



TEXAS PRESBYTERIAN FOUNDATION

# 2017 Annual Report

Let a Fresh Transformation Begin!

"So if anyone is in Christ, there is a new creation: everything old has passed away; see, everything has become new!"

2 CORINTHIANS 5:17 (NRSV)



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## President's Perspective

Friends,

Transformation is all around us. As expected, 2017 was a tumultuous, exhilarating roller coaster ride for the financial markets. Engulfed in a world atmosphere of hurricanes, wildfires, earthquakes, political unease, and international unrest, the markets consistently showed strong reaction to keep us all on high alert. It looks like 2018 promises to be yet another adventure in change. Rest assured that TPF staff, trustees, and investment partners will remain focused on our long-term goals and continue to provide the highest level of quality service to you and your congregation, institution, or organization.

TPF exists to enable and expand mission. That is what we do and who we are! In this Annual Report, you will see how our work at TPF is transforming lives. We are so much more than an investment manager for non-profits; this is only part of our story.

We remain centered on our core values while continuing to transform ourselves to better change lives and serve the non-profit community. We have spent the past decade in a continued evolution to aptly meet the changing needs of our partners. Because of this, our partner base has expanded from primarily churches to include family foundations and other non-profit organizations that exist solely to impact the lives of others. Our success stems from our dedicated staff and trustees who firmly hold and believe that we can make a difference in people's lives by supporting the ministry and mission of our partners.

On behalf of everyone at TPF, I want to thank you for joining us on this incredible journey. We steadfastly continue our more than 90 years of professional, low-cost investment management and best-in-class partner services. TPF stands with you, by you, and for you.

Blessings,

**The Rev. Dr. Richard E. Young**

President & CEO, Texas Presbyterian Foundation



Walter H. Dunlap, Jr. (left) and  
The Rev. Dr. Richard E. Young (right)



# Chairman's Comments

As President Rick Young has observed, 2017 was another tumultuous year in which we experienced a new federal administration, dramatically different national and international political developments, and another round of natural and man-made catastrophes.

We are embarking on a new year wondering how the U.S. economy and the financial markets will react to a new tax plan, even as we celebrate the resiliency and strength of the stock market and the economy in general in 2017. I am confident in the skill and experience of the eighteen members of TPF's Investment Committee, our staff, and our investment advisors, Segal Marco Advisors, to keep abreast of and

guide us and our partners through these and other unpredictable developments in the years to come.

We have strengthened our board by the addition of two new trustees: Ms. Jeanne Culver, *Founder/CEO, Culver Public Relations*, and The Rev. Dr. Chuck Mendenhall, *Pastor & Funds Development Officer*.

The board is continually alert to ways of improving and strengthening our internal structures. We have worked hard to ensure that we are well positioned to manage our strategic growth and to recruit and retain high quality key personnel when the need arises.

As we grow and become a more familiar face in the religious and non-profit financial management

world, we will have more opportunities to serve even more diverse communities and organizations. We will always be a dedicated resource for church-related, primarily Presbyterian, institutions, but we also look forward to helping those non-profit organizations which are seeking to accomplish mission objectives consistent with TPF's core values and long-term investment strategies.

It is an honor to work with TPF's talented and dedicated board and staff, and I look forward to my second year as Chairman. Thank you for your confidence in our organization.

**Walter H. Dunlap, Jr.**  
Chairman of the Board

## What's Happening with the TPF Staff?

As our partner landscape continues to transform, we are also continually working to transform ourselves to meet their changing needs. We remain dedicated to changing the lives of others, and to that end, we strive to strengthen our organization with talented individuals who can help us grow long-term partnerships and provide best-in-class customer service.

TPF is pleased to announce the following staff changes:



In 2017, **Yolanda Najera** retired from TPF after 21 years of dedicated service. While TPF congratulates Yolanda as she moves forward with this new time in her life, we will all miss her guiding presence as Accounting Supervisor and as a key part of the TPF staff.

## TPF Staff Highlights (continued)



**Martha Ingram** has joined TPF to serve as our Office Administrator. In this role, she is responsible for the organization and coordination of the TPF office operations. As an integral part of our office functions, Martha uses her many talents to work closely with both partners and TPF staff to enable and expand mission.

