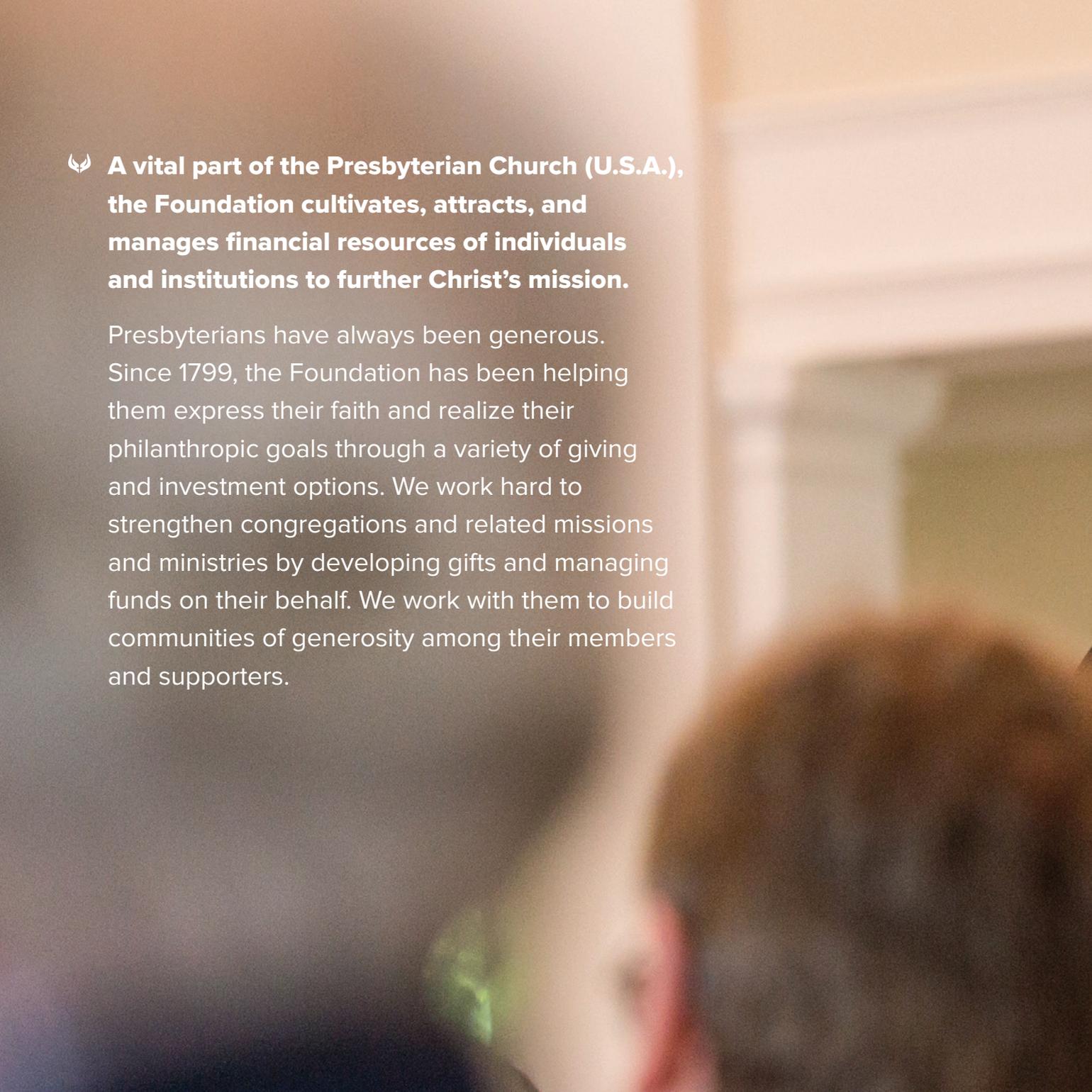


Presbyterian
FOUNDATION



LIVING OUR MISSION

2016 Annual Report



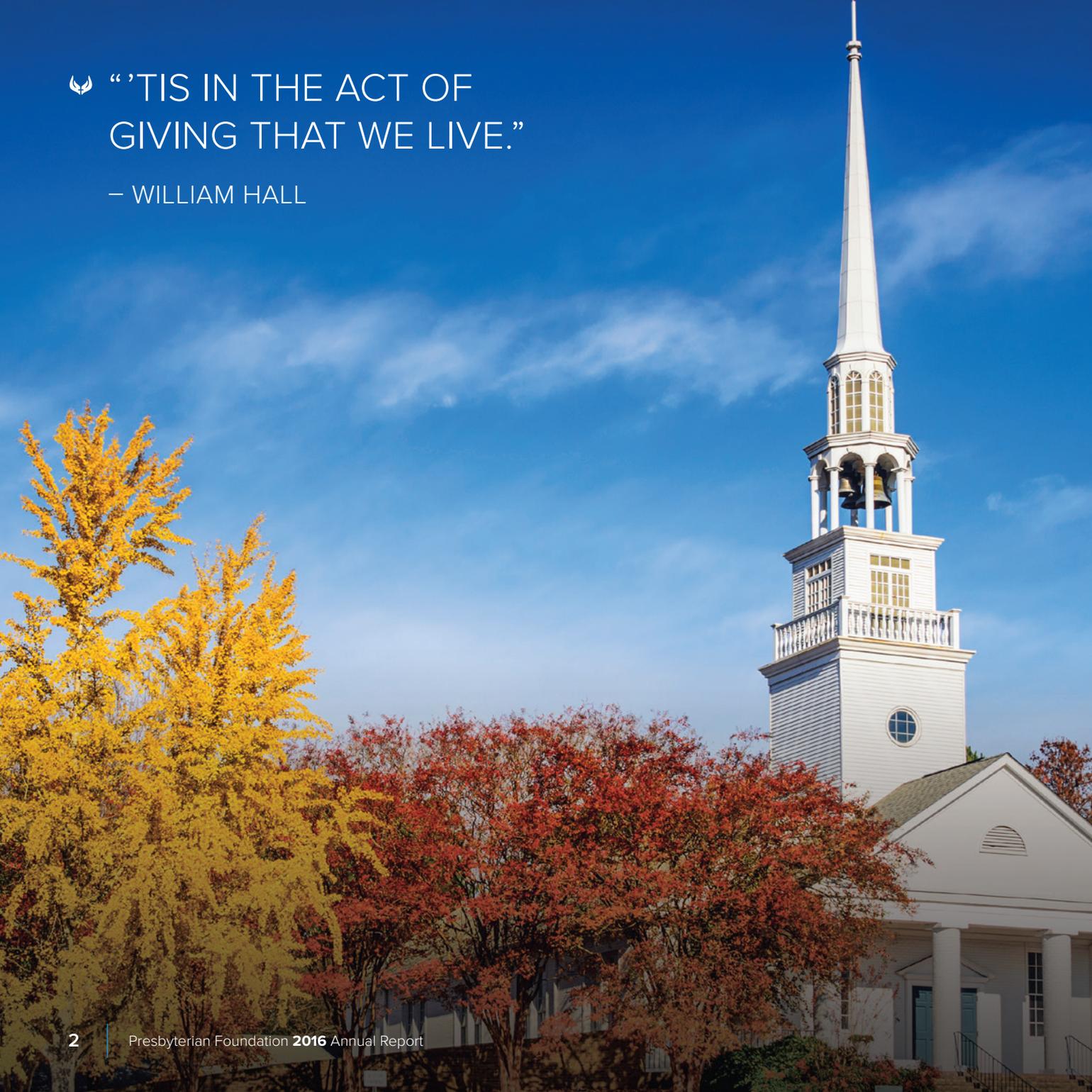
✎ A vital part of the Presbyterian Church (U.S.A.), the Foundation cultivates, attracts, and manages financial resources of individuals and institutions to further Christ's mission.

Presbyterians have always been generous. Since 1799, the Foundation has been helping them express their faith and realize their philanthropic goals through a variety of giving and investment options. We work hard to strengthen congregations and related missions and ministries by developing gifts and managing funds on their behalf. We work with them to build communities of generosity among their members and supporters.



☪ “’TIS IN THE ACT OF
GIVING THAT WE LIVE.”

– WILLIAM HALL





 *Rev. Thomas F. Taylor, J.D., Ph.D.*
President and CEO

LETTER FROM THE PRESIDENT

I am pleased to report that 2016 was another outstanding year for the Presbyterian Foundation. We distributed nearly \$60 million to mission. Over 450 congregations and others are using our Ministry Partnership Funds for online giving and other assistance in their stewardship programs. We received 14,601 gifts through the Presbyterian Mission Exchange online system. This online giving system was the driving force behind a record-setting 2,718 donors—the largest number of donors for a given year in the 218-year history of the Foundation.

