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

May 4, 2017

MEMORANDUM FOR: Members and Directors

SUBJECT: Minutes

Enclosed herewith are the minutes of the Annual Meeting of the Members of the F. M. Kirby Foundation, Inc. held April 28, 2017.

Sincerely,

Frank N. Barra
Secretary

Enclosures

Minutes of the Annual Meeting of the
Members of the F. M. Kirby Foundation, Inc.
April 28, 2017

The Annual Meeting of the Members of the F. M. Kirby Foundation, Inc. was held on April 28, 2017 at 12:30 p.m. at the Emily K. Center, 904 W. Chapel Hill Street, Durham, North Carolina. The following Members were present:

Alice K. Horton
S. Dillard Kirby
Walker D. Kirby

Mr. Jefferson W. Kirby was excused from attendance at the meeting due to a scheduling conflict. Mr. S. Dillard Kirby, President, presided.

The minutes of the meetings of the Members held April 2, 2016, September 9, 2016, and December 7, 2016 and subsequently distributed to the Members were approved.

Upon motion duly made by Mrs. Horton, Chair of the Nominating Committee, seconded and carried, the Members of the Corporation adopted the following resolution:

> **RESOLVED**, that the following persons be, and they hereby are, elected as Directors of the Corporation, each to serve until the next Annual Meeting of the Members of the corporation and until his/her successor shall have been elected and shall have been qualified, or as otherwise provided in the By-Laws of the Corporation:

Wilson M. Compton
Alice K. Horton
Ward K. Horton
Jefferson W. Kirby
Leigh C. Kirby
S. Dillard Kirby

Walker D. Kirby
Sandra B. Sherman

The President then discussed the Foundation's revised Conflict of Interest Policy, previously adopted by the Directors at its December 7, 2016 meeting. He said the policy should be reviewed and reaffirmed at least annually by the Members. The President reviewed its basic tenants. The Members unanimously reaffirmed the policy, attached hereto as part of the minutes, as follows:

> **WHEREAS**, the Internal Revenue Service has consistently expressed its preference that all tax-exempt organizations adopt a conflict of interest policy;
>
> **WHEREAS**, the Foundation has previously been mindful of these issues and wishes to demonstrate and document the continued commitment of the Foundation and its directors, members, and principal officers to avoiding any transaction that might create a real or perceived conflict of interest;
>
> **NOW**, therefore, it is resolved (i) that the Foundation reaffirm the attached Conflict of Interest Policy; (ii) that the members confirm their past and continued compliance with the said policy, including but not limited to the appropriateness of the compensation paid to any person defined as an "Interested Person" in said policy, and (iii) that the members confirm their continued commitment to act at all times consistent with the Foundation's purposes.
>
> Be it further resolved that said policy and the Foundation's adherence to the same be reaffirmed and reviewed by the members on an annual basis, or more frequently as necessary.

The meeting took a short break and resumed at 1 p.m. At this time, Mr. Frank N. Barra, Treasurer & Secretary, Mr. William H. Byrnes, Vice President – Grants, Dr. Wilson M. Compton, Mrs. Ashley H. Freedman (as guest), Mr. Ward K. Horton, Ms. Leigh C. Kirby, Ms. Sandra B. Sherman, and Mrs. Laura H. Virkler (as guest) were welcomed and joined the meeting by invitation.

The President then presented the 2016 Financials, which includes his Annual Report to the Members, which is filed herewith. The President gave an overview of the President's Report where he focused on the Executive Summary. The President discussed the ten year chart showing the Foundation's investment portfolio market value, overlaid with the grants paid level. There was also a discussion on administrative costs, including the results of a local peer survey, and investment manager performance.

The next annual meeting of the Members, presumably in April 2018, will likely be scheduled at the December 2017 Board of Directors meeting. The President did, however, mention to the Members that he expects to call a special meeting in December 2017 to approve the significant Kirby Alliance distributions scheduled for payment in January 2018. This meeting will likely be scheduled at the September 2017 Board of Directors meeting. The meeting adjourned at 1:15 p.m.

F.M. Kirby Foundation Conflict of Interest Policy

Purpose

The purpose of this policy is to provide rules and procedures to deal appropriately with circumstances that involve, or may appear to involve, conflict of interest. This policy is intended to supplement but not replace federal and state law prohibiting self-dealing and private inurement, or otherwise dealing with conflicts of interest within nonprofit organizations. It is the Foundation's policy that:

- Foundation members, directors and employees ("Foundation insiders") must promptly and fully disclose any potential conflicts of interest;

- A Foundation insider may not participate in any decision in which he or she has a potential conflict of interest (unless the conflict is resolved pursuant to this policy); and

- The Foundation follow a disciplined, documented process in making decisions about such matters.

Definitions

1. Conflict of Interest. A potential conflict of interest exists if a Foundation insider:

a. is in a position to make or influence the Foundation's decision about a proposed grant, contract or other transaction; and

b. he or she has a significant relationship (as described below) with the potential beneficiary of or commercial counterparty on the transaction.

A potential conflict of interest may also exist in any other transaction in which there may be an actual or perceived conflict of interest, including any transaction in which the personal interests of a Foundation insider may be seen as competing with the interests of the Foundation, or that could result in the receipt of an impermissible benefit by a Foundation insider, or that calls into question the fairness or propriety of the Foundation's decision-making processes and/or its operations.

2. Significant Relationship. A Foundation insider is considered to have a significant relationship with the potential beneficiary of a Foundation grant, contract or other transaction if:

a. the other party is a family member;

b. the other party is an entity in which the Foundation insider (or his or her family member) is an officer, director, trustee or employee; or

c. the other party is an entity in which the Foundation insider (or his or her family member) has a material financial interest as an owner or investor in the entity.

3. Family Member. Family members include a spouse, parent, grandparent, sibling, in-law, child, grandchild or any other relative living in the same household as the Foundation insider or the family member.

4. Determining Officer. "Determining officer" shall mean the president of the Foundation, unless he or she is the individual involved in the possible conflict, in which case the determining officer

shall be the Foundation's general counsel, or in the case of the president's compensation and the retention of a director's professional firm, the Foundation's board of directors (see attached Appendix A).

Other Situations Covered by this Policy

In addition to decisions about grants, contracts and other transactions, other situations may present risks to impartial decision-making, legal compliance and the Foundation's reputation. The Foundation's policy on several recurring situations are set out below.

