Southwestern Medical Foundation and Affiliate

Independent Auditor’s Report, Consolidated Financial Statements, and Supplementary Information

December 31, 2025

Southwestern Medical Foundation and Affiliate
Contents
December 31, 2025

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Independent Auditor's Report

Board of Trustees
Southwestern Medical Foundation and Affiliate
Dallas, Texas

Opinion

We have audited the consolidated financial statements of Southwestern Medical Foundation and Affiliate (Foundation), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted by the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures, include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Foundation's basic financial statements. The accompanying consolidating schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare consolidated financial statements.

The consolidating schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Forvis Mazars, LLP

Dallas, Texas
August 31, 2026

Southwestern Medical Foundation and Affiliate
Consolidated Statement of Financial Position
December 31, 2025

ASSETS	
Cash and cash equivalents	$ 15,284,077
Pooled investments	1,341,919,912
Non-pooled investments	
Assets held in charitable reminder trusts	1,054,927
Assets held in charitable gift annuities	7,337,988
Beneficial interest in perpetual trust	782,654
Real estate	49,014
Other	2,402,092
Accrued interest, dividends, and oil and gas receivable	860,230
Pledges receivable, net	24,454,815
Pledges receivable, net – pediatric campus campaign	83,975,915
Other receivables	1,041,441
Right-of-use assets – operating leases	5,411,791
Other assets	631,255
Furniture and equipment	1,065,020
Total Assets	$ 1,486,271,131
LIABILITIES AND NET ASSETS	
Liabilities	
Grants and scholarship payable	$ 1,130,200
Accounts payable and accrued liabilities	1,513,790
Liability under split-interest agreements	3,006,636
Operating lease liabilities, net	5,806,372
Other liabilities	117,627
Total Liabilities	11,574,625
Net Assets	
Without donor restrictions	71,238,292
With donor restrictions	1,403,458,214
Total Net Assets	1,474,696,506
Total Liabilities and Net Assets	$ 1,486,271,131

Southwestern Medical Foundation and Affiliate
Consolidated Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions and pledges at present value	$ 971,622	$ 116,114,436	$ 117,086,058
Change in value of split-interest agreements	949,781	537,144	1,486,925
Investment income, net of expenses	5,733,937	10,019,651	15,753,588
Oil and gas income, net of expenses	-	73,074	73,074
Net assets released from restrictions	50,737,921	(50,737,921)	-
Total Revenues, Gains, and Other Support	58,393,261	76,006,384	134,399,645
Expenses			
Program services	54,946,507	-	54,946,507
Management and general	2,843,258	-	2,843,258
Fundraising	1,996,752	-	1,996,752
Total Expenses	59,786,517	-	59,786,517
Change in Net Assets From Operations	(1,393,256)	76,006,384	74,613,128
Nonoperating Activities			
Federal income tax	(1,004,443)	-	(1,004,443)
Net realized and unrealized gain on investments	5,267,642	111,338,591	116,606,233
Change in designation	2,703,205	(2,703,205)	-
Total Nonoperating Activities	6,966,404	108,635,386	115,601,790
Change in Net Assets	5,573,148	184,641,770	190,214,918
Net Assets, Beginning of Year	65,665,144	1,218,816,444	1,284,481,588
Net Assets, End of Year	$ 71,238,292	$ 1,403,458,214	$ 1,474,696,506