Continued on next page

Clearly, the tools and efforts that we have employed are building trust and credibility with pastors and church leaders. They are tapping into what our nearly 10,000 Presbyterian congregations, mid councils, and national and international ministries truly need every day in the life of their ministries.

In the pages that follow, you will read about how the Foundation's innovative tools are assisting faithful Presbyterians to advance Christ's mission. From providing environmentally-sensitive means to invest for congregations concerned about care for God's creation, to advancing gift vehicles that maximize donors' gifts and philanthropic legacies, the Foundation is helping our church look not simply two to three years down the road, but 10 to 20 years ahead to see how we can do our work together for generations to come.

We hope you will celebrate another outstanding year at the Foundation and enjoy articles that reflect the ways that God is at work within and among us. Continue to pray for our staff and Board as we work to best carry out our mission to gather, steward, and distribute resources for Christ's mission in our world.

Yours in Christ,



Rev. Thomas F. Taylor, J.D., Ph.D.
President and CEO

2016 HIGHLIGHTS



\$59.6 Million
DISTRIBUTED TO MISSION



14,601 GIFTS RECEIVED
FROM DONORS THROUGH
ONLINE GIVING



\$7 MILLION ALLOCATED FOR
INVESTMENTS THAT TARGET CLIMATE
CHANGE SOLUTIONS

“But I will say this to encourage your generosity:
the one who plants little harvests little, and
the one who plants plenty harvests plenty.
Giving grows out of the heart ... God is ready to
overwhelm you with more blessings than you
could ever imagine so that you’ll always be taken
care of in every way and you’ll have more than
enough to share.” 2 CORINTHIANS 9:6-8 (VOICE)



INVESTING IN SOLUTIONS
FOR A HEALTHIER ENVIRONMENT

\$5 M

IN LOANS TO HELP CHURCHES
BECOME MORE ENERGY EFFICIENT



SAVING MONEY ON ENERGY
MEANS MORE FUNDS AVAILABLE
FOR MISSION AND MINISTRY



ENVIRONMENTAL STEWARDSHIP



CARING FOR GOD'S CREATION

The Presbyterian Foundation is continually seeking solutions to care for God's creation. We are pursuing 'good investments that do good.' Below are some of the ways we carried out this goal in 2016:

Investments Targeting Environmental Solutions

The Foundation board of trustees has committed that at least \$7 million of the permanent endowment fund holdings will be invested in companies working on climate change solutions. After significant research, the first two clean energy investments have been selected: *LLC Capital* finances residential and commercial clean energy projects, and *True Green Capital* installs and manages commercial solar projects.

Fossil-free Investment Solutions

Through the New Covenant Trust Company (NCTC) the Foundation is able to provide fossil-free investment strategies to congregations and other clients. First Presbyterian Church of Tallahassee, Florida, has already moved their entire endowment fund into such an investment strategy. "We have long

 *Smyrna Municipal Airport,
Smyrna, Tennessee—a True
Green Capital solar project*

been a congregation that is committed to environmental stewardship, which we see as part of our calling to express our commitment to care for creation,” shared the church in their appreciation for this service from the NCTC.

Securities Selection Process

The Foundation sent letters to all of its money managers directing them to consider environmental, social, and governance (ESG) factors in their security selection process. The response from managers was positive. “We appreciate your reaching out and echo your concerns about climate change,” read one of the responses. An energy investment manager went on to say, “It is our responsibility to continually assess potential risks to our portfolio company returns and a progressively carbon-constrained world is one of those risks.”

Dialogue with Energy Companies

The Foundation continues to work closely with the denomination’s Mission Responsibility Through Investment (MRTI) committee to dialogue with companies to bring about positive change. That work is vast in its scope and its complexity. The Foundation and the Board of Pensions have jointly funded a new position in the PC(USA)’s Office of Faith-Based Investing and Corporate Engagement to expand the committee’s capacity for this work.

Loans to Encourage Energy Efficiency

The Foundation is working with the Presbyterian Investment and Loan Program (ILP) to provide low-interest loans to congregations for renewable energy and carbon reduction projects. More than 42 congregations have had loans processed since the summer of 2015 for a total of more than \$5 million—funds that are going directly to helping churches become more energy efficient.