1. Acceptance of Gifts. Foundation insiders and their family members may accept gifts, meals, and other benefits of nominal value so long as acceptance would not obligate the Foundation insider to take any action or decision on behalf of the Foundation or call into question the fairness or propriety of the Foundation's decision-making processes. There is no precise definition of what constitutes nominal value but as a general guideline, a gift having a value of less than $100 is nominal. In all cases, the determination of what constitutes a gift of nominal value depends on the particular circumstances. Where it would be awkward to decline a gift, a Foundation insider may accept such gift, but in the name of the Foundation as the donee.

2. Acceptance of Honoraria. Foundation insiders may not accept honoraria from actual or potential grantees or commercial counterparties.

3. Employment of Relatives. While the Foundation has no general prohibition against the employment of Foundation insiders' family members by grantees or potential grantees or commercial counterparties, such employment shall be viewed as giving rise to a potential conflict of interest and shall be subject to this policy. In all events, such employment shall be for no more than reasonable compensation, and in no event shall Foundation grants be directed to the payment of such compensation.

4. Affiliations with Grantees. The affiliation by way of board memberships or otherwise of Foundation insiders or their family members with grantees or potential grantees will not be deemed to give rise to a conflict of interest, unless the Foundation insider or family member is receiving some sort of impermissible benefit from the grantee or potential grantee as a result of such relationship.

5. Specific Situations. No policy can encompass every situation that presents risks to impartial decisionmaking. In the end, the Foundation's effective management of conflicts depends on the good judgment and integrity of the Foundation insiders and their family members. The Foundation encourages individuals to talk to the determining officer if they have questions or concerns about specific situations.

6. Annual Questionnaire. Each Foundation insider will annually complete, sign, and submit the Foundation's Conflict of Interest Questionnaire (see attached Appendix B) to help to identify those situations that could give rise to a potential conflict of interest.

Procedures

1. Disclosure of Conflicts of Interest. Foundation insiders must promptly and fully disclose any potential conflict of interest to the determining officer before participating in any decision. Any doubt about whether a relationship warrants disclosure should be resolved in favor of disclosure.

2. Abstention from Participation. Foundation insiders must abstain from participating in any decision in which he or she has a potential conflict of interest (other than by providing information requested by the determining officer) unless and until the conflict is resolved pursuant to this policy.

3. Factual Investigation. The determining officer will investigate the nature of the potential conflict of interest as deemed appropriate.

4. Determination. If the determining officer concludes that the proposed grant, contract or other transaction (a) would not provide a benefit to the Foundation insider (or his or her family members as defined herein) that would not otherwise be available to a member of the public on substantially the same terms, or (b) would not inappropriately influence the decisions of the Foundation, then the Foundation insider will not be considered to have a conflict of interest and he or she may participate fully in the development, approval and/or administration of the proposed matter.

If the determining officer concludes that the proposed matter will provide such a benefit and/or have such an influence, then the Foundation insider may not participate in the matter, but the Foundation may still proceed if the determining officer concludes that the proposed transaction (i) is consistent with the Foundation's charitable purposes, (ii) is in the Foundation's best interest and for its benefit, and (iii) is fair and reasonable to the Foundation.

5. Documentation and Record Keeping. The determining officer will document the decision, and the Foundation will maintain a record of the decision.

Violations of this Policy

If any Foundation insider has cause to believe that another Foundation insider failed to disclose a potential conflict of interest, he or she should inform the determining officer.

Appendix A

Present Conflicts of Interest

The president of the Foundation is also a member and a director. His compensation has been determined formally and annually by the board of directors during times when the president has been excused from the meetings. Nevertheless, each of these determinations is considered to be a possible conflict of interest. And so, the board of directors has also made formally and annually a separate determination that this arrangement is fair and reasonable and in the best interests of the Foundation after careful and thorough consideration of the compensation of other similarly situated individuals (such determination having been made by the board members other than the president and while the president was not present). This determination process will continue in the same manner in the future.

The law firm in which a Foundation director is a partner is also, from time to time, receiving compensation for its legal services rendered to the Foundation. This is considered to be a possible conflict of interest. And so, the board of directors will formally and annually make a separate determination that this arrangement is fair and reasonable and in the best interests of the Foundation after careful and thorough consideration of the extent and fairness of such fees as compared to the fees of other similarly situated law firms (such determination will be made by the board members other than such director and while such director is not present).

In the event any other Foundation member or director (or an entity in which he or she has a significant relationship, as defined in the Conflict of Interest Policy) shall be considered to receive compensation or other fees ("remuneration") for services, or the remuneration or rate of remuneration of such person or entity shall be adjusted, the board of directors will follow similar procedures to determine if such remuneration (or additional remuneration) should be paid, and the appropriate amount of such remuneration (or additional remuneration).

Appendix B

F.M. KIRBY FOUNDATION CONFLICT OF INTEREST QUESTIONNAIRE

Your Name ____

As part of your annual compliance with our Conflict of Interest Policy, you are required to answer each of the following questions as fully as you believe necessary to make a complete disclosure of all possible conflicts of interest.

Definitions: For purposes of this questionnaire:

(a) The "Foundation" means the F.M. Kirby Foundation, Inc.

(b) A "family member" means your spouse, parent, grandparent, sibling, in-law, child, grandchild or any other relative living in the same household as you or a family member.

(c) A "grantee" is a charitable organization that the Foundation supports through monetary donations or otherwise.

1. In the last fiscal year, have you or any of your family members had a financial or other relationship (e.g., employee, significant investor or owner, creditor, borrower, governing board member (with voting rights), fiduciary relationship, advisor, officer, consultant, etc.) with a vendor, supplier, prospective grantee, or actual grantee of the Foundation or any other organization or person with which the Foundation conducts or, to your knowledge, is seeking to conduct business?

YES __________ **NO** __________

If the answer to the foregoing question is "YES", please supply the following information:

The names of the organizations (or persons); the nature and extent of the financial interest or other relationship; and (in the case of an interest or relationship of a family member) the family member's name and relationship to you. (You need not report any ownership interest of less than 5% unless that interest is substantial in relation to your assets or those of a family member, and you need not report borrowing from any financial institution that is authorized by law to lend to the general public.)

