



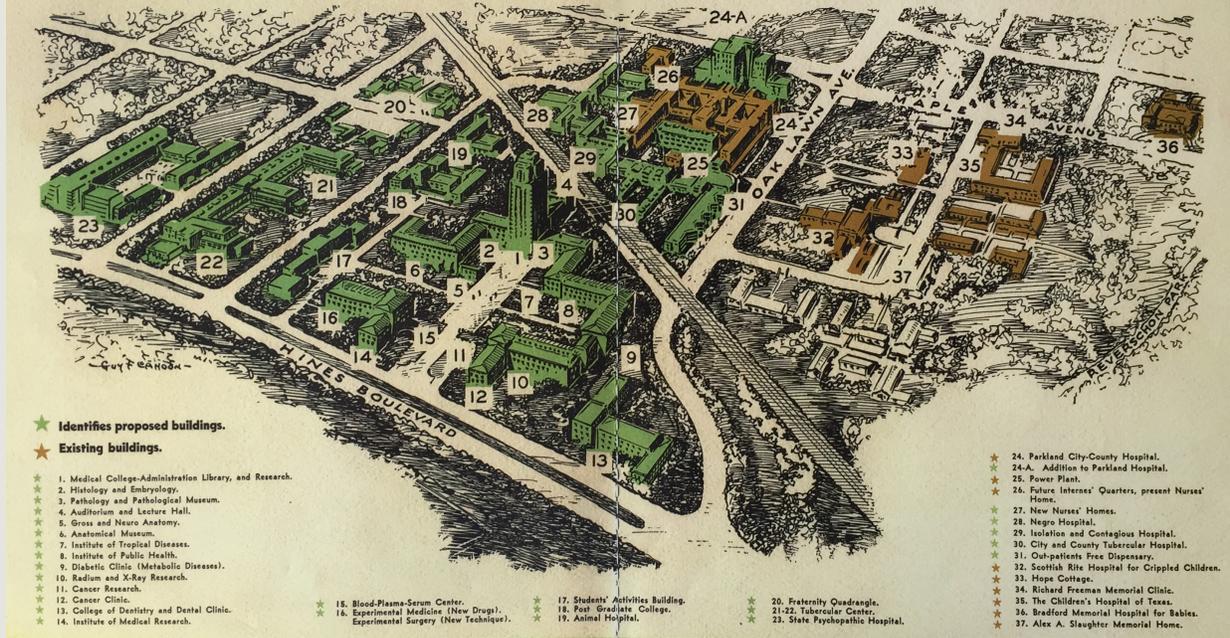
# 2014 ANNUAL REVIEW



LETTER FROM LEADERSHIP	3
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF CASH FLOWS	6
ASSET GROWTH AND DESIGNATION	7
FINANCIAL PERFORMANCE	8
GRANTS, SCHOLARSHIPS AND AWARDS	9

---

## GREATER MEDICAL CENTER at DALLAS



**To our friends:** Recently we were looking at a reprint of a 1942 plan for building medicine in Dallas, the year before the Foundation established Southwestern Medical College, now known as UT Southwestern. The establishment of the medical school was indeed, as has been remarked, “foundational to the building of the city.” But as impressive as it is to look back, it is looking forward that provides the greatest inspiration for the ongoing work of Southwestern Medical Foundation.

That work continued in 2014, and on the pages that follow we will provide you with details of Southwestern Medical Foundation’s financial position and performance, assets and cash flows, for the year ending December 31, 2014. You will also find our disbursements for the past year. It is these disbursements, made possible through generous donors who provide contributions and pledges to support the work of UT Southwestern Medical Center and other institutions, that help lead our community forward into the future of medicine, through research, medical training, and patient care.

It has been a good year for giving. Indeed, you may notice that our assets at year end were less than when the year began; in this case, that’s a good thing, as we were delighted to hand over \$150 million in support of the William P. Clements Jr. University Hospital, the \$800 million hospital whose opening dedication we celebrated in December 2014.

What lies ahead? There is much to be done. Our support for scholarships needs to increase, in an era of increasing financial burdens on young people seeking an exemplary education at UT Southwestern. The necessity to recruit and retain the nation’s most outstanding scientists at UT Southwestern, and to support their facilities, is as great as ever. And there are indeed many exciting areas of research ongoing, including in the field of neuroscience, where a commitment to leading at UT Southwestern will likely be important in understanding brain injuries, brain illness, and the eventual treatment of diseases such as Parkinson’s disease, Alzheimer’s disease, and depression.

Thank you to generous donors, board members, honorary trustees, officers, community leaders and other friends of the Foundation who share the vision of support for academic medicine, and in particular in support of excellence.

