

2011

ANNUAL REPORT

Reaching Across Boundaries

Recently, a pastor who had moved to North Carolina called the office to see if Texas Presbyterian Foundation could assist his current congregation with its endowment funds. He said that he had had such a wonderful experience with TPF while in Arkansas that he wanted his new church to experience that same level of support. The answer to his question was a resounding “Yes, we would be glad to help!”

To some that may be a surprise, because of TPF’s relationship with the Synod of the Sun. But we are also an independent 501(c)3 corporation. Our by-laws and Trustees are reviewed by the synod, but we operate as an autonomous organization that assists churches and agencies by supporting their funding and long-term investment needs. As an agency of the Presbyterian Church (U.S.A.), we currently maintain ministry partners and clients across nineteen states.



Given the ever-changing church landscape, it is fair to ask how TPF will operate if the synod changes dramatically in its makeup or role. The answer is we will continue to fulfill our mission to individuals, Presbyterian congregations and other church-related organizations throughout the four-state region of Texas, Oklahoma, Louisiana and Arkansas, as well as offer services wherever needed across the country. As we expand our services and outreach, the primary goal will be to offer top quality service to our present clients, while also sharing our expertise with new clients within the synod and beyond. We do not plan to hire extra staff to actively recruit new ministry partners outside of the four states, but we will respond to those congregations and agencies that could benefit from our services and support, and that make such a request.

Hiding our light, or in this case our services and support, under the bushel basket of the synod would not be good stewardship. We would fall short of our intended mission if we did not offer the benefit of our expertise to churches, organizations and institutions that have a need for it. That is a rather long answer to a short question, but the gist is that Texas Presbyterian Foundation will be here for the long haul, working in service of our Lord and Savior, helping congregations and individuals carry out their missions furthering Christ’s work in the world.

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 ourselves to our mission of supporting financially the spiritual, educational and charitable needs of our Presbyterian community.

We are always available by phone to answer any questions you may have. Call (800) 955-3155 or (214) 522-3155. Log onto and sign up:
<http://tinyurl.com/texaspresbyterianfoundation>

Expressing Thanks to our Interim “Pilot”



Liz Williams

The staff and trustees of TPF would like to take the opportunity to express our sincerest appreciation for Liz Williams’ contributions to the foundation in her nine months as interim President. Leadership transitions are never easy, and when

Dan Klein stepped down after fifteen years in the post, everyone knew it would take time to find the right person to lead TPF into the next stage of its development.

In the maritime world, a pilot is someone who takes temporary charge of a ship to guide it through difficult waters. This is what the trustees asked of Liz Williams in November 2010. Recently retired from SMU, where as Treasurer she was responsible for the university’s endowment portfolio, she selflessly agreed to step in as President for the transition period. Her many years of financial and investment management experience, and deep involvement in Presbyterian leadership, were a tremendous asset to the foundation. Her impact will remain with us as we move into the future. It is through individuals like Liz that TPF is able to continue to strengthen our ministry and for this we give thanks to God.

A New Way To Give

The new tab “Needs” on our website is where you can learn about opportunities for giving to some of the



entities that utilize TPF’s investment services. The institutions have identified and divided their needs into two categories—those under \$500 and those greater than \$500. The list will be updated on a monthly basis so check back frequently.

Texas Presbyterian Foundation serves Jesus Christ by supporting the long-term funding and investment needs of congregations, church-related institutions and agencies, and by educating, encouraging and enabling individuals to carry out Christian philanthropy.

Are Charitable Gift Annuities the Fountain of Youth?

Like Goodland Academy for Boys, Howard Bond began his life in Hugo, Oklahoma. He remembers riding past the Academy as a boy in his father's mule-drawn wagon. His family eventually moved away from Hugo. Howard, now 95, lives in Georgetown, Texas.

Meanwhile, Goodland Academy is still going strong in Hugo after 164 years. Originally started as a Presbyterian mission to the Choctaw Nation, Goodland soon began offering education to any Indian children who would come to the two-room log manse, while also taking in orphaned children. Today Goodland Academy is a year-round K-12 school. Students now come from a variety of ethnic backgrounds, though preference is given to applicants of Native American descent, because of Goodland's historical relationship with them.



Eleanor & Howard Bond
with Kim Warner

Howard never forgot about Goodland, and today it is part of charitable planning by Howard and his wife of 72 years, Eleanor. Early in 2012, the Bonds established a Charitable Gift Annuity (CGA) with Texas Presbyterian Foundation. It will provide them with income for the remainder of their lives, while the remaining balance will go to Goodland Academy as a gift.

