Consolidated Financial Statements and Report of Independent Certified Public Accountants

Funds Administered by HighGround Advisors

December 31, 2017 and 2016

Funds Administered by HighGround Advisors

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Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
HighGround Advisors

We have audited the accompanying consolidated financial statements of Funds Administered by HighGround Advisors and subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and related consolidated statements of operations, and consolidated statements of changes in funds administered for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Funds Administered by HighGround Advisors and subsidiary as of December 31, 2017 and 2016, and the results of their operations and changes in funds administered for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedules of Consolidated Assets, Schedules of Consolidated Administrative Expenses, and Consolidating Balance Sheets by Fund are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Dallas, Texas
April 25, 2018

Funds Administered by HighGround Advisors

CONSOLIDATED BALANCE SHEETS

December 31,
(Dollars in thousands unless otherwise noted)

ASSETS	2017	2016
Cash and cash equivalents	$ 129,952	$ 113,247
Cash equivalents held as collateral for securities on loan	-	65,933
Equity securities (cost, $744,982 and $695,844 in 2017 and 2016)	918,441	742,929
Bonds (cost, $425,212 and $341,489 in 2017 and 2016)	436,015	344,845
Marketable alternatives (cost, $107,473 and $126,537 in 2017 and 2016)	135,573	139,618
Investments in private equity funds (cost, $70,098 and $70,938 in 2017 and 2016)	71,934	75,501
Accrued interest, dividends and royalties	6,033	4,487
Securities on loan to borrowers	-	64,260
Receivable from sale of securities	93,145	37,260
Mortgage loans and notes receivable	630	2,010
Real estate, properties and funds (cost, $92,552 and $84,537 in 2017 and 2016)	98,060	88,810
Mineral rights and royalties (cost, $2,003 and $2,047 in 2017 and 2016)	152,737	104,638
Other	7,092	1,937
Total assets	$2,049,612	$1,785,475
LIABILITIES AND FUNDS ADMINISTERED		
Liabilities		
Accrued liabilities	$ 6,697	$ 1,883
Payable for purchases of securities	148,317	79,655
Liability for collateral held for securities on loan	-	65,933
Total liabilities	155,014	147,471
Commitments and contingencies (Note F)		
Funds administered		
Institutional funds	1,467,111	1,373,009
Annuity and life income trust funds	86,642	89,260
Net unrealized gains on investments	340,845	175,735
Total funds administered	1,894,598	1,638,004
Total liabilities and funds administered	$2,049,612	$1,785,475

The accompanying notes are an integral part of these consolidated statements.

Funds Administered by HighGround Advisors

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,
(Dollars in thousands unless otherwise noted)

	2017	2016
Revenues		
Dividends	$ 16,666	$16,403
Interest		
Cash and cash equivalents	894	425
Bonds	9,208	8,737
Mortgage loans and notes receivable	89	360
Oil and gas income	36,397	28,053
Other income	4,217	2,978
Total revenues	67,471	56,956
Expenses		
Administrative expenses	9,071	8,783
Other operating expenses	8,271	8,094
Total expenses	17,342	16,877
Excess of revenues over expenses	50,129	40,079
Net realized gains on investments	94,416	25,401
Net unrealized gains (losses) on investments	165,110	(1,437)
Net income	$309,655	$64,043

The accompanying notes are an integral part of these consolidated statements.

Funds Administered by HighGround Advisors

CONSOLIDATED STATEMENTS OF CHANGES IN FUNDS ADMINISTERED

Years ended December 31,
(Dollars in thousands unless otherwise noted)

	2017	2016
Funds administered at beginning of year	$1,638,004	$1,679,714
Additions		
Contributions by individuals and estates to HighGround for the benefit of various client institutions	28,322	8,366
Contributions from client institutions	67,835	65,909
Excess of revenues over expenses	50,129	40,079
Other additions	1,782	-
Net realized gains on investments	94,416	25,401
Net unrealized gains (losses) on investments	165,110	(1,437)
	407,594	138,318
Reductions		
Capital remitted to client institutions, beneficiaries and others	61,933	98,298
Income remitted to client institutions, beneficiaries and others	89,067	79,875
Other reductions	-	1,855
	151,000	180,028
Change in funds administered	256,594	(41,710)
Funds administered at end of year	$1,894,598	$1,638,004

The accompanying notes are an integral part of these consolidated statements.

NOTE A - NATURE OF OPERATIONS

HighGround Advisors ("HighGround") exists to encourage, receive and manage assets for charitable institutions ("client institutions"). HighGround has no programs or causes of its own; it owns no property except in trust for others or as necessary to carry out the purposes of HighGround under its bylaws and has no obligations that are its own general liabilities. HighGround's purpose is to administer various types of funds for charitable institutions located throughout the world. These funds consist of assets that can be characterized as (a) endowment assets under the control of HighGround, (b) institutional assets, and (c) charitable split-interest assets.

(a) Endowment assets are assets that have been given to HighGround for the benefit of one of its client institutions. HighGround perpetually controls these assets and is responsible for the management, investment, and distribution of these assets. The client institutions may not withdraw these funds.

(b) Institutional assets include endowment, quasi-endowment, operational and other assets placed with HighGround for administration. Administration includes all or some combination of the trust, investment and accounting services offered by HighGround. The client institution's board of directors is responsible for oversight of the management, investment, and distribution of these assets but has delegated one or more of these functions to HighGround. The client institutions may withdraw any of these funds at their discretion.

