



TEXAS PRESBYTERIAN FOUNDATION

2013 Annual Report

"God will open the windows of heaven for you and pour
down for you a blessing until there is no more need."

MALACHI 3:10

From the President

Texas Presbyterian Foundation is beholden to its heritage, yet emboldened for the future. You will notice a new look and feel to this report and to TPF. We hope that this new identity will better illustrate who and what TPF has become. This transformation has caused us to look back at the eighty-eight year history, as well as to strategize for the future. I believe we have held on to the greatest assets of who we are and what we stand for while seeking strategic opportunities to help more congregations and organizations expand their mission through prudent investing.

TPF affirms our long-held values of strong investment, superior partner communication and relationships, integrity, and top quality personal service. 2013 brought some historic firsts, including total assets exceeding \$750 MM and a net charge to pooled funds of 55 basis points.

We greatly value our partnerships and relationships with each of you, and we look forward to serving you in the future.

Sincerely,

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





About the Foundation

TPF exists to enable and expand mission. We are dedicated to empowering our partners through cost effective, long-term investment management, exceptional customer service, enduring partnerships, and philanthropic planning.

So what exactly do we do? We provide fund management and education to increase the funds available for mission. And why do we do what we do? Because we believe that we can make a difference in people's lives by supporting the mission and ministry of our partners. We believe that Christian generosity and philanthropy allow us to serve others and create a meaningful sense of fulfillment. We believe that we can accomplish more together than individually. And we believe in nurturing long-term relationships to impact future generations. 🏡

"This is how one should regard us, as servants of Christ and stewards of the mysteries of God."

I CORINTHIANS 4:1

What's Happening with the TPF Staff?

Texas Presbyterian Foundation is proud of our dedicated and experienced staff. Every day, they contribute directly to the success of TPF and our valued partners. And it is with great excitement that we announce two significant changes that occurred within our staff this past year.



Beth Wilt

Beth Wilt has been promoted to Vice President of Finance and Treasurer. Throughout her 14 years at TPF, Beth has continually shown herself to be a proven leader and exceptional financial professional dedicated to the growth and success of TPF and our staff. Currently, Beth oversees our institutional and individual client services team, our accounting department, and all financial reporting. Her primary focus is the successful account administration for all TPF partners. As one might expect, Beth can't help but influence those around her. In fact, Beth's exceptional leadership qualities also extend all the way to Fayetteville, Arkansas where both of her children attend the University of Arkansas and excel at both academics and sports.



Kristi Posewitz

Kristi Posewitz has joined the TPF staff as our new Director of Marketing. Kristi is an experienced marketing and communications leader with over 14 years of experience. Most recently, Kristi managed the Business Development Communications team at an integrated marketing agency where her efforts were centered on the marketing and growth of the agency. In the coming months, while supporting current organizational activities, Kristi will focus on the development of a strategic marketing plan and the execution of the strategies and tactics that are defined as part of this plan. In addition to her work at TPF, Kristi and her husband spend their time enjoying their two young daughters, as they manage their endless parade of music, dance, and laughter.

Carl Stuart

There will never be another you.

Nine years ago, Carl Stuart joined the TPF Board of Trustees, and the face of our organization would forever be changed. As a dedicated husband and father, Independent Registered Investment Advisor, acclaimed radio talk show host, style icon, and according to Fortune Magazine, one of the top 50 financial advisors in America, how could Carl not leave a lasting impact on TPF?

Initially, Carl was the Presbyterian Children's' Homes & Services representative from 2001 to 2004. At the time of his introduction, the Board of Trustees, under the leadership of Alan Byars, was building a strong foundation for future growth, and Carl was able to not only develop his passion for TPF, but also his relationships with other Trustees.

In 2005, Carl was elected to the Board, and from 2007 – 2009, Carl chaired the Investment Committee. As always, Carl used his astute financial knowledge and well-honed instincts to guide this crucial committee. It was then that his style of leadership became evident, as the Board saw him use effective communication to activate this committee. What does this really mean? It means Carl took the time to make sure each committee member was able to share his or her thoughts and contribute to the success of TPF.

“I don't mind mistakes, but I don't like surprises.” If you've worked closely with Carl, you've probably heard him utter this phrase. As Chairman of the Board from 2009 -2013, Carl worked closely with TPF staff and other Board members to ensure he was indeed, never surprised. His leadership style required clear alignment and promoted constant communication



“When I joined the TPF board nine years ago, I had no idea what an important role this wonderful institution would play in my life.”

between TPF Officers and Staff and the Board. His efforts to integrate the TPF Staff and Trustees have resulted in the development of key relationships and the growth of the organization overall.

