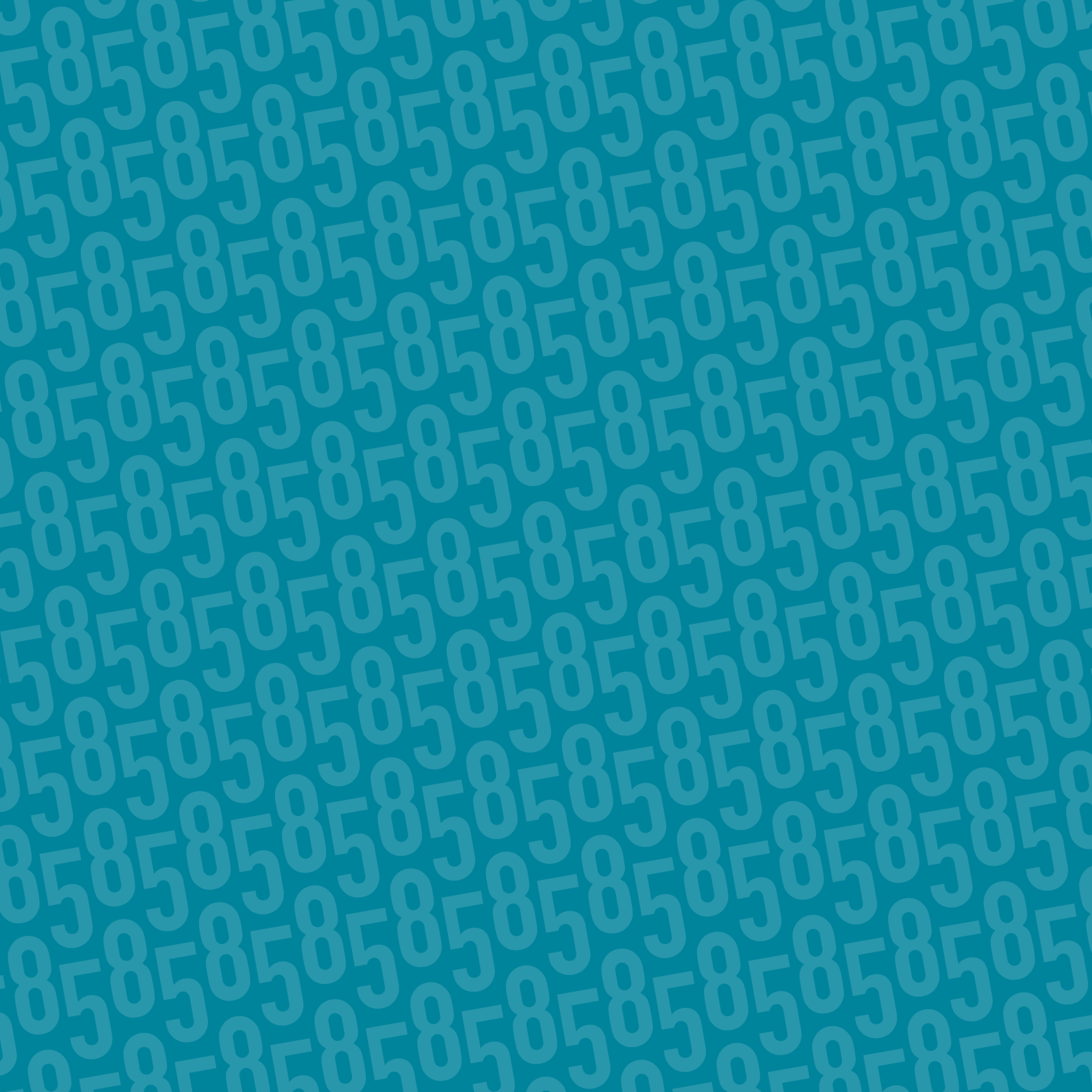


2014 ANNUAL REPORT







LYNN CRAFT



WILLIAM FLEMING



GEORGE MASON



H.I. KOKERNOT



J.C. CANTRELL



CARR COLLINS, SR.