(c) Charitable split-interest assets are comprised of the assets funding the following gift vehicles:

Charitable Remainder Trusts
Charitable Lead Trusts
Qualified Charitable Gift Annuities
Pooled Income Funds
Irrevocable Non-Qualifying Charitable Trusts

All of the assets in these gift vehicles, except for charitable lead trusts, will inure to the benefit of one or more of HighGround's client institutions upon termination of the obligations to the respective income beneficiaries. The contractual annuity obligation under qualified charitable gift annuities rests with the named client institution beneficiary and is not a general liability of HighGround. Under charitable remainder trusts, charitable lead trusts, pooled income funds, and irrevocable non-qualifying trusts, liability for payments rests in the trust entity.

The principal administrative services provided by HighGround relate to endowment asset management and administration, oil and gas management, real estate management, charitable gift development and long-term gift administration, all of which include accounting, reporting, and investing components. Investment activities are directed by HighGround through fund managers selected by HighGround. HighGround has investment policies and guidelines related to asset allocation, income/principal distribution, and investment vehicles, which apply to all funds under the control of HighGround as well as those institutional assets placed with HighGround for administration without specific directions to vary from these guidelines. However, each institution may elect to determine and set its own asset allocation, income/principal distribution, and type of investment vehicles for assets characterized as institutional assets. At December 31, 2017 and 2016, approximately $1.1 billion and $906 million, respectively, of institutionally controlled assets were being administered at the direction of the client institutions.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

HighGround has no significant assets or obligations of its own, therefore the financial statements reflect the funds administered by HighGround. The consolidated statements of changes in funds administered reflect distributions to client institutions and life income trust beneficiaries based on the terms of the underlying trust and/or legal agreements.

Principles of Consolidation

The consolidated financial statements include all funds held in accounts administered by HighGround. Included in the consolidation are the accounts of HighGround and the corporate assets and liabilities of its subsidiary HighGround Trust Company (the "Trust Company"). The Trust Company is a wholly-owned subsidiary of HighGround Mortgage Loan and Real Estate Fund, one of HighGround's investment funds. All intercompany and intertrust transactions have been eliminated as part of the consolidation.

The Trust Company is a for-profit Texas trust company regulated by the Texas Department of Banking. HighGround employs the services of the Trust Company for administration of its charitable split-interest accounts. The Trust Company offers professional trust administration and investment management to individuals along with endowment management services for not-for-profit organizations. At December 31, 2017 and 2016, the Trust Company administered on behalf of HighGround 786 and 803 charitable split-interest accounts with a total approximate market value of $166.9 million and $160.2 million, respectively. These charitable split-interest funds, for which HighGround has ultimate responsibility for administration, are consolidated into HighGround's financial statements.

Non-HighGround accounts that the Trust Company administers are not consolidated into HighGround's financial statements since HighGround does not administer or control the assets of the Trust Company's other outside clients. The assets for the Trust Company clients that were excluded from HighGround's financial statements had an approximate market value of $77.4 million and $70.1 million on December 31, 2017 and 2016, respectively.

Included in the consolidated balance sheets is the Trust Company's corporate assets of approximately $3.0 million and $2.9 million as of December 31, 2017 and 2016, respectively, which primarily consists of cash and cash equivalents.

Cash and Cash Equivalents and Cash Equivalents Held as Collateral for Securities on Loan

HighGround considers all cash, money market funds, and highly liquid debt instruments with original maturities of three months or less to be cash equivalents. HighGround places its cash and cash equivalents with high credit quality financial institutions, which at times may exceed federally insured limits. HighGround has not experienced any losses on such accounts. HighGround held approximately $0.1 million in excess of federally insured limits as of December 31, 2017 and 2016. HighGround also held approximately $129.6 million and $112.8 million in money market funds of December 31, 2017 and 2016, respectively. Interest on cash and cash equivalents is recognized as earned. The carrying amount approximates fair value because of the short maturity of those instruments.

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

Investments

- *Securities*

Equity securities and bonds are carried at fair value, which is generally determined based on quoted market prices. Certain bonds are valued based upon yields or prices of securities of comparable quality, coupon, maturity and type as well as indications as to values from brokers and dealers. Private equity funds and marketable alternatives are carried at net asset value as a practical expedient for determining fair value and appropriate available market indices, if available. The net realized and unrealized gains (losses) in fair value of investments are reflected in the consolidated statements of operations. Dividends and interest are recognized when earned.

- *Real Estate, properties and funds*

Investments in real estate are carried at fair value, which is determined based on analysis of the current real estate market for similar properties. The net realized and unrealized gains (losses) in fair value of investments in real estate are reflected in the consolidated statements of operations.

- *Mineral Rights and Royalties*

Investments in mineral rights and royalties are carried at fair value, which is determined by a multiple of the twelve month rolling royalty income. The net realized and unrealized gains (losses) in fair value of investments in mineral rights and royalties are reflected in the consolidated statements of operations. Revenue is generally recorded based on the cash received for oil and gas volumes sold. Since the cash is generally received two to three months after the production month, HighGround accrues for revenue earned but not yet received.

- *Derivative Instruments*

Derivative financial instruments are recorded in the consolidated balance sheet as either an asset or a liability measured at fair value.

HighGround uses securities futures contracts to gain immediate market exposure rather than buying individual securities. HighGround utilizes Eurodollar and London Interbank offered rate ("LIBOR") futures contracts to obtain interest rate exposure in the short-end of the U.S. yield curve. These futures contracts are a common instrument of the money market and are cash settled, meaning no securities are delivered at the expiration of the contract. Futures contracts are recorded at fair value based on exchange traded quotes.