According to Carl, “When I joined the TPF board nine years ago, I had no idea what an important role this wonderful institution would play in my life. I believe our substantial growth during this time has been a direct result of the enthusiasm and hard work of our staff. It is significant that we have experienced professionals who have chosen to devote many years to TPF service. I am impressed by our efforts in development, administration, and investments. We have attained and sustained a high level of client satisfaction at ever lower costs. I have been honored by and have thoroughly enjoyed my friendships with my trustee colleagues. I always looked forward to our meetings.

Finally, during my tenure we celebrated the well deserved retirement of my friend Dan Klein, and the beginning of a new era of senior management with Rick Young. While I feel proud to have been a leader during these years, I really feel a sense of deep gratitude to have had the opportunity to work with such fine professionals and friends.”

Carl has been appreciated, respected, and loved for many reasons. Along with his obvious intelligence and business acumen, unfailing dedication, and strong leadership, he brought a charming sense of humor and a sensational wardrobe that will be impossible to duplicate. There will never be another Carl!

As we move through the first quarter of 2014, the TPF Staff and Board of Trustees look to Joe Bybee for Board leadership. As Chairman of the Board, Joe has already established himself as a trusted leader with deep investment knowledge. In just a short time, he has already managed to inspire an increasingly engaged Executive Committee in his efforts to lead TPF into the future. When asked about this future, Carl states, “I am very optimistic about the future of TPF. I have already mentioned my admiration of and confidence in our staff. And I am equally optimistic about our volunteer leadership. My friend, Joe Bybee, is highly qualified as our Chair. He combines many years of experience as an investment professional with a deep love for the church. I know his decisions will be driven by this combination of experience and commitment.”

“I only wish he would wear French cuff shirts.”



Realizing Mission through Governance

Governance is a general term that can mean many things to many organizations. According to The Economic Times, "Corporate governance refers to the set of systems, principles and processes by which a company is directed or controlled." Currently in the financial and non-profit arenas, there is a strong focus on the importance and implementation of good governance and best practices. Organizational leaders have come to realize that it takes more than strong leadership and financial management to guarantee success. It also takes solid, focused governance.

So, what is governance as it relates to TPF? At TPF, governance is the system by which the Foundation is directed and controlled. For us, good governance starts with our Board of Trustees who is continually focused on helping us fulfill our mission.

We use governance to ensure that rights and responsibilities are properly distributed between key TPF stakeholders such as Officers, TPF Staff, and our Trustees. Additionally, TPF uses governance to carefully define the rules and procedures for making TPF business decisions. Our Board of Trustees has a Governance Committee dedicated to managing the expectations, functions, and organization of our Board, as well as ensuring that relevant laws, rules, and regulations are followed.

According to James Cooper, the Chair of our Governance Committee, "It is important to say that although it is considered even in minute policy changes, governance is NOT about the TPF operations manual. Instead, the TPF Board of Trustees uses governance to enable good management and to empower the TPF staff."

As part of our continued dedication to governance, TPF completed the following this year:

- **Banking Services Review:**

Bank of America provides daily operating bank services to TPF, and one of its predecessor institutions has been doing so since the 1950s. Every two years TPF "shops" this service to ensure we are receiving the fullest array of services available for the lowest fee structure we can negotiate.

- **Custodial RFP (Request for Proposal):**

Northern Trust has been TPF's funds custodian since 2000. As we have done one other time since our relationship began, TPF sent RFP's for custodial services. The Investment Committee reviewed the proposals and chose to retain Northern Trust as custodian.

- **Audit RFP:**

After working with Weaver for 10 years, rotating partners every three years, TPF's Audit Committee decided that we needed to have a fresh perspective on our audit. RFP's were sent to five firms and we received proposals from three. The Audit Committee reviewed the proposals and chose to engage Whitley Penn for the 2013-2016 audits. As a form of good governance, TPF engages our audit firm to complete an internal controls review to ensure that we consistently employ defined best practices and follow internal controls and policies.

Moving forward, TPF plans to maintain an emphasis on governance through the activities of our Governance Committee and the continued refinement of our Board of Trustees education and recruitment process.

