

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

2012

ANNUAL REVIEW



Dear Friends:

It is our great pleasure to share with you a few details about the successful year Southwestern Medical Foundation had in 2012.

The Foundation's assets continue to grow at a record-setting pace, from less than \$30 million in 1985 to \$840 million for year end 2012. As a direct result, we've helped drive a period of unprecedented growth for UT Southwestern Medical Center, including the ongoing construction of the state-of-the-art, \$800 million William P. Clements Jr. University Hospital.

None of this would be possible without the generous donors who provided significant contributions and pledges to support the important work of UT Southwestern Medical Center, and its affiliated institutions, in our community and around the world. Thanks to your kindness, we are delivering the future of medicine today through scientific discoveries, outstanding medical training and excellent patient care.

Founded 74 years ago, Southwestern Medical Foundation now manages close to 1,000 funds, which benefited a wide range of grants in 2012 for patient-centered programs, technology, research and education. Our scholarship funds now hold more than \$5.3 million, and last year alone, the Foundation provided \$245,000 to 197 students who are pursuing their dreams of becoming doctors. The Foundation also helped create the Endowed Program for Scholars in Biomedical Research, which provides essential research funding for new assistant professors. These early-career researchers receive \$600,000 over four years to ensure a successful launch of their careers at UT Southwestern Medical Center.

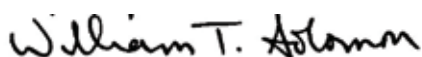
Southwestern Medical Foundation continues to help the Center's brilliant and dedicated scientists and faculty discover new ways to keep our bodies healthy. Important discoveries have included innovative technology pioneered by Dr. Jere Mitchell that helps scientists visualize the heart during exercise, and the development of new breakthroughs in using exercise to strengthen mental health and help patients recover from injuries.

In October, Kathleen became President and CEO of the Foundation, after serving as Executive Vice President and as a member of the Board of Trustees. Our Foundation team and Board continue to guide, and deliver on, the important mission of enhancing health care, medical research, and medical education.

As you look over this financial information for 2012, we hope you remember that it is visionary donors who are to thank for UT Southwestern's growth from a small medical school into one of the world's leading medical research centers, with more Nobel laureates on its active faculty than any other medical school in the world. We would like to thank our donors, included members of the Heritage Society, who make long-term charitable commitments to create a legacy that enriches the entire community.

The Foundation takes great pride in being a strong philanthropic partner to this world-renowned Medical Center. We hope you share our pride by continuing to Endow the Future of Medicine and by providing the hope that comes with that promise for generations to come.

Sincerely,



William T. Solomon
Chairman



Kathleen M. Gibson
President

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Investments, at market:		
Pooled investments	\$ 721,795,683	\$ 643,639,271
Non-pooled investments		
T. Boone Pickens Fund	60,410,647	52,559,427
Assets held in charitable remainder trusts	15,196,315	14,966,943
Assets held in charitable gift annuities	7,465,665	3,782,022
Beneficial interest in perpetual trusts	7,167,244	6,611,160
Real estate	559,844	559,844
Other	951,672	514,932
Total non-pooled investments	91,751,387	78,994,328
Total investments	813,547,070	722,633,599
Cash and cash equivalents	2,945,165	2,437,329
Investment sales receivable	-	9,739
Accrued interest and dividends receivable	216,390	496,699
Pledges receivable, net	25,866,185	52,099,610
Other receivables	952,027	180,429
Other assets	191,152	219,548
Total assets	\$ 843,717,989	\$ 778,076,953
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants and scholarships payable	\$ 790,000	\$ 790,000
Accrued liabilities	966,165	677,890
T. Boone Pickens Fund contingency reserve	10,410,647	2,559,427
Liability under split-interest agreements	6,066,839	3,189,989
Total liabilities	18,233,651	7,217,306
Net assets:		
Unrestricted	51,900,122	48,143,348
Temporarily restricted	421,667,409	375,054,341
Permanently restricted	351,916,807	347,661,958
Total net assets	825,484,338	770,859,647
Total liabilities and net assets	\$ 843,717,989	\$ 778,076,953

