



TEXAS PRESBYTERIAN FOUNDATION  
**2015 Annual Report**  
Celebrating 90 Years of Service

“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)

## View from the Corner Office

Birthdays offer us an opportunity to look back at where we have been as well as to look ahead with great anticipation and excitement about where we are headed. 2015 brought the 90<sup>th</sup> anniversary or birthday of Texas Presbyterian Foundation and we did take some time to both reflect and look to the future.

TPF began in 1925 with a mandate to serve Presbyterian institutions and organizations in the state of Texas. In the 1970s that mission was expanded to assist congregations within the Synod of the Sun. The 2000s saw further expansion to include non-profit organizations outside the boundaries of the Synod of the Sun. 2015 has brought growth in both our service to congregations and institutions. TPF has come full circle and at the same time expanded that circle to include 27 states and many non-profit organizations in our 90 years of existence. We have accomplished a great deal this past year and we are excited to share some of that with you in this report.

That brings us from where we started to where we are now, so what is ahead? The staff of TPF is dedicated to the collective ministries of TPF and our partners. We continue to build upon the foundation that was laid by so many before us. Without their work, dedication and talent, we would not be where we are today. We live in changing and somewhat confounding times in both the church world and the secular world. We must continue to keep our eyes and hearts on our mission, while at the same time being able to adapt to the changes. TPF is a strong and vital organization and our goal is to make sure that we continue to be for generations to come.

We are grateful for each of you who are our partners, colleagues and friends.  
We are in this together!

Blessings,

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

President & CEO, Texas Presbyterian Foundation





## A Chairman's Perspective

2015 was a year of continued blessing for TPE. We again saw strong growth in new relationships and growth and deepening of existing relationships. We are very proud of our excellent staff and strong investment and planning offerings and foresee continued progress as we enter 2016.

We appreciate the chance to work with you and your institution, and we look forward to another year of striving to provide excellent services and robust investment resources to help benefit the many ministries we serve.

### **Joe Bybee**

Chairman of the Board



## Happy 90<sup>th</sup> Birthday!

There are so many of us standing on the shoulders of spiritual giants who had the wisdom and vision to start and build this institution. TPF has been so helpful to so many over these years. It has truly been an honor to be involved and to serve on the Board of Trustees. As Presbyterians, Nancy and I appreciate the opportunity to serve an institution with both our spiritual beliefs and business experience. Thank You, TPF!

**Nancy & Ted Paup** (current TPF Trustee)

For nearly a century, and most especially for the past 62 years, TPF has provided strong support to the mission of the institutions and churches in the Synod of the Sun and beyond. What a privilege it was for me to serve as a trustee in the 1980s and later as President for almost 16 years. With its exceptional professional staff and its outstanding and diligent trustees, TPF will continue to have a significant impact long into the future. Happy 90th birthday to the Texas Presbyterian Foundation!

**Dan Klein** (former TPF President)

## Happy Birthday TPF!

Our Agency has been blessed by our long rich history. We have partnered together since the beginning to further PCHAS' mission of helping children and families. The needs of children and families continue to be great and we are so grateful that TPF understands those needs and continues to be a mission partner in our ministry. Happy Birthday and we pray for many many more birthday's to come!

**Your friends at PCHAS,**  
**Linda S. Bishop** (current TPF Partner)

Congratulations to TPF on your 90th Birthday, which fully displays a history of outstanding service and quality performance for Presbyterian Institutions and Individuals. We are grateful for the privilege of having served with so many exceptionally dedicated Presbyterians through TPF. Best wishes for another great 90 years.

**Florence and Bookman Peters**  
(former TPF Trustee)

We would like to wish our trusted partner, TPF a happy 90<sup>th</sup> birthday. Your hard work and dedicated service allows us to support our church through annual contributions to the budget. We appreciate all of your guidance and stewardship. Happy birthday TPF! With bright hope for the future.