Building Results through Strong Relationships: A Letter from our Partner, Segal Rogerscasey

2013 is now in the books, and it was certainly a solid year for equity investing, especially U.S. Equities, which recorded their best year since 1997, S&P 500 +32.3%. Bonds were challenged and will continue to be under pressure as interest rates climb back toward historical norms. However, market gyrations are par for the course in the investing world, as is return and risk.

The idea inherent in these observations as related to relationship and results is that return, risk, and an ever-changing investment landscape are simply the starting point for managing assets. Achieving solid investment results is always a function of teamwork and therefore, relationship. Yes, thoughtful planning, prudent decision-making, and diligent implementation are the required inputs, but it is relationship and shared responsibility that shapes all investing programs and lays the framework for satisfactory outcomes. I cannot describe a better example of this cooperation than the fine work carried on between TPF staff and your Investment Committee.

As part of your larger fiduciary team, Segal Rogerscasey (SRC) provides consulting expertise and investment services alongside your team to produce superior results for TPF's partners. Whether working with John and Beth to plan the quarterly meetings, selecting educational/research topics with Investment Committee input, or conducting performance evaluation and manager research, our relationship with TPF is robust, forward-looking, and results focused.

Client relationships at SRC exist across a range of service models varying from discrete/project oriented (team players but not fully integrated) to full service consultant relationships delivering multi-dimensional investment advice, wholly integrated with staff, and fully vested in achieving your goals and objectives. My 25 years of experience has taught me that while a "fully integrated relationship" is not a guarantee of investment success, it has historically delivered the most consistent and satisfying of investment outcomes; our relationship with TPF falls specifically into this category and we are proud to be your partners.

“ It is relationship and shared responsibility that shapes all investing programs and lays the framework for satisfactory outcomes. ”

Sincerely,
William L. Eckman, CFA
Senior Vice President, Segal Rogerscasey



The Greatest Gift

Bill G. Blair's Legacy and the University of Tulsa

It can be argued that the best way to change the future is through education. And while Bill Blair, a noted philanthropist, dedicated gardener, and savvy investor, was passionate about many things over the course of his life, he was perhaps most passionate about supporting education and creating opportunities for those less fortunate than himself.

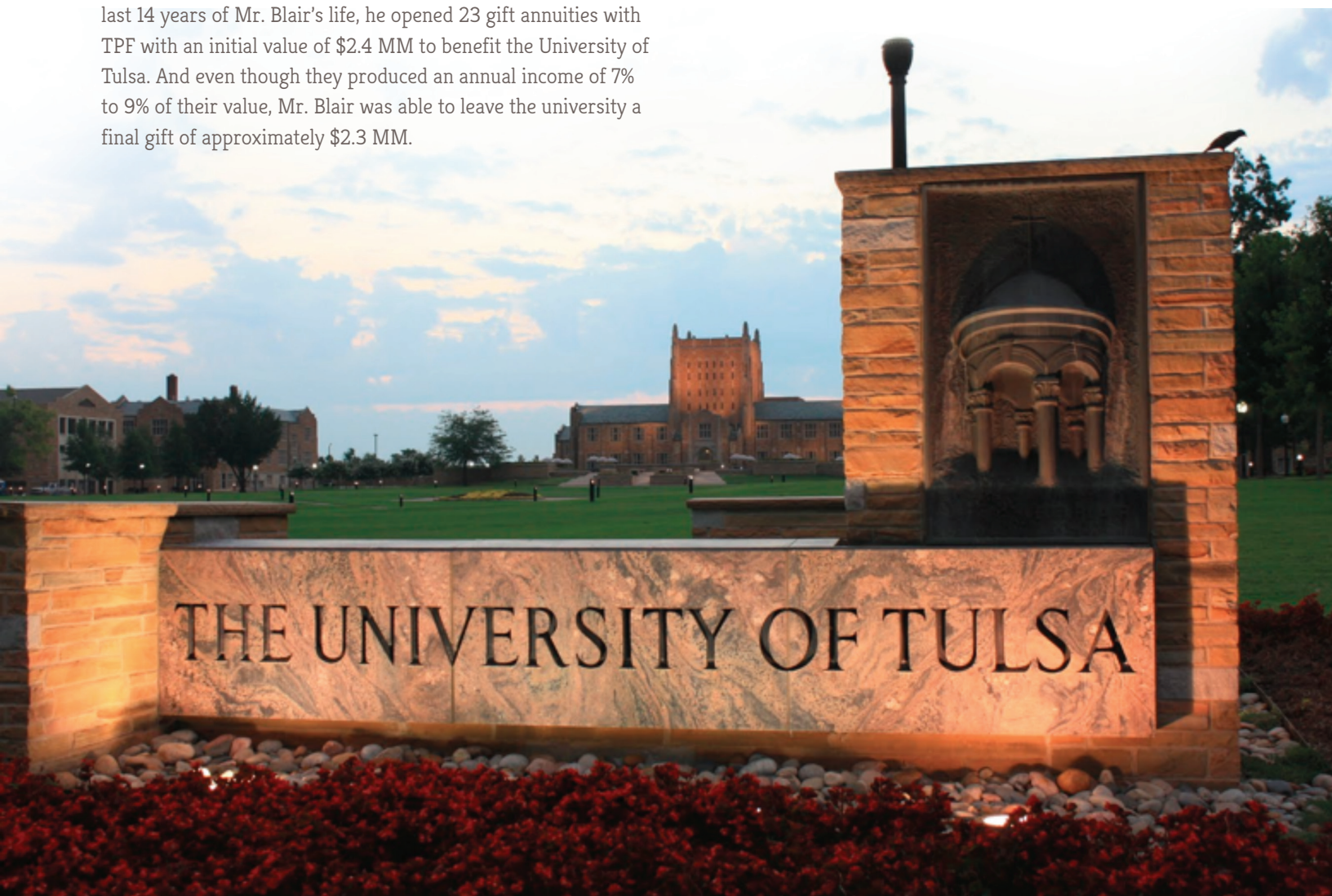
TPF supported Mr. Blair and partnered with him to manage his investments, as he not only established multiple scholarship programs in Arkansas and Oklahoma, but also established the Bill G. Blair Chair in Business Administration to benefit the University of Tulsa. Together, Mr. Blair and TPF leveraged our investment expertise and low management costs to maximize the benefit of his gifts with solid income and great returns. World War II and the G.I. Bill ignited his passion for education and the University of Tulsa. Shortly after returning home from his service in the Army, at 20 years old, Mr. Blair applied to

