



Baptist Health Foundation
of San Antonio

2008 Annual Report



Baptist Health Foundation
of San Antonio

Mission

Baptist Health Foundation of San Antonio is committed to improving the health of our community by fostering and funding clinical, educational, spiritual and scientific initiatives while honoring God and our Baptist heritage.

Vision

Baptist Health Foundation of San Antonio is one of the Lord's conduits to provide spiritual and healthcare services to His people and be a reflection of His presence in the community.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO 2008 Annual Report

Baptist Health Foundation of San Antonio celebrated its busiest year in 2008 as it completed its fourth granting cycle on November 20 by awarding \$4,493,009 to 65 organizations that are providing healthcare services in our eight-county region.

This was an increase of \$461,762 or 11.5% over the grants awarded in 2007. The Foundation learned that area organizations were bracing for a decline in donations this fall due to the economy, and Trustees were glad that they could increase 2008 grants. Although the endowment declined considerably in 2008, BHFSA was blessed to have funds for this year's allocations in an account that was not affected by the downturn in the market.

Since its inception, the Foundation has awarded 237 grants totaling \$15,873,881.

A key to the early success of the Foundation has been Trustees who have devoted their time to reviewing and selecting the best grant applications they believe are making the greatest impact in solving the unmet healthcare needs in our community.

The Board of Trustees committee structure established in 2006 continued to be extremely productive as the committees carefully reviewed grant proposals and selected organizations to be funded in 2008. Grants awarded by the Foundation committees this year follows: Responsive Grants Committee--\$2,073,426; Strategic Initiatives Committee--\$1,363,000; Mini Grants Committee--\$138,000; Scholarship Committee--\$868,583; and Disaster Relief Committee--\$50,000 for Hurricane Ike victims.

Increasing the visibility of Baptist Health Foundation of San Antonio continues to be a major focus of the Foundation. To that end, the Foundation increased the number of news releases and media contacts which resulted in more articles in the local and area newspapers, two radio interviews and a television interview with Dr. Robert Trevino as he discussed the \$139,000 grant to the Social & Health Research Center for its school-based diabetes prevention program. The Foundation saluted our 2008 recipients in a full-page ad in the San Antonio Business Journal's annual "Partners in Philanthropy" supplement printed during National Philanthropy Week. Also, the Foundation's website "Photo Gallery" was expanded and staff participated in numerous community meetings.

In an effort to assist potential grant applicants from the community, two sessions titled "Applying to the Baptist Health Foundation of San Antonio" were provided in cooperation with the San Antonio Nonprofit Resource Center. Also, staff made a presentation at a San Antonio Baptist Association meeting to inform area churches of the history of the Foundation and explain how they could apply for health-ministry grants.

Baptist Health Foundation encourages grant recipients to seek additional funds from matching grants or donations to leverage more dollars for a greater impact. Since its inception, more than \$46.2 million in additional grants have been awarded by other foundations to organizations funded by BHFSa.

Site visits remained a major goal of the staff and Trustees, and 78 visits were conducted last year with grant recipients and applicants. In addition to staff, 15 Trustees participated in 30 site visits.

The Foundation hosted an information booth at the 2008 Baptist General Convention of Texas annual meeting in Fort Worth, Texas, and the San Antonio Baptist Association annual meeting at First Baptist Church.

Baptist Health Foundation of San Antonio received an excellent report following an Operations Audit and Survey conducted by Bacon Lee & Associates to evaluate the grant making process which has been in place since the office opened. The report stated “survey results are very positive. The Baptist Health Foundation has done an exemplary job in communicating its mission to the public and in serving the needs of the people of Bexar and surrounding counties.”

On December 31, Marilyn Elliott concluded her term as Chairman of the Board of Trustees. Marilyn did an exemplary job of guiding the Board since its inception, and Trustees and staff are grateful for the countless hours she devoted to the Foundation. She continues to serve as a Trustee.

The Board elected Dr. Kenneth G. Andrews as the new Chairman of the Board. Bill W. McCandless was re-elected Vice Chairman and Rosemary H. Brevard was re-elected Secretary.

To God Be the Glory for all things that have been accomplished during Baptist Health Foundation’s first four years. In looking to the future, BHFSa remains committed to honoring God and our Baptist heritage by providing funds to help make a difference in meeting the health needs of our region.

2008 Recipients

Strategic Health Care Initiatives Grants:

University of Texas Health Science Center, San Antonio \$280,000

Project Title: Continuation and Expansion of Diabetes Risk Reduction via Community-based Telehealth: Project DiRReCT.

University of Texas Health Science Center, San Antonio \$250,000

Project Title: Early Interventions for Bipolar Disorder and Schizophrenia in at Risk Youth.