Ms. Ingram comes to us after staying at home to raise her two teenage daughters. Previously, she worked as an office administrator for Meals on Wheels in Austin, and as an event coordinator for the National Multiple Sclerosis Society in Dallas. A lifelong Presbyterian and Dallasite, Martha attends First Presbyterian Church of Dallas with her husband Kelly and family.

Congratulations to **Roy Hernandez**, who has been promoted to Accounting Supervisor. A dedicated accounting team member for over seven years, Roy brings deep financial experience and extensive partner knowledge to his exciting new role.



**Micah Masters** has transitioned from her role as Office Administrator to her new role of Staff Accountant. TPF is excited to have Micah's experience and expertise applied to her new responsibilities of both internal and external accounting functions.

**Jake Wilson** has transitioned from an operational role at TPF to the role of Relationship Manager. Jake will continue working closely with TPF partners to grow relationships, while also identifying and cultivating new partners whom TPF can assist in the expansion of their mission efforts.



# Partner Transformation

While we continue our extensive work with Presbyterian churches, TPF also continues to expand and transform the non-profit segment of our partner base. Our work with these types of non-profit partners allows us to deepen our efforts to enable and expand mission and make a greater impact on the lives of others.

Family Foundations  
Senior Living Ministries  
Children's Homes  
Educational Institutions  
Legacy Partners



Homeless Shelters  
Women's Shelters  
Youth Mission Organizations  
Food Banks  
Hospital Foundations  
Cultural Foundations  
Family Activity Centers  
Camps and Conference Centers  
Seminaries  
Denominational Governing Bodies  
Special Needs Ministries  
Campus Ministries  
Community Outreach



# The Nelson Puett Foundation:

## Continuity for Generations



Focused on enhancing the quality of life in Austin and the surrounding areas, The Nelson Puett Foundation works tirelessly to change the lives of others through a wide variety of efforts. The Foundation was established in 1955 by Nelson Puett, Jr.—a WWII Veteran, college athlete, home builder, and real estate developer in Austin, TX. Guided by his passions, The Nelson Puett Foundation has been steadfastly dedicated to assisting first-time home buyers in their home purchases and providing educational opportunities to deserving students and athletes since its inception.

Through the years, The Nelson Puett Foundation has given hundreds of college scholarships to deserving central and west Texas high school seniors, so that they could attend college. They have also supplied assistance to first time home owners, as well as supported many local little leagues and youth sports programs in the Austin area. The Foundation proudly continues these efforts today!

Over time, however, to meet the changing needs of local communities, the Foundation has continued to evolve the scope of their work. They now assist at-risk youth through various programs to encourage the development of character.

They work diligently to provide each student with the opportunities that a quality education can provide. It is their hope that they can facilitate and encourage the development of successful and responsible young adults. With these goals in mind, The Nelson Puett Foundation has supported the following organizations:



Caroline Puett and Nelson Puett

Over time, the assets of The Nelson Puett Foundation have grown to exceed \$20MM. As part of their judicious stewardship efforts, the trustees decided to reevaluate their fund management plan. Unlike other investment services options, they found TPF to be like them in many ways. Because just like them, TPF is dedicated to changing the lives of others. In the end, TPF was selected to manage the funds of the Foundation. According to the son of the Foundation's founder, Nelson Harwood Puett, "The Nelson Puett Foundation is thrilled that the dedicated professional management provided by TPF will ensure the continuity of our beloved Foundation for generations to come."

**2017 was a transformational  
year for TPF and our partners.**

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17

New Partner Relationships  
for \$11mm

5

New Donor  
Advised  
Funds  
for \$396,000

Basis Point  
Net Expense Ratio

<.60%

144

New Accounts

\$

89

in Contributions

mm

\$

92

in Distributions

mm

New Charitable Gift Annuities  
for \$412,000

13





## 2017 Was an Exceptional Year

Q&A with John C. Furlow, Jr.

Executive VP & COO

### What are your thoughts on 2017?

2017 was a good year on both an absolute and a relative basis. At the beginning of the year we were dealing with the unknown of a new administration, thoughts that the equity markets had peaked, and uneasiness with geopolitical situations. During 2017, an improved economy and increased political stability in Europe advanced developed market stocks. Investors favored U.S. large caps for their stability and quality, and active management with sound fundamentals was rewarded all year long. The Fed's three rate hikes in 2017, along with the anticipation of additional hikes, led Treasuries to lag credit and high yield. All of these factors support the theory of a broadly diversified balanced portfolio.

