



**2023 ANNUAL REPORT**

**OF THE CHAIR**

**TO THE BOARD MEMBERS**

**OF THE**

**F. M. KIRBY FOUNDATION, INC.**

**APRIL 26, 2024**

Please review the following information in conjunction with the 2023 F. M. Kirby Foundation, Inc. Audit and Governance Letter as prepared by EisnerAmper, LLC and dated March 28, 2024, which was uploaded electronically to the Private Board area. As noted in years past, the Foundation continues to use estimates for the Foundation’s investments in limited partnerships. Throughout the audit and this report, certain figures may reference estimates made by management.

## Executive Summary

- Grants paid in 2023 increased \$1.1M to \$15.4M.
- Outstanding pledges as of December 31, 2023, increased \$1M.
- Administrative expenses increased \$181K, totaling \$1.4M for 2023.
- Federal excise tax decreased \$139K due to decreased realized net gains.
- The value of the Foundation’s investments increased \$30.4M, or 9.4% on an absolute basis, totaling \$353M as of December 31, 2023. On a time-weighted basis, the portfolio was up 15.6%.
- Investment management fees decreased \$185K primarily due to a lower performance fee for Walter Scott & Partners offset by increased manager and custody fees for KBI Global Investors and Cohen and Steers, Inc., as those investments were purchased in the fourth quarter of 2022.

