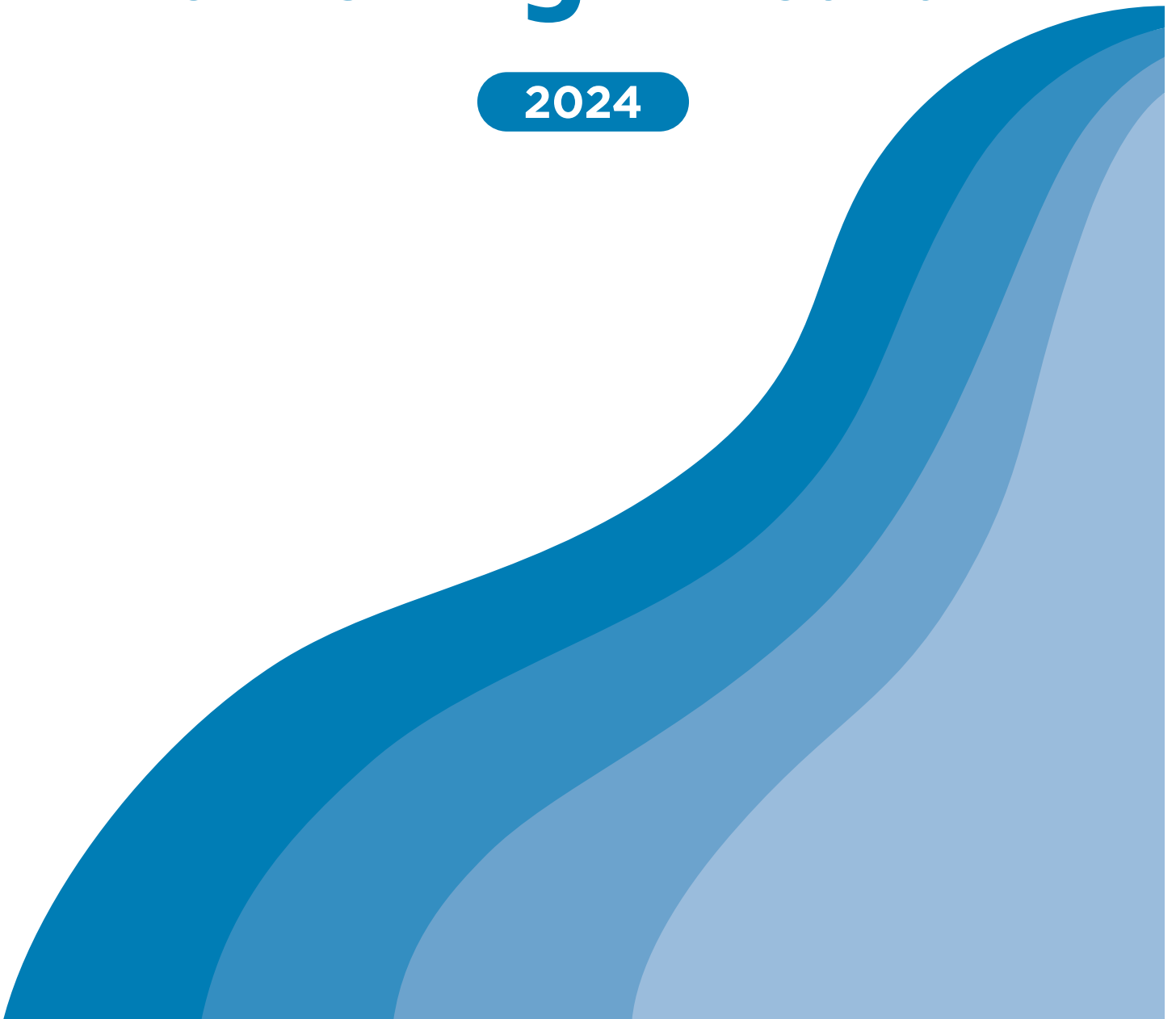




WatersEdge Ministry Services

Offering Circular

2024



WATERSEEDGE MINISTRY SERVICES

300 Johnny Bench Drive, Suite 200
Oklahoma City, OK 73104
(800) 949-9988
www.WatersEdge.com

OFFERING CIRCULAR

\$275,000,000

WatersEdge Ministry Services (“WatersEdge”) is a tradename of The Baptist Foundation of Oklahoma (“Foundation”), an Oklahoma not for profit corporation. See “INTRODUCTION” on page 9.

THESE SECURITIES MAY EITHER BE REGISTERED OR EXEMPT FROM REGISTRATION IN THE VARIOUS STATES OR JURISDICTIONS IN WHICH THEY ARE OFFERED OR SOLD BY THE ISSUER. THIS OFFERING CIRCULAR HAS BEEN FILED WITH THE SECURITIES ADMINISTRATORS IN SUCH STATES OR JURISDICTIONS THAT REQUIRE IT FOR REGISTRATION OR EXEMPTION.

THESE SECURITIES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTION 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE SECURITIES, OR APPROVED, DISAPPROVED, OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.

THIS OFFER IS SUBJECT TO CERTAIN RISK FACTORS DESCRIBED HEREIN BEGINNING ON PAGE 7.

The following investments are offered by WatersEdge through its Church Extension Fund (“CEF”) as further described in “DESCRIPTION OF NOTES” beginning on page 19:

Demand Investments (“Demand Notes”) – A Demand Note with an interest rate that may be adjusted on a monthly basis and which permits additions of principal and partial withdrawals at any time without any penalty or service fee upon request. Minimum investment of \$1,000.

Term Investments (“Term Notes”) – A Term Note with an interest rate that remains fixed throughout its term, with available terms ranging from six (6) months to five (5) years, as may be offered by the CEF from time to time. Minimum investment of \$1,000.

Demand Notes and Term Notes may be collectively referred to as the Notes or the Kingdom Investments.

For current interest rates, please call WatersEdge at 800-949-9988 or visit WatersEdge’s website: www.WatersEdge.com.

See “DESCRIPTION OF NOTES” beginning on page 19 for more specific information on Notes offered as of the date of this Offering Circular. Each Note term may not be available at all times, and interest rates may vary from time to time.

NOTES OFFERED BY WATERSEEDGE ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (“FDIC”), THE SECURITIES INVESTOR PROTECTION CORPORATION (“SIPC”) OR ANY OTHER FEDERAL OR STATE AGENCY.

The date of this Offering Circular is June 1, 2024.

The aggregate amount of the Notes being offered may be sold in any one or more of the offered categories.

There are no underwriters or outside selling agents involved with this offering, and no commissions or underwriting expense will be paid. The CEF will receive 100% of the proceeds from the sale of the Notes, out of which it must pay all related expenses of the offering, which are estimated to be \$30,000.

No sinking fund or trust indenture will be used by the CEF in conjunction with the issuance of the Notes. Investors are dependent on the financial condition of WatersEdge for the repayment of the Notes.

THE NOTES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FDIC, SIPC, ANY STATE BANK OR INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON WATERSEdge'S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW WATERSEdge'S FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE NOTES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY, ANY OTHER PERSON OR ENTITY EXCEPT FOR WATERSEdge.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY WATERSEdge.

The offer and sale of the Notes is limited to entities and persons that, prior to receipt of this Offering Circular, are members of, contributors to (including previous investors) or participants in WatersEdge; the Baptist General Convention of the State of Oklahoma, dba Oklahoma Baptists ("Convention"); or in any program, activity, or organization which constitutes a part of the Convention or in other religious organizations which have a programmatic relationship with WatersEdge or the Convention ("Limited Class"); or such other entities or persons having a reasonable association or affiliation with the Limited Class, as further defined on page 21. WatersEdge, in its sole discretion, may determine that an entity or person is not in the Limited Class and reserves the right to refuse to offer or to issue any Note to any person or entity.

INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

INVESTORS SHOULD RELY ONLY ON THE INFORMATION PROVIDED IN THIS OFFERING CIRCULAR. WATERSEdge HAS NOT AUTHORIZED ANYONE ELSE TO PROVIDE INVESTORS WITH ANY OTHER OR DIFFERENT INFORMATION.

STATE SPECIFIC INFORMATION

Florida Residents: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER CHAPTER 517.051(9), FLORIDA STATUTES.

Indiana Residents: THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS/OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Kentucky Residents: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER KRS 292.400(9) OF THE KENTUCKY SECURITIES ACT.

Louisiana Residents: THESE SECURITIES HAVE BEEN REGISTERED WITH THE SECURITIES COMMISSIONER OF THE STATE OF LOUISIANA. THE SECURITIES COMMISSIONER, BY ACCEPTING REGISTRATION, DOES NOT IN ANY WAY ENDORSE OR RECOMMEND THE PURCHASE OF ANY OF THESE SECURITIES.

Missouri Residents: THE MISSOURI SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATIONS OF THE SECURITIES HEREBY OFFERED, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE MISSOURI SECURITIES ACT UNDER THE EXEMPTION PROVIDED BY SECTION 409.2-201(7)(B) OF THE REVISED STATUTES OF MISSOURI. NO

APPROVAL HAS BEEN GIVEN TO THE ISSUER, THESE SECURITIES, OR THE OFFER OR SALE THEREOF IN CONNECTION TO ANY MISSOURI RESIDENTS.

Ohio Residents: In the event the Ohio holder of a Term Note inadvertently allows such Note to automatically renew at maturity, WatersEdge will renew said Note as a Demand Note at the then current rate of interest for Demand Notes.

Pennsylvania Residents: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE PENNSYLVANIA DEPARTMENT OF BANKING AND SECURITIES, NOR HAS THE DEPARTMENT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

A Registration Statement with respect to the securities offered by this Offering Circular has been filed in the offices of the Pennsylvania Department of Banking and Securities at 17 North 2nd Street, Suite 1300, Harrisburg, Pennsylvania 17101. The telephone number for the Department is 717-787-1854. The Registration Statement includes certain exhibits only summarized or alluded to in this Offering Circular. These documents are available for inspection at the offices of the Department during regular business hours. The maximum amount of Notes that may be sold in Pennsylvania is \$275,000,000.

Notice of Right to Withdraw

Any Investor who accepts an offer to purchase Notes shall have the right for a period of two (2) business days after such Investor receives a copy of this Offering Circular to withdraw from his/her purchase agreement pursuant to Section 207(m) of the Pennsylvania Securities Act of 1972 and receive a full refund of all monies paid, without interest. Such withdrawal shall be without the Investor incurring any further liability to any person. To accomplish this withdrawal, an Investor need only send a written notice prior to the end of the second business day to WatersEdge at the address listed on the cover of the Offering Circular, indicating an intent to withdraw. If an Investor chooses to withdraw by letter, it is prudent to send it by registered mail, return receipt requested, to ensure that the letter is received and to evidence the time of mailing. An Investor making an oral request for withdrawal should ask for written confirmation that the request has been received.

South Carolina Residents: NOTES THAT HAVE NO FIXED MATURITY AND ARE PAYABLE ON DEMAND ARE NOT AVAILABLE TO, AND ARE NOT BEING OFFERED AND WILL NOT BE ISSUED TO, RESIDENTS OF SOUTH CAROLINA. ONLY TERM NOTES WITH A FIXED MATURITY WILL BE OFFERED AND SOLD TO SOUTH CAROLINA RESIDENTS.

South Dakota Residents: THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SDCL 47-31B-201(7)(B) OF THE SOUTH DAKOTA SECURITIES ACT. NEITHER THE SOUTH DAKOTA DIVISION OF INSURANCE (DIVISION) NOR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Tennessee Residents: IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

Virginia Residents: THE VIRGINIA STATE CORPORATION COMMISSION DOES NOT PASS UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS OR UPON THE MERITS OF THIS OFFERING AND THE COMMISSION EXPRESSES NO OPINION AS TO THE QUALITY OF THIS SECURITY.

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DEFINITIONS

CEF – The Church Extension Fund of WatersEdge Ministry Services.

Convention – The Baptist General Convention of the State of Oklahoma, dba Oklahoma Baptists.

Demand Notes – Demand Investments with interest rates that may be adjusted on a monthly basis and which permit additions of principal and partial withdrawals at any time without any penalty or service fee upon request.

Foundation – The Baptist Foundation of Oklahoma, an Oklahoma not for profit corporation.

Investments – Bonds, mutual funds, and other assets purchased by the CEF which, in addition to cash and cash equivalents, provide for operating and reserve liquidity pending utilization for Loans to Members.

Investors – Entities and persons who are members of the Limited Class to whom the Notes are offered and sold.

Loans – Adjustable interest rate loans to Members generally secured by a first mortgage or deed of trust on property of the Members with limited exceptions. These loans are for Ministry Activities and are generally for terms based on up to 25-year amortizations.

Members – Oklahoma Baptist entities cooperating with Oklahoma Baptists, entities residing outside of Oklahoma cooperating with a state Baptist convention with like beliefs and commitments as Oklahoma Baptists, and organizations that possess like beliefs and commitments as Oklahoma Baptists.

Ministry Activities – Acquiring sites, constructing and renovating facilities, purchasing buildings and equipment, financing operating expenses, promoting strategic ministry planning, assisting in capital campaigns, and facilitating other purposes approved by the Board consistent with the mission and ministry of WatersEdge.

NASAA SOP – The North American Securities Administrators Association, Inc. Statement of Policy Regarding Church Extension Fund Securities adopted April 17, 1994 and amended April 18, 2004.

Notes – Term or demand unsecured debt securities issued by WatersEdge and offered in this Offering Circular. WatersEdge may also refer to the Notes as the Kingdom Investments.

Term Notes – Term Investments with interest rates that remain fixed throughout their respective terms ranging from six (6) months to five (5) years.

WatersEdge – WatersEdge Ministry Services, a trade name of The Baptist Foundation of Oklahoma.

SUMMARY OF THE OFFERING

WatersEdge provides this summary for the convenience of Investors. Because it is only a summary, Investors must read it together with the more complete statements and information included in this Offering Circular, including the Financial Statements. See “DEFINITIONS” on page 5 of this Offering Circular.

1. **The Baptist Foundation of Oklahoma.** The Foundation, doing business as WatersEdge, is an Oklahoma not for profit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, with its principal offices located in Oklahoma City, Oklahoma. WatersEdge is affiliated with the Convention. See “INTRODUCTION” and “HISTORY AND OPERATIONS.”

2. **Description of the Notes.** Through its CEF, WatersEdge offers unsecured debt securities in the form of Demand Notes and Term Notes. The CEF uses the net proceeds from the sale of these Notes to fund Loans, which are made to Members for Ministry Activities. The Demand Notes are liquid Notes. Term Notes are Notes with 6-month, 1-year, 2-year, and 5-year terms. Information concerning present terms, minimum investment requirements, and interest rates is available by calling WatersEdge or by visiting WatersEdge’s website. On certain Notes, interest rates will vary depending upon the term of investment. In most cases the Term Notes provide for automatic extension at maturity for an additional like term unless, prior to the maturity date, the Investor sends a written request for payment to the CEF’s office. However, the CEF provides each Investor a 15-day grace period after purchase or automatic extension of a Term Note, whereby the Investor can withdraw or reallocate funds without penalty. In the case of automatic extension of existing Notes upon maturity, the new extension interest rate may be less than the interest rate on the original Note. The new interest rate will be the applicable interest rate for the term of Note being extended at the time of the extension. The CEF will send Investors notice of maturity at least 30 days prior to the maturity of each Term Note. Each year the CEF will send Investors the latest copy of the Offering Circular within 120 days of the end of its fiscal year. The CEF is not legally obligated to redeem an Investor’s Note prior to its maturity. When the CEF allows early redemption, there is an early redemption penalty. See “DESCRIPTION OF NOTES.”

3. **Risk Factors.** The purchase of the Notes is subject to certain described risks. See “RISK FACTORS,” which Investors are encouraged to read carefully.

4. **Use of Proceeds.** The CEF uses the net proceeds from the sale of its Notes to fund Loans, which are made to Members to finance Ministry Activities. Any Note proceeds not used as described above will be invested pursuant to the CEF’s investment policies. No underwriting discounts or commissions will be paid in connection with the sale of the Notes. See “USE OF PROCEEDS.”

5. **Management.** The affairs of the CEF are governed by WatersEdge’s outside 18-member Board of Directors, described further in “MANAGEMENT”. The following are WatersEdge’s Officers responsible for its day-to-day investment and loan operations:

Robert K. Kellogg, Chief Executive Officer
Robert J. Hart, President
Jerry L. Vaughan, Chief Lending Officer
Kristen M. Karr, Chief Operating Officer
David L. Depuy, Chief Investment Officer
Brad A. Johnson, Chief Financial Officer

6. **Financing and Operational Activities.** Sources of the CEF’s funds have been principal and interest payments received on its Loans to Members, interest and dividends earned on its Investments, and cash receipts from the sale of its Notes. In addition, the CEF may receive proceeds from a denominational note payable, as described in our financial statements. WatersEdge holds the denominational note as an asset in common funds and uses the monthly income payments received to provide fixed income investment return to endowments and other similar accounts. See “FINANCING AND OPERATIONAL ACTIVITIES.”