____

____

____

____

____

2. **Did you or any family member receive, in the past twelve months, any gifts, entertainment, rewards or other benefits, including tickets to events and/or fundraisers, of more than nominal value (greater than $100) from an actual or prospective grantee or any other organization or person with which the Foundation conducts business or, to your knowledge, is seeking to conduct business?**

YES __________ **NO** __________

If the answer to the foregoing is "YES", please supply the following information:

The names of the organizations (or persons); the item provided and approximate value of the item provided; and (in the case of a benefit to a family member) the family member's name and relationship to you.

3. **Did you or any family member receive, in the past twelve months, any gifts, entertainment, rewards or other benefits, including tickets to events and/or fundraisers, of more than nominal value (greater than $100) from the Foundation (excluding (i) compensation as a Foundation employee; (ii) reimbursement of expenses incurred in the transaction of Foundation business; and (iii) tickets to events where the primary purpose was to undertake Foundation business).**

YES __________ **NO** __________

If the answer to the foregoing is "YES", please supply the following information:

The item provided and approximate value of the item provided; and (in the case of a benefit to a family member) the family member's name and relationship to you. (Note that family members who are not employees, officers, members or directors of the Foundation should not be deemed to be undertaking Foundation business.)

4. **Do you know of any interest or activity of yourself or any family member not listed above, which may possibly be regarded as constituting a conflict of interest as described in the Foundation's Conflict of Interest Policy?**

YES __________ **NO** __________

If the answer to the foregoing is "YES", please describe the nature of the conflict and the circumstances under which it could arise.

____

____

____

____

____

Annual Statement

I have:

1. Received a copy of the Conflict of Interest Policy.
2. Read and understood the policy.
3. Agreed to comply with the policy, and to update the information provided in this questionnaire in the event of any changes.
4. Indicated my understanding that the Foundation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Signature: ____ Date: ____________

Printed Name: ____

F.M. Kirby Foundation, Inc.

Annual Report of the President to the

Members of the F.M. Kirby Foundation, Inc.

April 28, 2017

Please review the following information in conjunction with the enclosed 2016 F.M. Kirby Foundation, Inc. audit and Governance Letter as prepared by EisnerAmper, LLC and dated March 3, 2017. Consistent with the last few years, management made a decision, in concert with EisnerAmper, to continue the use of estimates, mainly for the Foundation's investments in limited partnerships. Throughout the audit and this report, certain figures may reference estimates made by management.

Executive Summary

- Administrative expenses increased modestly from 2015 to $974K.

- Investment management fees decreased in 2016 due to the termination of the investment with Mondrian Investment Partners (emerging markets equities) and lower asset values as a result of the Kirby Alliance.

- Federal excise tax increased, despite a decrease in the tax rate, due to realized gains resulting from the Kirby Alliance.

- Paid grants increased $23.6M due to the first installment of the larger Kirby Alliance grant commitments. Paid core grants decreased by $3.4M.

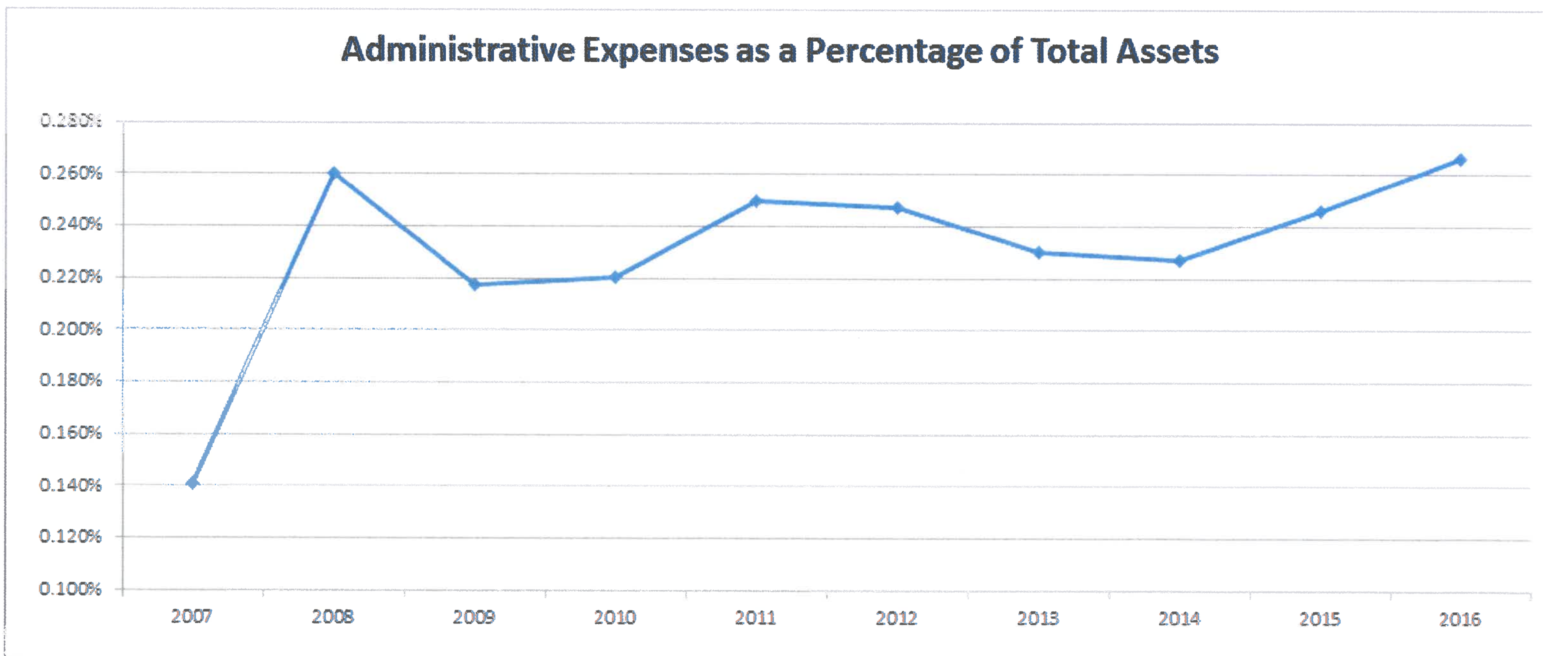
- Outstanding pledges increased $24.0M due to the accrual of the second installment of the larger Kirby Alliance grant commitments.

- The investments (exclusive of the $27M of cash for the Kirby Alliance reserved for distribution in January 2017) of the Foundation decreased $47.8M, or 12.5%, during the year to $335.6M on an absolute basis. On a time-weighted basis, the portfolio was up 6.3%.

