



2009
ANNUAL
REVIEW

S O U T H W E S T E R N M E D I C A L F O U N D A T I O N

Letter from Leadership.....	2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Asset Growth and Designation.....	6
Financial Performance.....	7
Grants, Scholarships and Awards	8
Trustees, Officers and The Heritage Society	IBC

Dear Friends:

2009 was a milestone year for Southwestern Medical Foundation. The financial turmoil of 2008 began to be reversed, and our portfolio of investments appreciated significantly.

In addition to enhancement of the value of earlier gifts, the Foundation was the recipient in 2009 of one of the most remarkable gifts in the history of American philanthropy. The former governor of Texas and our honorary trustee, William P. Clements Jr., made the largest single donation in the Foundation's history – a commitment of \$100 million over four years.

His contribution was especially timely because of the tough economic climate. The fact that the gift was totally unrestricted was an exceptionally powerful statement of confidence and trust in the Foundation and in UT Southwestern. This gift, coupled with advice, influence and other donations from Gov. Clements and his wife, Rita Crocker Clements, will have a transformative impact on the future of medicine.

The upswing in financial markets, combined with new gifts, led to an increase in the Foundation's net assets of more than \$175 million – a record annual amount.

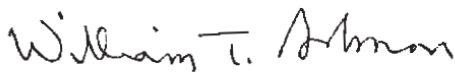
Not content to wait until the economy recovers fully, the Foundation continually refines policies, re-examines programs and reaches out to the community in order to remain a vital force in supporting medical research, education and patient care. We are helped in this goal not only by the generous donations we receive from our supporters, but also by the selfless service of many volunteers.

Jeffrey M. Heller, chair of the Investment Committee, and Paul W. Harris, chair of the Audit Committee, have been very helpful in the management of our financial resources. Elizabeth H. Routman and Carolyn Rathjen, chairs of the Nominating and Awards committees, respectively, have been proactive in identifying leaders whose roles have been and will be vital to our future. Mary McDermott Cook, chair of the Scholarships and Grants Committee, and Lyda Hill, chair of the Public Affairs Committee, have provided valuable insights and suggestions about our programs, while Rex V. Jobe, chair of the Personnel Committee, has helped the Foundation with internal operations. We are thankful for the ideas and leadership that these chairs and their committees provide.

Southwestern Medical Foundation has been blessed with tremendous leadership throughout its history. In March 2010, we were saddened by the passing of a long-time community leader whose role at the Foundation specifically, and more broadly in the field of health care throughout Dallas, was unparalleled. Paul Bass, our chairman emeritus, served with a passion to improve others' lives. His contributions as chairman of the board for 13 years and as a member of our Executive and Investment committees were truly exceptional, as were his unique sense of humor and his friendship.

You too can make a difference in someone's life. Please let us know if you would like to play a part in *Endowing the Future of Medicine*.

Sincerely,



William T. Solomon
Chairman



Kern Wildenthal, M.D., Ph.D.
President

SOUTHWESTERN MEDICAL FOUNDATION
STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2009 AND 2008

	2009	2008
<u>ASSETS</u>		
Investments at market:		
Pooled investments	\$ 530,732,980	\$ 404,397,533
Assets held in charitable remainder trusts	12,577,568	15,887,997
Assets held in charitable gift annuities	3,004,924	13,537,332
Beneficial interest in perpetual trusts	925,408	804,971
Real estate	559,844	559,844
Other	546,109	464,685
	<u>548,346,833</u>	<u>435,652,362</u>
Total investments		
Cash and cash equivalents	1,192,487	1,876,312
Investment sales and other receivables	19,375,020	-
Accrued interest and dividends receivable	527,351	749,047
Pledges receivable, net of discount	106,745,046	65,300,669
Other assets	41,178	96,152
	<u>\$ 676,227,915</u>	<u>\$ 503,674,542</u>
Total assets		
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Grants and scholarships payable	\$ 6,110,712	\$ 546,750
Accrued liabilities	457,131	385,847
Liability under split-interest agreements	2,877,411	10,948,098
	<u>9,445,254</u>	<u>11,880,695</u>
Total liabilities		
Net assets:		
Unrestricted	47,700,021	39,967,418
Temporarily restricted	286,795,668	134,578,732
Permanently restricted	332,286,972	317,247,697
	<u>666,782,661</u>	<u>491,793,847</u>
Total net assets		
	<u>\$ 676,227,915</u>	<u>\$ 503,674,542</u>
Total liabilities and net assets		

Note: In compliance with the STATEMENT OF FINANCIAL ACCOUNTING STANDARDS ("SFAS") No. 117, "Financial Statements for Not-for-Profit Organizations," the financial information in this report reflects a reclassification of net assets, gains and losses, and expenses. This in no way impacts the distribution policy for the endowment funds.

