FINANCIALS

The Board of Trustees
The Moody Foundation:

We have audited the accompanying statements of financial position of the Moody Foundation as of December 31, 2009 and 2008, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Moody Foundation as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Houston, TX
March 5, 2010

Statements of Financial Position

December 31, 2009 and 2008

ASSETS	2009	2008
Cash and cash equivalents	$ 44,852,000	16,172,000
Investments:		
American National Insurance Company (notes 2 and 3)	496,628,000	511,961,000
Gal-Tex Hotel Corporation (note 3)	7,086,000	7,769,000
Marketable equity securities (note 3)	65,365,000	42,036,000
Bonds and other debt instruments (note 3)	438,535,000	383,537,000
Notes receivable (note 5)	3,049,000	11,909,000
Real estate	1,500,000	1,500,000
TOTAL INVESTMENTS	1,012,163,000	958,712,000
Accrued interest	6,610,000	8,200,000
Assets held for charitable purposes	43,000	43,000
Other assets, net of accumulated depreciation of $1,595,000 and $1,580,000 in 2009 and 2008, respectively	765,000	778,000
Assets held in charitable remainder trust (note 4)	964,668,000	619,082,000
TOTAL ASSETS	$ 2,029,101,000	1,602,987,000
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable	$ 50,686,000	34,544,000
Deferred tax liability (note 8)	8,852,000	7,701,000
Accounts payable and accrued liabilities	714,000	3,093,000
TOTAL LIABILITIES	60,252,000	45,338,000
Commitments and contingencies (note 10)		
Net assets:		
Unrestricted	800,894,000	773,864,000
Temporarily restricted (note 6)	482,334,000	309,541,000
Permanently restricted (note 7)	685,621,000	474,244,000
TOTAL NET ASSETS	1,968,849,000	1,557,649,000
TOTAL LIABILITIES AND NET ASSETS	$ 2,029,101,000	1,602,987,000

See accompanying notes to financial statements.

Statements of Activities

Years ended December 31, 2009 and 2008

	2009	2008
Changes in unrestricted net assets:		
Revenues and gains:		
Interest	$ 29,407,000	29,501,000
Dividends	2,275,000	2,430,000
Net unrealized and realized gains (losses) on investments	47,091,000	(54,680,000)
Equity in income (loss) of affiliates (note 2)	3,794,000	(51,536,000)
Net assets released from restriction (note 4)	10,409,000	10,490,000
Other income	440,000	1,448,000
Grants lapsed or withdrawn	—	1,099,000
Total unrestricted revenues and gains (losses)	93,416,000	(61,248,000)
Expenses:		
Grant appropriations:		
Community and social services	58,517,000	6,133,000
Health and science	255,000	32,754,000
Education	211,000	3,180,000
Arts, humanities, and religion	125,000	2,575,000
Total grant appropriations	59,108,000	44,642,000
General and administrative expenses (note 9)	4,238,000	2,826,000
Expenses incurred in the production of revenues and gains	1,408,000	1,264,000
Provision (benefit) for federal excise taxes (note 8)	1,632,000	(2,233,000)
Total expenses	66,386,000	46,499,000
Increase (decrease) in unrestricted net assets	27,030,000	(107,747,000)
Changes in temporarily restricted net assets:		
Change in value of charitable remainder trust (note 4)	183,202,000	(152,529,000)
Net assets released from restriction (note 4)	(10,409,000)	(10,490,000)
Increase (decrease) in temporarily restricted net assets	172,793,000	(163,019,000)
Changes in permanently restricted net assets:		
Change in value of charitable remainder trust (note 4)	183,202,000	(152,529,000)
Net unrealized and realized gains (losses) on investments	29,018,000	(33,531,000)
Equity in income of ANICO, net of dividends received (note 2)	(843,000)	(1,969,000)
Increase (decrease) in permanently restricted net assets	211,377,000	(188,029,000)
Increase (decrease) in net assets	$ 411,200,000	(458,795,000)

See accompanying notes to financial statements.

Statements of Changes in Net Assets

Years ended December 31, 2009 and 2008

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, December 31, 2007	$ 881,611,000	472,560,000	662,273,000	2,016,444,000
Decrease in net assets	(107,747,000)	(163,019,000)	(188,029,000)	(458,795,000)
Net assets, December 31, 2008	773,864,000	309,541,000	474,244,000	1,557,649,000
Increase in net assets	27,030,000	172,793,000	211,377,000	411,200,000
Net assets, December 31, 2009	$ 800,894,000	482,334,000	685,621,000	1,968,849,000

See accompanying notes to financial statements.