Administrative Expenses

Administrative expenses increased modestly from $956K to $974K. The main drivers of the slight increase in expenses were an increase in salaries of $11K, or 1.7%, travel and conference expenses of $4K, or 23.4%, and software maintenance and support of $4K, or 13.9%. This increase in expenses was partially offset by a $3K, or 6.5%, decrease in accounting and legal expenses.

A longer term view of the Foundation's administrative expenses as a percentage of total assets is shown below. The jump in 2008 is mostly a reflection of a significant drop in the Foundation's total asset value. As in 2016, it is expected that this percentage will continue to increase as the asset value decreases as a result of the Kirby Alliance and expenses continue to increase modestly.



Investment Management Fees

Investment management fees decreased in 2016 due to the termination of the investment with Mondrian Investment Partners (emerging markets equities) and lower asset values as a result of the Kirby Alliance. The proceeds from the termination of Mondrian were invested in the JPMorgan Global Allocation Mutual Fund, which deducts fees from its net asset value, rather than billing the Foundation separately. Investment management fees paid to Mondrian in 2015 were $251K. The remaining decrease was due to lower asset values as a result of the Kirby Alliance, which is detailed further below.

Federal Excise Taxes

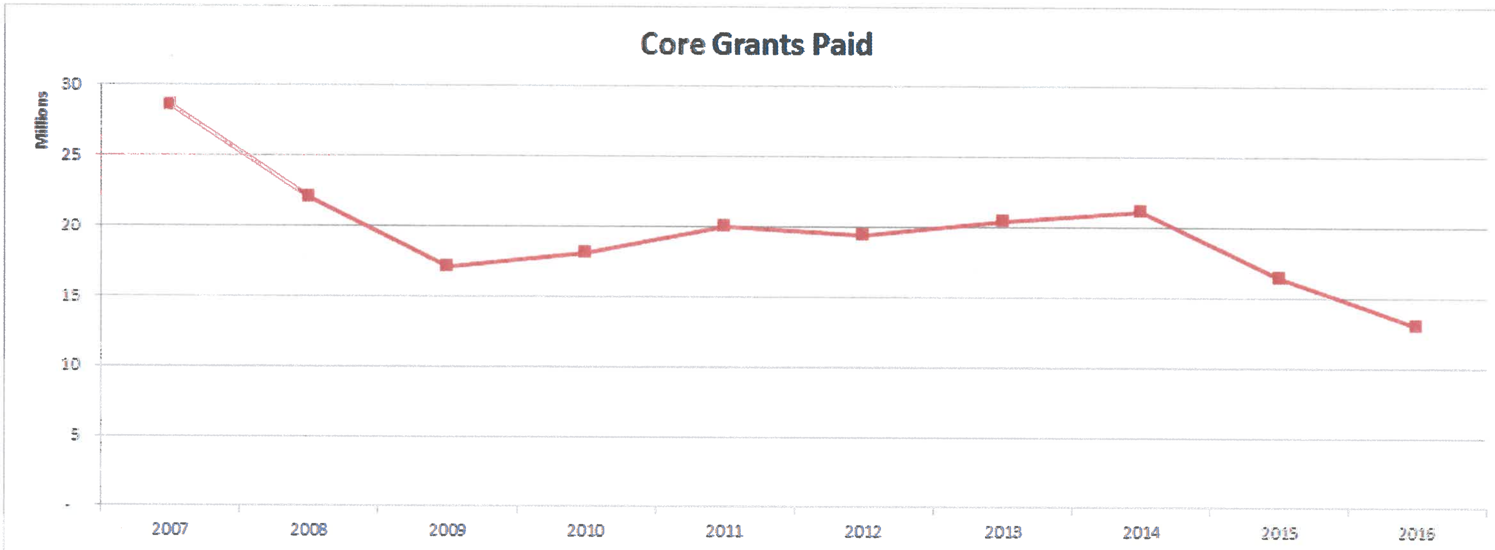
Federal excise tax increased, despite a decrease in the tax rate, due to realized gains resulting from the Kirby Alliance. The Foundation had net realized gains of $7.0M. The liquidation of $54 million from the portfolio to fund the first of the large Kirby Alliance grants resulted in significant incremental realized gains. The Foundation did not qualify for the 1% tax rate in 2015, but is projected to qualify for this rate in 2016 due to the acceleration of half of the aforementioned Kirby Alliance grants into December 2016.

Grants Paid and Promises to Give

On an accrual basis, the Foundation's grants expense increased $48.3M, or 268.8%, however, paid grants only increased $23.6M, or 127.0%. When the Kirby Alliance grants are excluded, the paid core grants level decreased by $3.4M, or 20.5%. The accrued grant expense level, when compared to paid grants, is higher due to an increase in the Foundation's promises to give. The Foundation increased promises to give by $24.0M, or 621.8%, to $27.9M as of December 31, 2016. The increase is due to new pledges of $27.6M (Kirby Alliance – $27.0M; Scheie Eye Institute – $100K; Fuqua School of Business – $333K; Greens Farms Academy – $140K) that were partially offset by payments on pledges of $3.5M (Kirby Alliance – $2.25M; Gill St. Bernard's School – $250K; Foundation for Morristown Medical Center – $200K; Sarah P. Duke Gardens – $333K; The Nature Conservancy/Adirondack Chapter & Adirondack Land

Trust – $500K).

A longer term view of the Foundation's annual core grants paid is shown in the graph below.