Robert B. Rowling  
Chairman

Kathleen M. Gibson  
President and CEO

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Investments, at market:		
Pooled investments	\$ 689,897,356	\$ 800,800,614
Non-pooled investments		
T. Boone Pickens Fund	77,310,388	75,766,210
Assets held in charitable remainder trusts	15,486,902	16,386,995
Assets held in charitable gift annuities	9,396,252	8,040,830
Beneficial interest in perpetual trusts	1,069,296	7,879,884
Real estate	49,014	49,014
Other	445,772	456,780
Total non-pooled investments	<u>103,757,624</u>	<u>108,579,713</u>
<b>Total investments</b>	<b>793,654,980</b>	<b>909,380,327</b>
Cash and cash equivalents	1,964,893	6,562,331
Accrued interest and dividends receivable	134,755	1,161,803
Pledges receivable, net	22,474,616	21,780,692
Other receivables	-	25,893
Other assets	392,759	158,880
<b>Total assets</b>	<b>\$ 818,622,003</b>	<b>\$ 939,069,926</b>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Grants and scholarships payable	\$ 5,391,070	\$ 948,000
Accrued liabilities	2,609,795	819,541
Liability under split-interest agreements	6,413,184	6,069,550
<b>Total liabilities</b>	<b>14,414,049</b>	<b>7,837,091</b>
Net assets:		
Unrestricted	56,789,423	56,748,769
Temporarily restricted	368,599,757	492,239,139
Permanently restricted	378,818,774	382,244,927
<b>Total net assets</b>	<b>804,207,954</b>	<b>931,232,835</b>
<b>Total liabilities and net assets</b>	<b>\$ 818,622,003</b>	<b>\$ 939,069,926</b>

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



STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<b>Revenue and support:</b>		
Contributions and pledges at present value	\$ 22,169,996	\$ 17,638,009
Changes in allowance for doubtful pledges	(3,206,153)	-
Contributions from trusts and beneficial interests at present value	563,925	-
Change in value of split interest agreements	(9,677,740)	2,805,640
Investment income, net of expenses	11,113,121	12,460,218
Net realized and unrealized gain on investments	23,275,283	93,068,833
Release of T. Boone Pickens Fund contingency reserve	-	10,410,647
<b>Total revenue and support</b>	<b>44,238,432</b>	<b>136,383,347</b>
<b>Expenses:</b>		
Grants and scholarships	20,550,401	26,929,737
Grants for UTSW capital campaign	147,339,427	-
Fund-raising, management and general	3,373,485	3,705,113
<b>Total expenses</b>	<b>171,263,313</b>	<b>30,634,850</b>
Change in net assets	(127,024,881)	105,748,497
Net assets at beginning of year	931,232,835	825,484,338
<b>Net assets at end of year</b>	<b>\$ 804,207,954</b>	<b>\$ 931,232,835</b>

*Note: As required by FASB Guidelines, the Foundation has included amounts for split-interest agreements that have not matured. In 2014, contributions for split-interest agreements were (\$9,677,740) and \$2,805,640 in 2013. 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, 2014 AND 2013

	2014	2013
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (127,024,881)	\$ 105,748,497
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	35,968	35,294
Change in value of split-interest agreements	9,677,740	(2,805,640)
Discount on pledges receivable	(115,134)	(157,801)
Change in allowance for doubtful pledges	3,206,153	-
Net realized and unrealized gain on investments	(23,275,283)	(93,068,833)
Release of T. Boone Pickens Fund contingency reserve	-	(10,410,647)
Restricted contributions	(21,792,525)	(16,983,079)
Restricted investment income	(10,276,789)	(11,503,940)
Changes in assets and liabilities:		
Accrued interest and dividends receivable	1,027,048	(945,413)
Pledges receivable	(300)	1,468
Other receivables	25,893	926,134
Other assets	(251,332)	(624)
Grants and scholarships payable	4,443,070	158,000
Accrued liabilities	1,790,254	(146,624)
Liability under split-interest agreements	-	31,048
<b>Net cash used in operating activities</b>	<b>(162,530,118)</b>	<b>(29,122,160)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	399,816,205	151,459,262
Purchases of investments	(280,084,006)	(151,218,086)
Purchases of property and equipment	(18,515)	(2,399)
<b>Net cash provided by investing activities</b>	<b>119,713,684</b>	<b>238,777</b>
<b>Cash flows from financing activities:</b>		
Restricted cash collected	27,942,207	21,219,908
Restricted investment income collected	10,276,789	11,280,641
<b>Net cash provided by financing activities</b>	<b>38,218,996</b>	<b>32,500,549</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(4,597,438)</b>	<b>3,617,166</b>
Cash and cash equivalents at beginning of year	6,562,331	2,945,165
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,964,893</b>	<b>\$ 6,562,331</b>