TPF's flagship, the TPF Balanced Pooled Fund, performed quite well with a 17.3% annual return for 2017.

The TPF Balanced Fund added a premium for the year of 2.4% net of fees over indexing. As a long-term investor, I think the more impressive number is the 1% average annual "net out-performance" the TPF Balanced Fund has provided over indexing in the last 10 years.

### The TPF Balanced Fund is now 20 years old—has it met or exceeded expectations?

It has absolutely exceeded expectations. In June of 2017, the TPF Balanced Fund celebrated its 20<sup>th</sup> anniversary. When this Fund was established in 1997, it was designed to support a UPMIFA compliant spend policy while growing the corpus to keep up with inflation. Looking back from December 31, 2017, the TPF Balanced Fund has achieved this goal through full market cycles. This is key as the majority of TPF's partners use the TPF Balanced Fund as all or part of their long-term investment allocation.

### Has the market peaked and should we sell?

As this current bull market continues to age and equities continue to set new record highs, some investors worry the next market crash is imminent. It is easy to find opinions that perpetuate these fears. Unfortunately, these fears can cause investors to remove assets from the market entirely. This is a practice that we do not advocate.

Historical evidence proves that only investors who panic and exit at the wrong time suffer permanent losses.

The reality is that market timing is one of the most difficult aspects of investing. For example, if an investor tried to time the markets and missed the best 10 trading days over the past 37 years (or 0.1% of trading days) their strategy would result in significant underperformance relative to an investor who remained invested for the same period. Investors who panicked eight years ago missed one of the strongest bull markets in history.

Partners who have heard or read my comments over the last 10 years will continue to see the same answer. Even if you do not have funds invested with TPF, I recommend developing a purposeful investment policy and strategy for the long-term health and goals of your funds. Implement a plan to achieve that strategy, then stay the course and periodically rebalance to targets. Don't let emotion influence decisions at the wrong time. These are all strategies that TPF employs on behalf of our partners invested in TPF Funds.



### With changes in the tax laws, do you see a change in donor giving?

Not really. The tax bills passed in December 2017 by the House and Senate will nearly double the income tax standard deduction in 2018 for both individuals and couples. The reality is that most people do not give to their church or a charity just for the tax deduction, but rather give because they care deeply about that mission or ministry. While we may see a slight drop in gifts as potential donors are trying to figure out the effects of the new tax policy, I believe we will see a return to strong generosity later this year.

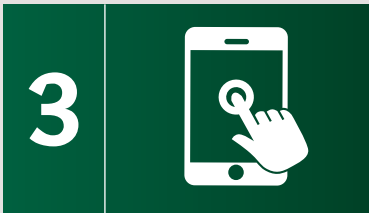
I also believe the effect on planned giving will be minimal. In 2017, the average Charitable Gift Annuity (CGA) opened by TPF's partners was a little over \$31,000. More times than not, individuals who open CGAs will exceed the standard deduction. Consequently, they should be able to use the tax deduction when filing their 2018 taxes. Even with the changes, CGAs continue to be a useful legacy instrument.

### Build a Lasting Legacy

Watch our newest video at [www.TPF.org](http://www.TPF.org) to learn how our expert team can help you impact the lives of others.

We continue to prioritize cybersecurity, especially in today's tumultuous cyber climate.

We all know this is important, but what exactly does it mean? Simply stated, our focused cybersecurity strategy falls into three main categories that are managed and supported by various key safety measures to ensure we provide the best cyber-protection possible.



