The Moody Foundation

Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2019 and 2018

Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Trustees of
The Moody Foundation:

We have audited the accompanying financial statements of The Moody Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities and of cash flows for 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.

Auditors' 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 our 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 auditors' 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 entity'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 entity'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.

Basis for Qualified Opinion

As described in Note 2, certain investments in which the Foundation's ownership interest exceeds 20% are accounted for using the fair value method. In our opinion, based upon the fact that the Foundation's ownership of these entities exceeds 20%, accounting principles generally accepted in the United States of America require that these investments be reported using the equity method of accounting. The impact on the financial statements that results from this departure from generally accepted accounting principles is not reasonably determinable.

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Additionally, the Foundation has both control over and an economic interest in Moody Medical Research Institute (MMRI). In our opinion, accounting principles generally accepted in the United States of America require that this affiliated entity be consolidated with the Foundation. The effect on the financial statements of not consolidating MMRI is an understatement of total assets of approximately $19.1 million, an overstatement of total liabilities of approximately $0.6 million and an understatement of changes in net assets of approximately $18.5 million as of and for the year ended December 31, 2019.

Qualified Opinion

In our opinion, except for the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to in the above paragraph present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018 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.

Blazek & Vetterling

June 30, 2020

The Moody Foundation

Statements of Financial Position as of December 31, 2019 and 2018 *(in thousands)*

	2019	2018
ASSETS		
Cash equivalents *(Note 4)*	$ 12,199	$ 41,996
Investment income receivable	2,714	2,809
Federal excise tax receivable *(Note 6)*	625	71
Other assets	2,332	2,393
Investments, at fair value *(Note 4)*	1,721,133	1,650,863
Interest in charitable remainder trust *(Notes 4 and 7)*	1,167,639	1,180,733
TOTAL ASSETS	$ 2,906,642	$ 2,878,865
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable *(Note 8)*	$ 241,123	$ 67,158
Deferred federal excise tax *(Note 6)*	11,899	10,085
Total liabilities	253,022	77,243
Net assets:		
Without donor restrictions	1,048,757	1,225,615
With donor restrictions *(Note 9)*	1,604,863	1,576,007
Total net assets	2,653,620	2,801,622
TOTAL LIABILITIES AND NET ASSETS	$ 2,906,642	$ 2,878,865

See accompanying notes to financial statements.

The Moody Foundation

Statement of Activities for the year ended December 31, 2019 *(in thousands)*

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Change in interest in charitable remainder trust *(Note 7)*		$ 25,350	$ 25,350
Net realized and unrealized gain on investments in marketable securities	$ 33,454	22,607	56,061
Interest and dividends	44,548	1,110	45,658
Oil and gas royalties	21,246		21,246
Partnership income	154	121	275
Investment management expenses	(2,372)		(2,372)
Net investment income	97,030	49,188	146,218
Net assets released from restrictions:			
Expenditures for programs	20,332	(20,332)	
Total	117,362	28,856	146,218
EXPENSES:			
Program expenses:			
Grants awarded	286,884		286,884
Grant program management:			
Salaries, benefits and taxes	1,390		1,390
Legal and professional fees	275		275
Other expenses	661		661
Total grant program management	2,326		2,326
Total program expenses	289,210		289,210
Management and general:			
Salaries, benefits and taxes	590		590
Legal and professional fees	1,314		1,314
Other expenses	586		586
Total management and general	2,490		2,490
Federal excise tax expense *(Note 6)*	2,520		2,520
Total expenses	294,220		294,220
CHANGES IN NET ASSETS	(176,858)	28,856	(148,002)
Net assets, beginning of year	1,225,615	1,576,007	2,801,622
Net assets, end of year	$ 1,048,757	$ 1,604,863	$ 2,653,620

See accompanying notes to financial statements.