the University of Tulsa, as it was near his then home and had a "pretty good" football team. Upon his graduation, he took a job with The Ohio Oil Company (now Marathon Oil), where he spent the next 35 years working as a landman and eventually retiring at 59 as the Area Land Supervisor.

While Mr. Blair was the primary caregiver to both his mother and sister before their deaths, his job required long hours and significant travel, and he never took the time to start a family of his own. In absence of this family, Mr. Blair maintained a close

relationship with the University of Tulsa, to which he remained grateful for all of the advantages the university had afforded him over the years. Initially after his retirement, Mr. Blair only donated to the university occasionally, and only when solicited. This pattern changed after a fateful meeting with Jan Zink, who was then an administrator of the university he had come to love. Together they discussed the benefits of charitable annuities, including the guaranteed monthly income and direct benefits to the University of Tulsa. It was at this time that Mr. Blair began his partnership with Texas Presbyterian Foundation. Over the last 14 years of Mr. Blair's life, he opened 23 gift annuities with TPF with an initial value of \$2.4 MM to benefit the University of Tulsa. And even though they produced an annual income of 7% to 9% of their value, Mr. Blair was able to leave the university a final gift of approximately \$2.3 MM.

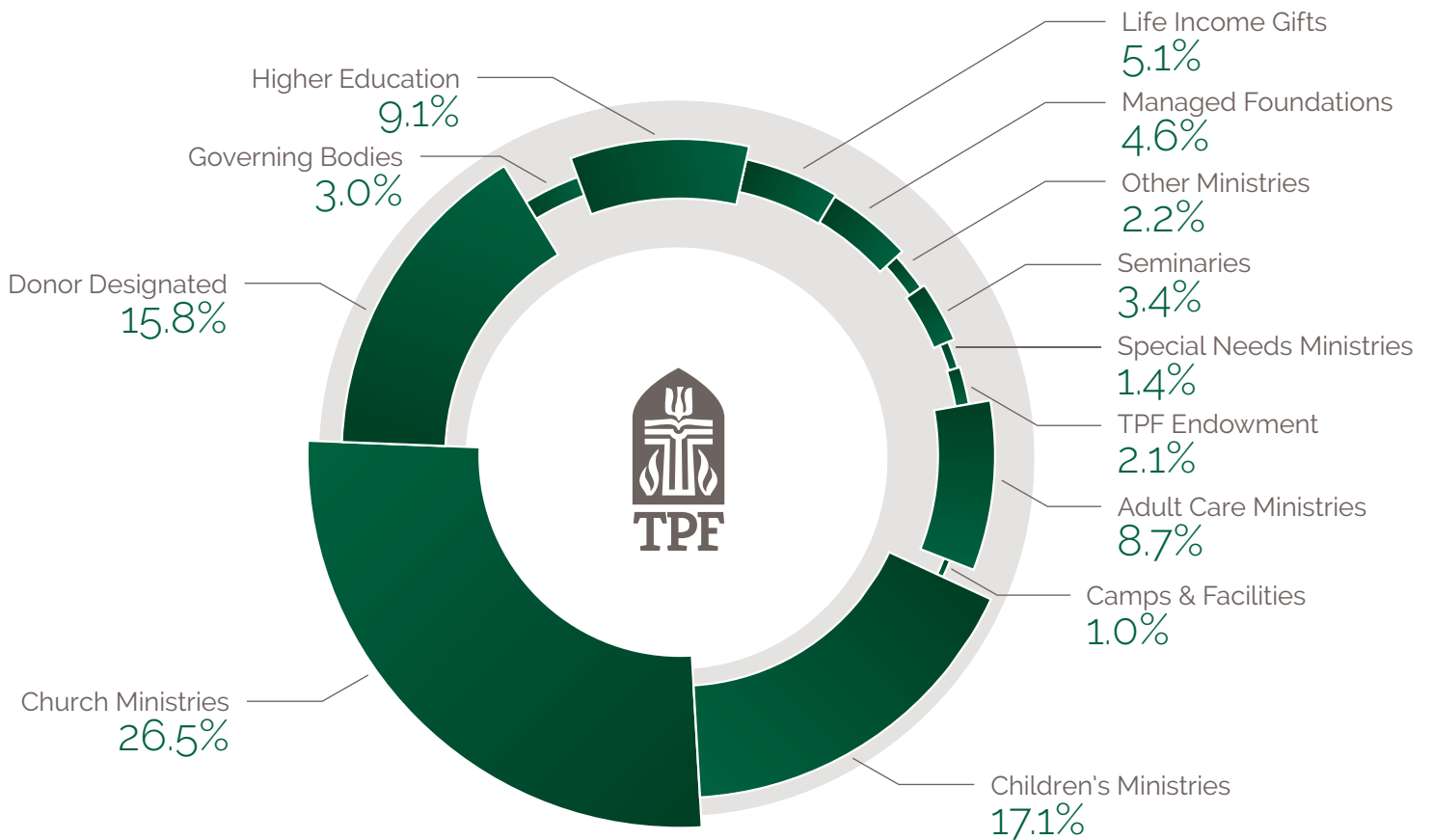