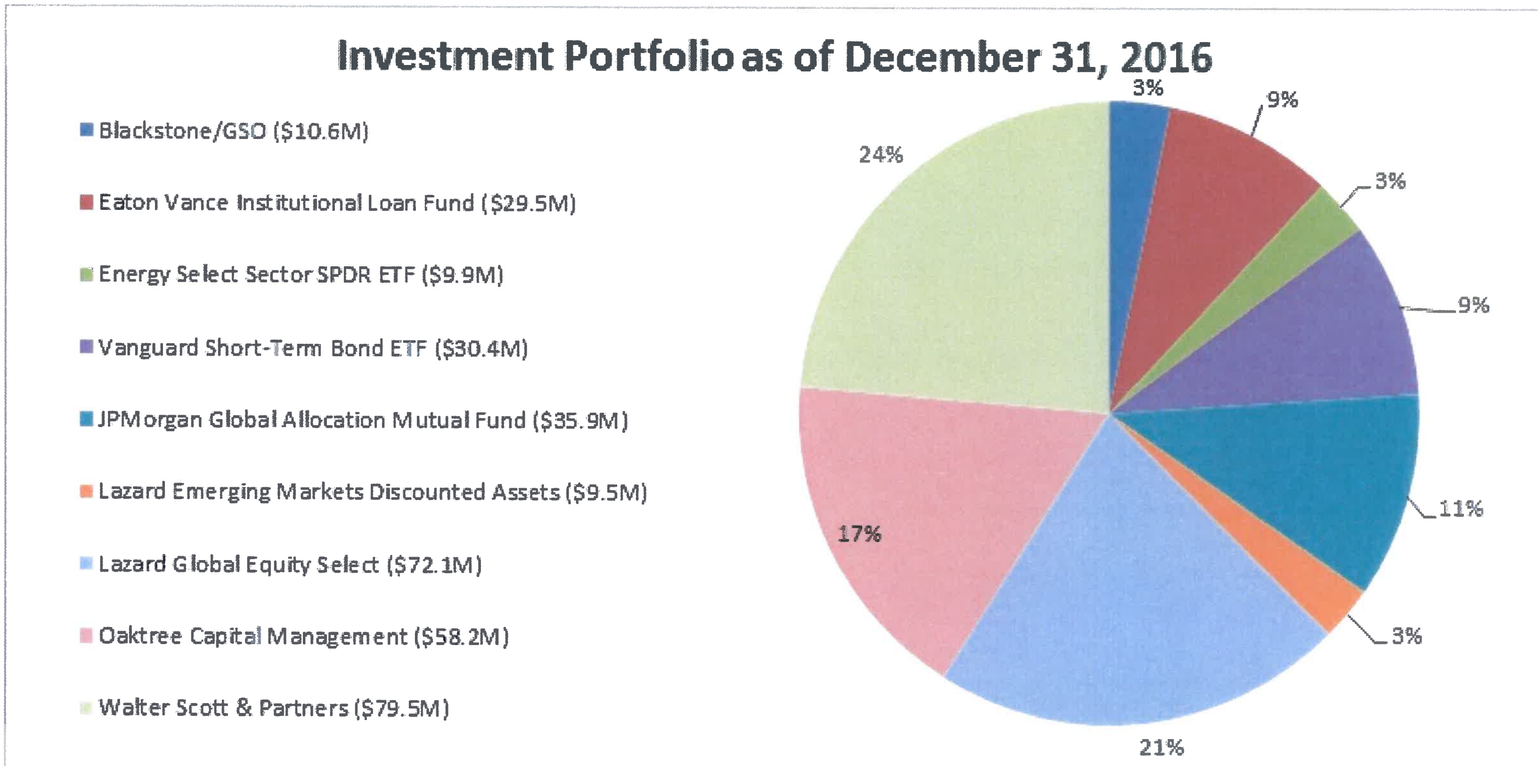


Net Realized and Unrealized Gains/Losses on Investments

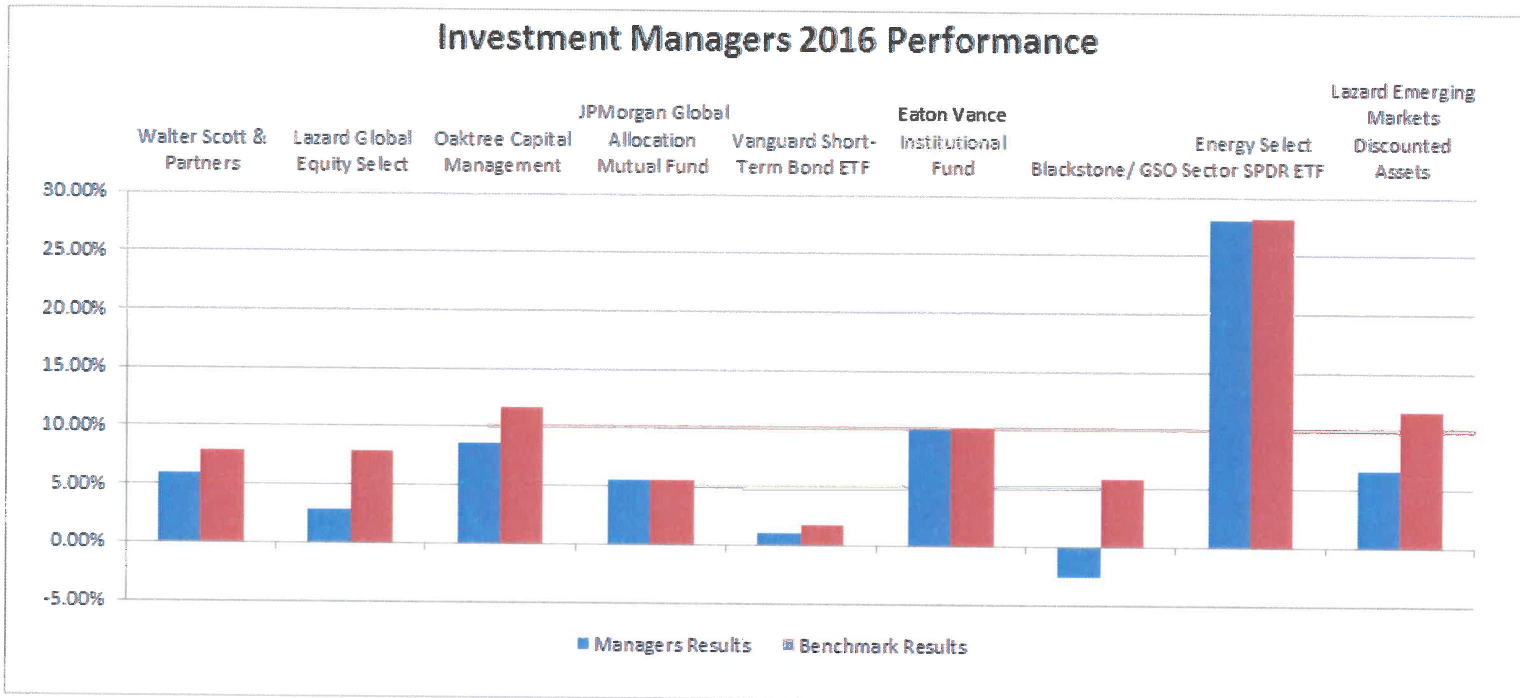
The Foundation had net realized and unrealized gains on investments of $13.7M in 2016 as compared to losses of $19.9M in 2015 due to the realized gains, as noted above, and an increase in unrealized gains to $37.4M. The increase in unrealized gains as compared to the prior year is due to the fact that the Foundation's investment portfolio, on a time-weighted basis, had a rate of return of 6.1%. This compared to a rate of return of 6.7% for the Foundation's blended 70/30 benchmark.