(Above)

Westminster PC in Bay City, Michigan, received a Restoring Creation loan and used it to replace older lighting fixtures with energy-efficient LED lighting in the sanctuary and Sunday school classrooms. They also upgraded thermostats to a zoned system, allowing them to heat and cool specific areas of their church campus.



(Left)

First PC in Tallahassee, Florida, worked with New Covenant Trust Company on a fossil-free investment strategy.



**DONOR-ADVISED FUNDS (DAFs) ARE
AMERICA'S FASTEST-GROWING CHARITABLE
GIVING VEHICLE**

\$494,963

CONTRIBUTED TO
DONOR-ADVISED FUNDS

\$1,297,724

GRANTED TO CHARITIES



DONOR-ADVISED FUNDS



PROMOTING A LEGACY OF GIVING THROUGH A DAF

A Presbyterian Foundation Donor-Advised Fund (DAF)—like an online charitable checkbook—makes giving convenient and flexible and may provide immediate tax benefits. A DAF helps you give the way you want to give, provides an opportunity to teach and share philanthropic values with your children or grandchildren, and creates a legacy of generosity. A donor has 24-hour-a-day online access and a suite of tools to fully manage the fund, including making grant recommendations and additions to the fund. A DAF can be used to respond immediately to disasters, give to your church, or achieve your long-term philanthropy goals.

This story is about donors who have opened a donor-advised fund and are using it to centralize and streamline their charitable giving so they can support the causes they care about and capture the reporting all in one place.

The Habiger Story

When their three sons were growing up, Rob and Celeste Habiger always encouraged them to contribute to their church and community. Celeste says they told the boys, “You’ve been blessed, and so you are responsible to be a blessing to others.”

Now the Habigers have taken that lesson a step further by involving their grown sons in giving through a Donor-Advised Fund (DAF) of the Presbyterian Foundation.

More important for the Habigers, the DAF they established in early 2016 is creating a legacy of generosity for their family. Rob says he and his wife had initially envisioned using the fund to make a charitable donation each year to a cause that all five family members chose collectively. But their sons had a better suggestion. “They had the idea that each of us would get to designate a particular charity.”

“It’s interesting how each one had a different passion,” Celeste observes. And each son’s gift had a personal connection. The oldest son, 41-year-old Trent, recommended a donation to a medical organization started by one of his college classmates. Andrew, 37, selected an organization he volunteers with in Tulsa, Oklahoma. Todd, 33, who has always loved animals, wanted his gift to benefit an environmental group working to address climate change. Each of these organizations is benefiting from a \$500 grant from the Habigers’ DAF.

A minimum of \$2,500 is required to open a DAF through the Foundation. Tax laws require that a donor’s charitable gifts be irrevocable and unconditional in order to receive the associated tax benefits of a charitable deduction. Thus the Foundation has sole control over all investments and grants of the DAF. However, donors like the Habigers can recommend grants of \$100 or more from their fund to each charity they want to support.

The Habigers learned about the DAFs offered by the Presbyterian Foundation in an adult education session at their church, Central Presbyterian Church in Denver. Sherry Kenney, a Ministry Relations Officer for the Foundation, led the session and later worked closely with the Habigers to help them set up their fund. They appreciated her “personal touch.”

Creating the DAF was less complicated and less expensive than setting up a family foundation, Rob says. “You can start



 *The Habigers—Trent, Celeste, Rob, Todd, and Andrew—each supported charities for which they have a special passion.*

small and build up your fund over time. A DAF makes a lot of sense for smaller estates like ours.”

“The faith-based part is important to us as well,” Celeste adds. Unlike similar funds offered by secular financial institutions, DAFs offered by the Presbyterian Foundation help support the Presbyterian Church (U.S.A.).

The Habigers have been Presbyterians for nearly four decades, active at both the local and presbytery level. They also have a particular interest in world mission growing out of Rob’s extensive overseas travel as a manager for ConocoPhillips and later a Swiss start-up company.

Now retired, Rob takes advantage of the matching grants offered by his former employer to double the charitable contributions from their DAF.

Trent, Andrew, and Todd have been designated “successor advisors” who will take responsibility for the family’s DAF



HOW A DONOR-ADVISED FUND WORKS



Make a Donation

You may open a DAF with at least \$2,500 from a check, credit/debit card, electronic funds transfer, wire transfer, marketable securities, or nontraditional assets. Additions of any amount to the fund can be made by the primary advisor or others.