TAL ROBERTS



JEFF SMITH



TERRY SIMMONS



A large, semi-transparent red graphic of the number '85' is positioned in the background of the central text block.

CELEBRATING
85 YEARS OF
DEDICATION,
INNOVATION
AND TRUST

The background of the page features two large, light gray numbers, '8' and '5', which are partially visible and serve as a decorative element. The number '8' is on the left, and the number '5' is on the right, both rendered in a clean, sans-serif font.

OUR MISSION

TO ENCOURAGE, RECEIVE AND MANAGE
CHARITABLE GIFTS FOR BAPTIST INSTITUTIONS.

LETTER FROM PRESIDENT & CHIEF EXECUTIVE OFFICER

JEFF W. SMITH

"We must learn to reawaken and keep ourselves awake, not by mechanical aids, but by an infinite expectation of the dawn, which does not forsake us even in our soundest sleep. I know of no more encouraging fact than the unquestionable ability of man [and woman] to elevate his [or her] life by a conscious endeavour. It is something to be able to paint a particular picture, or to carve a statue, and so to make a few objects beautiful; but it is far more glorious to carve and paint the very atmosphere and medium through which we look, which morally we can do. To affect the quality of the day, that is the highest of arts."

—Henry David Thoreau, *Walden*

Did you know that words have changed meaning over time? The word "cell" used to mean jail and still refers to the basic structural and functional unit of any living thing. But today, we use it more often to refer to our phone. "Bad" used to describe someone who had done something wrong or something that was poor in quality. The younger generation now uses it to mean "good" or "great."

In 2015, the Foundation will celebrate its 85th anniversary. Over those years, change has been an inevitable part of the landscape and has been a consistent theme in our most recent annual reports. We know life is a series of changes from birth to death. As it is in humans, so is it in business; however, business need not get old and feeble if it is willing to undergo change necessary to maintain viability in the markets served.

The Foundation began a marketing and branding initiative in 2014, that will take several years to completely develop. It will examine our business models or the ways in which we conduct business. We have never marketed our services, the assumption being that if you were Baptist in Texas you utilized the services provided by the Foundation. That is not so today. Many businesses provide the same services and are actively seeking business opportunities.

We can stay status quo becoming stagnant or we can change to meet the needs of our client institutions thereby remaining viable and productive for another 85 years.

So, just as words change meaning over time, institutions change. Baptist Foundation of Texas is committed to making the changes necessary to fulfill our original mission of service to our Baptist institutions. Change is important for us to continue to reach our potential. The Foundation will add new systems, new processes and possibly add new organizational structure. It will adapt and change to the ever changing needs of our Baptist family.

I was reminded of adaptation and change the other day playing with my dog. Riley has a favorite toy with which he likes to play. I could not find this favorite toy, so we had to play with a new one, but Riley was not his usual self. He wanted nothing to do with the new toy. So I left the toy and walked away. He finally brought the toy to me. I think he figured that if he was going to play he had to play with the new toy. He played and still had fun.

Baptist Foundation of Texas will change, like Riley, because we must. There are changes happening all around us; we must learn to adapt to new expectations and needs.

Baptist Foundation of Texas is honored to have served the Baptist family since 1930. It is our desire to continue to be an integral part of the missions and ministries of our institutions. God has a perfect plan every day to transform our lives into one's filled with passion, filled with satisfaction and filled with the wonderful peace of His presence. The Foundation's passion is to strengthen and support the institutions it serves.

I am fortunate to work at Baptist Foundation of Texas and thankful for the opportunity to continue its legacy of service. The Foundation is moving forward in all its efforts to help our Baptist institutions and donors achieve their goals, missions and ministries.



1928

Idea of Baptist Foundation of Texas was born and the Budget Control Committee submitted first proposal.

1931

H.L. Kokernot elected Chairman of the Board; George Mason becomes first Executive Secretary.



H.L. Kokernot: Credited with conceiving the idea for the Foundation, the gentle cattleman served on the Board from 1931 until his death in 1949. His leadership and financial genius shaped the policies of the Foundation in its formative years.