While Bill G. Blair will be remembered by some for his wry sense of humor, dedication to horticulture (besides being an active member of the Garden Club, he was the President of the Tulsa Dahlia Society for five years and the Treasurer of the Tulsa Iris Society for six years), and investing acumen, Mr. Blair's legacy will continue through the generations of students to whom he has given perhaps the greatest gift, the gift of education. 🌱




Texas Presbyterian Foundation Managed Assets*

\$657 million

December 31, 2013



*Managed assets are the net of Total Assets less Assets Held in Custody.



"As each has received a gift, use it to serve one another, as good stewards of God's varied grace."

1 PETER 4:10

Funds Administered by the Texas Presbyterian Foundation

Combined Balance Sheet for Period Ending December 31, 2013

	Market: 12/31/13
Cash & Cash Equivalents:	
Operational Current Assets	191,847.77
Bank of America Client Funds	3,431,640.00
Back Office Operating Cash	419,047.54
Short Term Income Fund	32,551,928.92
Total Cash & Cash Equivalents	36,594,464.34
Pooled Investments:	
Large Cap Equity Fund	64,612,294.12
Large Cap Equity Growth Fund	2,215,672.45
Large Cap Equity Value Fund	4,412,511.19
Small Cap Equity Fund	16,441,866.69
International Equity Fund	22,076,004.59
Emerging Markets Fund	17,703,077.95
Fixed Income Fund	60,885,964.36
Real Estate Fund	5,368,504.04
Real Assets Fund	4,633,278.80
Defensive Strategies Fund	7,928,077.75
Alternative Strategies Fund	4,474,114.58
Gift Annuity Pooled Fund	12,568,266.10
Gift Annuity Pooled Fund (Arkansas)	1,390,441.40
TPF Balanced Fund	352,853,534.20
Total Pooled Investments	577,563,608.22
Other Investments:	
Other Investments	41,310,559.23
Assets Held in Custody	99,471,825.36
Furniture & Equipment Net of Depr.	110,055.46
Total Other Assets	140,892,440.05
Total Assets	755,050,512.61