Baptist Child & Family Services Health and Human Services \$240,000

Project Title: Community Medical Response Team Project.

OASIS \$150,000

Project Title: San Antonio OASIS HealthStages Expansion.

University of Texas at San Antonio \$150,000

Project Title: Continuation of Healthy and Ready to Learn Diabetes Education Project.

Social & Health Research Center \$139,000

Project Title: Bienestar and NEEMA Coordinated School-Based Diabetes Prevention Programs.

Communities In Schools of San Antonio \$100,000

Project Title: Continuation of Project Access.

Greater San Antonio Healthcare Foundation \$25,000

Project Title: South Texas Acts for Nursing Development.

Any Baby Can of San Antonio \$20,000

Project Title: Planning Phase - Autism Service Center of San Antonio.

The National Center for Behavioral Health Solutions \$9,000

Project Title: Youth Behavioral Health Needs Assessment.

Disaster Relief Grants:

Baptist Child & Family Services Health and Human Services \$25,000

Project Title: Hurricane Ike Disaster Relief.

Texas Baptist Men, Inc. (Dallas, TX) \$25,000

Project Title: Hurricane Ike Disaster Relief.

Responsive Grants:

Consolata Healthcare Foundation (Floresville, TX) \$250,000

Project Title: The Connally Memorial Medical Center Patient Monitoring Network.

Community Health Centers of South Central Texas, Inc. (Gonzales, TX) \$240,000

Project Title: Seguin Community Health Center Dental Program.

San Antonio AIDS Foundation \$170,000

Project Title: Residential Skilled Nursing and Hospice Program for People with HIV/AIDS.

I Care San Antonio Inc. \$150,000

Project Title: I Care Vision Center at Haven for Hope.

One by One Ministries, Inc. \$108,426

Project Title: Bexar County Project with Emphasis on San Antonio's West Side.

Oakwood Baptist Church (New Braunfels, TX) \$100,000

Project Title: New Braunfels Volunteers in Medicine.

San Antonio Lighthouse for the Blind \$100,000

Project Title: Focus on Seniors: Orientation and Mobility Training.

University Health System Foundation \$100,000

Project Title: Burned Children's Fund.

Women Involved in Nurturing, Giving, Sharing \$100,000

Project Title: True Access in Rural Areas: Comal and Guadalupe Counties.

Alamo Area Rape Crisis Center DBA The Rape Crisis Center for Children and Adults
\$75,000

Project Title: Comprehensive Counseling Program.

Alamo Children's Advocacy Center DBA ChildSafe \$75,000

Project Title: Child Abuse Resource Enhancement Program.

The ALS Association, South Texas Chapter \$75,000

Project Title: Continuum of Care Program.

Child Advocates San Antonio \$60,000

Project Title: Volunteer Recruitment, Training, and Retention.

Alamo Public Telecommunications Council DBA KLRN \$50,000

Project Title: Healthy Habits For Life.

American Cancer Society \$50,000
Project Title: Cancer Patient Transportation Program.

El Shaddai Life Ministries \$50,000
Project Title: Children's Burn Project.

Goodwill Industries of San Antonio \$50,000
Project Title: Good Health at Goodwill.

San Antonio Food Bank, Inc. \$50,000
Project Title: Nutrition Education Program.

Silver Sage Corral Senior Activity Center (Bandera, TX) \$50,000
Project Title: Continuation & Expansion of the Meals on Wheels Program of Bandera County.

Prevent Blindness Texas, San Antonio and South Texas Branch \$35,000
Project Title: Children's Vision Screening Program.

San Antonio Birth Doulas \$35,000
Project Title: Operational Support.

South Texas Resource & Assistance Center, Inc. (Floresville, TX) \$25,000
Project Title: Life Skill Assistance -Operations Support.

Sunshine Cottage School for Deaf Children \$25,000
Project Title: Preventing Developmental Delays through the Parent-Infant Program.

Support Lending for Emotional Wellbeing, Inc. \$25,000
Project Title: Emergency Assistance For Low Income Women With Cancer.

Yes Lord Ministry of First Baptist Church San Antonio \$25,000
Project Title: Yes Lord International Outreach Education and Care Ministry.

Mini Grants:

Adelante U.S. Education Leadership Fund \$7,500
Project Title: Nursing Leadership Institute.

Anger Solutions Network, Inc. \$7,500
Project Title: Christian Emotional Health Education.

AVANCE - San Antonio \$7,500
Project Title: AVANCE - San Antonio/UTHSCSA Community Outreach Clinic.

Children's Inn (Boerne, TX) \$7,500

Project Title: Holistic Opportunities for Medically Fragile Teens in Transition to Adulthood.

