



TEXAS PRESBYTERIAN FOUNDATION

2016 Annual Report

"God creates each of us by Christ Jesus to join
in the work he does, the good work God has
gotten ready for us to do, work
we had better be doing."

EPHESIANS 2:10 (MSG)



Table of Contents:

The Chairman's Perspective	4	Disaster Recovery and Penetration Testing	14
TPF Staff Highlights	5	Ministry Partners	15
An Exciting Year for TPF!	6	TPF Balance Sheet 12/31/16	16
Key Partner Numbers	8	Performance Report	17
Mo-Ranch: A Light in the Darkness	10	Staff & Trustees	18
Q&A with John C. Furlow, Jr.	12		

We Are Better Together Than Standing Alone

Change is difficult to quantify and define, yet we are aware when we are in its midst. While change can be unnerving, unwanted, and disconcerting, it can also create a certain amount of relief. Throughout it all, one thing remains true—it makes most of us uncomfortable. Thanks to a swirling menagerie of world events and political conflict, most of us found 2016 to be a year that challenged each of us with new uncertainties and continued transformation.

TPF has not been exempt from this year of unpredictable change, and we strive to embrace our continued evolution with a respect for the past and an excited look to the future. This year we said goodbye to two long-time employees who retired after a combined 55 years of service. These women are responsible for many of the foundational stones that make TPF what it is today. The year also brought the implementation of a new website and a new logo. Both were designed and developed to meet the needs of our current and potential partners. We will continue to look for ways to better support our partners, as we believe this inspires the best kind of change.

However, as much as some things change, I can assure you that the most important parts of TPF remain steadfast. We will continue to build lasting relationships that strengthen and further the mission of the Foundation and its partners, and we believe that we are better together than standing alone. Even though times and people continue to change, TPF will remain dedicated to enabling and expanding mission.

Thank you for joining us on this journey!

The Rev. Dr. Richard E. Young
President & CEO, Texas Presbyterian Foundation



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

The Chairman's Perspective

In his 2015 annual report, President Young stated, "We live in changing and somewhat confounding times in both the church world and the secular world." Little did he know how prescient his remarks would sound at the end of 2016. As the overarching theme of this year's Annual Report is transformation and change, we've focused on TPF's actions to proactively manage our share of the changing landscape as we experience it.

I am reminded as we wrap up another successful year and account to you, our partners, of some lines from that beloved old hymn of the 19th century written by the poet, James Russell Lowell,

"New occasions teach new duties, time makes ancient good uncouth,

They must upward still and onward, who would keep abreast of truth."

As the new Chairman of the Board of this distinguished organization, I want to assure you that our board and our staff are dealing effectively, efficiently, and competently with the changes in the investment, church, and societal

landscapes within which we perform our ministry. This year's Annual Report includes descriptions of how we are tackling the challenges posed by potential cybersecurity threats to our IT systems; the need to upgrade the ways in which we present and describe our mission to our partners; the internal culture whereby we respectfully transition from former to new colleagues; and summaries of the statistical and performance data which our partners have rightfully come to expect from us.

I would like you to know that we have intentionally strengthened our Investment Committee this year. Above all else, we are stewards of the financial resources of our partners, and we are deeply committed to offering you our very best in that regard. Of our twenty-four trustees, eighteen sit on the Investment Committee, chaired by Fred Robertson. Each member has deep professional experience in investments, including real estate, liquid securities, corporate management, law, and personal investing. They are supported by our investment consultant of several years, Segal Marco Advisors. Our bench is deep and experienced, having managed resources through both the rich and the lean years. We are always mindful of the needs and confidence of our partners and invite your counsel and concerns at any time.

Perhaps a few comments about your new chairman might be in order. I am a retired lawyer, with a background in litigation, commercial real estate, and estate and tax planning. I served as Secretary and on the Investment and Education Committees of Schreiner University, and as their trustee representative, I served on the TPF Board as Secretary and on the Investment Committee from 2005 to 2010. In 2015 I rejoined the TPF Board as an elected trustee. My service on the TPF Board has also been on the Governance, Ministry Services, and Executive Committees.