The Moody Foundation

Statement of Activities for the year ended December 31, 2018 *(in thousands)*

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Change in interest in charitable remainder trust *(Note 7)*		$ 73,565	$ 73,565
Net realized and unrealized loss on investments in marketable securities	$ (33,153)	(25,084)	(58,237)
Interest and dividends	46,381	1,110	47,491
Oil and gas royalties	34,459		34,459
Investment management expenses	(1,999)		(1,999)
Net investment income	45,688	49,591	95,279
Grant reversion	1,082		1,082
Total revenue	46,770	49,591	96,361
Net assets released from restrictions:			
Expenditures for programs	20,057	(20,057)	
Total	66,827	29,534	96,361
EXPENSES:			
Program expenses:			
Grants awarded	73,630		73,630
Grant program management:			
Salaries, benefits and taxes	1,250		1,250
Legal and professional fees	253		253
Other expenses	671		671
Total grant program management	2,174		2,174
Total program expenses	75,804		75,804
Management and general:			
Salaries, benefits and taxes	563		563
Legal and professional fees	850		850
Other expenses	406		406
Total management and general	1,819		1,819
Federal excise tax expense *(Note 6)*	720		720
Total expenses	78,343		78,343
CHANGES IN NET ASSETS	(11,516)	29,534	18,018
Net assets, beginning of year	1,237,131	1,546,473	2,783,604
Net assets, end of year	$ 1,225,615	$ 1,576,007	$ 2,801,622

See accompanying notes to financial statements.

The Moody Foundation

Statements of Cash Flows for the years ended December 31, 2019 and 2018 *(in thousands)*

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (148,002)	$ 18,018
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Change in interest in charitable remainder trust	(25,350)	(73,565)
Distributions from charitable remainder trust	19,222	18,947
Net realized and unrealized (gain) loss on investments in marketable securities	(56,061)	58,237
Partnership income	(275)	
Change in federal excise tax assets and liabilities	1,118	(530)
Changes in operating assets and liabilities:		
Other assets	173	3,773
Grants payable	173,964	7,872
Net cash provided (used) by operating activities	(35,211)	32,752
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments in marketable securities	(383,353)	(250,549)
Proceeds from sales of investments in marketable securities	372,157	225,137
Net change money market mutual funds held as investments	7,071	(9,790)
Capital investments in partnerships	(9,713)	
Proceeds from distributions from charitable remainder trust	19,222	18,947
Proceeds from repayment of notes receivable	30	12,153
Net cash provided (used) by investing activities	5,414	(4,102)
NET CHANGE IN CASH EQUIVALENTS	(29,797)	28,650
Cash equivalents, beginning of year	41,996	13,346
Cash equivalents, end of year	$ 12,199	$ 41,996

Supplemental disclosure of cash flow information:

Taxes paid	$1,402	$1,250
Grants paid with stock		$102

See accompanying notes to financial statements.

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 70 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 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.

Investments in marketable securities 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 marketable securities 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 – The beneficial interest in the Libbie Shearn Moody Trust (the Trust) is recorded based on the estimated fair value of the Foundation's percentage remainderman interest held by the Trust, less the present value of the payments expected to be made to other life estates.

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.

Recent financial accounting pronouncement – In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution made is conditional or unconditional. This ASU could impact the timing of grant expense recognition and the financial statement disclosures related to such transactions. The Foundation is required to apply the amendments in its fiscal year ending December 31, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management has reviewed the impact on the financial statements of the adoption of this ASU and has determined that it will not have a material impact on grants awarded.

NOTE 2 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Foundation reports its investment in American National Insurance Company (ANICO) and Gal-Tex Hotel Corporation (Gal-Tex) at fair value. The Foundation's ownership of each of these investments exceeds 20% and should be accounted for using the equity method of accounting. Additionally, the Foundation has control and economic interest in MMRI, a research entity classified by the Internal Revenue Service as a 501(c)(3) under section 170(b)(1)(A)(iii). Management has chosen not to consolidate MMRI with the Foundation, deviating from required consolidation under generally accepted accounting principles.

NOTE 3 – AVAILABILITY OF RESOURCES AND LIQUIDITY

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):

	2019	2018
Financial assets:		
Cash equivalents	$ 12,199	$ 41,996
Investment income receivable	2,714	2,809
Federal excise tax receivable	625	
Investments	1,721,133	1,650,863
Other assets	150	180
Interest in charitable remainder trust	1,167,639	1,180,733
Total financial assets	2,904,460	2,876,581
Less financial assets not available for general expenditure:		
Investments	(1,721,133)	(1,650,863)
Program notes receivable	(150)	(180)
Interest in charitable remainder trust, net of expected distribution of dividends and interest	(1,135,639)	(1,134,344)
Total financial assets available for general expenditure	$ 47,538	$ 91,194

The Foundation is 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 general expenditures and liabilities become due. The Foundation's financial assets 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.

NOTE 4 – 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. Investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient have not been categorized in the fair value hierarchy. 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. See Note 7 for unobservable inputs for the interest in the charitable remainder trust.

