Permanent Health Fund
Statement of Changes in Net Assets
For the Year Ended August 31, 2004

<table>
<thead>
<tr>
<th>Permanent Health Fund for Higher Education *</th>
<th>Permanent Health Fund - El Paso Campus</th>
<th>Permanent Health Fund - Other Campuses</th>
<th>ALL PERMANENT HEALTH FUNDS COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend and Interest Earnings</td>
<td>$(5,253.36)</td>
<td>$1,367,074.83</td>
<td>$1,374,462.74</td>
</tr>
<tr>
<td>Realized Gains (Losses) on Sale of Investments</td>
<td>-</td>
<td>2,207,898.99</td>
<td>2,207,898.98</td>
</tr>
<tr>
<td>Unrealized Fair Market Value Changes</td>
<td>-</td>
<td>(212,226.64)</td>
<td>(212,226.63)</td>
</tr>
<tr>
<td>Distributions *</td>
<td>1,495,097.60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>$1,489,844.24</td>
<td>$3,362,747.18</td>
<td>$3,370,135.09</td>
</tr>
</tbody>
</table>

| EXPENDITURES:                               |                                        |                                        |                                      |
| School of Medicine Research                | $28,487.77                             | $ -                                    | $ -                                  | $ -                                | $28,487.77                      |
| School of Nursing Education / Research      |                                        | $ -                                    | 178,265.58                           | 178,265.58                        |
| School of Pharmacy Research                |                                        | $ -                                    | 201,124.56                           | 201,124.56                        |
| Microbiology and Immunology Research       | 415,054.50                             | $ -                                    | -                                    | -                                  | 415,054.50                      |
| Pharmacology Research                      | 293,628.06                             | $ -                                    | -                                    | -                                  | 293,628.06                      |
| Physiology Research                        | 98,578.49                              | $ -                                    | -                                    | -                                  | 98,578.49                       |
| Obstetrics / Gynecology Research           | 109,121.44                             | $ -                                    | -                                    | -                                  | 109,121.44                      |
| Cell Biology and Biochemistry Research     | 87,533.89                              | $ -                                    | -                                    | -                                  | 87,533.89                       |
| Surgery Research                           | 108,182.02                             | $ -                                    | -                                    | -                                  | 108,182.02                      |
| Orthopaedics Research                      | 8,051.85                               | $ -                                    | -                                    | -                                  | 8,051.85                        |
| Women's Health Research                    |                                        | $ -                                    | 23,347.99                            | 23,347.99                         |
| Tobacco Cessation                          |                                        | $ -                                    | 74,979.98                            | 74,979.98                         |
| Center for Tobacco Prevention and Control  |                                        | $ -                                    | 239,666.29                           | 239,666.29                        |
| Infectious Disease Research                |                                        | $ -                                    | 80,895.83                            | 80,895.83                         |
| Border Health Research                     |                                        | $ -                                    | 478,519.30                           | 478,519.30                        |
| Health Services Research and Management    |                                        | $ -                                    | 664,789.32                           | 664,789.32                        |
| Lab Renovations                            | (11,050.00)                            | $ -                                    | 10,327.04                            | (722.96)                          |
| TOTAL EXPENDITURES                         | $1,137,588.02                          | $712,902.87                           | $1,392,500.76                        | $3,242,991.65                     |

| CHANGES IN NET ASSETS                      | $352,256.22                            | $2,649,844.31                         | $1,977,634.33                        | $4,979,734.86                     |

Expenditures Components:

| Personnel Costs                           | $725,622.48                            | $616,470.47                           | $750,866.93                          | $2,092,959.88                     |
| Maintenance & Operations Costs            | 326,973.01                             | $96,432.40                           | 460,944.06                           | 884,349.47                        |
| Capital Outlays                           | 84,992.53                              | $ -                                    | 180,689.77                           | 265,682.30                        |
| Total Expenditures                        | $1,137,588.02                          | $712,902.87                           | $1,392,500.76                        | $3,242,991.65                     |
| Full Time Equivalents                     | 11.3                                   | 6.9                                   | 9.2                                  | 27.4                              |
## Permanent Health Fund
### Balance Sheet
#### As of August 31, 2004