Christian Assistance Ministry \$7,500

Project Title: Computer Purchases.

Daily Bread Ministries \$7,500

Project Title: Maximizing Warehouse Maintenance Capabilities.

Jefferson United Methodist Church \$7,500

Project Title: Community Basketball Court.

Macedonia Missionary Baptist Church \$7,500

Project Title: Macedonia Loving Touch In His Name Health Care Ministry.

Martinez Street Women's Center \$7,500

Project Title: Maternal & Child Health Promotora Program - Preventing Diabetes through Nutrition and Education.

National Kidney Foundation Serving South and Central Texas \$7,500

Project Title: K.E.E.P. Screening (Kidney Early Evaluation Program) in San Antonio.

Positive Beginnings, Inc. \$7,500

Project Title: Strategic Plan to bring Health Services to Afterschool Programs.

South San Filadelfia Baptist Church \$7,500

Project Title: Sports N Community.

True Vine Baptist Church \$7,500

Project Title: True Vine Baptist Church Annual Health Fair.

Inspire-Community Fine Art Center of San Antonio \$7,375

Project Title: Art for Growth at Southwest Mental Health Center.

Agape Pregnancy Help Center \$6,633

Project Title: Earn As You Learn, Rewarding Responsible Parenting.

Hill Country Pregnancy Care Center (Boerne, TX) \$6,600

Project Title: Changing Lives through Education.

The Saddle Light Center for Therapeutic Horsemanship (Selma, TX) \$5,231

Project Title: Saddle Light Center Development.

First Baptist Academy (Universal City, TX) \$5,061

Project Title: Purchase Portable Automated External Defibrillators.

Home Comforts, Inc. \$5,000
Project Title: Welcome Basket.

Cowboy Fellowship of Atascosa County (Pleasanton, TX) \$2,600
Project Title: Health Care Equipment/Heart Start Automatic External Defibrillator.

Down Syndrome Association of San Antonio \$2,000
Project Title: Adult Literacy Program.

Scholarships:

Baptist Health System School of Health Professions \$532,583
459 scholarships

University of Texas Health Science Center, San Antonio \$172,500
46 scholarships

University of the Incarnate Word \$40,000
10 scholarships

Wayland Baptist University \$33,500
33 scholarships

Our Lady of the Lake University \$32,500
11 scholarships

St. Mary's University \$15,000
6 scholarships

St. Philip's College \$15,000
30 scholarships

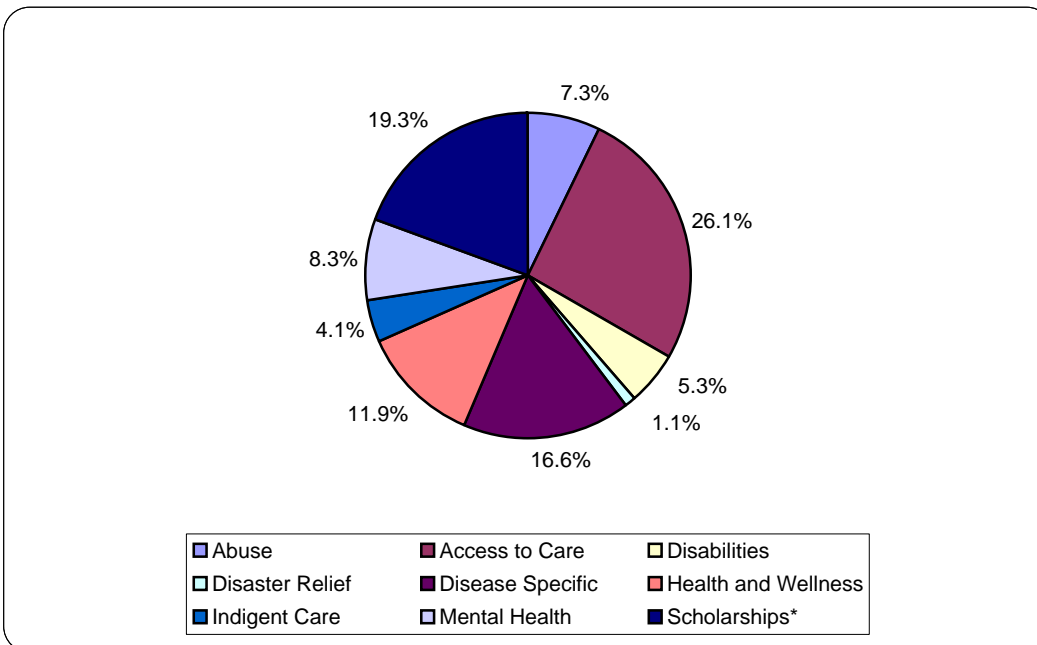
San Antonio College \$12,500
25 scholarships