George Mason: As the first Executive Secretary, he laid the groundwork for much of the Foundation's early success. Mason joined the Foundation in 1931 and served for twenty years. Mason was an astute businessman and realized that the Foundation's greatest strength lay in the expertise of its directors. He consulted with the Board on every key decision as he wanted everything to be in order. "It is my habit never to take a step unless I am sure of a landing."

1949

*William Fleming elected to succeed
H.L. Kokernot as Chairman of the Board*

LETTER FROM VICE PRESIDENT & GENERAL COUNSEL JOE HANCOCK

Serving as a resource for creative charitable planning opportunities, our trust services team has enabled countless faithful donors to make a significant and lasting impact on the important work of Baptist institutions and churches in Texas and beyond.

PERSONALIZED CARE

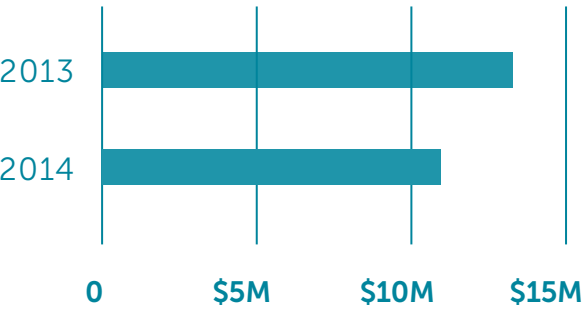
The hallmark of our service is that we work with *each individual donor*—considering their specific planning objectives, assets and tax considerations—to create a personalized gift plan that enables them to provide the greatest possible benefit to the Baptist ministry they wish to support, while also addressing personal and family needs in a tax-wise manner. Working in conjunction with our donors' tax and legal advisors and our Baptist institutions' development offices, we structure and administer lifetime gift arrangements which include charitable trusts, charitable gift annuities, donor advised funds and endowment and scholarship funds. We also provide comprehensive support to donors wishing to make charitable gifts at the end of life through their estate plans. Either through outright gifts or through split-interest trust or gift annuity arrangements, we have assisted donors to make gifts of cash, securities, real estate, minerals and other assets to further the ongoing work of missions, Christian education, health care, child and family services, elder care and humanitarian aid.

2014 TRENDS

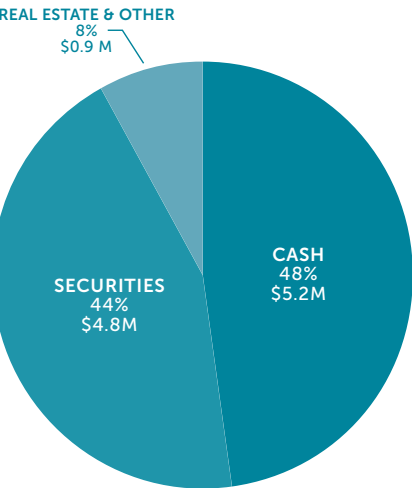
During 2014, Baptist Foundation of Texas worked with donors to establish gift arrangements totaling just under \$11 million. While structuring many gifts of cash and real property, we experienced an increase in gifts of appreciated securities in 2014 as financial markets remained strong. Another positive trend was the increased number of qualified charitable gift annuity arrangements established during the year. The charitable gift annuity offers a favorable lifetime annuity stream to donors, with a portion of the annual annuity amount being composed of tax-free income for the duration of the donor's life expectancy. Providing a charitable income tax deduction and favorable capital gains tax treatment, the qualified charitable gift annuity vehicle has become increasingly familiar to donors and continues to be a popular giving vehicle.

Since its inception in 1930, Baptist Foundation of Texas has been honored to serve Baptist donors from all over the world and from every walk of life, including those with extensive resources as well as the many unsung heroes who have given sacrificially to further Baptist causes over the years. This work represents a legacy of 85 years of faithful service to Baptist donors and to the Baptist institutions that have benefited from their generosity. We're proud of this legacy and excited about the impact that Baptist Foundation of Texas will make in the years to come!