When talking about Gift Annuities (GA) in church educational settings, the TPF staff often note that people who enter into Gift Annuities seem to live longer. Perhaps we have found the fountain of youth! After a little laughter it is clarified that the kind of people who do GAs are simply the kind of people who also tend to live a long time. The Bonds exemplify this truth. They are generous, think beyond themselves and make provisions for ministries that will reach beyond their own life spans.

This is the ninth CGA that Howard and Eleanor have made with TPF, in addition to making inheritance provisions for their own family. Other ministries the Bonds have benefited include Austin Seminary, Presbyterian Children's Homes and Services, and the Bonds' home congregation – FPC of Georgetown. The average income payout to the Bonds from their charitable portfolio has been 9%. That is commendable in this era of low investment returns. The average portion of their gift annuities that would go to the various charities as of this time is 85%.

That is exceptional stewardship, and much gratitude is expressed to the Bonds, wonderful servants whose happiness, we pray, will continue for many years to come.

TPF says Goodbye, Hello to Kim Warner

When Kim Warner arrived at Texas Presbyterian Foundation in 1992 we were working with approximately twenty churches, and about thirty clients in total.

Fast forward almost twenty years, to November 2011, and Kim's long and successful tenure was being recognized at a dinner connected with the fall meeting of the Board of Trustees, where he and wife Diana were presented with a Donor Advised Fund to distribute to charities of their choosing. In between these two career landmarks came a lot of work that helped TPF grow into the 220-church, 84-Institution foundation we are today.

Kim will formally step down from his post as Vice President in March 2012. The relationships he has built with those at the Presbyterian Endowment Education and Resource Network (PEER), the Presbyterian Foundation, and across the Synod and denomination continue to be an invaluable resource, so we are happy to report that Kim has agreed to continue working with TPF on a consulting basis, as Sr. Assistant to the President.



New Staff

Besides a new President, TPF welcomed one new staff member in 2011. Stephanie Ray joined the Foundation in July following graduation from Austin College. Ms. Ray serves as the primary relationship manager for institutional and church clients outside Texas.

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



Stephanie Ray
Ministry Partners Administrator



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.



Investment Changes: TPF Enhances Money Market Fund

Interest Rates in 2011 remained historically low, and the Federal Reserve is showing no indication of raising them in the foreseeable future. Institutional Money Market rates are currently paying less than 1/10th of 1 percent. In this environment TPF decided to make some changes to our Money Market Investment Fund to enhance return and better protect the purchasing power of our holdings against inflation.

To increase overall yield and provide diversification to our existing allocation to Goldman Sachs' Institutional Money Market Fund, in June 2011 we added two additional managers: US Trust/Merrill Lynch FDIC Preferred Deposit and CDARS (FICA) Federally Insured Cash Account. We anticipate the result of these changes will be a yield above 2/10ths of 1 percent for the fund, significantly better than the typical institutional rate.

All trades, transactions and deposits in the fund remain dollar for dollar, while keeping the same or better security for your money market investment.