Trinity University \$7,500
3 scholarships

University of Texas Health Science Center, Houston, School of Public Health
(San Antonio Regional Campus) \$7,500
3 scholarships

2008 Grant Summary - by Program Area

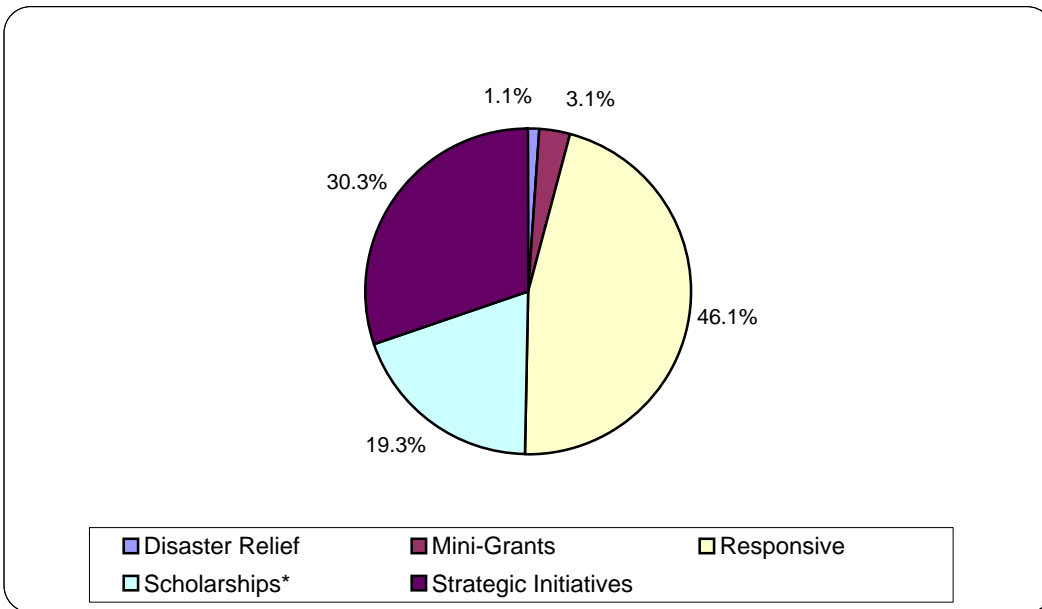
Program Area	Grant Count	Grant Amount	Grant Percentage
Abuse	5	\$325,926	7.3%
Access to Care	16	\$1,171,633	26.1%
Disabilities	6	\$239,731	5.3%
Disaster Relief	2	\$50,000	1.1%
Disease Specific	8	\$746,661	16.6%
Health and Wellness	13	\$536,600	11.9%
Indigent Care	3	\$182,500	4.1%
Mental Health	5	\$371,375	8.3%
Scholarships*	12	\$868,583	19.3%
Grand Total	70	\$4,493,009	100%



*This figure includes the institutions that received scholarship grants, not each individual recipient. A total of 626 students received scholarships in 2008.

2008 Grant Summary - by Grant Type

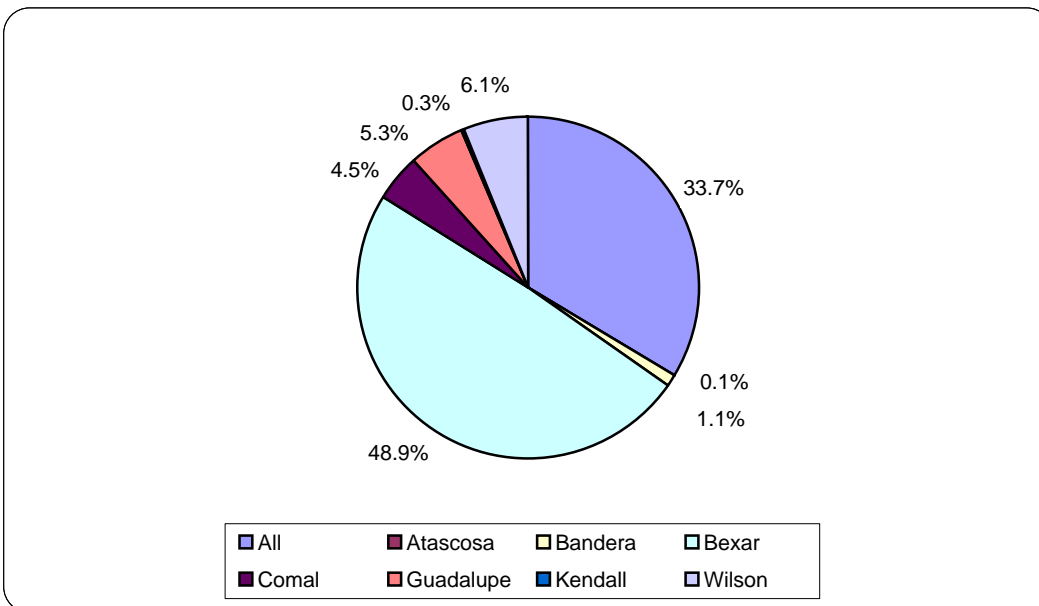
Request Type	Grant Count	Grant Amount	Grant Percentage
Disaster Relief	2	\$50,000	1.1%
Mini-Grants	21	\$138,000	3.1%
Responsive	25	\$2,073,426	46.1%
Scholarships*	12	\$868,583	19.3%
Strategic Initiatives	10	\$1,363,000	30.3%
Grand Total	70	\$4,493,009	100%



