

the **HIGHER STANDARD**

— 2016 ANNUAL REPORT —

HIGHGROUND[®]
ADVISORS

Protect. Strengthen. Grow.[®]

“A GOOD hockey player plays where the puck is. A GREAT hockey player plays where the puck is going to be.”

—*Wayne Gretzky*



Letter from President & Chief Executive Officer

JEFF W. SMITH

And we want to be a GREAT player. That was the underlying goal of Baptist Foundation of Texas in 2015 as we moved forward with our new marketing and branding initiative. The initiative was based on the need to evolve our organization and ensure its products and services continue to be relevant to nonprofit organizations in today's changing marketplace.

We began this effort in 2014 with the understanding it would take several years to complete. However, we are proud to announce that we realized significant progress in 2015 and 2016.

Our leadership team made it a priority to observe, examine and scrutinize every aspect of our operations. We also conducted a brand perception study to ensure we had reliable information and data to guide our thinking. Though the operational review and the study revealed many positives, it also outlined opportunities for improvement. After 87 years, we had become a little stodgy. In essence, we needed to be more flexible and offer broader investment options while remaining true to our legacy of service.

Plans were laid in 2015 to provide current and prospective clients with a greater mix of financial products, services and tools. But perhaps the most important outcome is the promise we made to protect, strengthen and grow our clients' assets. It's a commitment in harmony with our mission to encourage, receive and manage charitable gifts for nonprofit organizations dedicated to transforming lives.

Based upon feedback from the brand perception study, we decided to change the name of the organization as well. In 2016, we unveiled our new identity: HighGround Advisors and HighGround Trust Company. The new name and logo carry an air of sophistication while reflecting our white glove service. But they are also symbolic of our exalted obligation to protect, strengthen and grow our clients, and uphold our faith-based legacy. The first biblical mention of a worship site is later called a high place (Genesis 12:6-8). Moses met God on the higher ground of Mt. Sinai (Exodus 19:1-3) and the prophet Samuel regularly visited the high places of worship (1 Samuel 7:16).

As we turn the page in the next chapter of our journey, I am reminded that God has a plan for all of us. It is His journey and path that we seek to follow.







Letter from Vice President & General Counsel

JOE HANCOCK

At HighGround Advisors, we are privileged to assist the many wonderful donors who generously support our clients. By helping them explore numerous giving opportunities, we have enabled dozens of donors to accomplish their philanthropic objectives and further the work of our clients during 2016.

The attorneys at HighGround work alongside development officers to guide donors and their advisors in establishing charitable trusts, charitable gift annuities, donor advised funds, endowment and scholarship funds, and outright gifts of complicated assets. Operating within the framework

of each donor's objectives and needs, we have facilitated the gifting of diverse assets, including cash, securities, real estate, minerals and closely-held business interests.

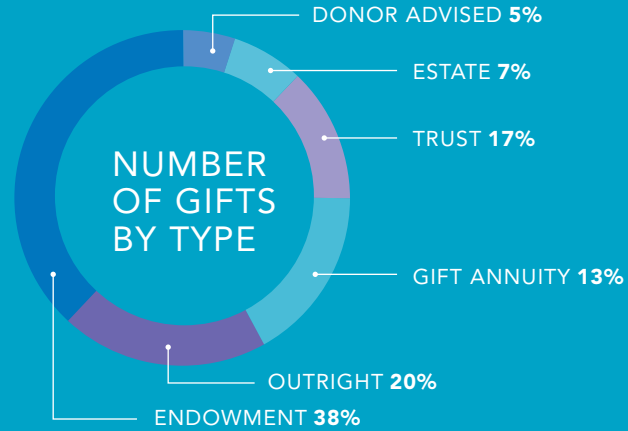
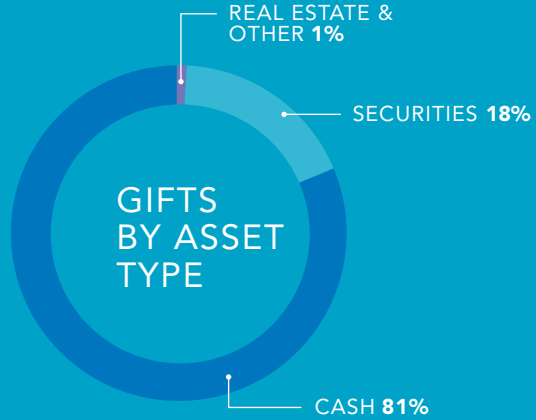
During 2016, HighGround Advisors assisted donors in establishing gift arrangements totaling \$8.4 million. Somewhat more volatile markets yielded a decrease in gifts of appreciated securities and an increase in cash gifts. The year also saw an increase in the number of qualified charitable gift annuity arrangements established. This is a trend that has been expanding over the past several years, reflecting the growing popularity of this gift vehicle.