Network Security and Disaster Recovery Plan

- Servers are backed up each night to an offsite facility
- Actively tested disaster recovery plan
- Enterprise class firewall
- Regular software patching
- Network penetration assessment


TPF Staff and Trustee Regulations and Support

- Corporate policy on computer use and security
- Board of Trustees structured to support technology
- Trustee experience includes deep knowledge of security
- Ongoing staff security training

Data Management and Protection

- Email scanning software
- Anti-virus and malware protection
- Restricted remote access
- Data access control based on roles


Your Investment Needs are as Unique as our TPF Investment Offerings

 Customized Investment Models


 Monthly Fund Valuations

 Low Fees

 Professional Investment Committee

 28 Investment Managers

 Active Management

 Dedicated Customer Service

 Balanced Fund

 Large Cap Equity Fund

 Small Cap Equity Fund

 Fixed Income Fund

 International Equity Fund

 Emerging Markets Fund

 Real Assets Fund

 Real Estate Fund

 Defensive Strategies Fund

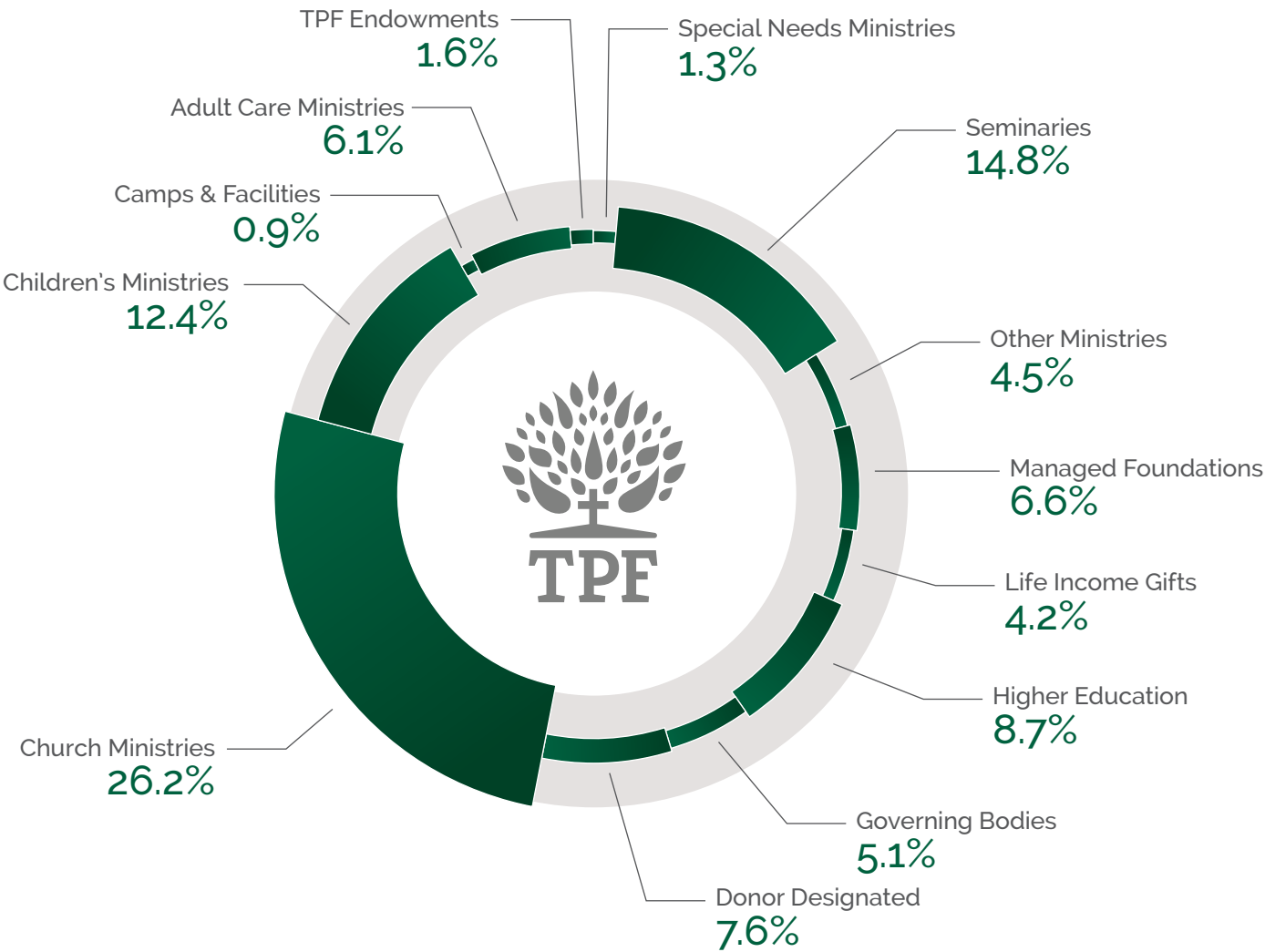
 Money Market Fund

 Professional Institutional Consultants

TPF Ministry Partners

\$981 million

December 31, 2017





# Funds Administered by Texas Presbyterian Foundation

Combined Balance Sheet for Period Ending December 31, 2017

Cash & Cash Equivalents:	Market Values - 12/31/17	Fund Balances:	Market Values - 12/31/17
Operational Current Assets	45,962.50	Adult Care Ministries	59,753,584.87
Bank of America Client Funds	2,146,288.11	Camps & Facilities	9,190,859.27
Back Office Operating Cash	321,277.46	Children's Ministries	122,066,155.73
Short Term Income Fund	41,919,237.96	Church Ministries	256,247,273.04