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Revenue and support:		
Contributions and pledges at present value	\$ 19,941,054	\$ 63,831,503
Contributions from trusts and beneficial interests at present value	1,409,685	758,628
Change in value of split interest agreements	379,311	(776,955)
Investment income, net of expenses	9,864,450	10,253,940
Net realized and unrealized gain (loss) on investments	49,690,479	(28,788,959)
Total revenue and support	81,284,979	45,278,157
Expenses:		
Grants and scholarships	23,299,934	25,332,095
Fund-raising, management and general	3,360,354	2,995,936
Total expenses	26,660,288	28,328,031
Change in net assets	54,624,691	16,950,126
Net assets at beginning of year	770,859,647	753,909,521
Net assets at end of year	\$ 825,484,338	\$ 770,859,647

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.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 54,624,691	\$ 16,950,126
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	35,347	31,044
Change in value of split-interest agreements	(379,311)	776,955
Discount on pledges receivable	(195,657)	(598,459)
Net realized and unrealized (gain) loss on investments	(49,690,479)	28,788,959
Restricted contributions	(21,019,838)	(63,141,228)
Restricted investment income	(8,172,344)	(8,936,604)
Changes in assets and liabilities:		
Accrued interest and dividends receivable	280,309	140,978
Pledges receivable	(1,468)	2,500
Other receivables	(761,859)	592,378
Other assets	(6,951)	(152,892)
Grants and scholarships payable	-	160,000
Accrued liabilities	(2,271,152)	(1,200,340)
Liability under split-interest agreements	(511,524)	(258,628)
Net cash used in operating activities	(28,070,236)	(26,845,211)
Cash flows from investing activities:		
Proceeds from sale of investments	117,054,755	179,201,616
Purchases of investments	(142,265,411)	(224,962,181)
Net cash used in investing activities	(25,210,656)	(45,760,565)
Cash flows from financing activities:		
Restricted cash collected	45,766,622	65,923,351
Restricted investment income collected	8,022,106	8,912,278
Net cash provided by financing activities	53,788,728	74,835,629
Net increase in cash and cash equivalents	507,836	2,229,853
Cash and cash equivalents at beginning of year	2,437,329	207,476
Cash and cash equivalents at end of year	\$ 2,945,165	\$ 2,437,329

NET ASSET GROWTH AND DISTRIBUTION

FOR PERIODS ENDED DECEMBER 31

(in millions of dollars)

