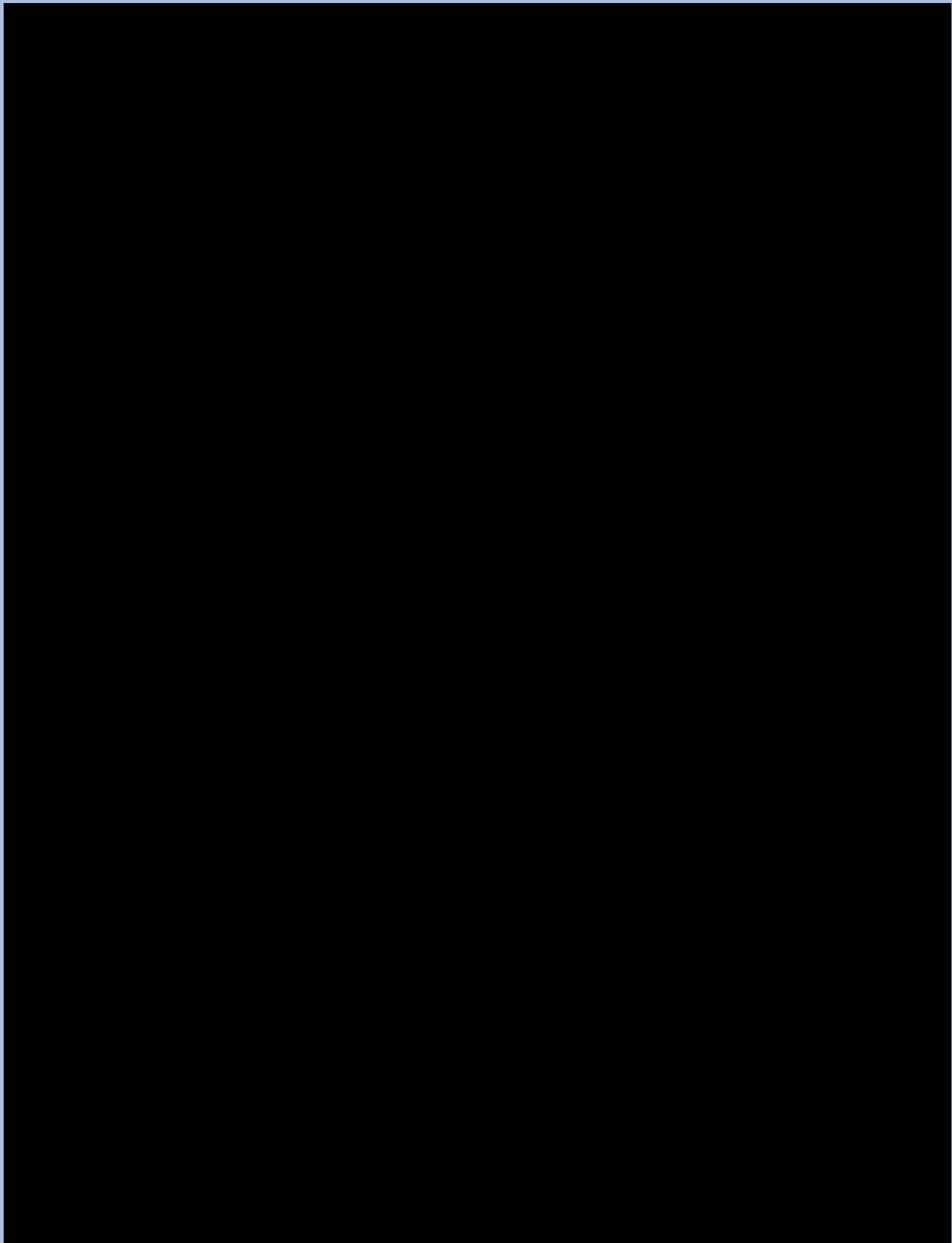




2008
ANNUAL
REVIEW

SOUTHWESTERN MEDICAL FOUNDATION



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Dear Friends:

Thanks to your generous support, Southwestern Medical Foundation has fared relatively well among the nation's charitable organizations in these difficult economic times. We received significant contributions and new pledges in 2008, a year when philanthropic gifts were considerably reduced at most organizations because of the country's fiscal challenges. Although the investment markets were down, we had much to celebrate, as The University of Texas Southwestern Medical Center's *Innovations in Medicine* capital campaign concluded in May with \$772,790,488 in support for the medical center — a record for a Dallas fund-raising effort.

