Dear Friends,

Thank you for taking the time to review our 2017 annual report for East Texas Communities Foundation (ETCF). We hope that you are able to use this to guide you in identifying your purpose, passion and place for charitable giving!

Our PURPOSE at the Foundation is to provide simplified giving tools that help donors reach their charitable goals. Inside these pages, you will find information and stories about how current donors use their funds at ETCF to do just that. Ultimately, we hope this report shows you that ETCF is the perfect partner to unite your charitable passions.

2017 was a year of growth for many, as the stock market had one of the strongest years in recent history. Here at ETCF, along with phenomenal investment growth, we had a historic year for giving – our fund holders made grants of more than $7 million to nonprofits located in East Texas and across the United States. Our staff welcomes the opportunity to assist donors with their PASSION for making our communities a better place to live, grow and thrive.

The board of directors and staff are committed to serving our entire 32-county region of East Texas. This unique geographical region is home to generous people, working to improve the lives of our neighbors. It is our desire to be available to help when the time is right. Call us - we welcome the opportunity to visit with you and your trusted professional advisors or boards to discuss current and testamentary giving options. Together, we can create a plan to achieve your goals and create a lasting legacy in the PLACE you call home.

You have many choices as you consider partners to help you with your charitable mission. We believe that philanthropy builds community. ETCF supports philanthropy by offering simple ways for donors to achieve their charitable goals. We look forward to working with you to meet your goals too!

Kyle L. Penney
President,
East Texas Communities Foundation

Doug Bolles
Board Chairman,
East Texas Communities Foundation

Education: A grant from the Edwin A. “Blue” and Janice Owen Miller Charitable Fund was used by Athens Public Education Foundation (APEF) to enrich the lives of students at Athens Independent School District. APEF made 15 grants to teachers throughout the district which impacted over 1800 students.

The Tyler Area Chamber of Commerce recognized East Texas Communities Foundation as the 2017 Small Business of the Year at their annual meeting in early October. Pictured left to right: Shannon Dacus, Kyle Penney, Rick Allen, Kristen Seeber.

STAFF
Kyle Penney, President/CEO ........................................ kpenney@etcf.org
Mary Lynn Smith, Program Officer ................................. msmith@etcf.org
Beth Filla, Donor Relations ......................................... bfilla@etcf.org
Holly McFarlin, Director of Public Relations ........... hmcfarlin@etcf.org
Lindsay Sneed, Director of Finance & Administration .... lsneed@etcf.org
Lisa McIntyre, Assistant to the President ..................... lmcintyre@etcf.org
2017 Financial Summary

Total Assets 12/31/16........... $80,303,923
2017 Contributions ................. $6,754,022
2017 Grants ......................... ($7,177,768)
Net Investment Activity ....... $10,870,254
Net Operating Expenses .......... ($712,630)
Total Assets 12/31/17........... $90,037,801

Human Services: ETCF donors supported Hiway 80 Rescue Mission’s Annual Thanksgiving Meal. The ministry estimated around 1,100 meals were served between their Tyler and Longview locations.

Community: The City of Longview held their 4th of July Fireworks and Freedom Celebration at Maude Cobb Convention and Activity Complex. Grants recommended by ETCF Donor-Advised fund holders provided support for the fireworks at the event.

Human Services: Over $120,000 in grants were initiated by ETCF fund holders in the wake of nine confirmed tornadoes that impacted Henderson, Van Zandt and Rains counties. Pictured is Andy Teague cleaning up his living room after the April tornadoes. (Picture credited to Andy Jacobson/The Dallas Morning News)

Education: A grant from the Roy and Betty Erickson Charitable Fund for Nursing at ETCF was awarded to the SFA School of Nursing. Funds from the grant went to purchase Ventriloephones. Students are able to use this device as a real stethoscope, but the faculty has the ability to control the sounds the students hear.
Giving options help donors achieve their charitable goals.