Assets measured at fair value at December 31, 2019 are as follows (in thousands):

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Marketable securities:				
Common stock ownership interests exceeding 20%:				
American National Insurance Company (a)	$ 719,768			$ 719,768
Gal-Tex Hotel Corporation			$ 30,600	30,600
Mutual funds:				
Domestic equity:				
Large-cap	285,971			285,971
Mid-cap	61,456			61,456
Small-cap	57,638			57,638
International equity	33,857			33,857
Money market	12,213			12,213
Corporate debt securities		$ 176,976		176,976
U. S. Government agency securities		176,226		176,226
U. S. Treasury securities	155,199			155,199
Municipal obligations		1,241		1,241
Total investments	1,326,102	354,443	30,600	1,711,145
Assets held in charitable remainder trust			1,167,639	1,167,639
Cash equivalents:				
Money market mutual funds	12,199			12,199
Total assets in fair value hierarchy	$ 1,338,301	$ 354,443	$ 1,198,239	2,890,983
Alternative investments measured at net asset value using the practical expedient:				
Private equity (b)				9,988
Total assets measured at fair value				$ 2,900,971

Assets measured at fair value at December 31, 2018 are as follows (in thousands):

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Marketable securities:				
Common stock ownership interests exceeding 20%:				
American National Insurance Company (a)	$ 778,240			$ 778,240
Gal-Tex Hotel Corporation			$ 29,800	29,800
Mutual funds:				
Domestic equity:				
Large-cap	224,132			224,132
Mid-cap	48,347			48,347
Small-cap	47,151			47,151
International equity	29,262			29,262
Money market	26,914			26,914
Corporate debt securities		$ 175,809		175,809
U. S. Government agency securities		161,913		161,913
U. S. Treasury securities	128,168			128,168
Municipal obligations		1,127		1,127
Total investments	1,282,214	338,849	29,800	1,650,863
Assets held in charitable remainder trust			1,180,733	1,180,733
Cash equivalents:				
Money market mutual funds	41,996			41,996
Total assets measured at fair value	$ 1,324,210	$ 338,849	$ 1,210,533	$ 2,873,592

(a) ANICO offers a broad spectrum of insurance products, including individual and group life insurance, health insurance, annuities, and property and casualty insurance throughout the United States and its affiliated territories. Through noninsurance subsidiaries, ANICO invests in stocks and real estate. At December 31, 2019 and 2018, the Foundation owned approximately 6.1 million shares of common stock of ANICO representing an ownership interest of approximately 23%.

Summarized combined financial information of ANICO as disclosed in public company filings at December 31 is as follows (in thousands):

	2019	2018
Revenue	$4,070,143	$3,326,382
Net income	$620,363	$158,995
Total assets	$28,597,566	$26,912,353
Total liabilities	$22,601,803	$21,640,838
Stockholders' equity	$5,995,763	$5,271,515

(b) This fund represents investments in two limited partnerships. One limited partnership, representing 52% of the portfolio, invests in private market transactions on a direct basis, as well as through separately managed accounts in trade finance and other asset-backed and receivables based on investment strategies. The term of the partnership is perpetual. Redemptions may be requested quarterly and are subject to the approval of the general partner. There are no unfunded commitments for this fund at December 31, 2019.

The other limited partnership, representing 48% of the portfolio, investment objective is to realize aggregate long-term compounded returns of at least 500 basis points in excess of those available from investing in a diversified public equity portfolio. The stated term of the fund is 15 years. Redemptions are at the sole discretion of the general partner. At December 31, 2019, there were unfunded commitments of approximately $45.4 million.

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

- *Common stock* is valued at the closing price reported on the active market on which the individual securities are traded.
- *Common stock in Gal-Tex Hotel Corporation* is valued based on an independent appraisal of the ownership interest.
- *Mutual funds* are valued at the reported net asset value.
- *Corporate debt securities, U. S. Government agency 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.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *Charitable remainder trust* is valued as described in Note 7.
- *Private equity* is valued using the net asset value per share (or its equivalent) as a practical expedient to determine the fair value of investments in partnerships that do not have a readily determinable fair value.

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.

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

	GAL-TEX HOTEL CORPORATION	CHARITABLE REMAINDER TRUST	TOTAL
Balance at December 31, 2017	$ 33,900	$ 1,145,062	$ 1,178,962
Unrealized gain (loss)	(4,100)	73,565	69,465
Distributions		(37,894)	(37,894)
Balance at December 31, 2018	29,800	1,180,733	1,210,533
Unrealized gain (loss)	800	25,350	26,150
Distributions		(38,444)	(38,444)
Balance at December 31, 2019	$ 30,600	$ 1,167,639	$ 1,198,239

NOTE 5 – 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 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 an 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). This tax is reduced to 1% for foundations that meet certain distribution requirements. The Foundation computed its provision for current federal excise tax at the rate of 1% in 2019 and 2% in 2018. Effective January 1, 2020, a new single-tier excise tax of 1.39% of net investment income replaces the existing two-tier structure.