The investment portfolio is currently managed by Blackstone/GSO Partners (private lending fund for financially distressed companies), Eaton Vance Management (floating rate senior loan fund), JPMorgan Global Allocation Mutual Fund (global tactical asset allocation), Lazard Asset Management's Emerging Markets Discounted Assets (emerging markets equities), Lazard Global Equity Select (value-oriented global equities), Oaktree Capital Management (domestic convertible bonds), and Walter Scott & Partners (growth-oriented global equities). A portion of the Foundation's investment portfolio is also invested in the Vanguard Short-Term Bond ETF and the Energy Select Sector SPDR ETF.

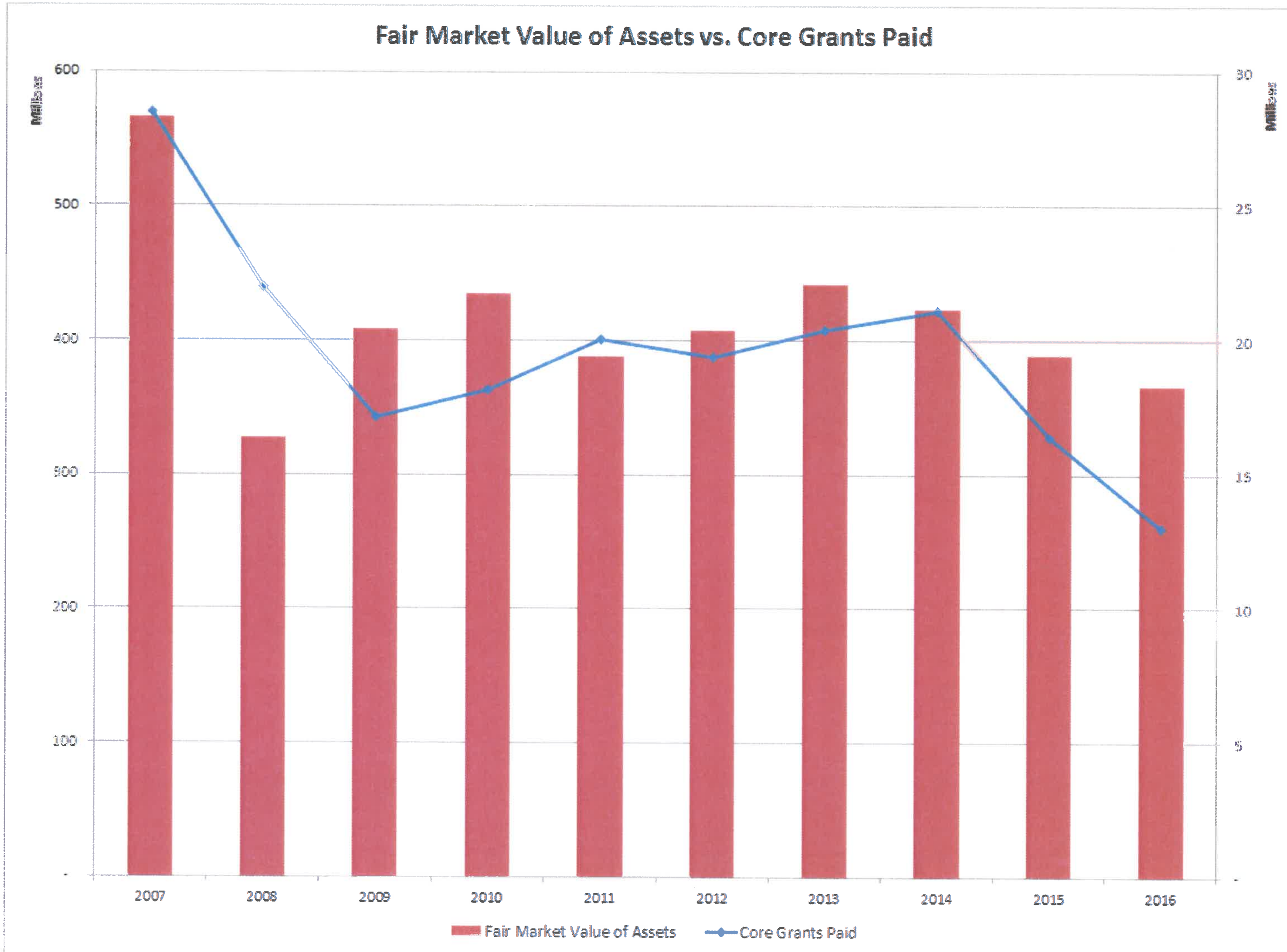
Please see the pie chart below highlighting the current allocation of the Foundation's portfolio between the nine investment managers.



The investment performance of the Foundation's portfolio managers for 2016, as compared with their respective benchmarks, is shown in the bar chart below. All performance results are net of fees and calculated on a cumulative, time-weighted basis. The managers are shown from left to right based on the largest assets under management to the smallest.



A longer term view of the Foundation's year-end investment portfolio market value, overlaid with the core grants paid levels, is shown below.



The Foundation's total assets are up \$38.1M, or 11.6%, on an absolute basis from the year-end low point of 2008. The assets, however, are still \$200.3M, or 35.4%, below the peak year-end level of 2007, which is contrary to many of the popular equity benchmarks. This is mainly the result of the IRS's mandatory 5% grants distribution requirement and expenses, which is a continuous headwind for the portfolio, and the significant grant distributions attributed to the Kirby Alliance. Put another way, if aggregate grants and expenses were added back into the portfolio, which total $245.9M over the past nine years, the portfolio would be above the year-end peak level of 2007.

Please let me know if you have any questions.

S. Dillard Kirby

EISNERAMPER
ACCOUNTANTS & ADVISORS

F.M. KIRBY FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015
(with supplementary information)

F.M. KIRBY FOUNDATION, INC.