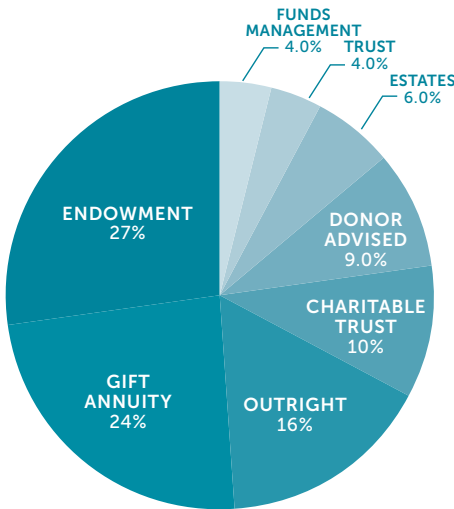
NEW GIFTS AND ADDITIONS TO EXISTING GIFTS



GIFTS BY ASSET TYPE



NUMBER OF GIFTS BY TYPE



William Fleming: A director of the Foundation from 1932 until his death in 1963, he was the Board chair for the last fourteen years of his life. Fleming relied strongly on prayer and spent many hours “talking with God” about the Foundation.

1954

J.C. Cantrell elected as Executive Secretary of Baptist Foundation of Texas

LETTER FROM SR. VICE PRESIDENT & CHIEF INVESTMENT OFFICER JOE H. WRIGHT, JR.

In recent years, investment performance has outpaced objectives, placing Baptist Foundation of Texas in the top tiers of its competitive peer group. As a result of this strong performance, the Foundation remitted over \$96 million to our Baptist institutions and their donors in 2014.

2014 REFLECTIONS

- **Top Quartile Investment Performance**—Investment performance was ahead of policy benchmarks and in the top performance quartiles compared to nonprofit peer groups.
- **Strong Returns**—U.S. stocks turned in a third successive year of double digit gains, as did real estate and private equity. Bonds and fixed income investments performed ahead of expectations as interest rates declined, while marketable alternatives (hedge funds) and other risk reduction strategies lagged most asset classes in a good year for riskier investments. The slump in crude oil prices during the second half of 2014 impacted energy related investments, and non-U.S. stocks were challenged due to slower global growth, escalating geo-political concerns and strong appreciation of the U.S. dollar.
- **Increased Distribution**—As a result of our strong performance in 2014 and the ongoing recovery of asset values following the financial crisis, distributions from endowment accounts were increased by 1.3% over the prior year distributions for the 2015 calendar year.
- **New Asset Allocation**—Baptist Foundation of Texas changed its asset allocation policy for endowed accounts to include investments in marketable alternatives.
- **Oil & Gas Performance**—Despite the decline in oil and gas prices during the last quarter of the year, the Foundation enjoyed another strong year of leasing activity, generating a record \$8.1 million in lease bonus income and total oil and gas income of \$78 million for our Baptist institutions.

LOOKING AHEAD

2015 will bring both challenge and opportunity for institutional investors. Macro issues surrounding global growth, geo-political reform and central bank policy will likely continue to be key drivers of capital market performance in coming years. At the asset class level, U.S. equity values are reaching record levels and bond investments continue to be vulnerable to rising interest rates, while non-U.S. stocks appear relatively more attractive and recent declines in the energy sector may offer compelling opportunities to add to energy related investments.

We continue to believe the best course for endowed investors is to remain disciplined, adhere to strategic investment policies designed to achieve long-term objectives and maintain well diversified investment portfolios.

We thank our institutions and churches for their continued confidence in Baptist Foundation of Texas. It is indeed a privilege to steward the financial resources that will support the growth of our Baptist ministries and missions for generations to come.



J.C. Cantrell: A dramatic answer to an unusual prayer led him to become Executive Secretary of the Foundation in 1954. The position was later redefined as President. He streamlined office organization, and then prepared his staff to cope with "bigness."