Southwestern Medical Foundation and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services				Supporting Activities			
	Medical Education	Medical Research	Medical Care & Other	Program Subtotal	Management & General	Stewardship & Engagement	Supporting Subtotal	Total Expenses
Expenses								
Grants and scholarships to UTSW	$ 7,937,495	$ 30,381,127	$ 13,719,507	$ 52,038,129	$ -	$ -	$ -	$ 52,038,129
Grants and scholarships to other organizations	56,187	630,000	596,384	1,282,571	-	-	-	1,282,571
Total grants	7,993,682	31,011,127	14,315,891	53,320,700	-	-	-	53,320,700
Supporting services								
Personnel costs	190,726	524,766	187,269	902,761	1,253,190	902,761	2,155,951	3,058,712
Professional fees	18,435	50,721	18,100	87,256	592,961	87,256	680,217	767,473
Office and overhead	79,148	217,769	77,714	374,631	500,789	435,591	936,380	1,311,011
Depreciation	-	-	-	-	178,147	-	178,147	178,147
Stewardship and donor appreciation activities	-	-	-	-	28,707	62,836	91,543	91,543
Mission engagement and development activities	22,121	60,864	21,720	104,705	148,143	508,308	656,451	761,156
Insurance and specific donor fund expenses	3,412	2,450	150,592	156,454	141,321	-	141,321	297,775
Federal income tax	-	-	-	-	1,004,443	-	1,004,443	1,004,443
Total support services	313,842	856,570	455,395	1,625,807	3,847,701	1,996,752	5,844,453	7,470,260
Total expenses	8,307,524	31,867,697	14,771,286	54,946,507	3,847,701	1,996,752	5,844,453	60,790,960
Less federal income tax presented as nonoperating	-	-	-	-	(1,004,443)	-	(1,004,443)	(1,004,443)
Total expenses presented in the statement of activities	$ 8,307,524	$ 31,867,697	$ 14,771,286	$ 54,946,507	$ 2,843,258	$ 1,996,752	$ 4,840,010	$ 59,786,517

Southwestern Medical Foundation and Affiliate
Consolidated Statement of Cash Flows
Year Ended December 31, 2025

Operating Activities	
Change in net assets	$ 190,214,918
Items not requiring (providing) cash	
Depreciation	178,147
Noncash operating lease expense	366,460
Change in value of split-interest agreements	1,106,375
Depletion	929,624
Change in beneficial interest in perpetual trusts	19,122
Net realized and unrealized gains on investment, net	(116,606,233)
Contributions received restricted for long-term investment	(19,692,318)
Changes in	
Accrued interest and dividends receivable	(34,923)
Pledges receivable	(49,841,966)
Other receivables	(768,879)
Other assets	(117,640)
Grants and scholarships payable	66,650
Accounts payable and accrued liabilities	689,840
Assets held in charitable remainder trusts and gift annuities	(772,980)
Liability under split-interest agreements	(409,769)
Lease liability	(263,161)
Other liabilities	15,829
Net Cash Provided by Operating Activities	5,079,096
Investing Activities	
Proceeds from sale of investments	327,596,862
Purchases of investments	(338,614,715)
Purchases of property and equipment	(108,660)
Net Cash Used in Investing Activities	(11,126,513)
Financing Activities	
Proceeds from contributions restricted for long-term investment	9,378,272
Net Cash Provided by Financing Activities	9,378,272
Change in Cash and Cash Equivalents	3,330,855
Cash and Cash Equivalents, Beginning of Year	11,953,222
Cash and Cash Equivalents, End of Year	$ 15,284,077

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southwestern Medical Foundation was organized in 1939 as a Texas nonprofit corporation, committed to the development and improvement of medical education, medical research, and patient care in the North Texas community and throughout the world. In 1943, Southwestern Medical Foundation established Southwestern Medical College, now known as UT Southwestern Medical Center (Center). Southwestern Medical Foundation continues to raise and manage private philanthropic dollars primarily for continued support of the Center through grants and scholarships.

In furtherance of its mission, Southwestern Medical Foundation is supported by an affiliated Texas nonprofit corporation, SMWF Properties, Inc. (SWMF Properties), which was organized in 2001 to acquire, receive, hold, maintain, and manage real property for the benefit of the Foundation. SWMF Properties' activities are intended to support Southwestern Medical Foundation's charitable and operational objectives.

In 2015, Southwestern Medical Foundation's corporate office was relocated to the site where the Medical College began on the Old Parkland Campus in Dallas, Texas.