Contents

	Page
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of financial position as of December 31, 2016 and 2015	3
Statements of activities for the years ended December 31, 2016 and 2015	4
Statements of cash flows for the years ended December 31, 2016 and 2015	5
Notes to financial statements	6 - 12
Supplementary Information	
Supplementary schedules of administrative expenses for the years ended December 31, 2016 and 2015	13

EisnerAmper LLP
111 Wood Avenue South
Iselin, NJ 08830-2700
T 732.243.7000
F 732.951.7400

www.eisneramper.com

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, 2016 and 2015, and the related statements of activities 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, 2016 and 2015, 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
ACCOUNTANTS & ADVISORS

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of administrative expenses on page 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

EisnerAmper LLP

Iselin, New Jersey
March 3, 2017

F.M. KIRBY FOUNDATION, INC.

Statements of Financial Position

	December 31, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$ 29,346,290	$ 4,813,352
Investments	335,571,783	383,386,449
Prepaid federal excise tax	41,576	179,072
Accrued investment income	848,936	399,732
Art and other collectible items	20,705	20,705
	$ 365,829,290	$ 388,799,310
LIABILITIES		
Accounts payable and accrued expenses	$ 378,247	$ 468,025
Promises to give	27,903,000	3,866,000
	28,281,247	4,334,025
NET ASSETS		
Unrestricted	337,548,043	384,465,285
	$ 365,829,290	$ 388,799,310

See notes to financial statements

F.M. KIRBY FOUNDATION, INC.

Statements of Activities

	Year Ended December 31,	
	2016	**2015**
Investment and other gains/(losses):		
Net realized and unrealized gains/(losses) on investments	**$ 13,716,788**	$ (19,885,906)
Dividends and interest	**8,390,735**	7,156,068
Total investment and other gains/(losses)	**22,107,523**	(12,729,838)
Expenses:		
Grants	**66,308,500**	17,979,335
Investment management fees	**1,604,406**	2,024,434
Federal excise tax	**137,497**	79,852
Administrative	**974,362**	955,832
Total expenses	**69,024,765**	21,039,453
Change in unrestricted net assets	**(46,917,242)**	(33,769,291)
Net assets, unrestricted, beginning of year	**384,465,285**	418,234,576
Net assets, unrestricted, end of year	**$ 337,548,043**	$ 384,465,285

See notes to financial statements

F.M. KIRBY FOUNDATION, INC.

Statements of Cash Flows

	Year Ended December 31, 2016	2015
Cash flows from operating activities:		
Change in unrestricted net assets	**$ (46,917,242)**	$ (33,769,291)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gains)/losses on investments	**(13,716,788)**	19,885,906
Changes in:		
Prepaid federal excise tax	**137,496**	(165,148)
Accrued investment income	**(449,204)**	33,738
Accounts payable and accrued expenses	**(89,778)**	(118,242)
Promises to give	**24,037,000**	(644,000)
Net cash used in operating activities	**(36,998,516)**	(14,777,037)
Cash flows from investing activities:		
Proceeds from sales of investments and returns of capital	**187,634,253**	237,858,146
Purchases of investments	**(126,102,799)**	(221,464,255)
Net cash provided by investing activities	**61,531,454**	16,393,891
Change in cash and cash equivalents	**24,532,938**	1,616,854
Cash and cash equivalents, beginning of year	**4,813,352**	3,196,498
Cash and cash equivalents, end of year	**$ 29,346,290**	$ 4,813,352
Supplemental disclosure of cash flow information:		
Excise tax paid	**$ -**	$ 245,000

See notes to financial statements

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% and 2% federal excise tax on net investment income under Section 4940(e) of the Code for 2016 and 2015, respectively. 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, 2016, the Foundation had excess distributions carryover of approximately $22,900,000.

[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 as applicable to not-for-profit organizations.

[4] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 initial maturities of three months or less.

[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:

- Permanently restricted net assets - represent net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Net assets: (continued)

- Temporarily restricted net assets - represent net assets subject to donor-imposed stipulations that will be met by actions of the Foundation, or by the passage of time; and earnings derived from donor-restricted endowments not yet appropriated by the Board of Directors.
- Unrestricted net assets - represent net assets not subject to donor-imposed stipulations.

As of December 31, 2016 and 2015, the Foundation had no temporarily restricted or permanently restricted net assets.

[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, 2016 and 2015 are as follows:

	2016	2015
Less than one year	$ 27,833,000	$ 3,533,000
One to five years	70,000	333,000
Promises to give, net	$ 27,903,000	$ 3,866,000

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, 2016 and 2015 were not material to the financial statements and therefore have not been recorded.

For the years ended December 31, 2016 and 2015, grants paid were $42,271,500 and $18,623,335, respectively.

In 2016, the Foundation made a conditional grant of $1,500,000, which is not included in the financial statements. Conditional grants are recognized when the conditions upon which they were made are substantially met. If the conditions are met, the grant is expected to be paid in 2017 and 2018.

[9] Income taxes:

Management has analyzed the tax positions taken by the Foundation and has concluded that as of December 31, 2016 and 2015, 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 uncertain tax positions, if any. There were no income tax related interest or penalties recorded for the years ended December 31, 2016 and 2015.

[10] New accounting pronouncement:

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-14 ("ASU 2016-14"), *Not-for-Profit Entities (Subtopic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] New accounting pronouncement: (continued)

The new standard will be effective for annual reporting periods issued for fiscal years beginning after December 15, 2017, (which will be the year beginning January 1, 2018 for the Foundation) with early adoption permitted. The Foundation is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements and related disclosures.

[11] Subsequent events:

The Foundation evaluated subsequent events through March 3, 2017, 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 unrestricted net assets 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.

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, 2016 and 2015 are summarized as follows:

	Cost	Fair Value	Excess of Fair Value Over Cost
Year Ended December 31, 2016:			
Balance at end of year	$ 298,143,922	$ 335,571,783	$ 37,427,861
Balance at beginning of year	$ 352,671,576	$ 383,386,449	30,714,873
Increase in unrealized gain			6,712,988
Realized net gain for year			7,003,800
Total net gain (realized and unrealized) on investments			$ 13,716,788

NOTE B - INVESTMENTS (CONTINUED)

	Cost	Fair Value	Excess of Fair Value Over Cost
Year Ended December 31, 2015:			
Balance at end of year	$ 352,671,576	$ 383,386,449	$ 30,714,873
Balance at beginning of year	$ 382,285,480	$ 419,666,246	37,380,766
Decrease in unrealized gain			(6,665,893)
Realized net gain for year			(13,220,013)
Total net loss (realized and unrealized) on investments			$ (19,885,906)

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.

Following is a description of the valuation methodologies used for investment assets included in Level 2 of the hierarchy.