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

HighGround manages exposure to fluctuations in foreign exchange rates in its investment portfolio by creating offsetting positions through the use of foreign currency forward exchange contracts. These contracts provide for the purchase or sale of foreign currencies at specified future dates and specified exchange rates. Notional amounts are stated in the U.S. dollar equivalents at spot exchange rates at the respective dates. The net carrying value of foreign currency forward exchange contracts is equal to their fair value based upon quoted market prices for contracts with similar maturities.

HighGround uses interest rate and credit default swaps in its fixed income portfolio to adjust risk exposure (e.g. duration, maturity mix, credit quality and rate spreads), to adjust exposure to sectors of the market (e.g. treasuries, mortgages, corporations) and as a substitute for physical securities. HighGround uses options on swaps and U.S. Treasury futures to manage interest rate and volatility exposures. These interest rate and credit default contracts are also recorded at fair value based on observable market inputs including, but not limited to, swap and yield curves, interest rates, LIBOR, credit spreads, and recovery rates.

The fair value of derivatives is included with equity securities and bonds in the accompanying consolidated balance sheets. Changes in fair value are recorded as realized and unrealized gains (losses) and are included with realized and unrealized gain (losses) on investments in the consolidated statements of operations.

<u>Mortgage Loans and Notes Receivable</u>

HighGround's mortgage loans and notes receivable are reported at carrying value which approximates fair value as of the reporting dates due to the short term nature of these investments and with consideration of interest rates and significant changes in credit risk. Management determines carrying value as the outstanding principal amounts, adjusted for any valuation allowance for loan losses. Collateral on the mortgage loans is concentrated in real estate.

Interest on mortgage loans and notes receivable is recognized as earned.

<u>Receivable and Payable from Sale and Purchases of Securities</u>

The carrying amounts approximate fair value because of the short maturity of these instruments.

<u>Basis for Recording Assets</u>

Contributed assets and assets transferred from client institutions are generally recorded at estimated fair value, if readily determinable, at the date of contribution or transfer. Assets without a readily determinable fair value are recorded at a nominal amount until a fair value is determined at year end.

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

Allocation of Oil, Gas and Mineral Proceeds

All oil and gas royalties and lease bonuses are credited to income. Certain amounts of oil and gas income are transferred to fund principal pursuant to the provisions of the trust instruments or client direction. Where the trust instrument is silent, 22% of gross income is allocated to fund principal in accordance with the Texas Trust Code. For endowments where the legal instrument is silent, 22% of gross income is allocated to fund principal unless directed differently by the client institution.

Income Taxes

HighGround is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC") as an organization described in Section 501(c)(3). HighGround is not a private foundation as defined by Section 509 of the IRC because it is an organization described in Section 509(a)(1) and Section 170(b)(1)(A). HighGround is an integrated auxiliary of a church, therefore HighGround is not required to file Form 990. However, income generated from activities unrelated to HighGround's exempt purpose is subject to tax under IRC Section 511. HighGround had no material unrelated business taxable income for the years ended December 31, 2017 or 2016. The Trust Company files a separate Federal income tax return and accounts for income taxes under the asset and liability method.

As required by the uncertain tax position guidance in the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") 740, *Income Taxes*, HighGround and the Trust Company recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an examination. HighGround and the Trust Company recognize the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. All tax positions taken related to HighGround and the Trust Company, for which the statute of limitations remained open, have been reviewed, and management is of the opinion that material positions taken by HighGround and the Trust Company would more likely than not be sustained upon examination. Accordingly, HighGround and the Trust Company have not recorded an income tax liability for uncertain tax benefits.

The Trust Company files a federal income tax and state franchise tax return, which remain open for examination for the previous three and five year period, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

New Accounting Pronouncements

HighGround implemented the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." Under this standard, investments for which fair value is measured at NAV per share (or its equivalent using the practical expedient) are removed from the fair value hierarchy. The requirements of this update are reflected in Note G with 2016 amounts reclassified to conform to the current year presentation.

HighGround early adopted the provisions of ASU 2016-02, "Leases (Topic 842)" effective fiscal year ending December 31, 2017. HighGround has a right-of-use asset of $3.0 million included in other assets on the accompanying consolidated balance sheets and a lease liability of $4.7 million included in accrued liabilities on the accompanying consolidated balance sheets for its building lease as of December 31, 2017.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

Investment Securities

The carrying amounts for debt and equity securities are at fair value based on quoted market prices or valuation based on comparable securities or values from brokers and dealers.

Derivative Instruments

The carrying amounts for derivatives are at fair value based on exchange traded quotes, quoted market price for contracts with similar maturities or fair values determined based on other observable market inputs. The fair values of derivatives were $232 and $886 at December 31, 2017 and 2016, respectively, and are included with equity securities and bonds in the accompanying consolidated balance sheets.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Investments in Private Equity Funds

Investments in private equity funds are carried at net asset value as a practical expedient for determining fair value. These investments are diversified across various buy-out, venture capital and special situation investment opportunities available in the private equity investment market. They are also diversified across industries, countries, and vintage years. Investments are made through multiple limited partnerships and other limited liability collective investment vehicles that are sponsored by third party advisors. In general, investments in private equity funds are nonredeemable interests. Due to the inherent illiquidity of the underlying investments, redemptions are not permitted; however, typically, as investments are sold or liquidated, the net proceeds of the sale are distributed back to the investors in the fund immediately following the sale or liquidity event. HighGround estimates an average investment period of 15 years for private equity investments. Unfunded commitments for investment in private equity funds were $22.7 million and $23.7 million as of December 31, 2017 and 2016, respectively.