In addition to chairing the Board and Executive Committee meetings, I view my principal role as collaborating with the senior staff and my colleagues to ensure that the right personnel, both trustees and staff, are serving in positions where they have the talent and motivation to perform at a high level. We look for new trustees with competence and something to offer our partners. I purposefully employ a collaborative style of leadership in which I solicit the advice and counsel of my fellow trustees. I believe our board understands and supports the proper relationship between a board and its senior staff leadership. Additionally, I am excited about our future at TPF and look forward to the next three years of growth and service to our friends and partners. In closing, I would like to adapt a scriptural description of our young Lord to what I hope to be a part of during my time as Chairman — I hope that TPF will continue to:

"...increase in wisdom and in years, and in divine and human favor."

LUKE: 2:52 (NRSV)

Walter H. Dunlap, Jr.
Chairman of the Board

TPF Staff Highlights

Introducing Micah Masters

We are thrilled to welcome Micah Masters to our TPF family. As our new Office Administrator, Micah works effectively with our partners and staff members on a daily basis. While she does function as the face of TPF, her responsibilities also include vendor and supply management, event planning, and executive support. Even in her short time at TPF, Micah has already been responsible for the planning and execution of our two largest events. A recent graduate of Texas A&M University, Micah brings a skillset centered in human resources and psychology to add to our continued efforts to enable and expand mission. When she's not hard at work managing the TPF office, you can find Micah out running or spending time with her many rescue dogs.



Ready to Live Life to Its Fullest

It's with joy and sadness that we say good-bye to two women who have been instrumental in making TPF the unique and impactful organization we are today. In 2016 we celebrated the retirement of Sharon Nash and Sandy Snouffer. While we will miss their nurturing presence in the TPF office, we are so pleased to congratulate them as they move forward with this exciting time of their lives.

Sharon and Sandy both joined TPF under the leadership of Louis M. Dunklin in 1987 and 1991 respectively. Throughout their almost 30 years with TPF, they have seen organizational leadership change four times along with the enormous growth of our impact on mission. From the typewriter to the tablet and from the filing cabinet to our new document management system, Sharon and Sandy worked tirelessly to enable and expand mission. Please join TPF as we thank them for their dedicated service and wish them the very best in their many new adventures!



Dear TPF Friends,

It is with great pleasure that I express my heartfelt thanks to all of you special people who touched my life during my years at Texas Presbyterian Foundation. In answer to my prayer to work for a Christian organization twenty-five years ago, I am grateful to God for the opportunity given me to serve at TPF and work alongside such a great staff and also observe the wisdom and expertise of the members of the TPF Board of Trustees. It has been an honor and a privilege to know you and experience your Christian spirit. For all of you I give thanks!

Blessings to you in Christ,
Sandy Snouffer

Dear Friends,

What a delight and a privilege it was working with the staff, the donors, and the trustees of TPF during the past 30 years. God has blessed me with a wonderful family and with work that I was excited to go to every morning. What more could anyone ask? Thank you for honoring me with your kindness and for the joy of working with all of you.