Southwestern Medical Foundation is guided by a remarkable founding vision that was driven by a keen desire to achieve the highest standards of excellence. The standards for building its future are focused on advancing medicine by being the best possible philanthropic partner for donors and beneficiaries.

Principles of Consolidation

During 2025, the Foundation determined that its previously issued financial statements should be revised to reflect the consolidation of SWMF Properties. Accordingly, beginning net assets and the consolidated statement of cash flows have been revised to reflect the effects of the consolidation. The revision had no effect on the current year's change in net assets. The consolidated financial statements include the accounts of Southwestern Medical Foundation and SWMF Properties (collectively, the Foundation). All significant accounts and transactions between Southwestern Medical Foundation and SWMF Properties have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Foundation is required to report information regarding its financial position and activities according to net asset classification as with donor restriction or without donor restriction.

Measure of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's support for the development and improvement of medical education, medical research, and medical care and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts and assets limited as to use, are considered to be investments, as they are invested within the investment portfolio, which is invested for long-term purposes. At December 31, 2025, cash equivalents consisted primarily of money market accounts.

Deposits in financial institutions may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Foundation has not experienced, nor does it anticipate, any losses related to amounts in excess of FDIC limits. The Foundation sweeps cash in excess of daily requirements into overnight investments.

Investments

The Foundation measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Net Investment Return

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statement of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Foundation either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Foundation overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations that are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as an organization other than a private foundation, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, and to determine its filing and tax obligations in jurisdictions for which state charitable solicitation registrations are required.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on estimates of time and effort.

Note 2. Pooled Investments

Most of the Foundation's investments are pooled and held by a master custodian and are managed by an outside money managers. Investment expenses for custodial and advisory services were approximately $794,000 in 2025 and are netted with investment income in the consolidated statement of activities. Other investment fees associated with passive and alternative investments are netted in unrealized gains.

The market value of the pooled investments consisted of the following at December 31, 2025:

Global equity	
Domestic	
Large/mid cap	$ 306,959,736
Small cap	19,707,445
Micro cap	6,421,896
Biotech/healthcare	18,970,232
Bond funds	712,074
International	
Large cap developed	150,161,467
Small cap developed	16,374,473
Emerging markets	68,270,745
Private equity	211,387,757
Hedged equity	24,497,811
Global fixed income	
Interest rate sensitive	98,379,008
Credit sensitive	65,688,563
Real assets	
Real estate	75,360,892
Private energy	95,333,194
Diversifying strategies	
Absolute return hedge funds	123,255,332
Opportunistic strategies	13,484,826
Money market funds	46,954,461
Total pooled investments	$ 1,341,919,912

Note 3. Split-Interest Agreements

Beneficial Interest in Trusts

The Foundation has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the Foundation; however, the Foundation will never receive the assets of the trusts.

At the date the Foundation receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the consolidated statement of activities. A beneficial interest in perpetual trust is recorded in the consolidated statement of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trusts are reported at the fair value of the trusts' assets in the consolidated statement of financial position, with trust distributions and changes in fair value recognized in the consolidated statement of activities.

The estimated value of the expected future cash flows is $782,654, which represents the fair value of the trust assets at December 31, 2025.

Gift Annuities

The Foundation has been the recipient of several gift annuities that require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The Foundation has recorded a liability at December 31, 2025, which represents the present value of the future annuity obligations. The liability has been determined using a discount rate and estimated rates of return. Charitable gift annuities held by the Foundation are recorded at fair value of $7,337,988 at December 31, 2025.

Charitable Remainder Trusts

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the Foundation's use. Assets held in charitable remainder trusts are recorded at fair value of $1,054,927 as of December 31, 2025 in the consolidated statement of financial position.

