

TEXAS PRESBYTERIAN FOUNDATION
2018 Annual Report

A year of great gratitude.

"Give thanks in all circumstances; for this is the will of God
in Christ Jesus for you." - **1 THESSALONIANS 5:18** (NRSV)

A President's Heart

Friends,

One of my favorite hymns begins with the words, "now thank we all our God with heart and hands and voices." Words to live by, as well as words of gratefulness that you will read throughout this Annual Report. Texas Presbyterian Foundation experienced another distinctive year, and we all are aware that this success is due to those who support this extraordinary organization.

Some of those who deserve our thanks include:

- **Our Partners:** Comprised of congregations from a variety of denominations, non-profit organizations in 28 states, and many philanthropic individuals, TPF partners work together to change the lives of others. Their resources are wide ranging, and no one is too small or large to be treated differently and/or be a participant in this great community that we call the TPF family.
- **TPF Trustees:** Our 24 volunteer Trustees bring a diverse background of skills and talents to their task. Each Trustee has a keen sense of mission and partners with the TPF staff, churches, and non-profit organizations to help sustain and grow mission. They give of their time, energy, and gifts to accomplish this task.
- **TPF Staff:** These are 14 people who believe in the mission of the organization and hold to the higher calling of fulfilling God's call in their lives to "walk the walk" and not just "talk the talk." Combined, their wide breadth of experience and skill sets truly support TPF as we strive to enable and expand mission.

The two little words, "thank you," seem inadequate at times, but they are heartfelt. Thank you for joining us on this journey. We value your assistance, support, and trust. You make us who we are, for you are the foundation of the Foundation.

Blessings,

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



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

Chair Dunlap's Comments on 2018

'Gratitude' is the keyword for this year's Annual Report. I am especially grateful for the opportunities afforded me as I work with our 24 Trustees and our dedicated and talented 14-member staff to live TPF's purpose, as we enable and expand mission each day.

The four guests at our November board meeting epitomized what we are about at TPF. We were privileged to hear from the Presidents of Presbyterian Mo Ranch Assembly, Presbyterian Pan American School, Presbyterian Children's Homes & Services, and Schreiner University. Each of these organizations is represented by a Board Trustee, as are several other Presbyterian-related institutions.

Throughout 2018, in sharp contrast to the chaos of the daily news, TPF moved forward steadily to help you manage

your funds and continue to strengthen your missions and internal programs. For example, we moved forward with the new Succession & Compensation Committee to plan for replacement of Senior Officers and staff whenever the need might arise; and we revised our internal Employee Handbook to incorporate best management practices. Early in 2019, we will begin work on a new strategic plan, considering significant increases in the size and scope of TPF's mission and responsibilities.

As Board Chair, it is an honor to work with my fellow Trustees and TPF's dedicated staff. I appreciate your confidence in our organization.

Walter H. Dunlap, Jr.
Chair of the Board



TPF Staff Highlights

For the TPF staff, gratitude is a constant piece of the exceptional customer service we provide for our partners each day. As we continue to grow, we strive to strengthen TPF through the addition of talented individuals who can help us nurture partner relationships and increase our impact on mission.

TPF is pleased to announce the addition of two new staff members.



Marisa Perez has joined TPF as our newest Relationship Manager. In this role, she works directly with our Vice President of Finance to provide exceptional customer service and account administration to our institutional partners. Marisa serves these partners located in the state of Texas. Her extraordinary communication skills, along with her business acumen, contribute to her success growing TPF partner relationships.

A recent graduate of the University of North Texas, Ms. Perez recently held a support role at a real estate investment firm where she served a variety of developers and partners in that industry. When she's not busy helping our partners change lives, Marisa has her hands full with her beautiful baby daughter.



Ranine Brown has joined TPF as our new IT Applications Administrator. Her primary responsibilities include assisting with the design, development, and implementation of TPF's organizational IT initiatives that support our business-critical operations. Additionally, Ranine will provide technical support to the TPF staff, as well as create and support our reporting processes. Each day she uses her extensive technical education and wide breadth of professional experience to help TPF increase funds available for mission.

Before coming to TPF, Ms. Brown held various Analyst positions at other accounting firms and financial institutions. She is a graduate of Central Michigan University with a degree in Management Information Systems. Along with all things technical, Ranine enjoys spending her free time with her husband and two young sons.