Beth Wilt Named TPF Treasurer

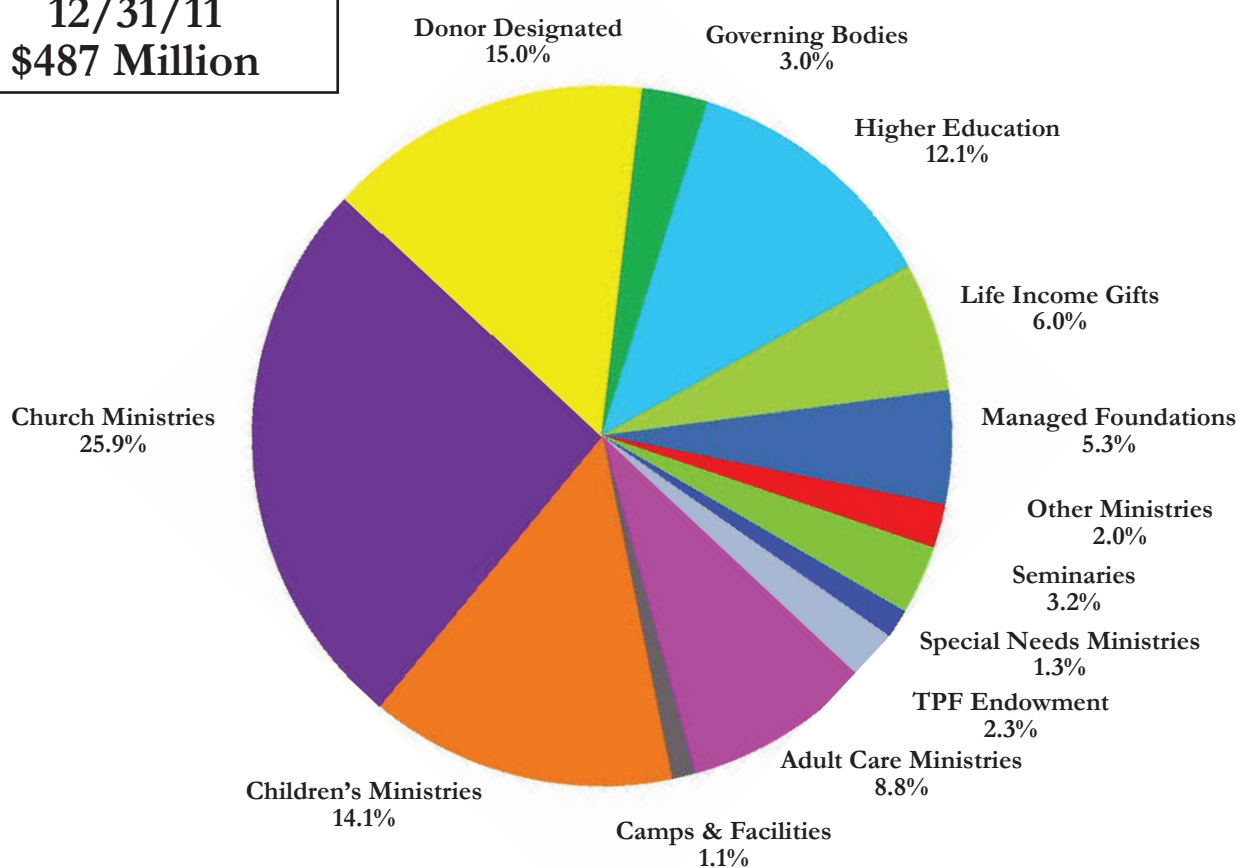


On July 1st, TPF announced the promotion of Beth Wilt to Treasurer. Beth assumed the Treasurer duties from John Furlow, the Foundation's Chief Operating Officer. This promotion eased the demand on John, allowing him to concentrate more on the investments and operations. Beth will continue her duties as Director of the Ministry Partners team along with her new duties as Treasurer. Beth joined TPF in 1999 and has been key in the Foundation's relationships with churches and institutions. Please join us on congratulating Beth in her new role.

TPF CFO Client Conference * June 20, 2012

*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
12/31/11
\$487 Million



2011 Financial Statement

Total Cash & Cash Equivalents	29,676,466
Pooled Investments:	
Large Cap Equity Fund	46,009,761
Large Cap Equity Growth Fund	1,465,394
Large Cap Equity Value Fund	3,328,528
Small Cap Equity Fund	12,810,290
International Equity Fund	30,312,150
Emerging Markets Equity Fund	3,967,530
Fixed Income Fund	59,410,511
Real Estate Fund	3,749,522
Real Assets Fund	44,185
Defensive Strategies Fund	1,870,256
Alternative Strategies Fund	4,095,644
Gift Annuity Pooled Fund	12,437,484
Gift Annuity Pooled Fund (AR)	940,405
TPF Balanced Fund	<u>213,518,892</u>
Total Pooled Investments	393,960,553
Other Investments:	64,660,104
Assets Held in Custody	83,620,987
Total Other Assets	<u>115,262</u>
Total Assets	572,033,372

(Does Not Include Assets held in Custody)

Looking Back at 2011 with John Furlow

Executive Vice President and Chief Operations Officer John Furlow, Jr. has been with TPF since 1997. He works closely with Ministry Partners, the Foundation's consultants, banks and investment managers. Our Q&A with John in last year's Annual Report drew so many positive comments, we decided to sit down with him again to get his take on 2011, as well as a quick look at the year ahead.