**Dorothy and Conway Taylor**  
(current TPF Partner)

# A Timeless Story of Grace

## 1920s:

TPF is established as a holding corporation for the receipt and administration of funds. Monetary properties become entrusted to TPF according to the intent of donors.

## 1960s:

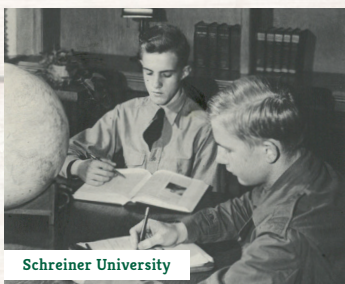
TPF expands our services to include Charitable Gift Annuities and other individual legacy giving options.

## 1950s:

The Synod of Texas employs two staff members and several Synod institutions place their endowment funds with the reconstituted Foundation for investment.

## 1980s:

TPF expands our services to any Presbyterian-related entity within the Synod of the Sun.



Schreiner University



Presbyterian Children's Homes and Services



Austin College



Judge Gordon Simpson

TPF Chairman of the Board 1951-56, 1960-62, 1964-65

**1990s:**

TPF begins to offer diversified multi-asset investment strategies through the use of Common Trust Pooled Funds. The TPF Balanced Pooled Fund becomes our flagship investment product giving our partners a single managed investment option that supports a UPMIFA compliant spend policy.

**2010s:**

TPF expands our services to churches, charities, and individual Presbyterians outside the Synod of the Sun.

**2000s:**

TPF expands our services to include non-Presbyterian mission based non-profit organizations; typically organizations that are supported by the Presbyterian community.

**2015s:**

TPF's total assets—an accumulation of cash and cash equivalents, pooled and other investments—total more than \$800 MM.



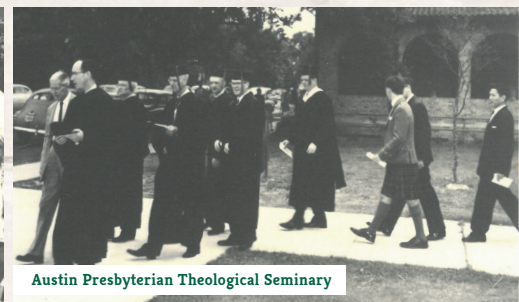
Mo-Ranch



TPF Board of Trustees



Pan American School



Austin Presbyterian Theological Seminary

# What made 2015 so special for TPF and our partners?

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20

New Partner Relationships

3

New Donor  
Advised  
Funds

5

New Trusts

60

Basis Point  
Net Expense Ratio



The numbers 1, 8, and 5 are formed by the bright, trailing sparks of a sparkler. The '1' is a simple vertical line, the '8' is a classic figure-eight shape, and the '5' is a standard blocky five. The sparks are bright yellow and orange, creating a shimmering effect against the dark background.

185

New Accounts

A dollar sign (\$) is followed by the numbers 5 and 8, all formed by the bright, trailing sparks of a sparkler. The dollar sign is a simple outline, the '5' is a blocky five, and the '8' is a classic figure-eight shape. The sparks are bright yellow and orange, creating a shimmering effect against the dark background.

\$58

mm  
in Distributions

A dollar sign (\$) is followed by the numbers 6 and 9, all formed by the bright, trailing sparks of a sparkler. The dollar sign is a simple outline, the '6' is a classic six, and the '9' is a classic nine. The sparks are bright yellow and orange, creating a shimmering effect against the dark background.

\$69

mm  
in Contributions

The numbers 2 and 0 are formed by the bright, trailing sparks of a sparkler. The '2' is a simple, rounded two, and the '0' is a classic oval zero. The sparks are bright yellow and orange, creating a shimmering effect against the dark background.