East Texas Communities Foundation (ETCF) works with individuals, families, businesses, financial advisors and nonprofit organizations to create charitable funds which support a wide variety of community causes and individual philanthropic interests. ETCF offers 7 different types of charitable funds to meet the unique needs of our donors.
FUND TYPES

Individuals turn to East Texas Communities Foundation to fulfill their charitable and financial goals. Sometimes, they wish to create a charitable fund using a personal asset—such as cash, securities, retirement funds, business interests, real estate and mineral interests. Often, they are looking for advice on how best to address an issue or support an organization that is important to them. ETCF offers 7 fund types to meet the many needs of our donors.

DONOR-ADVISED FUNDS

Donor-Advised Funds are a flexible and easy way to support the organizations and issues you care about—both now and in the future. As a donor, you may make gifts to your fund at any time, taking a tax deduction for the year in which the gift is made. You, or your designated advisor, may then make grant recommendations at any time from the fund to charities of your choice. A donor-advised fund may be created by an individual, family, group, or organization to support public charities.

SCHOLARSHIP FUNDS

Scholarships are often established by individuals or organizations to support academic interests or to memorialize a loved one. Scholarship funds provide for a certain school or field of study to perpetuate through a deserving student’s education. Businesses and civic groups may set up scholarship funds to encourage students to pursue a related field of study, honor a founder or long-time employee, or to encourage the next generation of community leaders.

FIELD OF INTEREST FUNDS

Field of Interest Funds benefit many charitable organizations within a defined category of interest. You may choose a certain geographic area or an area of need—such as health care, disaster relief, homelessness, education, the environment, etc. Field of Interest Funds can establish a permanent legacy for your community.

DONOR-DESIGNATED FUNDS

A Donor-Designated Fund is similar to a Donor-Advised Fund, but it focuses on a single charity or several named charities. The advisor may recommend grants to support the organization(s) at any time from income and principal. Funds remain invested, earning income to support the charity’s mission.

PROJECT FUNDS

A Project Fund can be customized to support a specific charitable program or project. For example, this fund could be used as a financial investment tool during a capital campaign or construction project for a nonprofit organization—either as a one-time opportunity or as a multi-year program or initiative. The fund can receive contributions and make distributions based on a schedule that best fits the needs of the project.

NONPROFIT ENDOWMENTS

Nonprofit organizations and their donors can establish a permanent endowment fund to support a charity in perpetuity. ETCF provides investment management and can help charities receive complex assets such as real estate or business interests. An endowment fund sends the message to the community that an organization is building for the future. ETCF offers both permanent and non-permanent endowment options.

UNRESTRICTED FUNDS

The Unrestricted Charitable Fund offers the broadest option for charitable giving in your community. This fund is used to address East Texas communities’ most pressing needs, as those needs change over time. By making a gift or bequest to the unrestricted fund, you are helping support East Texas charities to address the most relevant needs of our community—forever.
Local nonprofits improve lives in our communities.

Nonprofits touch lives in the communities they serve. East Texas Communities Foundation supports nonprofit organizations that provide services for East Texans and beyond. Communities benefit from having a range of organizations working on crucial issues, from improved health care and affordable housing to environmental protection and artistic expression.

ETCF takes pride in being a valued resource for nonprofits—by educating nonprofit leaders, providing grant support and bringing people together.
As a fellow nonprofit, East Texas Communities Foundation is keenly aware of the funding challenges facing charitable organizations. ETCF can assist nonprofits in two significant ways. First, in its role as grant maker, ETCF has distributed millions of dollars to nonprofits. Second, ETCF assists the nonprofit sector through careful stewardship of endowments for charitable agencies. If you are a staff member, board member, friend, volunteer, or advisor of a nonprofit organization, you may find that placing an endowment with East Texas Communities Foundation is a cost-effective and practical way to manage and build your organization.

ENDOWMENT
Building For The Future– Now.