7. **Lending Activities.** The CEF uses the proceeds from the sale of its Notes to make Loans to Members generally secured by a first mortgage or deed of trust on property of the Members with limited exceptions. These Loans are for Ministry Activities. Presently, the CEF makes Loans generally for terms based on up to 25-year amortizations. See “LENDING ACTIVITIES.”

8. **Purchase of Notes.** To purchase one or more of the CEF’s Notes, an Investor must submit an application, directing the CEF as to the amount to invest and the method of payment. Instead of issuing a paper Note, the CEF will register the Note on its books only and send the Investor a receipt or confirmation.

Investors may call WatersEdge at 800-949-9988 or visit its website at www.WatersEdge.com.

9. **Audited Financial Statements of WatersEdge.** To meet NASAA SOP guidelines, the audited financial statements of the CEF of WatersEdge for 2023, 2022, and 2021 have been attached to this Offering Circular.

10. **Selected Financial Data.** The following summarizes selected financial information for the fiscal year ending December 31, 2023. See “SELECTED FINANCIAL DATA” for selected financial data for the past five years:

| | <u>As of December 31, 2023</u> |
|--|-------------------------------------|
| Cash, Cash Equivalents and Certificates of Deposit | \$12,224,877 |
| Total Outstanding Loans* | 178,791,635 |
| Unsecured Loans - Amount | 238,768 |
| Unsecured Loans - % of Total (based on principal balances) | 0.13% |
| Loan Delinquencies** as a % of Total Loans | 0.00% |
| Total Assets | 192,335,417 |
| Outstanding Notes | 109,984,645 |
| Notes Redeemed During Year | 32,142,554 |
| Net Assets | 10,521,394 |
| | <u>Year Ended December 31, 2023</u> |
| Gain (Loss) from Operations | \$351,191 |
| Net Gain (Loss) on Investments*** | 9,249 |
| Net Gain (Loss) on Real Estate | - |
| Change in Net Assets**** | 360,440 |

* Total outstanding Loans net of participations, deferred loan fees, and allowance for credit losses on Loans.

** Loans on which principal and/or interest were delinquent for over 90 days.

*** Includes realized and unrealized gains (losses) on Investments.

**** An adjustment was made to beginning net assets in 2023 for the adoption of ASC 326 of \$337,731 that is not included here. Additionally, a transfer from WatersEdge in 2023 of \$975,863 is not included.

RISK FACTORS

1. **Notes are Unsecured Obligations.** The Notes are unsecured obligations. Investors must depend solely upon WatersEdge’s financial condition and operations for principal repayments and interest payments on the Notes. The debts and liabilities of WatersEdge are independent of the financial structure of the Convention or any Members, and neither the Convention nor any other entity related thereto is obligated to make payments on or to provide funds to the CEF to make payments on the Notes.

Although the CEF uses the proceeds of the Notes to fund Loans to Members, the Notes are not secured by mortgages or deeds of trust. The Notes are not insured by the FDIC, SIPC, or any other government agency.

2. **No Sinking Fund or Trust Indenture.** The CEF has not established any sinking fund or trust indenture to provide for repayment of the Notes. The lack of a sinking fund or trust indenture may adversely affect the CEF’s ability to repay the principal and interest on the Notes when due. Investors, therefore, must rely upon the CEF’s financial condition for repayment of the Notes.

3. **Notes Subordinate in Ranking and Priority to Limited Senior Secured Indebtedness.** The CEF has a bank line of credit, secured by selected Loans receivable, in the amount of \$3,000,000 which had no outstanding balance as of December 31, 2023. The line of credit includes an accordion feature through which the CEF can request to increase the amount of proceeds available to \$10,000,000. All of the Notes and anticipated future offerings of Notes will be of equal rank and are subordinate to this line of credit. The CEF reserves the right to issue further obligations, or draw upon this existing line of credit or obtain additional lines of credit, secured by a first lien on assets in an amount, together with our existing secured obligations, that will not exceed 10% of the CEF’s tangible assets.

4. **No Market Exists and Transferability is Limited and Restricted.** There is no market for the Notes, and it is highly unlikely that a market will develop. The Notes are not transferable without the CEF’s consent. In addition, conditions on transfer of the Notes may be imposed under the securities laws of certain states. Therefore, Investors should view the purchase of a Note as an investment for its full term.

5. **No Right to Redeem Prior to Maturity.** The CEF is not legally obligated to redeem an Investor’s Note prior to its maturity. When the CEF allows early redemption, there is a penalty. See “DESCRIPTION OF NOTES” on page 19.

6. **Investments Subject to Market Risks.** The CEF’s Investments are subject to various market risks, which may result in losses if market values of Investments decline and could have an adverse impact upon the CEF’s liquidity and its ability to repay its Notes.

7. Term Notes Automatically Extended. In most cases the Term Notes provide for automatic extension at maturity for an additional like term unless, prior to the maturity date, the Investor sends a written request for payment to the CEF's office. The CEF will send each Investor a notice of maturity 30 days prior to the maturity date. However, the CEF provides each Investor a 15-day grace period after purchase or automatic extension of a Term Note, whereby the Investor can withdraw or reallocate funds without penalty. In the case of automatic extension of existing Notes upon maturity, the new extension interest rate may be less than the interest rate on the original Note. The new interest rate will be the applicable interest rate for the term of Note being extended at the time of the extension. Each year the CEF will send Investors the latest copy of the Offering Circular within 120 days of the end of its fiscal year.

8. No Tax Benefits and Interest Taxable. There are no income tax benefits with respect to an Investor's purchase of Notes. Interest paid or payable to an Investor will be taxable as ordinary income regardless of whether such interest is paid to the Investor or the interest is retained by the CEF and compounded. Presently, Investors purchasing Notes greater than \$250,000 in the aggregate with the CEF may be subject to a tax on an imputed interest amount if the Notes pay, or are payable, at below-market interest rates. Investors purchasing Notes equal to or less than \$250,000 are not subject to imputation of interest. All Investors should consult their tax advisors.

9. Note Repayment Ability. The CEF uses principal and interest payments received on outstanding Loans, earnings from Investments, and proceeds from the sale of new Notes on a cash flow basis to fund the repayment of principal and payment of interest on its Notes. Future market conditions could affect the CEF's ability to repay Notes. For example, if yields on Investments fall below Note interest rates, if demand for new Notes decreases significantly or ceases altogether, or if there is a significant decrease in the renewal rate of maturing Notes resulting in a significant increase in redemptions, WatersEdge's financial condition could be adversely affected and adversely impact its ability to repay Notes.

10. Loan Collection Risks. The CEF makes Loans to Southern Baptist entities and like-minded organizations, primarily churches. The ability of borrowers to repay their Loans generally depends upon the amount of contributions received from members. The number of members and the amount of contributions received is likely to fluctuate. Contributions may decline for any number of reasons, including but not limited to, the strength of the economy, increased job losses or other economic difficulties encountered by members, population shifts in the region where organizations are located, and declines in the business prospects of donors. The CEF must rely on the borrower's continued financial viability for repayment of Loans.

11. Special Purpose of Church Properties. Church property that serves as collateral for a loan is a "special purpose" property, which may have a more limited number of prospective purchasers than other commercial properties. Therefore, the proceeds may not necessarily be sufficient to satisfy the full amount of the loan if the property needs to be sold to satisfy a loan in default.

12. Lending Criteria and Enforcement are More Lenient. The CEF's lending criteria used in determining whether a loan should be made to a borrower are typically more lenient than the criteria used by commercial lenders. Further, in view of the relationship the CEF has with its borrowers, it has been willing to accommodate late payments to an extent greater than a commercial lender may be willing to do. The CEF may continue this practice in the future.

13. Loan Delinquencies. As of December 31, 2023, the CEF had no Loans on which principal and/or interest were delinquent for over 90 days.

14. Dependence on Funds Received for Repayment. The CEF relies upon the principal and interest received on its outstanding Loans, as well as interest earned on its Investments, to fund the repayment of principal and payment of interest on its Notes. Depending on the CEF's cash flow at any particular time, the CEF may use funds received from the sale of new Notes to pay such principal and interest on the CEF's Notes, which may have an effect on its ability to maintain a positive financial position. Future market conditions could affect the CEF's ability to repay the Notes.

15. Interest Rate Fluctuation. Interest rates will fluctuate in the future. Investors should be aware that if interest rates rise or fall, the CEF is not obligated to redeem any Note prior to its maturity. Further, if interest rates fall, in order to reduce future interest obligations, the CEF may call Notes for redemption. The CEF depends to a certain extent on net interest income, which is the difference between income on interest-earning assets, such as Loans and Investments, and expense on interest-bearing liabilities, such as Notes. The CEF is exposed to interest rate risk in its core activities of making Loans to Members and selling Notes, since assets and liabilities reprice at different times and by different amounts as interest rates change. The CEF is unable to predict changes in market interest rates, which are affected by many factors beyond the CEF's control, including inflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets. Market interest rates began to rise during 2022 after an extended period at historic lows. Starting in March 2022, the Federal Reserve Board ("FRB") began raising the target federal funds rate for the first time in three years and continued with multiple increases throughout 2022 and 2023. Since September 2023 and through the date of this Offering Circular, the FRB has held rates steady, but the FRB has forecasted potential rate decreases in 2024. As interest rates have increased, so have competitive pressures on the CEF's cost of funds. It is not possible to predict the pace and magnitude of changes in interest rates, or the impact rate changes will have on the CEF's results of operations.

16. Environmental Risks. There is potential environmental liability associated with the Loans the CEF makes. The CEF does not typically conduct an environmental audit before approving the purchase of property or construction and improvement Loans. If environmental pollution or other contamination is found on or near property securing a loan, the CEF's security for the loan could be impaired. In addition, changes in environmental regulations could require the borrower to incur substantial unexpected expenses to comply with such regulations, and this could impair both the value of the collateral and the borrower's ability to repay the CEF.

17. Construction Loan Risks. Some borrowers may use the CEF's Loans to construct new facilities or to improve existing facilities. Such Loans will be subject to certain construction risks, including defaults or bankruptcies of contractors or subcontractors; construction delays due to shortages of materials, strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates; environmental regulations; fuel or energy shortages; increased and unexpected costs; and other factors unknown to or beyond the control of the borrower or other parties. The borrower's ability to repay a loan may be adversely affected in the event of a construction delay or occurrence of any other construction risk.

18. Changes in Securities Laws – Sales of Notes Could Be Curtailed. Changes in federal and state laws or changes to rules or regulations regarding the sale of debt securities of religious, charitable, or other nonprofit organizations may make it more difficult and costly for the CEF to offer and sell its Notes in the future. If this occurs, it could result in a decrease in the amount of Notes sold by the CEF, which could affect its ability to meet its obligations. If the CEF does not continue to qualify its Notes in any particular state, Investors in that state may not be able to reinvest at maturity.

19. Competition with Other Institutions. Other institutions may offer notes or other securities with a higher rate of return and/or notes or other securities that provide greater security and less risk than the CEF's Notes. Also, in many instances, the CEF competes with commercial lenders with respect to loans to churches and other borrowers.

20. Decrease in Note Renewals. The CEF anticipates that a significant number of Notes will be renewed at maturity. In 2023, approximately 89.7% of Notes were extended or reinvested at maturity. If there is a significant decrease in the renewal rate of maturing Notes resulting in a significant increase in redemptions, the CEF's resulting financial condition and ability to repay Notes could be adversely affected.

21. Expanding Geographic Scope of Loans. There are certain risks associated with the geographic concentration of Loans to borrowers, in the sense that economic conditions of one region could adversely affect the ability of the borrowers in that region to repay Loans. The CEF has outstanding Loans in Alabama, Arkansas, California, Colorado, Connecticut, Georgia, Illinois, Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Jersey, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Wisconsin, and Wyoming. Additionally, the CEF may choose to expand the geographic scope of its Loans to include more states in the future.

22. Right to Call. The CEF has the right to call Notes for redemption upon sixty (60) days written notice to the Investor. Principal and interest to the date of redemption will be paid to the Investor.

INTRODUCTION

General

WatersEdge Ministry Services is a tradename of The Baptist Foundation of Oklahoma. The Foundation is an Oklahoma not for profit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, with its principal offices located in Oklahoma City, Oklahoma. WatersEdge is affiliated with the Baptist General Convention of the State of Oklahoma, dba Oklahoma Baptists.

Offerings

Pursuant to this offering and by way of its CEF, WatersEdge has taken, or is taking, as the case may be, the necessary steps under state securities to offer its Notes in Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, West Virginia, and Wisconsin. The CEF offers its Notes in each of these states pursuant to exemption or by registration, qualification, or other applicable regulatory procedure. The amount of Notes the CEF offers in each state depends upon a number of factors, including its prior sales experience in a state, state filing and registration fees, and the necessity for periodic approval of the offerings or amounts in the state. The volume of the CEF's sales is primarily related to its need for funds to loan to Members (primarily churches) and its desire to maintain reasonable liquidity. See "FINANCING AND OPERATIONAL ACTIVITIES."

Presently, the CEF cannot determine the amount of Notes it will sell in 2024. For information regarding the CEF's prior sales of Notes and reinvestment experience, see "FINANCING AND OPERATIONAL ACTIVITIES—Sale of Notes in 2023."

HISTORY AND OPERATIONS

The Convention is a partnership of churches serving together under the Lordship of Jesus Christ to impact lostness with the Gospel by making disciples of all peoples...Doing more together than we can do alone.

The Baptist General Convention of Indian Territory and the Oklahoma Baptist State Convention came together on November 9, 1906, to form the Convention. The Convention voted in 1914 to be aligned with the Southern Baptist Convention. The Convention is a purely cooperative body, and its purpose is to furnish a means by which the churches of Christ in their sovereign capacity can work together in promoting all denominational enterprises which they deem necessary in carrying out the Great Commission. The Convention consists of messengers, who are elected by the Baptist churches cooperating with and contributing to the work of the Convention. The Convention's Directors are elected by a majority vote of the Convention in its annual convention which meets from year to year. The board of directors shall consist of sixty members, plus the president, first vice president, and second vice president, who shall be chosen by the Convention. The term of office for the sixty members shall be three years.

WatersEdge was incorporated as an Oklahoma not for profit corporation on October 31, 1946. WatersEdge exists to financially empower donors and ministries to transform lives with the Gospel of Jesus Christ. Its creation was approved by the Convention to administer funds and property received by gift, devise, bequest, or otherwise in order to assist and promulgate the furtherance of the Convention and to promote Baptist doctrines, evangelism, Christian education, and both home and foreign mission work.

WatersEdge began making loans in 1953 to meet the need of providing an investment allocation of the endowment funds under management. The loan program was also initiated to provide a ministry-based lending alternative to Oklahoma Southern Baptist churches. In 2005, as loan demand increased, WatersEdge began offering an investment option for Southern Baptist churches and entities, which allowed these entities an opportunity to invest cash assets with WatersEdge into the pool of funds that were loaned out as a part of the loan program. This pool of funds was a 30-day money market-like fund. In 2010, this investment option was converted from a 30-day money market-like fund to the present-day Demand and Term Notes. The Term Notes have fixed maturities and interest rates. Beginning with the 2023 Offering Circular, WatersEdge began offering the Notes to persons that meet the qualifications of the Limited Class, in addition to the entities that have historically been included in the Limited Class. See page 21 for further definition of the Limited Class.

WatersEdge manages funds on behalf of individuals, affiliated entities, and other registered 501(c)(3) entities including, but not limited to, funds in the form of charitable gift annuities, trusts, endowments, custodial funds, and surplus cash. However, WatersEdge holds these funds separately from the Notes. WatersEdge manages these assets for a fee, as reached by agreement separate from its CEF and this Offering Circular. The income and risk of loss for these investments are attributable to the entities for which the funds are managed.

WatersEdge has been determined to be a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The principal business office is located at 300 Johnny Bench Drive, Suite 200, Oklahoma City, Oklahoma 73104.

The membership of WatersEdge consists of resident Oklahoma Baptist entities that are cooperating with the Convention, entities residing outside of Oklahoma that are cooperating with a state Baptist convention with like beliefs and commitments as the Convention, and organizations that possess like beliefs and commitments as the Convention. Members of WatersEdge do not have voting powers and do not have authority to conduct any business on behalf of WatersEdge. The business and affairs of WatersEdge are administered by its Board of Directors. There are 18 elected Directors of WatersEdge. Each Director shall be a member of a Baptist church affiliated and cooperating with the Convention and a resident of the State of Oklahoma. The members of the Board of Directors of WatersEdge are nominated by the Committee on Nominations of the Convention, with the advice of the Chief Executive Officer. The Board members are elected by the Convention.