Note 4. Contributions Receivable

Contributions receivable are expected to be received as follows at December 31, 2025:

Due within one year	$ 26,199,079
Due within one to five years	69,161,727
Due in more than five years	35,700,000
Total pledges receivable	131,060,806
Less allowance for uncollectible contributions	(750,000)
Less unamortized discount	(21,880,076)
	$ 108,430,730

Contributions receivable are included in the consolidated statement of financial position as follows at December 31, 2025:

Pledges receivable, net	$ 24,454,815
Pledges receivable, net – pediatric campus campaign	83,975,915
Total pledges receivable, net	$ 108,430,730

Discount rates ranged from 0.46% to 4.33% for 2025.

Note 5. Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2025:

Subject to expenditure for specified purpose	
The benefit of UT Southwestern Medical Center	$ 252,199,699
The benefit of UT Southwestern University Hospitals	7,259,877
Donor-specified funds for other organizations	36,056,880
Donor-specified funds – any organization	1,961,120
Pediatric campus	114,823,555
	412,301,131
Endowments	
Accumulated earnings subject to Foundation spending policy and appropriation	
Restricted by donors for	
Research centers and research programs	182,716,623
Chairs and professorships	96,688,149
Special programs or projects	196,994,628
Scholarships, lectures, and student benefit programs	22,837,301
Discretionary funds	2,785,080
Donor-specified funds for other organizations	4,866,659
	506,888,440
Corpus subject to appropriation and expenditure, restricted by donors for	
Research centers and research programs	213,990,930
Chairs and professorships	105,176,787
Special programs or projects	128,835,654
Scholarships, lectures, and student benefit programs	29,305,029
Discretionary funds	3,882,176
Donor-specified funds for other organizations	3,078,067
	484,268,643
Total endowments with donor restrictions	991,157,083
Total net assets with donor restrictions	$ 1,403,458,214

Net Assets Released From Restriction

Net assets of $50,737,921 were released from donor restrictions by incurring expenses satisfying the restricted purposes for program services. The Foundation supports activities that advance medical education, research, and patient care, as well as broader community initiatives.

Note 6. Endowment

The Foundation's governing body is subject to the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). As a result, the Foundation classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time-restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

The composition of net assets by type of endowment fund were as follows at December 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,508,098	$ 180,880,132	$ 182,388,230
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	484,268,643	484,268,643
Accumulated investment gains	-	506,888,440	506,888,440
Total endowment funds	$ 1,508,098	$ 1,172,037,215	$ 1,173,545,313

Change in endowment net assets were as follows for the year ended December 31, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, beginning of year	$ 1,422,516	$ 1,080,802,699	$ 1,082,225,215
Contributions	-	19,692,318	19,692,318
Investment income, net	17,770	10,100,098	10,117,868
Net realized and unrealized gain on investments	130,796	99,467,524	99,598,320
Amounts appropriated for expenditure	(62,984)	(37,366,228)	(37,429,212)
Designated by Board existing funds	-	4,340,804	4,340,804
Change in designation	-	(5,000,000)	(5,000,000)
Endowment net assets, end of year	$ 1,508,098	$ 1,172,037,215	$ 1,173,545,313

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to minimize risk and produce results that exceed a composite index comprised of relevant individual indices that reflect the Foundation's asset allocations.

The Foundation has a spending policy of appropriating for expenditure each year 4.5% of its endowment fund's average fair value over the prior 12 quarters through the year-end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment.

Underwater Endowments

The governing body of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of:

- The original value of initial and subsequent gift amounts donated to the fund, and
- Any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At December 31, 2025, no funds had such deficiencies.

Note 7. Liquidity and Availability

Financial assets, at year-end	
Pooled investments	$ 1,341,919,912
Cash and cash equivalents	15,284,077
Total financial assets, at year-end	1,357,203,989
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions	
Donor-imposed restricted endowment, where the donor has stipulated the funds be maintained in perpetuity	(987,871,070)
Quasi-endowment fund corpus, designated by the Board, primarily for long-term investing	(106,623,739)
Financial assets available to meet cash needs for general expenditures within one year	$ 262,709,180

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. All pledges receivable are restricted due to time or purposes and have not been included in total liquid financial assets. For the year ended December 31, 2025, restricted contributions of approximately $285,608,000 were included in financial assets available to meet cash needs for general expenditures within one year and approximately $106,624,000 in net assets without donor restrictions were excluded from financial assets available to meet cash needs for general expenditures within one year due to Board designation.