1963

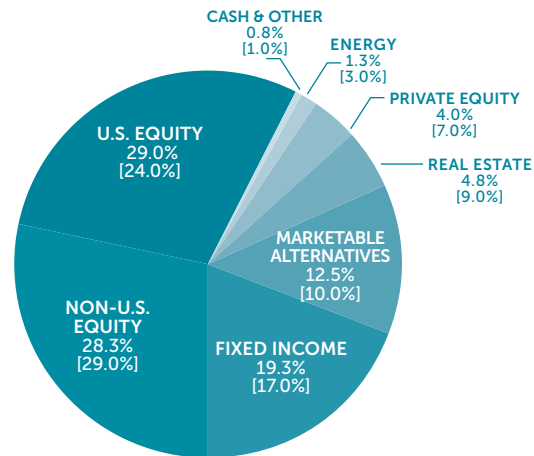
*Carr Collins, Sr. elected the third
Chairman of the Board*

GROUP INVESTMENT FUND (GIF)

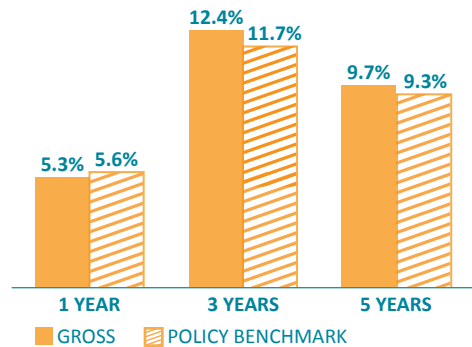
GIF was established in 1951 and is the Foundation's primary endowment fund valued at \$1.2 billion as of December 31, 2014.

AS OF DECEMBER 31, 2014

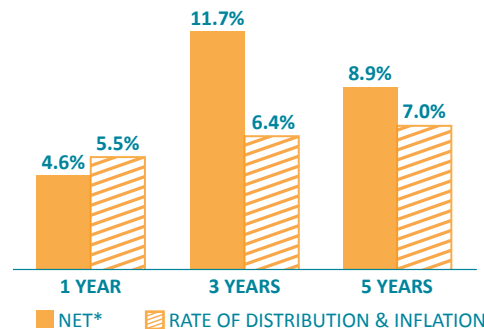
ASSET ALLOCATION [] = Policy Allocation



PERFORMANCE vs BENCHMARK

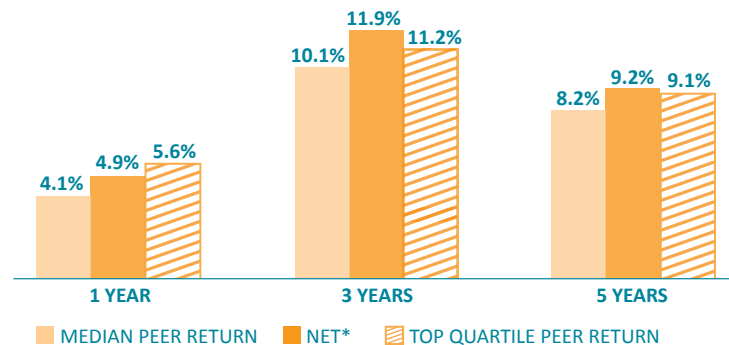


PERFORMANCE vs ENDOWMENT OBJECTIVES



*GIF's performance is reported net of all fees. 0.74% expense ratio; 0.47% in investment expenses and 0.27% in administrative charges.

PERFORMANCE PEER RANKINGS



Source: Cambridge Associates December 31, 2014 Endowment Composite as of March 4, 2015. It includes the long-term investment portfolios of member colleges and universities, independent schools, cultural and environmental organizations, foundations, health care organizations and other endowment institutions.

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



Carl Collins, Sr.: He sold Texas Baptists on the need for a Foundation in 1930, and then served continuously as a director or advisor from 1931 through 1976. Collins was noted as a "man on the move."

