

2010

ANNUAL REPORT

Thank You, Dan Klein

Dan Klein, who retired as TPF's President at the end of December, left quite an impressive legacy. Measuring 15 years of leadership is not easy. It might be done by tallying up the growing asset base, counting the number of new client relationships or adding up the investment offerings and services. There were significant increases in all of these areas during Dan's tenure. But equally as important is his record of building TPF's reputation of responsive, reliable, and attentive service to our clients, whether churches, Presbyterian institutions, donors, or income beneficiaries.

We spoke to Dan to get his perspective on his time with TPF. The memories that stood out most for him were the accomplishments of the Foundation. "I think the accomplishments were prompted by the challenges," he adds.

One key accomplishment was the modernization of systems, reporting and client access, as well as a "huge expansion" of investment options. Dan notes that when he arrived, the Foundation offered only two investment products – fixed income and equity. By expanding and rebuilding the organization around the client's needs, TPF was able to become more of a consultative partner.

When asked how he expects the next 15 years at TPF might differ from the last 15, Dan points to structural changes happening within the Presbyterian denomination. More and more, he says, the individual institutions such as colleges and children's homes are serving as the points of connection for the church.

As change happens, he expects the Foundation's strong alliances and relationships will serve it well. Dan also foresees greater regulation and oversight requirements for all charities and churches in the coming years, but believes the Foundation is well positioned for this. "The Foundation's practices are already up to any standards that might be adopted," he says.

Another possible change is a reduction or even elimination of the charitable tax deduction. On this, Dan is not terribly worried. "My sense is that generous people will continue to be generous," he says.

Asked about what helped the Foundation to be successful over the past 15 years, Dan says the secret to success for any non-profit lies in its board.

"We're blessed with a strong, competent, generous and connected board." That connectedness with clients' needs has helped the Foundation weather the inevitable storms of bad markets. Dan can recall the loss of only two clients in 15 years, and one of those ended up coming back.

Dan mentions that some of the things he has

The Helen and Jack Lancaster Award Presented at Annual TPF Board Meeting



Paups receive Lancaster Award

In recognition of their outstanding efforts and significant contribution to the ministry of permanent funds, Nancy and Ted Paup, Ft. Worth, TX, were presented the Helen and Jack Lancaster Award on November 9, 2010.

The Board of Trustees of the Texas Presbyterian Foundation in 2003 established an award in honor of Dr. John and Helen Lancaster. The Lancaster Award is to be presented to a suitable recipient when efforts in the Ministry of Permanent Funds have been determined to be exemplary as they have been throughout the life and ministry of the Lancasters.

already been missing in retirement are the daily relationships with a great staff of colleagues, the connections with board members and bi-weekly phone meetings with TPF Chairman Carl Stuart.

"It doesn't feel like retirement yet. It feels more like an extended vacation." He notes that "honey-do" lists are occupying a considerable amount of time, as well as establishing his consulting practice.

Dan's priorities and passions flowed naturally from his faith and from his grounding as an active and committed Presbyterian elder. He loves the church and viewed his work at TPF as a calling. This orientation was evidenced in the staff he built, his oversight of TPF operations, his engagement with Presbyterian institutions of the Synod of the Sun, and his tendency to network happily, tirelessly, and thoughtfully with Presbyterians in this part of Christ's kingdom. The larger church as well as the individual congregations in our Synod have benefitted from his work and for this, we give thanks to God.