Charitable gift annuities provide an excellent opportunity for donors to supplement income while supporting charitable organizations. Not only does this gifting vehicle offer an income tax deduction, it represents a favorable lifetime annuity that includes a portion of tax-free income. We expect this donation method to benefit our clients for years to come.

HighGround Advisors is committed to creative giving opportunities for the donors who support our clients. We believe this is best accomplished by taking a tailored approach to each donor's situation. It begins with careful consideration of their specific planning objectives, assets and tax considerations. Then, we structure a personalized gift plan that enables donors to achieve their personal goals while generating the greatest impact for the charity of their choice.

We are grateful for the opportunity to serve our clients and their donors through charitable gift planning, and we look forward to helping them transform even more lives in the future through giving.





NEW GIFTS & ADDITIONS TO EXISTING GIFTS 2016 **\$8.4 MILLION**

Our ability to structure and implement a diverse range of giving options is one of the many reasons our clients choose us to assist their donors with charitable giving plans.



Donor Story: Making a Difference

ORVILLE C. ROGERS

Orville C. Rogers was a career pilot and is a runner who uses his lifelong passion of supporting missions to take his faith to the ends of the Earth. He is the epitome of a HighGround donor and over the years has committed his talent, faith and assets to the communities that enriched his life.

In 1940, Orville's devotion led him to enroll as a master's student at Southwestern Baptist Theological Seminary. Three weeks in, Rogers received a draft notice. He decided to enlist in the United States Army and was enrolled in the Air Corps pilot program. He would serve four-and-a-half years in World War II as a flying instructor. This was the beginning of a new life that would serve as the backbone of his commitment and service to the Lord. He was also recalled into the U. S. Air Force in 1952 and was on a Select Crew in the Strategic Air Command with an assigned target in Russia if war had been declared.

After WWII, Orville and his wife, Esther Beth, returned to Dallas and he became a pilot for Dallas based Braniff Airways, retiring in 1977. During and after his 31 year career with Braniff, Rogers would weave in time to fly more than 40 missions for Wycliffe Bible Translators, a nonprofit with a mission to travel the world facilitating the spread of the gospel, and their affiliate Jungle Aviation And Radio Service (JAARS). Orville would go on to serve 39 years as a JAARS board member and as their board chair for 13 years.

The Dallas community became a beacon of faith and light for Orville and Esther Beth as both became active members of First Baptist Dallas and supporters of Baptist institutions such as Dallas Baptist University and Southwestern Baptist Theological Seminary. Rogers' commitment to gospel expansion stretched beyond his local church and his missionary service. In 1993, he and Esther Beth received the B.H. Carroll Award from Southwestern Baptist Theological Seminary for their constant support.

Orville had an overwhelming desire to make another difference in the world after Esther Beth passed away by competing in the 2008 Masters Indoor Track Championship in Boston. In the process, he broke the world records for the mile and 800-meter races for his age bracket and became a featured athlete in *USA Today*. Since that time, he has run nearly 43,000 miles, averages 8 miles of roadwork a week and continues to honor his wife's legacy with every step. Orville has set 13 world records.

