

MOODY FOUNDATION

2302 POSTOFFICE STREET, SUITE. 704, GALVESTON, TEXAS 77550
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October 3, 2025

The Honorable Mark Henry
Galveston County Judge
600 59th Street
Galveston, Texas 77551

Dear Judge Henry:

In accordance with the Trust Indenture of The Moody Foundation, we are providing you, as County Judge of Galveston County, a copy of the audit report for the years ending December 31, 2024, and 2023 as prepared by Blazek & Vetterling Certified Public Accountants. Please advise, if you have any questions concerning this audit report.

We would appreciate your acknowledging receipt of the report by signing the duplicate copy of this letter and returning it in the enclosed self-addressed, stamped envelope.

Very truly yours,



Garrik Addison
Chief Financial Officer

GA/pm

Enclosures

RECEIVED BY: 
Mark Henry, County Judge

DATE: January 5th, 2026


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2302 POSTOFFICE STREET, STE. 704
GALVESTON, TEXAS 77550


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The Moody Foundation

**Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2024 and 2023**

Independent Auditors' Report

To the Board of Trustees of
The Moody Foundation:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Moody Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blazek & Vetterling

August 21, 2025

The Moody Foundation

Statements of Financial Position as of December 31, 2024 and 2023 *(in thousands)*

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash equivalents <i>(Note 3)</i>	\$ 28,083	\$ 36,113
Investment income receivable	3,050	1,512
Other assets	4,672	4,597
Investments <i>(Note 3)</i>	3,975,360	2,416,986
Interest in charitable remainder trust <i>(Note 3)</i>	595,777	1,736,143
Right-of-use asset – operating lease <i>(Note 5)</i>	478	588
TOTAL ASSETS	<u>\$ 4,607,420</u>	<u>\$ 4,195,939</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Federal excise tax payable <i>(Note 6)</i>	\$ 26	\$ 205
Grants payable <i>(Note 7)</i>	238,414	132,621
Operating lease liability <i>(Note 5)</i>	476	586
Deferred federal excise tax <i>(Note 6)</i>	10,496	6,337
Total liabilities	<u>249,412</u>	<u>139,749</u>
Net assets:		
Without donor restrictions	2,274,458	1,550,440
With donor restrictions <i>(Note 8)</i>	2,083,550	2,505,750
Total net assets	<u>4,358,008</u>	<u>4,056,190</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,607,420</u>	<u>\$ 4,195,939</u>

See accompanying notes to financial statements.

The Moody Foundation

Statement of Activities for the year ended December 31, 2024 (in thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Change in interest in charitable remainder trust		\$ 67,833	\$ 67,833
Net realized and unrealized gain on investments in marketable securities	\$ 256,196	84,503	340,699
Interest and dividends	36,576	15,616	52,192
Oil and gas royalties	15,784		15,784
Partnership income	32,669	13,948	46,617
Investment management expenses	(4,275)		(4,275)
Other income (Note 9)	12,110		12,110
Total revenue	349,060	181,900	530,960
Net assets released from restrictions:			
Distributions for foundation expenditures	604,100	(604,100)	
Total	953,160	(422,200)	530,960
EXPENSES:			
Program expenses:			
Grants awarded	218,461		218,461
Grant program management:			
Salaries, benefits and taxes	1,555		1,555
Legal and professional fees	201		201
Other expenses	349		349
Total grant program management	2,105		2,105
Total program expenses	220,566		220,566
Management and general:			
Salaries, benefits and taxes	1,004		1,004
Legal and professional fees	703		703
Other expenses	503		503
Total management and general	2,210		2,210
Federal excise tax (Note 6)	6,366		6,366
Total expenses	229,142		229,142
CHANGES IN NET ASSETS	724,018	(422,200)	301,818
Net assets, beginning of year	1,550,440	2,505,750	4,056,190
Net assets, end of year	\$ 2,274,458	\$ 2,083,550	\$ 4,358,008

See accompanying notes to financial statements.