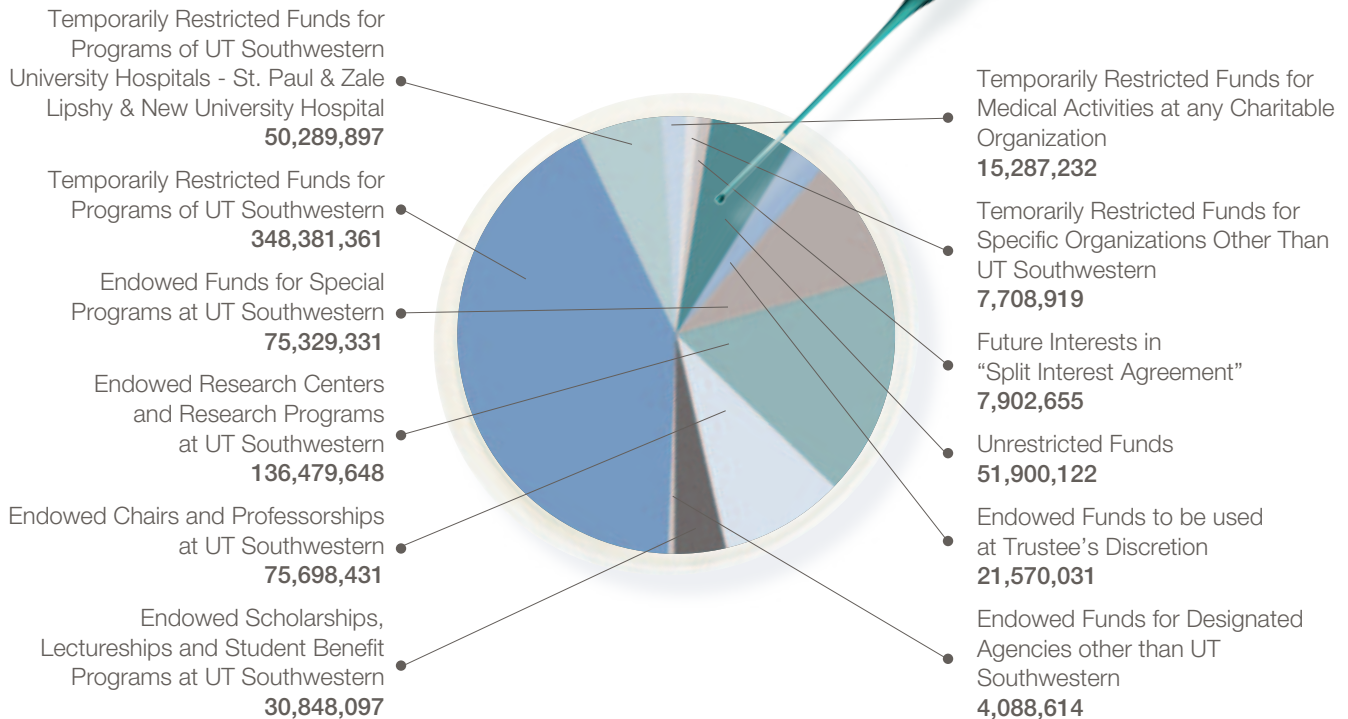
	2008	2009	2010	2011	2012
Beginning net assets	\$ 633.833	\$ 491.793	\$ 666.782	\$ 753.909	\$ 770.859
Contributions	27.280 *	95.156 *	31.172 *	63.813 *	21.730 *
Investment return	-134.850	99.370	75.870	-18.535	59.555
Expenses	-2.380	-3.173	-3.309	-2.996	-3.360
Grants	-32.090	-16.364	-16.606	-25.332	-23.299
Ending net assets	\$ 491.793	\$ 666.782	\$ 753.909	\$ 770.859	\$ 825.485

*Note: As required by FASB guidelines, the Foundation has included split-interest agreements that have not matured. The amounts are as follows: In 2008 (\$10,533,263), in 2009 (\$3,796,054), in 2010 \$1,276,501, in 2011 (\$776,955), and in 2012 \$379,311.

NET ASSETS BY DESIGNATION

TOTAL AS OF DECEMBER 31, 2012: \$825,484,338

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.