1. Create the Endowment: Endowments are an attractive option to donors, particularly those who wish to make large gifts or leave a gift by bequest, since their donation is invested in perpetuity and only annual income is expended for short-term operating costs. Even a small endowment is a seed to which your organization and supporters can grow over time.

2. Build the Endowment: East Texas Communities Foundation’s endowments are managed by professional investment managers chosen by its Investment Committee for their expertise. Because the funds are pooled for investment purposes, agency endowments at ETCF obtain lower fees, greater diversification of investments to protect against market fluctuations, and more efficient investment service than endowments that are invested separately. ETCF is able to handle gifts of publicly traded and closely-held securities, real estate, life insurance, and more, while providing the expertise needed to receive these types of gifts into your agency endowment.

3. Partners for Future Growth: East Texas Communities Foundation advocates endowment building because this source of permanent capital helps organizations plan for a stable and secure future. Almost 100 nonprofit organizations are already building endowments with us. Nonprofit Endowment funds provide organizations with a reliable, ongoing source of financial support.
John Biggers Mural- The History of Black Education in Morris County

Northeast Texas Community College (NTCC) and the Tyler Museum of Art received gifts from The Burt and Nancy Marans Charitable Fund at East Texas Communities Foundation to restore a 1955 mural by Dr. John Biggers.

The piece, which is on a single bolt of muslin measuring twenty-two feet long and six feet tall, will be on permanent display at Northeast Texas Community College in Mount Pleasant, Texas.

Dr. Biggers was a well-known, highly respected African American artist, muralist, author and lecturer who passed away in 2001. With the addition of the mural, NTCC will be home to the largest known collection of Dr. Biggers’ artwork.

The story of the unique piece begins in 1955 when Biggers was commissioned to paint the mural. The artwork depicts the struggles that African Americans faced in the early 20th century while trying to obtain an education. After the painting was completed, it was displayed for several years in what was once George Washington Carver High School, the African American school serving the Naples and Omaha communities in Morris County, Texas.
East Texas Giving Day was held from 6:00 a.m. to midnight April 25, 2017. During East Texas Giving Day, nonprofit organizations encouraged their donors and the public to make charitable donations online at www.EastTexasGivingDay.org.

This initiative, organized by East Texas Communities Foundation (ETCF), provides citizens across ETCF’s 32-county service area an easy platform to support the mission of local nonprofits that serve our communities.

For us, one of the most rewarding aspects of participating in East Texas Giving Day was getting to collaborate with other nonprofits in my community. We serve many of the same clients and it was great to work together on developing a county-wide giving campaign.

Emily Belue, Salvation Army of Longview, Texas

Mental Health Awareness on the Rise in East Texas Thanks to Local Initiatives

When Doug and Mo McSwane’s son, Patrick, was diagnosed with schizophrenia in 2005, their awareness of treatment options in East Texas was extremely limited. The family managed the disease for a short-time, but in 2012, Patrick lost his battle with schizophrenia.

The McSwane’s gave purpose to the family’s loss by working with Samaritan Counseling Center of East Texas to organize the first Peace of Mind conference in 2014 aimed at reducing the stigma surrounding mental illness and building awareness of the signs and symptoms. The McSwanes use their donor-advised fund to support organizations providing assistance for families dealing with mental illness.

“Everyone at some point will encounter a form of mental illness,” said Doug McSwane, a lawyer at the Potter Minton Firm and advisor to the McSwane Family Charitable Fund held at East Texas Communities Foundation. “It doesn’t make any difference if you’re rich, poor, what your gender is, what your race is, mental illness can affect us all.”

Mo and Doug McSwane, with help from the Samaritan Counseling Center of East Texas, formed the Peace of Mind conference held every fall in Tyler, Texas.
ETCF is the charitable arm of your professional advisory team, supporting you and your clients through every step of the giving process while you retain complete control of your client relationships.

We can help:

- identify your clients’ charitable giving interests and goals.
- match personal charitable interests with tax planning needs.
- create and implement charitable plans integrated with major business, personal and financial decisions.
- provide information on community needs and on the agencies and programs that are of greatest interest to your clients.