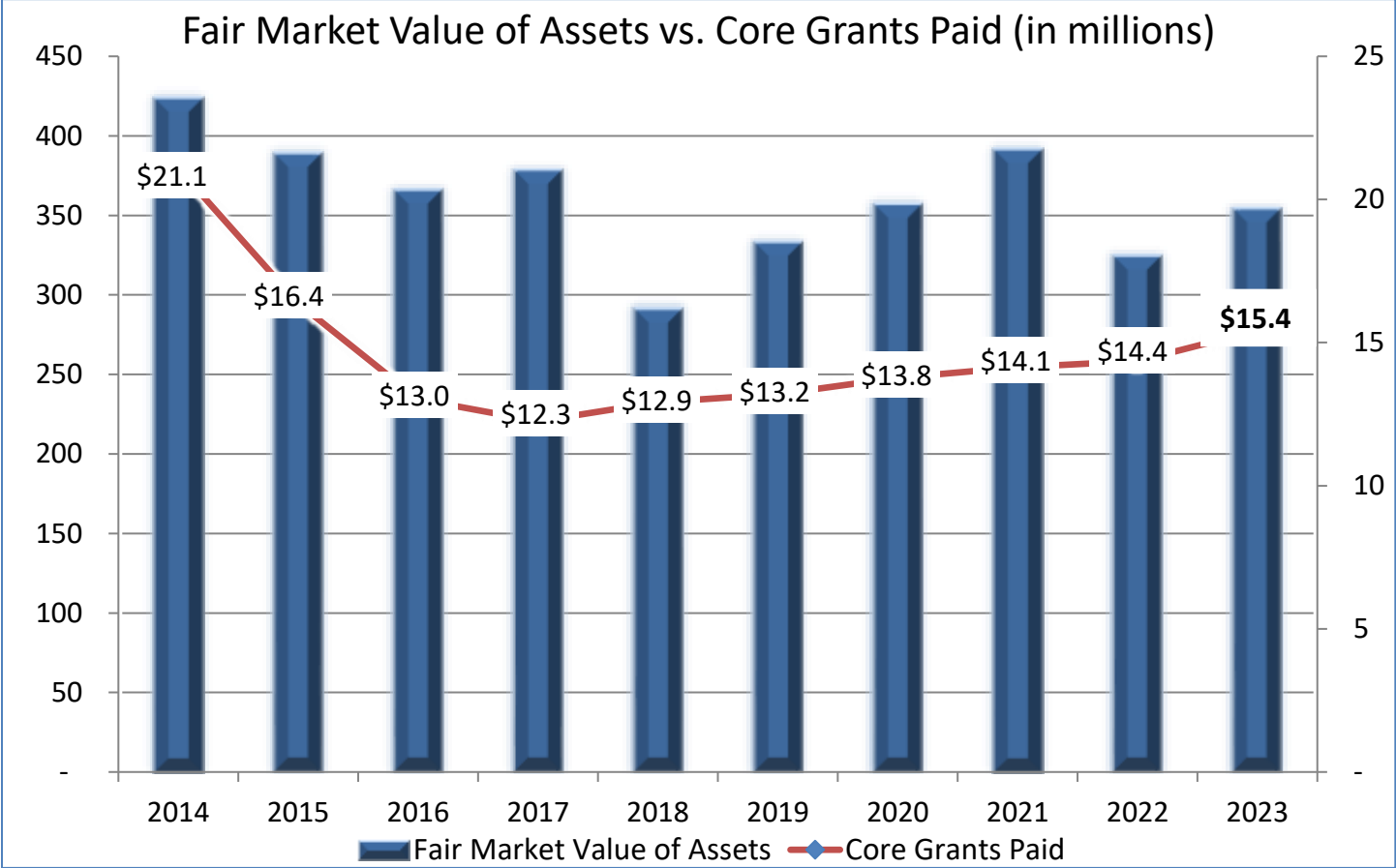
## Grants Paid and Promises to Give

On an accrual basis, the Foundation’s grants expense totaled \$16.5M in 2023, resulting in an increase of \$2.6M as compared to 2022. Promises to give as of December 31, 2023, included sixteen grantees totaling \$1.7M with \$1.1M of grants to be paid in 2024 and \$610K of grants to be paid in 2025. Promises to give and advanced pledges paid in 2023 are summarized below.

<b>Promises to Give Paid in 2023:</b>		<b>Advanced Pledges Paid:</b>		<b><u>2024</u></b>	<b><u>2025</u></b>
Durham Children’s Initiative	\$37,500	Greens Farms Academy, Inc.	\$165,000		
Paper Mill Playhouse	\$85,000	Triangle Land Conservancy	\$75,000	\$100,000	
Green Farms Academy, Inc.	<u>\$205,000</u>	Morris Habitat For Humanity, Inc.	<u>\$65,000</u>	<u>\$65,000</u>	
<b>Total</b>	<b>\$327,500</b>	<b>Total</b>	<b>\$305,000</b>	<b>\$165,000</b>	

As a result of strong portfolio performance over the past five years, the Foundation has been gradually increasing grantmaking levels since the final payments to the Kirby Alliance in 2018. The graph below

highlights the grants paid over the past ten years as compared to the Foundation’s market value of assets. For 2024, the Foundation is budgeted to increase grants paid by approximately \$1M versus 2023 to achieve the estimated 5% minimum distribution requirement. The carryforward benefit from the Kirby Alliance impact expired as of December 31, 2023.