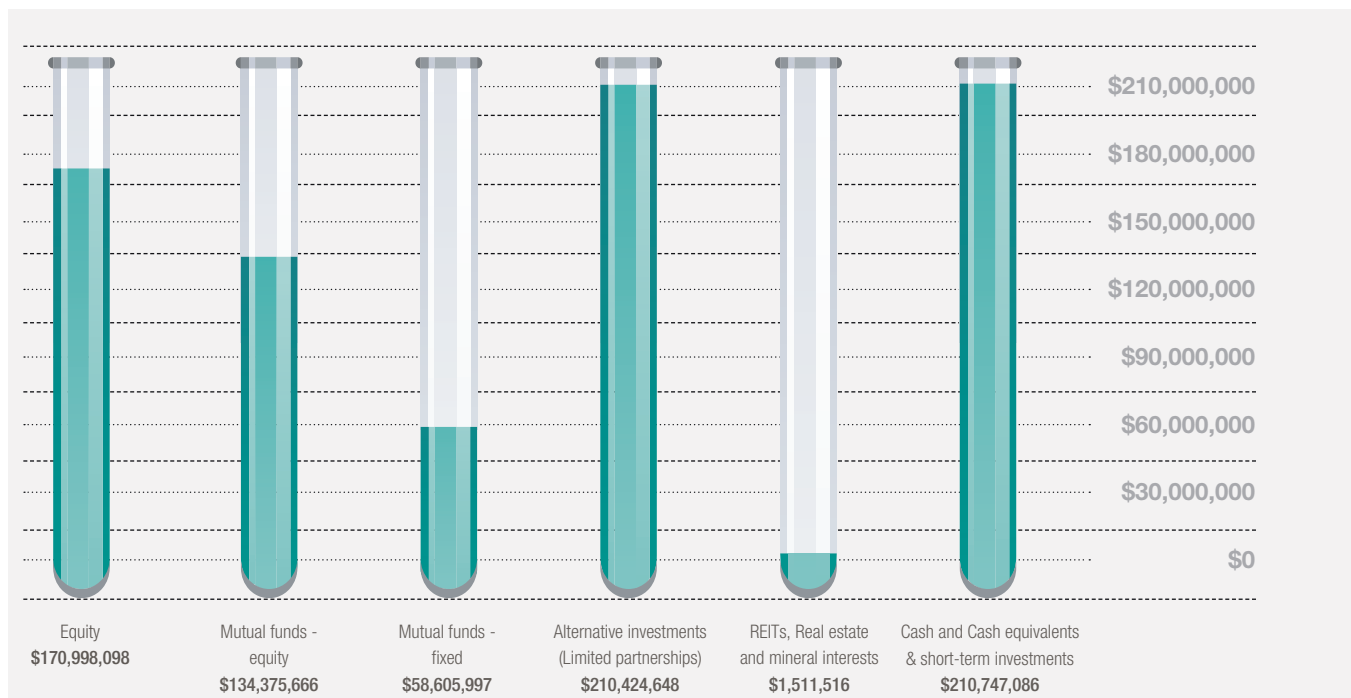
FINANCIAL PERFORMANCE

FOR PERIODS ENDING DECEMBER 31, 2012

	One Year	Three Years	Five Years
Foundation Pooled Investments Return*	12.50%	7.60%	2.80%
Foundation Portfolio Total Return	7.73%	5.55%	3.12%
Expenses	-0.44%	-0.44%	-0.47%
Net Total Return*	7.29%	5.11%	2.65%
Inflation	-2.00%	-2.30%	1.80%
Real Net Return	5.29%	2.81%	0.85%
Grants	-3.02%	-2.96%	-3.45%
Fund's Real Growth (Loss)	2.27%	-0.15%	-2.60%
*Benchmarks:			
Foundation Pool Composite Benchmark	13.60%	8.90%	2.00%
S&P 500	16.00%	10.87%	1.66%
Russell 2000	16.35%	12.25%	3.56%
Barclays Aggregate Bond	4.20%	6.20%	5.90%

MANAGED INVESTMENTS

TOTALS AS OF DECEMBER 31, 2012: \$786,663,011



2012 GRANTS, SCHOLARSHIPS AND AWARDS

The University of Texas Southwestern Medical Center:

Student and alumni services, community/donor relations and development, general administration and travel	\$ 1,580,000	
Scholarships and student benefit funds	270,992	
Endowed positions and special centers	15,164,443	
Research and equipment	4,658,634	
Special projects	11,123,344	
Total to UT Southwestern		\$ 22,797,413

Community Events and Programs: **\$ 110,040**

Other Health Care Organizations:

American Academy of Restorative Dentistry Foundation	10,000	
Baylor College of Medicine	2,413	
Children's Medical Center	250,000	
Collin County Health Care Foundation	71,838	
Phoenix Houses of Texas Inc.	38,230	
The Community Foundation of the Mahoning Valley	5,000	
Texas Woman's University - The Stroke Center-Dallas	10,000	
The University of Texas at Dallas	5,000	
Total grants to other charitable organizations		\$ 392,481