At ETCF, we understand the importance of the role of various professional advisors in a donor’s charitable giving. We welcome the opportunity to partner with a regional network of accomplished professionals with expertise in tax law, estate planning, accounting, wealth management and financial planning.

Professional ADVISORS
–A vital role in helping grow philanthropy
Why choose ETCF? Compare your options.

ETCF is a public charity, governed by a board of community leaders. We offer several advantages not available to private foundations— for example, higher tax deductibility for charitable contributions and professional administrative support. A comparison of your charitable options can be reviewed below.

<table>
<thead>
<tr>
<th>Gifts-Options and Considerations</th>
<th>Direct Gift to Charity</th>
<th>Private Foundations</th>
<th>East Texas Communities Foundation</th>
<th>Supporting Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Deductible</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publicly Traded Securities</td>
<td>FMV*</td>
<td>FMV*</td>
<td>FMV*</td>
<td>FMV*</td>
</tr>
<tr>
<td>Other Appreciated Property</td>
<td>FMV*</td>
<td>Limited to Cost Basis</td>
<td>FMV*</td>
<td>FMV*</td>
</tr>
<tr>
<td>Percentage Limitations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Gifts</td>
<td>60% of AGI**</td>
<td>30% of AGI**</td>
<td>60% of AGI**</td>
<td>60% of AGI**</td>
</tr>
<tr>
<td>Appreciated Property</td>
<td>30% of AGI**</td>
<td>20% of AGI**</td>
<td>30% of AGI**</td>
<td>30% of AGI**</td>
</tr>
<tr>
<td>Other Considerations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excise Tax on Investment Income</td>
<td>No Investment Income</td>
<td>1% – 2%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Excess Business Holding Limitations</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Donor Control</td>
<td>Full</td>
<td>Legal</td>
<td>Advisory</td>
<td>Donor can be minority board member</td>
</tr>
<tr>
<td>Anonymity</td>
<td>Yes</td>
<td>No. Must file detailed returns on grants, investments, fees, salaries, etc.</td>
<td>Yes. Donors and grants can be private. Foundation can serve as a buffer between donor and grant-seekers</td>
<td>Limited</td>
</tr>
<tr>
<td>Distribution Requirement</td>
<td>No</td>
<td>Yes– 5% annually</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Incorporation, Tax Exemption, Audit/ Tax Returns, Directors/ Officers Insurance, Grants Management, Compliance</td>
<td>Not Applicable</td>
<td>Responsible for all functions; foundations less than $3 million have average expenses ranging from 3-5%, decreasing as the assets grow larger</td>
<td>ETCF handles all administration and investment management with a tiered fee ranging from 1.31-2.25%, decreasing as the assets grow larger</td>
<td>Attached to Communities Foundation yet remains independent– fees are generally between private foundations and communities foundations</td>
</tr>
<tr>
<td>Primary Disadvantages</td>
<td>Timing – Gift must be made in same year as income to maximize tax benefit</td>
<td>Compliance, tax reporting, annual payout requirements, tax on investment income, contribution restrictions.</td>
<td>Advisory vs. Ownership control</td>
<td>Minority control, does not eliminate separate accounting and tax reporting</td>
</tr>
<tr>
<td>Primary Advantages</td>
<td>Control, family identity</td>
<td>Control, independence, family identity, administrative compensation permitted</td>
<td>Deductibility, nonprofit knowledge, flexibility, permanence, tax-free growth and no administration</td>
<td>Deductibility, separate board, family identity, more apparent control</td>
</tr>
</tbody>
</table>