Blessings,
Sharon S. Nash

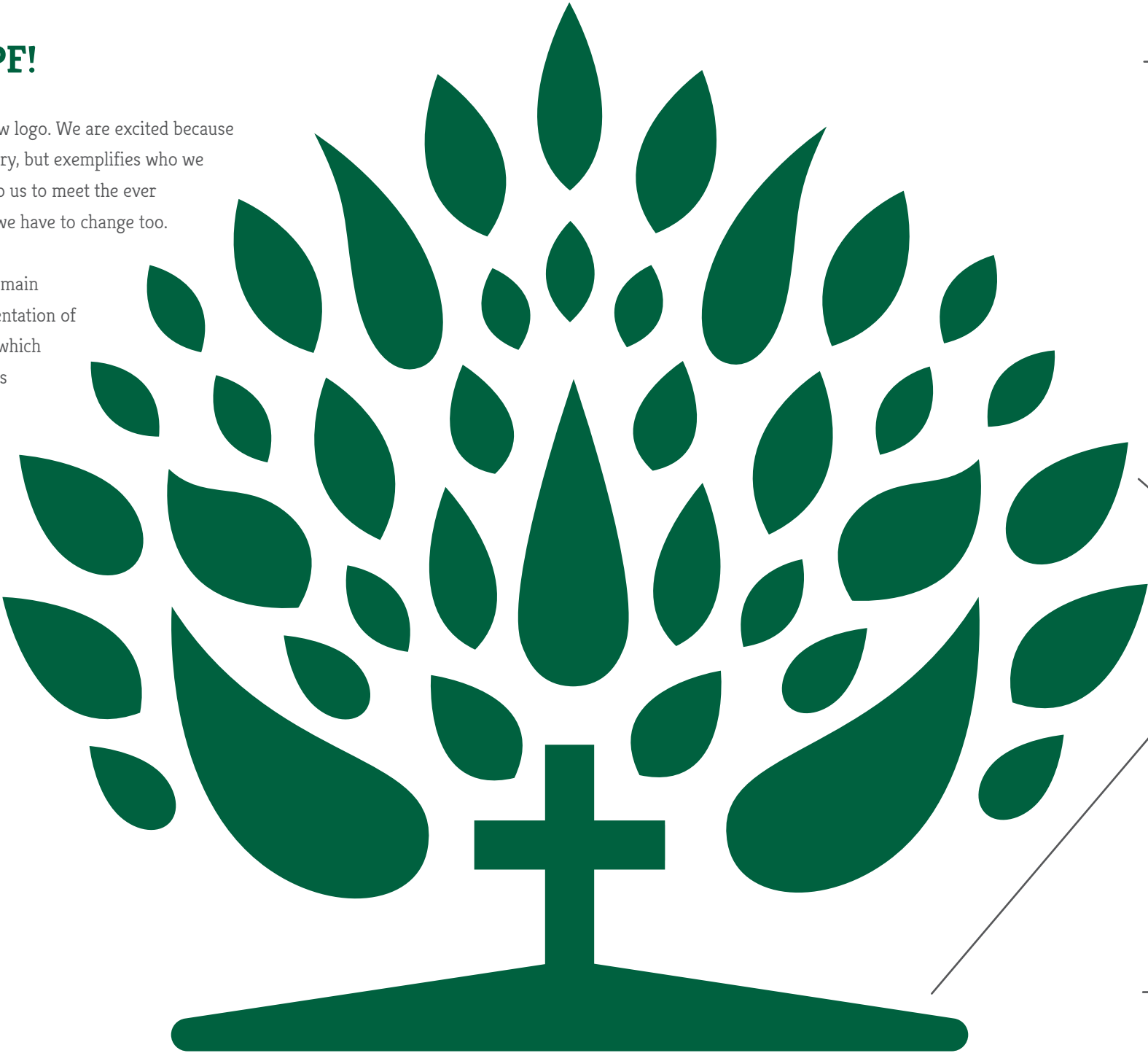


2016 Was an Exciting Year for TPF!

Why? Not only did we launch a new website, but we also launched a new logo. We are excited because we believe this new logo not only embraces TPF's storied 90 year history, but exemplifies who we want to be moving forward through our next 90 years. It's important to us to meet the ever changing needs of our partners. And sometimes to do that effectively, we have to change too.

This does not mean that our purpose and mission have wavered. We remain relentlessly dedicated to enabling and expanding mission. The implementation of the new website and logo have simply allowed us to update the way in which we represent ourselves, so we can build deeper, long-term relationships with each of our partners.

It will be like a tree firmly planted by streams of water, which yields its fruit in its season. And its leaf does not wither; And in whatever it does it prospers. **Psalm 1:3 (NIV)**



So, what exactly did we do this past year...?

- 1. Well, you might notice that our new logo features a cross on top of a hill as the center of a tree. The centrality of the cross is intended to remind us that our calling is to serve others so that the mission of Christ may grow throughout the world.
- 2. The leaves on the tree symbolize our deep rooted belief that we can accomplish more together than individually. They provide nourishment to the tree just as we provide nourishment to future generations.
- 3. The tree in its entirety is a constant reminder of our dedication to our purpose—to enable and expand mission.

It is with a nod to the past and a hopeful look to the future that we embrace this new identity as we continue our efforts to make an even bigger impact on the lives of those around us.

2016 was a big year for TPF and our partners.



115
New Accounts

\$83
in Distributions mm

\$97
in Contributions mm

19
New Charitable Gift
Annuities **for \$510,000**

163
New Donor
Advised
Funds
for \$51,000

New Partner
Relationships

63
Basis Point
Net Expense
Ratio

A Light in the Darkness:

Presbyterian Mo-Ranch Assembly



What's so special about Mo-Ranch? For generations, Mo-Ranch has been the change—a transformational change—for so many guests who have traveled through its gates. As with the first people to come here, they continue to travel to the Texas Hill Country, seeking spiritual nourishment, fellowship, relaxation, and renewal in this special place located on the headwaters of the Guadalupe River.