Mailing List

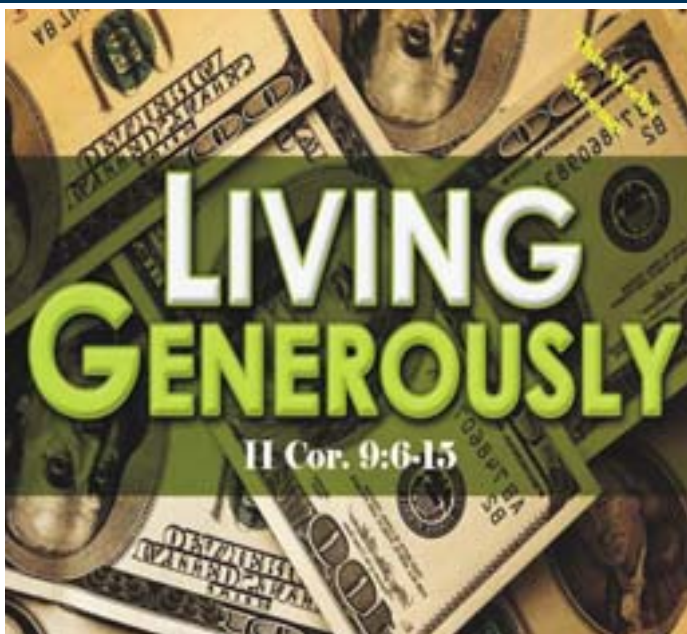
As a valued member of the Presbyterian family, we'd like you to be amongst the first to know about the latest news and events relating to the mission of TPF. As a Presbyterian, you need to know you have your own Foundation to help fulfill your philanthropy efforts.

The most efficient way for us to do that is through email. With email, we can send you this information in a method that is both kind to the environment, and fiscally responsible. With the money saved – we can in turn, devote to our mission of supporting financially the spiritual, educational and charitable needs of our Presbyterian community.

Log onto and sign up:
<http://tinyurl.com/texaspresbyterianfoundation>

We are always available by phone to answer any questions you may have.

(800) 955-3155 or (214) 522-3155



Living Generously, Living Fully

*There isn't enough
More is better
That's just the way it is.*

Ever feel like our culture pushes you toward a life of constantly seeking more material wealth – a bigger house, a newer car and more expensive clothes?

Ever want to escape that way of thinking?

Rev. Dr. Laura Mendenhall, TPF Senior Philanthropic Advisor, has developed a course curriculum titled *Living Generously*. The story of how the course came about begins with Kim Warner, TPF Vice President. Some two years ago, he recognized the need for a curriculum that would help adults think through biblically how to distribute their estate. How much should they leave to their children? How much should they leave to charity? He did not know of any available courses that would fit the bill. This was about the time Laura was joining TPF, so Kim commissioned her to develop a curriculum to address the need.

The course developed and grew from there. It teaches how to unbind your fears, escape the mindset of scarcity and realize the wealth and abundance of your gifts – recognizing when you have enough.

- Enough to make a difference in your family, church and world
- Enough for transformational giving
- Enough to pass on to loved ones

Reinvigorating generosity unleashes power to transform the church and ourselves.

The curriculum is grounded in scripture with biblical stories such as Jesus' feeding of the 5,000, the parable of the talents, Ananias and Sapphira, the unbinding of Lazarus, the Good Samaritan and more. It is appropriate for adult classes or retreats as well as youth groups and families. There are lesson plans for six one-hour classes with modifications for retreat settings.

To find out more about the course please contact Laura at laura.mendenhall@tpf.org.

Three New Staff

TPF welcomed three new staff members in 2010. Mary Beth Foster joined the Foundation in August and serves as the primary resource for the Foundation's technology needs. Roy Hernandez, Jr. joined TPF in October helping with accounting functions for the Foundation and Stefanie Marsden started assisting the development team in November.

TPF looks forward to the extra help these individuals will bring to support our mission efforts.



Mary Beth Foster
Systems Administrator



Roy Hernandez, Jr.
Staff Accountant



Stefanie Marsden
Administrative Asst.

John C. Furlow, Jr.



John Furlow has been promoted to Executive Vice President and Chief Operating Officer of Texas Presbyterian Foundation effective January 1, 2011, it was announced by Carl Stuart, Chairman of TPF's Board of Trustees. Mr. Furlow, currently Vice President and Treasurer, will also retain the title of Treasurer. In his new role, Mr. Furlow will be responsible for all aspects of the operation of the Foundation other than the development function.