Property and Equipment

Through December 31, 2023, the CEF has used space and resources of WatersEdge. Therefore, the CEF did not have any property or equipment of its own as of December 31, 2023. However, on April 2, 2024, the CEF, through a wholly owned subsidiary, WatersEdge Bricktown Holdings LLC, has purchased an office building located at 300 Johnny Bench Drive, Oklahoma City, OK 73104. The CEF and other operations of WatersEdge intend to relocate to this building after it has been made ready for occupancy. WatersEdge Bricktown Holdings LLC will lease additional space in this office building to affiliated entities and at least one non-affiliated entity. It is expected that the CEF, along with all other tenants, will take occupancy in the building during Q3 2024.

USE OF PROCEEDS

The CEF uses the net proceeds from the sale of its Notes to fund Loans, which are made to qualifying Members for Ministry Activities. Any Note proceeds not used as described above will be invested pursuant to the CEF's investment policies.

The CEF makes Loans to qualifying Members for Ministry Activities in Alabama, Arkansas, California, Colorado, Connecticut, Georgia, Illinois, Indiana, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Jersey, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, Wisconsin, and Wyoming. During the year ended December 31, 2023, the CEF advanced \$40,387,855 in loan funds in connection with approved Loans. The CEF has not committed all or any portion of the proceeds from this offering for any specific projects. In the normal course of its operations, however, it is continuously making loan commitments based upon the availability of funds. At December 31, 2023, the CEF had \$83,054,000 in loan commitments. The CEF may use the proceeds of this offering to fund some portion of these loan commitments. However, the CEF has not made these commitments in contemplation of this offering, and the CEF will fund these Loans regardless of the results of this offering.

The CEF anticipates investing a portion of the proceeds of the offering pending their utilization for its activities or in furtherance of its policy of maintaining a reasonable degree of liquidity. See "INVESTING ACTIVITIES."

No underwriters are participating in this offering, and the CEF will pay no underwriting discounts or commissions in connection with the sale of the Notes. The Notes are sold by employees and Officers of WatersEdge, and such employees and Officers receive no commissions, fees, or other special remuneration for or in connection with the sale of the Notes. The CEF will pay all expenses of this offering, including printing, mailing, attorneys' fees, accountants' fees, and securities registration fees.

The proceeds from this offering will not be used for any particular capital improvement projects or for projects in any particular state or other area of the United States.

The CEF anticipates that all interest and principal due on the Notes will be paid from its assets and not from its new Note proceeds, although the cash flow from new Note proceeds may, in fact, be used for expenses to the extent cash flow from other sources is insufficient.

RELATED PARTY TRANSACTIONS

In 2023, the CEF used space, employees, and other resources of WatersEdge. Related to this use, the CEF owed WatersEdge \$27,401 at December 31, 2023.

The CEF has an outstanding denominational note payable to WatersEdge of \$70,044,373 at December 31, 2023. WatersEdge holds the denominational notes as an asset in common funds and uses the monthly income payments received to provide fixed income investment return to endowments and other similar accounts.

As of December 31, 2023, the CEF's Directors, Officers, and employees, their immediate family members, and businesses with which they are affiliated owned Notes in the aggregate totaling \$1,915,629, which represents 1.7% of total Notes. All of these Notes were issued on the same terms as were available to other Investors.

FINANCING AND OPERATIONAL ACTIVITIES

General

The CEF's ability to repay principal and interest on its outstanding Notes depends upon its financial condition and the funds available to it. The primary sources of the CEF's funds historically have been the receipts from the sale of Notes, the income it generates, and increases in its outstanding denominational note payable to WatersEdge. In prior years, it has been able to meet principal and interest requirements on its outstanding Notes from all of its available funds.

Outstanding Notes Payable

One of the primary means of obtaining the funds necessary to conduct the CEF's lending operations has been the sale of its Notes. The following describes the CEF's outstanding Notes at December 31, 2023:

| <u>Description</u> | <u>Number of Investors</u> | <u>Weighted Average Interest Rate</u> | <u>Aggregate Principal Balance</u> |
|--|------------------------------------|---|--|
| Term Notes | 344 | 4.8% | \$82,154,464 |
| Demand Notes | 172 | 2.7% | 27,830,181 |
| Accrued Interest Payable on Term Notes | | | <u>1,321,418</u> |
| Total | | | <u>\$111,306,063</u> |

At December 31, 2023, the CEF had outstanding Notes with an aggregate principal balance of \$109,984,645, with a weighted average interest rate of 4.3%.

As of December 31, 2023, the CEF's outstanding Notes represented 60.5% of its total liabilities.

Sale of Notes in 2023

During 2023, the CEF received cash proceeds of \$44,426,060 from sales of its Notes. The total amount of Notes redeemed in 2023 was \$32,142,554. WatersEdge's Board of Directors annually evaluates its financial condition and funding needs for the ensuing year.

The CEF manages the Notes that are made available and are outstanding at any particular time and the interest rates on those Notes. The principal balance on outstanding Notes increased by \$12,283,506 during 2023.

Maturity Information

The following shows the amount of the CEF's outstanding Notes that mature in the following years as of December 31, 2023:

| | <u>Aggregate Principal Balance</u> |
|-------------------------|------------------------------------|
| Demand Notes | \$27,830,181 |
| Term Notes maturing in: | |
| 2024 | \$74,012,706 |
| 2025 | 4,957,710 |
| 2026 | 514,070 |
| 2027 | 1,190,856 |
| 2028 | 1,479,122 |

Historically, the CEF's Investors have redeemed only a portion of the maturing Term Notes. The following shows the percentages of the aggregate principal balances of the CEF's maturing Term Notes that were extended or reinvested in the other Notes upon maturity for each of the last five years.

| <u>Year</u> | <u>Percentage Extended or Reinvested</u> |
|-------------|--|
| 2023 | 89.7% |
| 2022 | 91.4% |
| 2021 | 93.0% |
| 2020 | 77.5% |
| 2019 | 76.9% |

Outstanding Loans Receivable

In addition to the sale of the Notes, the CEF generates substantial funds from the income it receives on its outstanding Loans. The following describes the CEF's outstanding Loans at December 31, 2023:

| <u>Description</u> | <u>Number of Loans</u> | <u>Weighted Average Interest Rate</u> | <u>Aggregate Balance</u> |
|---|------------------------|---------------------------------------|--------------------------|
| Loans Receivable | 296 | 5.2% | \$184,533,091 |
| Less allowance for credit losses | | | (1,173,067) |
| Less deferred loan fees | | | (195,589) |
| Less participations sold | | | (4,372,800) |
| Net Loans Receivable | | | \$178,791,635 |
| Accrued Interest Receivable | | | 537,168 |
| Total Net Loans and Interest Receivable | | | <u>\$179,328,803</u> |

At December 31, 2023, the CEF had \$184,533,091 in Loans. See Note B to the financial statements.

While the CEF originates most of its own Loans, in 2022 the CEF purchased an interest in a loan originated by the Baptist Foundation of California. The balance of the purchased loan was \$4,895,405 at December 31, 2023. This loan is included in the Loans Receivable balance. The remaining 295 Loans were originated by the CEF to Members, both in the state of Oklahoma and in other states around the country. The CEF may choose in the future to purchase interest in additional loans originated by other institutions.

In some instances, a participation is sold by the CEF to a cooperating state Baptist foundation or other Baptist entity. The CEF's outstanding Loans, net of participations sold (but before deducting deferred loan fees and the allowance for credit losses on Loans) was \$180,160,291, representing 93.7% of total assets. After deducting deferred loan fees and the allowance for credit losses on Loans, the Net Loans Receivable was \$178,791,635.

For the last three years, the CEF received interest and principal repayments on its Loans as follows:

| <u>Year</u> | <u>Interest</u> | <u>Principal Repayments*</u> |
|-------------|-----------------|------------------------------|
| 2023 | \$8,186,698 | \$15,816,246 |
| 2022 | 6,833,081 | 17,010,948 |
| 2021 | 6,087,294 | 21,144,399 |

* Includes principal prepayments, which vary from year to year.

Maturity Information

The following shows the amount of the CEF's outstanding Loans that mature in the following years as of December 31, 2023:

| <u>Loans Maturing:</u> | <u>Aggregate Principal Balance</u> |
|------------------------|------------------------------------|
| 2024 | \$0 |
| 2025 | 434,111 |
| 2026 | 120,735 |
| 2027 | 299,233 |
| 2028 | 648,484 |
| Thereafter | <u>183,030,528</u> |
| TOTAL | <u>\$184,533,091</u> |

As of December 31, 2023, the CEF had \$238,768 in unsecured Loans.

LENDING ACTIVITIES

General

The significant purpose of the CEF is to provide financing for the acquisition of sites, for the construction and renovation of facilities, for the purchase of buildings and equipment, for operating expenses, for promoting strategic ministry planning, for assisting in capital campaigns, and for other purposes approved by WatersEdge's Board consistent with the ministry and mission of WatersEdge. The CEF intends to use the proceeds from this offering primarily to make Loans to qualifying Members for the aforementioned purposes. The

funds raised from the sale of Notes are separate from WatersEdge's other funds and used solely for Loans to Members. Pending the utilization of the funds, the CEF expects to invest the proceeds. At December 31, 2023, the CEF had 296 Loans with an aggregate principal balance of \$184,533,091 and an average principal balance per loan of \$623,423. During the year ended December 31, 2023, the CEF advanced \$40,387,855 in loan funds in connection with approved Loans.

The CEF requires that all Loans be secured by a first mortgage or deed of trust on the property of the Member, with limited exceptions.

Loan Policies

The CEF's lending policies and underwriting guidelines have been established, and may only be changed by, WatersEdge's Board of Directors. WatersEdge's Ministry Services Committee is a standing committee of WatersEdge's Board of Directors that prepares and amends the CEF's loan policies and directs, monitors, and evaluates Loans in accordance with the loan policies.

The CEF determines the amounts loaned, interest rates, availability of funds, payment schedules, and other loan terms at the time loan applications are approved. The loan terms are subject to change from time to time.

The CEF's underwriting guidelines generally require consideration of debt-to-income and loan-to-value ratios during the loan approval process. Moreover, the CEF presently will not make a single Loan or combination of Loans where the total amount loaned to a Member is greater than \$10,000,000 without approval from the Board of Directors.

The CEF requires that borrowers demonstrate membership qualifications and possess like beliefs and commitments as the Convention generally on the basis of regular contributions to mission causes. Failure to do so results in any indebtedness owed to the CEF to become immediately due and payable.

Members applying for a Loan with the CEF must have a written budget plan, adopted by appropriate organizational action annually, and must show evidence of financial operations. The CEF will also consider the location of the Member and the local community needs when reviewing a loan request, and a Member must be incorporated in the state in which the Member is located.

Additionally, the CEF requires Members applying for a Loan to submit a loan application on forms provided by the CEF and submit current and complete information in support thereof. Upon receipt of a loan application, CEF representatives will meet with the prospective borrower to discuss the request, the actions required to process the Loan, and the real property and improvements to serve as collateral for the Loan.

The CEF is currently making interest-bearing Loans generally for terms up to 25 years, with provisions to adjust the interest rate every 1, 3, 5, 7, or 10 years as elected by the borrower. WatersEdge staff establishes interest rates as market conditions dictate.

Generally, the CEF does not loan in excess of 75% of the value of improved real property. With respect to Loans secured by real property, the CEF uses customary mortgages or deeds of trust as security until the loan is repaid. In addition, with respect to real property secured Loans, the CEF requires normal lender protections, such as title insurance or an opinion of counsel as to the validity of title and adequate fire and extended coverage policies naming WatersEdge as mortgagee. The CEF performs its own market value analysis as to the value of the real property that will serve as security for a loan. The CEF has adopted loan evaluation guidelines that include generally applied loan-to-value and debt-to-income ratios in an effort to determine a prudent amount of indebtedness for the borrower and to realistically evaluate the Member's ability to repay.

The CEF charges origination fees based upon the loan amount at origination, as follows: 1% of the loan amount up to \$300,000, \$3,000 plus 0.5% of the loan amount up to \$600,000, or \$4,500 plus 0.25% of the loan amount over \$600,000. WatersEdge may, at its sole discretion, negotiate these and other fees with borrowers.

WatersEdge's Board of Directors, along with the Ministry Services Committee, determines the loan policies and guidelines and may revise them at any time. Thus, WatersEdge cannot assure that the foregoing loan policies, amounts of loan funds available, and interest rates offered will not be changed periodically.

Major Loans

The CEF had a net balance of \$178,791,635 as of December 31, 2023, in outstanding Loans, which takes into consideration the allowance for credit losses on Loans of \$1,173,067, deferred loan fees of \$195,589 and participations of \$4,372,800 (the "Total Loan Balance"). At December 31, 2023, the CEF had one borrower with an aggregate principal balance of 5.9% of the Total Loan Balance. No other borrowers had an aggregate principal balance greater than 5% of the Total Loan Balance.

At December 31, 2023, no single administrative unit or other single borrower was ultimately liable in the aggregate for any amount that exceeds 10% of the CEF's total assets.

Loan Delinquencies

As of December 31, 2023, the CEF had no Loans 90 days or more past due. There can be no assurance that delinquencies will not increase in the future.

As of December 31, 2023, the CEF had one loan on nonaccrual status, which means that the CEF has determined that the future collectability of interest or principal, or both, is in serious doubt. This loan is classified as substandard performing as of December 31, 2023, with an unpaid principal balance of \$428,082. See Note B to the Financial Statements.

Due to the nature of the relationship with its borrowers, the CEF has been willing to make accommodations for borrowers whose payments were not current or to refinance their outstanding obligations. However, the CEF cannot assure that it will be able or willing to refinance, accommodate, or restructure any delinquent Loans in the future.

Credit Losses and Credit Loss Reserve

The CEF did not charge off any credit loss in 2023. The CEF regularly evaluates all Loans more than 90 days delinquent as to the total principal and interest due and the fair value of the underlying collateral supporting the loan. In cases where the carrying value exceeds the fair value of the collateral, the CEF establishes a specific reserve for the loan. Based on the evaluation of Loans individually and collectively, the CEF determined that as of December 31, 2023, a total allowance for possible credit losses on Loans should be \$1,173,067. See Note B to the Financial Statements.

INVESTING ACTIVITIES

Investments

WatersEdge maintains a significant investment portfolio in relation to its service as trustee and custodian of trusts. WatersEdge holds these investments as restricted investments separately from the Notes. See "HISTORY AND OPERATIONS." These assets are not in the CEF.

The CEF has Cash and Investments available as operating liquidity pending their use for loan purposes. This liquidity is invested in accordance with the Investment Policy detailed below to generate further income for the operation of the CEF.

| Assets | Aggregate Fair Value | Percentage of Total Invested Funds |
|--|-------------------------|---------------------------------------|
| <u>Cash and Investments</u> | | |
| Cash, Cash Equivalents and Certificates of Deposit | \$12,224,877 | 95.3% |
| Investments | <u>598,031</u> | <u>4.7%</u> |
| Total Cash and Investments | <u>12,822,908</u> | 100.0% |
| <u>Non-Investments</u> | | |
| Church Building Loans receivable, net | 178,791,635 | |
| Accrued Interest Receivable | 537,168 | |
| Prepaid expenses and other | <u>183,706</u> | |
| Total Non-Investments | <u>179,512,509</u> | |
| Total Assets | <u>\$192,335,417</u> | |

See Note C to the financial statements.

The following shows Investment interest and dividend income for the last three years.

| <u>2023</u> | <u>2022</u> | <u>2021</u> |
|-------------|-------------|-------------|
| \$19,692 | \$20,144 | \$6,417 |

The following shows the net realized and unrealized gain (loss) on Investments for the last three years.

| <u>Year</u> | <u>Gain (Loss) on Investments</u> |
|-------------|---------------------------------------|
| 2023 | 9,249 |
| 2022 | (40,775) |
| 2021 | (8,783) |

Investment Policies

WatersEdge's Board of Directors is responsible for setting and changing the CEF's Investment Policy. Proceeds from the sale of Notes and repayments of principal on Loans made by the CEF shall, to the extent possible, be first reinvested in new Loans. Note proceeds and loan repayments not applied to new Loans will be invested in accordance with the following Investment Policy Statement:

It is WatersEdge's policy to maintain operating and reserve liquidity, comprised of cash, cash equivalents, readily marketable securities and immediately available funds through a line of credit, equal to at least eight percent (8%) of outstanding Notes (with no more than two percent (2%) from an available line of credit).

a. No less than three percent (3%) of an amount equal to the value of outstanding Notes shall be invested in risk free securities including:

- i. Bank deposits with full FDIC coverage
- ii. U.S. Treasury Securities
- iii. Certificates of Deposit with full FDIC insurance coverage with maturity less than twelve (12) months

b. The next twelve percent (12%) of an amount equal to the value of outstanding Notes may consist of any of the following eight (8) asset classes, with no more than three percent (3%) of an amount equal to the value of outstanding Notes being invested in any single asset class except as indicated:

- i. Bank deposits with full FDIC coverage (no limit)
- ii. U.S. Treasury Securities (no limit)
- iii. Certificates of Deposit with full FDIC coverage with maturity less than twelve (12) months (no limit)
- iv. Fixed income church extension fund securities
- v. Money market funds or accounts (without full FDIC insurance coverage)
- vi. U.S. Bonds (including mutual funds)
- vii. Foreign Bonds (including mutual funds)
- viii. Certificates of Deposit with full FDIC insurance coverage with maturity less than sixty (60) months

c. When liquidity exceeds fifteen percent (15%) of an amount equal to the value of outstanding Notes, the remaining investment portfolio may consist of any asset class included above and to the extent that equity also exceeds five percent (5%), additional asset classes may consist of any of the following four (4) asset classes:

- i. Developed Market Equity (including mutual funds)
- ii. Real Estate Investment Trusts
- iii. Hedge Funds
- iv. Private equity or other limited partnerships

WatersEdge may from time to time change the CEF's investment policies.