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Increase (decrease) in net assets	$ 411,200,000	(458,795,000)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Distributions received from charitable remainder trust	10,409,000	10,490,000
Net realized losses (gains) on investments	172,000	(2,110,000)
Net unrealized losses (gains) on investments	(76,283,000)	90,321,000
Equity in loss (income) of affiliates	(2,951,000)	53,505,000
Change in value of charitable remainder trust	(366,404,000)	305,058,000
Deferred tax expense (benefit)	1,151,000	(3,291,000)
Depreciation	71,000	57,000
Decrease (increase) in other assets	1,532,000	(1,927,000)
Increase in grants payable	16,142,000	12,673,000
Increase in accounts payable and accrued liabilities	498,000	2,976,000
Noncash grant payments	—	8,128,000
Net cash provided by (used in) operating activities	(4,463,000)	17,085,000
Cash flows from investing activities:		
Proceeds from the sale or maturity of investments	143,261,000	149,455,000
Purchase of investments	(148,353,000)	(191,019,000)
Capital expenditures for property and equipment	—	(131,000)
Cash received on notes receivable	8,860,000	—
Dividends received from affiliates	18,966,000	19,365,000
Net cash provided by (used in) investing activities	22,734,000	(22,330,000)
Cash flows from financing activity:		
Restricted distributions received from charitable remainder trust	10,409,000	10,490,000
Net cash provided by financing activity	10,409,000	10,490,000
Net increase in cash and cash equivalents	28,680,000	5,245,000
Cash and cash equivalents, beginning of year	16,172,000	10,927,000
Cash and cash equivalents, end of year	$ 44,852,000	16,172,000
Supplemental disclosure of cash flow information:		
Cash paid during the year for excise taxes	$ 1,049,000	988,000

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2009 and 2008

(1) Organization and Summary of Significant Accounting Policies

(a) 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. Assets received from the estate of W.L. Moody, Jr. were recorded in the financial statements at market value on the date of receipt. 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.

(b) Financial Statement Presentation

The financial statements are presented using the accrual basis of accounting.

(c) Interpretation of Relevant Law

The Board of Trustees (the Board), following the provisions of the Foundation's trust indenture and the Uniform Prudent Investor Act (the Act) of the Texas Trust Code, classifies net assets, revenues, gains and losses based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* – net assets that are not subject to donor imposed restrictions.
- *Temporarily restricted net assets* – net assets that are subject to donor imposed restrictions that require the passage of time or the occurrence of a specific event.
- *Permanently restricted net assets* – net assets required to be maintained in perpetuity with only the interest and dividend income to be used for the Foundation's activities due to donor imposed restrictions.

(d) Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit at financial institutions and highly liquid overnight investments of $44,850,000 and $10,621,000 as of December 31, 2009 and 2008, respectively.

(e) 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 law 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 policies described above, utilizing both income and capital appreciation. Where prudent and not inconsistent with the Foundation's trust indenture or the Act, 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.

Notes to Financial Statements *(continued)*

December 31, 2009 and 2008

(f) Investments and Investment Income

The Foundation accounts for investments in equity securities with readily determinable fair values and all investments in debt securities at fair value, except for those accounted for under the equity method, with gains and losses included in the statement of activities.

The Foundation owns 23% and 34% of the outstanding voting stock of the American National Insurance Company (ANICO) and Gal-Tex Hotel Corporation (Gal-Tex), respectively. These investments are accounted for using the equity method of accounting. The Foundation annually evaluates its investments in ANICO and Gal-Tex to determine whether the investments are impaired and records adjustments if appropriate.

Realized and unrealized gains or losses on investments are recorded based on donor-imposed restrictions. Dividends and interest income are available for unrestricted use. The permanently restricted portion of equity in income of ANICO is recorded net of dividends that are available for unrestricted use.

(g) Depreciable Assets

Depreciable assets are recorded at cost and are depreciated using the straight-line method based on estimated useful lives ranging from three to eight years.

(h) Grant Appropriations

The Foundation recognizes unconditional grant appropriations as expenses at the time grants are committed to the recipient organizations. The Foundation recognizes conditional grant appropriations as expenses when the conditions on which they depend have been substantially met. Scholarship program grants are paid over a four year period.

(i) Income Taxes

The Foundation qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income tax under Section 501(a) of the Code on income from related activities.

Deferred excise tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective excise tax bases. Deferred excise tax assets and liabilities are measured using enacted excise tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred excise tax assets and liabilities of a change in excise tax rates is recognized in income in the period that includes the enactment date.

(j) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Significant items subject to such estimates and assumptions include valuation of investments and assets held in charitable remainder trust. Actual results could differ from those estimates.

(2) ANICO

The Foundation had a 23% interest in ANICO as of December 31, 2009 and 2008.