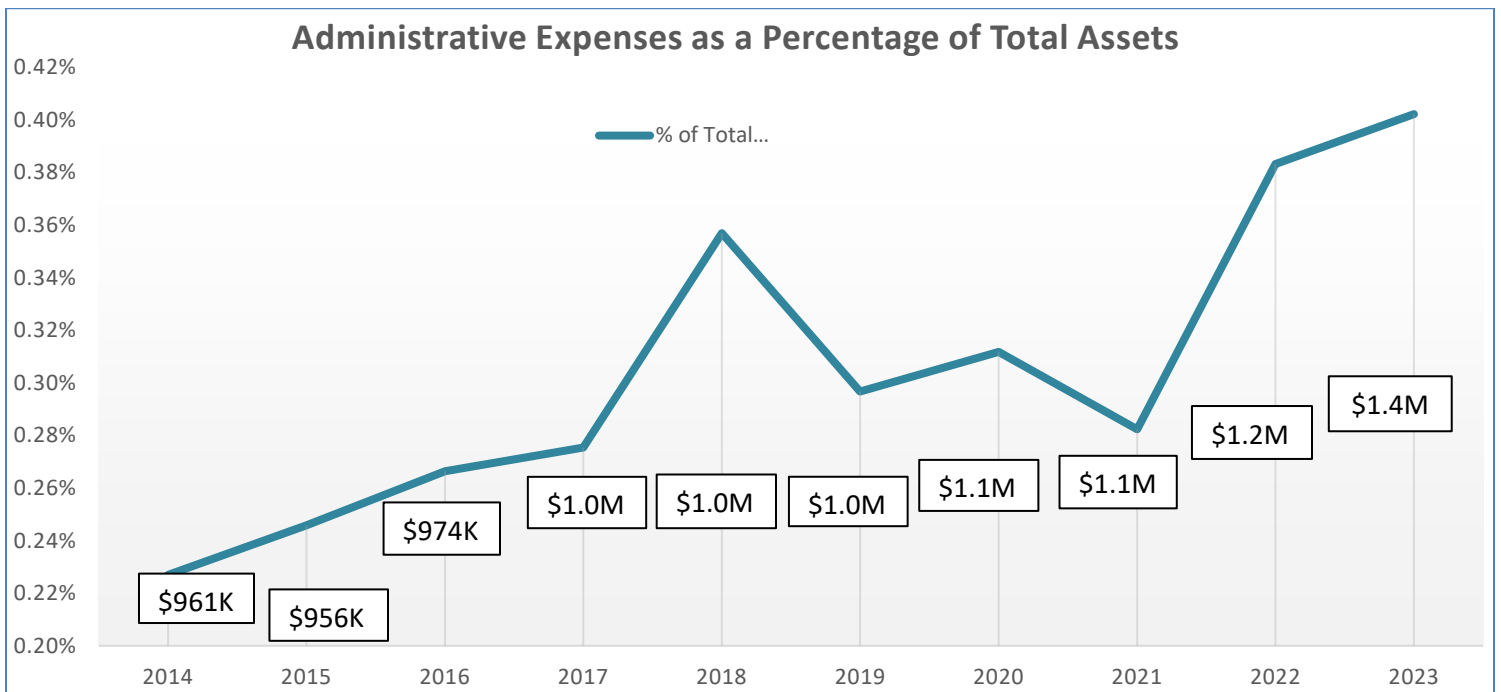


**Administrative Expenses**

Administrative expenses totaled \$1.4M for 2023, an increase of \$181K versus 2022. This increase is primarily attributed to personnel costs. Salaries, payroll taxes, and tax deferred retirement plan contributions increased by \$133K. This reflects the impact of twelve months of personnel expenses for Gina Beviglia, Communications and Operations Associate, and Emily Prince, Program Officer, who were employed for only part of the year in 2022, and the impact of three new hires, Wanda Peguero, Grants Administrator, Kim Mahoney, Executive Assistant (part-time) and Helen Benson, Director of Finance/Treasurer. The increase associated with these changes is partially offset by savings as a result of the departure of Linda D’Addario and

JoAnn Tiefau. Additionally, medical/dental insurance expenses increased by \$35K and the Foundation incurred a \$10k personnel placement fee.

The below graph reflects the total administrative expenses over the past ten years as a percentage of total assets. On a ten-year annualized basis, total administrative expenses equated to approximately thirty basis points. Based on the latest Foundation Financial Managers Group (FFMG) Cost Survey, representing 46 foundations, the median expense to asset value ratio was ninety basis points for 2022.