SELECTED FINANCIAL DATA

In 2019, WatersEdge began conducting an audit of CEF activities separately and segregated from all other WatersEdge activities. This was done to produce CEF financial statements more appropriate for this Offering Circular. The following table sets forth a summary of the audited financial statements for the CEF. Certain immaterial revisions have been made to the 2021 and 2020 financial statements for the presentation of deferred loan origination fees. These revisions did not have a significant impact on the financial statement line items impacted (e.g., Loans and total assets) but the total outstanding Loans and total assets lines for 2021 and 2020 in this table have been changed from prior Offering Circulars to match the presentation in the current audited financial statements which begin on page 27. Investors should read this data in conjunction with these financial statements.

| | <u>CEF</u> 2023 | <u>CEF</u> 2022 | <u>CEF</u> 2021 | <u>CEF</u> 2020 | <u>CEF</u> 2019 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| As of December 31, | | | | | |
| Cash, Cash Equivalents and Certificates of Deposit | \$12,224,877 | \$7,554,834 | \$9,428,503 | \$10,452,525 | \$5,431,742 |
| Total Outstanding Loans* | 178,791,635 | 154,404,428 | 133,891,705 | 119,313,315 | 110,658,250 |
| Unsecured Loans - Amount | 238,768 | 105,041 | - | 34,747 | 26,919 |
| Unsecured Loans - % of Total | 0.13% | 0.07% | 0.00% | 0.03% | 0.02% |
| Loan Delinquencies** as a % of Total Loans | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Assets | 192,335,417 | 162,994,188 | 144,311,111 | 130,741,445 | 116,962,184 |
| Outstanding Notes | 109,984,645 | 97,701,139 | 82,209,453 | 69,704,097 | 59,041,037 |
| Notes Redeemed During Year | 32,142,554 | 25,185,919 | 15,942,256 | 29,509,960 | 36,572,742 |
| Net Assets | 10,521,394 | 9,522,822 | 8,141,461 | 7,143,444 | 6,505,035 |
| Years Ended December 31, | | | | | |
| Gain (Loss) from Operations | 351,191 | 1,422,136 | 989,261 | 757,591 | 487,665 |
| Net Gain (Loss) on Investments*** | 9,249 | (40,775) | (8,783) | 9,560 | 120,633 |
| Other Changes in Net Assets**** | - | - | (138,408) | (128,742) | 350,000 |
| Net Gain (Loss) on Real Estate | - | - | 155,947 | - | (43,083) |
| Total Change in Net Assets***** | 360,440 | 1,381,361 | 998,017 | 638,409 | 915,215 |

* Total outstanding Loans net of allowance for credit losses on Loans and participations (starting in 2020, net of deferred loan fees).

** Loans on which principal and/or interest were delinquent for over 90 days.

*** Includes realized and unrealized gains (losses) on investments.

**** Consists of contributions from/(distributions to) WatersEdge.

***** An adjustment was made to beginning net assets in 2023 for the adoption of ASC 326 of \$337,731 that is not included here. Additionally, a transfer from WatersEdge in 2023 of \$975,863 is not included.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2023, the CEF had an increase in net assets of \$360,440, and a gain from operations of \$351,191.

Financial Review

Management regularly reviews the CEF's overall financial condition, including past and expected performance in certain areas. The following discussion represents five such areas:

1. Capital Adequacy

At December 31, 2023, the CEF had net assets of \$10,521,394 which is 5.5% of its total assets of \$192,335,417. This percentage is greater than the standard of 5% set forth in the NASAA SOP. The CEF had net assets without donor restrictions of \$7,224,858. The net assets of the CEF are anticipated to support the CEF's ability to maintain its operations. The CEF works to maintain a strong capital position to support its operations and growth.

2. Liquidity

The CEF maintains operating liquidity comprised of a combination of cash and cash equivalents, certificates of deposit, readily marketable securities, and funds immediately available through a line of credit. At December 31, 2023, the CEF had available operating liquidity equal to 13.6% of total outstanding notes payable. This percentage is greater than the standard of 8% set forth in the NASAA SOP.

| | |
|---|--|
| Cash, Cash Equivalents, and Certificates of Deposit | \$12,224,877 |
| Investments (consisting of readily marketable securities) | <u>598,031</u> |
| Total liquid assets at the end of the year | 12,822,908 |
| Immediately available funds from lines of credit | 2,199,693 (limited to 2% of outstanding notes payable) |
| Accounts payable to affiliate | <u>(27,401)</u> |
| Total Available Operating Liquidity | <u>\$14,995,200</u> |
| Outstanding Notes Payable | \$109,984,645 |
| Available Operating Liquidity Percentage of Notes Payable | 13.6% |

3. Cash Flow

Cash flow performance examines the amount of available cash as compared to redemptions of Notes. The NASAA SOP sets forth a standard for a coverage ratio of 1:1. This ratio signifies the ability of the CEF to meet its obligations using combined financial resources available at the beginning of the year and cash generated from operations during the year. Following is the coverage ratio for the last three years:

| | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|---------------------|
| Net cash from operating activities | \$1,690,702 | \$1,250,801 | \$797,393 |
| Liquid assets at the beginning of the year | 8,123,923 | 10,022,104 | 9,452,525 |
| Available lines of credit at the beginning of the year | 2,000,000 | - | - |
| Loan principal payments (including prepayments) | 15,816,246 | 17,010,948 | 21,144,399 |
| Loan disbursements | (40,387,855) | (34,997,392) | (37,100,990) |
| Cash from the sale of notes | <u>44,426,060</u> | <u>40,677,605</u> | <u>28,447,612</u> |
| Total available cash | <u>\$31,669,076</u> | <u>\$33,964,066</u> | <u>\$22,740,939</u> |
| Redemptions of notes | 32,142,554 | 25,185,919 | 15,942,256 |
| Coverage Ratio | 0.99:1 | 1.35:1 | 1.43:1 |

Although just under the one to one (1:1) coverage ratio in 2023, the CEF maintained the ability to meet its obligations during 2023 as evidenced by both an increase in the balance of cash and cash equivalents during the year and the available line of credit remaining unused throughout the year. The CEF experienced significant loan portfolio growth in 2023 due to both robust loan demand and lower loan principal payments. Historically, the CEF receives substantial principal prepayments on Loans from Members. The interest rate environment during 2023 resulted in a decrease in these principal prepayments. In addition, Note redemptions were higher during 2023 partially due to an increase in competition caused by higher interest rates but primarily due to Note sales in short-term products during 2022 related to funds associated with construction projects planned during 2023.

The CEF has taken and will continue to take steps in 2024 to increase the coverage ratio. In 2023, the CEF increased the amount of proceeds available from the line of credit to \$10,000,000. In 2023, the CEF strategically expanded the limited class to include individual investors with the expectation of increasing note sales and reducing the necessary support of the denominational account. The CEF also plans to implement strategies to increase beginning of year cash balances each year.

4. Loan Delinquencies

At December 31, 2023, the CEF had no Loans 90 days or more past due.

5. Operating Trends

The CEF has achieved a positive change in net assets for the last 5 fiscal years as shown in the table below:

| <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-------------|-------------|-------------|-------------|-------------|
| \$998,572 | \$1,381,361 | \$998,017 | \$638,409 | \$915,215 |

DESCRIPTION OF NOTES

WatersEdge, through the CEF, is offering Notes in the aggregate principal amount of \$275,000,000 and the purchase price of the Notes is 100% of the face value. The Notes are offered for cash, and the CEF offers no financing terms. The following are the CEF's presently offered Notes as of the date of the Offering Circular; however, each term may not be available at all times:

Demand Notes – A Note with an interest rate that may be adjusted on a monthly basis and which permits additions of principal and partial withdrawals at any time without any penalty or service fee upon request. Minimum investment \$1,000.

Term Notes – A Note with an interest rate that remains fixed throughout its term, with available terms ranging from six (6) months to five (5) years, as may be offered by WatersEdge from time to time. Minimum investment \$1,000.

Demand Notes and Term Notes may be collectively referred to as the Notes or the Kingdom Investments.

Investors may deliver payment to the CEF to purchase a Note in the form of personal check, cashier's check, money order, wire transfer, or ACH transfer. Investors may also transfer noncash marketable financial assets, such as stocks, bonds, royalty interests, etc. to the CEF only upon the prior approval of the CEF. Such noncash assets shall be sold with the net proceeds used to purchase Notes offered by the CEF.

Notes, inclusive of the Demand Notes and Term Notes, provide a significant portion of the funds for the CEF's lending program. The remainder of the funding for the CEF's lending program comes from trusts WatersEdge administers as trustee or custodian.

Interest

Interest is accrued daily and computed on a 365/actual day schedule. Interest will be added to the principal amount unless the Investor requests the interest to be paid on the last day of the month, in the case of a Demand Note, or on the last day of each calendar quarter, in the case of a Term Note, either at the time of application or in any subsequent written notice received by the CEF. This election may be changed at any time upon the CEF's receipt of written notice of the change. Statements showing the activity of the prior period will be sent to Investors at the end of each calendar quarter, either in writing or, with Investor consent, electronically.

Interest rates are set effective as of the first day of each month and are established by the CEF through a review of current interest rates paid by other institutions, cash flow needs, loan demand, and an evaluation of the necessary spread to cover operating costs of the CEF. The CEF may establish separate interest rates, from time to time, for investments of new funds that are different from the interest rates applicable for existing investments with the CEF. The interest rate on a Term Note does not adjust over the initial term of the Note, or during any renewal term of the Note, though it may adjust upon each renewal. The interest rate on Demand Notes may be adjusted monthly. Current interest rates are available at any time upon request. All interest rates quoted are annualized rates.

Investment tiers may be established whereby Note investments in a higher tier, based on balance, may receive a higher interest rate. In addition, Southern Baptist entities and other organizations that possess like beliefs and commitments as the Convention may be paid a higher interest rate on all Note investments. WatersEdge may negotiate higher rates than published for Investors with a total investment of over \$1,000,000 in Notes.

The CEF reserves the right to change the method by which interest is determined or the frequency that interest is added to the principal amount of the Notes or paid out to Investors. If either the method or the frequency is changed, Investors will receive written notice of the change and will be offered the opportunity to redeem the Notes without penalty within 30 days of receipt of the notice.

Demand Notes

Investors may invest in Demand Notes on any business day. Funds will remain invested in Demand Notes until the Investor sends a written notice of withdrawal or reallocation to the CEF. Demand Notes have a daily maturity. Distributions shall be made from Demand Notes upon written request to the CEF by the Investor, and there is no fee or penalty for distribution of funds. Funds shall be distributed

within 2 business days upon written notification of the Investor to the CEF. A minimum investment of \$1,000 is required for a Demand Note.

Term Notes

Term Notes may be purchased for terms of 6 months to 5 years. Investors may invest in Term Notes on any business day. The CEF will distribute funds within 2 business days upon written notification from the Investor. A minimum investment of \$1,000 is required for a Term Note.

Maturity/Automatic Rollover

In most cases, Term Notes are automatically renewed at maturity at the then current rate of interest for the same term unless an investor sends a written demand for redemption prior to the maturity date. However, the CEF provides each Investor a 15-day grace period after purchase or automatic extension of a Term Note, whereby the Investor can withdraw or reallocate funds without penalty. The CEF sends an Investor a renewal notice 30 days prior to maturity.

Redemption and Early Redemption Penalties

Term Notes may be withdrawn at maturity without penalty.

For Term Notes with terms of twelve months or shorter, the early termination penalty is ninety days of interest. For Term Notes with terms longer than twelve months, the early termination penalty is 180 days of interest. In both cases, the penalty shall be limited to interest, whether paid or accrued, and shall not invade the initial principal investment amount of the Term Note. A partial withdrawal shall be considered an early redemption of the Term Note, which will incur a penalty.

The CEF will not allow a withdrawal that causes the balance of a Note to fall below \$1,000. A written notice will be provided to the Investor offering a full redemption of the Note, less any applicable penalties, or a lower partial redemption that does not result in a Note balance below the \$1,000 minimum.

Funds Availability

The CEF may delay the availability of funds for withdrawal or redemption of Notes for up to sixty (60) days from the date of investment if those funds were received by the CEF in the form of ACH transfer from Investors first establishing an investment relationship with the CEF. The CEF may delay the availability of all other funds for withdrawal for up to six (6) business days from the date of investment. The CEF, in its sole discretion and on a case-by-case basis, may determine that a shorter delayed availability period is permissible.

Unsecured General Obligation Status of Notes

The CEF's Notes are not insured by the FDIC, SIPC, or any other governmental agency. The CEF's Notes will be unsubordinated debts. If the CEF liquidates or distributes the CEF's assets upon bankruptcy, reorganization, or similar other proceedings, all unsubordinated Notes will have an equivalent claim to the CEF's assets. The CEF has a line of credit with CrossFirst Bank, secured by selected promissory notes. All of the Notes and anticipated future offerings of Notes will be of equal rank and are subordinate to this line of credit. The CEF may from time to time offer additional debt securities, which differ in terms from the Notes and the investment obligations, without notifying or obtaining the consent of Investors. In such case such different Notes would be registered or otherwise qualified in states where such is required.

Additional Information

The CEF may discontinue offering any of the Notes described in this Offering Circular without the need to supplement this Offering Circular. The CEF also reserves the right at any time to offer additional Notes having terms different than the terms of the Notes described in this Offering Circular.

In respect to any Note, the CEF's failure to pay principal and interest when due and requested will be an event of default, but only as to that Note and not as to all Notes outstanding. Investors will have all legal remedies available to collect amounts owed as provided for under regular state laws and/or securities laws.

The term of the CEF's Notes commences on the date of purchase and expires on the maturity date. Each year the CEF will mail to Investors a copy of its Offering Circular with the latest audited financial statements within 120 days of the end of the CEF's fiscal year.

The CEF has the right to call Notes for redemption upon sixty (60) days written notice to the Investor. Principal and interest to the date of redemption will be paid to the Investor.

Book Entry System

The CEF has implemented a book entry system for its Notes. Under this system, an Investor generally will not receive a paper Note. Rather, upon investment, the Notes are registered in the Investor's name on the CEF's books only, and the Investor will receive a receipt and confirmation of the investment. Thereafter, any additions or redemptions with respect to the same account also would be entered on the CEF's books only. Investors will receive the normal periodic report of status applicable to the particular type of Note purchased.

Plan of Distribution

The CEF primarily solicits the purchase of its Notes through advertisements in Baptist publications, WatersEdge's website, social media, electronic mail, and direct mail. Investors can obtain an Offering Circular and additional material concerning the Notes by contacting WatersEdge. WatersEdge directly mails its Offering Circular and advertising materials to current, past, and prospective Investors.

No Officer, Director, or employee of WatersEdge directly or personally solicits for the purchase of Notes. The Notes are sold by employees and Officers of WatersEdge, and such employees and Officers receive no commissions, fees, or other special remuneration for or in connection with the sale of the Notes. See "MANAGEMENT."

The offer and sale of the Notes is limited to entities and persons that prior to receipt of this Offering Circular, are members of, contributors to (including previous investors) or participants in WatersEdge, the Convention, or in any program, activity, or organization which constitutes a part of the Convention or in other religious organizations which have a programmatic relationship with WatersEdge or the Convention ("Limited Class"), or such other entities or persons having a reasonable association or affiliation with the Limited Class. WatersEdge, in its sole discretion, may determine that an entity or person is not in the Limited Class and reserves the right to refuse to offer or to issue any Note to any person or entity.

Transferability of Notes is very limited. Investors may not transfer their Notes to other Investors without the consent of WatersEdge. WatersEdge has a website for providing information to Investors and other persons affiliated with WatersEdge. The website is www.WatersEdge.com. The home page and other accessible pages of the website provide information concerning WatersEdge's mission and work, investment choices and latest available interest rates, and WatersEdge's investment application, through which Investors can purchase one or more of the CEF's Notes. Prior to investing, Investors may access a copy of the Offering Circular by visiting WatersEdge's website or by contacting WatersEdge.