ANICO offers insurance coverages, including individual and group life, health and annuities, personal lines, property and casualty, and credit insurance. It also offers a variety of other financial products, including mutual funds, variable life insurance, and variable annuities. ANICO conducts business in the United States, the District of Columbia, Puerto Rico, and American Samoa. Through its subsidiary, American National Compaŝía de Seguros de Vida, ANICO is authorized to sell its products in Mexico.

Notes to Financial Statements *(continued)*

December 31, 2009 and 2008

Summarized combined financial information for ANICO is as follows as of and for the years ended December 31:

	2009	2008
Revenue	$ 2,949,779,000	2,518,641,000
Net income	15,625,000	(153,998,000)
Total assets	$ 20,149,507,000	18,379,439,000
Total liabilities	$ 16,677,098,000	15,245,583,000
Stockholders' equity	3,472,409,000	3,133,856,000
Total liabilities and stockholders' equity	$ 20,149,507,000	18,379,439,000

(3) *Fair Value of Financial Instruments*

Grants payable are obligations that are noninterest bearing and generally are paid within one year; therefore, their carrying value approximates fair value.

The Foundation estimates the fair value of publicly traded stocks, bonds, U.S. Treasury obligations, and other debt instruments based on quoted market prices. The estimated fair value of Gal-Tex common stock is $7,769,000 at December 31, 2009.

Estimated fair values of marketable equity and debt securities and gross unrealized gains and losses at December 31, 2009 and 2008 are as follows:

	December 31, 2009			
		Gross unrealized		Estimated market
	Basis	Gains	Losses	value
Stocks with published quotations:				
ANICO (6,157,822 common shares)	$ 496,628,000	238,862,000	—	735,490,000
Other	54,412,000	18,141,000	(7,188,000)	65,365,000
Bonds and other debt instruments	454,851,000	19,413,000	(35,729,000)	438,535,000
	$ 1,005,891,000	276,416,000	(42,917,000)	1,239,390,000

	December 31, 2008			
		Gross unrealized		Estimated market
	Basis	Gains	Losses	value
Stocks with published quotations:				
ANICO (6,157,822 common shares)	$ 511,961,000	—	(57,945,000)	454,016,000
Other	40,335,000	12,911,000	(11,210,000)	42,036,000
Bonds and other debt instruments	467,032,000	4,188,000	(87,683,000)	383,537,000
	$ 1,019,328,000	17,099,000	(156,838,000)	879,589,000

Notes to Financial Statements *(continued)*

December 31, 2009 and 2008

The cost and estimated market value of debt securities at December 31, 2009, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Cost	Estimated Market Value
Due in one year or less	$ 3,071,000	3,037,000
Due after one year through five years	87,661,000	88,977,000
Due after five years through ten years	92,429,000	93,371,000
Due after ten years	257,712,000	239,372,000
	440,873,000	424,757,000
Mortgage-backed securities	13,978,000	13,778,000
	$ 454,851,000	438,535,000

Effective January 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) included in ASC Topic 820, *Fair Value Measurements and Disclosures*. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs, and requires additional disclosures about fair value measurements. SFAS 157 applies to fair value measurements already required or permitted by existing standards.

One key component of the implementation of SFAS 157 includes the development of a three-tiered fair value hierarchy. The basis of the tiers is dependent upon the various "inputs" used to determine the fair value of the Foundation's investments. These inputs are summarized in the three broad levels listed below:

- Level 1 – quoted prices in active markets for identical assets.
- Level 2 – other significant observable inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 – significant unobservable inputs (which may include the Foundation's own assumptions in determining the fair value of investments).

The following is a summary categorization, as of December 31, 2009, of the Foundation's investments based on the level of inputs utilized in determining the value of such investments:

	Quote prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments in equity securities	$ 65,365,000	—	—
Investments in interest-bearing securities	—	438,535,000	—
Total	$ 65,365,000	438,535,000	—

Notes to Financial Statements *(continued)*

December 31, 2009 and 2008

(4) Interest in Libbie Shearn Moody Trust

The Foundation has recorded its beneficial interest in the Libbie Shearn Moody Trust (the Trust) based on the estimated fair value of the assets contributed by the donor less the present value of the payments expected to be made to other life estates. The present value 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 7.5%.

The Foundation receives distributions from the Trust applicable to its 75% remainderman interest in the income attributable to certain expired life estate interests in the Trust. One-half of these distributions is permanently restricted, and the remaining funds are temporarily restricted until distributions are made. Upon expiration of all life estates, the Foundation will receive 75% of the assets of the Trust.

Approximately 93% of the Trust assets are 9,949,585 shares of ANICO common stock with a fair market value of $1,188,378,000 and $733,583,000 at December 31, 2009 and 2008, respectively.