*This figure includes the institutions that received scholarship grants, not each individual recipient. A total of 626 students received scholarships in 2008.

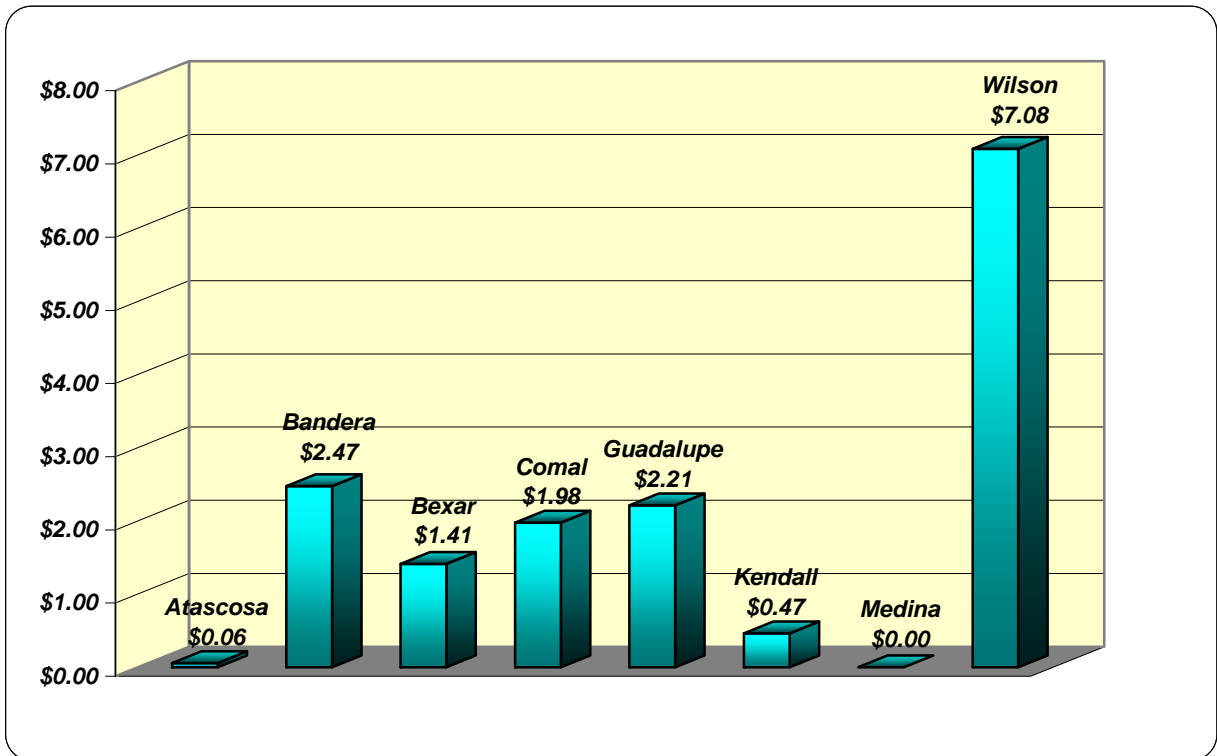
2008 Grant Summary - by Geographical Area

Geographical Area	Grant Count	Grant Amount	Grant Percentage
All	25	\$1,513,314	33.7%
Atascosa	1	\$2,600	0.1%
Bandera	1	\$50,000	1.1%
Bexar	36	\$2,197,995	48.9%
Comal	2	\$200,000	4.5%
Guadalupe	1	\$240,000	5.3%
Kendall	2	\$14,100	0.3%
Wilson	2	\$275,000	6.1%
Grand Total	<u><u>70</u></u>	<u><u>\$4,493,009</u></u>	<u><u>100%</u></u>