Investment Changes:

Effective October 1st, TPF implemented changes to the Fixed Income and Balanced Funds. In the Fixed Income Fund we lowered the allocation to core U.S. government and corporate bonds by



10%, and eliminated the remaining 10% allocation to a dedicated U.S. investment grade credit portfolio. The freed up 20% is now allocated to PIMCO's Unconstrained Bond Fund. This fund has wide discretion as to industry sectors and geographic diversification, and can include non-traditional assets such as futures and options. Its inclusion gives our fund greater diversification and ability to generate returns in difficult environments. We have a great deal of confidence in PIMCO, the largest fixed income manager in the country, and their well-known chief investment officer, bond expert Bill Gross.

In the Balanced Fund we lowered U.S. equity and fixed income by 5% each. That 10% will be allocated to the newly created TPF Defensive Strategies Fund. It will employ "absolute return" strategies with little correlation to traditional stock and bond investments. It includes merger arbitrage, options and long/short equity. While these may sound esoteric or even risky, we included them to increase safety through diversification. They have the potential to stabilize our returns when traditional markets are down.

In addition to making up part of the Balanced Fund, the Defensive Strategies Fund is available for direct participation by TPF clients as well.

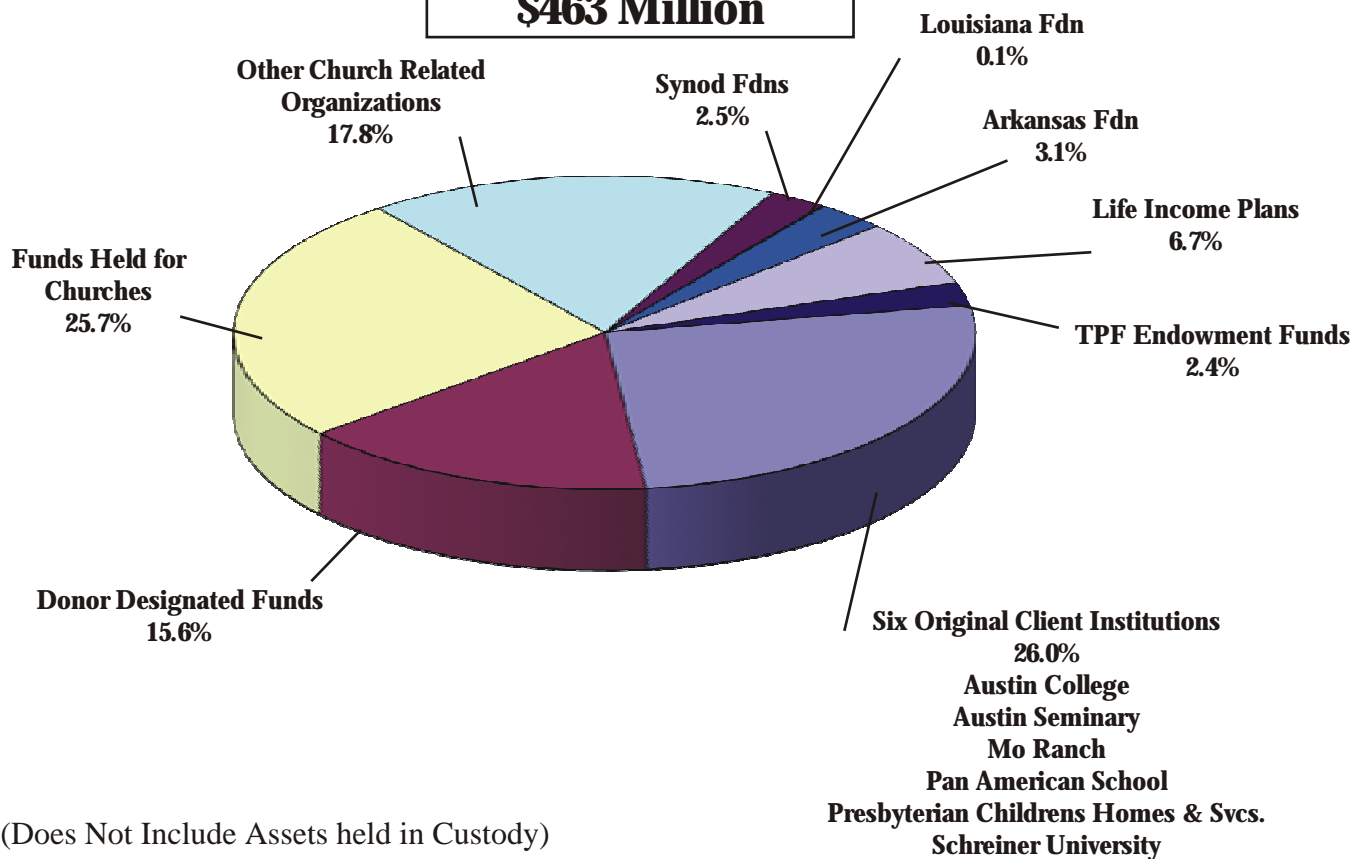
From time to time TPF has launched new funds largely in response to client needs or to opportunities to provide access to diversifying or risk-reducing strategies. On April 1st a new fund, christened Real Assets, will be offered that has the potential to add both these characteristics to a strong investment program. Because of historic low correlation between the return profile of real assets with traditional investments this fund will be added to the mix of funds making up the Balanced Fund. This also will be available for direct participation by clients. The Real Assets Fund holdings will be divided equally among:

- Commodities: These will be commodity-linked derivatives that give passive exposure to the Dow Jones UBS Commodity Index.
- Natural Resources: These will be global, all-cap equities of firms in natural resource industries that can potentially create value independently of commodity price movements.
- Infrastructure: These will be equities in U.S. and non-U.S. firms that invest in infrastructure assets such as utilities, pipelines, toll roads, airports, telecom, etc.

TPF CFO Client Conference * June 22, 2011

*This event is for CFOs, Controllers, Finance/Operational Officers and Church Treasurers.
For more information log onto www.tpf.org/events or contact us at (800)955-3155 or (214)522-3155*

**Managed Assets
12/31/10
\$463 Million**



2010 Financial Statement

Total Cash & Cash Equivalents	30,442,309
Pooled Investments:	
Large Cap Equity Fund	50,865,851
Large Cap Equity Growth Fund	1,408,846
Large Cap Equity Value Fund	3,142,699
Small Cap Equity Fund	14,450,433
International Equity Fund	34,578,114
Emerging Markets Fund	4,485,492
Fixed Income Fund	56,512,185
Short Duration Fixed Income Fund	1,965,282
Real Estate Pooled Fund	3,471,922
Defensive Strategies Fund	1,733,453
Alternative Strategies Fund	3,799,243
Gift Annuity Pooled Fund	12,961,116
Gift Annuity Pooled Fund (Ark.)	1,011,014
TPF Balanced Fund	<u>200,233,043</u>
Total Pooled Investments	390,618,693
Other Investments:	42,140,851
Assets held in custody	183,026,226
Total Other Assets	<u>95,591</u>
Total Assets	646,323,671

A Look Back at 2010 with John Furlow

John Furlow, Jr. joined TPF in 1997 as Treasurer and Manager of Operations. Now, as Executive Vice President and Chief Operations Officer he works daily with clients, the Foundation's consultants, banks and investment managers. Having been through a number of market environments during his tenure, we sat down with him to get his take on 2010, and for a quick look ahead.

John, can you summarize what kind of year TPF had in 2010?