A Long History of Changing Lives

During a weekly chapel service this past fall, staff and guests had the privilege to hear The Rev. Charles Cropper deliver a moving sermon about Mo-Ranch and its agents helping him through a dark period in his life.

"I was contemplating Psalm 23 and I was struck by how much it

compared to my time at Mo-Ranch two years ago," he said. "I journeyed to Mo-Ranch when I was broken, and the place and staff were so caring and so attentive. At Mo, I became changed. At Mo, I became whole again."

Charles' story is not an uncommon one. This is just one example of the changes that happen daily through the ministry of Presbyterian Mo-Ranch Assembly.

What's Happening Now?

Mo-Ranch continually strives to be a ministry of, for, and to the Presbyterian Church through its programs, conferences, camps, and mission. Children who come to summer camp and conferences are changed—mobile phones are put away, self-confidence is built, friendships are made, and the Gospel is heard.



New programs have recently been added that speak to issues in the Church, as well as programs that shape the Church's response to issues in this changing world. That's not all they're adding! Mo-Ranch plans to further expand its program offerings to include a weekend-long retreat for divorced mothers and their children in October 2018 and divorced fathers and their children in October 2019.

Mo-Ranch and TPF: Changing the World Together

The Mo-Ranch evolution continues in this changing world. In 2016, Mo-Ranch collaborated with the Texas Presbyterian Foundation staff to create a program that would sustain the mission of Mo-Ranch for generations to come; The Circle M Club was formed! This club honors those who have made the decision to "leave their mark" on Mo-Ranch through a designated planned gift.



As part of their efforts to support their campers and missions, Mo-Ranch redefined themselves this year. And while its mission stays the same, its visual presence better communicates the purpose of Mo-Ranch, which is to build relationships and increase its impact on the

lives of others. The new logo, launched in March of 2016, was designed to include the artistic elements of the Circle M Club logo, which was derived from a Kerr County registered cattle brand mark of Mo-Ranch's original owner, Dan Moran. The new Mo-Ranch logo now embraces the history of the ranch and celebrates the "Mo" nickname that is frequently used by its guests as a term of endearment.

Mo-Ranch and TPF have partnered together since 1952 to help foster growth in God through Jesus Christ through the unique living, learning, and Christian environment of Mo-Ranch. Throughout 2016, and in the face of the constantly changing Church and social landscape of today, we both continue to transform ourselves to better meet the needs of each person and organization we serve. As we move into 2017, TPF and Mo-Ranch will continue to work together to expand the light in the darkness for those in need.

"I journeyed to Mo when I was broken, and the place and staff were so caring—so attentive. At Mo, I became changed. At Mo, I became whole again."

- The Rev. Charles Cropper



Work the plan and follow through!

Q&A with John C. Furlow, Jr.

Executive VP & COO

As we move into 2017, will you reflect on the past year and share what you are telling your partners?

Lately, it seems that every time someone tweets, the markets react. Forget traditional fundamentals—it would not be a normal day unless we had strong movement in the markets in either direction.

For some, the 2016 markets represented a difficult choice, “Do we stay loyal to what got us here?” For others, focusing on close examination of market research shows strengthening fundamentals and greater optimism about the future which are all supportive of further upside. Just in the past week, the DOW hit a record 20,000. Materials were the leading sector in the S&P over the last year. However, TPF’s managers chose to stick with sound fundamental investing and not change their style to ride the momentum swings that drove the markets.

TPF, like most active institutional managers, underperformed the index in 2016. The sound fundamentals employed by our managers fell in and out of favor all year. During Q4 2016, the portfolio was out of favor. Most of the TPF portfolios had good overall performance, but simply lagged on a relative basis. Fast forward to the first three weeks of 2017, and the overall portfolio is outperforming the blended index. We still believe in employing a sound diversified balanced strategy that will give good, consistent, long-term performance over full market cycles.

Don’t let the emotion of interim peaks and valleys influence decisions at exactly the wrong time. Remember, investors who panicked eight years ago missed one of the strongest market rebounds in history.

Can TPF partner with a Family Foundation?

TPF can work with a family foundation, as long as the family foundation is a qualified 501(c)(3) nonprofit

organization. The family foundation will retain ownership of the assets, as well as control of both distributions and asset allocation, but it will have access to all the services and assets TPF has to offer.

“It’s nice to have the peace of mind that long after I am gone, our family foundation will be well taken care of.”