(5) Notes Receivable

Notes receivable at December 31, 2009 and 2008 are as follows:

	2009	2008
Unsecured 1.25% note receivable from Moody Gardens	$ 2,384,000	11,700,000
Other	665,000	209,000
	$ 3,049,000	11,909,000

The unsecured 1.25% note receivable represents outstanding advances on a $12,096,000 demand loan. Interest is due in annual payments on the anniversary date of the loan. Payment of principal amounts outstanding are due upon demand of the Foundation or April 1, 2020, whichever should occur first. The note receivable at December 31, 2008 was repaid after receiving a grant from the Foundation.

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets were $482,334,000 and $309,541,000 as of December 31, 2009 and 2008, respectively, and consisted of estimated future distributions from the Trust. Assets are released from restriction when time restrictions are met.

(7) Permanently Restricted Net Assets

Permanently restricted net assets consist primarily of the beneficial interest in the Trust, investments to be invested in perpetuity, and paintings to be held in perpetuity. Changes in permanently restricted net assets include the permanently restricted portion of equity in income of ANICO less dividends that are available for unrestricted use. Pursuant to donor restrictions, 338,522 of the 6,157,822 shares of ANICO common stock held by the Foundation are permanently restricted.

Notes to Financial Statements *(continued)*

December 31, 2009 and 2008

(8) Federal Excise Tax

The Foundation is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended, as an organization described in Section 501(c)(3). Accordingly, the Foundation is not subject to federal income tax, except to the extent that it has unrelated business taxable income. The Foundation did not have unrelated business income in 2009 or 2008. However, the Foundation is classified as a private foundation under Section 509(a) and, as such, is subject to a federal excise tax of 2% on net investment income, unless certain conditions are met in which case the federal excise tax is reduced to 1%. In 2009 and 2008, the Foundation was subject to an excise tax on net investment income of 1% and 2%, respectively. Deferred excise tax (benefit) is provided for on the unrealized increase (decrease) in the fair value of the Foundation's investment assets at a 2% rate. The following information is for the years ended December 31:

	2009	2008
Current expense	$ 481,000	1,058,000
Deferred tax expense (benefit)	1,151,000	(3,291,000)
Total excise tax expense (benefit)	$ 1,632,000	(2,233,000)

The Foundation is also required to make certain minimum qualifying distributions of its assets in accordance with formulas provided by federal law. The Foundation met its minimum distribution requirement for 2008. The Foundation will need to distribute an additional $38,636,000 by December 31, 2010 to satisfy its 2009 minimum requirement.

(9) Related Party Transactions

Members of the board of trustees and certain employees of the Foundation hold various positions with organizations that provide services to or receive grants from the Foundation. In addition, the Foundation's investment portfolio includes investments in other entities in which the Trust and other related parties have common investments. The Foundation has a number of recurring transactions with such entities. However, management believes such transactions are conducted on an arms-length basis.

During 2009 and 2008, Moody Gardens, Inc. was awarded grant appropriations of $57,735,000 and $5,820,000, respectively. During 2009 and 2008, Moody Gardens, Inc. received grant payments of $29,854,000 and $11,724,000, respectively.

The Moody National Bank of Galveston (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 $535,000 and $538,000 during the years ended December 31, 2009 and 2008, respectively. The Bank also serves as trustee for the Trust.

Insurance premiums paid to ANICO under a medical stop-loss insurance plan were approximately $131,000 and $162,000 for the years ended December 31, 2009 and 2008, respectively.

(10) Contingencies

From time to time, the Foundation has pending and threatened litigation and claims incurred in the ordinary course of business. Management believes that the probable resolution of such contingencies will not exceed insurance coverages and will not materially affect the financial position of the Foundation or the results of its operations.

(11) Subsequent Events

The Foundation has evaluated subsequent events from the balance sheet date through March 5, 2010, the date which the financial statements were available to be issued, and determined that there are no other items to disclose.

Photography by:

- American Red Cross
- Capital Area Food Bank
- John Glowczwski
  - Dallas Furniture Bank
  - Heroes for Children
  - Moody Foundation Trustees
  - O'Connell High School
  - St. Edward's University
  - Youth Village Foundation
- Humane Society of the United States
- Transitional Learning Center
- University of Texas Medical Branch

Inclusion in a grant-related photograph should not be interpreted in all cases as participation in the program supported by a Moody Foundation grant.

Design and production by:

- The Marion Group, Houston
- Moody Foundation staff

Information on Moody scholarships is available at www.moodyf.org.

Qualified nonprofit organizations based in Texas may apply for a grant by completing the inquiry form located on the Moody Foundation website at www.moodyf.org. Inquiries are accepted throughout the year.

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