2008 Grant Summary - by Geographical Area Per Capita

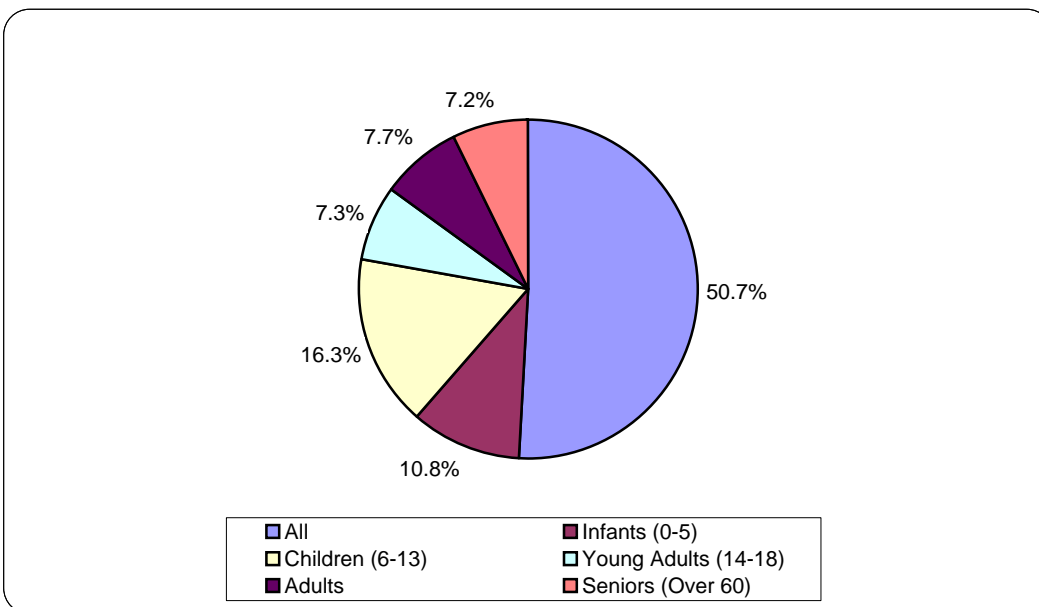
Geographical Area	Grant Count	Grant Amount	County Population	Per Capita
Atascosa	1	\$2,600	43,876	\$0.06
Bandera	1	\$50,000	20,203	\$2.47
Bexar	36	\$2,197,995	1,555,592	\$1.41
Comal	2	\$200,000	101,181	\$1.98
Guadalupe	1	\$240,000	108,410	\$2.21
Kendall	2	\$14,100	30,213	\$0.47
Medina	0	\$0	43,913	\$0.00
Wilson	2	\$275,000	38,829	\$7.08



Additionally, there were 25 grants totaling \$1,513,314 which benefited all 8 counties.

2008 Grant Summary - by Age Group Served

Age Group	Grant Count	Grant Amount	Grant Percentage
All	33	\$2,278,814	50.7%
Infants (0-5)	9	\$483,526	10.8%
Children (6-13)	8	\$731,561	16.3%
Young Adults (14-18)	8	\$329,608	7.3%
Adults	8	\$344,500	7.7%
Seniors (Over 60)	4	\$325,000	7.2%
Grand Total	<u><u>70</u></u>	<u><u>\$4,493,009</u></u>	<u><u>100%</u></u>



BAPTIST HEALTH FOUNDATION OF

SAN ANTONIO

Financial Statements

December 31, 2008 and 2007

With Independent Auditors' Report Thereon

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

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RINALDO J. GONZALEZ
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANT
7800 IH 10 West - Suite 505
San Antonio, Texas 78230
(210) 366-9430 FAX (210) 366-9451


Independent Auditors' Report

Board of Trustees
Baptist Health Foundation of San Antonio

We have audited the accompanying balance sheets of Baptist Health Foundation of San Antonio, a Texas nonprofit corporation, as of December 31, 2008 and 2007 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Baptist Health Foundation of San Antonio as of December 31, 2008 and 2007 and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



January 29, 2009

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Balance Sheets

December 31, 2008 and 2007

(in thousands)

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,478	5,243
Accounts receivable	15	92
Total current assets	<u>3,493</u>	<u>5,335</u>
Long-term investments	110,736	166,955
Property and equipment, net	4	20
Total assets	<u>\$ 114,233</u>	<u>172,310</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 556	760
Accrued liabilities	118	96
Total current liabilities	<u>674</u>	<u>856</u>
Net assets:		
Unrestricted	112,410	170,341
Temporarily restricted	324	388
Permanently restricted	825	725
Total net assets	<u>113,559</u>	<u>171,454</u>
Total liabilities and net assets	<u>\$ 114,233</u>	<u>172,310</u>