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New Charitable  
Gift Annuities

# TPF and First Presbyterian Church of Waco

## Responding to God's Grace for 90 years

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**Not all partnerships can survive for 90 years, but this one has! And what a partnership it has been. Since 1925, TPF and First Presbyterian Church of Waco (FPC Waco) have partnered together to enable and expand their mission. Almost as old as Waco itself, First Presbyterian Church of Waco was constituted in 1855 in the actual building of another church by two ruling elders and a congregation of only 17 people. For the next 150 years, this thriving congregation has continued to grow through five sanctuaries and into the 600 person vibrant congregation they have today.**

However, FPC Waco is not just focused on the growth and well-being of their own congregation. Throughout the 90 years TPF has had the privilege to partner with this organization, FPC Waco has embodied their calling to not only serve their congregation, but to actively minister to their community. Together, we have remained dedicated to fulfilling their mission of "faithful understanding of our congregation in order to effectively minister to our community."

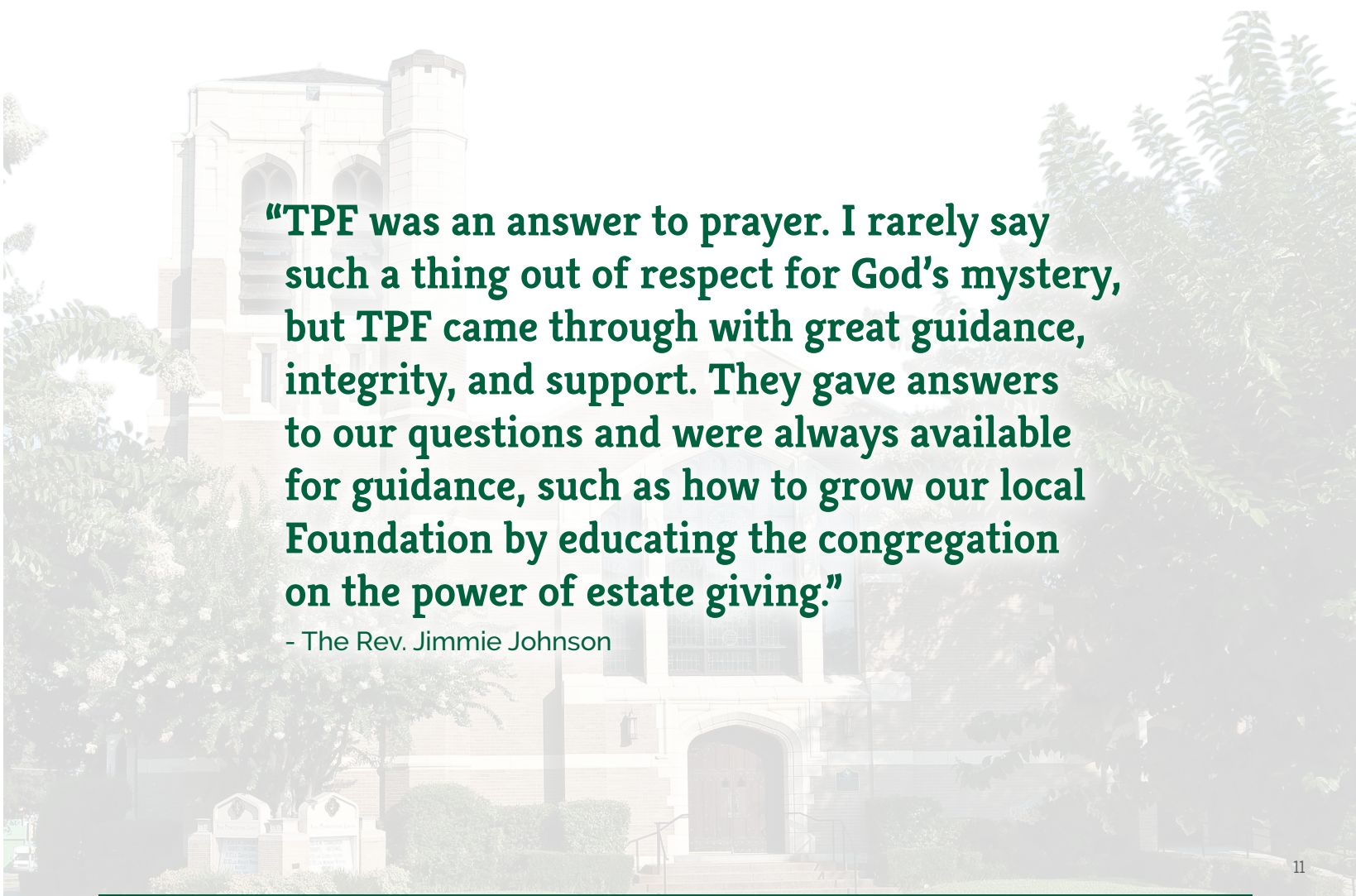
In response to the call from the New Testament that asks us to respond to God's grace by turning outward, FPC Waco created an active Outreach ministry. This ministry, dedicated to leading their congregation in the service of others, supports mission efforts not only in the Waco community, but also in the rest of the United States and the rest of the world. In service to Waco, they designate one Saturday a month for church members to come together to serve the community, regularly tutor at local elementary schools, and provide dinner for the elderly every Tuesday and Thursday evening via Meals and Wheels.