- FAMILY FOUNDATION PATRIARCH

How can TPF assist a partner with corporate governance issues?

TPF often works with organizations who deal with governance matters. We have many sample documents available on our website to assist with these issues. Areas of assistance include investment policies, gift acceptance policies, and conflict of interest policies. Our experience includes working closely with management, investment committee trustees, and development staff to establish sound operational procedures. Even after the policies and procedures are in place, TPF continues to work alongside management and staff to provide reporting and answers to trustee reviews or auditors.

What can we do to ensure the success of our planned giving program?

TPF works with churches and organizations of all sizes and different levels of planned giving programs. From this experience, we have identified the following three keys to a successful planned giving program:

- ▶ **Achieve complete buy in from each member of your committee or team before you start the program.** Their dedicated support will be critical to the success of the plan. When Trustees, Management or Staff do not believe in the plan it usually falls apart and fails to meet objectives.
- ▶ **Implement policies or procedures to structure the program.** An organization without policies and procedures often ends up disagreeing over what to do with a generous gift from a donor.
- ▶ **Ensure that every gift carries out the donor’s wishes.** If prospective donors believe that the organization did not fulfill the wishes of a prior donor, the additional giving tends to dissipate.

Have You Seen Our New Brand Video?

Watch the video at www.TPF.org



NEW CHALLENGES COURTESY
OF A CONSTANTLY CHANGING
ENVIRONMENT



FOUR HOUR DATA
RECOVERY TIME

-3hr

LESS THAN THREE HOUR
DATA VALIDATION



MULTI-LOCATION
TEST SITES



CROSS-TRAINED
PARTICIPANTS

What makes our Disaster Recovery Plan so successful?

TPF has a **Disaster Recovery Plan** designed to protect our infrastructure in the event of a disaster. It consists of a detailed set of procedures that outline the actions of TPF Staff and vendor partners should a disaster actually occur. Your safety and security are our priority, and we actively test this plan twice each year to ensure that we can protect you and our organization, even under dire circumstances.

Why did we conduct penetration testing in 2016?

In May of 2016, TPF conducted our first **Security Penetration Test**. We partnered with Infogressive to attempt to identify vulnerabilities in our infrastructure, service, applications, configurations, and end-user behavior. Only a minimal amount of low-risk vulnerabilities were identified. And during the subsequent retest, all vulnerabilities had been resolved or addressed. We will be conducting these on a biennial basis in the future.