One of the significant investments includes a commitment to a private equity fund of funds, whose objective is to create a diversified portfolio of private equity partnerships over an approximate five-year period. This fund may invest in buyouts, venture capital, special situations, and other investment strategies. The portfolio is diversified by investment strategy, life cycle, investment manager, geographic region, and industry. HighGround has a commitment of $50.0 million to this fund of which $3.5 million and $4.2 million remains unfunded as of December 31, 2017 and 2016, respectively. The net asset value of HighGround's investment in this fund is $31.0 million and $36.6 million as of December 31, 2017 and 2016, respectively. As of December 31, 2017, HighGround has received cumulative disbursements of $45.8 million which includes a return of capital of $18.5 million.

Investments in Marketable Alternatives

Investments in marketable alternatives are carried at net asset value as a practical expedient for determining fair value. These investments are diversified across various investment strategies available in the market. Investments are made through fund of funds through multiple investment managers to create a diversified portfolio.

Investments in Real Estate

Real estate is carried at fair value based on an internal comparative market analysis using management knowledge of the properties, current real estate market for similar properties and recent sales of comparative properties. The fair value of real estate held by HighGround was $6.6 million and $7.7 million as of December 31, 2017 and 2016, respectively.

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

Investments in real estate funds are carried at net asset value as a practical expedient for determining fair value. Investments are diversified across all commercial property types (e.g. office, industrial, retail, multi-family), geo-economic regions, investment horizons and vintage years. Investments in real estate funds are made through limited partnerships and other limited liability collective investment vehicles managed by third party advisors. In general, investments in real estate funds are nonredeemable interests. Due to the inherent illiquidity of the underlying investments, redemptions are generally not permitted; however, typically, as investments are sold or liquidated, the net proceeds of the sale are distributed back to the investors in the fund immediately following the sale or liquidity event. HighGround estimates an average investment period of 10 years for real estate investments. The fair value of investment in real estate funds held by HighGround was $91.5 million and $81.1 million as of December 31, 2017 and 2016, respectively. Unfunded commitments for investment in real estate funds were $14.3 million and $11.7 million as of December 31, 2017 and 2016, respectively.

One of the significant investments includes an investment in an open-ended real estate fund whose objective is to invest in a well-diversified portfolio of operating assets consisting primarily of retail, office, multi-family and industrial properties with a focus on individual transactions ranging between $50 and $100 million. The fund is diversified geographically and invests only in the U.S. HighGround had a commitment of $10.0 million to this investment which has been fully funded as of December 31, 2017 and 2016, respectively. The net asset value of HighGround's investment in this fund is $12.9 million and $12.6 million as of December 31, 2017 and 2016, respectively.

Investments in Mineral and Royalty Rights

Mineral interests consist primarily of royalty interests in oil, natural gas, and natural gas liquids which are developed and produced by oil and gas companies independent of HighGround. The mineral interests are primarily located in Texas, Oklahoma, New Mexico, Louisiana, Arkansas, and Mississippi. Investments in mineral interests are carried at fair value calculated by multiplying the most recent twelve months of royalty income, excluding lease bonus income, times a multiple. Management determines the multiple through an annual evaluation of relevant information which may result in a different multiple each year. Management used a multiple of five for the valuation as of December 31, 2017 and 2016, respectively based on current industry methodology, recent market transactions, and HighGround's extensive experience in mineral properties.

Securities on Loan to Borrowers and Liability for Collateral Held for Securities on Loan

The carrying amounts of these instruments are at fair value based on quoted market prices of the underlying securities.

NOTE D - DERIVATIVE INSTRUMENTS

Realized gains and losses on derivative instruments are included with net realized gains on investments in the consolidated statements of operations. Unrealized gains and losses on derivative instruments are included with net unrealized gains (losses) on investments in the consolidated statements of operations.

Futures Contracts

HighGround holds the following securities futures contracts (in thousands):

	December 31, 2017	December 31, 2016
Equity Futures		
S&P 500 Mini Futures		
Net Exposure	$1,204	$ -
Expiration	March 2018	-
Number of Contracts	9	-
Realized gain for year ended	$ -	$ 5,638
Fixed Income Futures		
US Treasury Futures		
Net Exposure	$ 23,718	$ 27,641
Expiration	March 2018	March 2017
Number of Contracts	200	237
Canada Bond Futures		
Net Exposure	$ 1,614	$ 1,743
Expiration	March 2018	March 2017
Number of Contracts	15	17
Euro Bond Futures		
Net Exposure	$ (4,538)	$ (693)
Expiration	March 2018	March 2017
Number of Contracts	(25)	(4)
Eurodollar Futures		
Net Exposure	$ (64,189)	$ 19,126
Expiration	March 2018 to December 2019	March 2017 to June 2019
Number of Contracts	(264)	76
Realized loss for year ended	$ (243)	$ (556)

Upon entering into a futures contract, cash must be maintained in the portfolio to the extent equal to the fully collateralized value of the financial futures. Cash and cash equivalents are collateralized by the aggregate notional amount of open futures contracts at December 31, 2017 and 2016.

The fair value of futures contracts is included with bonds in the accompanying consolidated balance sheets.