Note 8. Related-Party Transactions

During the year ended December 31, 2025, Foundation board members and/or their affiliates contributed approximately $8,082,000 to the Foundation. At December 31, 2025, approximately $31,010,000 is outstanding as contributions receivable.

Note 9. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the consolidated statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025:

		Fair Value Measurements Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
Pooled investments					
Global equity					
Domestic					
Large/mid cap	$ 306,959,736	$ 263,154,775	$ -	$ -	$ 43,804,961
Small cap	19,707,445	12,938,614	-	-	6,768,831
Micro cap	6,421,896	6,421,896	-	-	-
Biotech/healthcare	18,970,232	-	-	-	18,970,232
Bond funds	712,074	712,074	-	-	-
International					
Large cap developed	150,161,467	71,741,664	-	-	78,419,803
Small cap developed	16,374,473	16,374,473	-	-	-
Emerging markets	68,270,745	-	-	-	68,270,745
Private equity	211,387,757	-	-	-	211,387,757
Hedged equity	24,497,811	-	-	-	24,497,811
Global fixed income					
Interest rate sensitive	98,379,008	98,379,008	-	-	-
Credit sensitive	65,688,563	-	-	-	65,688,563
Real assets		-			-
Real estate	75,360,892	44,267,045	-	-	31,093,847
Private energy	95,333,194	-	-	-	95,333,194
Diversifying strategies					
Absolute return hedge funds	123,255,332	-	-	-	123,255,332
Opportunistic strategies	13,484,826	-	-	-	13,484,826
Money market funds	46,954,461	46,954,461	-	-	-
Total pooled investments	1,341,919,912	560,944,010	-	-	780,975,902
Non-pooled investments					
Charitable remainder trusts	1,054,927	-	1,054,927	-	-
Charitable gift annuities	7,337,988	-	7,337,988	-	-
Beneficial interests in perpetual trusts	782,654	-	-	782,654	-
Real estate	49,014	-	49,014	-	-
Mineral interests and limited partnerships	2,402,092	-	2,402,092	-	-
Total non-pooled investments	11,626,675	-	10,844,021	782,654	-
Total investments	$ 1,353,546,587	$ 560,944,010	$ 10,844,021	$ 782,654	$ 780,975,902

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statement of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the consolidated statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2025.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Alternative Investments

Investments in certain entities measured at fair value using the NAV per share as a practical expedient consist of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Period Notice
Global equities – domestic (A)	$ 69,544,024	$ -	Quarterly	90 days
Global equities – international (B)	146,690,548	-	Monthly	30 days
Global equities – private equity (C)	211,387,757	71,844,542	Not applicable	Not applicable
Global equities – hedged equity (D)	24,497,811	-	Quarterly	45 days
Real assets – real estate (E)	31,093,847	30,802,307	Not applicable	Not applicable
Real assets – private energy (F)	95,333,194	24,998,163	Not applicable	Not applicable
Diversifying strategies – absolute return hedge (G)	123,255,332	-	Various	Various
Diversifying strategies – opportunistic strategies (H)	13,484,826	-	Bi-Monthly	14 days
Global fixed income (I)	65,688,563	19,113,829	Not applicable	Not applicable
	$ 780,975,902	$ 146,758,841		

(A) Investments in public and private U.S.-based companies held directly through commingled funds with valuations based on NAVs provided by fund managers and subject to estimations.

(B) Investments in public and private equity securities of non-U.S. companies, including both developed and emerging markets, providing geographic diversification and with valuations based on NAVs provided by fund managers and subject to estimations.

