

EISNERAMPER

F.M. KIRBY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019



F.M. KIRBY FOUNDATION, INC.

Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of financial position as of December 31, 2020 and 2019	2
Statements of activities for the years ended December 31, 2020 and 2019	3
Statements of functional expenses for the years ended December 31, 2020 and 2019	4
Statements of cash flows for the years ended December 31, 2020 and 2019	5
Notes to financial statements	6 - 12

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., which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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
Iselin, New Jersey
March 1, 2021



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

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 226,942	\$ 70,977
Investments	356,228,280	332,246,534
Accrued investment income	423,691	695,475
Art and other collectible items	<u>20,705</u>	<u>20,705</u>
Total assets	<u>\$ 356,899,618</u>	<u>\$ 333,033,691</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 111,333	\$ 98,484
Promises to give	<u>763,000</u>	<u>2,463,250</u>
Total liabilities	874,333	2,561,734
NET ASSETS		
Without donor restrictions	<u>356,025,285</u>	<u>330,471,957</u>
Total liabilities and net assets	<u>\$ 356,899,618</u>	<u>\$ 333,033,691</u>

See notes to financial statements.

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

	Year Ended December 31,	
	2020	2019
Investment income:		
Net realized and unrealized gains on investments	\$ 29,162,829	\$ 46,296,333
Dividends and interest, net	9,652,936	10,194,690
Total investment income	<u>38,815,765</u>	<u>56,491,023</u>
Expenses:		
Program services	12,872,741	14,559,985
Supporting services	389,696	658,428
Total expenses	<u>13,262,437</u>	<u>15,218,413</u>
Change in net assets without donor restrictions	25,553,328	41,272,610
Net assets without donor restrictions, beginning of year	<u>330,471,957</u>	<u>289,199,347</u>
Net assets without donor restrictions, end of year	<u>\$ 356,025,285</u>	<u>\$ 330,471,957</u>

F.M. KIRBY FOUNDATION, INC.

Statements of Functional Expenses

	Year Ended December 31, 2020		
	Program Services	Supporting Services	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>

	Year Ended December 31, 2019		
	Program Services	Supporting Services	Total
Grants	\$ 13,855,250	\$ -	\$ 13,855,250
Federal excise tax	-	375,000	375,000
Salaries	454,712	151,571	606,283
Tax deferred retirement plan contributions	45,248	15,083	60,331
Payroll taxes and related expenses	34,756	11,585	46,341
Insurance	64,619	21,540	86,159
Accounting and legal	-	48,516	48,516
Software maintenance and support	37,250	12,416	49,666
Office and related expenses	68,150	22,717	90,867
	<u>\$ 14,559,985</u>	<u>\$ 658,428</u>	<u>\$ 15,218,413</u>

F.M. KIRBY FOUNDATION, INC.**Statements of Cash Flows**

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 25,553,328	\$ 41,272,610
Adjustments to reconcile change in net assets without donor restrictions to net cash used in operating activities:		
Net realized and unrealized gains on investments	(29,162,829)	(46,296,333)
Changes in:		
Accrued investment income	271,784	47,242
Accounts payable and accrued expenses	12,849	2,912
Promises to give	(1,700,250)	660,750
Net cash used in operating activities	(5,025,118)	(4,312,819)
Cash flows from investing activities:		
Proceeds from sales of investments and returns of capital	26,683,680	37,937,626
Purchases of investments	(21,502,597)	(33,896,707)
Net cash provided by investing activities	5,181,083	4,040,919
Change in cash and cash equivalents	155,965	(271,900)
Cash and cash equivalents, beginning of year	70,977	342,877
Cash and cash equivalents, end of year	\$ 226,942	\$ 70,977
Supplemental disclosure of cash flow information:		
Excise tax paid	\$ 74,612	\$ 375,000

See notes to financial statements.

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2020 and 2019

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. The Foundation was subject to a 2% federal excise tax for 2019. 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, 2020, the Foundation had excess distributions carryover of approximately \$95,000,000.

[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 ("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:

- 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, 2020 and 2019

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.