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>44,432,766.03</b>	Donor Designated	74,674,651.88
		Governing Bodies	50,294,037.23
<b>Pooled Investments:</b>		Higher Education	85,764,085.05
Large Cap Equity Fund	95,557,680.51	Life Income Gifts	41,037,402.98
Large Cap Equity Growth Fund	3,537,389.90	Managed Foundations	64,497,457.90
Large Cap Equity Value Fund	14,639,940.51	Other Ministries	44,174,222.64
Small Cap Equity Fund	30,427,553.18	Seminaries	145,236,875.16
International Equity Fund	36,329,872.22	Special Needs Ministries	12,540,257.70
Emerging Markets Equity Fund	18,613,459.29	TPF Endowment	15,814,262.20
Fixed Income Fund	76,315,251.49	<b>TOTAL FUND BALANCES</b>	<b>981,291,125.65</b>
Real Estate Fund	5,814,070.86		
Real Assets Fund	7,142,349.02	<b>Fund Liabilities:</b>	
Defensive Strategies Fund	12,586,812.98	Back Office Accounts	321,277.46
Gift Annuity Pooled Fund	10,211,884.35	<b>TOTAL FUND LIABILITIES</b>	<b>321,277.46</b>
Gift Annuity Pooled Fund (Arkansas)	1,319,329.07		
Gift Annuity Pooled Fund (Florida)	29,574.65	<b>Operational Liabilities:</b>	
TPF Balanced Fund	486,639,570.68	Operations Payable	5,144.90
<b>TOTAL POOLED INVESTMENTS</b>	<b>799,164,738.71</b>	Accounts Payable Fixed Assets	47,422.37
		<b>TOTAL OPERATIONAL LIABILITIES</b>	<b>52,567.27</b>
<b>Other Investments:</b>			
Other Investments	17,847,606.91	<b>Capital:</b>	
Assets Held in Custody	120,213,253.96	Fund Balance	40,817.60
Furniture & Equipment Net of Depr.	47,422.37	Net Income	—
<b>TOTAL OTHER ASSETS</b>	<b>138,108,283.24</b>	<b>TOTAL CAPITAL</b>	<b>40,817.60</b>
<b>TOTAL ASSETS</b>	<b>\$981,705,787.98</b>	<b>TOTAL FUND BALANCES, LIABILITIES AND CAPITAL</b>	<b>\$981,705,787.98</b>