CREATE THE INITIAL BASELINE
FOR OUR SECURITY EFFORTS



ENSURE THE SECURITY
OF OLDER AND RECENTLY
INSTALLED SYSTEMS



PREVENT DATA
BREACHES



ESTABLISH RIGOROUS
COMPLIANCE REQUIREMENTS



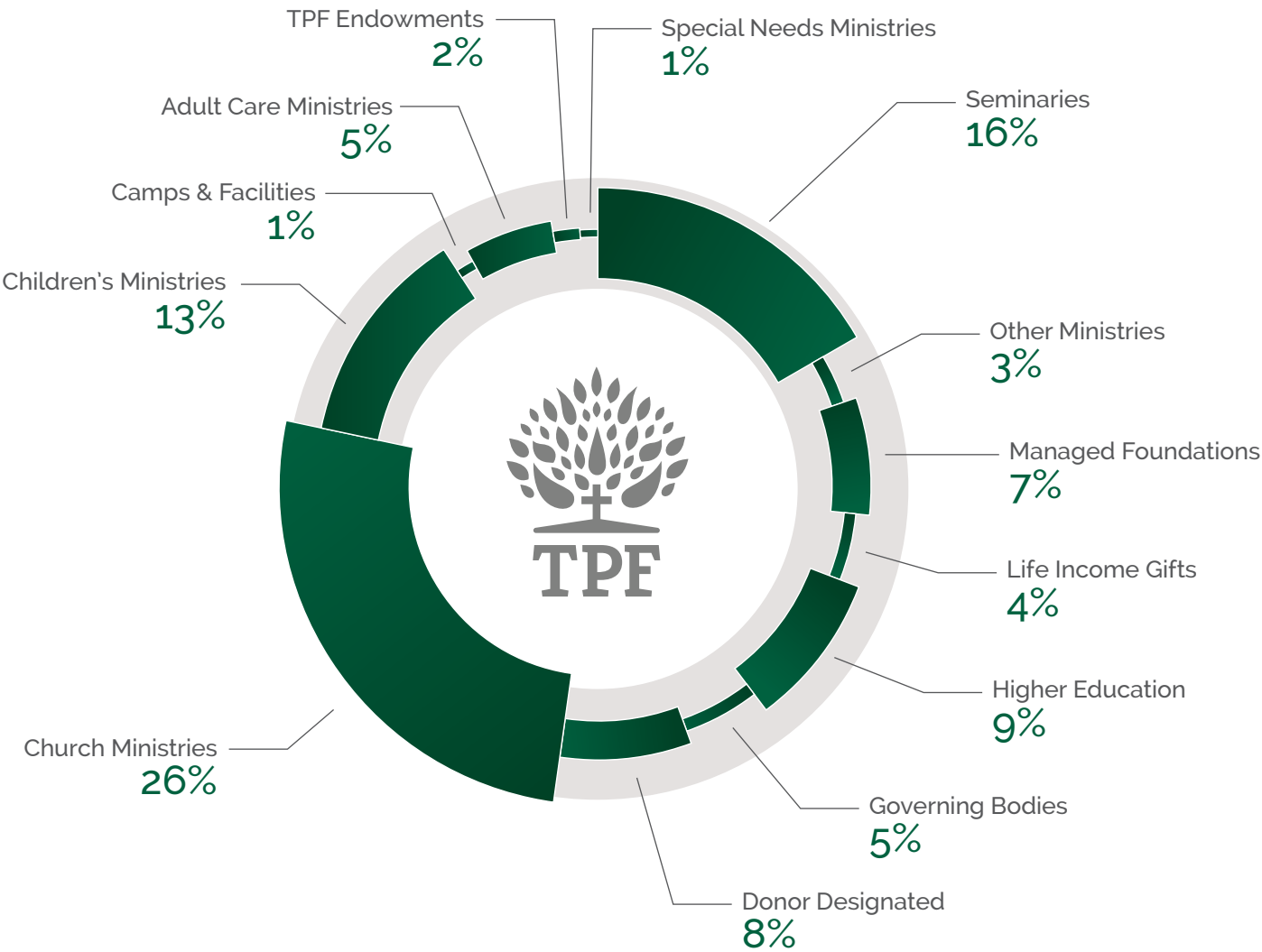
TEST THE ABILITY OF
TPF TO IDENTIFY AND
RESPOND TO THREATS



ASSESS THE IMPACT OF
POTENTIAL ATTACKS

TPF Ministry Partners

\$847 million
December 31, 2016



Funds Administered by Texas Presbyterian Foundation

Combined Balance Sheet for Period Ending December 31, 2016

Cash & Cash Equivalents:	Market - 12/31/16
Operational Current Assets	41,832.81
Bank of America Client Funds	1,624,104.95
Back Office Operating Cash	646,348.62
Short Term Income Fund	51,363,749.85
TOTAL CASH & CASH EQUIVALENTS	53,676,036.23

Pooled Investments:

Large Cap Equity Fund	72,525,552.85
Large Cap Equity Growth Fund	2,639,457.37
Large Cap Equity Value Fund	12,554,661.11
Small Cap Equity Fund	23,567,923.77
International Equity Fund	26,482,331.29
Emerging Markets Equity Fund	14,172,484.90
Fixed Income Fund	69,568,414.20
Real Estate Fund	4,799,713.09
Real Assets Fund	5,803,518.38
Defensive Strategies Fund	10,633,773.39
Gift Annuity Pooled Fund	9,816,979.93
Gift Annuity Pooled Fund (Arkansas)	1,024,995.64
Gift Annuity Pooled Fund (Florida)	27,635.31
TPF Balanced Fund	406,266,713.91
TOTAL POOLED INVESTMENTS	659,884,155.14

Other Investments:

Other Investments	27,008,323.24
Assets Held in Custody	107,562,988.07
Furniture & Equipment Net of Depr.	75,747.13
TOTAL OTHER ASSETS	134,647,058.44

TOTAL ASSETS	\$848,207,249.81
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Fund Balances:	Market - 12/31/16
Adult Care Ministries	45,969,327.12
Camps & Facilities	8,556,214.67
Children's Ministries	106,788,188.70
Church Ministries	221,348,341.24
Donor Designated	64,863,726.42
Governing Bodies	40,432,228.05
Higher Education	73,553,170.48
Life Income Gifts	36,045,788.50
Managed Foundations	57,308,677.16
Other Ministries	28,705,917.85
Seminaries	139,184,288.48
Special Needs Ministries	10,546,985.43
TPF Endowment	14,140,467.15
TOTAL FUND BALANCES	847,443,321.25