Additionally, FPC Waco's Outreach ministry supports other organizations such as The Family Abuse Center, Mission Waco, Habitat for Humanity, Compassion Ministries, Caritas of Waco, Church Under the Bridge, The Salvation Army, and World Hunger Relief.

Throughout the 90 years of our partnership, TPF has had the opportunity to partner with only four head pastors at FPC Waco. Their previous pastor of 30 years, The Rev. Jimmie Johnson, retired in 2012 after working closely with the TPF staff for many years to steward their long-term investments. According to The Rev. Johnson, "TPF was an answer to prayer. I rarely say such a thing out of respect for God's mystery, but TPF came through with great guidance, integrity, and support. They gave answers to our questions and were always available for guidance, such as how to grow our local Foundation by educating the congregation on the power of estate giving. TPF got 5 stars from the trustees of our Foundation. I know because I was one of those trustees for 30 years."

Their current pastor, The Rev. Dr. Leslie King both serves and inspires the church as she continues the shepherding of the FPC Waco Funds. The Rev. Dr. King describes how TPF still impacts FPC Waco, “Every church family trusts in God’s providence. But not every church family knows how to manage their resources for the upcoming generations. **TPF honors each gift entrusted to their care for God’s larger purposes.**

**Their faithful financial management emboldens the church of today to witness to Christ’s love and mercy.** Then, TPF educates and equips leaders to share the call to give sustainably to the ministry of First Presbyterian and its future. Their cycle of strength empowers our downtown congregation to look confidently toward another 150 years of ministry.”



**“TPF was an answer to prayer. I rarely say such a thing out of respect for God’s mystery, but TPF came through with great guidance, integrity, and support. They gave answers to our questions and were always available for guidance, such as how to grow our local Foundation by educating the congregation on the power of estate giving.”**

- The Rev. Jimmie Johnson



## A Year in Review

Q&A with John C. Furlow, Jr.

Executive VP & COO

### What surprised you in 2015?

Last year at this time, we were expecting volatility going forward and a modest increase in interest rates. After the first three months of 2015, I thought we were wrong on all accounts. By the end of March the international markets were up about 5%, while the domestic equity markets followed with a 1% increase. Moving forward to the midpoint of the year, most equity segments were flat. Everyone thought the markets were collapsing by the time we got to September 30<sup>th</sup>, with the equity markets down over 5% year to date. The fourth quarter saw a strong rebound, continuing the volatility, as well as the long anticipated small increase in rates by the Federal Reserve.

Looking back from the market low on March 9, 2009 through December 31, 2014, the S&P 500 moved ahead 204.3% on a cumulative basis or 17.0% on an annualized basis. On an absolute basis, 2015 was not a terrible year considering the almost six-year Bull market run through 2014 and the ugliness of 2008 when the market returned -38.5%. That being said, as investors we expect better, and therefore we turn to portfolio diversification for help; 2015 was not kind in this regard either.