	Market: 12/31/13
Fund Balances:	
Adult Care Ministries	57,239,185.45
Camps & Facilities	10,042,719.96
Children's Ministries	127,107,835.47
Church Ministries	174,688,619.81
Donor Designated	67,678,783.84
Governing Bodies	19,745,771.30
Higher Education	70,202,318.04
Life Income Gifts	33,811,296.45
Managed Foundations	29,948,199.88
Other Ministries	14,281,848.86
Seminaries	126,958,972.93
Special Needs Ministries	8,921,974.06
TPF Endowment	13,601,318.94
Total Fund Balances	754,228,844.99
Fund Liabilities:	
Back Office Accounts	419,047.54
Other Liabilities by Accounts	100,716.85
Total Fund Liabilities	519,764.39
Operational Liabilities:	
Operations Payable	151,030.17
Accounts Payable Fixed Assets	110,055.46
Total Operational Liabilities	261,085.63
Capital:	
Fund Balance	40,817.60
Net Income	-
Total Capital	40,817.60
Total Fund Balances, Liabilities and Capital	755,050,512.61

Performance of Investment Funds vs Benchmarks

Periods Ending December 31, 2013

	1 Year 12/31/12 - 12/31/13	3 Years 12/31/10 - 12/31/13	5 Years 12/31/08 - 12/31/13	10 Years 12/31/03 - 12/31/13
TPF Balanced Fund Lipper Balanced Index*	17.6% 20.3%	10.5% 10.8%	13.9% 14.1%	7.7% 6.8%
TPF Large Cap Equity Fund Lipper Large Cap Core Fund Index	37.0% 31.8%	17.8% 15.0%	21.1% 17.1%	8.8% 6.7%
TPF International Equity Fund Lipper International Fund Index	26.0% 21.2%	12.5% 7.6%	15.4% 13.4%	9.6% 7.6%
TPF Emerging Markets Equity Fund Lipper Emerging Market Fund Index	-8.2% -1.3%	0.4% -1.1%	15.4% 15.2%	N/A 10.6%
TPF Small Cap Equity Fund Lipper Small Cap Fund Index	36.3% 36.6%	19.3% 15.4%	25.0% 21.4%	10.7% 9.5%
TPF Fixed Income Fund Lipper Intermediate Inv Grade	-3.0% -1.4%	3.1% 4.1%	5.7% 7.0%	4.7% 4.6%
TPF Money Market Fund Lipper Institutional MM Fund Average	0.15% 0.00%	0.15% 0.03%	0.18% 0.07%	1.72% 1.39%

Returns for periods less than one year are actual returns for the period and are not annualized. Returns for periods of one year or longer are compounded annual returns.

TPF Returns are net of all operating expenses, totaling approximately 0.55% annually, including fees of outside investment managers.

Past performance is not necessarily indicative of future investment results.

Effective December 31, 2010 the Balanced Fund Blended Index assumes 60% Russell 1000 Index, and 40% Barclays Capital Aggregate Bond Index.

*Lipper Balanced Index is the most aggressive Mixed Asset Target Allocation of the Lipper Mata Indices.

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.



A Year in Review

Q&A with John C. Furlow, Jr., Executive VP & COO

What are your general thoughts on 2013?

The end of 2012 brought concerns over the uncertain economy, world events, rising interest rates, and the lack of compromise in Washington. As the markets surged, corporate profits, employment, and economic growth struggled to keep pace. No one (that I know of) at the beginning of the year predicted an S&P 500 return of 32%. Even with this tremendous growth, 2013 continued to show volatility and sector rotation. The TPF Balanced Fund provided our partners a consistent and conservative monthly return with a total return of 17.6% for the year. The portfolio was bolstered by good performance from all of the equity components and was held back a little by the defensive positions that were not needed in 2013. Like an insurance policy, you don't like paying the premiums. However, when you have a claim, you are always glad to have it.

To what do you attribute the long term success of the TPF Balanced Fund and the TPF Equity Funds?