Ever wanted to change the lives of those around you for the better?

Did you know that we prioritize your education?

Along with deep dedication to our investment services, TPF practices daily gratitude through our extensive educational offerings. To this end, TPF offers a number of complimentary educational services specifically designed to help our partners enable and expand their own individual missions.

The following defines ways TPF can help you increase your ability to positively change the lives of others:



2018 Key Stats

12 New Partner Relationships

207 Organizations Supported by Donor Advised Funds

<.63% Basis Point Net Expense Ratio

251 New Accounts

16 New Charitable Gift Annuities

\$86⁺_{mm} In Contributions

14 Experienced TPF Staff Available to Serve You

The Act of Gratitude

and the Power of Endowments

According to Henri Frédéric Amiel, "Thankfulness is the beginning of gratitude. Gratitude is the completion of thankfulness. Thankfulness may consist merely of words. Gratitude is shown in acts."

At TPF, we believe that the act of showing our gratitude empowers us to help each of our partners enable and expand their missions. A key focus of our educational efforts, Endowments are a dynamic giving tool that allow TPF and our partners to act on our gratitude through helping our churches and nonprofits create sustainable plans for their futures.

The Gift of Music

In 2007, Thurman Atkins, a member of University Presbyterian Church in San Antonio, TX, was searching for the perfect 50th wedding anniversary gift for his lovely wife, Sue. Clearly a smart man, he knew that a trip or a piece of jewelry would not bring her true joy. Instead, he gave her a different sort of gift.

The only entity Sue loved almost as much as her family (especially her grandchildren) was the University Presbyterian Church Choir. Working with TPF, Thurman surprised his wife by announcing the creation of the Sue Adkins Choral Music Fund. The fund can be used for almost any choral music expenses beyond the operating budget: guest musicians, workshops, lights and sets, even travel for music performances.

These stories illustrate the impact of tangible gratitude as manifested through different Endowments.

When Sue passed away 2012, the family recommended Sue's fund for memorial contributions and continued donations themselves. Now, they have built a true family legacy with a fund six times larger than when it began. Mr. Thurman is grateful for TPF's partnership and thoughtful fund management.

"It will live forever, and Sue would like that!"

My wife Laura and I love many Presbyterian organizations, and we decided that the best way to help all of them was to leave a gift to the TPF Endowment in our will. In doing so, we know that our gift will help minimize cost and support TPF's efforts to enable and expand the mission of many.



- The Rev. Dr. Charles Mendenhall

The Gift of Giving

Much like many of our partners, TPF is supported by an Endowment. Started by a group of dedicated Trustees in December of 1982, the TPF Endowment fund grows each year to help us enable and expand mission. Its primary purpose is to help reduce the cost of our services for our partners, and it impacts everything we do. The larger this fund grows, the more we can reduce our cost providing more dollars to support mission. As God said to Abraham, "You are blessed in order that you might be a blessing to others." The support and growth of the TPF Endowment allows us to empower our partners as they strive to bless the lives of others through their various missions.

The TPF Endowment grows through market appreciation, but it also grows through donations from our Trustees and partners. In 2007, when Mr. Alfred M. Wood passed away, he left a \$76.8MM estate to nine beneficiaries. Eight were Presbyterian, including TPF. This generous gift allowed us to create a permanent fund that contributes directly to our operating budget as part of the TPF Endowment. It's gifts like these that allow us to be the charitable organization we are today!





2018 Was a Wild Year!

Q&A with John C. Furlow, Jr.

Executive VP & COO

How would you sum up 2018?

2018 was a wild year! After years of low interest rates, low volatility, and steadily rising stock markets, we saw distinct turns in each of these areas. Trade wars, congressional turnover, rising interest rates, low unemployment, and consumer spending all contributed to the tremendous volatility in the markets. The Dow Jones Industrial Average reached an all-time high and then abruptly fell 18% in less than 60 days. 2018 also saw the Fed continuing to increase interest rates, prompting inflation fears.

On a relative basis, we are pleased with the performance of the TPF Funds and the underlying managers. **The TPF Balanced Pooled Fund outperformed the Lipper MATA Growth Index by a full 1%.** Our US Large Cap Equity Growth managers knocked it out of the park with a positive 6.4% return versus the Russell 1000 Growth Index of -1.5% for 2018.

Did active management work well for TPF's partners?

