

## **Sterling-Turner Foundation**

Financial Statements – Modified Cash Basis  
and Independent Auditors' Report  
for the years ended December 31, 2023 and 2022

# Sterling-Turner Foundation

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## **Independent Auditors' Report**

To the Board of Trustees of  
Sterling-Turner Foundation:

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Sterling-Turner Foundation, which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2023 and 2022, and the related statements of revenue and expenses – modified cash basis and of cash flows – modified cash basis 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 assets, liabilities, and net assets of Sterling-Turner Foundation as of December 31, 2023 and 2022, and its revenue, expenses and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

#### ***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 Sterling-Turner 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.

#### ***Basis of Accounting***

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### ***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.

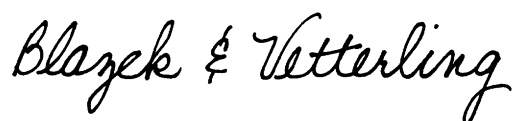
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 Sterling-Turner 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 Sterling-Turner 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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the schedule of grants paid during the year ended December 31, 2023 is presented for purposes of additional analysis and is 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 our audit 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.



December 30, 2025

## Sterling-Turner Foundation

### Statements of Assets, Liabilities and Net Assets – Modified Cash Basis as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 198,014	\$ 569,432
Investments, at cost <i>(Note 3)</i> :		
Common stock	11,800,452	11,688,914
Money market mutual funds	444,333	495,130
Prepaid taxes and other assets	<u>7,280</u>	<u>10,940</u>
TOTAL ASSETS	<u>\$ 12,450,079</u>	<u>\$ 12,764,416</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Excise tax payable <i>(Note 4)</i>	\$ 11,336	
Net assets without donor restrictions	<u>12,438,743</u>	<u>\$ 12,764,416</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,450,079</u>	<u>\$ 12,764,416</u>

See accompanying notes to financial statements.

## Sterling-Turner Foundation

### Statements of Revenue and Expenses – Modified Cash Basis for the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
REVENUE:		
Interest and dividends	\$ 2,221,457	\$ 2,113,537
Realized gains and capital gain distributions	709,756	1,890,281
Investment fees and taxes	<u>(123,421)</u>	<u>(169,813)</u>
Total revenue	<u>2,807,792</u>	<u>3,834,005</u>
EXPENSES:		
Program services:		
Grants made	2,914,000	1,315,000
Salaries and related costs	78,733	97,488
Office costs	<u>37,874</u>	<u>40,824</u>
Total program services	3,030,607	1,453,312
Management and general:		
Professional fees	29,239	21,643
Salaries and related costs	17,127	21,207
Office costs	<u>9,667</u>	<u>10,080</u>
Total management and general	56,033	52,930
Federal excise tax ( <i>Note 4</i> )	<u>46,825</u>	<u>53,142</u>
Total expenses	<u>3,133,465</u>	<u>1,559,384</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(325,673)	2,274,621
Net assets without donor restrictions, beginning of year	<u>12,764,416</u>	<u>10,489,795</u>
Net assets without donor restrictions, end of year	<u>\$ 12,438,743</u>	<u>\$ 12,764,416</u>

*See accompanying notes to financial statements.*

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## Sterling-Turner Foundation

### Statements of Cash Flows – Modified Cash Basis for the years ended December 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ (325,673)	\$ 2,274,621
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided (used) by operating activities:		
Realized gains and capital distributions	(709,821)	(1,890,281)
Changes in operating assets and liabilities:		
Prepaid taxes and other assets	3,660	3,142
Excise tax payable	<u>11,336</u>	<u>          </u>
Net cash provided (used) by operating activities	<u>(1,020,498)</u>	<u>387,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(6,304,637)	(7,344,854)
Proceeds from sales of investments and capital distributions	6,902,920	7,445,053
Net change in money market mutual funds held as investments	<u>50,797</u>	<u>(87,625)</u>
Net cash provided by investing activities	<u>649,080</u>	<u>12,574</u>
NET CHANGE IN CASH	(371,418)	400,056
Cash, beginning of year	<u>569,432</u>	<u>169,376</u>
Cash, end of year	<u>\$ 198,014</u>	<u>\$ 569,432</u>
<i>Supplemental disclosure of cash flow information:</i>		
Federal excise tax paid	\$31,000	\$54,000

*See accompanying notes to financial statements.*

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## Sterling-Turner Foundation

Notes to Financial Statements for the years ended December 31, 2023 and 2022

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Sterling-Turner Foundation (the Foundation) was established in 1960 by Isla Carroll Sterling-Turner for the purpose of supporting charities in Harris County, Texas. In 1982, the geographic support area was expanded to the entire State of Texas at the discretion of the Board of Trustees (the Board). Since 2003, the Board has limited funding to charities in the following five Texas counties: Tom Green, Kerr, Travis, Fort Bend, and Harris.

Basis of presentation – The accompanying financial statements are presented in accordance with the modified cash basis of accounting. This method of accounting differs from generally accepted accounting principles primarily in that investments are reported at cost rather than fair value, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when incurred. The Foundation recognizes federal tax activity and any related asset or liability in the tax year to which it pertains. Realized gains and losses on sales of investments are computed using the first-in, first-out method.