(Dollars in thousands unless otherwise noted)

NOTE D - DERIVATIVE INSTRUMENTS - Continued

Foreign Currency Forward Exchange Contracts

At December 31, 2017 and 2016, HighGround had outstanding foreign currency forward exchange contracts, primarily consisting of contracts for the Euro, Japanese yen, pound sterling, Canadian dollar, Australian dollar, Swiss franc, and South Korean won, as follows:

	December 31, 2017	December 31, 2016
Foreign Currency Forward Exchange Contracts		
Payable Market Value	$ (7,687)	$(18,514)
Receivable Market Value	7,603	19,032
Payable Unrealized Gain (Loss)	(104)	489
Receivable Unrealized Gain	20	29
Expiration	November 2017 to March 2018	January 2017 to February 2017
Realized gain (loss) for year ended	$ 65	$ (492)
Foreign Currency Spot Options		
Net Exposure	$(1,100)	$ -
Market Value	(25)	-
Unrealized (Loss)	(8)	-
Expiration	June 2018	-
Number of Contracts	2	-
Realized gain for year ended	$ 22	$ 159

The fair value of foreign currency forward exchange contracts is included with bonds and equity securities in the accompanying consolidated balance sheets.

(Dollars in thousands unless otherwise noted)

NOTE D - DERIVATIVE INSTRUMENTS - Continued

Options

HighGround holds the following options:

Options on Fixed Income Futures

	December 31, 2017	December 31, 2016
Options on US Treasury Futures		
Market Value	$ -	$ -
Unrealized Gain	-	-
Expiration	-	-
Number of Contracts	-	-
Realized gain for year ended	$ 96	$ 80
Options on Other Fixed Income Securities		
Net Exposure	$ (500)	$(29,500)
Market Value	-	-
Unrealized Gain	5	5
Expiration	October 2020	November 2017 to October 2020
Number of Contracts	1	3
Realized gain for year ended	$ 7	$ 40
Options on Eurodollar Futures		
Net Exposure	$178,000	$ -
Market Value	23	-
Unrealized Gain	23	-
Expiration	March 2018	-
Number of Contracts	178	-
Realized loss for year ended	$ (21)	$ -

Options on Swaps

	December 31, 2017	December 31, 2016
Options on Swaps		
Net Notional Amount	$ 8,200	$(16,800)
Market Value	(103)	(198)
Unrealized (Loss)	(103)	(160)
Expiration	March 2018 to November 2019	February 2017 to November 2019
Number of Contracts	16	12
Realized gain for year ended	$ 90	$ 66

The fair value of options is included with bonds in the accompanying consolidated balance sheets.

(Dollars in thousands unless otherwise noted)

NOTE D - DERIVATIVE INSTRUMENTS – Continued

Swap Contracts

HighGround holds the following contracts:

	December 31, 2017	December 31, 2016
Interest Rate Swaps - Short-Term		
Net Notional Amount	$ -	$ 7,600
Market Value	-	(25)
Unrealized Gain	-	32
Expiration	-	December 2017
Interest Rate Swaps - Long-Term		
Net Notional Amount	$(53,039)	$ 83,499
Market Value	437	644
Unrealized Gain	377	2,532
Expiration	September 2019 to December 2047	June 2019 to December 2046
Inflation Swaps		
Net Notional Amount	$ -	$ 1,174
Market Value	-	(44)
Unrealized Loss	-	(44)
Expiration	-	January 2030
Credit Default Swaps - Short-Term		
Net Notional Amount	$ -	$ 816
Market Value	-	2
Unrealized Gain	-	1
Expiration	-	March 2017 to May 2017
Credit Default Swaps - Long-Term		
Net Notional Amount	$ (1,600)	$ 1,600
Market Value	(16)	(11)
Unrealized Gain (Loss)	(4)	12
Expiration	June 2019 to January 2047	June 2019 to January 2047
Realized gain (loss) for year ended	$ 547	$ (2,368)

The fair value of swap contracts is included with bonds in the accompanying consolidated balance sheets.

NOTE E - SECURITIES LENDING AGREEMENT

HighGround had a securities lending agreement with its prior investment custodian to lend securities on HighGround's behalf. HighGround required cash or cash equivalents as collateral, with a total value ranging from 102% to 105% of the current value of the securities loaned.

HighGround accounted for the transfer of securities under the securities lending agreement in accordance with ASC 860, *Transfers and Servicing*. HighGround accounts for its agreement as a secured loan because HighGround has not surrendered control of the securities on loan. At December 31, 2016, securities on loan were approximately $64.3 million. Collateral held for securities on loan was approximately $65.9 million at December 31, 2016. At December 31, 2017, securities on loan and collateral held for securities on loan were $0.

NOTE F - COMMITMENTS AND CONTINGENCIES

HighGround, through various church finance funds, has provided guarantees for loans that are owned by other investors. In exchange for the guarantees, HighGround is entitled to a fee. HighGround did not have any commitments for loan guarantees as of December 31, 2017 and 2016.

NOTE G - FAIR VALUE MEASUREMENTS

HighGround currently records cash and cash equivalents, cash equivalents held as collateral for securities on loan, equity securities, bonds, marketable alternatives, investments in private equity funds, securities on loan to borrowers, mortgage loans and notes receivable, real estate, mineral rights and royalties, and liability for collateral held for securities on loan at fair value. HighGround adopted accounting guidance related to fair value measurement, which also establishes a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and HighGround's assumptions (unobservable inputs). Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The hierarchy consists of three broad levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities

Level 2 - Inputs other than level 1 inputs that are either directly or indirectly observable

Level 3 - Unobservable inputs developed using HighGround's and/or third party estimates and assumptions, which reflect those that market participants would use

(Dollars in thousands unless otherwise noted)

NOTE G - FAIR VALUE MEASUREMENTS - Continued

The determination of where an asset or liability falls in the hierarchy requires significant judgment. HighGround evaluates its hierarchy disclosures periodically and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, HighGround expects that changes in classifications between different levels will be rare.