The Moody Foundation

Statement of Activities for the year ended December 31, 2023 (in thousands)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Change in interest in charitable remainder trust		\$ 149,715	\$ 149,715
Net realized and unrealized gain on investments in marketable securities	\$ 195,598	68,992	264,590
Interest and dividends	14,217	5,580	19,797
Oil and gas royalties	15,669		15,669
Partnership income	11,774	4,621	16,395
Investment management expenses	(3,538)		(3,538)
Total revenue	233,720	228,908	462,628
Net assets released from restrictions:			
Distributions for foundation expenditures	26,632	(26,632)	
Total	260,352	202,276	462,628
EXPENSES:			
Program expenses:			
Grants awarded	24,259		24,259
Grant program management:			
Salaries, benefits and taxes	1,488		1,488
Legal and professional fees	185		185
Other expenses	553		553
Total grant program management	2,226		2,226
Total program expenses	26,485		26,485
Management and general:			
Salaries, benefits and taxes	717		717
Legal and professional fees	637		637
Other expenses	297		297
Total management and general	1,651		1,651
Federal excise tax (Note 6)	7,094		7,094
Total expenses	35,230		35,230
CHANGES IN NET ASSETS	225,122	202,276	427,398
Net assets, beginning of year	1,325,318	2,303,474	3,628,792
Net assets, end of year	\$ 1,550,440	\$ 2,505,750	\$ 4,056,190

See accompanying notes to financial statements.

The Moody Foundation

Statements of Cash Flows for the years ended December 31, 2024 and 2023 (in thousands)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 301,818	\$ 427,398
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Change in interest in charitable remainder trust	(67,834)	(149,715)
Distributions from charitable remainder trust	604,100	26,632
Net realized and unrealized gain on investments in marketable securities	(340,699)	(264,590)
Partnership income	(46,617)	(16,395)
Amortization of operating right-of-use asset	110	9
Change in federal excise tax assets and liabilities	3,980	5,666
Changes in operating assets and liabilities:		
Other assets	(75)	40
Grants payable	105,793	(65,907)
Operating lease liability	(110)	(11)
Net cash provided (used) by operating activities	<u>560,466</u>	<u>(36,873)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(748,054)	(778,675)
Proceeds from sales of investments	124,744	557,535
Net change in money market mutual funds held as investments	(383,362)	342,626
Capital investments in partnerships	(165,924)	(77,942)
Proceeds from distributions from charitable remainder trust	604,100	26,632
Issuance of note receivable		(2,800)
Net cash provided (used) by investing activities	<u>(568,496)</u>	<u>67,376</u>
NET CHANGE IN CASH EQUIVALENTS	(8,030)	30,503
Cash equivalents, beginning of year	<u>36,113</u>	<u>5,610</u>
Cash equivalents, end of year	<u>\$ 28,083</u>	<u>\$ 36,113</u>
<i>Supplemental disclosure of cash flow information:</i>		
Taxes paid	\$2,386	\$1,428
Lease assets financed by lease liability		\$597

See accompanying notes to financial statements.

The Moody Foundation

Notes to Financial Statements for the years ended December 31, 2024 and 2023

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Moody Foundation (the Foundation) is a private charitable foundation created in 1942 by W. L. Moody, Jr. and his wife, Libbie Rice Shearn Moody. For more than 80 years, the Foundation has funded projects and programs that better communities in the State of Texas. The purpose of the Foundation is to promote and fund projects in the charitable areas that include, but are not limited to, humanities, arts, religion, education, health, science, community, and social services in the State of Texas.

Federal income tax status – The Foundation is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (the Code) and is classified as a private foundation under §509(a). The Foundation is exempt from federal income tax on income from related activities under §501(a), but is subject to excise tax on its net investment income.

Cash equivalents include highly liquid investments with original maturities of three months or less and are held for ongoing operations.

Investments are reported at fair value. Realized gains and losses on securities sold are determined using the specific identification method and original cost. Purchases and sales of investments are reported on a trade-date basis. Unrealized gains and losses on securities arise from increases or decreases in fair value and include the effect of currency translation with respect to transactions and holdings of foreign securities.

Interest in charitable remainder trust – In November 2023, the last named income beneficiary of Libbie Shearn Moody Trust (the Trust) passed away and no further payments are expected to be paid to other life estates. The value of the Trust's assets at December 31, 2024 and 2023 represent the value of the remainderman interest due to the Foundation.