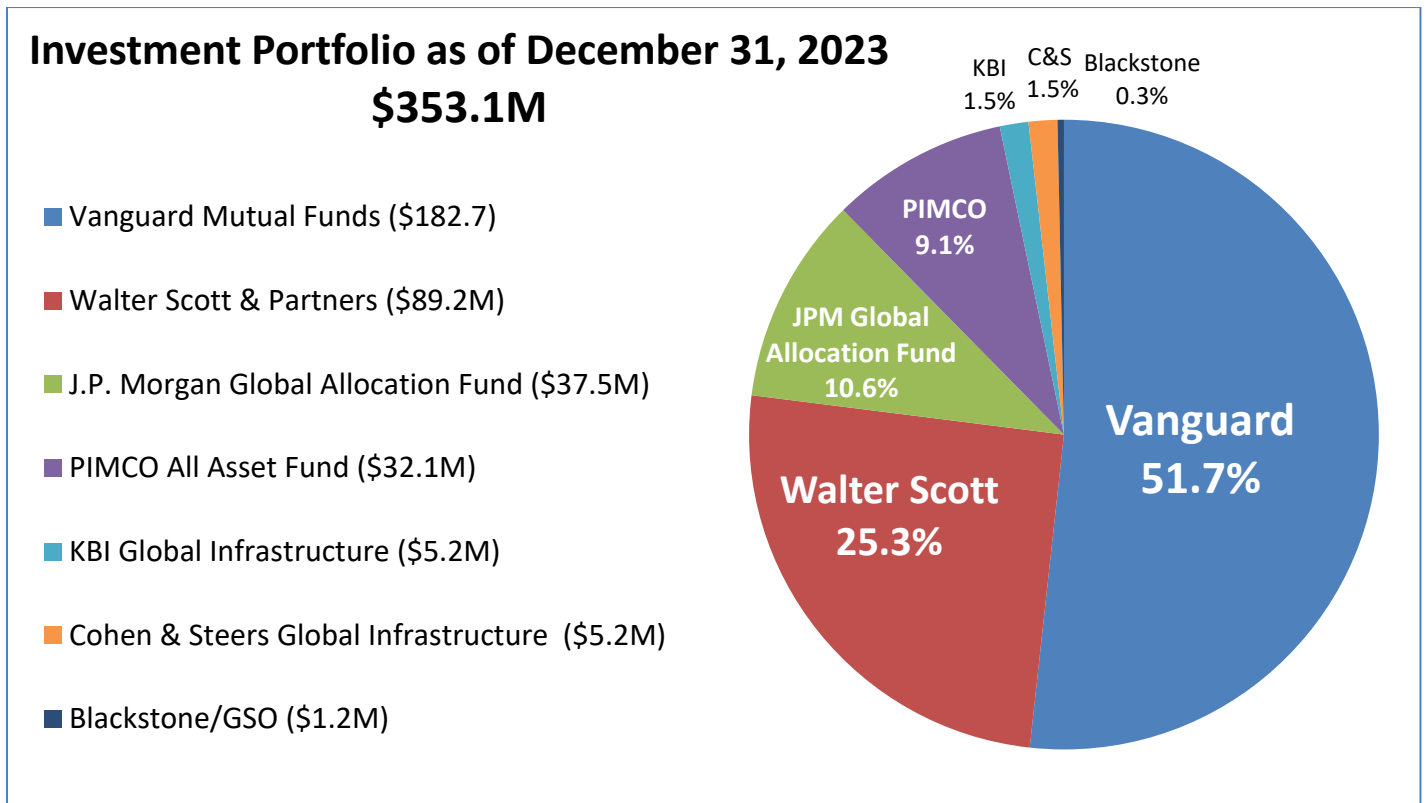


### Federal Excise Taxes

The Foundation’s federal excise taxes decreased from \$296K to \$157K due to decreased net realized gains incurred in 2023. The Federal Excise Tax is calculated as 1.39% of net investment income.

## Investment Firm Allocations

The pie chart below reflects the fair market value allocation of the Foundation’s portfolio by investment firm, as of December 31, 2023.