Today, Orville still runs and enjoys time with his family: three children and their spouses, his grandchildren and his great-grandchildren.

Working with HighGround Advisors, Orville has set up 4 charitable trusts which benefit 11 charitable organizations, 2 endowment funds which benefit 6 charities, and testamentary gifts included in his Last Will and Testament, which benefit additional organizations.

Letter from Senior Vice President & Chief Investment Officer

JOE H. WRIGHT, JR.

2016 HIGHLIGHTS

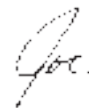
- **Global Capital Markets:** During 2016, investors were focused on a myriad of events with implications on global growth and capital markets. These included the U.S. presidential election, the decision by the United Kingdom to leave the European Union and the pace of U.S. Fed tightening. Despite these concerns, all asset classes had positive returns for the year, led by the U.S. equity market (12.7%) and international emerging markets (11.2%). Although interest rates were volatile, U.S. Treasuries returned 2.1% for the year and corporate bonds added 6.1% as credit spreads narrowed.
- **Performance:** HighGround Endowment Fund's (HGEF) investment performance in 2016 returned 5.8% as a result of strong double digit gains from public equity.
- **Increased Distribution:** Once again, we were able to increase distributions from endowment accounts by 0.8% for calendar year 2017.
- **New Share Classes:** At the end of 2016, we implemented a tiered share class structure within HGEF. This new structure provides a flexible platform for efficient and effective alignment of costs and resources based on assets under management.
- **New Investment Funds & Name Changes:** To align the investment funds with our new HighGround brand and create consistency and clarity regarding investment objectives, we updated our fund names. We also added five new investment funds to the platform: Large Cap Fund, Mid Cap Index Fund, Small Cap Fund, Developed Markets Fund and Emerging Markets Fund. These new funds represent core strategies that are key components of our investment program and are now available for direct investment, enhancing our ability to customize investment solutions for our clients.

LOOKING AHEAD

Global economies are improving, particularly in the U.S., but political uncertainties and downside risks remain elevated. Given the ambiguity of economic data and capital market uncertainty, we would not be surprised to see continued bouts of volatility in 2017.

As always, we will maintain well diversified portfolios in line with long-term strategic allocations to mitigate downside risk, while continuing to build our existing private equity and real estate portfolios and exploring new strategies and funds to broaden our investment offerings.

We value our partnership with clients and pledge to work diligently to protect, strengthen and grow the assets we are privileged to manage for those in service to others.



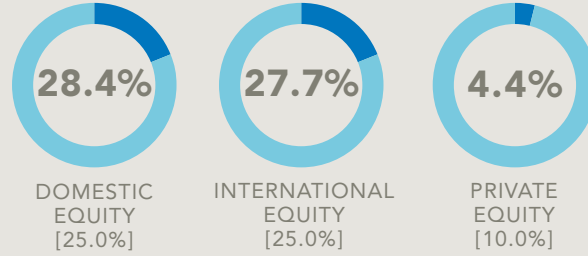
**HIGHGROUND
ENDOWMENT FUND'S
3 & 5 YEAR PERFORMANCE
CONTINUES TO RANK IN
THE TOP QUANTILES OF OUR
NONPROFIT PEER GROUP.**

HIGHGROUND ENDOWMENT FUND (HGEF)

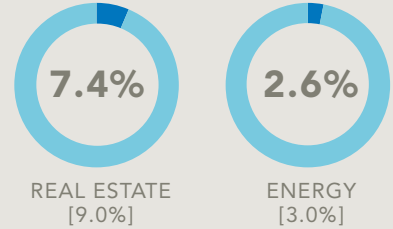
HGEF was established in 1951 and is HighGround's primary endowment fund valued at \$1.2 billion as of December 31, 2016