Given the markets' start to 2016, moving forward I have one key question—is this volatility simply a temporary blip in the Bull market or the signal of a tougher year ahead? Only time will tell.

### What is TPF's biggest area of growth?

Despite the volatility in the markets, TPF experienced a solid year in 2015. The TPF Pooled Funds performed well on a relative basis compared to their respective benchmarks. The pack was led by consistently good performance by all the underlying managers. **In particular, the Large Cap Value Equity managers and the Small Cap Equity Managers ended the year with strong returns versus their benchmarks.**

TPF added 20 new relationships for a little over \$18MM in 2015. We also issued 20 new Charitable Gift Annuities (CGAs) for almost \$600K. When these CGAs mature the charitable beneficiaries named by the donors will receive the remainder as a gift. As of December 31, 2015, TPF administers over 300 CGAs for approximately \$11.3MM. The addition of new church partners and the addition of the new CGAs were the two areas of strongest growth in 2015.

## Does TPF market time or day trade?

The short answer is no, TPF does not market time or day trade. In most academic and financial circles, it is generally accepted that it is impossible to consistently “time the markets.” The reality is that the complexity of today’s financial markets means that it is beyond difficult to predict the vast number of variables that can affect the markets. Did anyone know for sure the Berlin Wall would come down and the effect it would have on the world markets? No one knew that 9-11 would happen when it did. People have been predicting interest rates rising for the last five years. Our Federal Government has shown that they can turn on and off like a light switch causing the markets to react unpredictably. I surely can’t predict what is going to happen next.

Typically, day traders buy and sell securities throughout the day in the hope that their stocks will continue climbing or falling in value, allowing them to lock in quick profits. Day traders usually buy on borrowed money, hoping that they will reap higher profits through leverage. This type of activity also carries with it a greater risk and possibly much higher losses.

Both market timing and day trading can be quite stressful. These strategies can generate large expense ratios due to the high volume of activity. Several sources claim that only between 8% and 15% of day traders are successful. This is a risk TPF is not willing to take.

## Does TPF take any extra steps to safeguard partner assets?

TPF remains dedicated to the security of our partners’ assets and transactions. Our operational policies and procedures are modeled after those of a bank trust department. Each of the

operational duties are cross-trained and rotated amongst our Ministry Services Team members. **In 2015, TPF implemented a document workflow and archive process utilizing Docuware software.** All cash in and cash out transactions are scanned and tracked from start to finish, with all the proper procedures and approvals recorded and in place.

For over 15 years, TPF has not only engaged a CPA firm to perform an audit of our financial statements and pooled funds, but we have also engaged an additional Internal Controls Review of all of our policies and procedures. Whitley Penn, LLP currently conducts this review separate from the annual audit, making sure that TPF properly processes transactions with the utmost accuracy.

In 2015, I attended a comprehensive information security training course to enhance our awareness of the current trends and topics fundamental to information security. As an added security measure, we will be engaging an Information Security organization to provide in-depth penetration testing in the coming year to identify vulnerabilities and strengthen our overall security.



Mary Beth Foster  
Director of Information Technology

# Auditing Success

## In Search of Excellence

By **Randy A. Gregg, CPA, CGMA**  
Partner, Whitley Penn



When I was asked to write a few words about TPF, the classic book *In Search of Excellence -Lessons from America's Best-Run Companies* by Thomas J. Peters and Robert Waterman, Jr. came to mind. From my very first involvement with the folks at TPF, it was clear that they take things seriously and take great pride in what they do. I could immediately identify at TPF many of the attributes of great companies that Peters and Waterman highlight in their book. **Four of these attributes of excellence are without question core values at TPF. This piece will discuss these attributes listed below and how they serve as the cornerstone of TPF's success:**

- ▶ **Close to the Customer**
- ▶ **Productivity through People**
- ▶ **Hands-on, Value-Driven**
- ▶ **Simple Form, Lean Staff**