Total grants, scholarships and student benefits **\$ 23,299,934**

Southwestern Medical Foundation Board of Trustees 2012-2013

Edward M. Ackerman
Sara Melnick Albert
Rafael M. Anchia
Charlotte Jones Anderson
Marilyn H. Augur
Ralph W. Babb Jr.
Doris L. Bass
Peter Beck
Jill C. Bee
Gil J. Besing
Robert W. Best
Jan Hart Black
Cecilia G. Boone
Daniel H. Branch
Diane M. Brierley
Jean Ann Brock
Robert W. Brown, M.D.
Stephen Butt
W. Plack Carr, Jr.
Jeffrey A. Chapman
Rita C. Clements
Mary McDermott Cook
David R. Corrigan
Berry R. Cox
Harlan R. Crow
Robert H. Dedman, Jr.
Timothy Eller
Matrice Ellis-Kirk
Sandra Street Estess
Robert A. Estrada
Roy Gene Evans
Andersen C. Fisher
I. D. (Nash) Flores, III
Terry J. Flowers, Ed.D.
Kay Carter Fortson
Alan D. Friedman
Judy Gibbs
Kathleen M. Gibson
Joseph M. Grant
Rolf R. Haberecht
Ronald W. Haddock
Nancy S. Halbreich

LaQuita C. Hall
Paul W. Harris
Linda W. Hart
Joe V. Hawn, Jr.
Frederick B. Hegi, Jr.
Jeffrey M. Heller
Julie K. Hersh
Thomas O. Hicks
Sally S. Hoglund
David B. Holl
T. Curtis Holmes, Jr.
Shelton G. Hopkins, M.D.
James R. Huffines
Hunter L. Hunt
Rex V. Jobe
Judith K. Johnson
Eric Johnson
Robert L. Kaminski
Robert W. Korba
Peter A. Kraus
Wright L. Lassiter, Jr., Ed.D.
Laurence H. Lebowitz
Wendy A. Lopez
Sarah Losinger
Gloria Elulich Martindale
William S. McIntyre, IV
John D. McStay
Pauline Medrano
David B. Miller
Kay Y. Moran
Jennifer T. Mosle
Mike A. Myers
Charles E. Nearburg
Stephen Ozanne, M.D.
Teresa Haggerty Parravano
Carlos G. Peña
Guillermo Perales
Boone Pickens
Jacqueline Plemons, D.D.S., M.S.
Daniel K. Podolsky, M.D.
J. Blake Pogue
Richard R. Pollock

Caren H. Prothro
Carolyn Perot Rathjen
Michael S. Rawlings
Kelly E. Roach
Jean W. Roach
Linda Robuck
Robert D. Rogers
Catherine M. Rose
Billy Rosenthal
Lizzie Horchow Routman
Robert B. Rowling
Stephen H. Sands
John Field Scovell
Hunter E. Seay
George A. Shafer
Cynthia S. Sherry M.D.
Karen L. Shuford
Ted C. Skokos
Emmitt J. Smith
Richard W. Snyder, M.D.
William T. Solomon
William S. Spears, Ph.D.
Paul T. Stoffel
Catherine B. Taylor
Richard K. Templeton
Michelle R. Thomas
Jere W. Thompson, Jr.
McHenry T. Tichenor, Jr.
John C. Tolleson
W. Kelvin Walker
Carolyn W. Walker
Tom Walter
Carol R. West
Jimmy Westcott
George W. Wharton, M.D.
Laura L. Wheat
Martha S. Williams
Fritzi G. Woods
Kneeland C. Youngblood, M.D.