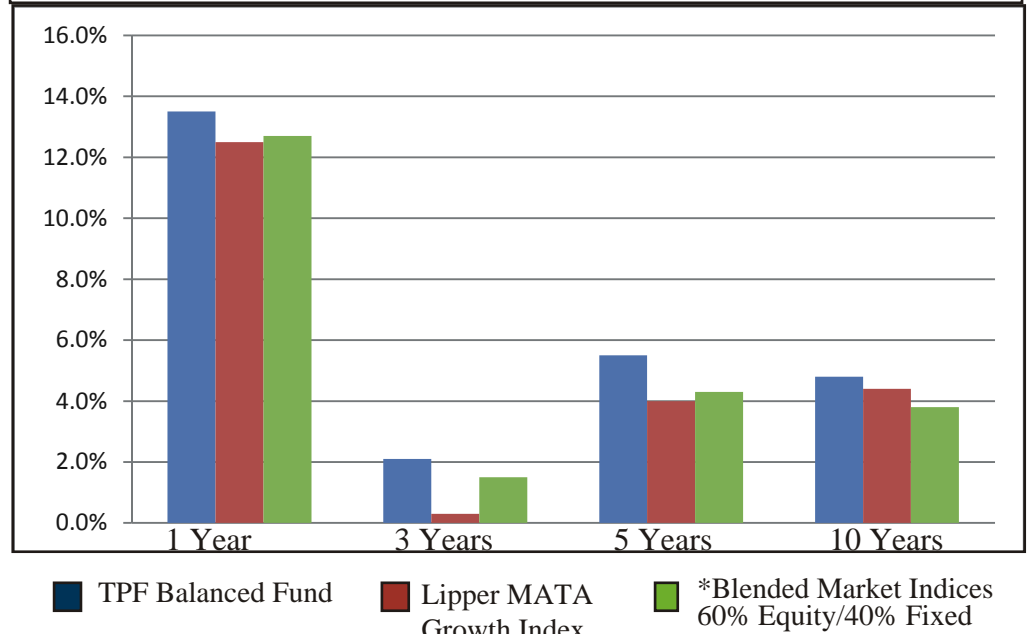
Furlow: Overall, 2010 was a very good year for Texas Presbyterian Foundation, despite some uneasiness in the markets. Economic news seemed to be on a yo-yo – optimistic one week, pessimistic the next. But thanks to the wisdom of the TPF Investment Committee and the assistance of RogersCasey, our consultants, TPF's flagship product, the Balanced Fund, continued to outperform its benchmark and other blended indices for one, three and five-year periods.

The Committee worked very proactively to provide ongoing oversight for our clients. For instance, we had a situation where the CIO for one of our sub-advisors abruptly left. We very quickly looked at the situation and dismissed the manager. We placed those monies in an index fund so that none of our clients were out of the market, and the TPF Investment Committee will meet in February to hire a replacement manager. This is how we work to add value for our clients. We monitor all of the sub-advisors, with regard to not only investments but also governance and personnel. Are they doing what we hired them to do? Are they employing good governance? It's important to react quickly to stay ahead of changes that bring undesired risk.

With Dan Klein's retirement, do you see any change of direction going forward?

Furlow: We are obviously going to miss Dan after 15 years of his leadership, but I don't anticipate any major changes. We will continue to focus on providing exemplary service to clients. We will

TPF Balanced Fund Performance 12/31/10



Compounded Annual Total Rates of Return
TPF Returns shown are net of all expenses including fees of outside investment advisors.
Past performance is not necessarily indicative of future results.
*This blend combines a traditional asset allocation of 60% Large Cap Equity and 40% Fixed.

continue to offer a full slate of investment options and assist clients with their development of permanent funds and planned giving needs.

That being said, as part of the transition our board and staff has revisited and revised the strategic plan. A major focus going forward will be improving our use of the internet, social media and online processes. We want to streamline a two-way flow of information, to and from clients, and the addition of Mary Beth Foster as Systems Administrator will help us do that. We're also placing a very strong emphasis on governance, not only for firms we invest in and do business with, but at all levels of our own organization. The promotion of Sharon Nash to Director of Corporate Administration means she will work with the board and management on governance and compliance issues. We've formed a client services team, led by Beth Wilt, which will work with churches, institutions and individuals, and are placing really strong emphasis on the teamwork of our development staff as they work with the various organizations and individuals to fulfill their Presbyterian philanthropy.

Speaking of individuals, can you give us an overview of products you offer them?

