

2013 ANNUAL REVIEW



SOUTHWESTERN MEDICAL FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Investments, at market:		
Pooled investments	\$ 800,800,614	\$ 721,795,683
Non-pooled investments		
T. Boone Pickens Fund	75,766,210	60,410,647
Assets held in charitable remainder trusts	16,386,995	15,196,315
Assets held in charitable gift annuities	8,040,830	7,465,665
Beneficial interest in perpetual trusts	7,879,884	7,167,244
Real estate	49,014	559,844
Other	456,780	951,672
Total non-pooled investments	<u>108,579,713</u>	<u>91,751,387</u>
Total investments	909,380,327	813,547,070
Cash and cash equivalents	6,562,331	2,945,165
Investment sales receivable	-	-
Accrued interest and dividends receivable	1,161,803	216,390
Pledges receivable, net	21,780,692	25,866,185
Other receivables	25,893	952,027
Other assets	158,880	191,152
Total assets	\$ 939,069,926	\$ 843,717,989
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Grants and scholarships payable	\$ 948,000	\$ 790,000
Accrued liabilities	819,541	966,165
T. Boone Pickens Fund contingency reserve	-	10,410,647
Liability under split-interest agreements	6,069,550	6,066,839
Total liabilities	7,837,091	18,233,651
Net assets:		
Unrestricted	56,748,769	51,900,122
Temporarily restricted	492,239,139	421,667,409
Permanently restricted	382,244,927	351,916,807
Total net assets	931,232,835	825,484,338
Total liabilities and net assets	\$ 939,069,926	\$ 843,717,989

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

SOUTHWESTERN MEDICAL FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Revenue and support:		
Contributions and pledges at present value	\$ 17,638,009	\$ 19,941,054
Contributions from trusts and beneficial interests at present value	-	1,409,685
Change in value of split interest agreements	2,805,640	379,311
Investment income, net of expenses	12,460,218	9,864,450
Net realized and unrealized gain (loss) on investments	93,068,833	49,690,479
Release of T. Boone Pickens Fund contingency reserve	10,410,647	-
Total revenue and support	136,383,347	81,284,979
Expenses:		
Grants and scholarships	26,929,737	23,299,934
Fund-raising, management and general	3,705,113	3,360,354
Total expenses	30,634,850	26,660,288
Change in net assets	105,748,497	54,624,691
Net assets at beginning of year	825,484,338	770,859,647
Net assets at end of year	\$ 931,232,835	\$ 825,484,338

Note: As required by FASB Guidelines, the Foundation has included amounts for split-interest agreements that have not matured. In 2012, contributions for split-interest agreements were \$379,311 and (\$776,955) in 2011. 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, 2013 AND 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 105,748,497	\$ 54,624,691
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	35,294	35,347
Change in value of split-interest agreements	(2,805,640)	(379,311)
Discount on pledges receivable	(157,801)	(195,657)
Net realized and unrealized (gain) loss on investments	(93,068,833)	(49,690,479)
Release of T. Boone Pickens Fund contingency reserve	(10,410,647)	-
Restricted contributions	(16,983,079)	(21,019,838)
Restricted investment income	(11,503,940)	(8,172,344)
Changes in assets and liabilities:		
Accrued interest and dividends receivable	(945,413)	280,309
Pledges receivable	1,468	(1,468)
Other receivables	926,134	(761,859)
Other assets	(624)	(6,951)
Grants and scholarships payable	158,000	-
Accrued liabilities	(146,624)	(2,271,152)
Liability under split-interest agreements	31,048	(511,524)
Net cash used in operating activities	(29,122,160)	(28,070,236)
Cash flows from investing activities:		
Proceeds from sale of investments	151,459,262	117,054,755
Purchases of investments	(151,218,086)	(142,265,411)
Purchases of property and equipment	(2,399)	-
Net cash used in investing activities	238,777	(25,210,656)
Cash flows from financing activities:		
Restricted cash collected	21,219,908	45,766,622
Restricted investment income collected	11,280,641	8,022,106
Net cash provided by financing activities	32,500,549	53,788,728
Net increase in cash and cash equivalents	3,617,166	507,836
Cash and cash equivalents at beginning of year	2,945,165	2,437,329
Cash and cash equivalents at end of year	\$ 6,562,331	\$ 2,945,165

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 ended December 31

(in millions of dollars)

	2009	2010	2011	2012	2013
Beginning net assets	\$491.793	\$666.782	\$753.909	\$770.859	\$825.485
Contributions	95.156 *	31.172 *	63.813 *	21.730 *	20.444 *
Investment return	99.370	75.870	-18.535	59.555	115.939
Expenses	-3.173	-3.309	-2.996	-3.360	-3.705
Grants	<u>-16.364</u>	<u>-16.606</u>	<u>-25.332</u>	<u>-23.299</u>	<u>-26.930</u>
Ending net assets	<u>\$666.782</u>	<u>\$753.909</u>	<u>\$770.859</u>	<u>\$825.485</u>	<u>\$931.233</u>