The Heritage Society

OF SOUTHWESTERN MEDICAL FOUNDATION

Anonymous (12)
Joyce T. Alban
Mr. and Mrs. James R. Alexander
George A. Atnip*
Marilyn Augur*
Paul M. Bass**
W. Robert Beavers, M.D.
Drs. Paul R. and
Rebecca B. Bergstresser
Michael H. Bertino, M.D.*
Josephine L. Biddle*
Harvey Birsner, M.D.
Jules Bohnn, M.D.*
Beth Ann Borden
Nancy L. Branch
Carol A. Brown, M.D.*
Cherie Brown
Antonio J. Campdera*
W. Plack Carr, Jr.*
Dr. and Mrs. Anthony C. Chang
Emogene B. Clardy
Mr. and Mrs. Robert R. Click
Phyllis M. Coit
Frank Crawford, M.D.
Dorothy R. Cullum*
Kevin and Shari Curran, M.D.
Edwin R. Daniels*
Doris Russell Dealey**
Johann Deisenhofer, Ph.D.
Anne and Brian Dethrow
Paula Barshop Donovitz
Grant A. Dove*
Joyce Allison Eberts and
John P. Eberts, M.D.
Mack M. Elliott*
Gene and Charlotte Emery
Pamela and Roy Gene Evans*
Richard Ferguson
Dave and Lori Folz
Robert G. Freeman, M.D.*
Gretchen* and Gerald Fronterhouse
Celia and Adi Gazdar, M.D.
Dr. and Mrs. Norman F. Gant
Mr. and Mrs. John Robert Gavlick, Sr.
David Ginn, M.D.*
Mr.* and Mrs.* F.B. Pete Goldman*
Mr. and Mrs. Joe M. Graham
G. Thomas Graves III
L. Ruth Guy, Ph.D.*
Rolf and Ute Haberecht
Nancy and Jeremy Halbreich
Sydney* and Wallace Hall*
Nancy B. Hamon**
John P. Harbin
Dr. and Mrs. Thomas W. Harris*
Joyce A. Hendrickson
Helen B.* and Arthur E. Hewett
Mr.* and Mrs. Donald R. Hibbert*
Lyda Hill
J. Roger and Dorothy A. Hirl
James M. Hoak
Edmund M. Hoffman**
Mr. and Mrs.* S. Roger Horchow
Drs. Susan Hotz* and Michael Shiekh
Dr. J. B. Howell*
William C. Huber
Keith and Cherie Hughes
Lory Huitt-Masters
Robert and Myra Hull
Mrs. Morris I. Jaffe**
Bemeice C. Johnson*
Judith K. Johnson*
Judge James W. Kerr, Jr.
Rollin W. and Mary Ella King*
Christine Kumpuris**
Carol Kyler
Wright L. Lassiter, Jr.*
Mr. and Mrs. John Ridings Lee
Dr. Will and Liza Lee
Willis C. Maddrey, M.D. and
Ann Matt Maddrey, Ph.D.
Nelson L. Mauldin
Mr. and Mrs. C. Thomas May, Jr.
James M.* and Rosalee* McConnell

Dr. John and Melinda McConnell
Peter A. McCullough, M.D., M.P.H.*
Mr. and Mrs. Thomas E. McCullough
Christopher F. McGratty
Carmen Crews McCracken McMillan
Anne H. McNamara
Ferd C. and Carole W. Meyer
William R. and Anne E. Montgomery
Kay Y. Moran
Barbara and Robert Munford, M.D.
Robert H. Munger*
Louis Nardizzi, M.D., Ph.D.*
Gerard Noteboom, M.D.*
Rhea T. O'Connor*
Thomas F. O'Toole
Mrs. Sam Papert, Jr.*
Thomas J. Parr, M.D. and Joannie Parr
Selma L.* and I. Benjamin Parrill*
Patricia M. Patterson*
Billy Joe Pendley
Kurt L. Plaut
Shirley Pollock**
Doris E. Porter, P.T.
Mrs. Ashley (Kathryn) Priddy
John Proffitt, M.D.
Muriel Rabiner
W. Paul Radman, D.D.S.
Nancy Carol Reddick*
Tom B. Rhodes*
Frank Ribelin*
Dr. and Mrs. Leonard Riggs, Jr.
Jack D. Russell
Mr. and Mrs. John Carl Rutledge
Eleanor R. Salomon
Stephen Raymond Salomon
Hortense* and Morton Sanger*
Lorraine Sulkin Schein*
Dr.* and Mrs.* John W. Schermerhorn
Mr. and Mrs. William L. Schilling
Hans J. Schnitzler
F. Michael Schultz, M.D.*
Bette Claire Schuttler*
Sarah M.* and Charles E. Seay**
William D. Seybold, M.D.**
George and Shirley Shafer
Doyle L. Sharp, M.D.**
Tom and Dorothy Shockley
Mr.* and Mrs. George A. (Tom) Shutt*
John S. Smale, M.D.
Dr. and Mrs. Neal C. Small
Ellen K. and Robert L. Solender**
William T. Solomon*
Alayne W. Sprague
Charles C. Sprague, M.D.**
Ronald G. Steinhart*
Eleanor P. Stevens*
S. C. Stewart, M.D.*
Sally Seay Stout**
Douglas H. Unger, M.D.*
Claire Elaine Vial and Robert G. Vial
Margaret Bright Vonder Hoya
Irene Wadel*
Carolyn W. and Thomas C. Walker
Tim Wallace
Jean and Tom Walter
Mr.* and Mrs. Richard L. Walton
Dr. Elgin W.* and Karen G. Ware
Dr. and Mrs. Clark Watts*
Arthur G. Weinberg, M.D.
Pauline Weinberger**
Vicki Whitman Wheeler*
Mr. and Mrs. Dennis White
Linda Poe White
Evelyn Whitman-Dunn*
Mr. Lawrence E. Whitman**
Florence L. and Frederic F. Wiedemann
Dr. and Mrs. Kern Wildenthal
Karol Lynn Wilson
Terry M. Wilson*
Mr.* and Mrs.* Ivor P. Wold