<table>
<thead>
<tr>
<th>ASSETS:</th>
<th>Permanent Health Fund for Higher Education</th>
<th>Permanent Health Fund - El Paso Campus</th>
<th>Permanent Health Fund - Other Campuses</th>
<th>ALL PERMANENT HEALTH FUNDS COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ -</td>
<td>$ 1,273,403.99</td>
<td>$ 834,976.16</td>
<td>$ 2,108,380.15</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>3,450,074.41</td>
<td>281,500.00</td>
<td>281,500.00</td>
<td>4,013,074.41</td>
</tr>
<tr>
<td>Investments **</td>
<td>-</td>
<td>$ 26,348,584.67</td>
<td>$ 26,348,584.67</td>
<td>$ 52,697,169.34</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$ 3,450,074.41</td>
<td>$ 27,903,488.66</td>
<td>$ 27,465,060.83</td>
<td>$ 58,818,623.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES &amp; NET ASSETS:</th>
<th>Permanent Health Fund for Higher Education</th>
<th>Permanent Health Fund - El Paso Campus</th>
<th>Permanent Health Fund - Other Campuses</th>
<th>ALL PERMANENT HEALTH FUNDS COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$ 58,098.43</td>
<td>$ 44,998.09</td>
<td>$ 109,254.27</td>
<td>$ 212,350.79</td>
</tr>
<tr>
<td>Net Assets - Unreserved</td>
<td>3,390,699.68</td>
<td>23,014,861.52</td>
<td>22,496,186.60</td>
<td>48,901,747.80</td>
</tr>
<tr>
<td>Net Assets - Reserved for Unrealized FMV Changes</td>
<td>-</td>
<td>$ 4,837,324.28</td>
<td>$ 4,837,324.29</td>
<td>$ 9,674,648.57</td>
</tr>
<tr>
<td>Net Assets - Reserved for Encumbrances</td>
<td>1,276.30</td>
<td>6,304.77</td>
<td>22,295.67</td>
<td>29,876.74</td>
</tr>
<tr>
<td>TOTAL LIABILITIES &amp; NET ASSETS</td>
<td>$ 3,450,074.41</td>
<td>$ 27,903,488.66</td>
<td>$ 27,465,060.83</td>
<td>$ 58,818,623.90</td>
</tr>
</tbody>
</table>
## Permanent Health Fund
### Investment Return Summary
#### For the Year Ended August 31, 2004

<table>
<thead>
<tr>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized Earnings</td>
</tr>
<tr>
<td>Unrealized Fair Market Value Changes</td>
</tr>
<tr>
<td>Total Investment Return</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Balance, September 1, 2003 **                                           $ 48,815,846.20</td>
</tr>
<tr>
<td>Earnings from LT Investment Fund                                                       7,118,203.71</td>
</tr>
<tr>
<td>Interest Earnings on Cash Holdings                                                      33,878.47</td>
</tr>
<tr>
<td>Unrealized Fair Market Value Changes                                                    (424,453.27)</td>
</tr>
<tr>
<td>Total Investment Return                                                                6,727,628.91</td>
</tr>
<tr>
<td>Distributions                                                                            (2,250,000.00)</td>
</tr>
<tr>
<td>Accrued Earnings                                                                         (563,000.00)</td>
</tr>
<tr>
<td>Interest Earnings not Reinvested                                                       (33,878.47)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents Invested                                                      572.70</td>
</tr>
<tr>
<td>Total Investment Balance Change                                                          3,881,323.14</td>
</tr>
<tr>
<td>Investment Balance, August 31, 2004 **                                             $ 52,697,169.34</td>
</tr>
</tbody>
</table>

* The Permanent Health Fund for Higher Education is managed by the University of Texas Investment Management Company (UTIMCO). Revenues reported for this fund represent only the distributions received or owed for the year. Actual investment earnings would be reflected in the UTIMCO financial report.

** The Permanent Health Fund for Higher Education is managed by the University of Texas Investment Management Company (UTIMCO), and is not included in the investment balances in this report. The investment balances represented in this report are only comprised of the Permanent Health Fund for the El Paso Campus and the Permanent Health Fund for Other Campuses, both of which are managed locally.