Right-of-use assets – operating leases are recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis as rent expense in the statement of activities.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Grants awarded are recognized as expense when the Foundation approves an unconditional commitment to a grant recipient. Commitments made but not yet funded are reported as grants payable. Grants payable in more than one year are reported at the present value of their future cash outflows using a risk-free rate-of-return applicable to the year the grant was made.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Management and general activities are not directly identifiable with specific program activities. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of building and improvements and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following (in thousands):

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash equivalents	\$ 28,083	\$ 36,113
Investment income receivable	3,050	1,512
Program notes receivable	2,950	2,950
Investments	3,975,360	2,416,986
Interest in charitable remainder trust	<u>595,777</u>	<u>1,736,143</u>
Total financial assets	4,605,220	4,193,704
Less financial assets not available for general expenditure:		
Investments	(3,975,360)	(2,416,986)
Program notes receivable	(2,950)	(2,950)
Interest in charitable remainder trust to be held in perpetuity, net of expected distribution of investment income	<u>(220,777)</u>	<u>(527,944)</u>
Total financial assets available for general expenditure	<u>\$ 406,133</u>	<u>\$ 1,245,824</u>

The Foundation's operating expenses are substantially supported by distributions from the charitable remainder trust, interest and dividend income and oil and gas royalties. For purposes of analyzing resources available to meet expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing charitable activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of the Foundation's liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due. The Foundation's investments are invested for long-term appreciation, but remain available to be spent at the Board of Trustees' (the Board) discretion. The Foundation operates with a balanced budget and determines the spending level for each year as part of the annual budget process. If investments are required to meet operating commitments, funds will be liquidated at the Board's discretion.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date. The types of investments included in Level 1 are securities traded and valued based upon a public exchange.
- *Level 2* – Inputs are quoted prices in nonactive markets or in active markets for similar assets or liabilities, or inputs which are either directly or indirectly observable with observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Investments in private equity partnerships and hedge funds, which do not have a readily determinable fair value and are not traded on a public exchange, are measured at net asset value per share (or its equivalent) using the practical expedient and are not required to be assigned a level within the fair value hierarchy.

Assets measured at fair value at December 31, 2024 are as follows (in thousands):

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash equivalents:				
Money market mutual funds	\$ 28,083			\$ 28,083
Investments:				
Commingled funds:				
Domestic market index		\$ 1,289,483		1,289,483
Global equity		830,440		830,440
Domestic fixed-income index		541,676		541,676
Money market mutual funds	440,155			440,155
Common stock – small-cap	161,798			161,798
U. S. Treasury securities	70,690			70,690
U. S. Government agency securities		68,316		68,316
Corporate debt securities		59,902		59,902
Municipal obligations		80		80
Other equities			\$ 36,400	36,400
Interest in charitable remainder trust			595,777	595,777
Total assets in fair value hierarchy	<u>\$ 700,726</u>	<u>\$ 2,789,897</u>	<u>\$ 632,177</u>	4,122,800
Investments:				
Private equity partnerships and hedge funds				476,420
Total assets measured at fair value				<u>\$ 4,599,220</u>

Assets measured at fair value at December 31, 2023 are as follows (in thousands):

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Cash equivalents:				
Money market mutual funds	\$ 36,113			\$ 36,113
Investments:				
Commingled funds:				
Domestic market index		\$ 845,008		845,008
Global equity		500,709		500,709
Domestic fixed-income index		381,022		381,022
Money market mutual funds	56,793			56,793
Common stock – small-cap	115,266			115,266
U. S. Treasury securities	69,076			69,076
U. S. Government agency securities		72,501		72,501
Corporate debt securities		58,314		58,314
Municipal obligations		87		87
Other equities			\$ 37,500	37,500
Interest in charitable remainder trust			1,736,143	1,736,143
Total assets in fair value hierarchy	<u>\$ 277,248</u>	<u>\$ 1,857,641</u>	<u>\$ 1,773,643</u>	3,908,532
Investments:				
Private equity partnerships and hedge funds				<u>280,710</u>
Total assets measured at fair value				<u>\$ 4,189,242</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at net asset value (NAV).
- *Commingled funds* consist of nine funds with daily to monthly redemption terms which require from 1 to 30 days' advance notice. These investments are valued at NAV as determined by fund management based upon the reported fair value of the underlying investments. The underlying assets of the funds are primarily invested in securities traded in public markets and NAV for these funds is available routinely to fund investors.
- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *U. S. Government agency securities, corporate debt securities and municipal obligations* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves, and broker quotes to calculate fair values.
- *Charitable remainder trust* is valued based upon the fair value of underlying assets in the charitable remainder trust.
- *Private equity partnerships and hedge funds* are valued at NAV (or its equivalent) as a practical expedient to determine fair value. NAV is based on information provided to the Foundation by the general partners or fund manager of each fund. Management takes into consideration consultation with fund investment managers and audited financial information to determine the overall reasonableness of the recorded fair values.
- *Other equities* are valued based upon a third-party appraisal.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