Southwestern Medical Foundation Honorary Trustees

Ruth Sharp Altshuler
Barry G. Andrews
Gilbert Aranza
David W. Biegler
Gene H. Bishop
Albert C. Black, Jr.
George W. Bramblett, Jr.
Stuart M. Bumpas
Edward H. Cary, III
Dan W. Cook, III
Edwin R. Daniels
Joe D. Denton
Robert J. DiNicola
Thomas M. Dunning
Thomas J. Engibous
Gregg L. English
Robert Ted Enloe, III
Jerry Farrington
Robert I. Fernandez
Lee Fikes
David L. Florence
Edwin S. Flores, Ph.D., J.D.
Robert S. Folsom
Gerald J. Ford
Gerald W. Fronterhouse
Printice L. Gary
William R. Goff
Joseph M. Haggar, III
Howard Hallam

Charles M. Hansen, Jr.
John P. Harbin
Jess T. Hay
Lyda Hill
Laurence E. Hirsch
James M. Hoak
Keith W. Hughes
Walter J. Humann
Ray L. Hunt
Philip R. Jonsson
Darrell E. Jordan
Dale V. Kesler
Gary Kusin
David M. Laney
Thomas C. Leppert
Irvin L. Levy
John I. Levy
Wales H. Madden, Jr.
Ann E. Margolin
Margaret McDermott
Harvey R. Mitchell
W. A. "Tex" Moncrief, Jr.
Robert W. Mong, Jr.
Philip O'B. Montgomery, III
Susan Byrne Montgomery
Cipriano Munoz
J. Fulton Murray, Jr.
Joseph B. Neuhoff
Jack Pew, Jr.

Kathryn Priddy
Mary Stewart Ramsey
Tom B. Rhodes
Leonard M. Riggs, Jr., M.D.
John L. Roach
Pete Schenkel
Paul R. Seegers
Carl Sewell, Jr.
Lisa K. Simmons
Roger T. Staubach
Joanne H. Stroud, Ph.D.
A. Starke Taylor, Jr.
Liener Temerlin
Ellen C. Terry
Gifford O. Touchstone
Jim L. Turner
Jack C. Vaughn, Jr.
John J. Veatch, Jr.
Kent Waldrep
W. Ray Wallace
Jon B. White
Evelyn Whitman-Dunn
Kern Wildenthal, M.D., Ph.D.
Terry M. Wilson
Donald Zale

Southwestern Medical Foundation Officers

William T. Solomon
Chairman of the Board
Tom Walter
Vice Chairman of the Board
Kathleen M. Gibson
President

W. Plack Carr, Jr.
Executive Vice President
Kern Wildenthal, M.D., Ph.D.
Senior Consultant
Donald W. Seldin, M.D.
Vice President for Medical
Center Relations

Kay Pritchard
Secretary
Katy Sinor
Assistant Secretary

* Charter Member
** Deceased



SOUTHWESTERN
MEDICAL
FOUNDATION



Reagan Place at Old Parkland
3963 Maple Ave., Suite 100
Dallas, Texas 75219
swmedical.org