Support Charities

Make grant recommendations of \$100 or more to any 501(c)(3) eligible charity at any time.



Grow the Balance

Make recommendations for investment allocation in one or a combination of selected mutual funds.

after Rob and Celeste have died. They will continue the legacy of stewardship established by their parents, who took them on mission trips, encouraged them to volunteer and to participate in the church youth group, and taught them to give of both their time and treasure.

Rob believes DAFs can be effective teaching tools for any family, as long as the children are mature enough to understand and buy into decisions about charitable donations. He says the DAF addresses a major concern of parents wanting to pass on their commitment to giving: “How do you leave not only money but also a legacy and a passion for philanthropy?”

Kenney agrees. For young people, she says, “experiencing the joy of giving and learning how their gifts have made a difference in people’s lives can create a lifelong habit of giving.”

BENEFITS OF A DONOR-ADVISED FUND INCLUDE:

Flexibility

You make gifts to your congregation and many other organizations as well.

Giving on Your Schedule

You may receive an immediate tax deduction when you open your fund.

Lasting Legacy

You can ensure that giving continues after your lifetime through instructions you leave with the Foundation.

Thinking Beyond Traditional Assets

Funding your donor-advised fund with appreciated, non-liquid assets may provide you with a tax-smart way to give.



Changing church culture toward healthier understanding and practices of church financial administration and leadership.





2016 LILLY
ENDOWMENT INITIATIVE



CHURCH FINANCIAL LITERACY AND LEADERSHIP

The Presbyterian Foundation received a three-year grant in 2016 as part of the Lilly Endowment's National Initiative to Address the Economic Challenges Facing Pastoral Leaders. The Lilly initiative supports a variety of religious organizations across the nation as they address the financial and economic struggles that can impair the ability of pastors to lead congregations effectively. Research has shown that economic challenges result from an array of professional issues that are theological, staff-related, systemic, personal/political, and technological. Each of these elements must be addressed to effectively change church culture toward healthier understandings and practices of church financial administration and leadership.

The Foundation's initiative, *Church Financial Literacy and Leadership*, provides pastors and church leaders with resources, tools, and other support to help address the financial and leadership challenges of congregational ministry and mission in the 21st century. These resources help pastors navigate the changing cultural context they face as they seek to strengthen the financial vitality of their congregations. This will enable these congregations to join in Christ's mission to engage their local communities.

FIVE WAYS TO HELP PASTORS STRENGTHEN THE FINANCIAL VITALITY OF THEIR CONGREGATIONS

#1

Working directly with a group of congregations in a year-long pilot to address each congregation's contextual challenges in the areas of church financial management, mission clarity, and cultivating a culture of generosity.

#2

Training and equipping pastors in their first five years in ministry, particularly in developing a theology of stewardship, fostering generous disciples, and gaining financial literacy that helps them become cultural architects of Biblical stewardship and generosity. This work is in partnership with the Company of New Pastors.

#3

Developing church financial management resources and educational materials specifically for New Worshiping Community leaders and church planters as they engage new and emerging forms of church. This is being done in

partnership with the Church Planting Initiative at Pittsburgh Theological Seminary.

#4

Creating a user-friendly e-learning/training portal providing theological and practical resources for church financial management, leadership, and discipleship. In the future, the Foundation will offer an online Certificate in Church Financial Leadership.

#5

Providing grants so that pastors can attend church literacy and leadership events and training and continuing education opportunities that will help them lead their congregations toward financial and missional vitality.



NEW DIRECTOR LEADS FINANCIAL LITERACY AND LEADERSHIP EFFORTS



In May 2016, Rev. David M. Loleng joined the Foundation as Director of Church Financial Literacy

and Leadership to oversee the Foundation's programs and services related to the Lilly initiative—working to address financial challenges that diminish the effective ministry of pastoral leaders. He is leading efforts to assemble a body of educational materials and tools for effective financial church leadership and administration and make them available to both pastors and lay leaders; develop a comprehensive overhaul of the PC(USA) congregational stewardship system (i.e., how Presbyterians view and raise funds for ministry and mission); and build on existing and create new technological means to deliver training, tools, and resources for pastoral and congregational leaders. David's more than 20 years of pastoral experience and his work at the Presbyterian Mission Agency developing multi-faceted curricula for the Engage program are helping us bring this vision to reality.