**Note: As required by FASB guidelines, the Foundation has included split-interest agreements that have not matured. The amounts are as follows: In 2009 (\$3,796,054), in 2010 \$1,276,501, in 2011 (\$776,955), in 2012 \$379,311, and in 2013 \$2,805,640.*

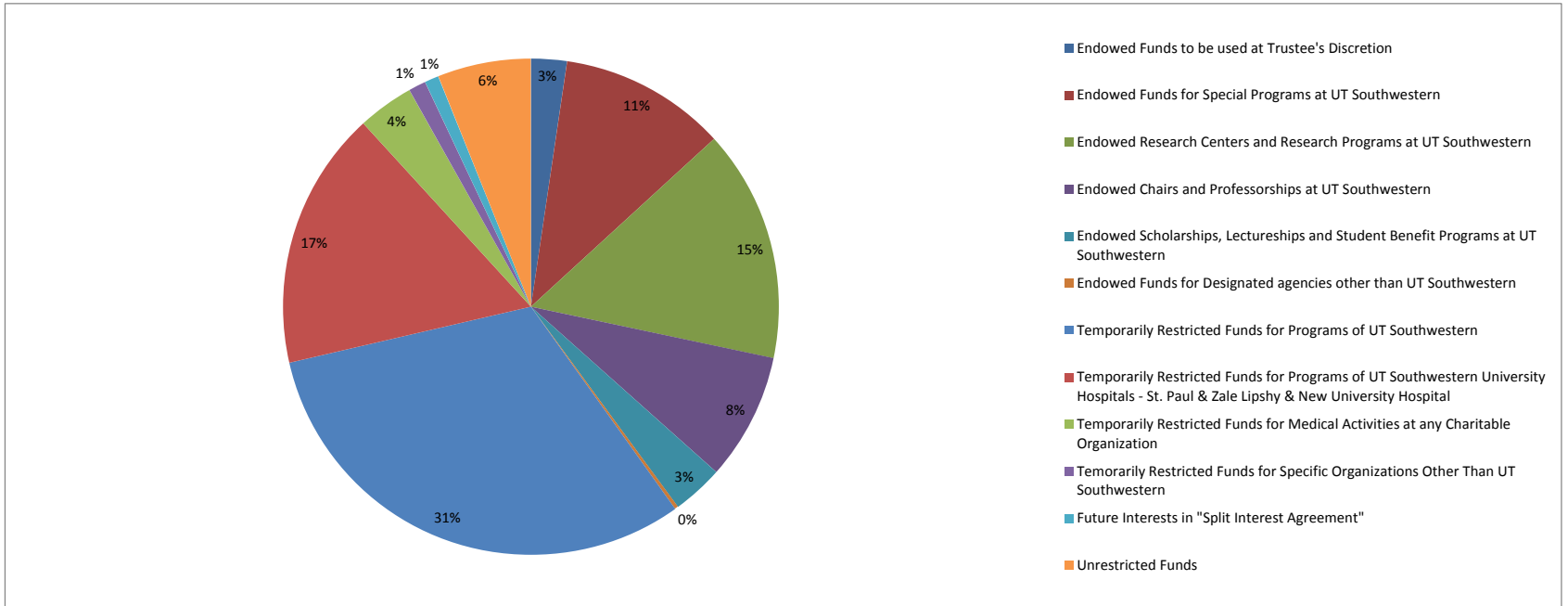
SOUTHWESTERN MEDICAL FOUNDATION

NET ASSETS BY DESIGNATION

Total as of December 31, 2013: \$931,232,835

Southwestern Medical Foundation oversees funds for creating research centers, endowing chairs and professorships, providing clinical and facility support, sponsoring research projects, assisting students with scholarships and other special purposes, while also accepting gifts dedicated to supporting other organizations.

Endowed Funds to be used at Trustee's Discretion	\$ 21,814,598
Endowed Funds for Special Programs at UT Southwestern	\$ 101,093,607
Endowed Research Centers and Research Programs at UT Southwestern	\$ 140,858,504
Endowed Chairs and Professorships at UT Southwestern	\$ 76,924,871
Endowed Scholarships, Lectureships and Student Benefit Programs at UT Southwestern	\$ 30,912,359
Endowed Funds for Designated agencies other than UT Southwestern	\$ 2,120,367
Temporarily Restricted Funds for Programs of UT Southwestern	\$ 290,927,152
Temporarily Restricted Funds for Programs of UT Southwestern University Hospitals - St. Paul & Zale Lipshy & New University Hospital	\$ 156,711,701
Temporarily Restricted Funds for Medical Activities at any Charitable Organization	\$ 34,050,072
Temporarily Restricted Funds for Specific Organizations Other Than UT Southwestern	\$ 10,550,214
Future Interests in "Split Interest Agreement"	\$ 8,520,621
Unrestricted Funds	\$ 56,748,769
	\$ 931,232,835