(C) Investments in non-publicly traded companies, generally accessed through limited partnerships or similar structures, with valuations based on NAVs provided by fund managers and subject to estimations. Distributions from each fund will be made as the underlying investments of the funds are liquidated.

(D) Investments in equity-oriented strategies that utilize hedging techniques to reduce exposure to broad market movements and not constrained by traditional benchmarks and valued based on NAVs provided by fund managers and subject to estimations.

(E) Investments in private real estate funds, including commercial, multi-family, and industrial assets with long-term realization potential, and valued based on NAVs provided by asset managers. Distributions from each fund will be made as the underlying investments of the funds are liquidated.

(F) Investments in privately held energy funds, including oil, gas, renewables, and precious metals, with valuations based on fund manager estimates and subject to market and operational risks. Distributions from each fund will be made as the underlying investments of the funds are liquidated.

(G) Investments in limited partnerships seeking to generate positive returns independent of broad market conditions through hedging techniques such as arbitrage and macro-positioning with valuations based on NAVs provided by fund managers and subject to estimations.

(H) Investments in limited partnerships seeking positive returns by capitalizing on dislocations or special situations including destressed assets and tactical allocations with valuations based on NAVs provided by fund managers and subject to estimations.

(I) Investments in limited partnerships of debt instruments issued by governments, corporations, and other entities across domestic and international markets with valuations based on NAVs provided by fund managers and subject to estimations. Distributions from each fund will be made as the underlying investments of the funds are liquidated.

Charitable Remainder Trusts

Assets held in charitable remainder trusts are valued at fair value using observable market inputs and are classified as Level 2 within the fair value hierarchy. Fair values are based on quoted prices for similar assets or pricing models using observable inputs obtained from independent pricing services.

Charitable Gift Annuities

Charitable gift annuities are recorded at fair value, which represents the present value of the future benefits expected to be received by the Foundation. Fair value is determined using actuarial methods that incorporate mortality tables, discount rate, and contractual payment terms. These measurements are classified as Level 2 within the fair value hierarchy.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Note 10. Retirement Plans

The Foundation has a 403(b) deferred compensation plan (403(b) Plan) covering substantially all employees. Employees are immediately vested in the 403(b) Plan. The 403(b) Plan provides to eligible employees a 2:1 matching contribution on the first 5% of the employee’s contributions to the Plan. The Foundation also has a 457(b) supplemental executive savings plan for some of its employees.

Note 11. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

Approximately 64% of all contributions were received from three donors in 2025.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

Note 12. Subsequent Events

Subsequent events have been evaluated through August 31, 2026, which is the date the consolidated financial statements were available to be issued.

In February 2026, the Foundation finalized a gift agreement documenting a donor's commitment to contribute $100,000,000, payable in installments through 2032, for the benefit of the new pediatric campus campaign.

In May 2026, the Foundation received a gift of oil and gas interests valued at approximately $28,500,000, using an income-based valuation. An additional cash contribution, the amount of which has not yet been determined, is anticipated at year-end 2026. These contributions are to support programs and initiatives of UT Southwestern Medical Center.

Because the transactions described above occurred, or are expected to occur, after December 31, 2025, no related amounts have been recorded in the consolidated financial statements.

Supplementary Information

Southwestern Medical Foundation and Affiliate
Consolidating Schedule – Statement of Financial Position Information
December 31, 2025

