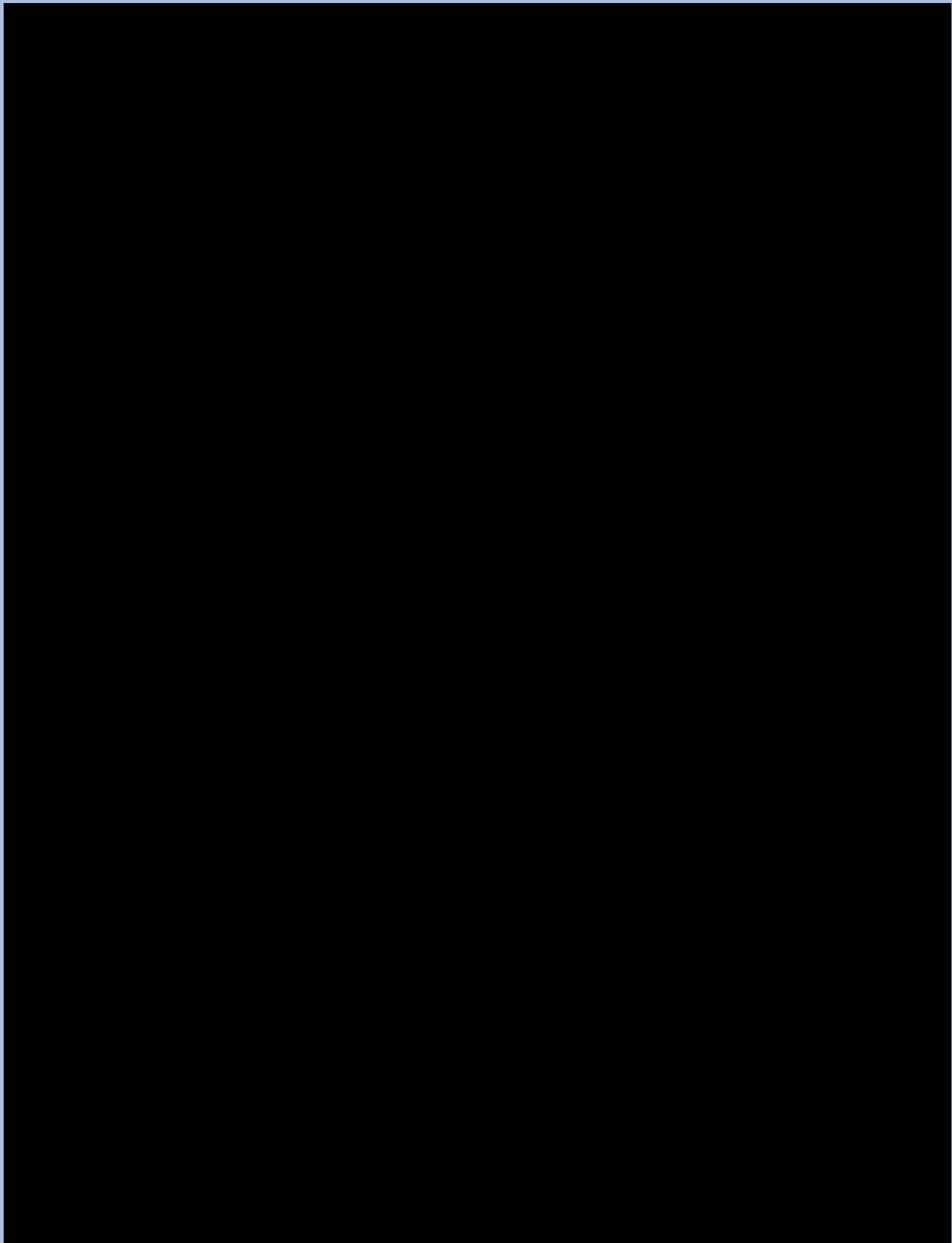




2008  
ANNUAL  
REVIEW

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.

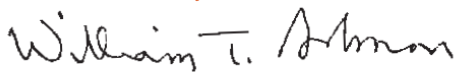
But of course, success at Southwestern Medical Foundation is measured by more than money. Progress comes from building relationships among the business, philanthropic and medical communities. We greatly appreciate the guidance provided by our trustees and the efforts of our staff. The Executive Committee 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                          | <b>435,652,362</b>           | <b>576,004,677</b>           |
| 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                               | <b><u>\$ 503,674,542</u></b> | <b><u>\$ 647,177,532</u></b> |
| <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                          | <b>11,880,695</b>            | <b>13,344,658</b>            |
| 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                           | <b>491,793,847</b>           | <b>633,832,874</b>           |
| Total liabilities and net assets           | <b><u>\$ 503,674,542</u></b> | <b><u>\$ 647,177,532</u></b> |

# 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            |
| <b>Total revenue and support</b>                             | <b>(107,569,193)</b>  | <b>170,993,352</b>    |
| Expenses:  |                       |                       |
| Grants and scholarships                                      | 32,090,135            | 30,756,411            |
| Fund-raising, management and general                         | 2,379,699             | 2,294,659             |
| <b>Total expenses</b>  | <b>34,469,834</b>     | <b>33,051,070</b>     |
| <b>Excess (deficit) of revenue and support over expenses</b> | <b>(142,039,027)</b>  | <b>137,942,282</b>    |
| Net assets, beginning of year                                | 633,832,874           | 495,890,592           |
| <b>Net assets, end of year</b>                               | <b>\$ 491,793,847</b> | <b>\$ 633,832,874</b> |