MANAGEMENT

Organizational Structure

WatersEdge is an Oklahoma not for profit corporation that was incorporated on October 31, 1946. The membership of WatersEdge consists of resident Oklahoma Baptist entities that are cooperating with the Convention, entities residing outside of Oklahoma that are cooperating with a state Baptist convention with like beliefs and commitments as the Convention, and organizations that possess like beliefs and commitments as the Convention. Members of WatersEdge have no voting powers and have no authority to conduct any business on behalf of WatersEdge.

Officers and Key Personnel

Robert K. Kellogg serves as Chief Executive Officer. He received his Bachelor of Administration in Computer and Information Sciences degree from Oklahoma Baptist University in 1984 and his Master of Business Administration degree from Amberton University in Garland, Texas. He joined WatersEdge in 1993 as Vice President of Investments and Computer Information Systems. He was promoted to Senior Vice President, then to Executive Vice President and Chief Operating Officer before he was elected Chief Executive Officer on January 25, 2002.

Robert J. Hart serves as President. He received his Bachelor of Science degree from Missouri University of Science & Technology in Engineering Management in 1995. He worked in the telecommunications industry for thirteen years as an engineer before serving as Chief Operations Officer for First Baptist Church, Tulsa, for thirteen years. He began his service to WatersEdge in 2015 as a member of the Board of Directors. In March 2021, he joined WatersEdge as Vice President of Ministry Services before his promotion to President in January 2022.

Jerry L. Vaughan serves as Chief Lending Officer. He received his Bachelor of Business Administration degree from Oklahoma Baptist University in 1978 and his Master of Business Administration from the University of Central Oklahoma in 1995. He has served WatersEdge since November 2000. He previously served as Senior Vice President for F&M Bank in Piedmont, Oklahoma, for nine years and Minister of Administration at Village Baptist Church in Fayetteville, North Carolina, for four years. He has over thirty-five years of lending experience involving commercial real estate lending. Beginning in 2022 he retired from full-time service as President but retained the role of Chief Lending Officer, a position he is expected to continue to fill until the end of 2024. WatersEdge is presently in the process of identifying and developing the person(s) who will replace him.

Kristen M. Karr serves as Chief Operating Officer. She received her Bachelor of Business Administration degree in Finance from Oklahoma Baptist University in 2010 and her Master of Business Administration degree from the University of Oklahoma in 2014. She earned her Certified Trust and Financial Advisor designation in 2018 through the American Banking Association and has been employed by WatersEdge since 2010. She served as Vice-President of Trust Administration before her promotion to Chief Operating Officer in 2023.

David L. Depuy serves as Chief Investment Officer. He received his Bachelor of Business Administration degree from Oklahoma Panhandle State University in 1996 and his Master of Business Administration degree from Oklahoma City University in 2001. He earned his Certified Public Accountant designation in 1999 and his Chartered Financial Analyst designation in 2014. He has been employed by WatersEdge since 1999. He was promoted to Chief Investment Officer in 2015.

Brad A. Johnson serves as Chief Financial Officer. He received his Bachelor of Professional Accountancy from Oklahoma Baptist University in 2005. He earned his Certified Public Accountant designation in 2006 and holds the Chartered Global Management Accountant designation. He practiced public accounting for 5 years and has been employed with WatersEdge since 2009. He was promoted to Chief Financial Officer in 2018.

Including the above Officers, at December 31, 2023, WatersEdge employed 51 full-time and 20 part-time employees.

Directors

WatersEdge is governed by its Board of Directors, which has the power to administer the business and affairs of WatersEdge. The Board of Directors consists of eighteen (18) elected Directors, as set forth in the Bylaws of WatersEdge. Each Director is required to be a member of a Baptist church affiliated and cooperating with the Convention and a resident of the State of Oklahoma. The membership of the Board of Directors must geographically represent the entire state of Oklahoma. Of the eighteen (18) Directors, fifteen (15) shall be lay persons and three (3) shall be ordained ministers of the Gospel or in other church-related vocations. At least five (5) of the Directors shall be women, and at least four (4) Directors shall be persons who have previously served at least one full term on the Board of Directors.

Upon recommendation of candidates for the Board of Directors by the Chief Executive Officer, at the annual session of the Convention, the Committee on Nominations of the Convention shall nominate and elect six (6) persons for election to the Board of Directors of WatersEdge. Each Director serves a term of three (3) years, and any vacancy on the Board of Directors shall be filled by the Board of Directors of the Convention. The Executive Director-Treasurer of the Convention serves as an ex officio, voting member of WatersEdge's Board of Directors.

The Board of Directors meets at regularly scheduled meetings in January, April, July, and October. The Officers of WatersEdge are elected by the Board of Directors.

The following persons currently serve as Directors of WatersEdge:

1. **Scott Craddick, Chairperson**, is retired from his position as the Chief Financial Officer of Jetta Corporation in Edmond, Oklahoma. He holds a Bachelor of Business Administration from the University of Oklahoma. He has also served as an Advisory Board Member for RCB Bank. His term expires in 2024.
2. **Randy Long, 1st Vice-Chairperson**, serves as an attorney at Long, Claypole & Blakely Law, PLC. He holds a Bachelor's degree from Oklahoma State University and a Juris Doctor degree from the University of Oklahoma. Randy has also served on the Board of Directors for United Way, Garfield County Child Advocacy Council and Enid Community Clinic. His term expires in 2026.
3. **Sherri Wall, 2nd Vice-Chairperson**, is a certified public accountant and owner of Thom-Dobson-Womack, Inc. in Oklahoma City, Oklahoma. She holds a Bachelor of Science in Accounting from Oklahoma State University and holds the Chartered Global Management Accountant designation. She is involved in Baptist life both in her local church and throughout the state. Her term expires in 2025.

4. **Bren Brown** is a consultant for Frontier Justice for which she was previously the founder and owner. She has a Bachelor of Arts degree in Psychology from the University of Missouri. She is an active member of her church where she serves in various capacities. Her term expires in 2026.
5. **Karig Culver** is an attorney at Gungoll, Jackson, Box & Devoll, P.C. in Enid, Oklahoma. He has a Bachelor of Science degree in Business Administration from Oklahoma State University and a Juris Doctor degree from The University of Tulsa. He is involved in the activities of his local church and in the Enid Rotary Club. His term expires in 2025.
6. **Raymon Foreman** serves as the Executive Vice President and Chief Lending Officer at First Oklahoma Bank in Tulsa, Oklahoma. He has a bachelor's degree in Finance and a master's degree in Economics, both from the University of Oklahoma. Raymon has also served as a Board Member for OBA Commercial Lending School and an Advisory Board Member for the Tulsa Chamber. His term expires in 2024.
7. **Michael Garbutt** is a Financial Advisor for Edward Jones. He has a Bachelor of Science in Math Education from Oklahoma Baptist University and holds the Accredited Asset Management Specialist designation. He is a member of the Shawnee Soccer Association and the Kiwanis Club. His term expires in 2026.
8. **Dustin Hayt** is the Director of Product Engineering for Kimray, Inc. in Oklahoma City, Oklahoma. He holds a bachelor's degree in Mechanical Engineering from Oklahoma State University and a Master of Business Administration in Energy Management from Oklahoma Baptist University. His term expires in 2026.
9. **Nancy Hemphill** is the Senior Vice President and Trust Manager for BancFirst in Duncan, Oklahoma. She has also been involved with the Duncan Public Schools Foundation and the Harvey House Charitable Foundation. Her term expires in 2026.
10. **Chris Hudgins** is the Executive Director of Bond and Energy Management for Tulsa Public Schools in Tulsa, Oklahoma. He holds a bachelor's degree in Architecture from Oklahoma State University. His term expires in 2024.
11. **Justin King** is an attorney at King Law Firm in Oklahoma City, Oklahoma. He holds a Bachelor of Arts from Washington & Lee University and a Juris Doctor degree from the University of Oklahoma. He has also served on the Board of Directors for Special Care, Inc. and Odyssey Leadership Academy. His term expires in 2024.
12. **Tracy Manly** is Provost and Vice-President for Academic Administration at Southwest Baptist University in Bolivar, Missouri. She holds a Bachelor of Business Administration from Hardin-Simmons University and both a Master of Accountancy and a PhD in business and accounting from the University of Arkansas. She serves as chair for Foundation for First. Her term expires in 2024.
13. **Richard Mitchell** is a self-employed attorney in Bartlesville, Oklahoma. He has a Bachelor of Science in Business Administration from Illinois State University and a Juris Doctor degree from Southern University Law Center. He serves on the Board of Directors for Legal Aid Services of Oklahoma and for Bartlesville Elder Care. His term expires in 2024.
14. **Johnny Montgomery** is the Senior Pastor of First Baptist Church Red Oak of Red Oak, Oklahoma. He holds a Bachelor of Arts in Religion Ministry degree from Luther Rice University and a Master of Theological Studies degree from Southwestern Baptist Theological Seminary. His term expires in 2025.
15. **Vicky Petete** is a certified public accountant and retired from the position of Executive Vice-President and Chief Financial Officer for Vision Bank. She holds a Bachelor of Science in Accounting from the University of Central Oklahoma and a Master of Science in Accounting from East Central University. In addition to serving as Chair of the Oklahoma Society of CPAs, she serves on various local and regional nonprofit Boards. Her term expires in 2025.
16. **Zac Pogue** is Vice President, Branch Manager for The First National Bank and Trust Company of Ardmore in Velma, Oklahoma. He holds bachelor's degrees in Animal Science (Oklahoma State University) and Ranch Management (Texas Christian University) and attended the Graduate School of Banking in Colorado. He is a member of the Velma Lions Club and National Cattlemen's Beef Association and serves as Vice President for the Oklahoma Cattlemen's Association. His term expires in 2025.
17. **Stephen Rummage** is Senior Pastor at Quail Springs Baptist Church in Oklahoma City, Oklahoma. He holds a Bachelor of Arts from the University of North Carolina at Greensboro, a Master of Divinity from Southeastern Baptist Theological Seminary, and Doctor of Philosophy from New Orleans Baptist Theological Seminary. He has pastored churches across the South, served on faculties of several Baptist seminaries, and held numerous positions with both state and national Baptist organizations. His term expires in 2025.
18. **Keith Wiginton II** serves as the Senior Pastor at First Baptist Church of Claremore, Oklahoma. He holds a bachelor's degree in Business Administration from Southwestern Oklahoma State University and Master of Divinity degree from Rockbridge Seminary. His term expires in 2026.

Remuneration

No member of the Board of Directors receives any compensation for being a Director. WatersEdge reimburses its Directors for actual expenses incurred in attending the Directors' meetings.

The following table sets forth the amount of annual direct and indirect remuneration of each Officer who received total annual remuneration in excess of \$150,000 in 2023, and the amount of all Officers in aggregate in 2023:

| Officer | Salary, Housing Allowance and | Retirement | Other | Total |
|----------------------------------|----------------------------------|------------|----------|-----------|
| | Bonus | | Benefits | |
| Jerry L. Vaughan | \$162,068 | \$24,259 | \$5,567 | \$191,894 |
| Aggregate for all other officers | 186,100 | 22,535 | 12,495 | 221,130 |

The CEF is a separately accounted for fund within WatersEdge. As such, the salaries reflected herein have been allocated based on the proportion of work that is performed by the Officers listed herein, in compliance with the NASAA SOP.

No Officer or Director receives any remuneration based upon the sale of the CEF's Notes.

Pension and Plan

WatersEdge employees provide data entry and management services for the CEF. As such, their proportional salaries and benefits are allocated to the CEF each month. All employees providing services to the CEF are eligible to participate in a 403(b) defined contribution pension plan administered by Guidestone Financial Resources of the Southern Baptist Convention for WatersEdge. Under the plan, WatersEdge contributes an amount equal to 10% of participating employees' salaries. In addition, WatersEdge matches employee contributions up to a maximum of an additional 5%. All associated allocated costs are included in salaries and benefits.

TAX ASPECTS

The following is a general summary of select Federal income tax consequences associated with the purchase of Notes. This summary does not address every aspect of tax law that may be significant to an Investor and its circumstances. Therefore, WatersEdge recommends that an Investor consult with its tax advisors regarding the federal, state, local, or foreign tax consequences that are particular to an Investor in connection with the purchase of Notes.

If an Investor purchases a Note, the Investor will recognize neither gain nor loss for Federal income tax purposes, nor will the Investor receive a charitable deduction. The interest paid or payable on the Notes will be taxable as ordinary income to the Investor in the year it is paid or accrued regardless of whether such interest is paid to the Investor or the interest is retained by the CEF and compounded. If an Investor holds its Notes until their maturity, the Investor will not be taxed on the return of the principal purchase price or on the payment of previously accrued and taxed interest. Any excess will be interest income taxable in the year of maturity. Pursuant to Federal law, WatersEdge is required to withhold the applicable backup percentage (currently at a rate of 24%) from any interest on Notes and investment obligations for those Investors who do not provide a correct Social Security or Federal Tax Identification Number or are otherwise not complying with applicable law. Investors may be deemed to receive additional taxable interest under Section 7872 of the Code, and all Investors should consult their tax advisors regarding the special income tax rules applicable to Loans and Investments. Presently, Investors purchasing Notes greater than \$250,000 in the aggregate with the CEF may be subject to a tax on an imputed interest amount if the Notes pay, or are payable, at below-market interest rates. Investors purchasing Notes equal to or less than \$250,000 are not subject to imputation of interest. All Investors should consult their tax advisors. WatersEdge will provide an Investor the applicable Federal income tax form by January 31 of each year indicating the interest earned on the Note(s) (totaling \$10 or more) during the previous year.

LITIGATION

As of the date of this Offering Circular, there is no litigation or other legal or administrative proceedings or claims pending, or to WatersEdge's knowledge, threatened against WatersEdge, its Officers, or Directors.

ADMINISTRATIVE MATTERS

Securities issued by charitable organizations are exempt from the registration provisions of the Securities Act of 1933, as amended, and from the registration provisions of certain state securities laws. In other states, however, debt securities, such as the Notes, must be

registered prior to their offer and sale. Additionally, in certain states, although the securities are exempt from registration, WatersEdge's Officers engaged in sales activities must be registered or licensed.

WatersEdge has taken, or is taking as the case may be, the necessary steps under the state securities laws of Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, West Virginia and Wisconsin to properly offer and sell the Notes by way of the CEF. Most states have regulatory statutes that govern the borrowing and lending activities undertaken within the state. WatersEdge regularly reviews its procedures for selling Notes and making Loans to determine that its methods of lending are in conformity with applicable state law. At the present time, WatersEdge is not aware of any activities that are not substantially in compliance with applicable state laws and is not aware of any material, undisclosed liability of WatersEdge or its Officers or agents.

INDEPENDENT AUDITORS

The Financial Statements of the CEF of WatersEdge as of December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022 have been audited by FORVIS LLP, independent auditors, as stated in their report appearing herein. The Financial Statements of the CEF of WatersEdge as of December 31, 2021 and for the year ended December 31, 2021 have been audited by Grant Thornton LLP, independent auditors.

The CEF will mail Investors a copy of its latest audited financial statements upon request and a copy of the CEF's Offering Circular with the latest audited financial statements within 120 days of the end of its fiscal year.



Church Extension Fund

of WatersEdge Ministry Services

Financial Statements and
Independent's Auditor's Report

December 31, 2023, 2022, and 2021



910 E. St. Louis Street, Suite 200 / Springfield, MO 65806

P 417.865.8701 / F 417.865.0682

forvis.com

Independent Auditor's Report

Board of Directors
Baptist Foundation of Oklahoma,
d/b/a WatersEdge Ministry Services
Oklahoma City, Oklahoma

Opinion

We have audited the financial statements of Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services, which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services, as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in *Note A* to the financial statements, in 2023 Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services, has adopted ASU 2016-13, *Financial Instruments Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

The 2021 financial statements, before they were revised for the matter described in *Note A*, were audited by other auditors, and their report thereon, dated April 22, 2022, expressed an unmodified opinion. Our opinion is not modified with respect to this matter.

As discussed in *Note A*, the financial statements of Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services, are intended to present the financial position, and the changes in net assets and cash flows, of only that portion of The Baptist Foundation of Oklahoma, dba WatersEdge Ministry Services (WatersEdge), that is attributable to the transactions of Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services. They do not purport to, and do not, present fairly the financial position of WatersEdge as of December 31, 2023 and 2022, and the changes in its net assets and cash flows for the years the ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services', ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services', internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Church Extension Fund of the Baptist Foundation of Oklahoma, d/b/a WatersEdge Ministry Services', ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

FORVIS, LLP

Springfield, Missouri
April 19, 2024

Church Extension Fund of WatersEdge Ministry Services

STATEMENTS OF FINANCIAL POSITION

December 31,

| ASSETS | 2023 | 2022 | 2021 |
|---|-----------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 11,018,032 | \$ 7,554,834 | \$ 7,810,226 |
| Certificates of deposit | 1,206,845 | - | 1,618,277 |
| Loans receivable, net | 178,791,635 | 154,404,428 | 133,891,705 |
| Accrued interest receivable | 537,168 | 409,887 | 357,702 |
| Investments | 598,031 | 569,089 | 593,601 |
| Prepaid and other assets | 183,706 | 55,950 | 39,600 |
| Total assets | <u>\$ 192,335,417</u> | <u>\$ 162,994,188</u> | <u>\$ 144,311,111</u> |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities | | | |
| Accounts payable to affiliate | \$ 27,401 | \$ 81,929 | \$ 56,051 |
| Notes payable | 109,984,645 | 97,701,139 | 82,209,453 |
| Accrued interest payable | 1,321,418 | 876,596 | 887,691 |
| Denominational note payable | 70,044,373 | 54,811,702 | 53,016,455 |
| Allowance for credit loss on unfunded commitments | 436,186 | - | - |
| Total liabilities | 181,814,023 | 153,471,366 | 136,169,650 |
| Net assets | | | |
| Without donor restrictions | 7,224,858 | 6,226,286 | 4,844,925 |
| With donor restrictions | 3,296,536 | 3,296,536 | 3,296,536 |
| Total net assets | <u>10,521,394</u> | <u>9,522,822</u> | <u>8,141,461</u> |
| Total liabilities and net assets | <u>\$ 192,335,417</u> | <u>\$ 162,994,188</u> | <u>\$ 144,311,111</u> |

The accompanying notes are an integral part of these statements.