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



## NET ASSET GROWTH AND DISTRIBUTION

For periods ended Decemer 31

(in millions of dollars)

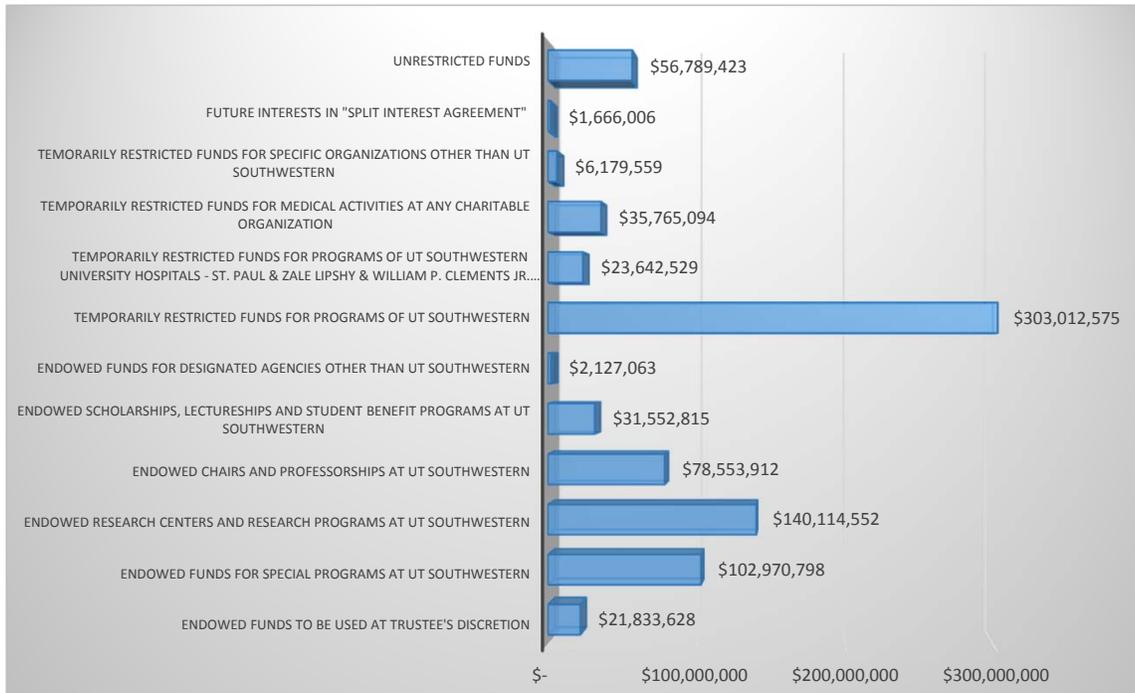
	2010	2011	2012	2013	2014
Beginning net assets	\$666.782	\$753.909	\$770.859	\$825.485	\$931.233
Contributions	31.172 *	63.813 *	21.730 *	20.444 *	9.850 *
Investment return	75.870	-18.535	59.555	115.939	34.388
Expenses	-3.309	-2.996	-3.360	-3.705	-3.374
Grants	-16.606	-25.332	-23.299	-26.930	-20.550
Grants for UTSW capital campaign	-	-	-	-	-147.339
Ending net assets	<u>\$753.909</u>	<u>\$770.859</u>	<u>\$825.485</u>	<u>\$931.233</u>	<u>\$804.208</u>

\*Note: As required by FASB guidelines, the Foundation has included split-interest agreements that have not matured. The amounts are as follows: In 2010 \$1,276,501, in 2011 (\$776,955), in 2012 \$379,311, in 2013 \$2,805,640, and in 2014 (\$9,677,740).

## NET ASSETS BY DESIGNATION

Total as of December 31, 2014: **\$804,207,954**

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.