*Fair Market Value  **Adjusted Gross income

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PARTIAL LIST OF ETCF FUNDS

Donor-Advised Funds
Anonymous Donor-Advised Fund (8)
Adams Family Donor-Advised Fund
Agape Aged Giving Fund
Sidney and Anna Lee Allen Charitable Fund
Allison Family Donor-Advised Fund
Anderson-Vukasich Donor-Advised Fund
Jeff and Stecy Austin Donor-Advised Fund
Beck Family Charitable Fund
Glenda Barnett Charitable Fund
Barbara and Billy Bass Charitable Fund
Beryl Berry Donor-Advised Fund
Carl and Evelyn Bochow Donor-Advised Fund
Thomas W. Bochow, MD Donor-Advised Fund
Marylin Joan Bittierman Donor-Advised Fund
Brad and Ann Brookshire Donor-Advised Fund
Tim and Michelle Brookshire Donor-Advised Fund
Brown Family Donor-Advised Fund
Glenda and Bill Barrett Charitable Fund
Frank J. Budge and Marilyn Budge Donor-Advised Fund
Joyce Buffett Donor-Advised Fund
Bullard Rotary Charitable Fund (Bullard’s Kids’ Park)
Butt Family Fund
Shirley and Jewel Chase Donor-Advised Fund
Cordell Family Donor-Advised Fund
Bryan Daniel Fund
Ken and Jody Daniel Donor-Advised Fund
Emily and Gerald Gibson Fund
Gerard Family Donor-Advised Fund
Gertrude Windsor Garden Club Fund
George R. “Fritz” and Rita A. Fryer Charitable Fund
Robert and Beth Faulkner Donor-Advised Fund
Larry and Dana Fleming Charitable Fund
George R. “Fritz” and Rila A. Fryer Charitable Fund
Gladys and Thomas “T.B.” Stewart Scholarship Fund
Burt Family Fund
Karen Frieze and Phil Frieze Charitable Fund
Gladys and Thomas “T.B.” Stewart Scholarship Fund
Cordell Family Donor-Advised Fund
Emile and Gerald Gibson Fund
Greater Longview United Way Donor-Advised Fund
Dr. and Mrs. Charles Gordon Donor-Advised Fund
Joyce and Zielko Goldberg Donor-Advised Fund
Gary and Lisa Gross Donor-Advised Fund
J. L. Guiley, Jr. Charitable Fund
Joyce and William Hallman Fund
Brian E. and Jan Hancock Donor-Advised Fund
Tim Hayward Medical Lecture Fund
Hurst Family Fund
Presley C. and Virginia B. Hudson Donor-Advised Fund
Hurst Family Charitable Fund
H. T. and Laura Hyde Charitable Fund
Jasper Family Donor-Advised Fund
Kahlo’s 1st Bank Perkins Family Foundation State Employees’ Children’s Scholarship Fund
Kashanee Charitable Donor-Advised Fund
Kathleen and Tom Crowson Donor-Advised Fund
Frances Cowan Gibson Tyler ISD Fine Arts Endowment
Kathleen and Tom Crowson Donor-Advised Fund
Kim and Greg Wright Charitable Fund
Daytime Christian Missions Jere E. Ketner Scholarship Fund
John Evans Endowment for the Benefit of the East Texas Symphony Orchestra Foundation
Johnson Elementary Ventures Endowment Fund
John Evans Endowment for the Benefit of the East Texas Symphony Orchestra Foundation
John Evans Endowment for the Benefit of the East Texas Symphony Orchestra Foundation
John Evans Endowment for the Benefit of the East Texas Symphony Orchestra Foundation
John Evans Endowment for the Benefit of the East Texas Symphony Orchestra Foundation

*Some nonprofit endowment funds may permit the beneficiary organization to access principal under certain circumstances. Please call if you have questions prior to making a gift to one of these existing funds. Complete list available online http://etcf.org/donors/donor-resources/current-list-of-etcf-funds/
Investments

Strategy: East Texas Communities Foundation’s investment strategy is designed to provide a predictable and stable return for grant-making, while maintaining the purchasing power of the Foundation’s assets over the long-term. The Foundation’s goal is to enable our donors to achieve both their philanthropic and financial objectives.