Church Extension Fund of WatersEdge Ministry Services

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|---------------|
| Net interest income | | | |
| Interest and dividend income | | | |
| Cash and cash equivalents | \$ 202,486 | \$ 107,207 | \$ 309,693 |
| Loan interest income, net | 5,435,911 | 2,878,068 | 8,313,979 |
| Investments | 12,875 | 6,817 | 19,692 |
| Total interest and dividend income | 5,651,272 | 2,992,092 | 8,643,364 |
| Interest expense | | | |
| Notes payable interest expense | 3,384,022 | - | 3,384,022 |
| Denominational note payable interest expense | 2,657,671 | - | 2,657,671 |
| Total interest expense | 6,041,693 | - | 6,041,693 |
| Total net interest income (expense) | (390,421) | 2,992,092 | 2,601,671 |
| Provision (credit) for credit losses on loans | (43,498) | - | (43,498) |
| Provision for credit losses on unfunded commitments | 169,455 | - | 169,455 |
| Net interest income (expense) after provision | (516,378) | 2,992,092 | 2,475,714 |
| Operating expenses | 2,124,523 | - | 2,124,523 |
| Net operating (loss) income | (2,640,901) | 2,992,092 | 351,191 |
| Net assets released from restriction | 2,995,294 | (2,995,294) | - |
| Other noninterest income | | | |
| Net gain on investments | 6,047 | 3,202 | 9,249 |
| Total other noninterest income | 6,047 | 3,202 | 9,249 |
| Change in net assets | 360,440 | - | 360,440 |
| Net assets at beginning of year, as previously reported | 6,226,286 | 3,296,536 | 9,522,822 |
| Cumulative change for adoption of ASC 326 | (337,731) | - | (337,731) |
| Net assets at beginning of year, as adjusted | 5,888,555 | 3,296,536 | 9,185,091 |
| Transfer from WatersEdge Ministry Services | 975,863 | - | 975,863 |
| Net assets at end of year | \$ 7,224,858 | \$ 3,296,536 | \$ 10,521,394 |

The accompanying notes are an integral part of these statements.

Church Extension Fund of WatersEdge Ministry Services

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|-------------------------------|--------------|
| Net interest income | | | |
| Interest and dividend income | | | |
| Cash and cash equivalents | \$ 86,466 | \$ 58,833 | \$ 145,299 |
| Loan interest income, net | 4,097,372 | 2,787,894 | 6,885,266 |
| Investments | 11,988 | 8,156 | 20,144 |
| Total interest and dividend income | 4,195,826 | 2,854,883 | 7,050,709 |
| Interest expense | | | |
| Notes payable interest expense | 1,614,555 | - | 1,614,555 |
| Denominational note payable interest expense | 2,295,247 | - | 2,295,247 |
| Total interest expense | 3,909,802 | - | 3,909,802 |
| Total net interest income | 286,024 | 2,854,883 | 3,140,907 |
| Provision (credit) for loan losses | (172,971) | - | (172,971) |
| Net interest income after provision | 458,995 | 2,854,883 | 3,313,878 |
| Fee and miscellaneous income | 95,023 | 64,654 | 159,677 |
| Operating expenses | 2,051,419 | - | 2,051,419 |
| Net operating (loss) income | (1,497,401) | 2,919,537 | 1,422,136 |
| Net assets released from restriction | 2,903,026 | (2,903,026) | - |
| Other noninterest income (loss) | | | |
| Net (loss) on investments | (24,264) | (16,511) | (40,775) |
| Total other noninterest income (loss) | (24,264) | (16,511) | (40,775) |
| Change in net assets | 1,381,361 | - | 1,381,361 |
| Net assets at beginning of year | 4,844,925 | 3,296,536 | 8,141,461 |
| Net assets at end of year | \$ 6,226,286 | \$ 3,296,536 | \$ 9,522,822 |

The accompanying notes are an integral part of these statements.

Church Extension Fund of WatersEdge Ministry Services

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|--------------|
| Net interest income | | | |
| Interest and dividend income | | | |
| Cash and cash equivalents | \$ 33,329 | \$ 28,560 | \$ 61,889 |
| Loan interest income, net | 3,292,534 | 2,821,476 | 6,114,010 |
| Investments | 3,456 | 2,961 | 6,417 |
| Total interest and dividend income | 3,329,319 | 2,852,997 | 6,182,316 |
| Interest expense | | | |
| Notes payable interest expense | 1,280,572 | - | 1,280,572 |
| Denominational note payable interest expense | 2,217,775 | - | 2,217,775 |
| Total interest expense | 3,498,347 | - | 3,498,347 |
| Total net interest income (expense) | (169,028) | 2,852,997 | 2,683,969 |
| Provision for loan losses | 100,156 | - | 100,156 |
| Net interest income (expense) after provision | (269,184) | 2,852,997 | 2,583,813 |
| Fee income | 50,606 | 43,366 | 93,972 |
| Operating expenses | 1,688,524 | - | 1,688,524 |
| Net operating (loss) income | (1,907,102) | 2,896,363 | 989,261 |
| Net assets released from restriction | 2,964,276 | (2,964,276) | - |
| Distributions to WatersEdge Ministry Services | (138,408) | - | (138,408) |
| Other noninterest income (loss) | | | |
| Net (loss) on investments | (4,730) | (4,053) | (8,783) |
| Net gain on real estate | 83,981 | 71,966 | 155,947 |
| Total other noninterest income | 79,251 | 67,913 | 147,164 |
| Change in net assets | 998,017 | - | 998,017 |
| Net assets at beginning of year | 3,846,908 | 3,296,536 | 7,143,444 |
| Net assets at end of year | \$ 4,844,925 | \$ 3,296,536 | \$ 8,141,461 |

The accompanying notes are an integral part of these statements.

Church Extension Fund of WatersEdge Ministry Services

STATEMENTS OF CASH FLOWS

December 31,

| | 2023 | 2022 | 2021 |
|---|---------------|--------------|--------------|
| Cash flows from operating activities | | | |
| Interest received on loans receivable, net | \$ 8,186,698 | \$ 6,833,081 | \$ 6,087,294 |
| Interest paid on notes payable | (5,596,871) | (3,920,897) | (3,672,723) |
| Interest and dividend income received | 329,385 | 156,710 | 68,306 |
| Cash paid to employees, consultants, and suppliers | (2,204,373) | (2,041,891) | (1,656,578) |
| Cash (paid to) received from WatersEdge Ministry Services | 975,863 | - | (138,408) |
| Cash received from other sources | - | 223,798 | 109,502 |
| Net cash provided by operating activities | 1,690,702 | 1,250,801 | 797,393 |
| Cash flows from investing activities | | | |
| Purchases of certificates of deposit | (1,206,845) | (13,175) | (1,618,277) |
| Proceeds from sale of certificates of deposit | - | 1,631,452 | 1,000,000 |
| Proceeds from sale of US Treasury Bills | - | 2,992,080 | - |
| Purchases of US Treasury Bills | - | (2,988,200) | - |
| Purchases of investment securities | (19,692) | (11,410) | (6,417) |
| Disbursements on church building loans | (40,387,855) | (34,997,392) | (37,100,990) |
| Proceeds from payments on loans | 15,816,246 | 17,010,948 | 21,144,399 |
| Proceeds from sale of participation agreements | 651,991 | 1,548,140 | 2,060,196 |
| Payments to participation agreement owners | (597,526) | (3,965,569) | (809,296) |
| Proceeds from sale of real estate | - | - | 167,562 |
| Net cash used in investing activities | (25,743,681) | (18,793,126) | (15,162,823) |
| Cash flows from financing activities | | | |
| Proceeds from sale of notes payable | 44,426,060 | 40,677,605 | 28,447,612 |
| Redemption of notes payable | (32,142,554) | (25,185,919) | (15,942,256) |
| Proceeds from sale of denominational note payable | 19,357,671 | 5,295,247 | 2,217,775 |
| Redemption of denominational note payable | (4,125,000) | (3,500,000) | (2,000,000) |
| Net cash provided by financing activities | 27,516,177 | 17,286,933 | 12,723,131 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,463,198 | (255,392) | (1,642,299) |
| Cash and cash equivalents at beginning of year | 7,554,834 | 7,810,226 | 9,452,525 |
| Cash and cash equivalents at end of year | \$ 11,018,032 | \$ 7,554,834 | \$ 7,810,226 |

Non-cash activities:

In 2023 and 2021, WatersEdge received real estate collateral from a borrower in lieu of foreclosure on loans receivable totaling \$115,824 and \$11,615, respectively.

The accompanying notes are an integral part of these statements.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES

The Baptist Foundation of Oklahoma (Foundation), through its tradename WatersEdge Ministry Services (WatersEdge), operates a Church Extension Fund (CEF). The CEF is registered by completion and filing of an Offering Circular (Circular). The Circular is prepared in compliance with the North American Securities Administration Associations, Inc. (NASAA) Statement of Policy for offerings of securities (notes payable) and submitted to state securities departments for authorization to sell notes within each respective state. Through the Circular issued on June 1, 2023, the CEF offered notes payable in the aggregate principal amount of \$275,000,000. As of December 31, 2023, the CEF had notes payable in nineteen states. The CEF uses the proceeds from the sale of these notes payable to make church building loans to finance capital improvement projects.

The Foundation is a private, nonprofit religious association chartered by the State of Oklahoma on October 31, 1946 for perpetual existence without capital stock. Its creation was approved by the Baptist General Convention of the State of Oklahoma, dba Oklahoma Baptists (Convention) to administer funds and property received by gift, device and bequest or otherwise in order to assist and promulgate the furtherance of the Convention and to promote Baptist doctrines, evangelism, Christian education and both home and foreign mission work. The Foundation is a not for profit corporation and is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, except for amounts relating to unrelated business income.

These financial statements represent only the CEF activities of WatersEdge. The Consolidated Financial Statements of WatersEdge must be reviewed to obtain a full understanding of all WatersEdge activities.

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows.

1. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis.

2. Recent Adoption of Accounting Pronouncements

On January 1, 2023, the CEF adopted ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL). The ASU changed the way entities recognize impairment of financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life. The CECL model requires entities to present certain financial assets carried at amortized cost, such as loans, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. This differs significantly from the "incurred loss" model required under previous accounting principles generally accepted in the United States of America (GAAP), which delayed recognition until it was probable a loss had been incurred.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

The CEF adopted ASC 326 using a modified retrospective method for all financial instruments measured at amortized cost and off-balance-sheet credit exposures. Reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

The following table describes the impact of ASC 326 on the adoption date:

| | ASC 326 | Pre ASC 326 | Impact of ASC 326 Adoption |
|---|----------------|----------------|----------------------------|
| Assets | | | |
| Loans (allowance for credit losses) | \$ (1,216,565) | \$ (1,145,565) | \$ (71,000) |
| Liabilities | | | |
| Allowance for credit loss on unfunded commitments | 266,731 | - | 266,731 |
| Net Assets | | | |
| Net assets without donor restrictions | 5,888,555 | 6,226,286 | (337,731) |

3. Recognition of Donor Restrictions

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are currently available for operating purposes at the discretion of the Board for use for its associated programs and for general expenditure. Net assets with donor restrictions include assets related to gifts with explicit donor-imposed restrictions that have not been met as to the specified purpose or expiration of the specified periods of time. Restricted assets reported herein combine permanent and temporary restrictions.

Net assets with donor restrictions include donor restrictions requiring the net asset be held in perpetuity. These net assets held in perpetuity are referred to as endowments. The endowments consist of the original contribution amount as well as the net increases and decreases over the original contribution amount. These endowments benefit WatersEdge and are subject to appropriation for general needs and expenditures.

4. Cash and Cash Equivalents

The CEF maintains its cash and cash equivalents in bank deposit accounts, money market funds, short-term certificates of deposit and church extension funds, some of which may not be federally insured. Some bank deposit balances are transferred daily into interest-bearing accounts secured by short-term, high-quality fixed income securities issued by banks, corporations and the U.S. Government. The CEF has not experienced any losses in cash equivalents and believes it is not exposed to significant credit risk on cash equivalents. Management considers highly liquid debt instruments readily convertible into cash to be cash equivalents. Uninvested cash and cash equivalents, including endowment accounts and assets limited as to use, are considered to be cash and cash equivalents.

5. Certificates of Deposit

Certificates of deposit include term deposits invested into the Certificate of Deposit Account Registry Service (CDARS) which provides full FDIC insurance and time certificates invested in the church extension fund of Christian Financial Resources which are not FDIC insured. At December 31, 2023, \$1,206,845 were not federally insured. Interest is paid on these certificates at the end of each quarter. Management believes that adjustments, if any, to market value would be nominal and, as such, the carrying value approximates market value.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES - CONTINUED

6. Loans Receivable and Allowance for Credit Losses

Loans are carried at the total principal balance net of an Allowance for Credit Losses (ACL) and any unamortized deferred fees or costs. The Board of Directors (Board) approves the methodology used to establish interest rates so that the rates reflect market conditions. The adjustable interest rate on each church building loan is adjusted either on a one, three, five, seven, or ten-year basis, dependent on terms selected by the borrower at the time of loan origination. Church building loans mature at various dates through November 2049 and bear interest at rates ranging from 3.45% to 8.25%.

Loans are presented net of participations, ACL on loans and any unamortized deferred fees or costs. Accrued interest receivable on loans totaled \$537,168 on December 31, 2023 and is excluded from the estimate of credit losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using a straight-line method over the contractual life of the loan.

Although many loans made by the CEF are to churches and ministries within the state of Oklahoma, loans are also made to churches and ministries in other states. In some cases, cooperating state foundations or other Baptist entities will purchase a portion of the loans originated in their state or in other states through a participation agreement with the CEF. The participation agreements allow the sale of the cooperating foundation's share of the loans to a third-party organization. As such, the participated share of the loans is recorded as a reduction of church building loans receivable. These agreements, because they are all similar in nature, are aggregated on these financial statements and reported within loans receivable, net.

The approach for estimating expected life-time credit losses for loans includes use of the Weighted Average Remaining Maturity (WARM) method to estimate credit losses by portfolio segment. This historical loss forecast covers the weighted average remaining life of each portfolio segment. An initial forecast period of one year for all portfolio segments and off-balance-sheet credit exposures is also included. This reflects management's expectation of losses based on forward-looking economic scenarios over that time. A qualitative loss factor is applied for all portfolio segments and off-balance-sheet credit exposures. This reflects management's expectation of losses based on qualitative factors specific to the CEF.

The adequacy of the ACL is determined by management and the Board using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. A reversion methodology is applied beyond the reasonable and supportable forecasts. Qualitative adjustments are then considered for differences in current loan-specific risk characteristics, such as underlying collateral values, experience of staff involved in credit decisions, and loan policy changes, as well as changes in unemployment and inflation rates, or other relevant factors that may include, but are not limited to, results of internal loan reviews and identification and review of problem loans. However, ultimate losses may differ from these estimates.

The ACL is evaluated on a regular basis by management and changes to the ACL are recorded through a provision for credit losses charged to expense (or reversal). Credit losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES – CONTINUED

The ACL on loans represents the CEF's estimated risk of loss within its loan portfolio as of the reporting date. To appropriately measure expected credit losses, management disaggregates the loan portfolio into pools of similar risk characteristics based on the collateral type underlying the loan. The loan portfolio is segmented into the following pools:

- Church building loans - collateralized by a church building
- Church camp loans - collateralized by a church camp
- Unsecured loans
- Other loans that do not fit into the above categories

The CEF utilizes the WARM method by applying a historical loss factor over the weighted average remaining life of each portfolio segment to calculate the expected credit losses by pool. At December 31, 2023, the weighted average remaining maturity of the loan pools ranged from 0.14 years to 15.63 years.