	Southwestern Medical Foundation	SWMF Properties, Inc.	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 11,914,520	$ 3,369,557	$ -	$ 15,284,077
Pooled investments	1,341,919,912	-	-	1,341,919,912
Non-pooled investments			-	
Assets held in charitable reminder trusts	1,054,927	-	-	1,054,927
Assets held in charitable gift annuities	7,337,988	-	-	7,337,988
Beneficial interest in perpetual trust	782,654	-	-	782,654
Real estate	49,014	-	-	49,014
Other	334,598	2,067,494	-	2,402,092
Accrued interest, dividends, and oil and gas receivable	557,312	302,918	-	860,230
Pledges receivable, net	24,454,815	-	-	24,454,815
Pledges receivable, net – pediatric campus campaign	83,975,915	-	-	83,975,915
Other receivables	1,041,441	-	-	1,041,441
Right-of-use assets – operating leases	5,411,791	-	-	5,411,791
Other assets	507,461	123,794	-	631,255
Furniture and equipment	1,065,020	-	-	1,065,020
Total Assets	$ 1,480,407,368	$ 5,863,763	$ -	$ 1,486,271,131
LIABILITIES AND NET ASSETS				
Liabilities				
Grants and scholarship payable	$ 1,130,200	$ -	$ -	$ 1,130,200
Accounts payable and accrued liabilities	1,513,790	-	-	1,513,790
Liability under split-interest agreements	3,006,636	-	-	3,006,636
Operating lease liabilities, net	5,806,372	-	-	5,806,372
Other liabilities	60,000	57,627	-	117,627
Total Liabilities	11,516,998	57,627	-	11,574,625
Net Assets				
Without donor restrictions	71,001,706	236,586	-	71,238,292
With donor restrictions	1,397,888,664	5,569,550	-	1,403,458,214
Total Net Assets	1,468,890,370	5,806,136	-	1,474,696,506
Total Liabilities and Net Assets	$ 1,480,407,368	$ 5,863,763	$ -	$ 1,486,271,131

Southwestern Medical Foundation and Affiliate
Consolidating Schedule – Statement of Activities Information
Year Ended December 31, 2025

	Southwestern Medical Foundation			SWMF Properties, Inc.				
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	Consolidated
Revenues, Gains, and Other Support								
Contributions and pledges at present value	$ 971,622	$ 115,447,368	$ 116,418,990	$ -	$ 1,167,068	$ 1,167,068	$ (500,000)	$ 117,086,058
Change in value of split-interest agreements	949,781	537,144	1,486,925	-	-	-	-	1,486,925
Investment income, net of expenses	5,680,606	10,100,098	15,780,704	53,331	(80,447)	(27,116)	-	15,753,588
Oil and gas income, net of expenses	-	-	-	-	73,074	73,074	-	73,074
Net assets released from restrictions	50,737,921	(50,737,921)	-	500,000	(500,000)	-	-	-
Total Revenues, Gains, and Other Support	58,339,930	75,346,689	133,686,619	553,331	659,695	1,213,026	(500,000)	134,399,645
Expenses								
Program services	54,946,507	-	54,946,507	500,000	-	500,000	(500,000)	54,946,507
Management and general	2,782,914	-	2,782,914	60,344	-	60,344	-	2,843,258
Fundraising	1,996,752	-	1,996,752	-	-	-	-	1,996,752
Total Expenses	59,726,173	-	59,726,173	560,344	-	560,344	(500,000)	59,786,517
Change in Net Assets From Operations	(1,386,243)	75,346,689	73,960,446	(7,013)	659,695	652,682	-	74,613,128
Nonoperating Activities								
Federal income tax	(945,322)	-	(945,322)	(59,121)	-	(59,121)	-	(1,004,443)
Net realized and unrealized gain on investments	5,267,642	111,338,591	116,606,233	-	-	-	-	116,606,233
Change in designation	2,703,205	(2,703,205)	-	-	-	-	-	-
Total Nonoperating Activities	7,025,525	108,635,386	115,660,911	(59,121)	-	(59,121)	-	115,601,790
Change in Net Assets	5,639,282	183,982,075	189,621,357	(66,134)	659,695	593,561	-	190,214,918
Net Assets, Beginning of Year	65,362,424	1,213,906,589	1,279,269,013	302,720	4,909,855	5,212,575	-	1,284,481,588
Net Assets, End of Year	$ 71,001,706	$ 1,397,888,664	$ 1,468,890,370	$ 236,586	$ 5,569,550	$ 5,806,136	$ -	$ 1,474,696,506