Let's start with **Close to the Customer**. We have all heard the quote that our jobs would be great "except for these customers calling us all the time." We chuckle at the absurdity of it because we know without "these customers," we don't have a business or organization with a purpose. TPF has both a service and quality obsession. I don't think I have heard a negative word about TPF from any of their clients. This is not surprising in light of the active involvement of senior management. They insist on face-to-face meetings with their clients on a recurring basis. In fact, many of their key executives have the highest frequent flyer miles of the respective airlines they fly. **Without question, exceptional customer service is a non-negotiable at TPF.**

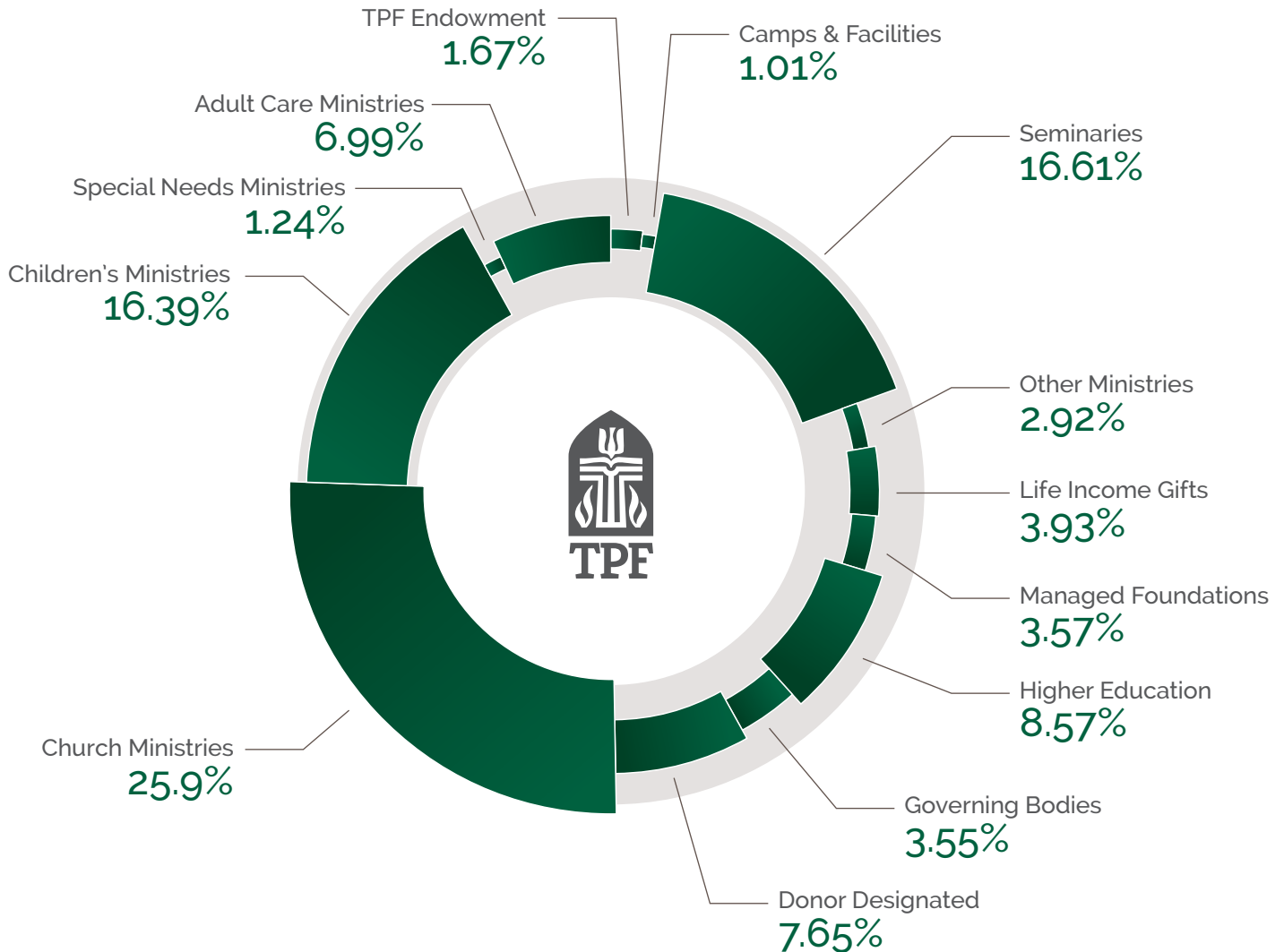
Understanding the value of outstanding customer service comes naturally when operating from a people perspective. This leads us to two of the other attributes central to TPF's organization: **Simple Form, Lean Staff** and **Productivity through People**. TPF has grown its assets under management at a respectable, if not remarkable, rate over the years. All of this was achieved while not significantly increasing staff. TPF's organizational structure is simple, and employees are empowered. Turnover is infrequent to say the least, and the average tenure of employees is over 10 years.