Portfolios: In order to meet the philanthropic objectives of various funds, donors can recommend one of six professionally-managed investment portfolios. Donors may select an actively-managed investment portfolio or a portfolio of passive index funds following one of three investment strategies as described below.

CONSERVATIVE

Objective: preservation of capital and maintenance of purchasing power

**conservative**

- 80% Bonds
- 20% Equities

The conservative portfolio is recommended for funds which are expected to distribute income and principal in the short-term. Any distributions made from funds invested in the conservative portfolio will likely include “principal” distributions.

MODERATE

Objective: maintain purchasing power and provide growth of capital and income

**moderate**

- 40% Bonds
- 60% Equities

Long-term funds such as nonprofit endowment funds and scholarship funds are typically invested in the Moderate Portfolio to meet annual distribution requirements and growth for the future.

GROWTH

Objective: capital appreciation

**growth**

- 20% Bonds
- 80% Equities

Recommended for endowed or non-endowed funds which desire a higher potential spending rate and are willing to endure a higher level of volatility.

Our investment committee, made up of community leaders, works with a team of professional investment advisors to guide the investment strategy of the Foundation. Committee members are:

- James Richard Allen, CPA, Shareholder, Henry and Peters, P.C., Investment Chair
- Douglas G. Bolles, Executive Vice President, Southside Wealth Management, Advisory Member
- Bob Dyer, Vice-Chairman & CEO, BTH Bank
- Steve Roosth, President, Roosth Production Company
- Alan Roseman, CPA, Roseman Wealth Advisors
- Scott Terry, Retired Investment Advisor
- A.W. “Whit” Riter, III, President, Riter Management Co., L.C.
- Thomas M. Woldert, Co-Owner, RE/MAX Tyler

Interested in recommending your investment advisor?

Donors creating funds with balances of $500,000 or greater, may recommend the funds be invested with an outside manager. ETCF’s Investment Committee works with outside investment advisors to help donors reach their charitable goals.
FINANCIAL HIGHLIGHTS
Year Ending December 31, 2017

ASSETS
2008 - 2017, in millions

GRANTS
Total Grants $7,177,768

Grant Amounts by Year
2007 - 2017, in millions

2017 Number of Funds by Type
Donor-Advised Funds ...............................103
Nonprofit Agency Funds ............................ 82
Scholarships .............................................. 56
Donor-Designated ..................................... 29
Field-of-Interest ...................................... 24
Project ................................................... 2
Unrestricted ............................................. 1

2017 total funds: 297
Executive Committee

*Deceased

Board of Directors

Marilyn Abegg Glass  
Chairman of the Board  
Abegg & Associates

Jon Alexander  
Attorney, CPA  
Wilson, Robertson & Cornelius, P.C.

Robert Bailes  
CPA, Founder  
Bailes & Company, P.C.

Peter Boyd  
Senior Executive Vice President  
Southside Bank

Brad Brookshire  
Chairman & CEO  
Brookshire Grocery Company

Steve Dement  
President  
Landmark Title Company

Bob Dyer  
Vice President & CEO  
BTH Bank

Kimberly Fish  
Freelance Writer &  
Community Volunteer

Dawn Franks  
President  
Your Philanthropy

Shannon Glenney  
Community Volunteer

Advisory Board

Craig Adams  
Attorney  
Adams & Coker, P.C.

A.W. “Whit” Riter, III  
President  
Riter Management Co., L.C.

W. Fred Smith, Jr.  
President  
The Gathering

Emeritus Board

Allen Burt  
Allen M. Burt Financial Services

F. William Martin  
Retired Civic Leader

H.T. Smith  
Managing Partner  
Rutledge Capital

Norman Shtofman*  
The Shtofman Company

A.W. “Dub” Riter, Jr.*  
Riter Management Co., L.C.

East Texas Communities  
Foundation serves  
32 counties in East Texas.
Philanthropy builds community and changes lives.
East Texas Communities Foundation supports philanthropy by offering simple ways for donors to achieve their charitable goals.