The Foundation's prudent investment policies have served the organization well since 1939. Although our net assets declined in 2008, the decrease was less than those of the benchmarks we measure ourselves against, and we were able to increase our grants and scholarships to \$32 million, 4 percent more than in 2007.

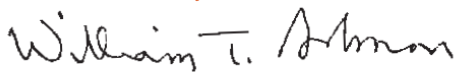
But of course, success at Southwestern Medical Foundation is measured by more than money. Progress comes from building relationships among the business, philanthropic and medical communities. We greatly appreciate the guidance provided by our trustees and the efforts of our staff. The Executive Committee worked diligently to manage our assets. The Investment, Real Estate and Audit committees, led by Jeffrey M. Heller, George A. Shafer, and Paul W. Harris respectively, have been making adjustments to account for market changes.

We also want to thank the Scholarship/Student Loan and Grants committees, led by Ruth Altshuler and the late J. L. Huffines; the Public Affairs Committee, led by Lyda Hill; the Nominating Committee, led by Elizabeth H. Routman; the Awards Committee, led by Carolyn Rathjen; and the Personnel Committee, led by George W. Bramblett Jr.

We are fortunate to have a loyal and hard-working staff that manages investments and expenditures, identifies giving opportunities, and coordinates the various activities that keep the Foundation running smoothly.

Please remember that your support is always appreciated. Financial markets recover, but some individuals with health issues never do. It is the promise of future medical breakthroughs and better approaches to treatment that will make a real difference in our lives. Please join with us to *Endow the Future of Medicine* and provide hope for many generations.

Sincerely,



William T. Solomon
Chairman



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

SOUTHWESTERN MEDICAL FOUNDATION STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
<u>ASSETS</u>		
Investments at market:		
Pooled investments	\$ 404,397,533	\$ 534,335,955
Assets held in charitable remainder trusts	15,887,997	21,390,417
Assets held in charitable gift annuities	13,537,332	18,074,866
Beneficial interest in perpetual trusts	804,971	1,041,402
Real Estate	559,844	559,844
Other	464,685	602,193
	<hr/>	<hr/>
Total investments	435,652,362	576,004,677
Cash and cash equivalents	1,876,312	1,314,852
Accrued interest and dividends receivable	749,047	4,526,868
Pledges receivable, net of discount	65,300,669	65,238,071
Other assets	96,152	93,064
	<hr/>	<hr/>
Total assets	<u>\$ 503,674,542</u>	<u>\$ 647,177,532</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Grants and scholarships payable	\$ 546,750	\$ 1,802,500
Accrued liabilities	385,847	870,938
Liability under split-interest agreements	10,948,098	10,671,220
	<hr/>	<hr/>
Total liabilities	11,880,695	13,344,658
Net assets:		
Unrestricted	39,967,418	52,634,591
Temporarily restricted	134,578,732	287,047,855
Permanently restricted	317,247,697	294,150,428
	<hr/>	<hr/>
Total net assets	491,793,847	633,832,874
Total liabilities and net assets	<u>\$ 503,674,542</u>	<u>\$ 647,177,532</u>

SOUTHWESTERN MEDICAL FOUNDATION STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
Revenue and support:		
Net contributions	\$ 27,280,439	\$ 134,726,278
Investment income	18,584,110	21,924,855
Net unrealized and realized gains (losses)	(153,433,742)	14,342,219
Total revenue and support	(107,569,193)	170,993,352
Expenses:		
Grants and scholarships	32,090,135	30,756,411
Fund-raising, management and general	2,379,699	2,294,659
Total expenses	34,469,834	33,051,070
Excess (deficit) of revenue and support over expenses	(142,039,027)	137,942,282
Net assets, beginning of year	633,832,874	495,890,592
Net assets, end of year	\$ 491,793,847	\$ 633,832,874