The last attribute, **Hands-on, Value-Driven**, is probably the most defining characteristic of TPF and its employees. This attribute is demonstrated by organizations that know what they stand for, and it serves to inspire people at all levels of the organization. **Hands-on, Value-Driven** organizations are guided by a fundamental belief in being the best. They understand the importance of the details of execution, and they treat people as individuals. They value superior quality and service, and they recognize the importance of economic growth and profits. I have witnessed these principles in action throughout my work with TPF. They remain tirelessly dedicated to their purpose of enabling and expanding mission. Companies like TPF that are guided by these core principles for excellence serve as a model of organizational effectiveness and truly exemplify Peters and Waterman's attributes of success.

# TPF Ministry Partners

# \$824 million

December 31, 2015



# Funds Administered by Texas Presbyterian Foundation

Combined Balance Sheet for Period Ending December 31, 2015

	Market: 12/31/15
<b>Cash &amp; Cash Equivalents:</b>	
Operational Current Assets	40,604.05
Bank of America Client Funds	2,217,535.64
Back Office Operating Cash	596,859.38
Short Term Income Fund	45,081,164.96
<b>Total Cash &amp; Cash Equivalents</b>	<b>47,936,164.03</b>
<b>Pooled Investments:</b>	
Large Cap Equity Fund	65,271,732.97
Large Cap Equity Growth Fund	2,602,430.90
Large Cap Equity Value Fund	5,127,828.34
Small Cap Equity Fund	16,649,410.30
International Equity Fund	19,322,174.46
Emerging Markets Equity Fund	12,540,953.68
Fixed Income Fund	66,230,961.70
Real Estate Fund	5,136,871.86
Real Assets Fund	4,160,292.94
Defensive Strategies Fund	7,962,453.74
Alternative Strategies Fund	5,057,950.17
Gift Annuity Pooled Fund	10,194,951.62
Gift Annuity Pooled Fund (Arkansas)	1,028,679.15
Gift Annuity Pooled Fund (Florida)	18,563.37
TPF Balanced Fund	411,883,288.07
<b>Total Pooled Investments</b>	<b>633,188,543.27</b>
<b>Other Investments:</b>	
Other Investments	38,591,761.80
Assets Held in Custody	105,813,763.08
Furniture & Equipment Net of Depr.	104,351.04
<b>Total Other Assets</b>	<b>144,509,875.92</b>
<b>Total Assets</b>	<b>825,634,583.22</b>

	Market: 12/31/15
<b>Fund Balances:</b>	
Adult Care Ministries	57,692,434.76
Camps & Facilities	8,315,140.23
Children's Ministries	135,219,210.08
Church Ministries	213,501,004.07
Donor Designated	63,133,860.57
Governing Bodies	29,298,250.80
Higher Education	70,721,423.40
Life Income Gifts	32,418,575.51
Managed Foundations	29,460,491.09
Other Ministries	24,099,147.06
Seminaries	137,003,336.70
Special Needs Ministries	10,200,233.10
TPF Endowment	13,758,826.99
<b>Total Fund Balances</b>	<b>824,821,934.36</b>
<b>Fund Liabilities:</b>	
Back Office Accounts	596,859.38
Other Liabilities by Accounts	70,834.39
<b>Total Fund Liabilities</b>	<b>667,693.77</b>
<b>Operational Liabilities:</b>	
Operations Payable	(213.55)
Accounts Payable Fixed Assets	104,351.04
<b>Total Operational Liabilities</b>	<b>104,137.49</b>
<b>Capital:</b>	
Fund Balance	40,817.60
Net Income	-
<b>Total Capital</b>	<b>40,817.60</b>
<b>Total Fund Balances, Liabilities and Capital</b>	<b>825,634,583.22</b>