Highground implemented the provisions of FASB ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)." Under this standard, investments for which fair value is measured at NAV per share (or its equivalent using the practical expedient) are removed from the fair value hierarchy. The requirements of this update are reflected in the tables below with 2016 amounts reclassified to conform to the current year presentation.

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the consolidated balance sheet at December 31, 2017.

	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 129,952	$124,824	$ 5,128	$ -	$ -
Equity securities	918,441	752,727	-	211	165,503
Bonds	436,015	2,233	340,209	50	93,523
Marketable alternatives	135,573	-	-	-	135,573
Investments in private equity funds	71,934	-	-	-	71,934
Mortgage loans and notes receivable	630	-	-	630	-
Real estate, properties and funds	98,060	-	-	6,635	91,425
Mineral rights and royalties	152,737	-	-	152,737	-
	$1,943,342	$879,784	$345,337	$160,263	$557,958

(Dollars in thousands unless otherwise noted)

NOTE G - FAIR VALUE MEASUREMENTS - Continued

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the consolidated balance sheet at December 31, 2016.

	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents	$ 113,247	$102,001	$ 11,246	$ -	$ -
Cash equivalents held as collateral for securities on loan	65,933	-	65,933	-	-
Equity securities	742,929	442,147	-	207	300,575
Bonds	344,845	1,479	273,830	50	69,486
Marketable alternatives	139,618	-	-	-	139,618
Investments in private equity funds	75,501	-	-	-	75,501
Securities on loan to borrowers	64,260	41,187	23,073	-	-
Mortgage loans and notes receivable	2,010	-	-	2,010	-
Real estate, properties and funds	88,810	-	-	7,646	81,164
Mineral rights and royalties	104,638	-	-	104,638	-
Liability for collateral held for securities on loan	(65,933)	-	(65,933)	-	-
	$1,675,858	$586,814	$308,149	$114,551	$666,344

The following table presents roll forward information for the year ended December 31, 2017 about assets measured at fair value on a recurring basis that have been measured using significant unobservable inputs (level 3).

	Beginning balance	Purchases and additions	Sales and distributions	Total realized and unrealized gains/(losses)	Ending balance
Equity securities	$ 207	$ -	$ -	$ 4	$ 211
Bonds	50	-	-	-	50
Mortgage loans and notes receivable	2,010	1	(1,425)	44	630
Real estate, properties and funds	7,646	357	(1,593)	225	6,635
Mineral rights and royalties	104,638	-	-	48,099	152,737
	$114,551	$ 358	$ (3,018)	$ 48,372	$160,263

(Dollars in thousands unless otherwise noted)

NOTE G - FAIR VALUE MEASUREMENTS - Continued

The following table presents roll forward information for the year ended December 31, 2016 about assets measured at fair value on a recurring basis that have been measured using significant unobservable inputs (level 3).

	Beginning balance	Purchases and additions	Sales and distributions	Total realized and unrealized gains/(losses)	Ending balance
Equity securities	$ 189	$ 40	$ -	$ (22)	$ 207
Bonds	996	-	(883)	(63)	50
Mortgage loans and notes receivable	8,248	8	(6,404)	158	2,010
Real estate, properties and funds	8,059	130	(755)	212	7,646
Mineral rights and royalties	127,696	-	-	(23,058)	104,638
	$145,188	$ 178	$ (8,042)	$ (22,773)	$114,551

The unrealized gain for level 3 investments was $153,117 and $105,720 at December 31, 2017 and 2016, which is included in the consolidated statements of operations and distributable income as net unrealized gains on investments.

NOTE H - SUBSEQUENT EVENTS

HighGround has evaluated subsequent events through April 25, 2018, the date the financial statements were available to be issued. HighGround is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

Funds Administered by HighGround Advisors

SCHEDULES OF CONSOLIDATED ASSETS

December 31,
(Dollars in thousands unless otherwise noted)

	2017		2016	
	Percent	Amount	Percent	Amount
Cash and cash equivalents	6.34%	$ 129,952	6.34%	$ 113,247
Cash equivalents held as collateral for securities on loan	-	-	3.69	65,933
Equity securities	44.81	918,441	41.61	742,929
Bonds	21.27	436,015	19.31	344,845
Marketable alternatives	6.62	135,573	7.82	139,618
Investments in private equity funds	3.51	71,934	4.23	75,501
Accrued interest, dividends and royalties	0.29	6,033	0.25	4,487
Securities on loan to borrowers	-	-	3.60	64,260
Receivable from sale of securities	4.55	93,145	2.09	37,260
Mortgage loans and notes receivable	0.03	630	0.12	2,010
Real estate, properties and funds	4.78	98,060	4.97	88,810
Mineral rights and royalties	7.45	152,737	5.86	104,638
Other	0.35	7,092	0.11	1,937
	100.00%	$2,049,612	100.00%	$1,785,475

Funds Administered by HighGround Advisors

SCHEDULES OF CONSOLIDATED ADMINISTRATIVE EXPENSES

Year ended December 31,
(Dollars in thousands unless otherwise noted)