## Investment Management/Custody Fees

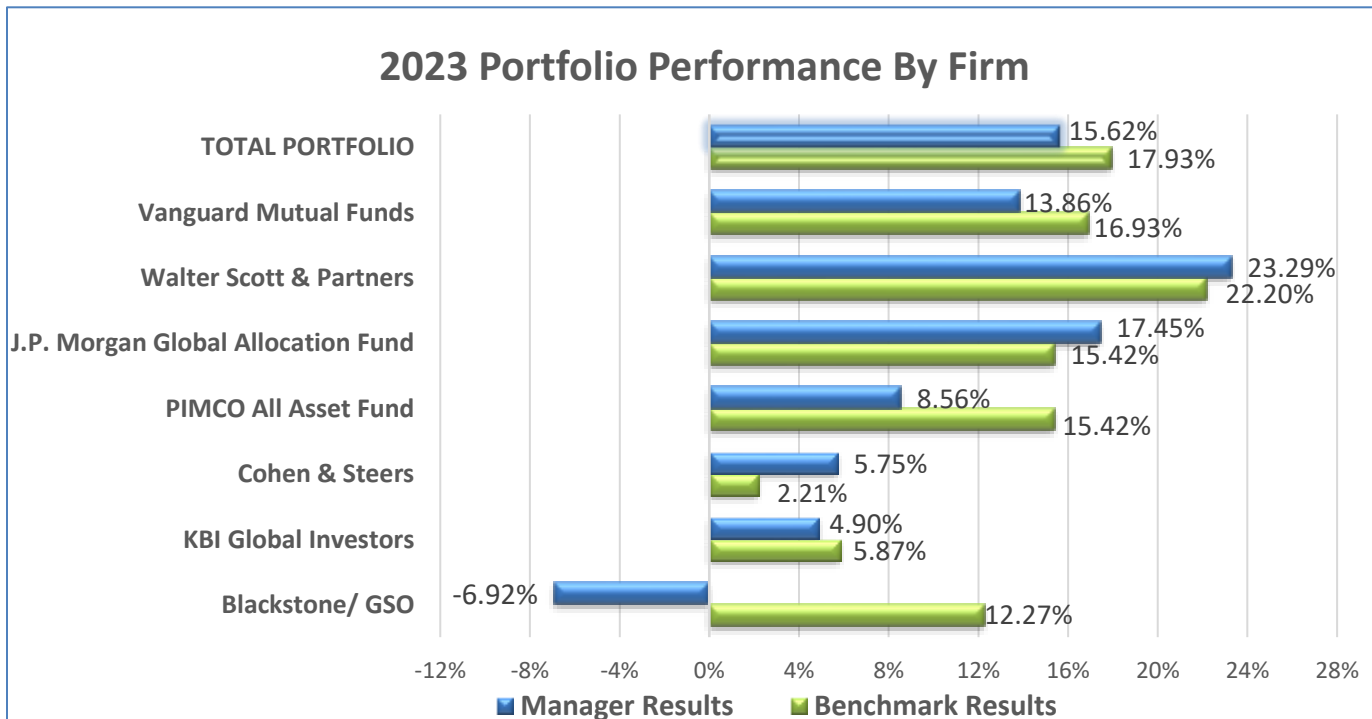
Investment management/custody fees totaled \$635K, a reduction of \$185K versus 2022. This is primarily the result of savings of \$277K due to a lower performance fee paid to Walter Scott & Partners, offset by an increase of \$90K in manager and custody fees for KBI Global Investors and Cohen and Steers, Inc. which were purchased at the end of 2022. At the end of the third quarter of 2023, the Foundation’s investment in Cohen and Steers, Inc. was converted into a mutual fund. Investment management fees include Walter Scott & Partners management and bonus fees, Vanguard advisory fees, KBI Global Investors management fees, and J. P. Morgan custody fees. These fees equated to approximately 18 basis points of the year-end assets under management. Please note that these fees exclude the management fees for the mutual funds in the Foundation’s portfolio which are embedded in the net asset value of the funds.