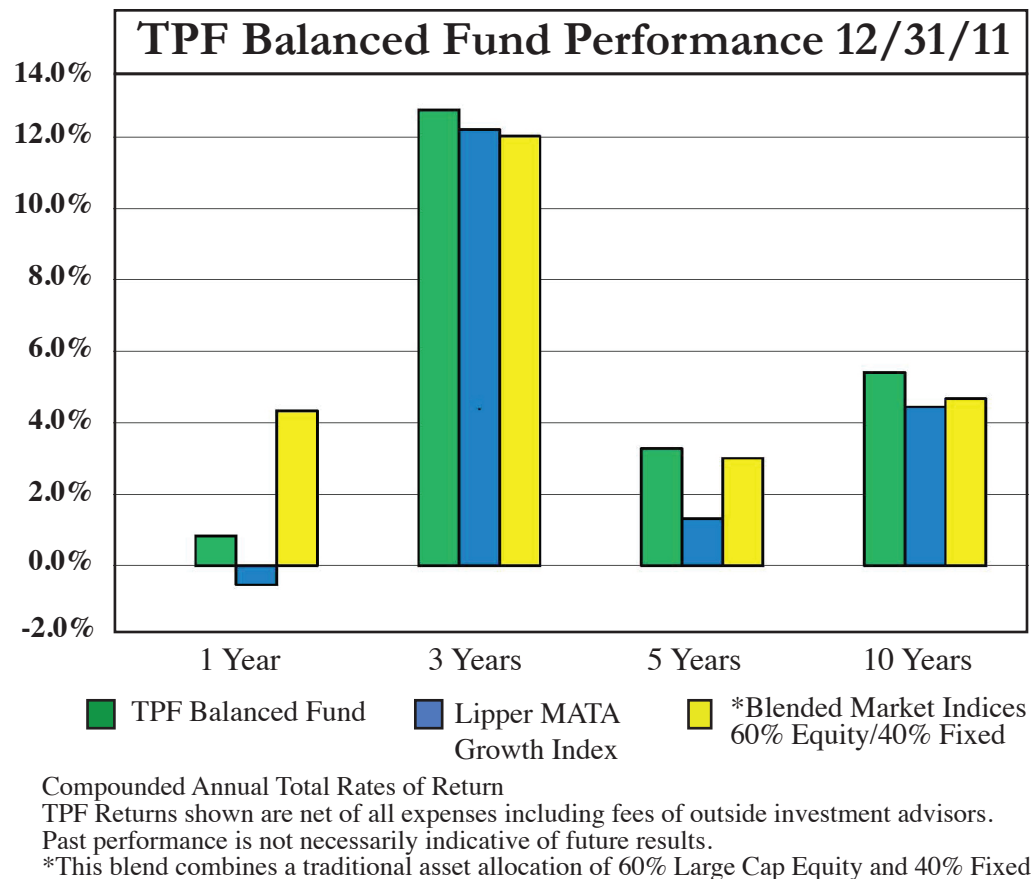
John, can you summarize what kind of year 2011 was for the Texas Presbyterian Foundation?

Furlow: It was a very good year and a year of transition for TPF. We saw the retirement of our President, Dan Klein, after a long and successful tenure. We had the privilege of Liz Williams' leadership during the search for Dan's successor, which ended with Reverend Rick Young joining the team in the fourth quarter.

On the investment side, while there were individual months when returns underperformed, our long term numbers remained on track. In April we saw the final implementation of the Real Assets Fund (so for a majority of the year, the TPF Balanced Fund – our flagship investment product – included an allocation to this Fund). This provided valuable diversification in what turned out to be a very up-and-down year for stocks.

We saw strong growth in new Ministry Partners and new relationships in 2011. We now serve Partners in nineteen states, beyond the Synod of the Sun. Our charitable gift annuities have become especially popular. These are a great choice in low return environments because their returns outpace cash holdings such as CD's and money markets, and even compare favorably to stocks.

With Reverend Rick Young joining the TPF team as the new President, do you see any changes in direction or in the way TPF does business?



Furlow: We are very excited about Rick coming onboard. I don't envision any service or operational changes. We will continue to offer the best possible service to our Partners and ministries. But I do see an increased focus on our efforts and activity in the areas of philanthropy and funds development.

TPF has been preparing for the possibility of an environment where traditional assets might have difficulties. Has this environment arrived and how has TPF prepared?

Furlow: In late 2010 and into 2011 we made significant changes to the Balanced Fund. All of these were designed to manage the risk and limit the volatility we expected markets to exhibit in 2011. Looking back, that has proven to be the case; we live in unsettled financial times. The good news is that the changes did exactly what they were supposed to do. The broader diversification helped limit the negative impact of the market's down months, while also capturing growth during the up months.