To determine its reasonable and supportable forecast, management may leverage macroeconomic forecasts obtained from reputable sources, which may include, but are not limited to, the Organization for Economic Cooperation and Development and the U.S. Bureau of Labor Statistics. The CEF's initial forecast period is one year. The primary macroeconomic drivers used within the model include forecasts of 3.70% to 4.12% federal unemployment and 2.71% to 3.12% inflation which is measured in terms of the Consumer Price Index (CPI).

Loans are individually evaluated for estimated credit losses and are not included in the collective evaluation when the loans are on nonaccrual and are classified as substandard or doubtful. Factors considered by management in the determination to classify loans as such include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls are not generally classified as substandard or doubtful. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Loans are placed on nonaccrual status based on the judgment of management and the Ministry Services Committee, considering factors such as number of days past due and collateral position, unless their collateral position or other conditions warrant continued accrual status. The policy of the CEF is to reverse previously accrued but uncollected interest on loans placed on nonaccrual status. Interest on nonaccrual loans is recognized only as it is received and only after the principal balance is satisfied. Earned but unrecorded interest on nonaccrual loans subsequently refinanced is deferred and recognized over the remaining life of the loan. Individual reserves are established when appropriate for such loans based on the fair value of the collateral at the reporting date. The CEF had one loan on nonaccrual status and for which an individual reserve was established at December 31, 2023, 2022 and 2021.

Prior to adoption of ASC 326, the allowance consisted of allocated and general components. The allocated component related to loans that were classified as impaired. For those loans classified as impaired, an allowance was established when the collateral value of the impaired loan was lower than the carrying value of that loan. The general component covered non-classified loans and was based on historical charge-off experience and other qualitative factors.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES – CONTINUED

A loan was considered impaired when, based on information and events available at that time, it was probable that the CEF would be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in the determination of impairment included payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experienced insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment was measured on a loan-by-loan basis by the estimated value of the collateral.

Off-Balance Sheet Credit Exposures

In the ordinary course of business, the CEF enters into commitments to extend credit. Typically, these commitments arise from construction loans that have closed but have not yet fully funded. These financial instruments are recorded as loans receivable when they are funded. The difference between the contractual amount of the loan and the funded balance during the construction period is considered a commitment and is not recorded on the balance sheet.

The CEF estimates expected credit losses over the contractual period in which the CEF is exposed to credit risk via a contractual obligation to extend credit. Off-balance sheet credit risk on these unfunded commitments is recorded through an ACL on unfunded commitments which is adjusted through the provision for credit losses charged to expense (or reversal). To appropriately measure expected credit losses, management disaggregates the unfunded loans into pools identical to those determined for the loan portfolio. An estimated funding rate is then applied to the unfunded loan commitments using the CEF's own historical experience to estimate the expected funded amount for each pool as of the reporting date. Once the expected funded amount for each pool is determined, the loss rate, which is the calculated expected loan loss as a percent of the amortized cost basis for each loan pool, is applied to calculate the ACL on unfunded commitments as of the reporting date. This allowance is presented as a liability on the balance sheet.

7. Investments

Investment securities are carried at fair market value with gains and losses recognized in the statements of activities as net gain or loss on investments. Investment income includes interest and dividends, net of related fees, which are accrued and credited to income when earned. Investment and interest income is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

8. Deferred Loan Fees

Direct loan costs are offset against loan fees received and only the net amount is deferred and amortized over the life of the loan. The straight-line method is used to calculate the monthly loan amortization, which approximates the effective interest method. When a loan pays off early, the remaining amount of unamortized origination fees will be credited to interest income on the day the loan is paid off.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES – CONTINUED

9. Notes Payable

The CEF sells demand and term notes under an Offering Circular. Notes payable are carried at the total principal balance. Interest on notes payable is accrued based upon the principal amount outstanding. Interest on demand notes is paid monthly. Interest on term notes is paid either quarterly or at maturity, depending upon when the note originated. The Board approves the methodology used to establish interest rates so that the rates reflect market conditions. Notes payable mature at various dates through October 2028 and bear interest at rates ranging from 1.75% to 5.95%.

10. Denominational Note Payable

The CEF maintains an account balance for WatersEdge. This denominational note payable is held on a demand basis and the interest rate payable on the total was 4.2% as of December 31, 2023. Interest is accrued based upon the principal amount outstanding and is paid monthly.

WatersEdge holds the denominational note asset in common funds and uses the monthly income payments received to provide fixed income investment return to endowments and other similar accounts.

11. Endowment

The endowment consists of an individual account established to provide financial support, in perpetuity, to WatersEdge. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has determined that the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the endowment fund. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held. UPMIFA imposed additional duties on those who manage and invest charitable funds. These duties provide additional protections for charities and protect the interests of donors who want to see their contributions used wisely. The CEF classifies as net assets with donor restrictions the original value of the gifts donated to the donor restricted endowment and the original value of the subsequent gifts to the donor restricted endowment. Investment income from the donor restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the CEF in a manner consistent with the donor stipulated purpose with the standard of the prudence prescribed by UPMIFA.

Investment Policy Statement – Return objectives and risk parameters

The endowment is invested in the CEF and participates in the net income of the fund. The CEF is designed to provide a predictable stream of net interest income and profit.

Investment Policy Statement – Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the CEF seeks investment returns through interest and dividends, mostly from church building loans. To reach this objective, interest and dividends must exceed interest expense on notes payable.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF ACCOUNTING POLICIES – CONTINUED

Spending Policy Statement

This endowment does not have any restrictions or requirements in the gift instrument as to the purpose and amount. The Board has elected to reinvest all income earned into the CEF.

Underwater Endowment Funds

The CEF considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The CEF complies with UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law.

12. Fair Value of Financial Instruments

All financial instruments for which it is practicable to estimate fair value are carried as such in the accompanying financial statements.

13. Tax Status

The CEF is a program of WatersEdge. WatersEdge is a trade name of the Foundation. The Foundation is recognized as a not-for-profit, tax-exempt organization under section 501©(3) of the Internal Revenue Code and, as such, is exempt from federal income taxes except for amounts relating to unrelated business income.

14. Functional Allocation of Expenses

The costs of providing various services, programs and supporting activities have been summarized in the statement of activities. Note G presents expenses by function and natural classification. As the CEF is a program of WatersEdge, all expenses are considered program expenses.

As the CEF does not actively solicit contributions for their own benefit, no amounts have been allocated to fundraising activities.

15. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual amounts could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the ACL on loans.

16. Revisions

Certain immaterial revisions have been made to the 2021 financial statements for the presentation of deferred loan origination fees. These revisions did not have a significant impact on the financial statement line items impacted.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE B – LOANS RECEIVABLE, NET

The CEF provides loans primarily to churches for church building projects but also provides loans for other ministry purposes. The lending policy requires all secured loans to be collateralized by sufficient assets to provide a margin of safety between the loan balance and the value of the underlying collateral securing the loan. When borrowers default on loans, the CEF can pursue normal legal actions to foreclose upon or repossess the collateral securing the loan.

The following summarizes loans at December 31:

| | 2023 | 2022 | 2021 |
|---|----------------|----------------|----------------|
| Church building | \$ 178,801,925 | \$ 154,200,897 | \$ 135,944,476 |
| Church camp | 5,314,044 | 5,465,371 | 5,605,335 |
| Unsecured | 238,768 | 105,041 | 2 |
| Other | 178,354 | 231,380 | 466,432 |
| Total Loans | 184,533,091 | 160,002,689 | 142,016,245 |
| Participations | (4,372,800) | (4,318,335) | (6,735,764) |
| Loans, net of participations | 180,160,291 | 155,684,354 | 135,280,481 |
| Deferred loan fees | (195,589) | (134,361) | (70,240) |
| Less allowance for credit losses on loans | (1,173,067) | (1,145,565) | (1,318,536) |
| Loans, net | \$ 178,791,635 | \$ 154,404,428 | \$ 133,891,705 |

For purposes of determining the ACL on loans, the CEF disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. As of December 31, 2023, loan portfolio segments included the following:

Church building loans: Loans in this segment are made to churches primarily for the construction, purchase or renovation of a church building. These loans are secured by church buildings. Repayment is expected from charitable receipts of the church and/or proceeds from capital building campaigns.

Church camp loans: Loans in this segment are made to ministries primarily for the construction, purchase or renovation of a church camp. These loans are secured by camp properties. Repayment is expected from cash flows generated by the operations of the camp.

Unsecured loans: Loans in this segment are made to ministries for smaller items, generally repairs or purchase of furnishings or equipment. These loans are not secured by collateral. Repayment is expected from charitable receipts of the church or ministry.

Other loans: Loans in this segment do not fit into the other segments that have been established. At December 31, 2023, there is one loan in this segment and it is secured by a custodial account held by WatersEdge.

The interest rate on accruing loans adjusts on a one, three, five, seven or ten-year basis, dependent on terms selected by the borrower at the time of loan origination.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE B – LOANS RECEIVABLE, NET - CONTINUED

The following table presents the activity in the ACL for loans and the ACL for unfunded commitments by portfolio segment for the year ended December 31:

| | 2023 | | | | |
|---|---------------------|------------------|-----------------|---------------|---------------------|
| | Church Building | Church Camp | Unsecured | Other | Total |
| Allowance for credit losses on loans: | | | | | |
| Beginning balance, prior to adoption of ASC 326 | \$ 1,105,345 | \$ 37,865 | \$ 735 | \$ 1,620 | \$ 1,145,565 |
| Impact of adopting ASC 326 | 58,367 | 12,171 | 867 | (405) | 71,000 |
| Provision (credit) for credit losses | (17,022) | (27,809) | 1,794 | (461) | (43,498) |
| Loans charged off | - | - | - | - | - |
| Recoveries of amounts previously charged-off | - | - | - | - | - |
| Balance at end of year | <u>\$ 1,146,690</u> | <u>\$ 22,227</u> | <u>\$ 3,396</u> | <u>\$ 754</u> | <u>\$ 1,173,067</u> |
| Allowance for off-balance sheet credit risk for unfunded commitments: | | | | | |
| Beginning balance, prior to adoption of ASC 326 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Impact of adopting ASC 326 | 266,731 | - | - | - | 266,731 |
| Provision for unfunded commitments | 169,455 | - | - | - | 169,455 |
| Balance at end of year | <u>\$ 436,186</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 436,186</u> |

The following is a summary of the changes in the ACL on loans at December 31:

| | 2022 | 2021 |
|--|-----------------------|-----------------------|
| Summary of changes - | | |
| Balance at beginning of year | \$ 1,318,536 | \$ 1,218,380 |
| Loans charged off | - | - |
| Provision (credit) for credit losses | (172,971) | 100,156 |
| Recoveries of amounts previously charged-off | - | - |
| Balance at end of year | <u>\$ 1,145,565</u> | <u>\$ 1,318,536</u> |
| Ending Balances - | | |
| Individually evaluated for impairment | \$ 58,582 | \$ 239,082 |
| Collectively evaluated for impairment | 1,086,983 | 1,079,454 |
| | <u>\$ 1,145,565</u> | <u>\$ 1,318,536</u> |
| Loans: | | |
| Ending Balances - | | |
| Individually evaluated for impairment | \$ 446,082 | \$ 7,598,220 |
| Collectively evaluated for impairment | 159,556,607 | 134,418,025 |
| | <u>\$ 160,002,689</u> | <u>\$ 142,016,245</u> |

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE B – LOANS RECEIVABLE, NET - CONTINUED

Credit Quality Indicators

To assess the credit quality of loans, the CEF categorizes each portfolio segment into classes by credit risk characteristic based on relevant information about the ability of the borrowers to service their debts. The information used to classify the loans includes current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. This analysis is performed on a quarterly basis. The CEF uses the following definitions for risk classifications:

Pass - Loans that represent reasonable and satisfactory credit risk which require normal attention and supervision. There are no known potential weaknesses and capacity to repay is not questioned.

Special Mention - Loans that have potential weaknesses that deserve management's close attention. These potential weaknesses may result in deterioration of the repayment prospects for these loans at some future date.

Substandard - Performing - Loans that are performing but are considered problems. Loans in this category would include, but not be limited to, borrowers with a weakened financial condition, poor performance history, past dues and/or loans restructured to reduce payments. In general, these loans have no identifiable loss potential, however, the possibility of a loss developing is heightened.

Substandard - Nonperforming - Loans that have one or more well-defined weaknesses that jeopardize collection of the debt and are inadequately protected by the current collateral pledged, if any. They are characterized by the distinct possibility that the CEF will sustain some loss if the deficiencies are not corrected.

Doubtful - Loans that have all the weaknesses inherent in those classified as substandard, with the added characteristics that the weaknesses make collection or full recovery, based on currently existing facts, conditions and values, highly questionable and improbable.

The following presents a summary of loans by risk category and portfolio segment at December 31:

| | 2023 | | | | |
|---------------------------|-----------------------|---------------------|-------------------|-------------------|-----------------------|
| | Church Building | Church Camp | Unsecured | Other | Total |
| Risk rating | | | | | |
| Pass | \$ 176,387,428 | \$ 5,314,044 | \$ 238,768 | \$ 178,354 | \$ 182,118,594 |
| Special mention | 1,986,415 | - | - | - | 1,986,415 |
| Substandard performing | - | - | - | - | - |
| Substandard nonperforming | 428,082 | - | - | - | 428,082 |
| Doubtful | - | - | - | - | - |
| Total loans | <u>\$ 178,801,925</u> | <u>\$ 5,314,044</u> | <u>\$ 238,768</u> | <u>\$ 178,354</u> | <u>\$ 184,533,091</u> |

The following presents a summary of loans by risk category at December 31:

| | 2022 | 2021 |
|---------------------------|-----------------------|-----------------------|
| Pass | \$ 159,556,607 | \$ 136,600,736 |
| Special mention | - | 4,951,427 |
| Substandard-performing | - | - |
| Substandard-nonperforming | 446,082 | 464,082 |
| Doubtful | - | - |
| | <u>\$ 160,002,689</u> | <u>\$ 142,016,245</u> |

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE B – LOANS RECEIVABLE, NET – CONTINUED

Nonaccruing Loans

A loan is placed on nonaccrual status when, in the opinion of management, the future collectability of interest or principal, or both, is in serious doubt. Nonaccrual loans negatively impact net interest margin. The CEF had one church building loan on nonaccrual status at December 31, 2023, 2022 and 2021. This nonaccrual loan had an unpaid principal balance of \$428,082, \$446,082 and \$464,082 at December 31, 2023, 2022 and 2021, respectively. The related ACL on nonaccruing loans was \$40,582 at December 31, 2023. Had the nonaccrual loan performed in accordance with its most recently modified contractual terms, the CEF would have recognized additional income of approximately \$13,000 for 2023, \$14,000 for 2022 and \$14,000 for 2021.

Collateral-Dependent Loans

The CEF considers a loan to be collateral-dependent when the borrower is experiencing financial difficulty and repayment is substantially expected through the sale of the collateral. The nonaccrual loan is a collateral-dependent loan, secured by a church building property. A Broker's Price Opinion was obtained in 2022 which is the basis for the determination of the fair value of the underlying collateral in 2023. The related ACL on collateral-dependent loans was \$40,582 at December 31, 2023.

Impaired Loans

The CEF had one impaired loan with an unpaid principal balance of \$446,082 and \$464,082 at December 31, 2022 and 2021, respectively. The related allowance for loan losses was \$58,582 and \$239,082 at December 31, 2022 and 2021, respectively. Loans were considered impaired when, based on information and events, it was probable that the CEF would be unable to collect the full amount of scheduled principal and interest payments in accordance with the original contractual terms of the loan agreement. No interest income was recognized on impaired loans subsequent to their classification as impaired in either 2022 or 2021.

Modifications

From time to time, the CEF will adjust contractual terms on a loan for a borrower experiencing financial difficulties. The adjustments are considered modifications if the terms of such loans were changed to reduce interest to a below market interest rate, to extend interest-only payments beyond six months, or a combination of these changes.

The nonaccrual loan resulted from the CEF modifying the terms of two church building loans from the same church in 2012. The loan was further modified in 2013 and then again in 2016. No other outstanding loans receivable have been modified. Had the terms of the original loans not been modified, interest income of approximately \$17,000, \$19,000 and \$21,000 would have been recorded in 2023, 2022 and 2021, respectively. The CEF has not written off any principal or previously accrued interest because of any loan modifications described above.

During 2023, 2022, and 2021, no new loan modifications occurred to borrowers experiencing financial difficulties.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE B – LOANS RECEIVABLE, NET - CONTINUED

Past Due Loans

Past due status for all loan classes is based on the actual number of days since the last payment was due according to the contractual terms of the loans.