ASSET ALLOCATION
[]=Policy Allocation

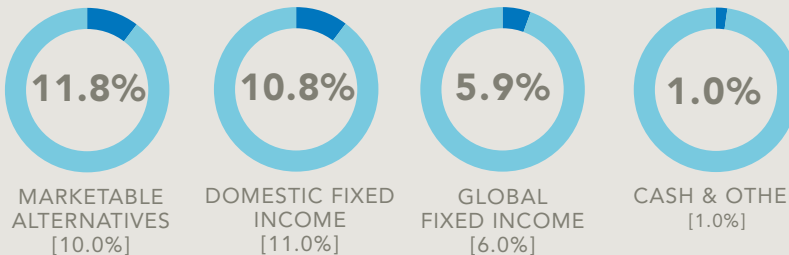
EQUITY GROWTH



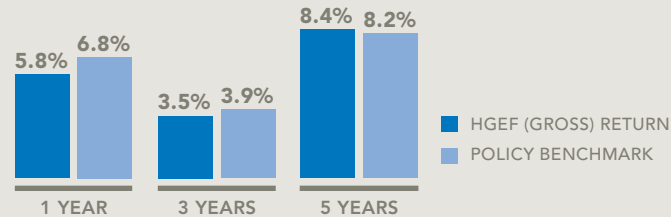
INFLATION PROTECTION



RISK REDUCTION



PERFORMANCE vs BENCHMARK



PERFORMANCE PEER RANKINGS

	3 YEARS	5 YEARS
5TH PERCENTILE	5.8	9.3
25TH PERCENTILE	3.8	7.8
MEDIAN	HGEF +3.0	7.0
75TH PERCENTILE	2.1	6.2
95TH PERCENTILE	1.2	5.2
MEAN	3.1	7.0
PEERS RANKED	417	409

Source: Cambridge Associates, December 31, 2016 Endowment Composite. It includes the long-term investment portfolios of member college and universities, independent schools, cultural and environmental organizations, foundations, healthcare organizations and other endowment institutions.

■ HGEF (NET) RETURN*

*Survey results and HGEF performance are net of investment fees and costs, but are not net of overhead and administrative costs and/or fees.



Taking care of
the details so you
can focus on serving
your *higher calling*

Consolidated

BALANCE SHEET

12/31/16

ASSETS

Cash and Cash Equivalents	\$	113,247
Cash Equivalents Held as Collateral for Securities on Loan		65,933
Equity Securities, at Market Value		742,929
Bonds, at Market Value		344,845
Marketable Alternatives		139,618
Investments in Private Equity Funds		75,501
Accrued Interest, Dividends and Royalties		4,487
Securities on Loan to Borrowers		64,260
Receivable from Sale of Securities		37,260
Mortgage Loans and Notes Receivable (Net)		2,010
Real Estate, Properties and Funds		88,810
Mineral Rights and Royalties		104,638
Other		1,937

TOTAL ASSETS \$ **1,785,475**

LIABILITIES

Accrued Liabilities	\$	1,883
Payable for Purchases of Securities		79,655
Liability for Collateral Held for Securities on Loan		65,933

TOTAL LIABILITIES \$ **147,471**

FUNDS ADMINISTERED

Institutional Funds	\$	1,373,009
Annuity and Life Income Trust Funds		89,260
Unrealized Net Gains on Investments		175,735