## Net Realized and Unrealized Gains/Losses on Investments

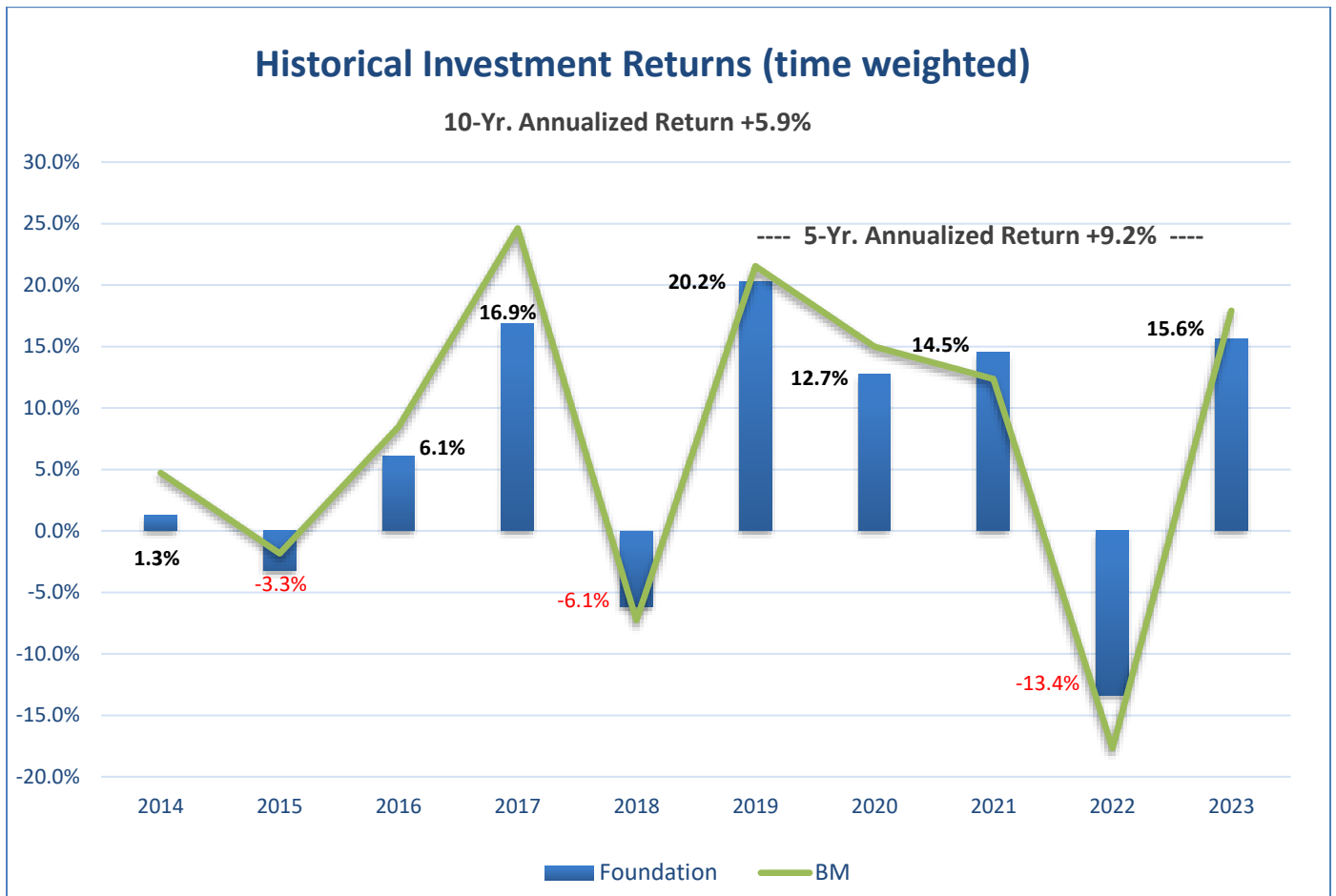
The Foundation’s portfolio had a total net gain (realized and unrealized) of \$38M in 2023 versus a net loss of \$67M in 2022. There was an increase in unrealized gains of \$36M. The realized net gains for 2023 totaled \$2.9M and reflect gains from the sale of Walter Scott & Partners securities and Vanguard distributions offset by realized losses resulting from the write down of the Blackstone/GSO Partners investment. The Foundation’s commitment in the GSO I fund ended in 2023. The Foundation ended the year with a return of +15.6% versus +17.93% for the Foundation’s blended 75/25 benchmark.

The investment portfolio is currently managed by Vanguard Institutional Advisory Services (diversified equity and bond institutional mutual funds), Walter Scott & Partners (growth-oriented global equities), J.P. Morgan Global Allocation Mutual Fund (global tactical asset allocation), PIMCO (global tactical asset allocation), Cohen & Steers, Inc. (global infrastructure), KBI Global Investors (global infrastructure), and Blackstone/GSO Partners (private lending fund for financially distressed companies).

The 2023 performance of the investment firms, as compared to their respective benchmark, is reflected in the chart below. The total portfolio return is highlighted at the top, followed by the firms based on the largest assets under management to the least.



The markets can be volatile, as reflected in the investment returns over the past ten years, displayed in the chart below. The Foundation’s ten-year annualized return is +5.9% and 9.2% over the past five years. The Foundation’s disciplined approach to grantmaking, combined with a continued effort to diversify the portfolio’s investment allocations and strategies, has helped preserve the overall endowment and positioned it well for the future.



**Laura H. Virkler**