Investments are exposed to various risks such as interest rate, market and credit risks. Because of these risks, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

The Foundation is invested in corporations and partnerships (the Funds), which qualify as alternative investments because they do not have a readily determinable market value and do not trade on a public platform. The Funds consist of multiple global and domestic strategies which include both publicly and privately-traded equity and fixed-income securities in both foreign and domestic markets within the individual Funds. In the normal course of operations, the Funds may enter into various contractual commitments involving forward settlements, including future contracts, forward foreign currency contracts, short sales of securities, swap contracts, and writing of option contracts. Commitments involving future settlements give rise to off-balance-sheet market risk, which represents the potential for an accounting loss that can be caused by a change in the market value of a particular investment. Concentrations of credit risk may exist if a number of companies in which the Funds invest are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Details of the Foundation's investments in private equity and hedge funds are as follows (in thousands):

STRATEGY	2024 FAIR VALUE	2023 FAIR VALUE	REMAINING LIFE FOR LOCK-OUT PERIOD	REDEMPTION TERMS
Private equity funds* – Invest in a diversified portfolio of partnerships that invest in middle market companies, healthcare, media and technology, secured debt, leveraged buyouts, growth equity, venture capital, distressed senior debt, and private market transactions.	\$304,428	\$218,350	Funds dissolve between 2026 and 2035 subject to extension or early termination. May be further extended by the general partner subject to approval by the limited partners.	Distributions are made solely at the discretion of the general partners. The Foundation has no ability for redemption except in limited cases.
Hedge funds – Invest primarily in structured credit securities, global fixed income and foreign exchange funds.	\$171,992	\$62,360	None.	Monthly or quarterly redemptions.
Total	\$476,420	\$280,710		

* The Foundation has unfunded private equity commitments of approximately \$252 million at December 31, 2024.

Changes in the value of Level 3 assets consist of the following (in thousands):

	OTHER EQUITIES	CHARITABLE REMAINDER TRUST	TOTAL
Balance at December 31, 2022	\$ 33,100	\$ 1,639,692	\$ 1,672,792
Unrealized gain	4,400	149,715	154,115
Distributions		(53,264)	(53,264)
Balance at December 31, 2023	37,500	1,736,143	1,773,643
Unrealized gain (loss)	(1,100)	67,833	66,733
Distributions		(1,208,199)	(1,208,199)
Balance at December 31, 2024	\$ 36,400	\$ 595,777	\$ 632,177

NOTE 4 – INVESTMENT AND SPENDING POLICY

The Foundation follows an investment and spending policy that attempts to provide a predictable stream of income to fund its charitable activities. Following this strategy, the Board invests all Foundation assets, restricted and unrestricted, in a manner that is intended to produce results that meet or exceed minimum distribution requirements plus inflation while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Foundation has a policy of appropriating for distribution each year an amount that at least meets the minimum distribution as required by tax laws pertaining to private foundations. These distribution payouts will be used to meet both grant making and administrative needs of the Foundation. To meet the payout level determined each year, the Foundation follows the investment policy described above, utilizing both income and capital appreciation. Where prudent, and not inconsistent with the Foundation's trust indenture or the Uniform Prudent Investor Act (the Act) of the Texas Trust Code, the Foundation may use a portion of the principal of certain funds to meet the established payout or to fund special projects, as determined by the Board.

NOTE 5 – RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Foundation leases certain office space used in its operations that is classified as an operating lease. Payments due under these lease contracts are fixed. The Foundation elected to use a risk-free rate for a period comparable with that of the lease term as the discount rate. The components of lease cost are as follows (in thousands):

	2024	2023
Operating lease cost – rent expense	\$132	\$153
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	\$132	\$155

Reconciliation of the undiscounted cash flows related to the operating lease to the discounted amount reported in the statement of financial position as of December 31, 2024 are as follows (in thousands):

2025	\$	132
2026		132
2027		132
2028		<u>121</u>
Total minimum lease payments		517
Less discount to present value		<u>(41)</u>
Total lease liability recognized	\$	<u>476</u>

As of December 31, 2024 and 2023, the weighted-average remaining lease term for the operating lease is 3.9 years and 4.9 years, respectively. The weighted-average discount rate associated with the operating lease as of December 31, 2024 and 2023 is 4.1%.