As of December 31, 2020 and 2019, 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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 135,250	\$ 1,307,750
One to five years	<u>627,750</u>	<u>1,155,500</u>
Promises to give, net	<u>\$ 763,000</u>	<u>\$ 2,463,250</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, 2020 and 2019 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, 2020 and 2019, grants paid were \$13,775,150 and \$13,194,500, respectively.

[9] Income taxes:

Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2020 and 2019, 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, 2020 and 2019.

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2020 and 2019

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] Adoption of new accounting pronouncements:

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers. The Foundation has adopted ASU 2018-08 for the year ended December 31, 2020 on a modified prospective basis. The adoption of ASU 2018-08 did not have a material effect on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize all leases (with terms more than 12 months) at the commencement date the following, i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified lease term. The new lease guidance also simplifies the accounting for sale and leaseback transactions. Lessees will no longer be provided with a source of off-balance sheet financing. For nonpublic business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Foundation has elected to early adopt ASU 2016-02 for the year ended December 31, 2020. The adoption of ASU 2016-02 did not have a material effect on the financial statements.

[12] Subsequent events:

The Foundation evaluated subsequent events through March 1, 2021, 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.

F.M. KIRBY FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2020 and 2019**

NOTE B - INVESTMENTS (CONTINUED)

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.

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, 2020 and 2019 are summarized as follows:

	<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>	\$ 71,253,792
Balance at beginning of year	<u>\$ 291,853,802</u>	<u>\$ 332,246,534</u>	<u>40,392,732</u>
Increase in unrealized gain			30,861,060
Realized net loss for year			<u>(1,698,231)</u>
Total net gain (realized and unrealized) on investments			<u>\$ 29,162,829</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Year Ended December 31, 2019:			
Balance at end of year	<u>\$ 291,853,802</u>	<u>\$ 332,246,534</u>	\$ 40,392,732
Balance at beginning of year	<u>\$ 285,012,821</u>	<u>\$ 289,991,120</u>	4,978,299
Increase in unrealized gain			35,414,433
Realized net gain for year			<u>10,881,900</u>
Total net gain (realized and unrealized) on investments			<u>\$ 46,296,333</u>

F.M. KIRBY FOUNDATION, INC.

Notes to Financial Statements December 31, 2020 and 2019

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, 2020 and 2019:

	December 31, 2020			Total
	Level 1	Level 2	Level 3	
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	168,908,132	-	-	168,908,132
Totals	<u>\$ 354,646,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>354,646,795</u>
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>

F.M. KIRBY FOUNDATION, INC.

**Notes to Financial Statements
December 31, 2020 and 2019**

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

	December 31, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 3,864,465	\$ -	\$ -	\$ 3,864,465
Global tactical asset allocation funds	76,388,880	-	-	76,388,880
Equity securities – domestic	46,943,617	-	-	46,943,617
Equity securities – foreign	35,467,126	-	-	35,467,126
Mutual funds	<u>166,843,776</u>	<u>-</u>	<u>-</u>	<u>166,843,776</u>
 Totals	 <u>\$ 329,507,864</u>	 <u>\$ -</u>	 <u>\$ -</u>	 329,507,864
 Limited partnership interests measured at NAV (A):				
Private lending funds for financially distressed companies				<u>2,738,670</u>
 Total investments				 <u>\$ 332,246,534</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, 2020 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>
Private lending funds for financially distressed companies:		
Fund I	\$ 170,270	\$ 859,864
Fund II	1,411,215	6,582,674

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, 2020 and 2019, 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, 2020 and 2019

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, 2020 and 2019, 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 226,942	\$ 70,977
Investments not subject to liquidity restrictions	<u>354,646,795</u>	<u>329,507,864</u>
Total	<u>\$ 354,873,737</u>	<u>\$ 329,578,841</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, 2020 and 2019 were \$71,237 and \$60,331, respectively.

NOTE F - RELATED PARTIES

For the years ended December 31, 2020 and 2019, 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, 2020 and 2019 were \$1,637 and \$173, respectively.

NOTE G - RISKS AND UNCERTAINTIES

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.

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.