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 which is subject to federal excise tax on net investment income.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. *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. All of the Foundation's net assets are *net assets without donor restrictions* as they are available to support the broad purposes of the Foundation.

Grant commitments are recognized as expenses when paid by the Foundation. At December 31, 2023, the Foundation had no unpaid grant commitments.

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. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs, office rent, certain supplies, and insurance are allocated on the basis of estimated time and effort expended.

### NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Foundation's financial assets comprise cash and investments with a fair value of \$70.1 million at December 31, 2023 and a fair value of \$71.5 million at December 31, 2022. All financial assets are available to fund the Foundation's general expenditures within one year at the discretion of the Board. The Board approves grants and other general expenditures as part of the annual budget process. General expenditures are funded from interest and dividends received supplemented by proceeds from sales of common stock, as needed.

### **NOTE 3 – INVESTMENTS IN COMMON STOCK**

Investments in common stock have a fair value of \$69.4 million at December 31, 2023 and \$70.4 million at December 31, 2022. The fair value is based on the closing price reported on the active market on which the individual securities are traded. One of the Foundation's holdings comprises 56% of the total fair value of common stock at December 31, 2023. That security comprises 62% of the total fair value of the Foundation's holdings at December 31, 2022.

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the fair value amounts in this disclosure.

### **NOTE 4 – FEDERAL EXCISE TAX**

The Code imposes an excise tax on net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). The Foundation computes its provision for federal excise tax at the rate of 1.39%.

Internal Revenue Code §4942 requires that the Foundation annually make qualifying charitable distributions of approximately 5% of the fair value of noncharitable assets during the prior year 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% federal excise tax on any undistributed income. The Foundation is currently in compliance with these provisions and is not subject to this federal excise tax on undistributed income.

The Foundation believes that it has appropriate support for the federal excise tax positions taken and, as such, does not have any uncertain tax positions that could result in a material impact on the Foundation's financial statements.

### **NOTE 5 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 30, 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.

## Sterling-Turner Foundation

Schedule of Grants Paid during the year ended December 31, 2023

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<u>Grantee</u>	<u>Amount Paid</u>
Alley Theatre	\$ 20,000
Arms of Hope Medina Campus	15,000
Big Brothers Big Sisters Lone Star	30,000
Boerne Performing Arts	10,000
Bo's Place	15,000
Boys & Girls Clubs of Greater Houston, Inc.	25,000
Boys & Girls Country of Houston, Inc.	15,000
Bridges to Life	20,000
Camp for All Foundation	50,000
Casa de Esperanza de los Ninos, Inc.	30,000
Clayton Dabney Foundation	10,000
Comal ISD	40,000
Council on Recovery	5,000
Crime Stoppers of Houston, Inc.	10,000
Dietert Center	20,000
Discovery Green Conservancy	25,000
Forge for Families, The	40,000
Gladney Center for Adoption	15,000
Grape Creek Volunteer Fire Department, Inc.	25,000
Hermann Park Conservancy	25,000
Hope and Healing Center & Institute	60,000
Hope Mommies, Inc.	35,000
Houston Arboretum & Nature Center	25,000
Houston Ballet Foundation	20,000
Houston Botanic Gardens	25,000
Houston Children's Charity	50,000
Houston Eye Associates Foundation	10,000
Houston Food Bank, The	55,000
Houston Grand Opera Association	20,000
Houston Museum of Natural Science	25,000
Houston Symphony Society	20,000
Houston Zoo, Inc.	30,000
Houston's Amazing Place, Inc.	30,000
Joy Development School	50,000
Kerr County Christian Action Council	15,000
Kids' Meals, Inc.	100,000
Kinkaid School	500,000
Lord of the Streets Episcopal Church	10,000
Memorial Hermann Foundation	25,000
Mercy Gate Ministries	40,000
Moving Waters	10,000
Museum of Fine Arts Houston	119,000

(continued)

## Sterling-Turner Foundation

Schedule of Grants Paid during the year ended December 31, 2023

(continued)

<u>Grantee</u>	<u>Amount Paid</u>
National Medal of Honor Museum	100,000
Neuhaus Memorial Foundation, W. Oscar	10,000
Nick Finnegan Counseling Center	30,000
One Hope for Kids	50,000
Open Door Mission Foundation	10,000
P4L	25,000
Pathways for Little Feet	15,000
re:MIND	60,000
Remember the Alamo Foundation	500,000
Ronald McDonald House Charities of Central Texas, Inc.	15,000
Ronald McDonald House of Houston, Inc.	25,000
San Angelo Museum of Fine Arts	50,000
Santa Maria Hostel, Inc.	25,000
SEAL Legacy Foundation, Inc.	30,000
Small Steps Nurturing Center	35,000
Spaulding for Children	10,000
Spring Branch Community Health Center	20,000
Star of Hope Mission	55,000
Taping for the Blind	10,000
Texas Children's Hospital	15,000
Texas Education Works	40,000
Texas Hearing Institute – Center for Hearing and Speech	10,000
Timberwood Park Elementary PTSA	10,000
Wall Volunteer Fire Department, Inc.	25,000
Women's Home	20,000
Total grants paid	<u>\$ 2,914,000</u>