NOTE 6 – FEDERAL EXCISE TAX

The Foundation qualifies as a tax-exempt organization; and accordingly, is not subject to federal income tax, except to the extent that it has unrelated business income. However, the Code imposes a 1.39% excise tax on private foundations on net investment income (principally interest, dividends and net realized capital gains, less expenses incurred in the production of investment income).

A deferred tax liability results from unrealized increases or decreases in fair value (appreciation) that are reported for financial statement purposes prior to recognition for tax purposes. Deferred taxes have been provided at 1.39%.

The Foundation's federal excise tax expense activity is as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Current federal excise tax	\$ 2,207	\$ 1,669
Deferred federal excise tax expense	<u>4,159</u>	<u>5,425</u>
Total federal excise tax expense	<u>\$ 6,366</u>	<u>\$ 7,094</u>
Current federal excise tax payable	\$ (26)	\$ (205)
Deferred federal excise tax liability	<u>\$ (10,496)</u>	<u>\$ (6,337)</u>

Internal Revenue Code §4942 requires that the Foundation make qualifying charitable distributions equal to approximately 5% of the fair value of noncharitable assets reduced by acquisition indebtedness, if any, with respect to such assets. Such qualifying distributions must be made by the end of the succeeding taxable year in order to avoid the imposition of a 30% excise tax on any undistributed income. The Foundation is currently in compliance with these provisions and is not subject to this excise tax on undistributed income. The Foundation believes that it has appropriate support for the excise tax positions taken, and as such, does not have any uncertain tax positions that would result in a material impact on the Foundation's financial position or statement of activities.

NOTE 7 – GRANTS PAYABLE

At December 31, 2024, grants approved and committed for future payments are expected to be funded as follows (in thousands):

2025	\$ 70,147
2026	37,020
2027	18,560
2028	18,121
2029	13,734
Thereafter	<u>106,000</u>
Total	263,582
Discount at rates ranging from 0.2% to 4.6%	<u>(25,168)</u>
Total grants payable	<u>\$ 238,414</u>

Grants payable at December 31, 2024 include approximately \$170 million in amounts due in the aggregate to the Children's Medical Center Foundation and Rice University.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Subject to the passage of time:		
Interest in charitable remainder trust	<u>\$ 297,889</u>	<u>\$ 868,072</u>
In perpetuity, not subject to appropriation or expenditure:		
Interest in charitable remainder trust	297,889	868,072
Investments	<u>1,487,772</u>	<u>769,606</u>
Total not subject to appropriation or expenditure	<u>1,785,661</u>	<u>1,637,678</u>
Total net assets with donor restrictions	<u>\$ 2,083,550</u>	<u>\$ 2,505,750</u>

The Board, following the provisions of the Foundation's trust indenture and the Texas Trust Code, classifies net assets, revenue, gains, and losses based on the existence or absence of donor-imposed restrictions, as applicable. Accordingly, net assets of the Foundation and changes therein are classified and reported as such.

Net assets with donor restrictions subject to the passage of time consist of future distributions of the remainder interest in the Trust. Assets are released from restriction when time restrictions are met.

Net assets restricted in perpetuity consist primarily of investments from the original donors to be maintained in perpetuity, invested distributions from the charitable remainder trust and the undistributed remainder interest to be maintained in perpetuity, and paintings to be held in perpetuity.

NOTE 9 – RELATED PARTY TRANSACTIONS

Two members of the Board are each beneficiaries of two separate trusts that, collectively with two other separate trusts of which their siblings are each beneficiaries, has a majority ownership interest in the ultimate holding company of Moody National Bank of Galveston (the Bank). The Bank leases office space to the Foundation and provides the Foundation with general banking services, general bookkeeping services, and physical custody of records and marketable securities. Total payments to the Bank were approximately \$644,000 and \$631,000 during the years ended December 31, 2024 and 2023, respectively.

The Bank also serves as trustee for the Libbie Shearn Moody Trust (see Note 1).

Moody Memorial Research Institute (MMRI) was created in 2018 as an initiative to create a medical research organization. In December 2024, MMRI filed a certificate of termination with the Texas Secretary of State. As a result of the dissolution of the entity, the Foundation received approximately \$12 million in 2024 from MMRI that is included with other income.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 21, 2025, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