See accompanying notes to financial statements.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Statements of Activities

For the years ended December 31, 2008 and 2007

(in thousands)

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Public support and revenue -		
Investment income (loss)	\$ (55,584)	8,723
Contributions	3,081	11,399
Net assets released from restrictions	236	117
Total public support and revenue	<u>(52,267)</u>	<u>20,239</u>
Expenses -		
Salaries and benefits	430	410
Professional and advisory fees	481	743
Contributions to others	4,540	4,053
Depreciation	16	16
Net assets transferred to temporarily restricted	74	193
Other	122	120
Total expenses	<u>5,663</u>	<u>5,535</u>
Increase (decrease) in unrestricted net assets	<u>(57,930)</u>	<u>14,704</u>
Changes in temporarily restricted net assets:		
Contributions	96	128
Endowment investment income	1	-
Net assets transferred to temporarily restricted	74	193
Net assets released from restrictions	(236)	(117)
Increase (decrease) in temporarily restricted net assets	<u>(65)</u>	<u>204</u>
Changes in permanently restricted net assets		
Contributions	100	9
Increase (decrease) in net assets	<u>(57,895)</u>	<u>14,917</u>
Net assets, beginning of year	<u>171,454</u>	<u>156,537</u>
Net assets, end of year	<u>\$ 113,559</u>	<u>171,454</u>

See accompanying notes to financial statements.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Statements of Cash Flows

For the years ended December 31, 2008 and 2007

(in thousands)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (57,895)	14,917
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Non-cash interest and dividend income	(3,649)	(2,682)
(Gain) loss on investments, net	59,290	(5,769)
Depreciation	16	16
(Increase) decrease in accounts receivable	77	(92)
Increase (decrease) in:		
Accounts payable	(204)	30
Accrued liabilities	22	28
<u>Net cash provided (used) by operating activities</u>	<u>(2,343)</u>	<u>6,448</u>
Cash provided (used) in investing activities:		
Long-term investment activities, net	<u>578</u>	<u>(1,755)</u>
<u>Net cash provided (used) in investing activities</u>	<u>578</u>	<u>(1,755)</u>
Net increase (decrease) in cash and cash equivalents	(1,765)	4,693
Cash and cash equivalents at the beginning of the period	<u>5,243</u>	<u>550</u>
Cash and cash equivalents at the end of the period	<u>\$ 3,478</u>	<u>5,243</u>

See accompanying notes to financial statements.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Notes to Financial Statements

December 31, 2008

(1) Nature of Activities and Significant Accounting Policies

Nature of Activities

On September 16, 2004, Baptist Health Foundation of San Antonio (the Foundation) was incorporated for the purposes of providing and funding healthcare services and health education in Bexar County, Texas and its seven contiguous counties. The Board of Directors of the Foundation consists of 10 individuals appointed by Baptist Health Services (Baptist) and 10 individuals appointed by the Baptist General Convention of Texas (BGCT). The sole corporate member of the Foundation is BGCT.

The Foundation is a Texas non-profit corporation exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code.

Funding of the Foundation primarily comes from periodic contributions from Baptist Health Services as assets are released from the requirements of Baptist's retained liabilities. Management believes this process will take several years to complete.

All numbers in the attached footnotes are in thousands, unless otherwise indicated.

Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash balances were maintained in financial institutions in excess of FDIC insured limits. Management believes that these institutions are financially sound.

(Continued)

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Notes to Financial Statements

December 31, 2008

(1) Nature of Activities and Significant Accounting Policies (continued)

Investments

Investments in marketable equity securities and mutual funds are recorded at fair value, an estimate determined by investment managers based on fundamental analysis of the issuer of the securities. Other investments are recorded at fair market value based on independent appraisals or underlying equity reported in audited financial statements of the investee.

Realized gains and losses on investment sales and unrealized gains and losses in the fair value of investments are recognized as changes in unrestricted net assets in the periods in which they occur. Interest income is recognized as revenue in the period earned.

Contributions

When received or pledged, unrestricted contributions are reported as increases to unrestricted net assets and donor-restricted contributions are reflected as increases to temporarily restricted net assets or permanently restricted net assets. When expenditures occur that satisfy a donor restriction, net assets are reported as released from restriction by the simultaneous increase in unrestricted net assets and decrease in temporarily restricted net assets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets consist of unexpended contributions that are restricted as to use by donors to a specific time period or purpose.