	2017	2016
Salaries	$5,079	$4,791
Retirement benefits	474	461
Medical and dental insurance	524	487
Life insurance	27	43
Disability insurance	26	25
Parking and transit	71	67
Payroll taxes	338	307
Rent	477	417
Depreciation	191	144
Insurance	146	145
Information systems	170	173
Software maintenance	343	308
Office expense	172	85
Audit and examination fees	65	58
Legal and other professional fees	219	285
Professional dues and law library	72	61
Travel	21	27
Telephone	24	24
Staff training and development	62	96
Business development and public relations	55	57
Marketing and advertising	131	94
Conferences, events and sponsorships	142	141
Marketing and creative consultants	34	302
Bank fees	31	25
Tax return software fees	43	42
Oil and gas processing fees	83	67
Directors expense	36	41
Other	15	10
Total administrative expenses	$9,071	$8,783

Funds Administered by HighGround Advisors

CONSOLIDATING BALANCE SHEETS BY FUND
December 31, 2017
(Dollars in thousands unless otherwise noted)

	Large Cap Fund	Small Cap Fund	Mid Cap Fund	Equity Index Fund	Developed Markets Fund	Emerging Markets Fund	Bond Fund	Global Bond Fund
ASSETS								
Cash and cash equivalents	$ 6,011	$ 1,756	$ 29	$ 1,149	$ 4,323	$ 406	$ 14,041	$ (246)
Cash equivalents held as collateral for securities on loan	-	-	-	-	-	-	-	-
Equity securities, at market value	203,085	52,756	26,265	182,440	334,399	113,236	-	-
Bonds, at market value	-	-	-	-	-	-	268,294	90,070
Marketable alternatives	-	-	-	-	-	-	-	-
Investments in private equity funds	-	-	-	-	-	-	-	-
Accrued interest, dividends, and royalties	209	43	35	164	1,069	-	1,484	48
Securities on loan to borrowers	-	-	-	-	-	-	-	-
Receivable from sale of securities	46	-	-	-	1,168	-	91,931	-
Mortgage loans and notes receivable (net)	-	-	-	-	-	-	-	-
Real estate (net)	-	-	-	-	-	-	-	-
Mineral rights and royalties (net)	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
TOTAL ASSETS	$209,351	$54,555	$26,329	$183,753	$340,959	$113,642	$375,750	$89,872
LIABILITIES								
Accrued liabilities	$ 360	$ 159	$ 10	$ 29	$ 428	$ 41	$ 172	$ 64
Liability for collateral held for securities on loan	-	-	-	-	-	-	-	-
Payable for purchase of securities	58	5	-	-	376	-	147,878	-
TOTAL LIABILITIES	418	164	10	29	804	41	148,050	64
FUNDS ADMINISTERED								
Institutional and annuity and life income funds	168,803	43,528	25,347	177,347	285,191	85,092	222,972	83,617
Unrealized net gain (loss) on investments	40,130	10,863	972	6,377	54,964	28,509	4,728	6,191
TOTAL FUNDS ADMINISTERED	208,933	54,391	26,319	183,724	340,155	113,601	227,700	89,808
TOTAL LIABILITIES AND FUNDS ADMINISTERED	$209,351	$54,555	$26,329	$183,753	$340,959	$113,642	$375,750	$89,872
Number of Units in Fund	1,764,724.142	464,527.643	271,101.017	294,677.725	3,003,463.534	795,921.893	1,850,438.071	819,695.342
Market Value per Share	$118.39	$117.09	$97.08	$623.47	$113.25	$142.73	$123.05	$109.56

	Marketable Alternatives Fund	Real Estate Fund	Private Equity Fund	Energy Fund	Low Duration Fund	Enhanced Cash Fund	Securities outside Common Funds	Fund of Funds	Balance December 31, 2017
ASSETS									
Cash and cash equivalents	$ 102	$ 248	$ 2,417	$ 363	$ 4,261	$75,096	$ 4,329	$15,667	$ 129,952
Cash equivalents held as collateral for securities on loan	-	-	-	-	-	-	-	-	-
Equity securities, at market value	-	-	-	-	-	-	6,260	-	918,441
Bonds, at market value	-	-	-	-	75,977	-	1,674	-	436,015
Marketable alternatives	135,573	-	-	-	-	-	-	-	135,573
Investments in private equity funds	-	-	48,914	23,020	-	-	-	-	71,934
Accrued interest, dividends, and royalties	-	2	1	-	423	75	2,471	9	6,033
Securities on loan to borrowers	-	-	-	-	-	-	-	-	-
Receivable from sale of securities	-	-	-	-	-	-	-	-	93,145
Mortgage loans and notes receivable (net)	-	-	-	-	-	-	630	-	630
Real estate (net)	-	88,152	-	-	-	-	9,908	-	98,060
Mineral rights and royalties (net)	-	-	-	-	-	-	152,737	-	152,737
Other assets	-	-	-	-	-	-	7,092	-	7,092
TOTAL ASSETS	$135,675	$88,402	$51,332	$23,383	$80,661	$75,171	$185,101	$15,676	$2,049,612
LIABILITIES									
Accrued liabilities	$ 13	$ 116	$ 14	$ 14	$ 45	$ 6	$ 5,202	$ 24	$ 6,697
Liability for collateral held for securities on loan	-	-	-	-	-	-	-	-	-
Payable for purchase of securities	-	-	-	-	-	-	-	-	148,317
TOTAL LIABILITIES	13	116	14	14	45	6	5,202	24	155,014
FUNDS ADMINISTERED									
Institutional and annuity and life income funds	107,561	86,265	46,990	25,861	81,118	75,170	23,239	15,652	1,553,753
Unrealized net gain (loss) on investments	28,101	2,021	4,328	(2,492)	(502)	(5)	156,660	-	340,845
TOTAL FUNDS ADMINISTERED	135,662	88,286	51,318	23,369	80,616	75,165	179,899	15,652	1,894,598
TOTAL LIABILITIES AND FUNDS ADMINISTERED	$135,675	$88,402	$51,332	$23,383	$80,661	$75,171	$185,101	$15,676	$2,049,612
Number of Units in Fund	1,216,100.250	667,331.561	338,812.957	196,293.875					
Market Value per Share	$111.56	$143.97	$151.46	$130.57					

Interfund transactions have been eliminated from the respective balance sheets.
Low Duration Fund and Enhanced Cash Fund are maintained at a $1.00 market value per share.