1976

Lynn Craft named second President of the Foundation



Lynn Craft: Being President of Baptist Foundation of Texas from 1976–2012, ranks him among the longest-tenured Texas Baptist agency heads in history. During those 36 years, Craft developed new services and put resources in place to better serve donors and institutions all under one roof.

1980

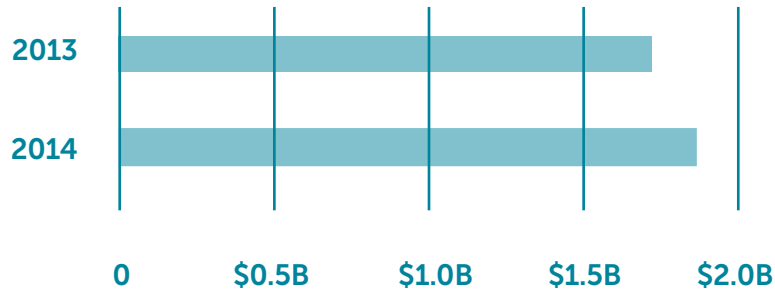
Tal Roberts promoted to Executive Vice President and Chief Operating Officer

CONSOLIDATED BALANCE SHEETS

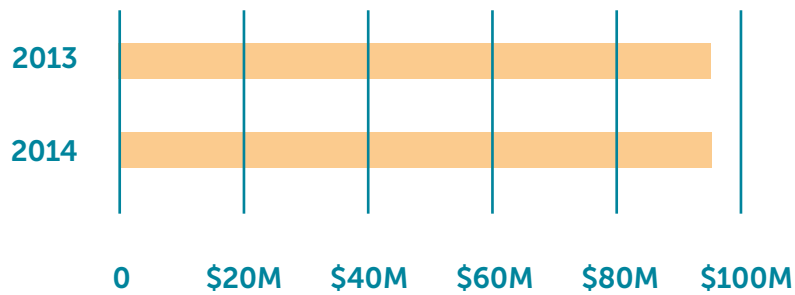
(DOLLARS IN THOUSANDS UNLESS OTHERWISE NOTED)

	% of Assets	12 31 14	12 31 13
ASSETS			
Cash and Cash Equivalents	5.81%	\$ 113,267	\$ 144,093
Cash Equivalents Held as Collateral for Securities on Loan	3.50%	68,262	29,663
Equity Securities, at Market Value	39.77%	776,767	900,775
Bonds, at Market Value	18.07%	352,970	350,095
Marketable Alternatives	7.45%	145,486	0
Investments in Private Equity Funds	3.09%	60,390	45,155
Accrued Interest, Dividends and Royalties	0.40%	7,838	9,052
Securities on Loan to Borrowers	3.38%	66,053	28,766
Receivable from Sale of Securities	0.24%	4,634	11,548
Mortgage Loans and Notes Receivable	0.75%	14,633	10,124
Real Estate	2.94%	57,441	71,615
Mineral Rights and Royalties	14.51%	283,479	288,472
Other Assets	0.09%	1,840	1,761
TOTAL ASSETS	100.00%	\$ 1,953,060	\$ 1,891,119
LIABILITIES			
Accrued Liabilities		\$ 2,330	\$ 1,962
Payable for Purchase of Securities		8,295	42,085
Liability for Collateral Held for Securities on Loan		68,262	29,663
Distributable Income		30,124	36,151
TOTAL LIABILITIES		\$ 109,011	\$ 109,861
FUNDS ADMINISTERED			
Institutional Funds		\$ 1,321,823	\$ 1,207,551
Annuity and Life Income Trust Funds		97,648	90,130
Unrealized Net Gain on Investments		424,578	483,577
TOTAL FUNDS ADMINISTERED		\$ 1,844,049	\$ 1,781,258
TOTAL LIABILITIES & FUNDS ADMINISTERED		\$ 1,953,060	\$ 1,891,119