Consistency. The multi-manager approach combined with long-term consistent returns overall has provided good short and long-term returns. Pairing uncorrelated managers within each discipline has provided the equity portfolios with the right mix. This strategy, compared to each fund's universe of like managers for the five years ending December 31, 2013, has provided better than market average returns with lower standard deviation (lower risk).

What steps has TPF taken to safeguard the assets entrusted to you?

TPF operates under a very strict set of internal policies and internal controls. We cross-train Staff and segregate our duties to ensure the integrity of all transactions. The annual audit is not conducted as a "foundation," but it is conducted as if we were a trust department of a bank or an investment company. Most of the assets of the underlying investments are held in custody at Northern Trust Bank. Because those assets are held in Trust, they cannot be accessed by any creditors of TPF or Northern Trust Bank. In addition, TPF has had an extensive disaster recovery plan in place for over 10 years.

We continually make every effort possible to safeguard the data and records for each of our partners.

TPF has experienced a tremendous amount of growth over the last two years. What impact has that had on your clients?

In all my years of banking and audit work, I have never had the pleasure of working with a more dedicated, professional group of individuals than the Staff here at TPF. Our group of team members functions seamlessly together. We pride ourselves in providing exceptional customer service. As I mentioned earlier, we cross-train extensively, and when an individual team member is out, the Staff works together to ensure that there is not a reduction in the quality of our customer service.

This same philosophy holds true for the growth we have experienced over the last couple of years. We have had sufficient capacity to absorb the new partners without negatively affecting service to the existing partners. Our Staff works hard to ensure responsiveness to every partner's request. The TPF Staff truly cares about furthering the mission of all our partners.

Besides return, what are the advantages to the TPF Balanced Fund?

For partners with volunteer committees, the TPF Balanced Fund is a great investment option. The TPF Balanced Fund offers a diversified investment vehicle with allocations to most of the traditional asset classes. Shareholders of our Balanced Fund receive the expertise of the TPF Investment Committee who continually examine and monitor the asset allocation, new asset classes, and the spend policy. TPF Staff manages the rebalancing when necessary, and we quarterly distribute the spend policy

in compliance with UPMIFA laws. The current spend policy is 4% of a trailing 36 month average market value as of the end of July each year. This helps ministry partners with budgeting and produces a smoothing effect on the ups and downs of mission dollars produced by market volatility.

Why is the lower cost basis important to furthering an organization's mission?

According to Morningstar, Inc., the median "Moderate Allocation" mutual fund has an expense ratio of 1.25%. TPF, through efficient management and the help of an endowment that lowers the cost of our investment products, was able to operate with a net charge to the pooled funds of 0.55% in 2013. How does this translate to actual investments? Thanks to our efficiency and endowment, a partner with \$100,000 dollars invested in the Balanced Fund now has an additional \$700 dollars available to support mission.

List of Staff

Officers

The Rev. Dr. Richard E. Young

President & CEO

John C. Furlow, Jr., ATOP

Executive Vice President & COO

Beth Wilt

Vice President of Finance & Treasurer

Sharon S. Nash

Corporate Secretary & Corporate Administrator

J. Melinda Hunt, CAP®

Director of Ministry Services

Mary Beth Foster

Director of Information Technology

Staff

Jennifer Frano

Ministry Partners Administrator

Roy Hernandez, Jr.

Staff Accountant

Stefanie Marsden

Manager of Ministry Services

Yolanda Najera

Accounting Supervisor

Kristi Posewitz

Director of Marketing

Stephanie Ray

Ministry Partners Administrator

Jennifer Robles

Staff Accountant

Tracy Shawn

Ministry Partners
Administrator & Analyst

Sandy Snouffer

Executive Assistant

Trustees

Chairman of the Board:

Joseph A. Bybee
Houston, TX

Vice Chairman:

Ted Paup
Ft. Worth, TX

Board Secretary:

Paul K. Beyer
San Antonio, TX

Lee Dean Ardell
Houston, TX

Malcolm W. Hall
Oklahoma City, OK

Carl W. Stuart
Austin, TX

Thomas B. Baldwin
San Antonio, TX

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

Laureen Suba
Houston, TX

The Rev. Dr. William W. Branch
Little Rock, AR

Robert G. Markell
Richardson, TX

Charles E. Sullivan
Kerrville, TX

James Greg Burgess
Amarillo, TX

Dr. John W. Miller
Bartlesville, OK

Dennis D. Whitley
Alice, TX

Alan E. Byars
Midland, TX

The Rev. Michael E. Murray
Austin, TX

Anne Wilson
Houston, TX

James G. Cooper
Missouri City, TX

Jan Davis Pickle
Austin, TX

Everard C. Davenport
Austin, TX

Fred Robertson
Houston, TX

Walter H. Dunlap, Jr.
Dallas, TX

Jimmy Stevens, CPA
El Paso, TX

Co-Opted Trustees:

The Rev. Dr. Allison Moody
Monroe, LA

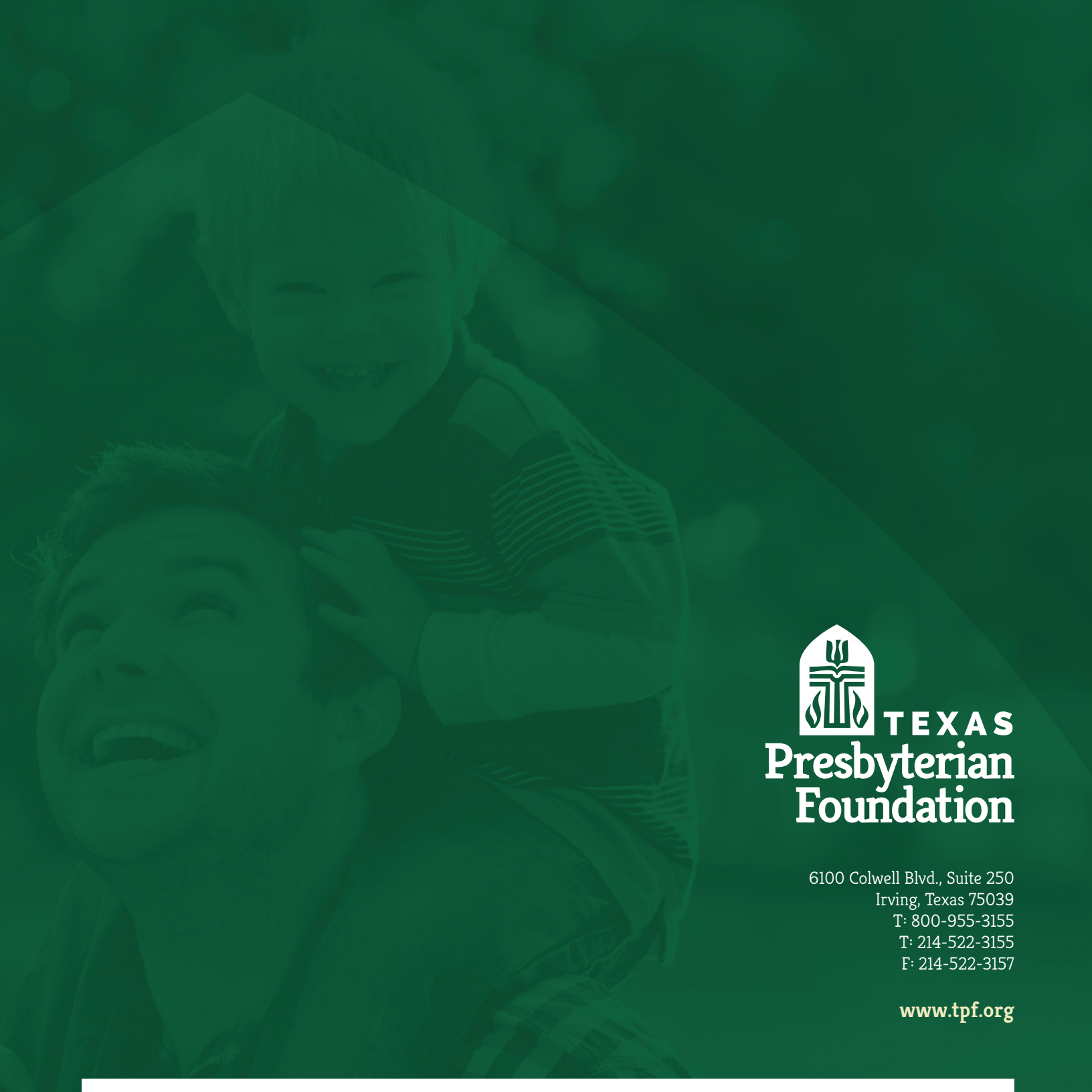
Richard H. Smith
Rogers, AR

Trustee Emeritus:

Peter W. Baldwin
Dallas, TX

Houston H. Harte
San Antonio, TX





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