

Sterling-Turner Foundation

Financial Statements – Modified Cash Basis
and Independent Auditors' Report
for the years ended December 31, 2024 and 2023

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, 2024 and 2023, 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, 2024 and 2023, 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.

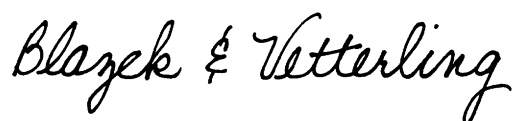
In performing an audit in accordance with generally accepted auditing standards, we:

- 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, 2024 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash	\$ 150,874	\$ 198,014
Investments, at cost <i>(Note 3)</i> :		
Common stock	13,418,667	11,800,452
Money market mutual funds	413,467	444,333
Prepaid taxes and other assets	<u>7,280</u>	<u>7,280</u>
TOTAL ASSETS	<u>\$ 13,990,288</u>	<u>\$ 12,450,079</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Excise tax payable <i>(Note 4)</i>	\$ 55,052	\$ 11,336
Net assets without donor restrictions	<u>13,935,236</u>	<u>12,438,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,990,288</u>	<u>\$ 12,450,079</u>

See accompanying notes to financial statements.

Sterling-Turner Foundation

Statements of Revenue and Expenses – Modified Cash Basis for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
REVENUE:		
Interest and dividends	\$ 2,274,161	\$ 2,221,457
Realized gains and capital gain distributions	3,118,797	709,756
Investment fees and taxes	<u>(179,435)</u>	<u>(123,421)</u>
Total revenue	<u>5,213,523</u>	<u>2,807,792</u>
EXPENSES:		
Program services:		
Grants made	3,440,000	2,914,000
Salaries and related costs	100,160	78,733
Office costs	<u>43,122</u>	<u>37,874</u>
Total program services	3,583,282	3,030,607
Management and general:		
Professional fees	27,580	29,239
Salaries and related costs	21,788	17,127
Office costs	<u>11,884</u>	<u>9,667</u>
Total management and general	61,252	56,033
Federal excise tax (<i>Note 4</i>)	<u>72,496</u>	<u>46,825</u>
Total expenses	<u>3,717,030</u>	<u>3,133,465</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,496,493	(325,673)
Net assets without donor restrictions, beginning of year	<u>12,438,743</u>	<u>12,764,416</u>
Net assets without donor restrictions, end of year	<u>\$ 13,935,236</u>	<u>\$ 12,438,743</u>

See accompanying notes to financial statements.

Sterling-Turner Foundation

Statements of Cash Flows – Modified Cash Basis for the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets without donor restrictions	\$ 1,496,493	\$ (325,673)
Adjustments to reconcile changes in net assets without donor restrictions to net cash used by operating activities:		
Realized gains and capital distributions	(3,118,797)	(709,821)
Changes in operating assets and liabilities:		
Prepaid taxes and other assets		3,660
Excise tax payable	<u>43,716</u>	<u>11,336</u>
Net cash used by operating activities	<u>(1,578,588)</u>	<u>(1,020,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(10,971,592)	(6,304,637)
Proceeds from sales of investments and capital distributions	12,472,174	6,902,920
Net change in money market mutual funds held as investments	<u>30,866</u>	<u>50,797</u>
Net cash provided by investing activities	<u>1,531,448</u>	<u>649,080</u>
NET CHANGE IN CASH	(47,140)	(371,418)
Cash, beginning of year	<u>198,014</u>	<u>569,432</u>
Cash, end of year	<u>\$ 150,874</u>	<u>\$ 198,014</u>
<i>Supplemental disclosure of cash flow information:</i>		
Federal excise tax paid	\$28,780	\$31,000

See accompanying notes to financial statements.

Sterling-Turner Foundation

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

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, 2024, 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 \$74.8 million at December 31, 2024 and a fair value \$70.1 million at December 31, 2023. 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 \$74.2 million at December 31, 2024 and \$69.4 million at December 31, 2023. 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, 2024. That security also comprises 56% of the total fair value of the Foundation's holdings at December 31, 2023.