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):

	2019	2018
Current federal excise tax	$ 706	$ 1,682
Deferred federal excise tax expense (benefit)	1,814	(962)
Total federal excise tax expense	$ 2,520	$ 720
Current federal excise tax receivable	$ 625	$ 71
Deferred federal excise tax	$ 11,899	$ 10,085

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 – INTEREST IN CHARITABLE REMAINDER TRUST

The Foundation has recorded its beneficial interest in the Trust based on the estimated fair value of the Foundation's percentage remainder interest held by the Trust, less the present value of the payments expected to be made to other life estates. The present valuation method for measuring the fair value of the contribution considers (a) the estimated return on the invested assets during the expected term of the Trust, (b) the contractual payment obligations under the Trust, (c) life expectancies of remaining life estate interests, and (d) an interest rate of 7.0%.

The Foundation receives distributions from the Trust applicable to its remainder interest in the income attributable to certain expired life estate interests in the Trust. One-half of these distributions are restricted in perpetuity, and the remaining funds are restricted until distributions are made. Upon expiration of all life estates, the Foundation will receive its percentage of the remainder interest in the assets of the Trust.

Approximately 76% of the assets of the Trust are 9,949,585 shares of ANICO common stock with a fair value of approximately $1.2 billion at December 31, 2019.

NOTE 8 – GRANTS PAYABLE

At December 31, 2019, grants approved and committed for future payments are expected to be funded as follows (in thousands):

2020	$ 49,469
2021	30,819
2022	30,335
2023	22,008
2024	17,487
Thereafter	116,000
Total	266,118
Discount at rates ranging from 1.62% to 2.07%	(24,995)
Total grants payable	$ 241,123

Grants payable at December 31, 2019 include approximately $198 million in amounts due to the University of Texas (paid over 20 years) and Southern Methodist University (payable over 10 years).

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Subject to the passage of time:		
Beneficial interest in charitable remainder trust	$ 583,820	$ 590,367
In perpetuity, not subject to appropriation or expenditure:		
Beneficial interest in charitable remainder trust	583,820	590,367
Investments	437,223	395,273
Total not subject to appropriation or expenditure	1,021,043	985,640
Total net assets with donor restrictions	$ 1,604,863	$ 1,576,007

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 estimated future distributions from the Trust. Assets are released from restriction when time restrictions are met.

Net assets restricted in perpetuity consist primarily of a portion of the beneficial interest in the Trust, investments from the original donors to be maintained in perpetuity invested distributions from the charitable remainder trust to be maintained in perpetuity, and paintings to be held in perpetuity. Pursuant to donor restrictions, 338,522 shares of ANICO common stock held by the Foundation with a fair value of $39,837,000 at December 31, 2019 and $43,077,000 at December 31, 2018 are included in amounts restricted in perpetuity. Changes in *net assets with donor restrictions* not subject to appropriation or expenditure include the permanently restricted portion of the unrealized gain or loss on the ANICO common stock.

NOTE 10 – RELATED PARTY TRANSACTIONS

Members of the Board benefit from a trust that has a majority ownership interest in the 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 $567,000 and $558,000 during the years ended December 31, 2019 and 2018, respectively. The Bank also serves as trustee for the Trust.

Members of the Board are on the Board of Directors of ANICO. At December 31, 2019, the Foundation beneficially owned 22.75% of the ANICO common stock. In addition, the Bank, in its capacity as trustee or agent of various accounts, had the power to vote approximately 49.1% of ANICO's common stock at December 31, 2019.

Members of the Board are controlling life members of MMRI. The Foundation contributed $19.0 million during 2019 and $1.0 million during 2018 to MMRI. During 2018, the Foundation and MMRI entered into an agreement under which the Foundation will provide administrative support to MMRI. No amounts were paid to the Foundation under this agreement during 2019 or 2018.

NOTE 11 – SUBSEQUENT EVENTS

On March 11, 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and on March 13, 2020, a national emergency was declared in the United States. Financial markets have been severely impacted by fears of the COVID-19 pandemic and the sharp decline in the price of oil. While the Foundation expects these events to negatively impact its operating results and financial position, the financial impact cannot be reasonable estimated at this time.

Management has evaluated subsequent events through June 30, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