SOUTHWESTERN MEDICAL FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Revenue and support:		
Contributions and pledges at present value	\$ 98,952,078	\$ 37,833,702
Change in present value of split-interest agreements	(3,796,054)	(10,553,263)
Investment income, net of expenses	10,376,196	18,584,110
Net realized and unrealized gains (losses) on investments	88,993,407	(153,433,742)
Total revenue and support	194,525,627	(107,569,193)
Expenses:		
Grants and scholarships	16,363,554	32,090,135
Fund-raising, management and general	3,173,259	2,379,699
Total expenses	19,536,813	34,469,834
Excess (deficit) of revenue and support over expenses	174,988,814	(142,039,027)
Net assets, beginning of year	491,793,847	633,832,874
Net assets, end of year	<u>\$ 666,782,661</u>	<u>\$ 491,793,847</u>

Note: As required by FASB Guidelines, the Foundation has included amounts for split-interest agreements that have not matured. In 2009, contributions for split-interest agreements were (\$3,796,054), and in 2008, split-interest agreements were (\$10,553,263). A complete copy of the independent auditor's report and accompanying notes, as prepared by Whitley Penn, is available upon request.

SOUTHWESTERN MEDICAL FOUNDATION
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 174,988,814	\$ (142,039,027)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	25,225	26,900
Amortization of discount on split-interest agreements	3,796,054	10,553,263
Discount on pledges receivable	684,574	218,394
Net realized and unrealized (gain) loss on investments	(88,993,407)	153,433,743
Restricted contributions	(99,114,811)	(26,448,448)
Restricted investment income	(8,979,022)	(15,528,788)
Changes in assets and liabilities:		
Accrued interest and dividends receivable	221,696	3,777,821
Pledges receivable	12,000	(280,992)
Other assets	29,749	(29,988)
Grants and scholarships payable	5,563,962	(1,255,750)
Accrued liabilities	71,284	(485,091)
Net cash used in operating activities	(11,693,882)	(18,057,963)
Cash flows from investing activities:		
Proceeds from sale of investments	383,724,110	284,334,349
Purchases of investments	(431,713,755)	(307,692,162)
Net cash used in investing activities	(47,989,645)	(23,357,813)
Cash flows from financing activities:		
Restricted cash collected	50,217,278	26,448,448
Restricted investment income collected	8,782,424	15,528,788
Net cash provided by financing activities	58,999,702	41,977,236
Net increase (decrease) in cash and cash equivalents	(683,825)	561,460
Cash and cash equivalents at beginning of year	1,876,312	1,314,852
Cash and cash equivalents at end of year	\$ 1,192,487	\$ 1,876,312

A complete copy of the independent auditor's report and accompanying notes, as prepared by Whitley Penn, is available upon request.

SOUTHWESTERN MEDICAL FOUNDATION

NET ASSET GROWTH AND DISTRIBUTION

For periods ending December 31

(in millions of dollars)

The combination of an extraordinary gift and outstanding investment returns enabled Southwestern Medical Foundation to increase its ending net assets by almost \$175 million. Total assets as of the end of 2009 were more than \$666 million, higher than in previous years. The Foundation was conservative in awarding grants and scholarships, preferring to wait until the market is stable for a period of time.