Yes! 2018 had one of the most volatile market rides in the last decade. For years I have extolled benefits of having active managers to our partners. In 2018, TPF employed eleven active equity managers. Of those eleven managers, eight equaled or beat their respective indexes. These managers benefit our partners because they invest in the very best

fundamentally sound companies while making necessary active decisions when needed during volatile times. Even though the markets ended the year on a negative note, the TPF Balanced Fund preserved value on a relative basis to the markets.

Are Donor Advised Funds only good at year-end or can they be used year-round?

Donor Advised Funds (DAFs) are a tremendous vehicle for carrying out a donor's philanthropy throughout one or multiple years. A DAF is established for the sole purpose of supporting a donor's favorite charitable institutions. Donors contribute cash or securities to a DAF with TPF, and they receive an immediate tax deduction for the year of the gift (some restrictions apply). These funds can then be invested for tax-free growth and the donor can recommend distributions to a variety of IRS-qualified public

charities. These distributions can extend a donor's philanthropy now or anytime in the future.

What safeguards are in place to protect the assets held by TPF?

TPF operates under a strict set of internal policies and internal controls. We cross-train staff and segregate duties to ensure the integrity of all transactions. The annual audit is not conducted as a "non-profit" audit; rather it is conducted as if TPF were a trust department of a bank or an investment company. Most assets of the underlying investments are held in custody at Northern Trust Bank, Chicago. Given that these assets are held in trust, they cannot be accessed by any creditor of TPF or Northern Trust Bank. In addition, TPF has had an extensive disaster recovery plan in place for over 15 years. We are dedicated to successfully safeguarding the data and records for each of our partners.

Creating a Vision for Tomorrow

Technology plays a critical role in TPF's efforts to enable and expand mission as it allows us to become even better stewards for our organization. Throughout 2018, we looked for tools that would better enable us to build and nurture our relationships with our partners. The tools listed here were implemented, and we are grateful they will continue to strengthen the quality of our service along with our impact and ability to change the lives of others.



Network Penetration Test: TPF partnered with an outside entity to conduct our biennial network penetration test. This test ensures both our internal and external networks continue to maintain a strong security posture to protect our partners' data and information.



New Client Portal: TPF and Infovisa implemented a new client portal for our partners that provides a more responsive design, increased account management functions, and the ability to download transactions.



Video Conferencing: As part of our constant efforts to enhance our communication with our partners, we created a "Zoom Room" to use for video conference meetings when in-person meetings are an impossibility. This specially equipped conference room allows us to conduct face-to-face video conference meetings using a camera, touch-screen monitor, and integrated email capabilities.



Bloomberg Terminal: TPF installed a Bloomberg terminal for our operations team that allows us to monitor and analyze real-time financial market data. This helps us to better serve our partners with increased efficiency and more in-depth investment information.



Webinars: Education is incredibly important to us, so we implemented a new series of webinars for our partners. These live webinars, which can also be viewed on demand, allow us to grow our educational support through increasing our reach to current and potential partners.

Bringing the Future into the Present

TPF's Investment Allocation and The TPF Balanced Fund

TPF is here to help you plan for tomorrow through the management of your organization's investments today. But where do you start? First, you must determine which investment allocation is best to meet your organization's needs.

The following outlines the easiest way to clearly define the best asset allocation for your funds:

- 1 Define the use or purpose of these funds.**
- 2 Define a time horizon for the use of these funds.**
- 3 Set the risk tolerance.**
- 4 Define the fund amount - is this a fixed amount of money or will new contributions be added?**
- 5 Determine what to do with the investment income generated.**

TPF's Balanced Fund Works for You

Are you uncomfortable determining and monitoring the fund allocation?

We have a great answer for this one! Our Investment Committee created the TPF Balanced Fund specifically to eliminate these doubts and simplify your allocation process. What's so special about the TPF Balanced Fund?

We are often asked, **"What would TPF do if it was our long-term money?"**

It is a Fund of Funds of the other TPF Pooled Funds.

The fund allocation is determined and reviewed by the experts on the TPF Investment Committee.

TPF actively manages the Fund through the management of the underlying investment advisors.