# Performance of Investment Funds vs Benchmarks

Periods Ending December 31, 2017

	1 Year 12/31/16 - 12/31/17	3 Years 12/31/14 - 12/31/17	5 Years 12/31/12 - 12/31/17	10 Years 12/31/07 - 12/31/17
<b>TPF Balanced Fund</b> Lipper MATA Moderate Index°	<b>17.3%</b> 13.3%	<b>7.0%</b> 6.2%	<b>8.6%</b> 7.9%	<b>6.3%</b> 5.2%
<b>TPF Large Cap Equity Fund</b> Lipper Large Cap Core Fund Index	<b>26.1%</b> 20.9%	<b>10.5%</b> 10.8%	<b>15.5%</b> 14.8%	<b>9.1%</b> 7.7%
<b>TPF International Equity Fund</b> Lipper International Fund Index	<b>28.1%</b> 26.7%	<b>7.4%</b> 8.3%	<b>8.9%</b> 8.1%	<b>4.7%</b> 2.5%
<b>TPF Emerging Markets Equity Fund</b> Lipper Emerging Market Fund Index	<b>29.7%</b> 35.6%	<b>7.5%</b> 9.1%	<b>2.0%</b> 4.5%	<b>0.7%</b> 1.5%
<b>TPF Small Cap Equity Fund</b> Lipper Small Cap Fund Index	<b>22.8%</b> 15.5%	<b>12.5%</b> 9.6%	<b>15.4%</b> 13.2%	<b>11.4%</b> 8.5%
<b>TPF Fixed Income Fund</b> Lipper Core Bond Funds Index	<b>4.5%</b> 4.0%	<b>2.7%</b> 2.6%	<b>2.0%</b> 2.4%	<b>4.3%</b> 4.3%
<b>TPF Money Market Fund</b> Lipper Institutional MM Fund Average	<b>0.70%</b> 0.84%	<b>0.38%</b> 0.38%	<b>0.29%</b> 0.23%	<b>0.47%</b> 0.35%

Returns for periods of one year or longer are compounded annual returns.

TPF Returns are net of all operating expenses, totaling approximately 0.6% annually, including fees of outside investment managers.  
Past performance is not necessarily indicative of future investment results.

°Lipper MATA Moderate Index is most closely aligned to the allocation mix of the TPF Balanced Fund.

This list only includes the core TPF Pooled Funds. Please contact your TPF Administrator or visit [www.tpf.org](http://www.tpf.org) for a full list of products and returns.

# Trustees

<b>Chairman of the Board:</b>	<b>Vice Chairman:</b>	<b>Board Secretary:</b>	
<b>Walter H. Dunlap, Jr.</b> Dallas, TX	<b>James G. Cooper</b> Georgetown, TX	<b>Jimmy Stevens</b> El Paso, TX	
<b>Lee Dean Ardell</b> Houston, TX	<b>John Galbraith</b> New Orleans, LA	<b>Jan Davis Pickle</b> Austin, TX	<b>Trustee Emeritus:</b>
<b>Thomas B. Baldwin</b> San Antonio, TX	<b>Malcolm W. Hall</b> Oklahoma City, OK	<b>Nelson H. Puett</b> Austin, TX	<b>Peter W. Baldwin</b> Dallas, TX
<b>Jeanne Culver</b> Dallas, TX	<b>Robert D. Jones</b> Arlington, TX	<b>Gilbert Segovia</b> Dallas, TX	<b>Houston H. Harte</b> San Antonio, TX
<b>Jennifer M. Dooling</b> San Antonio, TX	<b>The Rev. Dr. Charles Mendenhall</b> Leander, TX	<b>Alan Stewart</b> Houston, TX	
<b>Jackson Farrow, Jr.</b> Little Rock, AR	<b>Matt Kinard</b> Dallas, TX	<b>The Rev. Lauren Suba</b> Houston, TX	
<b>Judith Ferguson</b> Kerrville, TX	<b>Robert G. Markell</b> Richardson, TX	<b>Dennis D. Whitley</b> Alice, TX	
<b>Ronald J. Gafford</b> Dallas, TX	<b>Mike Pavell</b> Ft. Worth, TX	<b>Anne Wilson</b> Houston, TX	

# List of Staff

<b>Officers</b>	<b>Staff</b>	
<b>The Rev. Dr. Richard E. Young</b> President & CEO	<b>Thomas Beene</b> Technical Analyst	<b>Kristi Posewitz</b> Director of Marketing
<b>John C. Furlow, Jr.,</b> Executive Vice President & COO	<b>Jennifer Frano</b> Relationship Manager	<b>Stephanie Ray</b> Relationship Manager
<b>Elizabeth A. Wilt</b> Vice President of Finance & Treasurer	<b>Roy Hernandez, Jr.</b> Accounting Supervisor	<b>Jake Wilson</b> Relationship Manager
<b>Mary Beth Foster</b> Director of Information Technology & Corporate Secretary	<b>Martha Ingrum</b> Office Administrator	<b>Karen Kilgore</b> Relationship Consultant
	<b>Stefanie Marsden</b> Relationship Manager	
	<b>Micah Masters</b> Staff Accountant	







Texas Presbyterian  
Foundation

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