The following presents an aging analysis of the outstanding loans at December 31:

| | Past Due Loans | | | Current Loans | Total Loans | Accruing Loans Over 90 Days |
|-----------------|---------------------|-----------------|---------------------|-----------------------|-----------------------|-----------------------------------|
| | 30–90 Days | Over 90 Days | Total | | | |
| 2023: | | | | | | |
| Church building | \$ 1,162,255 | \$ - | \$ 1,162,255 | \$ 177,639,670 | \$ 178,801,925 | \$ - |
| Church camp | - | - | - | 5,314,044 | 5,314,044 | - |
| Unsecured | - | - | - | 238,768 | 238,768 | - |
| Other | - | - | - | 178,354 | 178,354 | - |
| | <u>\$ 1,162,255</u> | <u>\$ -</u> | <u>\$ 1,162,255</u> | <u>\$ 183,370,836</u> | <u>\$ 184,533,091</u> | <u>\$ -</u> |
| 2022: | | | | | | |
| | \$ 58,922 | \$ - | \$ 58,922 | \$ 159,943,767 | \$ 160,002,689 | \$ - |
| 2021: | | | | | | |
| | \$ - | \$ - | \$ - | \$ 142,016,245 | \$ 142,016,245 | \$ - |

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE C - FAIR VALUE MEASUREMENT OF ASSETS AND LIABILITIES

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining fair value, the CEF uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the CEF. Unobservable inputs reflect the assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors, including the type of security, whether the security is new and not yet established in the marketplace and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed.

For disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

The recurring fair value measurements of investments in mutual funds of \$598,031, \$569,089 and \$593,601 at December 31, 2023, 2022 and 2021, respectively, are recognized in the accompanying statements of financial position. These investments are measured at fair value on a recurring basis using Level 1 inputs of quoted prices in active markets for identical assets as described in ASC 820. There have been no significant changes in the valuation techniques during the year ended December 31, 2023.

Nonrecurring fair value measurements consisted of collateral-dependent loans, net of an ACL on loans, with a Level 3 fair value measurement of \$0 at December 31, 2023, \$387,500 at December 31, 2022 and \$0 at December 31, 2021. The estimated fair value of collateral-dependent impaired loans is based on the appraised or estimated fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy. The CEF considers the appraisal or evaluation as the starting point for determining fair value and then considers other factors and events in the environment that may affect the fair value. Appraisals of the collateral underlying collateral-dependent loans are obtained when the loan is determined to be collateral-dependent and subsequently as deemed necessary by management. Appraisals are reviewed for accuracy and consistency by management. Appraisers are selected from the list of approved appraisers maintained by management. The appraised values are reduced by discounts to consider lack of marketability and estimated cost to sell if repayment or satisfaction of the loan is dependent on the sale of the collateral. These discounts and estimates are developed by management by comparison to historical results.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE D - CURRENT AND LONG-TERM DEBT OBLIGATIONS

WatersEdge obtained a line of credit secured by selected promissory notes in the amount of \$3,000,000 in 2023. The line of credit includes an accordion feature through which WatersEdge can request to increase the amount of proceeds available to \$10,000,000. The debt bears interest at a variable rate, currently at 7.2%, and has a maturity of June 29, 2024. WatersEdge has made no draws on the line of credit and there is no outstanding balance as of December 31, 2023.

NOTE E - NOTES PAYABLE

Through the Circular, the CEF offered notes payable in the aggregate principal amount of \$275,000,000. The following are presently offered notes:

Demand Notes - Demand notes accrue interest at a rate that is adjusted monthly. Additions of principal and partial withdrawals are permitted at any time without any penalty. Interest is paid on the last day of each month.

Term Notes – Term notes accrue interest at a rate that remains fixed throughout its term. Available terms range from six months to five years. Interest is paid quarterly or at maturity, depending upon contractual terms.

A summary of notes payable is as follows:

| | 2023 | 2022 | 2021 |
|--------------|-----------------------|----------------------|----------------------|
| Demand notes | \$ 27,830,181 | \$ 31,665,959 | \$ 26,020,406 |
| Term notes | 82,154,464 | 66,035,180 | 56,189,047 |
| | <u>\$ 109,984,645</u> | <u>\$ 97,701,139</u> | <u>\$ 82,209,453</u> |

Scheduled maturities of term notes payable, as of December 31, 2023:

| | |
|------|----------------------|
| 2024 | \$ 74,012,706 |
| 2025 | 4,957,710 |
| 2026 | 514,070 |
| 2027 | 1,190,856 |
| 2028 | 1,479,122 |
| | <u>\$ 82,154,464</u> |

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE E - NOTES PAYABLE - CONTINUED

Per NASAA Statement of Policy, the CEF must maintain cash, cash equivalents, readily marketable securities and available lines of credit less accounts payable of at least 8% of the principal balance of its outstanding notes payable. The CEF had an unsecured \$3,000,000 bank line of credit with CrossFirst Bank which had no outstanding balance as of December 31, 2023 (see Note D) and an unsecured \$2,000,000 bank line of credit with CrossFirst Bank which had no outstanding balance as of December 31, 2022. The CEF had no outstanding lines of credit as of December 31, 2021. The following presents total liquid assets as a percentage of outstanding notes payable for the years ending December 31:

| | 2023 | 2022 | 2021 |
|--|----------------------|---------------------|---------------------|
| Cash and cash equivalents | \$ 11,018,032 | \$ 7,554,834 | \$ 7,810,226 |
| Certificates of deposit | 1,206,845 | - | 1,618,277 |
| Readily marketable securities | 598,031 | 569,089 | 593,601 |
| Immediately available funds from LOC (limited to 2% of outstanding notes payable) | 2,199,693 | 1,954,023 | - |
| Accounts payable to affiliate | (27,401) | (81,929) | (56,051) |
| Total liquid assets | <u>\$ 14,995,200</u> | <u>\$ 9,996,017</u> | <u>\$ 9,966,053</u> |
| Outstanding notes payable | \$ 109,984,645 | \$ 97,701,139 | \$ 82,209,453 |
| Total liquid assets as a percentage of outstanding notes payable | 13.6% | 10.2% | 12.1% |

NOTE F – ENDOWMENTS

The endowment consists of an individual account established to provide financial support to WatersEdge in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Changes in endowment net assets for the years ending December 31 are described below:

| | 2023 | 2022 | 2021 |
|---------------------------------------|---|---|---|
| | With Donor Restrictions - Subject to Appropriation | With Donor Restrictions - Subject to Appropriation | With Donor Restrictions - Subject to Appropriation |
| Endowment assets at beginning of year | \$ 3,296,536 | \$ 3,296,536 | \$ 3,296,536 |
| Net interest and fee income | 2,992,092 | 2,919,537 | 2,896,363 |
| Non-interest income (loss) | 3,202 | (16,511) | 67,913 |
| Appropriations | (2,995,294) | (2,903,026) | (2,964,276) |
| Endowment assets at end of year | <u>\$ 3,296,536</u> | <u>\$ 3,296,536</u> | <u>\$ 3,296,536</u> |

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the CEF to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occur after the investment of new contributions for donor restricted endowment funds. The CEF had no underwater endowment funds as of December 31, 2023, 2022 or 2021.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE G – EXPENSES BY BOTH FUNCTION AND NATURE

The cost of providing CEF services has been summarized on a functional basis. As the CEF represents a portion of WatersEdge activities, all CEF expenses are considered program expenses. Some expenses are directly incurred by the CEF. These expenses include software, consultant services and bank fees, among others. Some expenses are allocated from WatersEdge based on a variety of cost drivers. These expenses include salaries and benefits, office supplies, rent and marketing and communications, among others. Salaries and benefits are allocated based on estimates of time and effort. Some business and office expenses, like rent, are allocated based on square footage while others, like office supplies, are allocated based on number of employees. Marketing and communications are allocated based on an estimate of consumption of resources.

As the CEF does not actively solicit contributions for their own benefit, no amounts have been allocated to fundraising activities.

| | 2023 | 2022 | 2021 |
|--|---------------------|---------------------|---------------------|
| | Program services | Program services | Program services |
| Notes payable interest expense | \$ 3,384,022 | \$ 1,614,555 | \$ 1,280,572 |
| Denominational note payable interest expense | 2,657,671 | 2,295,247 | 2,217,775 |
| Total interest expense | 6,041,693 | 3,909,802 | 3,498,347 |
| Salaries and benefits | 1,040,118 | 1,013,562 | 938,827 |
| Business and office | 376,919 | 433,354 | 287,439 |
| Professional services | 492,320 | 402,634 | 334,497 |
| Marketing and communications | 203,635 | 195,929 | 117,214 |
| Miscellaneous | 11,531 | 5,940 | 10,547 |
| Total operating expenses | 2,124,523 | 2,051,419 | 1,688,524 |
| Total expenses | \$ 8,166,216 | \$ 5,961,221 | \$ 5,186,871 |

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE H – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects financial assets as of December 31 reduced by amounts not available for general use within one year either because of donor-imposed restrictions, illiquidity, or Board designation for a specific use. For purposes of liquidity analysis, financial assets can be obtained by excluding prepaid assets from total assets on the statement of financial position.

| | 2023 | 2022 | 2021 |
|--|----------------|----------------|----------------|
| Total financial assets | \$ 192,274,735 | \$ 162,941,247 | \$ 144,271,511 |
| Amount unavailable for general expenditure in the next 12 months due to contractually imposed restrictions: | | | |
| Church building loans, net | 178,791,635 | 154,404,428 | 133,891,705 |
| Financial assets contractually available to meet donor imposed restrictions and general expenditures within one year | 13,483,100 | 8,536,819 | 10,379,806 |
| Amount unavailable for general expenditure in the next 12 months due to donor imposed restrictions: | | | |
| Endowments | 3,296,536 | 3,296,536 | 3,296,536 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 10,186,564 | \$ 5,240,283 | \$ 7,083,270 |

As a part of liquidity management, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. To accomplish this, the CEF divides liquidity management into distinct segments as described below.

The CEF maintains reasonable liquidity to meet the anticipated needs of the notes payable as demonstrated in Note E by meeting the minimum NASAA liquidity requirements.

Financial assets available to meet cash needs for general expenditures within one year, at December 31, 2023 were \$10,186,564, which can cover 1,546 days of general expenditures or 445 days of interest on demand, term and denominational notes payable. These assets are comprised of cash and cash equivalents, certificates of deposit and investments. NASAA has liquidity requirements as discussed in Note E with which the CEF complies.

The CEF has committed to a line of credit of \$3,000,000, with an accordion feature which expands the line to a possible \$10,000,000, which it could draw upon. As discussed in Note D, this line of credit remains unused. This line of credit could allow the funding of loan advances or the redemption of notes payable in the event cash flow from loan payments or the sale of notes payable were temporarily insufficient.

The CEF owes \$27,830,181 in principal to holders of demand notes and \$74,012,706 in term notes that are scheduled to mature during 2024. See Note E for the scheduled maturities of all notes. Demand notes may be redeemed in whole or in part, at the option of the registered holder; however the CEF reserves the right to require two business days' notice. Similarly, term notes may be redeemed at the option of the registered holder, with the consent of the CEF, subject to the availability of funds; however, the CEF reserves the right to require two business days' written notice. These redemptions are subject to early redemption penalties if redeemed prior to maturity.

In addition to funding note redemptions, the CEF must also fund its outstanding loan commitments of approximately \$83,054,000 as of December 31, 2023, the majority of which are expected to require funding during 2024 and 2025. Historically, the CEF has been able to meet the loan funding requirements through a combination of existing cash and investments on hand and cash generated from loan repayments and the sale of notes payable.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE I - AFFILIATED ENTITIES

The CEF makes loans to churches, associations and agencies affiliated with the Convention and to churches, associations and agencies that possess like beliefs and commitments to the Convention to finance the purchase of land and buildings, the construction and renovation of facilities, or for other purposes approved by the Board consistent with the mission and ministry of WatersEdge. With few exceptions, these loans are secured by first mortgages on the property and buildings constructed. The lives of these loans are typically established on an amortization of no longer than 25 years. Interest rate parameters are set by the Board with consideration given to the current rates available from commercial sources. The balance of church building loans outstanding was \$184,533,091, \$160,002,689 and \$142,016,245 at December 31, 2023, 2022 and 2021, respectively. An allowance of \$1,173,067, \$1,145,565 and \$1,318,536 for expected credit losses on loans was recorded at December 31, 2023, 2022 and 2021, respectively. The balance for participations made to other Baptist foundations was \$4,372,800, \$4,318,335 and \$6,735,764 at December 31, 2023, 2022 and 2021, respectively.

The CEF used space, employees and other resources of WatersEdge. The CEF owed WatersEdge \$27,401, \$81,929 and \$56,051 at December 31, 2023, 2022 and 2021.

The CEF has an outstanding denominational note payable to WatersEdge of \$70,044,373, \$54,811,702 and \$53,016,455 at December 31, 2023, 2022 and 2021. WatersEdge holds the denominational notes as an asset in common funds and uses the monthly income payments received to provide fixed income investment return to endowments and other similar accounts. Interest expense associated with denominational notes payable was \$2,657,671, \$2,295,247 and \$2,217,775 in 2023, 2022 and 2021, respectively.

As of December 31, 2023, the CEF's Directors, Officers, and employees, their immediate family members, and businesses with which they are affiliated owned Notes in the aggregate totaling \$1,915,629, which represents 1.7% of total Notes. All of these Notes were issued on the same terms as were available other Investors.

NOTE J - PENSION PLAN

WatersEdge employees provide data entry and management services for the CEF. As such, their proportional salaries and benefits are allocated to the CEF each month. All employees providing services to the CEF are eligible to participate in a 403(b) defined contribution pension plan administered by Guidestone Financial Resources of the Southern Baptist Convention for WatersEdge. Under the plan, WatersEdge contributes an amount equal to 10% of participating employees' salaries. In addition, WatersEdge matches employee contributions up to a maximum of an additional 5%. All associated allocated costs are included in salaries and benefits.

NOTE K – COMMITMENTS, CONTINGENCIES AND CREDIT RISK

The CEF had outstanding church building loan receivable commitments totaling approximately \$83,054,000, \$43,682,000 and \$40,173,000 at December 31, 2023, 2022 and 2021.

From time to time, WatersEdge and the CEF may be involved in legal matters arising in the normal course of activities. In the opinion of management, the ultimate liability, if any, with respect to these matters will not have a materially adverse effect on the financial position or activities of the CEF.

The CEF holds investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE L – SIGNIFICANT ESTIMATES AND CONCENTRATIONS

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations which include borrowers and investors with balances greater than 5% of total loans and total notes payable, respectively. In addition, borrower and investor concentrations (greater than 10% of total loans and notes payable) in certain states are included. Estimates related to the ACL on loans are reflected in Note B. Current vulnerabilities due to certain concentrations of credit risk are discussed in Note K.

Loan Concentrations:

At December 31, 2023, one borrower had a concentration of 5.7% of total loans. At December 31, 2022 and 2021, there were no borrower concentrations. At December 31, 2023, 2022 and 2021, borrowers were concentrated in the following states:

| | Count | Amount | |
|----------|-------|---------------|-----|
| 2023: | | | |
| Oklahoma | 121 | \$ 62,182,141 | 34% |
| Colorado | 13 | 23,928,862 | 13% |
| Missouri | 21 | 20,532,508 | 11% |
| Ohio | 23 | 18,755,240 | 10% |
| 2022: | | | |
| Oklahoma | 121 | \$ 48,033,822 | 30% |
| Missouri | 20 | 19,373,578 | 12% |
| Colorado | 13 | 19,165,829 | 12% |
| Ohio | 17 | 17,205,870 | 11% |
| 2021: | | | |
| Oklahoma | 127 | \$ 52,677,941 | 37% |
| Missouri | 20 | 17,901,042 | 13% |
| Colorado | 11 | 15,937,614 | 11% |

Notes Payable Concentrations:

The CEF had two investors with an aggregate concentration of 12.3% and 17.6% at December 31, 2023 and 2022, respectively. Three investors had an aggregate concentration of 25.3% at December 31, 2021. At December 31, 2023, 2022 and 2021, investors were concentrated in the following states:

| | Count | Amount | |
|----------|-------|---------------|-----|
| 2023: | | | |
| Oklahoma | 657 | \$ 70,276,101 | 64% |
| 2022: | | | |
| Oklahoma | 535 | \$ 55,450,095 | 57% |
| Colorado | 91 | 14,290,544 | 15% |
| 2021: | | | |
| Oklahoma | 532 | \$ 49,406,453 | 60% |
| Colorado | 88 | 10,909,785 | 13% |

Church Extension Fund of WatersEdge Ministry Services

NOTES TO FINANCIAL STATEMENTS

December 31, 2023, 2022 and 2021

NOTE M – SUBSEQUENT EVENTS

On March 14, 2024, WatersEdge created a wholly owned subsidiary, WatersEdge Bricktown Holdings, LLC, for the purpose of acquiring an office building in a bargain sale transaction. On April 2, 2024, the CEF purchased a building, accompanying land, and included fixtures with an appraised value of \$17,700,000. The property was acquired for \$10,500,000 cash (gross of closing costs) and a contribution of \$7,200,000 was recorded. WatersEdge will occupy approximately 25% of the office building, will lease approximately 50% of the office building to affiliated entities, and will lease approximately 25% to one non-affiliated entity.



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