Furlow: TPF provides a variety of products for individuals. These include charitable gift annuities, charitable trusts, endowment funds and donor-advised funds. Our donor-advised funds are a particularly popular way for a client to realize tax-benefits of making a donation now, while continuing to support the missions of their choice for many years.

With the addition of the Real Assets and Defensive Strategies funds to the Balanced Fund, TPF is increasing diversification beyond traditional assets. Tell us more about the reasoning behind that.

Furlow: Looking down the road, we're concerned about potential sources of volatility in the market. There is likely to be strong upward pressure on interest rates at some point, no one knows exactly when. There is the possibility of significant inflation, but there are also concerns of deflation. No one has a crystal ball – and beware anyone who claims to – but our role is to provide products designed to shield against volatility while seeking increased returns. It's all to help clients fulfill their mission with financial resources that stretch many years into the future. That's what we're here for.

Distributions For Mission in 2010

During 2010, TPF distributed \$10.4 Million of income and \$47.9 Million of investment gains and principal to churches and institutions to further their missions. In addition over \$2.4 Million was distributed to individuals from charitable life income gifts.

Texas Presbyterian Foundation is blessed by the service of volunteer board members

Chairman of the Board - Carl Stuart
Austin, TX

Vice Chairman - (vacant)

Board Secretary - Fred Robertson
Houston, TX

Trustees:

Lee Ardell
Houston, TX
Tom Baldwin
San Antonio, TX
Paul Beyer
San Antonio, TX
Stanley Beyer
Houston, TX
Rev. Dr. Bill Branch
Little Rock, AR
Alan Byars
Midland, TX
Joe Bybee
Houston, TX
James Cooper
Houston, TX
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Sante Fe, NM
W.B. Zimmerman
Ft. Worth, TX
Trustee Emeritus:
Peter Baldwin
Dallas, TX
Houston Harte
San Antonio, TX

TPF would like to thank three trustees whose terms ended during 2010 for their years of faithful service.

Walter Dunlap - Dallas, TX
Bookman Peters - Bryan, TX
Fort Flowers - Houston, TX

In Memoriam:

TPF experienced the death of two active board members in 2010. We are grateful for their lives and service to TPF.



Dick Walton



Bill Landess

What's New for 2011

Interim President

Elizabeth Currie Williams of Dallas, a former TPF Board member and retired Treasurer of Southern Methodist University, is serving as Interim President and CEO of the Foundation effective January 1. The Board is continuing the search for a permanent replacement.

Client Services Team

In an effort to enhance customer service, the Foundation has consolidated administration of institutional and individual accounts. Beth Wilt, Director of Client Services and Assistant Treasurer, will be leading the team which consists of Tracy Shawn and Jennifer Frano.

Strategic Plan Initiatives

As part of the Strategic Plan recently adopted by the Board of Trustees, TPF's nominating committee will become a governance committee with greater responsibility. That committee will monitor the legal, regulatory, and legislative environment and recommend how changes in those areas might impact TPF and TPF clients. Additionally, the plan addresses the technology being utilized by TPF as it strives to communicate effectively and facilitate strong and easy interaction with current and prospective clients.



Find us on Facebook

We've gone social! Just press the 'Like' button on TPF's Facebook page and join in the conversation with other Presbyterians!

Write on our wall and tell us how you use our products, or share your faith, vision and generosity stories with others.

Please check our Facebook page on the first Tuesday of each month for "Trivia Tuesday" to learn fun and interesting facts about TPF.

Helping Accomplish Mission - Institutions of the Synod of the Sun

Lyon College
www.lyon.edu
Austin College
www.austincollege.edu
Goodland Academy
www.goodland.org
Trinity University
www.trinity.edu
Schreiner University
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University of Tulsa
www.utulsa.edu
University of the Ozarks
www.ozarks.edu
Presbyterian Pan American School
www.ppas.org
Presbyterian Mo-Ranch Assembly
www.moranch.com
Evergreen Presbyterian Ministries
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Presbyterian Children's Homes & Services
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