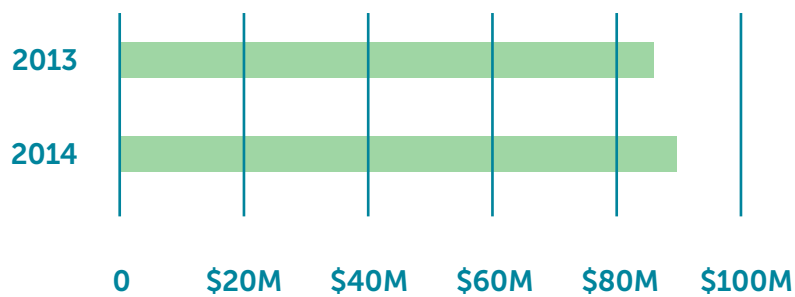
NET ASSETS



NET INCOME



DISTRIBUTED TO INSTITUTIONS



Tal Roberts: He served the Foundation from 1969–1997; joining as an associate in the legal division and then later promoted to Executive Vice President and Chief Operating Officer (Trust Counsel). Roberts was responsible for day to day operation of the Foundation.

1995

Terry Simmons and Tal Roberts led the charge that resulted in President Clinton signing the Charitable Gift Annuity Antitrust Relief Act of 1995 and the Philanthropy Protection Act of 1995



Terry Simmons: He joined the Foundation in 1979 and was named Senior Vice President and General Counsel in 1996. When charitable annuities came under attack in Texas in 1995, Simmons led the charge that resulted in President Clinton signing the *Charitable Gift Annuity Antitrust Relief Act of 1995* and the *Philanthropy Protection Act of 1995*. Simmons was named *NonProfit Times*' Executive of the Year in 1997.

2012

Jeff Smith named third President of Baptist Foundation of Texas

OFFICERS



JEFF W. SMITH
President & Chief Executive Officer



BEN CURRY
*Senior Vice President for
Finance & Administration*



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

JOHN C. OWENS

*Chairman
PlainsCapital Bank*

CARROL R. MCGINNIS

*Private Investor
McGinnis Investments*

KIM J. ASKEW

*Partner
K&L Gates, LLP*

FRED R. NORTON, JR.

*Partner
Norton & Wood, LLP*

MARY FRANCES BURLESON

*President & CEO
Ebby Halliday, REALTORS*

BRADLEY S. SELNER

*Managing Director
JLL*

ANSEL L. CONDRAY

*Former Chairman
ExxonMobil International*

JOHN E. THOMPSON, JR.

*President & Executive Director
NSIIP*

MASTON C. COURTNEY

*of Counsel
Courtney, Countiss, Brian & Bailey, LLP*

JERRY E. TURNER

*Senior Partner
Andrews Kurth, LLP*

CAREY HENDRICKSON

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

PHIL D. WEDEMEYER

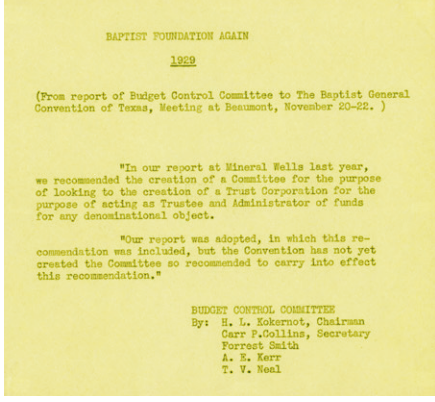
*Former Partner
Arthur Andersen & Co./Grant Thornton, LLP*



Jeff Smith: Smith was named President of the Foundation in 2012. His vision of increasing the awareness of Baptist Foundation of Texas and Concord Trust Company is being made possible through rebranding initiatives, increasing investment options and flexibility and enhancing client communications.