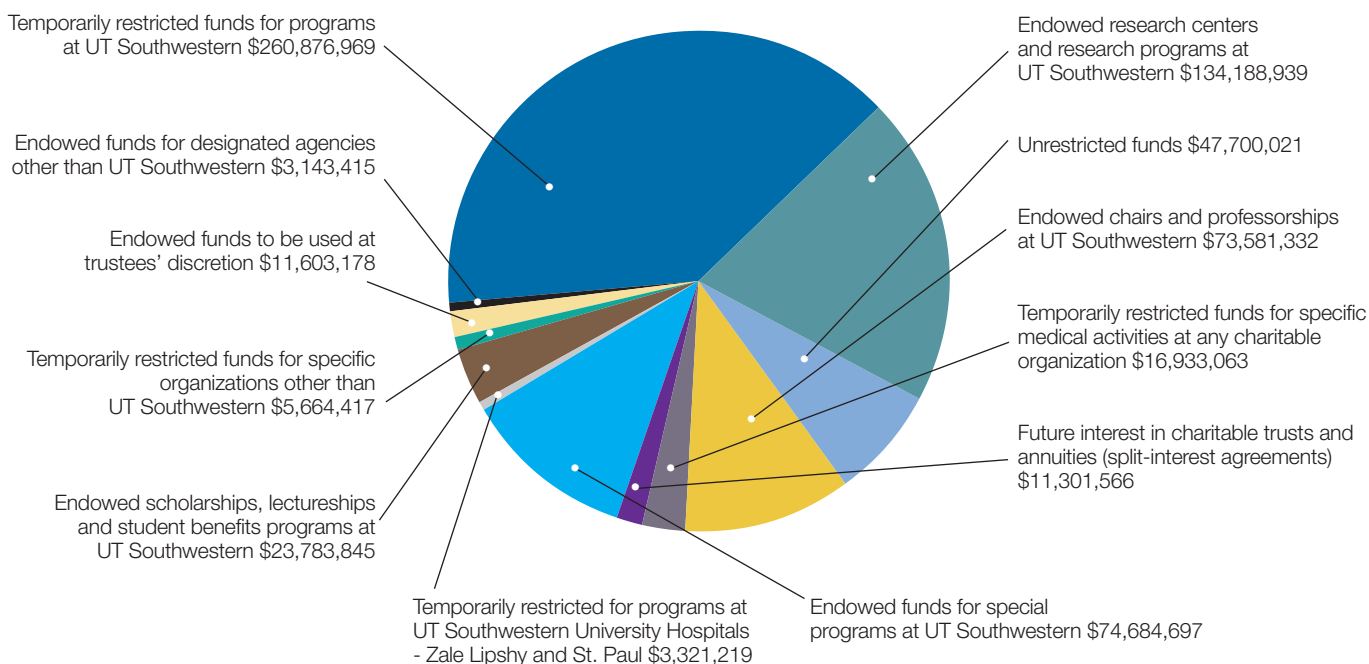
	2005	2006	2007	2008	2009
Beginning net assets	\$377.540	\$426.619	\$495.891	\$633.833	\$491.793
Contributions	31.406*	29.321*	134.726*	27.280*	95.156*
Investment return	32.996	61.940	36.267	-134.850	99.370
Expenses	-1.986	-1.833	-2.295	-2.380	-3.173
Grants and scholarships	-13.337	-20.156	-30.756	-32.090	-16.364
Ending net assets	\$426.619	\$495.891	\$633.833	\$491.793	\$666.782

* Note: As required by FASB guidelines, the Foundation has included in the calculation of "contributions," the split-interest agreements that have not matured. These amounts are as follows: In 2005 - \$1,079,710; in 2006 - \$3,781,740; in 2007 - (\$400,500); in 2008 - (\$10,553,263); and in 2009 (\$3,796,054). Thus, the actual value of new gifts and pledges, excluding depreciation of the value of split-interest agreements, was \$98,952,000 in 2009, and \$37,833,000 in 2008.

NET ASSETS BY DESIGNATION

Total as of December 31, 2009: \$666,782,661

Donors have many reasons for giving, and in turn there are many ways in which a gift can be channeled. Southwestern Medical Foundation oversees funds for creating research centers, endowing chairs and professorships, sponsoring research projects and assisting students with scholarships while also accepting gifts dedicated to supporting other organizations. In addition, the Foundation serves as a steward for undesignated funds and applies them where they are most needed.