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, 2024

<u>Grantee</u>	<u>Amount Paid</u>
Alley Theatre	\$ 30,000
Angela House	25,000
Arms of Hope – Medina Campus	25,000
Asia Society Texas Center	25,000
Avondale House	20,000
BEAR Be a Resource for CPS Kids	30,000
Bergheim Volunteer Fire Department	30,000
Big Brothers Big Sisters Lone Star	20,000
Bookspring	15,000
Bo’s Place	15,000
Boys & Girls Club of Greater Houston, Inc.	25,000
Boys & Girls Country of Houston, Inc.	25,000
Bridges to Life	25,000
Camp for All Foundation	50,000
Casa de Esperanza de los Ninos, Inc.	30,000
Casa Mateo	25,000
Center for Hearing and Speech	25,000
Children’s Assessment Center Foundation	25,000
Children’s Museum, Inc.	25,000
Comal ISD	50,000
Communities in School Houston	20,000
Council on Recovery	10,000
Covenant House Texas	25,000
Crime Stoppers of Houston	25,000
Crossway Bible Church, San Antonio	120,000
Cystic Fibrosis Foundation	20,000
Dietert Center	20,000
Discovery Green Conservancy	30,000
Epilepsy Texas Foundation	10,000
Eyes on Me, Inc.	20,000
Forge for Families	75,000
Grape Creek Volunteer Fire Department	30,000
Healthcare for the Homeless Houston	25,000
Hermann Park Conservancy	30,000
Hill Country CASA, Inc.	15,000
Hill Country Christian Counseling Center	30,000
Hope and Healing Center & Institute	50,000
Hope Mommies	25,000
Houston Arboretum & Nature Center	30,000
Houston Ballet Foundation	30,000
Houston Botanic Gardens	50,000
Houston Community Toolbank	15,000

(continued)

Sterling-Turner Foundation

Schedule of Grants Paid during the year ended December 31, 2024

(continued)

<u>Grantee</u>	<u>Amount Paid</u>
Houston Food Bank	100,000
Houston Grand Opera	30,000
Houston Museum of Natural Science	30,000
Houston Symphony Society	30,000
Houston Zoo, Inc.	35,000
Houston's Amazing Place	50,000
Hunt Volunteer Fire Department	30,000
James Philips Williams Memorial Foundation	50,000
John Paul II Foundation for Life and Family	25,000
Joy Development School	50,000
Kerr County Christian Action Council	15,000
Kick Drugs Out of America Foundation	25,000
Kid's Meals, Inc.	100,000
Kimble Rural Fire Department	30,000
KIPP Texas, Inc.	25,000
Lord of the Streets	20,000
Magnificat Houses, Inc.	50,000
Main Street Ministries	15,000
Memorial Hermann Foundation	50,000
Memorial Park Conservancy	30,000
Mercy Gate Ministries, Inc.	50,000
Moving Waters	25,000
Museum of Fine Arts Houston	200,000
Nehemiah Center	25,000
Nick Finnegan Counseling Center	25,000
One Hope for Kids	50,000
Open Door Mission	60,000
P4L	20,000
Pathways for Little Feet	25,000
Pro-Vision Ministries Inc.	25,000
PTSD Foundation of America	20,000
Raphael Community Free Clinic	20,000
re:MIND	30,000
Ronald McDonald House Charities of Central Texas	50,000
Ronald McDonald House of Houston	50,000
San Angelo Museum of Fine Arts	50,000
Santa Maria Hostel, Inc.	10,000
Schreiner University – Hill Country College Fund	30,000
Second Servings of Houston	30,000
Small Steps Nurturing Center	50,000
Society of St. Vincent DePaul	35,000
Spaulding for Children	10,000

(continued)

Sterling-Turner Foundation

Schedule of Grants Paid during the year ended December 31, 2024

(continued)

<u>Grantee</u>	<u>Amount Paid</u>
Spring Branch Community Health Center	25,000
SpringSpirit, Inc.	25,000
Stages	25,000
Star of Hope Mission	80,000
Taping for the Blind	50,000
Texas Children's Hospital	50,000
Texas Education Works	60,000
Texas Ramp Project	20,000
Urban Outreach, Inc.	15,000
Wall Volunteer Fire Department	30,000
Wellsprings Village, Inc.	25,000
West Texas Counseling & Guidance, Inc.	20,000
Wheelhouse, Inc.	40,000
Women's Home	30,000
Young Men's Service League	20,000
Total grants paid	<u>\$ 3,440,000</u>