CHURCH FINANCIAL LITERACY AND LEADERSHIP PROGRAM OVERVIEW 2016-2018

Ministerial Excellence Fund: Church Financial Leadership Grant

Provide grants to pastoral leaders for continuing education and training events and/or tools for church financial leadership.

Presbytery Engagement Pilot

Six presbyteries: Eight churches and eight apprentices per presbytery. Diversity in geographical regions and church context. Site visit and 12 monthly consulting sessions.

Pastors in First Five Years

Two-day pilot training/education event for new pastors on the basics of church finance, administration and leadership, theology of money, generosity, and stewardship.

New Worshiping Community Leaders and Church Planters

Church Planting Initiative at Pittsburgh Seminary. Develop resources and tools specific for NWCs and church planters in the area of stewardship/ generosity, financial literacy, church financial management, and fundraising.

Resources

Electronic portal, online courses/videos, articles and papers, print resources, webinars/podcasts, stories.

BY THE NUMBERS

\$59.6 Million

DISTRIBUTED TO MISSION

PRESBYTERIAN ENDOWMENT FUNDS* SUPPORT:

- National and Global Mission through Presbyterian Mission Agency and other GA Entities
- Congregations
- Health and Social Services Ministries
- Education, including Theological Education
- Presbyteries and Synods
- Other Mission and Discipleship



*Market Value

\$1,018,169,348

Total Assets Stewarded by the Foundation

\$172,962,624

Total NCTC Assets Under Management

\$712,030,202

Assets in New Covenant Funds:
Includes \$220 Million Foundation and NCTC Assets

\$1.68 Billion

 IN ASSETS SERVICED

452

Churches and Ministries
Using Online Giving
Platform

12,366

Ministry Accounts
Under Management

2,718

Donors Made Gift
Contributions in 2016

14,601

Gifts Received through
Online Giving via Mission
Exchange

\$2,553,736

Gifts Received through
Mission Exchange

\$42.6 MILLION

New Gifts and Investments
Includes \$25,101,086 New NCTC Assets
Under Management

\$494,963

Gifts Received to Donor
Advised Funds

3,761 TOTAL BENEFICIARIES

(608 organizations have multiple types of funds)

 2,090 from Permanent Funds

 1,211 from Life Income Plans

 460 from Ministry Partnership Funds



PARTNERS IN FUNDING MISSION

The Presbyterian Foundation partners with individual donors and the congregations and mission organizations they support to gather resources, steward gifts and investments, and disburse funds faithfully. It is our ministry to increase funding for mission.

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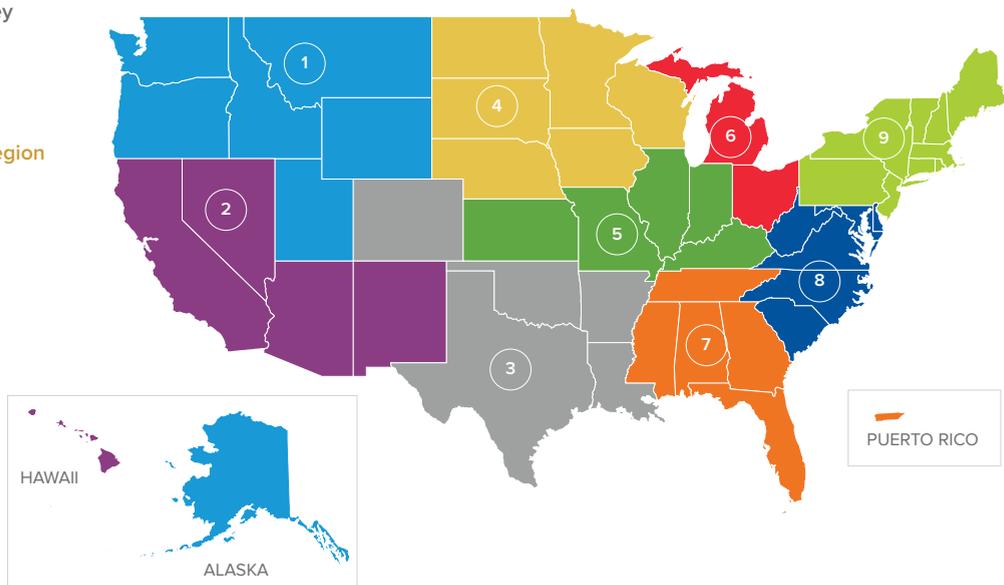
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