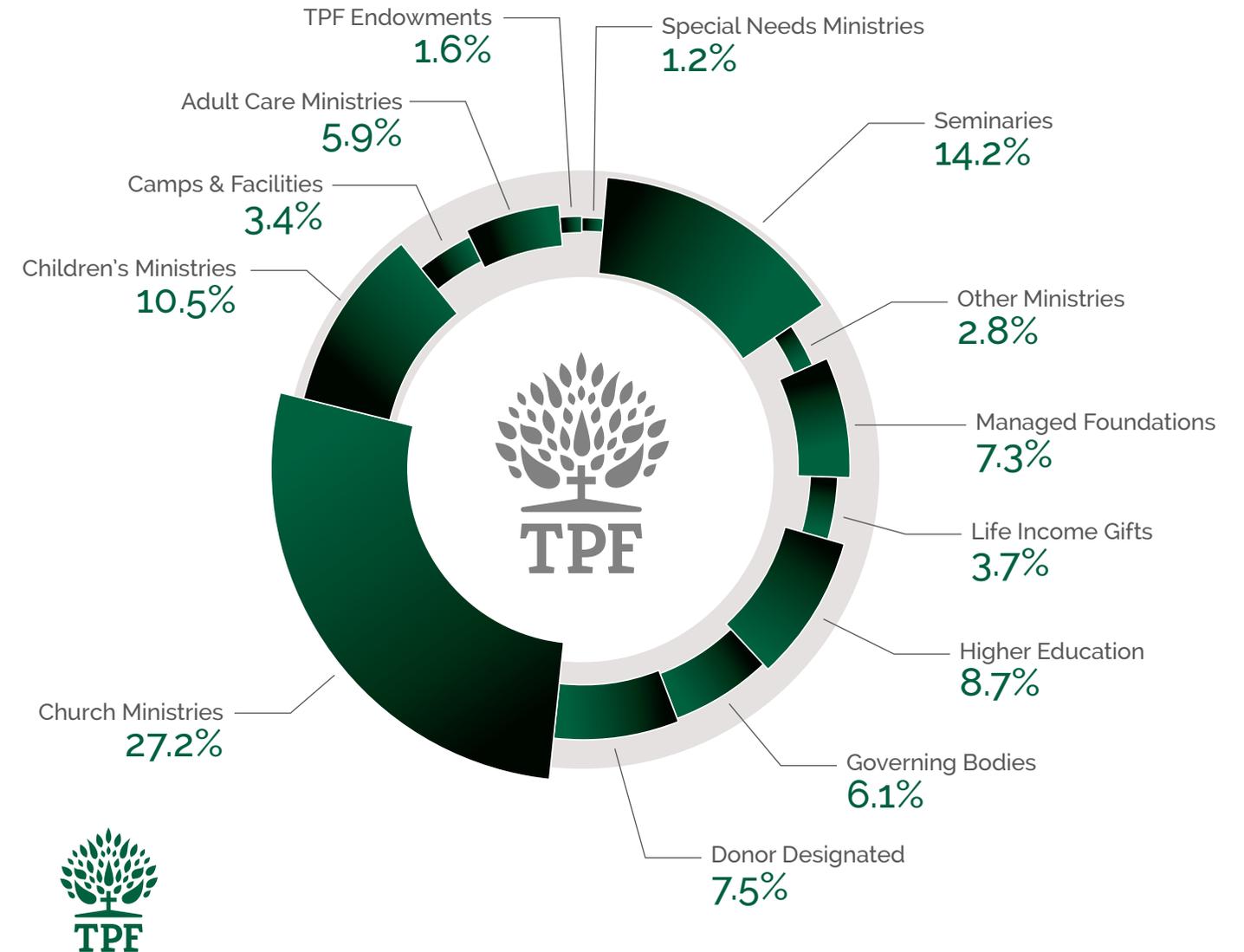
This Fund has a built-in spend policy distribution that is set to provide funding, keep up with inflation, and allow moderate growth.

The Fund provides investment reassurance, so it allows TPF partners to spend more meeting time on other business.