Funds Administered by HighGround Advisors

CONSOLIDATING BALANCE SHEETS BY FUND
December 31, 2016
(Dollars in thousands unless otherwise noted)

	Large Cap Fund	Small Cap Fund	Mid Cap Fund	Equity Index Fund	Developed Markets Fund	Emerging Markets Fund	Bond Fund	Global Bond Fund	Marketable Alternatives Fund	Real Estate Fund	Private Equity Fund	Energy Fund	Low Duration Fund	Enhanced Cash Fund	Securities outside Common Funds	Fund of Funds	Balance December 31, 2016
ASSETS																	
Cash and cash equivalents	$ 4,878	$ 2,450	$ 3	$ 337	$ 4,507	$ 656	$ 18,900	$ 121	$ 154	$ 1,492	$ 2,173	$ 292	$ 908	$65,399	$ 6,512	$ 4,465	$ 113,247
Cash equivalents held as collateral for securities on loan	15,541	18,763	-	-	8,024	-	23,605	-	-	-	-	-	-	-	-	-	65,933
Equity securities, at market value	139,555	35,444	25,933	171,399	275,369	89,038	-	-	-	-	-	-	-	-	6,191	-	742,929
Bonds, at market value	-	-	-	-	-	-	200,151	69,487	-	-	-	-	72,912	-	2,295	-	344,845
Marketable alternatives	-	-	-	-	-	-	-	-	139,618	-	-	-	-	-	-	-	139,618
Investments in private equity funds	-	-	-	-	-	-	-	-	-	-	50,911	24,590	-	-	-	-	75,501
Accrued interest, dividends, and royalties	249	56	-	271	663	-	1,252	37	-	-	-	-	326	24	1,609	-	4,487
Securities on loan to borrowers	15,209	18,282	-	-	7,696	-	23,073	-	-	-	-	-	-	-	-	-	64,260
Receivable from sale of securities	260	15	-	-	232	-	36,753	-	-	-	-	-	-	-	-	-	37,260
Mortgage loans and notes receivable (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,010	-	2,010
Real estate (net)	-	-	-	-	-	-	-	-	-	81,164	-	-	-	-	7,646	-	88,810
Mineral rights and royalties (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,638	-	104,638
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,937	-	1,937
TOTAL ASSETS	$175,692	$75,010	$25,936	$172,007	$296,491	$ 89,694	$303,734	$69,645	$ 139,772	$82,656	$53,084	$24,882	$74,146	$65,423	$132,838	$ 4,465	$1,785,475
LIABILITIES																	
Accrued liabilities	$ 319	$ 149	$ -	$ 11	$ 481	$ 19	$ 206	$ 16	$ 30	$ 89	$ 16	$ 6	$ 36	$ 3	$ 482	$ 20	$ 1,883
Liability for collateral held for securities on loan	15,541	18,763	-	-	8,024	-	23,605	-	-	-	-	-	-	-	-	-	65,933
Payable for purchase of securities	-	96	-	-	449	-	79,110	-	-	-	-	-	-	-	-	-	79,655
TOTAL LIABILITIES	15,860	19,008	-	11	8,954	19	102,921	16	30	89	16	6	36	3	482	20	147,471
FUNDS ADMINISTERED																	
Institutional and annuity and life income funds	139,508	47,382	24,003	160,787	283,997	89,703	198,783	68,536	126,661	81,532	48,466	24,915	74,515	65,420	23,616	4,445	1,462,269
Unrealized net gain (loss) on investments	20,324	8,620	1,933	11,209	3,540	(28)	2,030	1,093	13,081	1,035	4,602	(39)	(405)	-	108,740	-	175,735
TOTAL FUNDS ADMINISTERED	159,832	56,002	25,936	171,996	287,537	89,675	200,813	69,629	139,742	82,567	53,068	24,876	74,110	65,420	132,356	4,445	1,638,004
TOTAL LIABILITIES AND FUNDS ADMINISTERED	$175,692	$75,010	$25,936	$172,007	$296,491	$ 89,694	$303,734	$69,645	$139,772	$82,656	$53,084	$24,882	$74,146	$65,423	$132,838	$ 4,465	$1,785,475
Number of Units in Fund	1,525,658.290	495,955.976	261,765.540	274,951.546	2,993,822.699	831,774.384	1,655,640.776	681,263.822	1,337,757.479	651,859.651	420,185.342	208,561.309					
Market Value per Share	$104.76	$112.92	$99.08	$625.55	$96.04	$107.81	$121.29	$102.21	$104.46	$137.97	$126.30	$129.18					

Interfund transactions have been eliminated from the respective balance sheets.
Low Duration Fund and Enhanced Cash Fund are maintained at a $1.00 market value per share.