All temporarily and permanently restricted net assets were transferred from Baptist in 2005 as part of the contributions referred to in note 1 above. These net assets continue to carry the same restrictions imposed by its original donors.

Property and Equipment

Property and equipment acquisitions are reported at cost on the date of purchase. Expenditures that extend useful lives or equipment capabilities are capitalized, while routine maintenance and repair expenditures are charged to expense. Depreciation expense is provided using the straight-line method over a three year estimated useful life.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Notes to Financial Statements

December 31, 2008

(2) Fair Value Measurements

Effective January 1, 2008, the Foundation adopted Statement on Financial Accounting Standards (“SFAS”) No. 157, *Fair Value Measurements* (“SFAS No. 157”), for financial assets and financial liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis. SFAS No. 157 defines fair value as 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. SFAS No. 157 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into the following three levels:

- Level 1 inputs – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or other valuation techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

The following table represents assets reported on the balance sheet at their fair value as of December 31, 2008 by level within the SFAS No. 157 fair value measurement hierarchy:

(Continued)

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Notes to Financial Statements

December 31, 2008

(3) Fair Value Measurements (continued)

		Total Fair Value Measurement At December 31, 2008		Quoted Prices in Active Markets (Level 1)		Significant Unobservable Inputs (Level 3)
Money market mutual funds	\$	1,141	\$	1,141	\$	-
Equity securities and mutual funds		104,572		104,572		-
Hospital Laundry Cooperative Assn.		1,304		-		1,304
VHA Texas cumulative equity		1,213		-		1,213
Vanguard corporate stock		2,506		-		2,506

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above.

Level 1 fair value measurements:

- (1) The money market mutual funds were valued at their cash value at December 31, 2008, which is the fair market value for these funds.
- (2) The equity securities and mutual funds were valued at the selling price as of December 31, 2008 for comparable securities on the exchanges at which these securities were traded.

Level 3 fair value measurements:

- (1) The fair value for Hospital Laundry Cooperative Assn. is based on their audited financial statements as of June 30, 2008. The fair value includes a working capital loan by the Foundation to the Association of \$159,000 and the Foundation's equity balance in the Association of \$1,145,000.
- (2) The fair value for VHA Texas is based on VHA's statement of the Foundation's patron's equity balance of \$828,000 as of December 31, 2007, and unpaid distributions of \$385,000 as of December 31, 2007.
- (3) The fair value for Vanguard's corporate stock is based on an independent appraisal of the fair value of Vanguard as of December 31, 2008.

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Notes to Financial Statements

December 31, 2008

(3) Investments

Investments as of December 31, 2008 and 2007 include the following:

Long-term investments:	<u>2008</u>	<u>2007</u>
Money market mutual funds	\$ 1,141	2,080
Equity securities and mutual funds	104,572	158,978
Hospital Laundry Cooperative Assn.	1,304	1,220
VHA Texas cumulative equity	1,213	1,289
Vanguard corporate stock	<u>2,506</u>	<u>3,388</u>
	\$ <u>110,736</u>	<u>166,955</u>

Investment income (loss) consists of:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 3,706	2,954
Realized gains and losses, net	(1,923)	12,323
Unrealized gains and losses, net	<u>(57,367)</u>	<u>(6,554)</u>
	\$ <u>(55,584)</u>	<u>8,723</u>

Realized gains and losses are reported as the difference between original cost (at average, if not a specifically identified security) and the sales price. Unrealized gains and losses are reported as the amount of change in fair value between reporting periods, net of realized gains and losses during such period.

(4) Property and Equipment

Property and equipment and accumulated depreciation as of December 31, 2008 and 2007 are:

	<u>2007</u>	<u>2006</u>
Computer hardware	\$ 7	7
Computer software	<u>42</u>	<u>42</u>
	49	49
Less accumulated depreciation	<u>45</u>	<u>13</u>
	\$ <u>4</u>	<u>36</u>

BAPTIST HEALTH FOUNDATION OF SAN ANTONIO

Notes to Financial Statements

December 31, 2008

(5) Leases

The Foundation leases office space under a noncancelable operating lease. The current office lease expires on April 30, 2009. The minimum rentals due for 2009 is approximately \$18,000.

(6) Retirement Plan

The Foundation offers an individual tax-sheltered annuity plan to all employees. The Foundation contributes a maximum of five percent of each enrolled employee's salary. Contributions, included in salaries and employee benefits, totaled approximately \$18,000 in 2008 and \$16,000 in 2007.

(7) Fair Value of Financial Instruments

At December 31, 2008 and 2007 estimated fair values and carrying amounts of financial instruments, including cash and cash equivalents, long-term investments, accounts payable, accrued and other liabilities, are identical.