TPF Ministry Partners

\$946 million

December 31, 2018



Funds Administered by Texas Presbyterian Foundation

Combined Balance Sheet for Period Ending December 31, 2018

Cash & Cash Equivalents:	Market Values - 12/31/18	Fund Balances:	Market Values - 12/31/18
Operational Current Assets	52,963.58	Adult Care Ministries	56,059,742.62
Bank of America Client Funds	2,366,748.55	Camps & Facilities	31,739,099.91
Back Office Operating Cash	271,120.78	Children's Ministries	99,756,008.62
Short Term Income Fund	68,015,541.51	Church Ministries	257,195,577.77
TOTAL CASH & CASH EQUIVALENTS	70,706,374.42	Donor Designated	70,556,398.75
		Governing Bodies	58,133,496.00
Pooled Investments:		Higher Education	82,386,860.37
Large Cap Equity Fund	82,450,866.47	Life Income Gifts	35,369,265.57
Large Cap Equity Growth Fund	3,770,082.17	Managed Foundations	68,921,972.64
Large Cap Equity Value Fund	12,630,311.49	Other Ministries	26,181,479.14
Small Cap Equity Fund	25,699,607.51	Seminaries	134,136,420.70
International Equity Fund	31,487,458.11	Special Needs Ministries	11,051,148.04
Emerging Markets Equity Fund	17,137,860.36	TPF Endowment	14,827,310.39
Fixed Income Fund	70,437,015.55	TOTAL FUND BALANCES	946,314,780.52
Real Estate Fund	5,744,997.43		
Real Assets Fund	5,523,244.28	Fund Liabilities:	
Defensive Strategies Fund	11,665,463.86	Back Office Accounts	271,120.78
Gift Annuity Pooled Fund	9,036,201.59	TOTAL FUND LIABILITIES	271,120.78
Gift Annuity Pooled Fund (Arkansas)	1,376,762.64		
Gift Annuity Pooled Fund (Florida)	25,943.47	Operational Liabilities:	
TPF Balanced Fund	469,823,046.48	Operations Payable	12,145.98
TOTAL POOLED INVESTMENTS	746,808,861.41	Accounts Payable Fixed Assets	31,952.33
		TOTAL OPERATIONAL LIABILITIES	44,098.31
Other Investments:			
Other Investments	20,012,015.40	Capital:	
Assets Held in Custody	109,111,613.65	Fund Balance	40,817.60
Furniture & Equipment Net of Depr.	31,952.33	Net Income	—
TOTAL OTHER ASSETS	129,155,581.38	TOTAL CAPITAL	40,817.60
TOTAL ASSETS	\$946,670,817.21	TOTAL FUND BALANCES, LIABILITIES AND CAPITAL	\$946,670,817.21

Performance of Investment Funds vs Benchmarks

Periods Ending December 31, 2018

	1 Year 12/31/17 - 12/31/18	3 Years 12/31/15 - 12/31/18	5 Years 12/31/13 - 12/31/18	10 Years 12/31/08 - 12/31/18
TPF Balanced Fund	-4.1%	6.0%	4.3%	9.0%
Lipper MATA Moderate Index ^o	-5.2%	4.9%	3.8%	8.0%
TPF Large Cap Equity Fund	-1.0%	9.7%	8.2%	14.5%
Lipper Large Cap Core Fund Index	-5.1%	9.1%	7.5%	12.2%
TPF International Equity Fund	-14.2%	2.8%	0.9%	7.9%
Lipper International Fund Index	-14.9%	3.1%	0.7%	6.8%
TPF Emerging Markets Equity Fund	-16.1%	6.6%	0.2%	7.5%
Lipper Emerging Market Fund Index	-15.3%	8.8%	1.4%	8.1%
TPF Small Cap Equity Fund	-3.8%	11.8%	7.7%	16.0%
Lipper Small Cap Fund Index	-9.4%	7.5%	4.3%	12.5%
TPF Fixed Income Fund	-0.9%	2.4%	2.4%	4.1%
Lipper Core Bond Funds Index	-0.4%	2.3%	2.6%	4.8%
TPF Money Market Fund	1.60%	0.88%	0.58%	0.38%
Lipper Institutional MM Fund Average	1.80%	0.98%	0.59%	0.33%

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.

^oLipper 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.

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Lee Ardell
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Leander, TX

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Houston, TX

List of Staff

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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 & Corporate Secretary

Staff

Ranine Brown
IT Applications Administrator

Jennifer Frano
Relationship Manager

Roy Hernandez, Jr.
Accounting Supervisor

Martha Ingram
Office Administrator

Stefanie Marsden
Relationship Manager

Micah Masters
Staff Accountant

Marisa Perez
Relationship Manager

Kristi Posewitz
Director of Marketing

Stephanie Ray
Relationship Manager

Jake Wilson
Relationship Manager

Karen Kilgore
Relationship Consultant



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