SOUTHWESTERN MEDICAL FOUNDATION
FINANCIAL PERFORMANCE
 For periods ended December 31, 2013

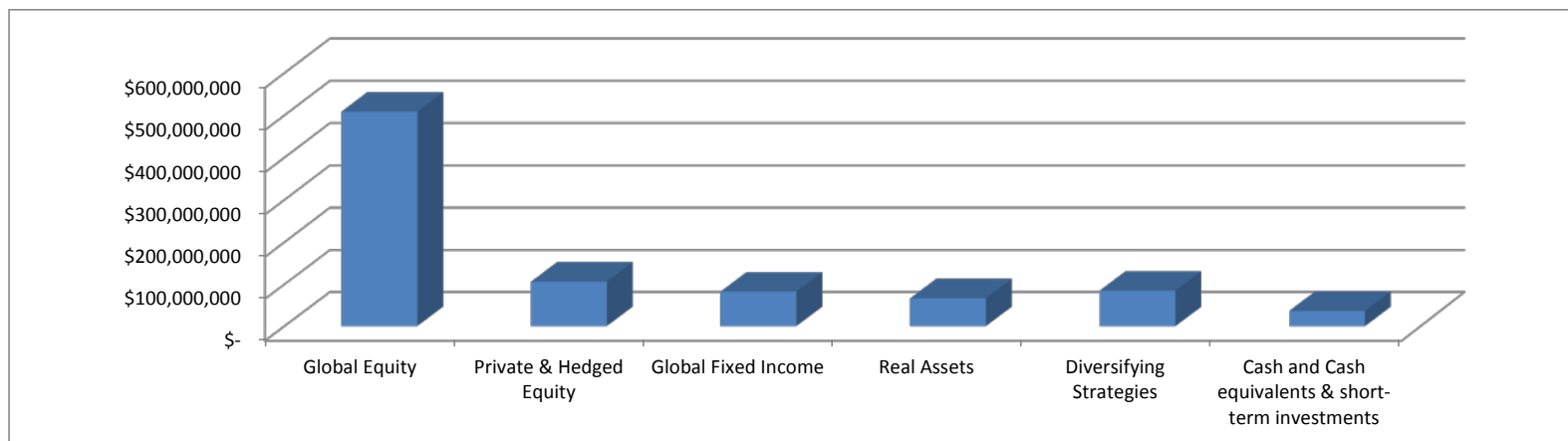
	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>
Foundation Pooled Investments Return*	17.20%	8.70%	12.70%
Foundation Portfolio Total Return	14.04%	6.44%	10.18%
Expenses	<u>-0.45%</u>	<u>-0.43%</u>	<u>-0.48%</u>
Net Total Return*	13.60%	6.01%	9.69%
Inflation	<u>-1.40%</u>	<u>-2.00%</u>	<u>-2.10%</u>
Real Net Return	12.20%	4.01%	7.59%
Grants	<u>-3.26%</u>	<u>-3.21%</u>	<u>-3.09%</u>
Fund's Real Growth (Loss)	8.93%	0.80%	4.50%
 *Benchmarks:			
Foundation Pool Composite Benchmark	17.10%	9.60%	13.40%

SOUTHWESTERN MEDICAL FOUNDATION

MANAGED INVESTMENTS:

Totals as of December 31, 2013: \$883,634,649

Global Equity	\$	508,298,533
Private & Hedged Equity	\$	105,938,090
Global Fixed Income	\$	82,294,552
Real Assets	\$	66,206,264
Diversifying Strategies	\$	84,634,832
Cash and Cash equivalents & short-term investments	\$	36,262,678
	\$	883,634,949



SOUTHWESTERN MEDICAL FOUNDATION
 2013 GRANTS, SCHOLARSHIPS AND AWARDS

THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER:

Student and alumni services, community/donor relations and development, general administration and travel	\$ 1,626,000	
Scholarships and student benefit funds	274,722	
Endowed positions and special centers	18,744,317	
Research and equipment	4,108,774	
Special projects	1,049,667	
Total to UT Southwestern		\$ 25,803,480

COMMUNITY EVENTS AND PROGRAMS: **\$ 103,230**

OTHER HEALTH CARE ORGANIZATIONS:

American Academy of Restorative Dentistry Foundation	\$ 10,000	
Bay Pines Foundation	10,000	
Brain Health Advances Fund of Communities Foundation of Texas	748,353	
Children's Medical Center	150,000	
Collin County Health Care Foundation	74,164	
Phoenix Houses of Texas Inc.	20,060	
St. Paul Medical Foundation	200	
Texas Scottish Rite Hospital	250	
The University of Texas at Dallas	10,000	
Total grants to other charitable organizations		\$ 1,023,027

Total grants, scholarships and student benefits **\$ 26,929,737**