Fund Liabilities:

Back Office Accounts	646,348.62
TOTAL FUND LIABILITIES	646,348.62

Operational Liabilities:

Operations Payable	1,015.21
Accounts Payable Fixed Assets	75,747.13
TOTAL OPERATIONAL LIABILITIES	76,762.34

Capital:

Fund Balance	40,817.60
Net Income	—
TOTAL CAPITAL	40,817.60

TOTAL FUND BALANCES, LIABILITIES AND CAPITAL	\$848,207,249.81
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Performance of Investment Funds vs Benchmarks

Periods Ending December 31, 2016

	1 Year 12/31/15 - 12/31/16	3 Years 12/31/13 - 12/31/16	5 Years 12/31/11 - 12/31/16	10 Years 12/31/06 - 12/31/16
TPF Balanced Fund Lipper MATA Moderate Index°	5.7% 7.5%	3.1% 4.0%	7.9% 7.6%	5.6% 4.4%
TPF Large Cap Equity Fund Lipper Large Cap Core Fund Index	5.8% 13.2%	6.0% 7.8%	14.0% 13.7%	7.4% 6.3%
TPF International Equity Fund Lipper International Fund Index	-1.3% 1.7%	-1.7% -1.3%	7.6% 6.9%	3.4% 1.5%
TPF Emerging Markets Equity Fund Lipper Emerging Market Fund Index	11.3% 12.1%	-2.4% -2.3%	1.2% 2.0%	1.1% 1.5%
TPF Small Cap Equity Fund Lipper Small Cap Fund Index	18.3% 18.7%	7.0% 5.7%	14.7% 13.4%	9.3% 7.3%
TPF Fixed Income Fund Lipper Core Bond Funds Index	3.6% 3.4%	2.9% 3.2%	2.6% 3.1%	4.5% 4.5%
TPF Money Market Fund Lipper Institutional MM Fund Average	0.32% 0.29%	0.20% 0.10%	0.18% 0.07%	0.89% 0.71%

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

TPF Returns are net of all operating expenses, totaling approximately 0.63% 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 for a full list of products and returns.

List of Staff

Officers

The Rev. Dr. Richard E. Young
President & CEO

John C. Furlow, Jr.,
Executive Vice President & COO

Elizabeth A. Wilt
Vice President of Finance & Treasurer

Mary Beth Foster
Director of Information Technology & Secretary

Staff

Thomas Beene
Technical Analyst

Jennifer Frano
Relationship Manager

Roy Hernandez, Jr.
Staff Accountant

Stefanie Marsden
Relationship Manager

Micah Masters
Office Administrator

Yolanda Najera
Accounting Supervisor

Kristi Posewitz
Director of Marketing

Stephanie Ray
Relationship Manager

Jennifer Robles
Staff Accountant

Jake Wilson
Relationship Manager

Karen Kilgore
Relationship Consultant

Trustees

Chairman of the Board:

Walter Dunlap
Dallas, TX

Vice Chairman:

James G. Cooper
Missouri City, TX

Board Secretary:

Paul K. Beyer
San Antonio, TX

Lee Dean Ardell
Houston, TX

Thomas B. Baldwin
San Antonio, TX

Jennifer M. Dooling
San Antonio, TX

Jackson Farrow, Jr.
Little Rock, AR

Judith Ferguson
Kerrville, TX

Ronald J. Gafford
Dallas, TX

John Galbraith
New Orleans, LA

Malcolm W. Hall
Oklahoma City, OK

Robert D. Jones
Arlington, TX

Matt Kinard
Dallas, TX

Robert G. Markell
Richardson, TX

Mike Pavell
Ft. Worth, TX

Jan Davis Pickle
Austin, TX

Nelson H. Puett
Austin, TX

Fred Robertson
Houston, TX

Gilbert Segovia
Dallas, TX

Jimmy Stevens
El Paso, TX

Alan Stewart
Houston, TX

The Rev. Laureen Suba
Houston, TX

Dennis D. Whitley
Alice, TX

Anne Wilson
Houston, TX

Trustee Emeritus:

Peter W. Baldwin
Dallas, TX

Houston H. Harte
San Antonio, TX





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