## Performance of Investment Funds vs Benchmarks

Periods Ending December 31, 2015

	<b>1 Year</b> 12/31/14 - 12/31/14	<b>3 Years</b> 12/31/12 - 12/31/15	<b>5 Years</b> 12/31/10 - 12/31/15	<b>10 Years</b> 12/31/05 - 12/31/15
<b>TPF Balanced Fund</b> Lipper MATA Moderate Index*	<b>-1.2%</b> -1.6%	<b>6.8%</b> 6.3%	<b>6.9%</b> 6.1%	<b>6.2%</b> 4.9%
<b>TPF Large Cap Equity Fund</b> Lipper Large Cap Core Fund Index	<b>1.3%</b> -0.7%	<b>15.5%</b> 13.4%	<b>12.9%</b> 11.0%	<b>8.1%</b> 6.3%
<b>TPF International Equity Fund</b> Lipper International Fund Index	<b>-1.9%</b> -1.4%	<b>6.7%</b> 4.6%	<b>6.5%</b> 3.3%	<b>5.9%</b> 3.7%
<b>TPF Emerging Markets Equity Fund</b> Lipper Emerging Market Fund Index	<b>-13.9%</b> -14.5%	<b>-8.5%</b> -6.3%	<b>-3.3%</b> -4.2%	<b>2.5%</b> 3.2%
<b>TPF Small Cap Equity Fund</b> Lipper Small Cap Fund Index	<b>-2.1%</b> -3.9%	<b>12.2%</b> 10.7%	<b>11.9%</b> 8.8%	<b>8.9%</b> 7.0%
<b>TPF Fixed Income Fund</b> Lipper Core Bond Funds Index	<b>-0.1%</b> 0.3%	<b>0.6%</b> 1.5%	<b>2.9%</b> 3.7%	<b>4.6%</b> 4.6%
<b>TPF Money Market Fund</b> Lipper Institutional MM Fund Average	<b>0.13%</b> 0.01%	<b>0.14%</b> 0.00%	<b>0.15%</b> 0.02%	<b>1.33%</b> 1.09%

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 0.6% 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 MATA Moderate 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](http://www.tpf.org) for a full list of products and returns.

# List of Staff

## Officers

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

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

**Elizabeth A. Wilt**  
Vice President of Finance & Treasurer

**Mary Beth Foster**  
Director of Information Technology

**Sharon S. Nash**  
Corporate Secretary & Corporate Administration

**J. Melinda Hunt, CAP®**  
Director of Ministry Services

## Staff

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**Thomas Beene**  
Technical Analyst

**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

**Sandy Snouffer**  
Executive Assistant

**Jake Wilson**  
Ministry Partners Administrator

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**Dennis D. Whitley**  
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## Trustee Emeritus:

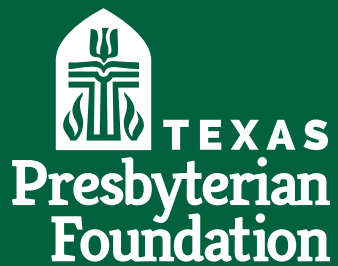
**Peter W. Baldwin**  
Dallas, TX

**Houston H. Harte**  
San Antonio, TX



CELEBRATING **90** YEARS

THANK  
YOU!



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T: 214-522-3155  
F: 214-522-3157

[www.tpf.org](http://www.tpf.org)