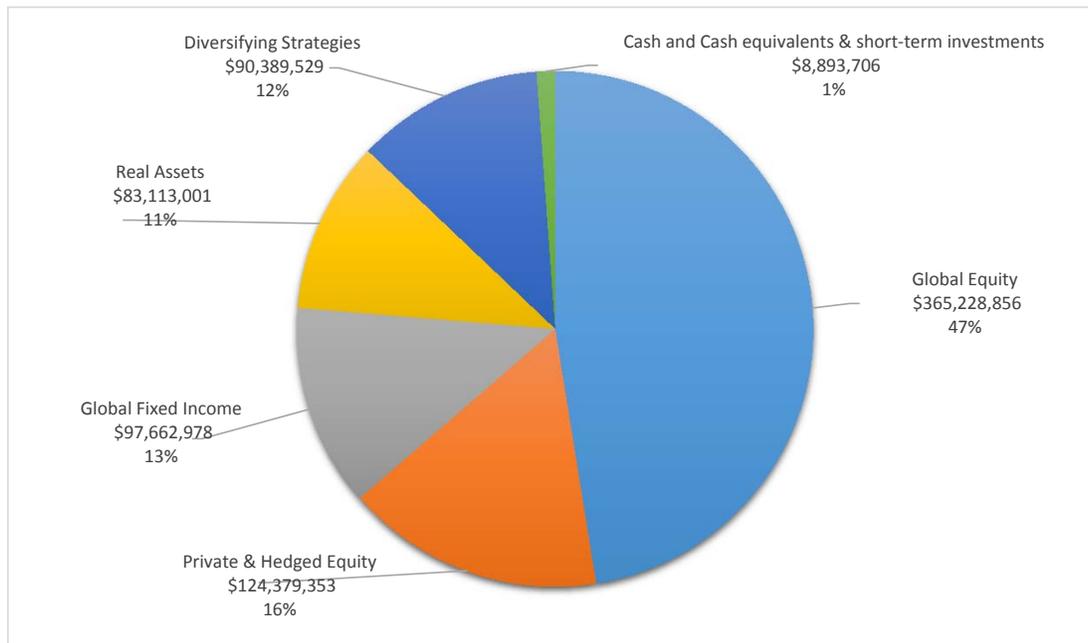


FINANCIAL PERFORMANCE  
For periods ended Decemer 31, 2014

	One Year	Three Years	Five Years
<b>Foundation Pooled Investments Return*</b>	<b>4.70%</b>	<b>11.40%</b>	<b>8.90%</b>
Foundation Portfolio Total Return	3.69%	8.49%	6.88%
Expenses	-0.36%	-0.42%	-0.43%
Net Total Return*	3.33%	8.07%	6.45%
Inflation	-0.70%	-1.40%	-1.70%
Real Net Return	2.63%	6.67%	4.75%
Grants**	-2.21%	-2.83%	-2.87%
Fund's Real Growth (Loss)	0.42%	3.84%	1.88%
<b>*Benchmarks:</b>			
<b>Foundation Pool Composite Benchmark</b>	4.80%	11.70%	9.60%
S&P 500	13.70%	20.40%	15.40%
Russell 2000	4.90%	19.20%	15.50%
Barclays Aggregate Bond	6.00%	2.70%	4.40%

\*\*Excludes grants for UTSW capital campaign which were \$147,339,427 in 2014.

MANAGED INVESTMENTS  
Totals as of Decemer 31, 2014: \$769,667,423



## 2014 GRANTS, SCHOLARSHIPS AND AWARDS

### THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER:

Student and alumni services, community/donor relations and development, general administration and travel	\$ 1,781,000	
Scholarships and student benefit funds	317,058	
Endowed positions and special centers	9,749,492	
Research and equipment	6,349,385	
Special projects	1,035,370	
<b>Total grants to UT Southwestern, excluding capital campaign</b>	<b>\$ 19,232,305</b>	

COMMUNITY EVENTS AND PROGRAMS: \$ 78,150

### OTHER HEALTH CARE ORGANIZATIONS:

American Academy of Restorative Dentistry Foundation	\$ 25,000	
Asheville Medical Research Foundation Grant	15,000	
Collin County Health Care Foundation	76,338	
Parkland Foundation	1,000,000	
Phoenix Houses of Texas Inc.	61,608	
Texas Women's University Stroke Center	12,000	
University of Florida Foundation - Spine Education & Research Grant	50,000	
<b>Total grants to other charitable organizations</b>	<b>\$ 1,239,946</b>	

**Total grants, scholarships and student benefits  
excluding capital campaign** **\$ 20,550,401**

### CAPITAL CAMPAIGN

UT Southwestern Clements University Hospital capital campaign\* \$ 147,339,427

**Total grants, scholarships and student benefits  
including capital campaign** **\$ 167,889,828**

\* Note: In addition to Governor William P. Clements Jr.'s \$100 million gift made in 2009, the capital campaign raised another \$77 million in contributions and commitments. As of 12/31/14, the capital campaign had approximately \$30 million in outstanding commitments which are generally expected to be received over the next five years.