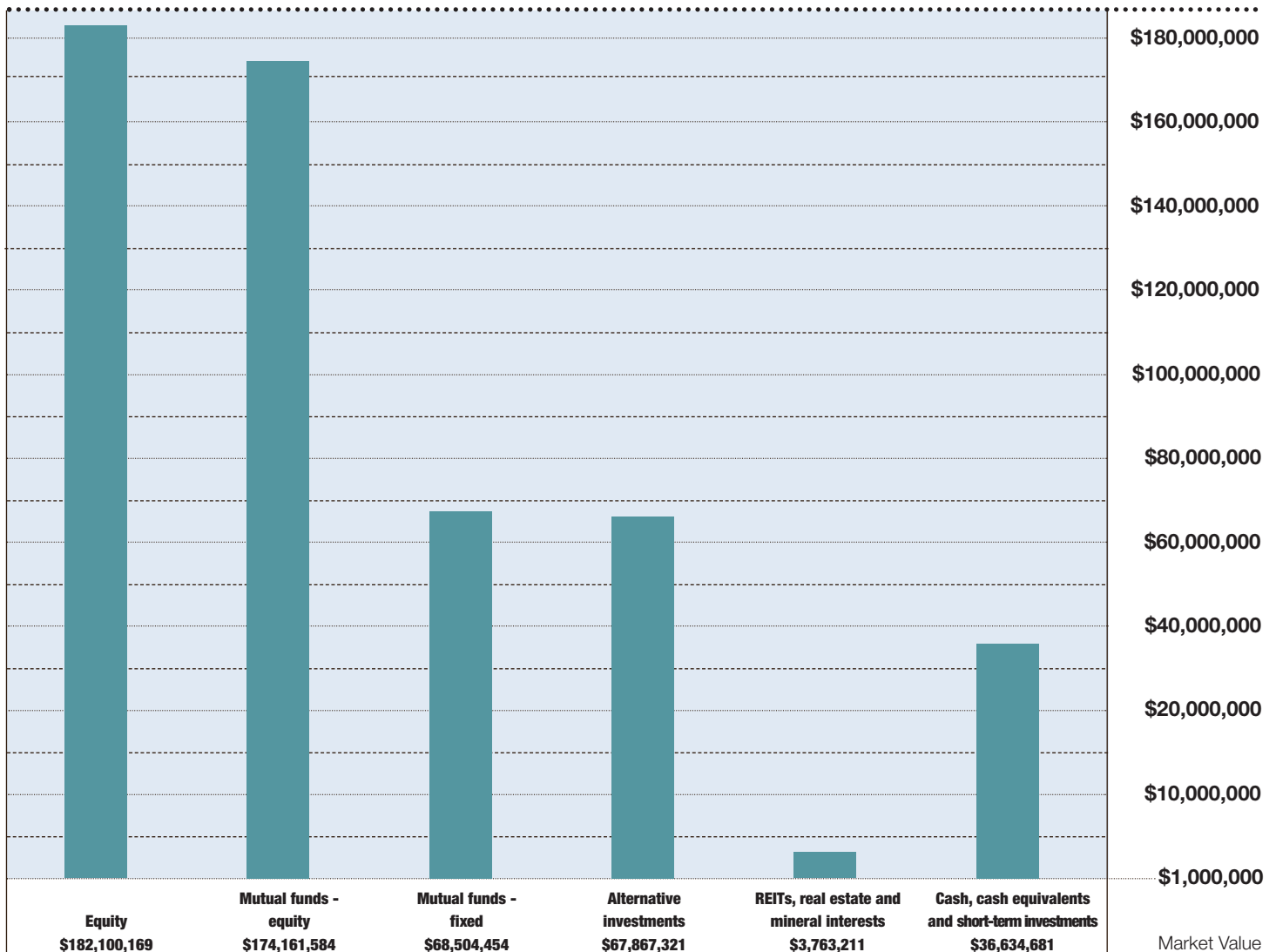
SOUTHWESTERN MEDICAL FOUNDATION

HISTORICAL PERFORMANCE For periods ending December 31

	One Year	Three Years	Five Years
Foundation portfolio total return	20.21%	2.08%	5.90%
Less expenses	<u>0.54%</u>	<u>0.52%</u>	<u>0.57%</u>
Net total return ⁽¹⁾	19.67%	1.56%	5.33%
Less inflation	<u>-0.34%</u>	<u>1.79%</u>	<u>2.40%</u>
Real net return	20.01%	-0.23%	2.93%
Less grants	<u>6.53%</u>	<u>5.15%</u>	<u>4.52%</u>
Funds' real growth	13.48%	-5.38%	-1.59%
Benchmarks:			
⁽¹⁾ S&P 500	26.46%	-5.63%	0.42%
Russell 2000	27.17%	-6.07%	0.51%
Barclays Aggregate Bond	5.24%	5.90%	4.66%

MANAGED INVESTMENTS:

Totals as of December 31, 2009: \$533,031,420



SOUTHWESTERN MEDICAL FOUNDATION
2009 GRANTS AND SCHOLARSHIP AWARDS

THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER:

Faculty recruitment, student and alumni services, travel and administrative expenses	\$1,200,000	
Building funds and material goods	20,000	
Endowed positions and special centers	7,677,724	
Research and equipment	5,241,384	
Scholarships and student benefit funds	312,189	
Special projects	1,082,796	
Total to UT Southwestern		\$15,534,093

COMMUNITY EVENTS AND PROGRAMS: **87,150**

OTHER HEALTH CARE ORGANIZATIONS:

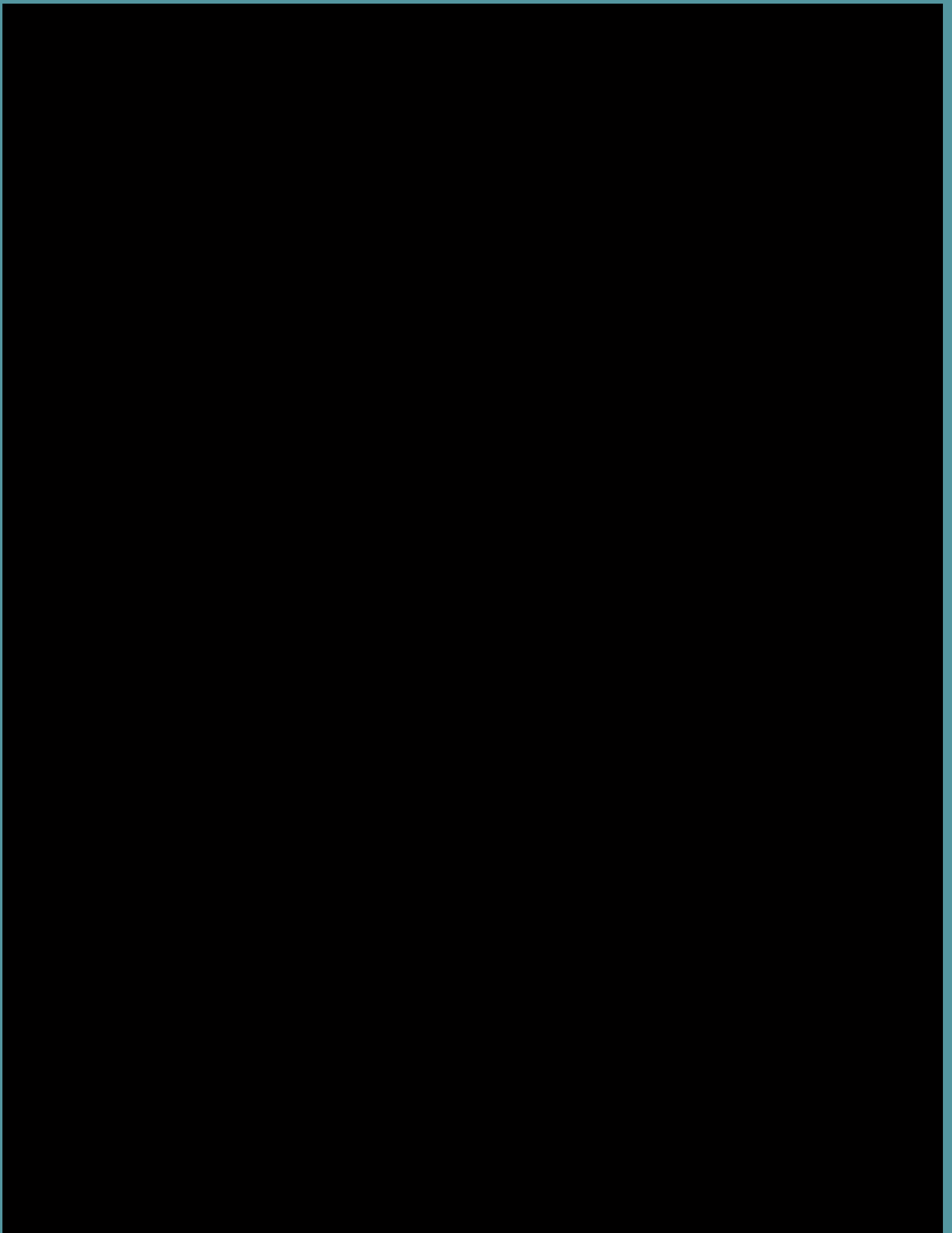
Advancement of Transplant Services Charitable Trust	4,000	
Children's Medical Center	1,893	
Collin County Health Care Services	80,667	
Dallas Academy of Internal Medicine	7,500	
Phoenix House of Texas Inc.	42,781	
The Stroke Center of Dallas of Texas Women's University	20,000	
University of Florida	7,870	
University of Rochester	50,000	
University of Texas at Dallas/UT Dallas Center for Brain Health/Callier Center for Communication Disorders	527,600	
Total grants to other charitable organizations		742,311

Total grants, scholarships and student benefits **\$16,363,554**

GRANTS OF SPLIT INTEREST AGREEMENTS TO OTHER HEALTH CARE ORGANIZATIONS:

Children's Medical Center	2,191,477	
Texas Scottish Rite Hospital for Children	2,639,235	
Total grants of split-interest agreements to other charitable organizations		4,830,712

Total all grants, scholarships and student benefits **\$21,194,266**



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