Software maintenance and support	32,540	10,847	43,387
Office and related expenses	59,025	19,676	78,700
	$ 67,182,754	$ 2,070,082	$ 69,252,836

F.M. KIRBY FOUNDATION, INC.

Statements of Cash Flows

	Year Ended December 31, 2018	Year Ended December 31, 2017
Cash flows from operating activities:		
Change in net assets without donor restriction	**$ (34,039,827)**	$ (14,308,869)
Adjustments to reconcile change in net assets without donor restriction to net cash used in operating activities:		
Net realized and unrealized (gains) on investments	**31,236,503**	(44,911,789)
Changes in:		
Prepaid federal excise tax	**-**	41,576
Accrued investment income	**(165,083)**	271,301
Accounts payable and accrued expenses	**394**	(283,069)
Promises to give	**(53,287,500)**	27,187,000
Net cash used in operating activities	**(56,255,513)**	(32,003,850)
Cash flows from investing activities:		
Proceeds from sales of investments and returns of capital	**15,332,101**	410,538,616
Purchases of investments	**(49,733,618)**	(316,881,149)
Net cash (used in) provided by investing activities	**(34,401,517)**	93,657,467
Change in cash and cash equivalents	**(90,657,030)**	61,653,617
Cash and cash equivalents, beginning of year	**90,999,907**	29,346,290
Cash and cash equivalents, end of year	**$ 342,877**	$ 90,999,907
Supplemental disclosure of cash flow information:		
Excise tax paid	**$ 152,000**	$ 465,000

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 to provide grants to organizations operated exclusively for religious, charitable, scientific, literary or educational purposes, or for the prevention of cruelty to children and animals. 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, not to exceed 2% on net investment income, including interest, dividends, and net realized gains, as defined in the Code. The Foundation was subject to a 1% federal excise tax on net investment income under Section 4940(e) of the Code for 2018 and 2017. 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. At December 31, 2018, the Foundation had excess distributions carryover of approximately $97,000,000.

[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 ("US GAAP") as applicable to not-for-profit organizations.

[4] Use of estimates:

The preparation of financial statements in conformity with US 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.

[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:

- 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Net assets: (continued)

- 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 that 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. Net assets with donor restrictions spent entirely in the same year the funds are received are treated as revenue without donor restriction.

As of December 31, 2018 and 2017, 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, 2018 and 2017 are as follows:

	2018	2017
Less than one year	**$ 1,237,500**	$ 54,955,000
One to five years	**565,000**	135,000
Promises to give, net	**$ 1,802,500**	$ 55,090,000

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, 2018 and 2017 were not material to the financial statements and therefore have not been recorded.

For the years ended December 31, 2018 and 2017, grants paid were $66,912,000 and $39,250,500, respectively.

[9] Income taxes:

Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2018 and 2017, 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, 2018 and 2017.

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] Change in accounting principle:

For the year ended December 31, 2018, the Foundation adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit's liquidity, financial performance and cash flows. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

[12] Subsequent events:

The Foundation evaluated subsequent events through February 27, 2019, 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 restriction 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 estimates of these assets do not necessarily represent amounts that might be realized upon their ultimate disposition and the differences 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, 2018 and 2017

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 at December 31, 2018 and 2017 are summarized as follows:

	Cost	Fair Value	Excess of Fair Value Over Cost
Year Ended December 31, 2018:			
Balance at end of year	**$ 285,012,821**	**$ 289,991,120**	**$ 4,978,299**
Balance at beginning of year	**$ 247,518,060**	**$ 286,826,105**	**39,308,045**
Decrease in unrealized gain			**(34,329,746)**
Realized net gain for year			**3,093,243**
Total net loss (realized and unrealized) on investments			**$ (31,236,503)**

	Cost	Fair Value	Excess of Fair Value Over Cost
Year Ended December 31, 2017:			
Balance at end of year	$ 247,518,060	$ 286,826,105	$ 39,308,045
Balance at beginning of year	$ 298,143,922	$ 335,571,783	37,427,861
Increase in unrealized gain			1,880,184
Realized net gain for year			43,031,605
Total net gain (realized and unrealized) on investments			$ 44,911,789

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.

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2018 and 2017:

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	**$ 4,552,711**	**$ -**	**$ -**	**$ 4,552,711**
Global allocation fund	**68,793,378**	**-**	**-**	**68,793,378**
Equity securities – domestic	**41,683,656**	**-**	**-**	**41,683,656**
Equity securities – foreign	**32,667,523**	**-**	**-**	**32,667,523**
Mutual funds	**136,609,178**	**-**	**-**	**136,609,178**
Totals	**$ 284,306,445**	**$ -**	**$ -**	**284,306,445**
Limited partnership interests measured at NAV (A):				
Private lending fund for financially distressed companies				**5,684,675**
Total investments				**$ 289,991,120**

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 4,619,744	$ -	$ -	$ 4,619,744
Global allocation fund	40,709,838	-	-	40,709,838
Equity securities – domestic	41,005,850	-	-	41,005,850
Equity securities – foreign	36,335,857	-	-	36,335,857
Mutual funds	154,733,351	-	-	154,733,351
Totals	$ 277,404,640	$ -	$ -	277,404,640
Limited partnership interests measured at NAV (A):				
Private lending fund for financially distressed companies				9,421,465
Total investments				$ 286,826,105

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

(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, 2018 is as follows:

	Fair Value	Unfunded Commitments
Private lending fund for financially distressed companies:		
Fund I	$ 915,290	$ 1,041,823
Fund II	$ 4,769,385	$ 6,623,685

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, 2018 and 2017, there were no significant transfers into or out of Levels 1, 2 or 3.

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, 2018, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	$ 342,877
Investments not subject to liquidity restrictions	284,306,445
Total	$ 284,649,322

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, 2018 and 2017 were $68,324 and $65,079, respectively.

NOTE F - RELATED PARTIES

For the years ended December 31, 2018 and 2017, 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, 2018 and 2017 were $984 and $1,999, 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.