Corporate bonds – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

Floating rate senior loan funds – When available, observable market data including pricing on recent closed market transactions, is used to value loans.

Emerging markets equities fund – Invests primarily in a diversified portfolio of closed-end funds and investment trusts that invest in equity securities of companies in one or more emerging market countries. Investments in securities listed on U.S. exchanges are valued at the last reported sales price of the respective exchange on the day of valuation. Investments in securities listed on foreign stock exchanges are valued in local currency at their last reported price and converted into U.S. dollars at the closing rates of exchange.

The following tables set forth, by level, the Foundation's assets at fair value, within the fair value hierarchy, as of December 31, 2016 and 2015:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 5,093,771	$ -	$ -	$ 5,093,771
Short-term bond funds	30,355,779	-	-	30,355,779
Global allocation fund	35,915,318	-	-	35,915,318
Equity securities – domestic	92,472,126	-	-	92,472,126
Equity securities – foreign	65,357,332	-	-	65,357,332
Preferred stock – domestic	2,401,371	-	-	2,401,371
Convertible bonds – domestic	-	55,282,851	-	55,282,851
Floating rate senior loan funds	-	29,385,268	-	29,385,268
Limited partnership interests:				
Emerging markets equities fund	-	9,456,562	-	9,456,562
Totals	$ 231,595,697	$ 94,124,681	$ -	325,720,378
Limited partnership interests measured at NAV (A):				
Private lending fund for financially distressed companies				9,851,405
Total investments				$ 335,571,783

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	$ 7,220,751	$ -	$ -	$ 7,220,751
Short-term bond funds	37,000,289	-	-	37,000,289
Global allocation fund	35,000,000	-	-	35,000,000
Equity securities – domestic	93,811,374	-	-	93,811,374
Equity securities – foreign	85,828,978	-	-	85,828,978
Preferred stock – domestic	5,521,475	-	-	5,521,475
Convertible bonds – domestic	-	69,031,419	-	69,031,419
Floating rate senior loan funds	-	32,209,236	-	32,209,236
Limited partnership interests:				
Emerging markets equities fund	-	9,349,677	-	9,349,677
Totals	$ 264,382,867	$ 110,590,332	$ -	374,973,199
Limited partnership interests measured at NAV (A):				
Private lending fund for financially distressed companies				8,413,250
Total investments				$ 383,386,449

(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, 2016 is as follows:

	Fair Value	Unfunded Commitments
Private lending fund for financially distressed companies		
Fund I	$ 2,865,800	$ 1,195,956
Fund II	6,985,605	8,647,478

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.

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2016 and 2015, there were no significant transfers into or out of Levels 1, 2 or 3.

NOTE D - 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, 2016 and 2015 were $61,872 and $60,808, respectively.

NOTE E - RELATED PARTIES

For the years ended December 31, 2016 and 2015, a member of the Foundation's Board of Directors served as the Foundation's legal counsel. Fees paid to the law firm for the years ended December 31, 2016 and 2015 were $1,163 and $5,870, respectively.

NOTE F - 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.

F.M. KIRBY FOUNDATION, INC.

Supplementary Schedules of Administrative Expenses

	Year Ended December 31, 2016	Year Ended December 31, 2015
Salaries	$ **618,718**	$ 608,082
Tax deferred retirement plan contributions	**61,872**	60,808
Payroll taxes and related expenses	**44,536**	44,084
Insurance	**101,093**	102,405
Accounting and legal	**46,163**	49,370
Software maintenance and support	**35,368**	31,061
Office and related expenses	**66,612**	60,022
	$ **974,362**	$ 955,832

EisnerAmper LLP
111 Wood Avenue South
Iselin, NJ 08830-2700
T 732.243.7000
F 732.951.7400

www.eisneramper.com

March 3, 2017

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 statements of F.M. Kirby Foundation, Inc. (the "Foundation"), as of and for the year ended December 31, 2016, and have issued our report thereon dated March 3, 2017. 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-PF and 990-T.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated November 16, 2016, 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 F.M. Kirby Foundation, Inc. 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.

EISNERAMPER
ACCOUNTANTS & ADVISORS

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 F.M. Kirby Foundation, Inc. is included in Note A to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their applications during fiscal-year 2016. No 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 of the investments 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 F.M. Kirby Foundation, Inc.'s financial statements to be adequate and neutral in content, consistent, and clear.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Significant Difficulties Encountered during the Audit

We encountered no encumbrances or other difficulties in dealing with management relating to the performance of 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 March 3, 2017.

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.

EISNERAMPER
ACCOUNTANTS & ADVISORS

Supplementary Information

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

****

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

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

Appendix A: Management Representation Letter

F. M. KIRBY FOUNDATION, INC.
17 DEHART STREET
P.O. BOX 151
MORRISTOWN, N.J. 07963-0151
973-538-4800

March 3, 2017

EisnerAmper LLP
111 Wood Avenue South
Iselin, NJ 08830

Ladies and Gentlemen:

This representation letter is provided in connection with your audit of the financial statements of the F.M. Kirby Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and cash flows for 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 March 3, 2017.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 17, 2016.

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. 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.

11. 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, 2016 and through the date of this letter that would require adjustment to or disclosure in the financial statements.

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.

13. Only assets available for general operating purposes are reported as unrestricted in the financial statements. There are no assets subject to donors' and grantors' restrictions or use for limited purposes.

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.

16. Contributions have been recorded as revenue upon receipt of cash or pledges deemed to be enforceable. There were no contributions received for 2016 or 2015.

Information Provided

17. 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.

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

19. 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.

20. 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. all known actual or possible instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements;

c. that 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 all the related-party relationships and transactions of which we are aware; and,

21. 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 except for our investments in certain hedge funds and private equity fund transactions; 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.

22. The Foundation has neither incurred, nor conducted joint activities related to fund-raising, political activities, or lobbying activities.

23. 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.

24. We acknowledge our responsibility for the presentation of the Supplementary Schedules of Administrative Expenses in accordance with U.S. GAAP and we believe the Supplementary Schedules of Administrative Expenses, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the Supplementary Schedules of Administrative Expenses have not changed from those used in the prior period and we have disclosed to you any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

25. We believe that there are no known significant conditions, events, or circumstances that currently impact the Foundation's ability to continue as a going concern.

26. 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

S. Dillard Kirby, President

By: F. Barra

Frank N. Barra, Treasurer and Secretary