Over the past few years TPF has moved the spend rate on the Balanced Fund from 5% to 4%. What is the reasoning behind that?

Furlow: This change ties in to the expectation of a low return/high volatility investment environment that we have held for years. That environment is here now, and we feel that a 5% spend policy may not be supported simply by expecting offsetting growth in the corpus. By proactively lowering the spend rate over time we have been able to adjust distributions to match market realities, while allowing portfolios to continue to grow and stay ahead of inflation. It's also important to remember that this spend rate is simply the TPF Board's recommendation. Partners are free at any time to set their own spend rate and take a greater or lesser distribution if desired.

Do you foresee any specific changes in the TPF funds or managers in 2012?

Furlow: As of today, no, but we remain responsive to changes in the environment. TPF staff and the Investment Committee as well as our consultants RogersCasey will continually monitor the funds and sub-advisors in 2012. Should there be a negative event or transaction, we will stay poised to react on behalf of Partners in a timely and efficient manner.

Distributions For Mission in 2011

During 2011, TPF distributed \$11.7 Million of income and \$32.5 Million of investment gains and principal to churches and institutions to further their missions. In addition over \$3.3 Million was distributed to individuals from charitable life income gifts.

BOARD OF TRUSTEES

Chairman of the Board - Carl Stuart
Austin, TX

Vice Chairman - Joe Bybee
Houston, TX

Board Secretary - Paul Beyer
San Antonio, TX

Lee Ardell
Houston, TX

Tom Baldwin
San Antonio, TX

Stanley Beyer
Houston, TX

Rev. Dr. Bill Branch
Little Rock, AR

Greg Burgess
Amarillo, TX

Alan Byars
Midland, TX

James Cooper
Houston, TX

Everard Davenport
Austin, TX

Karen Ebling
Dallas, TX

Noe Hinojosa, Jr.
Dallas, TX

J. Sloan Leonard, M.D.
Dallas, TX

Robert Markell
Richardson, TX

John Miller, Ph.D.
Bartlesville, OK

Rev. Michael Murray
Austin, TX

Ted Paup
Ft. Worth, TX

Lauren Suba
Houston, TX

W.B. Zimmerman
Ft. Worth, TX

Trustee Emeritus:

Peter Baldwin
Dallas, TX

Houston Harte
San Antonio, TX

OFFICERS

Rev. Dr. Rick Young
President & CEO

John Furlow
Executive VP & COO

Beth Wilt
Treasurer
Director of Ministry Partners Administration

Sharon Nash
Corporate Secretary / Corporate Administrator

Melinda Hunt
Director of Ministry Services & Support

Mary Beth Foster
Director of Information Technology

Bob Turner
Edmond, OK

Clyde White
Monroe, LA

Jean Rogers Winchell
San Antonio, TX

Rev. Dr. John Ed Withers III
Sante Fe, NM

TPF would like to thank four trustees whose terms ended during 2011 for their years of faithful service.



STAFF

Mary Beth Foster
Director of Information Technology

Jennifer Frano
Ministry Partners Administrator

John Furlow
Executive VP & COO

Roy Hernandez
Staff Accountant

Melinda Hunt
Director of Ministry Services & Support

Desiree Jacob
Marketing Communications & Social Media Manager

Karen Davis Kilgore
Ministry Services Consultant

Stefanie Marsden
Ministry Services & Support

Rev. Dr. Laura Mendenhall
Sr. Philanthropy Consultant

Yolanda Najera
Accounting Supervisor

Sharon Nash
Corporate Secretary / Corporate Administrator

Stephanie Ray
Ministry Partners Administrator

Tracy Shawn
Ministry Partners Administrator & Analyst

Sandra Snouffer
Executive Assistant

Kim Warner
Sr. Assistant to the President

Beth Wilt
Treasurer
Director of Ministry Partners Administration

Rev. Dr. Rick Young
President & CEO

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
www.schreiner.edu

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
www.epmi.org

Presbyterian Children's Homes & Services
www.pchas.org

Austin Presbyterian Theological Seminary
www.austinseminary.edu

Vera Lloyd Presbyterian Home & Family Services
www.veralloyd.org

XXXXX PERMIT
DALLAS, TX
PAID
US POSTAGE
NON PROFIT

JOHN DOE
XXXXX Iowa Drive
Rapid City, SD 57701



6100 Colwell Blvd., Ste 250
Irving, TX 75039