1925

Budget Control Committee (H.L. Kokernot, Dr. T.V. Neal, Dr. Forrest Smith, Carr Collins, Sr., Judge T.M. Kennerly) appointed by The Baptist General Convention of Texas to make a detailed study of the financial condition of Convention institutions and agencies



1928

Idea of Baptist Foundation of Texas was born and the Budget Control Committee submitted first proposal

1930

Texas Baptists unanimously authorized the creation of the Foundation as an agency of The Baptist General Convention of Texas at the Amarillo Convention

1931

Received charter from the state of Texas and began operation with assets totaling \$1.3 million



H.L. Kokernot elected Chairman of the Board

1938

Directors authorized an amendment to the Foundation's charter to permit the handling of funds for Southern Baptist Convention institutions as well as those of The Baptist General Convention of Texas

1939

\$4.4 million in total assets and net income of \$182,200 — more than double since the Foundation's beginning

1949

William Fleming elected to succeed H.L. Kokernot as Chairman of the Board

1951

Foundation establishes the Group Investment Fund—a fund that pools all the assets of the participating institutions and allows each to benefit in proportion to its share of the fund



1954

J.C. Cantrell elected Executive Secretary, later President, of Baptist Foundation of Texas

1955

For the first year in its history, Baptist Foundation of Texas returned more than \$1 million derived from endowment funds to Baptist institutions



1956

Foundation's assets exceed \$24.6 million

1957

Foundation experiences a 33% increase in assets due to concentration of equity investments and move away from fixed income investments

1961

Foundation re-structured into three functional areas: a division of trusts, a division of investments and a division of accounting and records



From nine employees when Cantrell took office in 1954, the Foundation's staff increased to 25 employees

Foundation's assets grew to over \$50 million, with annual earnings of approximately \$2 million for Baptist institutions

1963

Carr Collins, Sr. elected the third Chairman of the Board

1964

When the Annuity Board of the Southern Baptist Convention constructed a 15-story office building at 511 North Akard, the Foundation became one of the first tenants



1965

Total assets exceeded \$61 million and more than \$2.2 million was remitted to Baptist causes

1970

In celebration of the Foundation's 40th anniversary, Kenneth Smart publishes, *A Sacred Trust*, a book detailing our history



1972

Lynn Craft elected Executive Vice President

1976

Four years later, Craft named second President of the Foundation

1980

Nearly a decade ago Cantrell predicted assets would reach \$200 million by 1980 yielding distributed income of \$12 million a year; exceeding his target, the Foundation claimed \$203 million in assets and made distributions to Baptist institutions of \$12.5 million

Tal Roberts promoted to Executive Vice President and Chief Operating Officer



1983

Relocation to 2001 Bryan Tower after 19 years at 511 North Akard

1985

The Group Investment Fund reaches over \$140 million in assets; Foundation total assets over \$480 million

1990

First Open Forum created to enhance communications with development officers at the Baptist institutions and agencies served

1991

Chief Investment Officer, Roddy Cummins, led the charge to actively manage the Group Investment Fund for total return and diversified investment managers in response to UMIFA [now UPMIFA]

1992

Offices moved to Thanksgiving Tower

1995

Terry Simmons and Tal Roberts led the charge that resulted in President Clinton signing the *Charitable Gift Annuity Antitrust Relief Act of 1995* and the *Philanthropy Protection Act of 1995*



\$1 billion mark reached in assets under management

1996

Celebration of 65 years of service



Concord Trust Company established as a subsidiary of Baptist Foundation of Texas

1997

Terry Simmons named *NonProfit Times*' Executive of the Year

1998

Operations department formed to manage daily operations and oversee administrative support activities

2000

\$2 billion mark reached in assets under management

The Foundation's Board establishes the Burg Scholarship Fund, as provided by Kenneth and Viola Burg Trust—designated for Christian education



2001

Foundation observes 70 years of service

2002

Joyce Bagley, the first woman to join the executive team, is promoted to Executive Vice President and Chief Operating Officer

2012

Lynn Craft retires after 36 years of service as President of the Foundation

Jeff Smith named third President of Baptist Foundation of Texas

2013

New leadership launches initiatives to improve client communications such as: online account access system, rebranding and website development

2014

Since inception, the Burg Scholarship has awarded over \$12 million to over 5,000 Baptist students

2015

The Foundation celebrates 85 years serving Baptist institutions



A LEGACY OF FAITH & FORESIGHT



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