TOTAL FUNDS ADMINISTERED \$ **1,638,004**

TOTAL LIABILITIES & FUNDS ADMINISTERED \$ **1,785,475**

Dollars in thousands



OFFICERS



JEFF W. SMITH
*President &
Chief Executive Officer*



BEN CURRY
*Senior Vice President &
Chief Operating Officer*



DAVID M. SLOVER
*Senior Vice President &
Chief Strategy Officer*



JOE H. WRIGHT, JR.
*Senior Vice President &
Chief Investment Officer*



KARI MCGREGOR
*Vice President &
Chief Financial Officer*



JOE HANCOCK
*Vice President &
General Counsel*





BOARD OF DIRECTORS

KIM J. ASKEW

*Chairperson
Partner
K&L Gates LLP*

HUNTER M. BARROW

*Partner
Thompson & Knight*

ROBERT K. FOWLER

*President & Attorney
Brown, Fowler & Alsup, P.C.*

CAREY P. HENDRICKSON

*Senior Vice President & CFO
Capital Senior Living Corp.*

JOHN H. MINTON

*Senior Partner
Potter Minton, P.C.*

FRED R. NORTON, JR.

*Partner & Attorney
Norton & Wood LLP*

HAROLD R. PRESTON

*Retired SVP for Finance & COO
Hardin-Simmons University*

BRADLEY S. SELNER

*Managing Director
JLL*

JOHN E. THOMPSON, JR.

*President & Executive Director
NSIIP*

JERRY E. TURNER

*Of Counsel
Andrews Kurth LLP*

PHIL D. WEDEMEYER

*Former Partner
Arthur Andersen & Co./Grant Thornton LLP*

GRETCHEN M. WILLIAMS

*Associate
Ebby Halliday Realtors*

MASTON C. COURTNEY

*Director Emeritus
Of Counsel
Courtney, Countiss, Brian & Bailey LLP*

Combining nearly a century
of nonprofit experience with
high-touch personalized service





Donor Story: A Legacy of Giving

DOROTHY MYERS

Dorothy Myers grew up cherishing prayer, friendships and being a servant of God. Her mother, Maurine, taught her early on to live her life according to Romans 12:13:

“and get into the habit of inviting guests home for dinner or, if they need lodging, for the night.”

It is her childhood memories of Denton, Texas, that molded and developed Dorothy’s curiosity toward service and established her enduring appreciation of friendship and prayer. There are memories of her time visiting Buckner Orphans Home and delivering eggs her grandmother had collected to help feed the orphan children. She often thinks about meetings with staff members and guest evangelists at First Baptist Church Denton who were invited into her home by her parents, and her college years at Howard Payne University where she gained an eternal respect for different Christian attitudes.

After graduation in 1947, Dorothy moved to Dallas, Texas, where she had a successful 25 year career at the Baptist General Convention of Texas. Dorothy retired from evangelism work in 1972 and became a “purchaser” at Buckner Benevolences. Part of her work there was helping the children select clothing and receiving gifts from community churches and individuals, much like those she had helped her grandmother provide when she was younger.

In addition to her work, Dorothy continued to develop her faith and kept busy participating in many new hobbies and interests. She joined the church choir, taught Sunday school and served on many church committees. But, it was during the last few years of her father’s life that Dorothy and her brother wanted to ensure the family’s legacy of supporting the Church and surrounding community. They contacted HighGround Advisors to establish trusts in the names of her parents, DeWitt Luther and Maurine Parks Myers.

As a result, Dorothy set up charitable trust arrangements which benefit different nonprofit organizations. Also, HighGround Advisors worked with Dorothy to set up endowment funds and include testamentary gifts in her Last Will and Testament.

Today, Dorothy Myers begins her morning Bible reading and meditation with a scripture passage from The Living Bible, Romans 11:33-36:

“Oh, what a wonderful God we have! How great are His wisdom and knowledge and riches! How impossible it is for us to understand His decisions and His methods! For who among us can know the mind of the Lord? Who knows enough to be His counselor and guide? And who could ever offer to the Lord enough to induce Him to act? For everything comes from God alone. Everything lives by His power, and everything is for His glory. To Him be glory evermore.”

Protect.
Strengthen.
Grow.

HIGHGROUND®
ADVISORS

Please note our new address and phone number:

1717 Main Street | Suite 1400 | Dallas, Texas 75201-4622
214.922.3300 | 800.747.5564 | highgroundadvisors.org